



**Report of the
Comptroller and Auditor General
of India**

for the year ended 31 March 2004

(Civil)

Government of Tamil Nadu

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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 the Finance Accounts and the Appropriation Accounts of the State Government for the year ended 31 March 2004.

3. The remaining chapters deal with the findings of performance reviews and audit of transactions in the various departments of Government including the Public Works Department and Autonomous Bodies.

4. Reports containing (a) the observations arising out of audit of Statutory Corporations, Boards and Government Companies, (b) observations on Revenue Receipts of the State Government and (c) observations relating to Local Bodies are presented separately.

5. The cases mentioned in this Report are among those which came to notice in the course of test-audit of accounts during the year 2003-2004 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 2003-2004 have also been included wherever necessary.

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OVERVIEW

OVERVIEW

This Audit Report contains 31 Audit Paragraphs including three general paragraphs and eight Audit Reviews including two long paragraphs apart from comments on the Finance and Appropriation Accounts. As per the existing arrangement, copies of the draft Audit Paragraphs and draft Audit Reviews are sent to the concerned Secretaries to the State Government by the Principal Accountant General demi-officially with a request to furnish replies within six weeks. The Secretaries are also reminded demi-officially. Despite such efforts, in respect of 15 Audit Paragraphs and two Reviews, no response was received from the Secretaries concerned. The matter was also brought to the notice of the Chief Secretary to the Government.

1 Review of the State's Finances

Revenue receipts of the State increased from Rs 16328 crore in 1999-2000 to Rs 23706 crore in 2003-04. During the current year the revenue receipts grew by 13.8 *per cent* over last year due to increase of 11.2 *per cent* in tax revenue, 12.5 *per cent* in non-tax revenue, 16.3 *per cent* in central tax transfer and 33.8 *per cent* in Grants-in-aid from Government of India. Arrears of revenue amounted to Rs 7247 crore and represented 40.2 *per cent* of tax and non-tax revenue of the current year.

Total expenditure of the State increased from Rs 22024 crore in 1999-2000 to Rs 29872 crore in 2003-04. The rate of growth of total expenditure declined from 17.3 *per cent* in 2002-03 to 6.6 *per cent* in 2003-04. The decline in revenue expenditure by 1.6 *per cent* and the increase in revenue receipts by 13.8 *per cent vis-à-vis* the previous year reduced the State's revenue deficit from Rs 4851 crore in 2002-03 to Rs 1565 crore in 2003-04. This positive development enabled reduction of Fiscal deficit and Primary deficit as well. However, the percentage of total expenditure to revenue receipts during 2003-04 was 126 indicating that about 80 *per cent* of the State's total expenditure was met from its current revenue, leaving the balance to be financed by borrowings. Also the fiscal liabilities of the State were more than twice its revenue receipts.

The capital expenditure and loans and advances disbursed increased by 120.5 *per cent* and 45.3 *per cent* over last year's figures while the non-development expenditure consisting of expenditure on General Services and interest payments accounted for 36.3 *per cent* of total expenditure, there was a steady decline in the share of Social Services from 35.9 *per cent* to 33.9 *per cent* during 1999-2004.

Though the targets set for 2003-04 under the Medium Term Fiscal Reforms Plan were mostly achieved, the ratio of outstanding guarantees to Gross State Domestic Product is on an increasing trend indicating that the cap specified in the Fiscal Responsibility Act could be touched within the next few years.

Government companies and co-operative units etc. with an aggregate investment of Rs 1383 crore were incurring a loss which had accumulated to Rs 4261.84 crore as of March 2004. Overall, such investments fetched only a

meagre return of 1.2 *per cent* during 2003-04 while Government continued to borrow funds at a higher rate of interest (5.85 to 6.40 *per cent*).

Revenue realised during 2002-2003 from five major and 47 medium irrigation projects involving a capital expenditure of Rs 2164.31 crore was only 0.20 *per cent* (Rs 4.24 crore) and was not sufficient to cover even the direct working expenses of Rs 92.61 crore. These projects suffered a net loss of Rs 203.54 crore of which five major irrigation projects contributed to a substantial portion of this loss (Rs 133.47 crore).

(Paragraphs 1.1 to 1.12)

2 *Appropriation Audit and control over expenditure*

During 2003-04, expenditure of Rs 36912.47 crore was incurred against the total grants and appropriations of Rs 45059.77 crore, resulting in a saving of Rs 8147.30 crore. The overall saving was the result of saving of Rs 8301.91 crore in 47 grants and 34 appropriations under Revenue section, 26 grants under Capital section and 11 grants and one appropriation (Public Debt repayments) under Loans section, offset by excess of Rs 154.61 crore in two grants and five appropriations under Revenue section and five grants under capital section. The excess expenditure of Rs 154.61 crore requires regularisation under Article 205 of the Constitution of India.

Supplementary provision of Rs 3738.08 crore obtained during the year constituted nine *per cent* of original budget provision of Rs 41321.69 crore. Supplementary provision of Rs 107.32 crore obtained in March 2004 in 34 and 12 Voted grants under Revenue section and Capital sections respectively and in six charged appropriations proved unnecessary in view of the final saving in each grant/appropriation being more than the supplementary provision. On the other hand, in two grants (Grant No. 33 and 40) and in one charged appropriation (Debt charges), supplementary provision obtained proved insufficient, resulting in an uncovered excess expenditure of Rs 154.16 crore.

Substantial surrenders of Rs 8376.89 crore representing 74 *per cent* of total provision in respect of 116 schemes were made on account of either non-implementation or slow implementation of schemes. Of these, cent *per cent* surrender of Rs 390.16 crore was made in 34 schemes.

Re-appropriation proved excessive or insufficient and resulted in savings/excess over Rs 10 lakh in 579 sub-heads of which the excess/savings was more than Rs one crore in 98 cases.

Resumptions to Consolidated Fund under the grants continued to be persistent and significant leading to variations (excess/saving) between the final modified grant/appropriation and actual expenditure, indicating inadequate control over expenditure.

(Paragraphs 2.1 to 2.9)

3 *Performance of the Villupuram District Administration in selected areas*

Villupuram District is one of the backward districts in the State and ranked 28th among the 29 districts in terms of human development index. Though the

District Planning cell and the District Planning Committee were established in the district in October 1999 and February 2002 respectively neither the District Development Plan nor the Annual plans were prepared till date resulting in specific needs of the district not being adequately addressed.

A review of the performance of the District Administration in selected sectors revealed the following.

- Though the target for enrolment in respect of primary classes was 100 per cent with no drop out under Sarva Shiksha Abhiyan, 4116 children were not enrolled in primary classes as of March 2004 and drop out rate was six per cent in 2003-04.
- Shortfall in supply of text books ranged between five and nine per cent during 1999-2002 and the shortfall in supply of uniforms ranged between two and 23 per cent during 1999-2003 due to wrong assessment by Headmasters of the test-checked schools.
- Norms prescribed in the Ninth Plan document were not adhered to for opening of new Primary and Middle schools in unserved habitations.
- About 68 per cent of the rural habitations, 75 per cent of Town Panchayats and all Municipalities in the district were not providing adequate quantity of safe water.
- No augmentation work was taken up in Villupuram Municipality to meet the increasing demand for water due to non-functioning of Municipal council and non-approval of scheme formulated in August 2002.

(Paragraph 3.1)

4 Implementation of the Child Labour (Prohibition and Regulation) Act, 1986

The Child Labour (Prohibition and Regulation) Act, 1986 bans the employment of children of less than 14 years age in specified occupations and processes and lays down penalties for their employers.

A review of the implementation of the Act revealed (a) wide variations in data on estimation of child labour identified through various surveys, (b) failure of the system to reach out to the child labour in unorganised sectors and (c) non-achievement of the objective of rehabilitating all the identified children through special schools.

- National Child Labour Project could not fully achieve its objective of rehabilitation of identified child labour mainly due to closure of special schools, shortage of vocational instructors and absence of a proper system for following up the mainstreamed children.
- Under Child Labour Rehabilitation Project in Chennai slums, enrolment of identified child labour in transit schools was poor and there was no follow up of mainstreamed children for preventing their relapse into child labour.

- Despite the judgement of the Supreme Court and setting apart specific funds for this purpose, the State Government could not rehabilitate 9485 child labourers identified as employed in hazardous occupations.

(Paragraph 3.2)

5 Integrated Audit of Backward Classes, Most Backward Classes and Minorities Welfare department

A review of the functioning of the Department revealed (a) that schemes with high emphasis on education of the Backward Classes (BC) /Most Backward Classes (MBC)/Denotified communities (DNC) suffered due to belated disbursement of scholarship of Rs 11.96 crore and incentives of Rs 12 crore to rural girl students, (b) non-supply of special guides at the beginning of each year to hostel students, (c) short supply/non-supply of text books and uniforms to eligible students and (d) negligible utilisation of free house sites distributed due to non-availability of infrastructural facilities.

- Addition of project period interest with the estimated cost of constructing hostels resulted in additional liability of Rs 2.69 crore towards interest on a loan availed for the purpose.
- Though 5515 persons were trained in heavy vehicle driving during 1996-2000 at a cost of Rs 7.89 crore, data regarding the trainees who secured employment was not ascertained. This led to non-continuance of the scheme after 2001-2002. Also Rs 64 lakh given for this purpose was not got refunded from Institute of Road Transport.
- Out of 1.93 lakh pattas for house sites distributed free during 1981-2004, only a meagre 5000 houses (three per cent) were constructed in the State despite the Government stipulation that the houses were to be constructed within six months of distribution of 'pattas'. Government decided to provide the necessary infrastructural facilities only in December 2001. Further, in 16 districts 4176 plots acquired at a cost of Rs 84.76 lakh remained undistributed as of April 2004.
- The administrative structure of the Department from Government to the grass root level has inbuilt inconsistencies and remedial action has to be taken by Government to streamline the administration.

(Paragraph 3.3)

6 Puratchi Thalaivar MGR Nutritious Meal Programme

Puratchi Thalaivar MGR Nutritious Meal Programme was launched in 1982 with a view to providing adequate nutrition to economically disadvantaged children of age group 2 to 5 years and was later extended to students of age up to 15 years. Besides combating malnutrition, the programme sought to act as an incentive for increasing enrolment in schools and for reducing dropouts.

A review of the programme revealed the following:

- A quantity of 38820 MT of fine rice received from Government of India under National Programme of Nutritional Support to Primary Education, was substituted by common rice.
- Supply and use of Double Fortified Salt in seven goitre prone districts against the recommendations of UNICEF and the National Institute of Nutrition resulted in extra expenditure of Rs 27.15 lakh during 2002-04.
- Despite recommendations of the Public Accounts Committee, measuring devices for weighing food ingredients had not been provided to the noon-meal centres.
- There were shortfalls in conducting inspections by the Personal Assistant (NMP) in various districts during 2002-04. Similarly the Block Development Officers did not conduct required number of inspections during 1999-2004 in three sample districts.

(Paragraph 3.4)

7 Review of Indian Systems of Medicine and Homoeopathy

With a view to encourage and popularise traditional Indian Systems of Medicine and Homoeopathy and to bring out their benefits, State Government set up a separate Directorate of Indian Medicine and Homoeopathy in 1970 under the Health and Family Welfare Department. However, even as of 2003-04, the Directorate did not have any statistical data to indicate the effectiveness of these systems of medicine in treatment of diseases. The vacancies in the posts of Assistant Medical Officers resulted in shortfall in provision of services to the extent of 15 days or more in a month in 56 per cent and 68 per cent of the months in two test-checked districts during 1999-2003. About 46 per cent of the in-patients in Arignar Anna Government Hospital of Indian Medicines, Chennai did not complete the treatment during 1999-2004 as they either abandoned the treatment or got themselves discharged against medical advice.

- Out of Rs 60 lakh released as grant by Government of India for procurement of equipments for drug testing laboratory, Rs 27.88 lakh were not utilised.
- Four Research Units established in Arignar Anna Government Hospital of Indian Medicines did not carry out any research activity due to lack of modern machineries/equipments and staff.

(Paragraph 3.5)

8 Integrated Sanitary Complexes for women

To improve rural sanitation, Government sanctioned a State Plan scheme for construction of Integrated Sanitary Complexes for women to provide toilets, bathrooms, space for washing and water tubs in each of 12618 Village Panchayats in two phases during 2001-03. The cost of the project was met by obtaining loan from the Housing and Urban Development Corporation

Limited and partially by providing State contribution dovetailing other schemes like Member of Legislative Assembly Constituency Development Scheme and Total Sanitation Campaign.

As of March 2004, only 8278 complexes had been completed against the targeted 12618 complexes. This was mainly due to delay in completion of first phase and belated commencement of second phase.

➤ Scrutiny of records in connected offices and in three sample districts revealed delay in completion/putting into use of the complexes, non-usage due to lack of electricity connection, poor/non-optimum use of constructed complexes and absence of maintenance due to non-involvement of user groups, incorrect classification of loan as urban infrastructure with higher rate of interest resulting in an additional interest liability of Rs 1.34 crore, unjustified loan amount of Rs 1.77 crore towards Administration and Supervision charges and unnecessary expenditure of Rs 28.83 lakh towards construction of pump rooms in 536 complexes wherein submersible pumps were installed. Also, the monitoring during construction and post-construction was not largely achieved due to non-formation/belated formation of Block level committees.

(Paragraph 3.6)

9 Drought relief measures in Animal Husbandry Department

Out of Rs 20 crore released by Government of India in December 2002 to the State Government for drought relief measures from National Calamity Contingency Fund towards fodder, Rs 10 crore were released on the recommendation of the State Level Committee. Contrary to guidelines that such funds be used for providing immediate benefit, Rs 7.38 crore out of this amount was utilised for establishment of infrastructure for development of fodder inputs, a long term approach.

Though Government requested in December 2003 to obtain utilisation certificate for the amount spent and to surrender the unspent amount, further orders were issued by Government itself for releasing Rs 76.10 lakh to Principal Chief Conservator of Forests in January 2004 and Rs 1.51 crore to Rural Development Department in June 2004. Such belated and piecemeal sanction and transfer indicated the absence of definite and decisive plans initially to combat drought.

➤ Though 28 districts were declared as drought affected, funds for drinking water facilities and for protection of livestock against diseases were released only for 22 districts.

➤ Though the protection of livestock against diseases was proposed on the ground that shortage of feed and fodder during drought period would reduce their vitality and immunity to diseases, Animal Husbandry Department proposed to protect only 25 per cent of the cattle population in 22 districts. Even against the reduced target of 82.51 lakh, only 27.20 lakh cattle (33 per cent) were vaccinated due to short supply of vaccines by Tamil Nadu Medical Service Corporation.

(Paragraph 3.7)

10 *Wasteful/Unfruitful expenditure*

(i) Commencement of the Chennai Sewerage Renovation and Function Improvement Project by Chennai Metropolitan Water Supply and Sewerage Board without first firming up commitment from the concerned major industries for utilising the renovated sewage resulted in unfruitful expenditure of Rs.138.93 crore (including interest) incurred on the project.

(Paragraph 4.1.1)

(ii) Defective execution of works for augmentation of the sewerage system and its poor maintenance by Tamil Nadu Water Supply and Drainage Board defeated the objective of prevention of pollution of Udhagamandalam lake despite an expenditure of Rs 12.45 crore. Besides, Rs 1.42 crore were spent for cleaning the lake.

(Paragraph 4.1.2)

(iii) Carrying out rehabilitation works of the tank bund of Willingdon Reservoir in Thittakudi taluk of Cuddalore District without proper investigation resulted in wasteful expenditure of Rs 5.04 crore. This included an avoidable extra expenditure of Rs 1.21 crore due to allowing excess lead for transportation of red earth and cost of earth.

(Paragraph 4.1.3)

(iv) Commencement of the work of widening and strengthening the existing Alappakkam railway feeder road and Alappakkam – Periakuppam road for a petroleum refinery without completing acquisition of land and obtaining the required contribution in full from the refinery resulted in expenditure of Rs 2.86 crore being largely unfruitful.

(Paragraph 4.1.4)

(v) Designing a canal for a higher capacity than required to utilise the surplus water from Suruliyar river resulted in wasteful expenditure of Rs 97.85 lakh.

(Paragraph 4.1.5)

11 *Avoidable / Extra expenditure*

(i) Government paid Rs 18.47 crore as concession to power tariff though no liability on account of such a commitment existed.

(Paragraph 4.2.1)

(ii) The failure of the Chief Engineer and Director, Highways Research Station to follow the latest census and the revised specifications in widening and strengthening the radial roads leading to Madurai resulted in an avoidable extra expenditure/liability of Rs 9.46 crore.

(Paragraph 4.2.2)

(iii) Provision of bituminous concrete on roads taken from Chennai Corporation by Highways Department for improvement and maintenance in excess of standard requirement resulted in avoidable extra expenditure of Rs 6.33 crore.

(Paragraph 4.2.3)

(iv) Payment by Commissioner of Handlooms and Textiles for cloth for uniforms supplied by Tamil Nadu Textile Corporation, Coimbatore and Tamil Nadu Handloom weavers Co-operative Society (Co-optex), Chennai without accounting for the elongation of cloth during processing resulted in avoidable extra expenditure of Rs 2.98 crore.

(Paragraph 4.2.4)

(v) Entering into an agreement containing vital omissions with a foreign consultant under Tamil Nadu Road Sector Project by its Project Director and delay in providing him necessary data and facilities resulted in an avoidable payment of Rs 2.97 crore to him.

(Paragraph 4.2.5)

(vi) The distribution network from the water distribution station for Choolaimedu zone was strengthened at a cost of Rs 32.75 crore and commissioned in May 2001. Leakages in the strengthened distribution network resulted in sub-optimal use of pumping capacity created and an unfruitful expenditure of Rs 1.44 crore.

(Paragraph 4.2.6)

(vii) Unjustifiable increase in the width of a Jeep track by the Executive Engineer, Periyar Improvements Division VII, Madurai and allowing rates higher than admissible for the quantity of earth conveyed from longer distances by the Superintending Engineer, Periyar Vaigai Basin Circle in respect of two sub-works taken up for providing irrigation facilities resulted in avoidable extra commitment of Rs 1.12 crore.

(Paragraph 4.2.7)

(viii) Failure to investigate field conditions and to follow the prescribed procedure before sending Land Plan Schedules under Chennai City Waterways Project and poor co-ordination with Revenue Department resulted in abnormal delay in land acquisition and caused avoidable expenditure of Rs 1.09 crore.

(Paragraph 4.2.8)

12 Blocking of funds

(i) Failure to implement the High Court order for allotment of flats/houses/plots by the Tamil Nadu Housing Board under Government Discretionary Quota resulted in blocking of at least Rs 26.13 crore.

(Paragraph 4.3.1)

(ii) Due to incorrect estimation by State Government, Rs 11.46 crore was received in excess from Government of India for the scheme of free supply of bicycles to Scheduled Castes/Scheduled Tribes/Scheduled Caste Convert girl students of class XI and XII which remained unutilised for more than two years besides resulting in an avoidable interest liability of Rs 4.23 crore.

(Paragraph 4.3.2)

(iii) To avoid lapse of budget grant, Rs five crore pertaining to schemes awaiting sanction was drawn by the Commissioner of Tourism in March 2004 and kept outside Government account. Similarly, Rs 40 lakh were drawn in

March 2002 far in advance of requirement and deposited outside Government account for works in a banned area resulting in its retention for more than two years.

(Paragraph 4.3.3)

(iv) Non-maintenance of accounts of Self Sufficiency Scheme for the State as a whole by the Director of Rural Development resulted in non-ascertaining of details of unutilised funds with District Rural Development Agencies though Rs 2.69 crore was available as of March 2004 with 10 District Rural Development Agencies. Four District Rural Development Agencies spent Rs 63.01 lakh towards purchase of furniture under the scheme in violation of Government instructions.

(Paragraph 4.3.4)

(v) Rupees 2.80 crore of Central assistance received under Operation Black Board (closed in March 2002) was lying unutilised in Personal Deposit account of Tamil Nadu Text Book Corporation (Rs 2.56 crore) and Savings Bank Account of Director, Elementary Education (Rs 0.44 crore) despite Government of India instructions in January 2002 for transferring it to the scheme Sarva Shiksha Abhiyan, the substituted scheme.

(Paragraph 4.3.5)

(vi) Government resorted to off-budget borrowing of Rs 69.25 crore during 2001-02 for implementing Anna Marumalarchi Thittam and thereby circumvented exhibiting liability of repayment of loan in its accounts resulting in understatement of debt liabilities. Though the scheme was discontinued from April 2003, unutilised funds of Rs 2.22 crore due for refund to Government were lying with 11 DRDAs for more than a year.

(Paragraph 4.3.6)

13 Other points of interest

(i) Failure of the Tamil Nadu Housing Board since 1970 to take over vacant land currently valued at Rs 12.70 crore facilitated its encroachment, the eviction of which could not be ensured by Revenue Department.

(Paragraph 4.4.2)

(ii) Failure to watch payment of interest on a Government loan of Rs 10 crore released in January 1996 and February 1997 to Chennai Metropolitan Development Authority resulted in loss of interest of Rs 7.57 crore accrued during the moratorium period and penal interest.

(Paragraph 4.4.3)

(iii) The Principal, Sainik school, Amaravathy Nagar unauthorisedly retained the unutilised amount of Rs 1.03 crore out of the scholarship grants given to the school during 1999-2003 without refunding it to Government and also submitted excess claims of Rs 27.90 lakh.

(Paragraph 4.4.4)

CHAPTER I

FINANCES OF THE STATE GOVERNMENT

Statement No. 2 contains the summarised statement of capital outlay showing progressive expenditure to the end of 2003-04.

Statement No. 3 gives financial results of irrigation works, their revenue receipts, working expenses and maintenance charges, capital outlay, net profit or loss, etc.

Statement No. 4 indicates the summary of debt position of the State which includes internal debt, borrowing from Government of India, other obligations and service of debt.

Statement No. 5 gives the summary of loans and advances given by the State Government during the year, repayments, recoveries in arrears, etc.

Statement No. 6 gives the summary of guarantees given by the Government for repayment of loans etc. raised by the statutory corporations, local bodies and other institutions.

Statement No. 7 gives the summary of cash balances and investments made out of such balances.

Statement No. 8 depicts the summary of balances under Consolidated Fund, Contingency Fund and Public Account as on 31 March 2004.

Statement No. 9 shows the revenue and expenditure under different heads for the year 2003-04 as a percentage of total revenue/total expenditure.

Statement No. 10 indicates the distribution between the Charged and Voted expenditure incurred during the year.

Statement No. 11 indicates the detailed account of revenue receipts by minor heads.

Statement No. 12 provides detailed account of revenue expenditure by minor heads and capital expenditure by major heads under Non Plan and Plan.

Statement No. 13 depicts the detailed capital expenditure incurred during and to the end of 2003-04.

Statement No. 14 shows the details of investment of the State Government in statutory corporations, government companies, other joint stock companies, cooperative banks and societies etc. up to the end of 2003-04.

Statement No. 15 depicts the capital and other expenditure to the end of 2003-04 and the principal sources from which the funds were provided for that expenditure.

Statement No. 16 gives the detailed account of receipts, disbursements and balances under heads of account relating to Debt, Contingency Fund and Public Account.

Statement No. 17 presents detailed account of debt and other interest bearing obligations of the Government.

Statement No. 18 provides the detailed account of loans and advances given by the Government, the amount of loan repaid during the year, the balance as on 31 March 2004 and the amount of interest received during the year.

Statement No. 19 gives the details of earmarked balances of Reserve Funds/Deposit Accounts.

1.2 Trend of Finances with reference to previous year

Financial position of the State Government during the current year as compared to the previous year was as under:

(Rupees in crore)

2002-03	Sl.No	Major Aggregates	2003-04
20837	1.	Revenue Receipts	23706
14342	2.	Tax Revenue (Net)	15945
1861	3.	Non-Tax Revenue	2094
4634	4.	Other Receipts	5667
433	5.	Non-Debt Capital Receipts	575
433	6.	Of which Recovery of Loans	575
21270	7.	Total Receipts (1+5)	24281
23122	8.	Non-Plan Expenditure	21506
22715	9.	On Revenue Account	20835
4133	10.	Of which Interest Payments	4700
407	11.	On Capital Account	671
277	12.	Of which loans disbursed	550
4890	13.	Plan Expenditure	8366
2973	14.	On Revenue Account	4436
1917	15.	On Capital Account	3930
419	16.	Of which Loans disbursed	461
28012	17.	Total Expenditure (8+13)	29872
6742	18.	Fiscal Deficit (17-1-5)	5591
4851	19.	Revenue Deficit (9+14-1)	1565
2609	20.	Primary Deficit (18-10)	891

1.3 Summary of Receipts and Disbursements

Table 1 summarises the state of Finances of the Government of Tamil Nadu for the year 2003-04 covering revenue receipts and expenditure, capital receipts and expenditure and public account receipts and disbursements made during the year as emerging from Statement-1 of Finance Accounts and other detailed statements.

Table 1: Summary of Receipts and Disbursements for the year 2003-2004

(Rupees in crore)

Receipts				Disbursements				
2002-2003	Section-A: Revenue	2003-2004		2002-2003	Section-A: Revenue	Non-Plan	Plan	Total
20836.74	Revenue receipts -	23705.71		25687.70	Revenue expenditure-			25270.95
14341.71	-Tax revenue	15944.97		9894.91	-General services	10556.22	32.89	10589.11
1860.62	-Non-tax revenue	2093.79		7974.05	-Social Services	6242.59	2355.18	8597.77
3047.57	-Share of Union Taxes/Duties	3544.20		6261.62	-Economic Services	2707.47	1899.93	4607.40
1586.84	-Grants from Government of India	2122.75		1557.12	-Grants-in-aid and Contributions	1328.93	147.74	1476.67
4850.96	Revenue deficit carried over to Section B	1565.24		25687.70	Total	20835.21	4435.74	25270.95
25687.70	Total	25270.95		25687.70	Total			25270.95

(Rupees in crore)

Receipts			Disbursements		
Section-B : Capital and others			Section-B : Capital and others		
81.80	Opening Cash balance	169.35	..	Opening Overdraft from Reserve Bank of India-	579.63
			1627.54	Capital Outlay-	3589.91
432.69	Recoveries of Loans and Advances-	574.55	696.65	Loans and Advances disbursed-	1010.57
8816.77	Public debt receipts-	9723.32	4850.96	Revenue deficit brought down-	1565.24
..	Amount transferred to Contingency Fund-	Nil	2144.49	Repayment of Public debt-	3948.33 ^(e)
27155.49	Public Account receipts-	28106.63	27577.39	Public Account disbursements-	27195.59
579.63	Closing Overdraft from Reserve Bank of India-	Nil	169.35	Cash Balance at end-	684.58
37066.38	Total	38573.85	37066.38	Total	38573.85
62754.08	Grand Total	63844.80	62754.08	Grand Total	63844.80

(e) Includes net transactions under ways and means advances: Rs 55.09 crore

1.4 Audit Methodology

Audit observations on the Finance Accounts for the year 2003-04 bring out the trends in the major fiscal aggregates of receipts and expenditure and from the statements of the Finance Accounts for the year 2003-04 and wherever else necessary, show these in the light of time series data (Appendix I), Abstract of Receipts and Disbursements (Appendix II), Sources and Application of Funds (Appendix III), Summarised Financial position of Government of Tamil Nadu (Appendix IV) and periodic comparisons. The reporting parameters are depicted in the Box 1.2.

Box 1.2

Reporting Parameters

Fiscal aggregates such as tax and non-tax revenue, revenue and capital expenditure, internal and external debt and revenue and fiscal deficits have been presented as percentage to Gross State Domestic Product at current market prices. The data given by the Department of Economics and Statistics of the State Government for the GSDP at current prices have been used for this purpose.

For tax revenues, non-tax revenues, revenue expenditure etc. buoyancy projections have also been provided for a further estimation of the range of fluctuations with reference to the base represented by GSDP.

For most series, a trend growth during 1999-2004 has been indicated. Some of the terms used here are explained in Appendix V.

The key indicators adopted for analysing the State finances are (i) Resources by volumes and sources, (ii) Application of resources, (iii) Assets and Liabilities and (iv) Management of deficits. Audit observations have also taken into account the cumulative impact of resource mobilisation efforts, debt servicing and corrective fiscal measures. Overall financial performance of the

State Government as a body corporate has been presented by the application of a set of ratios commonly adopted for the relational interpretation of fiscal aggregates.

The accounts of the State Government are kept in three parts (i) Consolidated Fund (ii) Contingency Fund and (iii) Public Account. They are defined in Box 1.3.

Box 1.3	
State Government Funds and the Public Account	
<p>Consolidated Fund</p> <p>All revenues received by the State Government, all loans raised by issue of treasury bills, internal and external loans and all moneys received by the Government in repayment of loans shall form one consolidated fund entitled 'The Consolidated Fund of State' established under Article 266(1) of the Constitution of India.</p>	<p>Contingency Fund</p> <p>Contingency Fund of State established under Article 267(2) of the Constitution is in the nature of an imprest placed at the disposal of the Governor to enable him to make advances to meet urgent unforeseen expenditure, pending authorisation by Legislature. Approval of the Legislature for such expenditure and for withdrawal of an equivalent amount from the Consolidated Fund is subsequently obtained, whereupon the advances from the Contingency Fund are recouped to the Fund.</p>
<p>Public Account</p> <p>Besides the normal receipts and expenditure of Government which relate to the Consolidated Fund, certain other transactions enter Government Accounts, in respect of which Government acts more as a banker. Transactions relating to provident funds, small savings, other deposits, etc. are a few examples. The public moneys thus received are kept in the Public Account set up under Article 266(2) of the Constitution and the related disbursements are made from it.</p>	

State Finances by key indicators

1.5 Resources by volume and sources

1.5.1 Resources of the State Government consist of revenue receipts and capital receipts. Revenue receipts consist of tax revenue, non-tax revenues, State's share of Union taxes and duties and grants-in-aid from the Central Government. Capital receipts are comprised of miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources viz. market loans, borrowings from financial institutions/ commercial banks, etc., loans and advances from Government of India as well as accruals from Public Account.

Table 2 shows the total receipts of the Government of Tamil Nadu (Rs 62111 crore) for the year 2003-04, by volume and source.

Table 2: Resources of Government of Tamil Nadu

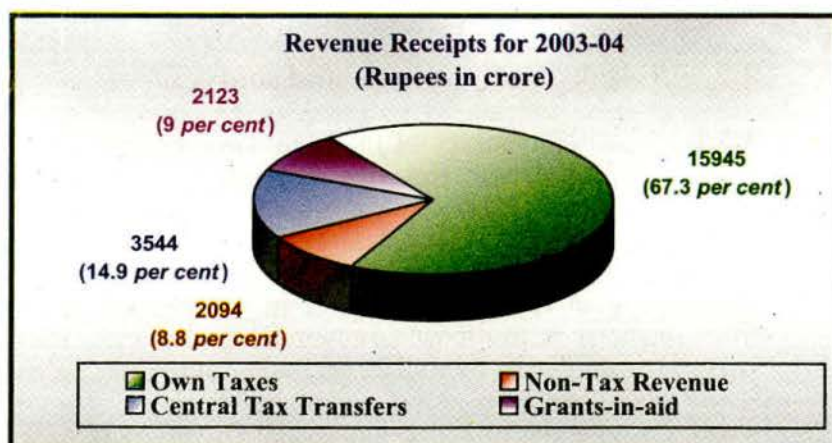
			(Rupees in crore)
I	Revenue Receipts		23706
II	Capital Receipts		10298
	a.	Recovery of Loans and Advances	575
	b.	Debt Receipts	9723
III	Public Account Receipts		28107
	a.	Small Savings and Provident Fund	2688
	b.	Reserve Funds	737
	c.	Deposit and Advances	8742
	d.	Suspense and Miscellaneous	12286
	e.	Remittances	3654
Total Receipts			62111

Revenue Receipts

1.5.2 Statement-11 of the Finance Accounts details the revenue receipts of the Government. The revenue receipts of the Government consist mainly of its own tax, non-tax revenue, central tax transfers and grants-in-aid from Government of India. Revenue receipts, their annual rate of growth, ratio of these receipts to the GSDP and their buoyancies are indicated in Table 3 below:

Table 3: Revenue Receipts - Basic Parameters
(Value in crore of Rupees and others in percentage)

	1999-2000	2000-01	2001-02	2002-03	2003-04
Revenue Receipts	16328	18317	18818	20837	23706
- Own Taxes	10919	12282	13010	14342	15945
- Non-Tax Revenue	1357	1711	1557	1861	2094
- Central-Tax Transfers	2667	2784	2870	3047	3544
- Grants-in-aid	1385	1540	1381	1587	2123
Rate of growth of Revenue Receipts	14.5	12.2	2.7	10.7	13.8
Revenue Receipts/GSDP	12.9	13.0	13.1	13.5	13.9
Revenue Buoyancy	2.07	1.05	1.59	1.39	1.34
GSDP growth	7.0	11.6	1.7	7.7	10.3



1.5.3 Overall revenue receipts of the State increased from Rs 16328 crore in 1999-2000 to Rs 23706 crore in 2003-04. The Revenue Receipts

rose by 13.8 *per cent* during 2003-04 mainly due to increased Sales Tax collections, grants-in-aid from Government of India and share of Union Taxes.

1.5.4 Overall growth of the four components of Revenue Receipts during 1999-2004 had also differed significantly. While the State's own taxes recorded a growth of 46 *per cent* during 1999-2004, the non-tax revenue recorded a growth of 54.3 *per cent*. The growth of revenue from Central taxes and grants-in-aid was 32.9 and 53.3 *per cent* respectively.

1.5.5 While the revenue from the State's own resources, increased from 75.2 *per cent* of the total revenue in 1999-2000 to 76.1 *per cent* during 2003-04, the contribution of Central tax transfers and grants-in-aid from Government of India together, declined from 24.8 *per cent* of the total revenue to 23.9 *per cent* during the above period. However in absolute terms, the Central tax transfers and grants-in-aid increased from Rs 2667 crore and Rs 1385 crore to Rs 3544 crore and Rs 2123 crore respectively during the above period.

1.5.6 The sources of receipts during the period 1999-2000 to 2003-04 are given in Table 4 below.

Table 4: Sources of Receipts – Trends

(Rupees in crore)

Year	Revenue Receipts	Capital Receipts			Total Receipts	Gross State Domestic Product ^(a)
		Non-Debt Receipts including Contingency Fund receipts	Debt receipts	Accruals in Public Account		
1999-2000	16328	314	3711	19545	39898	126449
2000-2001	18317	359	4731	21286	44693	141109
2001-2002	18818	325	4522	21209	44874	143517
2002-2003	20837	433	9396	27156	57822	154566
2003-2004	23706	575	9723	28107	62111	170530

^(a) GSDP figures of all years revised adopting the figures communicated by Government.

Arrears of revenue

1.5.7 The arrears of revenue which had steadily increased from Rs 6325 crore in 1999-2000 to Rs 9424 crore in 2002-03 decreased to Rs 7247 crore during 2003-04, which is a favourable development in State finances. The outstanding revenue as on 31 March 2004 was 40.2 *per cent* of the tax and non-tax revenue raised during 2003-04 as compared to 58.2 *per cent* during the previous year. Of the arrears of Rs 7247 crore as of March 2004, Rs 1663 crore (23 *per cent*) were outstanding for more than five years. The arrears mainly pertained to Sales Tax (Rs 6529 crore) and Mines and Minerals (Rs 397 crore).

1.6 Application of resources

Trend of Growth

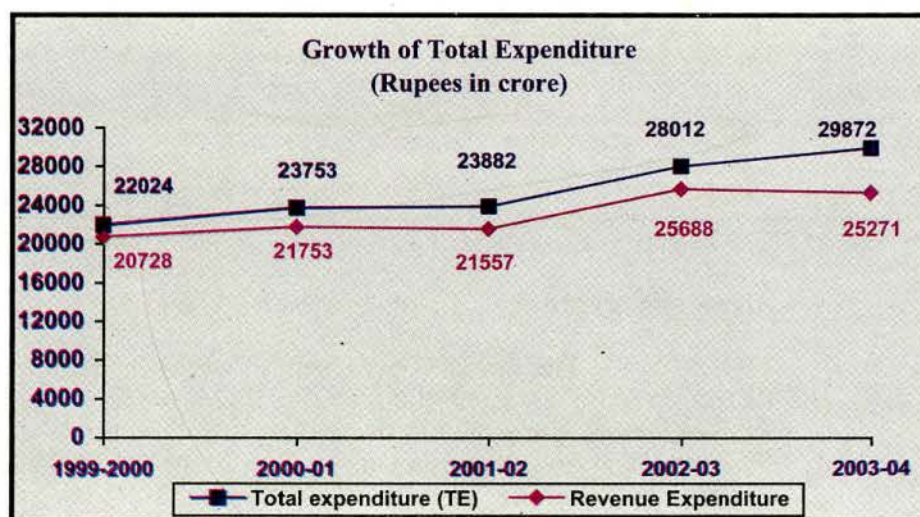
1.6.1 Statement-12 of the Finance Accounts gives the details of expenditure by minor heads. Total expenditure of the State, its annual rate of growth, ratio of expenditure to the State's GSDP and revenue receipts and its

buoyancy with regard to GSDP and revenue receipts are indicated in Table 5 below:

Table 5: Total Expenditure – Basic Parameters
(value in crore of Rupees and others in percentage)

	1999-2000	2000-01	2001-02	2002-03	2003-04
Total expenditure (TE)	22024	23753	23882	28012	29872
Rate of Growth	13.8	7.9	0.5	17.3	6.6
TE/GSDP	17.4	16.8	16.6	18.2	17.5
TE/Revenue Receipts	134.9	129.7	126.9	134.4	126.0
Buoyancy of total expenditure with					
GSDP	1.97	0.68	0.29	2.25	0.64
Revenue Receipts	0.95	0.65	0.19	1.62	0.48

1.6.2 Overall expenditure of the State comprising revenue expenditure, capital expenditure and the loans and advances increased from Rs 22024 crore in 1999-2000 to Rs 29872 crore in 2003-04. The rate of growth of total expenditure declined from 17.3 per cent in 2002-03 to 6.6 per cent in 2003-04. While the Revenue Expenditure during 2003-04 declined by 1.6 per cent as compared to the previous year, the Capital expenditure and loans and advances disbursed increased by 120.5 per cent and 45.3 per cent over the previous year's figures. The percentage of total expenditure to revenue receipts during 2003-04 was 126 indicating that only about 80 per cent of the State's total expenditure was met from its current revenue, leaving the balance to be financed by borrowings.

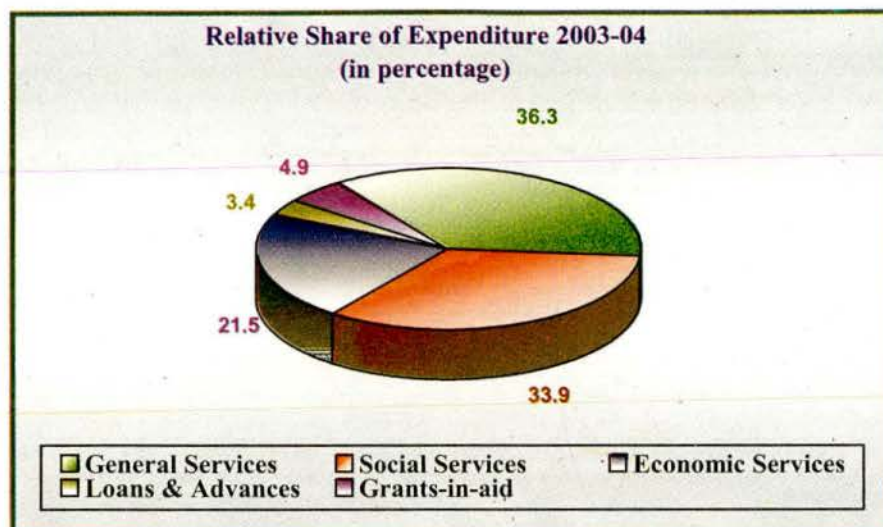


1.6.3 The relative share of different components in total expenditure is indicated in Table 6.

Table 6: Components of Expenditure – Relative share (in percentage)

	1999-2000	2000-01	2001-02	2002-03	2003-04
General Services	23.5	22.7	23.3	21.2	20.6
Interest Payments	12.3	13.1	14.7	14.7	15.7
Social Services	35.9	35.5	34.9	30.7	33.9
Economic Services	20.6	22.7	21.8	25.3	21.5
Loans and Advances	3.0	1.9	2.3	2.5	3.4
Grants-in-aid	4.7	4.1	3.0	5.6	4.9
Total	100	100	100	100	100

1.6.4 Interest payments and expenditure on General Services considered as non-developmental expenditure together accounted for 36.3 per cent of total expenditure in 2003-04. There was a steady decline in the share of Social Services from 35.9 per cent to 33.9 per cent during the five year period.



Incidence of Revenue expenditure

1.6.5 Revenue expenditure had the predominant share in total expenditure. Such expenditure does not increase the Assets of the Government. Overall revenue expenditure, its rate of growth, ratio of revenue expenditure to State's GSDP and revenue receipts are indicated in Table 7 below:

Table 7: Revenue Expenditure – Basic Parameters
(value in crore of Rupees and others in percentage)

	1999-2000	2000-01	2001-02	2002-03	2003-04
Revenue Expenditure (RE)	20728	21753	21557	25688	25271
Rate of Growth	17.1	4.9	(-) 0.9	19.2	(-) 1.6
RE/GSDP	16.4	15.4	15.0	16.6	14.8
RE as % of TE	94.1	91.6	90.3	91.7	84.6
RE as % to Revenue Receipt	126.9	118.8	114.6	123.3	106.6

1.6.6 Overall revenue expenditure of the State increased from Rs 20728 crore in 1999-2000 to Rs 25688 crore in 2002-03 and then decreased marginally to Rs 25271 crore in 2003-04. As a percentage of GSDP, the revenue expenditure ranged between 14.8 and 16.6. Further, the ratio of revenue expenditure to total expenditure was 84.6 in 2003-04; in other words, 84.6 per cent of total expenditure of the State was in the nature of expenditure on current consumption. The decrease of revenue expenditure by Rs 417 crore in 2003-04 was mainly due to decrease under 'Assistance to Electricity Board'¹ and 'consumer subsidies' under Civil Supplies. The ratio of revenue expenditure to revenue receipt has declined from 126.9 per cent in 1999-2000

¹ During 2002-03, assistance of Rs 1962 crore was extended to Tamil Nadu Electricity Board (TNEB) as an one time settlement of its dues with Central utilities.

to 106.6 *per cent* in 2003-04, indicating decline in State's dependence on borrowing for meeting the current expenditure.

Trend of salary expenditure

1.6.7 The salary expenditure including Dearness Allowance of the State Government over the last five years given below (Table 8) revealed that Salaries alone consumed nearly 29.8 *per cent* of the revenue receipts of the Government during 2003-04. The expenditure on salaries decreased from Rs 7225 crore in 2002-03 to Rs 7066 crore in 2003-04. The salary expenditure as a percentage of Revenue Receipts and GSDP declined from 34.7 to 29.8 *per cent* and from 4.7 to 4.1 *per cent* respectively as compared to the last year. This is a positive trend from the point of view of health of the Government's finances.

Table 8: Salary Expenditure

(Rupees in crore)

	1999-2000	2000-01	2001-02	2002-03	2003-04
Salary Expenditure	7242	7169	7265	7225	7066
As % of GSDP	5.7	5.1	5.1	4.7	4.1
As % of Revenue Receipts	44.4	39.1	38.6	34.7	29.8

Huge expenditure on pension payments

1.6.8 Pension payments consumed 13.8 *per cent* of the revenue receipts of the Government during 2003-04 and it increased by 22 *per cent* from Rs 2688 crore in 1999-2000 to Rs 3280 crore in 2003-04. As a percentage of revenue expenditure, it constituted about 13 *per cent* during 2003-04.

Interest payments

1.6.9 Interest payments made during the period 1999-2000 to 2003-04 along with its percentage to Revenue Receipts and Revenue Expenditure are given in Table 9 below:

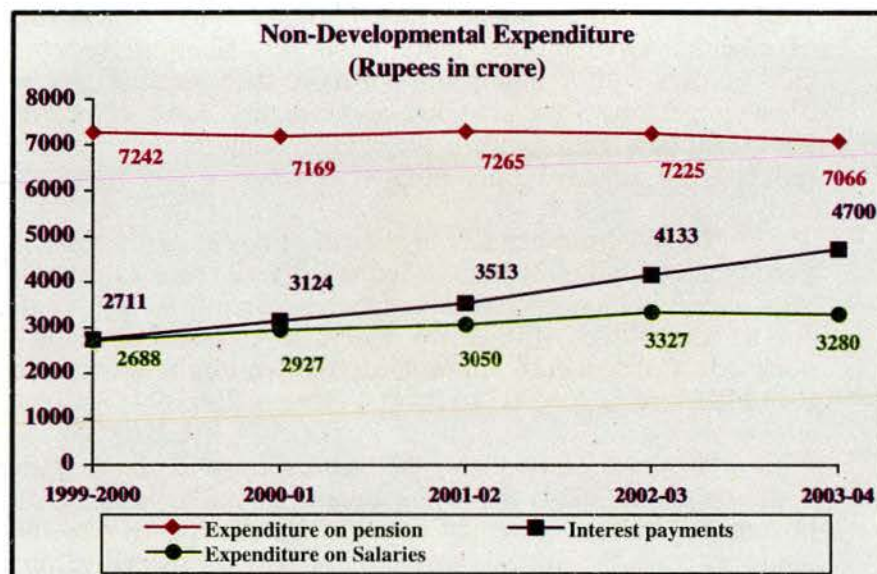
Table 9: Interest payments

Year	Interest payments (Rupees in crore)	Percentage of Interest payments with	
		Revenue Receipts	Revenue Expenditure
1999-2000	2711	16.6	13.1
2000-2001	3124	17.1	14.4
2001-2002	3513	18.7	16.3
2002-2003	4133	19.8	16.1
2003-2004	4700	19.8	18.6

Interest payments increased by 73.4 *per cent* from Rs 2711 crore in 1999-2000 to Rs 4700 crore in 2003-04 (the average growth rate being 16.5 *per cent*) primarily due to continued reliance on borrowings to meet the Fiscal Deficit. During 2003-04, Government raised Rs 2850.96 crore from open market at a weighted average rate of interest of 6.15 *per cent* per annum. It also borrowed Rs 3785.46 crore from National Small Savings Fund at

9.5 per cent per annum and Rs 1023 crore at 10.5 per cent per annum from Government of India during the year.

1.6.10 The growth of salaries, pensions and interest payments is depicted in the following chart.



Subsidies

1.6.11 Subsidies can be defined as the difference between the cost of goods and services provided and the actual recoveries made from its users. Subsidies are categorised as Direct and Indirect. In case of direct subsidies there are clear norms for identification of beneficiaries and specific budgetary allocation.

1.6.12 The Budget Speech for 2003-04 envisaged reduction of the subsidy burden of the State Government through proper targeting of the most deserving sections and through recovery of cost-based user charges from others.

1.6.13 Direct subsidies as compiled from accounts, declined from Rs 1768.42 crore during 2002-03 to Rs 1680 crore during 2003-04 and constituted 6.6 per cent of the Revenue Expenditure (Rs 25271 crore). Major subsidies comprised (a) subsidy to Tamil Nadu Civil Supplies Corporation Limited (TNCSC) towards losses incurred on supplies to Public Distribution System (PDS) (Rs 800 crore), (b) free distribution of handloom cloth to the people below poverty line (Rs 174 crore) and (c) reimbursement of subsidy on concessional bus fare for eligible students (Rs 155 crore). Two major subsidies viz Power and food subsidies are discussed below:

1.6.14 In June 2004, Government of Tamil Nadu issued a policy directive to the Tamil Nadu Electricity Regulatory Commission (TNERC) regarding (a) extending free supply of electricity to agricultural consumers (except self financing scheme farmers) and hut consumers from 1 April 2004 and (b) reduction of tariff to domestic consumers. While allowing the above, TNERC directed the Government of Tamil Nadu to pay Tamil Nadu Electricity Board (TNEB) in advance such sums as to compensate TNEB the burden imposed by the reduction in tariff. TNERC has estimated that the total

subsidy payable during 2004-05 by the Government of Tamil Nadu to TNEB for 2004-05 would be Rs 928.25 crore.

➤ Thus, the benefit of reduction in revenue deficit during 2003-04 would be offset by the above subsidy during 2004-05.

1.6.15 Government issued (August 2003) orders for stopping supply of essential commodities under Public Distribution System (PDS) to ration card holders with family income of more than Rs 5000 per month. The cards of such persons were stamped as Honorary cards (H cards). Accordingly, about 18 lakh card holders were taken out of the PDS thereby marginally reducing the subsidy burden of Government.

➤ To weed out benefits in respect of bogus cards, Government had earlier introduced (July 2002) Rice coupons for 1.12 crore card holders. This entitled the coupon holders to 20 kilos of rice per month at a price of Rs 3.50 per kg. As a result, the off-take of essential commodities and subsidy thereon declined. Consequently, the subsidy burden on the Government declined from Rs 1240 crore in 2002-03 to Rs 800 crore in 2003-04.

➤ However, based on the representations from public, Government withdrew (May 2004) the "H" stamping of cards, enabling once again all card holders to draw all essential commodities irrespective of their income. This could increase the annual burden of subsidy on the Government to the extent of the reduction experienced earlier.

1.7 Plan, Capital and Development Expenditure

1.7.1 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 also 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, the plan and capital expenditure can be viewed as contributing to the development of social and economic sectors.

1.7.2 The ratio of Government's plan expenditure, capital expenditure and developmental expenditure to total expenditure as reflected in Statement 12 of Finance Accounts is tabulated below:

Table 10: Category of Expenditure – (per cent to the total expenditure)

	1999-2000	2000-01	2001-02	2002-03	2003-04
Plan expenditure	17.7	18.0	17.5	16.4	27.4
Capital expenditure	3.0	6.6	7.6	6.0	12.4
Development expenditure ²	63.0	63.5	61.1	63.1	62.4

(Total expenditure does not include loans and advances)

² Includes expenditure on Social Services, Economic Services and Grants-in-aid.

Plan expenditure declined from 17.7 per cent of total expenditure in 1999-2000 to 16.4 per cent in 2002-03 and then increased to 27.4 per cent of total expenditure in 2003-04. Capital expenditure which ranged between 3.0 and 7.6 per cent of total expenditure during 1999-2003, increased to 12.4 per cent of total expenditure in 2003-04. The share of development expenditure in this period ranged between 61.1 per cent and 63.5 per cent. Increase in capital expenditure under plan head during the year was mainly due to adjustment of prior period capital expenditure on (a) State's share towards Railway Projects and (b) Other Districts Roadworks earlier met from proceeds of Bonds floated by Tamil Nadu Industrial Development Corporation (Rs 1423.38 crore) during 1999-2002 and parked in a Personal Deposit Account.

1.7.3 The share of revenue and capital expenditure under plan was 56 and 44 per cent respectively. While the major plan expenditure under revenue was under Social Welfare and Nutrition (25.4 per cent), Rural Development (17.7 per cent) and Agriculture and allied activities (11.9 per cent), the major plan expenditure under capital was under Water Supply and Sanitation (36 per cent) and Roads and Bridges (35.5 per cent). Of the developmental expenditure, Social Services (Rs 10110 crore) and Economic Services (Rs 6432 crore) accounted for 56.1 per cent and 35.7 per cent respectively.

Financial Assistance to local bodies and other institutions

1.7.4 The quantum of assistance provided by way of grants and loans to local bodies etc., during the period of five years ending 2003-04 was as follows:

	(Rupees in crore)				
	1999-2000	2000-01	2001-02	2002-03	2003-04
Universities and Educational Institutions	1531	1676	761	316	325
Municipal Corporations and Municipalities	112	125	505	866	847
Panchayati Raj Institutions	1430	915	630	1351	1735
Development Agencies	474	731	571	186	312
Hospitals and other Charitable Institutions	12	9	2	4	19
Other institutions	662	514	508	3265	1890
Total	4221	3970	2977	5988	5128
Percentage of growth over previous year	12	(-) 6	(-) 25	101	(-) 14
Assistance as a percentage of revenue expenditure	20	18	14	23	20

As seen from the table, the grants-in-aid extended to Panchayati Raj Institutions increased during the year. Decrease in the quantum of financial assistance to "Other Institutions" during the year was mainly due to release of Rs 1962 crore during 2002-03 towards grants-in-aid to Tamil Nadu Electricity Board as an one time settlement for payment of dues to Central utilities.

Misappropriation, losses, etc.

1.7.5 Cases of misappropriation of Government money reported to Audit upto March 2004 and on which report on final action viz. write-off or recovery was pending at the end of June 2004 were as under:

	Number of cases	Amount (Rupees in lakh)
Cases reported to end of March 2003 and outstanding at the end of June 2003	380	537.64
Cases reported during April 2003 to March 2004 ³	7	53.26
Total	387	590.90
Cases cleared during July 2003 to June 2004 ⁴	13	1.23
Cases outstanding at the end of June 2004	374	589.67

Department-wise and year-wise analysis of the pending cases are given in Appendix VI. In all these cases, report on the departmental action taken and results of the proceedings against Government servants responsible, which are required to be sent to Audit, were still awaited.

1.7.6 Further, 266 cases of shortage, theft, damage to property, etc., involving Rs 1.63 crore were reported to Audit upto March 2004 by departments other than Public Works, Highways and Forest Departments. 2815 cases involving Rs 16.56 crore were either reported by or noticed during audit of Public Works, Highways and Forest Departments upto March 2004. Department-wise and year-wise analysis of these cases are contained in Appendix VII.

1.8 Assets and Liabilities

1.8.1 Government accounting system does not attempt a comprehensive accounting of fixed assets, e.g. land owned by the Government. However, Government accounts do capture the financial liabilities arising from loans taken and the assets created out of expenditure. Statements 16 and 17 of Finance Accounts show the year-end balances under the Debt, Deposit and Remittance heads from which the liabilities and assets are worked out. Appendix IV presents an abstract of such liabilities and the assets as on 31 March 2004, compared with the corresponding position on 31 March 2003.

1.8.2 The liabilities as per Appendix IV mainly comprise monies owed by the Government arising from internal borrowings, loans and advances from the Government of India, receipts from the Public Account and reserve funds. During 2003-04, the liabilities grew by 12.7 per cent.

1.8.3 Similarly, assets comprise mainly capital expenditure and loans and advances given by the Government and grew by 22.4 per cent during 2003-04.

³ Includes a case of misappropriation of Rs 37.55 lakh by staff of Government School, Nayaganaipiriyal, Perambalur District, noticed during test-check of Office of Chief Educational Officer, Perambalur. Criminal and Departmental action against a B.T. Assistant responsible for misappropriation of Rs 28.32 lakh during 1993-2000 was in progress. Action was pending in respect of balance amount misappropriated in this case.

⁴ All the 13 cases relate to recovery from the responsible persons.

Financial results of irrigation works

1.8.4 Statement 3 of Finance Accounts depicts the financial results of five major and 47 medium irrigation projects involving capital expenditure of Rs 2164.31 crore at the end of March 2003. It shows that revenue realised from these projects during 2002-03 (Rs 4.24 crore) was only 0.20 *per cent* of the capital expenditure and this was not sufficient to cover even the direct working expenses (Rs 92.61 crore). After meeting the working and maintenance expenditure (Rs 94.36 crore) and interest charges (Rs 112.05 crore), the projects suffered a net loss of Rs 203.54 crore. The losses comprised of Rs 133.47 crore on the major irrigation projects and Rs 70.07 crore on the medium irrigation projects.

Incomplete projects

1.8.5 As per information received from the State Government, there were 59 incomplete projects which were scheduled for completion before 31 March 2004 on which Rs 551.63 crore of capital expenditure was incurred. Each of these projects cost more than Rupees one crore but were incomplete for reasons such as non-receipt of revised Administrative sanction, pending land acquisition, delay in finalisation of tender etc.

Commercial activities

1.8.6 Activities of quasi-commercial nature are performed by the departmental undertakings of certain Government departments. These undertakings are to prepare proforma accounts in the prescribed format showing the results of annual financial operations. The Heads of Departments in Government are to ensure that undertakings which are funded by budgetary release, prepare the accounts on time and submit the same to Accountant General for audit. Though there are no such undertakings in the Government of Tamil Nadu as of March 2004, one such erstwhile departmental undertaking viz., Government Agricultural Engineering Workshop, Chennai which was closed from 28 August 2002 has finalised its accounts upto 2001-02 only. Rupees 7.84 crore had been invested by the State Government in this undertaking till the end of 2001-02.

1.8.7 Paragraphs 6.1 and 1.8.8 of the Reports of the Comptroller and Auditor General of India (Civil) for the years ended 31 March 2002 and 31 March 2003 respectively mentioned the failure of the Heads of Departments and the management of the undertakings regarding timely preparation of the proforma accounts. Accountant General (Audit) II reminded the Secretary of the concerned departments periodically in this matter.

1.8.8 The financial position of Agricultural Engineering Workshop is given in Appendix VIII.

Fiscal Liabilities – Public Debt and Guarantees

1.8.9 The Constitution of India (Article 293) provides that State may borrow within the territory of India, upon the security of its Consolidated Fund, within such limits, as may from time to time be fixed by an act of Legislature. However, no such law was passed in the State (Article 293) to lay down any such limit.

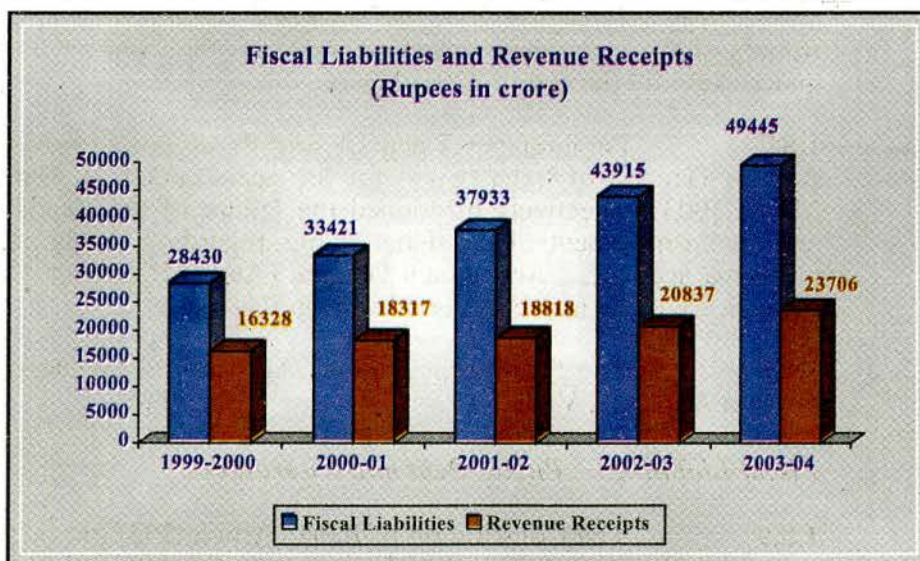
1.8.10 Statement 4 read with Statements 16 and 17 of Finance Accounts show the year-end balances under Debt, Deposit and Remittance

heads from which the liabilities are worked out. Table 11 below gives the fiscal liabilities⁵ of the State, its rate of growth, ratio of these liabilities to GSDP, revenue receipts and own resources (Tax and non-Tax receipts) and the buoyancy of these liabilities with respect to these three parameters. It would be observed that the overall fiscal liabilities of the State increased from Rs 28430 crore in 1999-2000 to Rs 49445 crore in 2003-04 at an average annual rate of 16.2 *per cent*. These liabilities *vis-à-vis* GSDP increased from 22.3 *per cent* in 1999-2000 to 29 *per cent* in 2003-04; their ratio to revenue receipts increased from 174.1 to 208.6 *per cent* over the five year period.

1.8.11 At the end of 2003-04, the fiscal liabilities (Rs 49445 crore) were more than twice the revenue receipts of the State. During 1999-2004, the fiscal liabilities of the State grew much faster compared to its rate of growth of GSDP, revenue receipts and own resources. For each one *per cent* increase in GSDP, Revenue Receipts and own resources, the direct fiscal liabilities of the State have gone up by 1.2, 0.9 and 1.1 *per cent* respectively during 2003-04.

Table 11: Fiscal Liabilities – Basic Parameters
(value in crore of Rupees and others in percentage)

	1999-2000	2000-01	2001-02	2002-03	2003-04
Fiscal Liabilities	28430	33421	37933	43915	49445
Rate of Growth	23.3	17.6	13.5	15.8	12.6
Percentage of Fiscal Liabilities to					
(a) GSDP	22.3	24.3	25.5	28.6	29
(b) Revenue Receipts	174.1	182.5	201.6	210.8	208.6
(c) Own Resources	231.6	238.8	260.4	271.0	274.1
Buoyancy of Fiscal Liabilities to					
(a) GSDP	3.33	2.29	1.65	4.51	1.2
(b) Revenue Receipts	1.61	1.44	5.00	1.48	0.9
(c) Own Resources	1.68	1.26	3.29	1.41	1.1



⁵ Fiscal liabilities comprise (a) Internal Debt (b) Loans and Advances from Central Government (c) Small Savings, Provident Fund etc. (d) Receipts of Local Funds etc. (e) Civil Deposits (f) Reserve Funds etc.

Total contingent liabilities constituting guarantees given by Government stood at Rs 10098 crore at the end of 2003-04.

1.8.12 Another important indicator of debt sustainability is net availability of funds after repayment of the principal on account of the earlier contracted liabilities and interest. The net funds available on account of internal debt and loans and advances from Government of India declined from Rs 3788 crore in 2002-03 to Rs 1051 crore in 2003-04. The Table 12 below gives the position of the receipt and repayment of internal debt over the last five years. The net funds available, after providing for the interest and repayments, varied from 3.9 *per cent* to 20.1 *per cent* during 1999-2004. There was marked reduction in availing of ways and means advances and overdraft from Reserve Bank of India. These fell from Rs 10535 crore during 2002-03 to Rs 1710 crore in 2003-04 and contributed to a sharp decline in Receipt and Repayment under Internal Debt.

Table 12: Net Availability of Borrowed Funds (Rupees in crore)

	1999-2000	2000-01	2001-02	2002-03	2003-04
Internal Debt⁶					
Receipt	6535	11530	12575	17883	10410
Repayment (Principal + Interest)	5671	8227	10855	11851	5774
Net Fund Available	864	3303	1720	6032	4636
Net Fund Available (<i>per cent</i>)	13	29	14	34	45
Loans and Advances from GOI					
Receipt	2011	66	913	920	1023
Repayment (Principal + Interest)	1830	1953	2108	3164	4608
Net Fund Available	181	(-) 1887	(-) 1195	(-) 2244	(-) 3585
Net Fund Available (<i>per cent</i>)	9	-	-	-	-
Total Public Debt					
Receipt	8546	11596	13488	18803	11433
Repayment (Principal + Interest)	7501	10180	12963	15015	10382
Net Fund Available	1045	1416	525	3788	1051
Net Fund Available (<i>per cent</i>)	12.2	12.2	3.9	20.1	9.2

Guarantees issued by the State Government

1.8.13 As provided under Article 293 of the Constitution, Government give guarantees for the due discharge of certain liabilities like repayment of loans, share capital etc. raised by Statutory Corporations, Government companies, Co-operative institutions etc. These guarantees constitute contingent liabilities of the State since in the event of non-payment of loans, there may be an obligation on the Government to honour these commitments. According to the Tamil Nadu Fiscal Responsibility Act passed by the State Legislature in May 2003, as amended in February 2004, Government should cap the total outstanding guarantees to 100 *per cent* of the total revenue receipt in the preceding year or at ten *per cent* of GSDP whichever is lower and cap the risk weighted guarantees to 75 *per cent* of the total revenue receipt of the preceding year or at 7½ *per cent* of GSDP whichever is lower.

1.8.14 State Government categorised the guarantees according to the risk involved and assigned risk weightage to each. Where the guaranteed loan is fully serviced by Government by way of debt service grant/provision in the

⁶ Includes ways and means advances and overdraft

budget, it is treated as guarantee with 'Nil Risk' with zero *per cent* weightage assigned to it. Guarantees in respect of institutions that are not in good financial health including those that have been or are likely to be wound up are considered as 'Very High Risk' with 80 *per cent* risk weightage assigned to it. Rest of the guarantees were categorised as 'Low Risk' (25 *per cent* Risk weightage), 'Medium Risk' (40 *per cent* Risk weightage) and 'High Risk' (60 *per cent* Risk weightage) based on the financial health of institution and its ability to service the debt.

Outstanding Guarantees

1.8.15 During 2003-04 Government gave fresh guarantees aggregating Rs 1662.18 crore on behalf of various institutions. Maximum amount of guarantees as on 31 March 2004 was Rs 18843 crore against which sums outstanding on that date were Rs 10098.39 crore (Principal: Rs 9961.16 crore; Interest: Rs 137.23 crore). The outstanding amount for 2003-04 was 48.5 *per cent* of Revenue Receipt and 65.3 *per cent* of ten *per cent* of GSDP for the previous year *viz.* 2002-03. Risk weighted outstanding guarantees as on 31 March 2004 are yet to be compiled by Finance Department. Yearwise position of outstanding guarantees during the last five years *vis-à-vis* the prescribed ceiling of 100 *per cent* of Total Revenue Receipts and ten *per cent* of GSDP in the respective preceding years is given in the following table.

(Rupees in crore)

Year	Outstanding amount of guarantee at the end of the year	Revenue Receipts of the previous year	Percentage of (2) to (3)	10 <i>per cent</i> of GSDP of the previous year	Percentage of (2) to (5)
(1)	(2)	(3)	(4)	(5)	(6)
1999-2000	5654	14261	39.6	11821	47.8
2000-2001	6780	16328	41.5	12645	53.6
2001-2002	8570	18317	46.8	14111	60.7
2002-2003	8677	18818	46.1	14352	60.5
2003-2004	10098	20837	48.5	15457	65.3

The above table suggests that if the trend of faster growth of outstanding guarantees *vis-à-vis* GSDP continues, the percentage in column (6) above could touch the cap set under the Fiscal Responsibility Act within the next few years.

Category-wise guarantees issued

1.8.16 During the year 2003-04, Government issued guarantees for loans amounting to Rs 513.43 crore to four institutions⁷ which were categorised under 'Very High Risk' guarantees.

1.8.17 Government has categorised the guarantees to loans etc. as 'Nil risk' where the loan is fully serviced by Government. As of 31 March 2003, Government had issued Rs 3401.72 crore guarantee under 'Nil risk' category with budgetary support.

⁷ Tamil Nadu Co-operative Housing Federation Ltd.: Rs 48.55 crore; Co-operative and Public sector sugar mills: Rs 454.18 crore; TN Handloom Development Corporation: Rs 2.20 crore and Southern Structural Ltd.: Rs 8.50 crore.

Accounting of 'Nil Risk' guarantee

1.8.18 Government resorted to off-budget borrowing amounting to Rs 1423.38 crore during 1999-2003 through Tamil Nadu Industrial Development Corporation for financing various Government projects. In 2003-04, Government decided to make necessary adjustment in accounts to exhibit these as Public Debt. Audit observed that the other 'Nil Risk' category loans amounting to Rs 1978.34 crore⁸, being serviced fully by Government through Budgetary provision, would also require to be classified as Public Debt of the State Government, instead of projecting the same as contingent liability, to reflect the true position of Government's liability.

Guarantee Redemption Fund

1.8.19 Government constituted a Guarantee Redemption Fund (GRF) in March 2003 for discharge of invoked guarantees. An amount of Rs 50 crore was credited to the Fund during 2003-04. Though the accretions to the Fund were to be invested in specified securities, no investment was made. The Balance at the credit of the Fund as on 31 March 2004 was Rs 46.49 crore.

1.8.20 Test-check of records⁹, during June 2004 revealed the following:

➤ In view of its mounting losses and financial liabilities, Government in July 2002, ordered the winding up of the Tamil Nadu Film Development Corporation (TNFDC). As on 31 March 2003, TNFDC's guaranteed loans outstanding was Rs 7.82 crore constituting dues to other Government corporations. Besides this, an amount of Rs 4.06 crore was pending recovery from TNFDC in respect of a guarantee invoked in 2000. Government, in June 2003 sanctioned an additional amount of Rs 3.51 crore to Tamil Nadu Newsprint and Papers Limited towards its dues from TNFDC arising from a loan guaranteed by the Government. The amount so paid was to be adjusted against value of assets to be transferred to Government from TNFDC. As of July 2004, the assets were still to be transferred and an amount of Rs 7.57 crore was pending from TNFDC.

➤ In January 2002, Government stood guarantee to a loan of Rs 100 crore availed by the Tamil Nadu Transport Development Finance Corporation (TNTDFC) from LIC of India for procuring 1000 buses in 2001-02 to replace overaged buses in State Transport Undertakings (STU). The loan was drawn from LIC in instalments of Rs 40 crore in March and Rs 60 crore in September 2002 and deposited in Special Personal Deposit Account of the Corporation. As of July 2004, only Rs three crore had been spent and balance of Rs 97 crore was lying unutilised in the deposit account.

⁸ Figures as per Budget Memorandum 2004-05 – TN Police Housing Corporation Limited: Rs 268.47 crore; TN Rural Housing and Infrastructure Development Corporation Limited: Rs 242.81 crore; TN State Construction Corporation Limited: Rs 113.52 crore; TN Backward Classes Economic Development Corporation Limited: Rs 19.49 crore; TN Medical Services Corporation Limited: Rs 51.51 crore; TN Slum Clearance Board: Rs 88.99 crore; Chennai Metropolitan Development Authority: Rs 206.92 crore; TN Water Supply and Drainage Board: Rs 919.26 crore; and TN Housing Board: Rs 67.37 crore.

⁹ Records of TN Industrial Investment Corporation, TN Film Development Corporation, TN Transport Development Finance Corporation, TN State Construction Corporation, TN Electricity Board and TN Industrial Development Corporation.

Due to financial reconstruction of the STUs with effect from 1 April 2002, the fund position of STUs improved enabling TNTDFC to procure buses from out of its own funds and only an amount of Rs three crore was utilised out of the loan amount from LIC.

Even while the first instalment of Rs 40 crore was lying unutilised, TNTDFC, with the approval of the Government, drew the balance loan amount of Rs 60 crore in September 2002 from LIC of India for advancing a long term loan of Rs 75 crore to Metrowater to finance its water augmentation projects and to procure 2275 buses during 2002-03 as per the intimation (August 2002) of Government. Since Metrowater declined to avail the loan at 11 *per cent* due to availability of loans at lower rate of interest (10.25 *per cent* to 10.50 *per cent*) from other financial institutions and the proposed procurement of buses did not materialise, TNTDFC requested (January 2003) Government's permission to foreclose the LIC loan. Government, however, in April 2004 requested LIC to reset the loan at the prevailing interest rate.

Government have been paying interest at 10.75 *per cent* on the amount deposited in Special Personal Deposit Account. Had the loan been foreclosed and the loan amount repaid in January 2003, Government would have saved on payment of interest of Rs 16.51 crore¹⁰ on Rs 97 crore retained in Special PD Account.

Guarantee Commission

1.8.21 The institutions availing guarantee from Government of Tamil Nadu were required to pay a commission to Government at the rate of half *per cent per annum* on the outstanding balance of guaranteed amount. As per details collected by Audit, a sum of Rs 89.62 crore was pending to be collected from various institutions as on 31 March 2004. This included Rs 26.08 crore due from institutions under 'Very High Risk' category to whom fresh guarantees were issued during 2003-04. Major amounts due included - Tamil Nadu Electricity Board: Rs 44.01 crore, Tamil Nadu Co-operative Housing Federation Limited: Rs 19.89 crore, Tamil Nadu Water Supply and Drainage Board: Rs 7.18 crore and Sugar Mills: Rs 4.97 crore.

Government in Finance Department had stated in September 2001 that instructions had been issued to Departments for review of remittance of guarantee fees and fresh guarantees were not to be issued to institutions against whom guarantee commission was outstanding. However, pending guarantee commissions continue to persist.

1.8.22 Government had also stated in September 2001 that action was being taken to improve the MIS system on guarantees. However, proper data base on all outstanding guarantees and those sanctioned annually is still not available in Finance Department (July 2004).

Off-Budget Borrowings

1.8.23 Apart from the borrowings under constitutional provision discussed in paragraphs 1.8.9 and 1.8.10, Government resorted to borrowings through a few corporations to access funds from various financial institutions. The amounts so borrowed were deposited in Public Account of the Government under specific orders and drawals from it were made by Government companies. Such borrowings are termed as "Off-Budget Borrowings". The discharge of the liabilities of such borrowings was either covered by a guarantee given by Government or the repayment of principal

¹⁰ 10.75 *per cent* on Rs 97 crore for the period January 2003 to July 2004.

with interest thereon, was met by the Government through specific budget provisions. The following cases of "Off-Budget Borrowings" came to notice of Audit during 2003-04:

Sl. No.	Name of the Corporation	Amount borrowed (Rs in crore)	Period of borrowing	Reasons for borrowing
(1)	Tamil Nadu Rural Housing and Infrastructure Development Corporation	69.25	2001-2002	Towards implementation of Anna Marumalarchi Thittam, a State scheme
		24.00	2001-2002	Towards implementation of Self-sufficiency scheme, a State scheme
(2)	Tamil Nadu Backward Classes Economic Development Corporation	19.98	2001-2003	Towards construction of hostels for students belonging to Backward Classes, Most Backward Classes and Denotified communities.
Total		113.23		

1.8.24 The liabilities accrued against the borrowings were not included in the pending debt position of the Government. Since the Government accepted the responsibility of repayment of these loans with interest, these liabilities have become committed liabilities and hence Government's indebtedness at the end of each year resulted in understating of Government's actual committed debt position to that extent.

1.9 Management of deficits

Fiscal Imbalances

1.9.1 The deficit in Government account represents the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management by the Government. Further, the ways in which the deficit is financed and the resources so raised are applied are important pointers to the fiscal health.

1.9.2 The details of Revenue/Fiscal/Primary Deficits during the period 1999-2000 to 2003-04 and their ratio to GSDP, along with the ratio of Revenue Deficit (RD) to Fiscal Deficit (FD) during this period are given in Table 13 below:

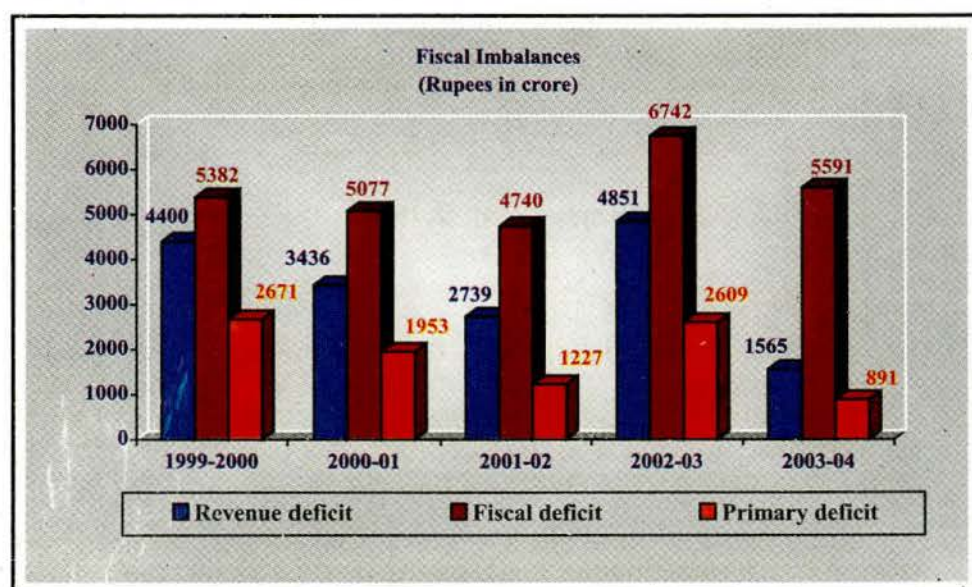
Table 13: Fiscal Imbalances – Basic Parameters
(value in crore of Rupees and others in percentage)

	1999-2000	2000-01	2001-02	2002-03	2003-04
Revenue deficit	4400	3436	2739	4851	1565
Fiscal deficit	5382	5077	4740	6742	5591
Primary deficit	2671	1953	1227	2609	891
RD/GSDP	3.5	2.4	1.9	3.1	0.9
FD/GSDP	4.3	3.6	3.3	4.4	3.3
PD/GSDP	2.1	1.4	0.9	1.7	0.5
RD/FD	81.8	67.7	57.8	72.0	28.0
RD/RR	26.9	18.8	14.6	23.3	6.6
BCR (Rupees in crore)*	(-) 3226	(-) 2375	(-) 1526	(-) 3010	(+) 1280

The revenue deficit of the State, which is the excess of its revenue expenditure over revenue receipts (Statement 1 of Finance Accounts), increased from

Rs 2739 crore in 2001-02 to Rs 4851 crore in 2002-03 and then declined sharply to Rs 1565 crore in 2003-04. As a percentage of revenue receipts, it increased from 14.6 per cent in 2001-02 to 23.3 per cent in 2002-03 and then declined to 6.6 per cent in 2003-04. The fiscal deficit, which represents the total borrowing of the Government and its total resource gap, after increasing from Rs 4740 crore in 2001-02 to Rs 6742 crore in 2002-03, decreased to Rs 5591 crore in 2003-04. The primary deficit of the State, after rising from Rs 1227 crore in 2001-02 to Rs 2609 crore in 2002-03, fell down to Rs 891 crore in 2003-04. The significant reduction in Revenue Deficit during this year was the cumulative result of 13.8 per cent growth in Revenue Receipts and 1.6 per cent decline in Revenue Expenditure. This in turn had a positive impact on fiscal and primary deficits and the RD/FD Ratio.

1.9.3 Though the revenue deficit decreased during 2003-04, its existence indicates that the State Government had still to borrow funds to meet its current obligations. The ratio of revenue deficit to fiscal deficit was 28 per cent in 2003-04. This indicated that 28 per cent of the borrowings were applied to revenue expenditure and the debt burden would affect the repayment capacity of the Government. As a proportion to State's GSDP, revenue deficit was 0.9 per cent in 2003-04 and fiscal deficit was 3.3 per cent



Medium Term Fiscal Reforms Programme

1.9.4 Eleventh Finance Commission (EFC) in its report (July 2000) laid down broad parameters of fiscal correction in the State Sector. Each State was required to draw up a Medium Term Fiscal Reforms Programme (MTFRP) to achieve the objective of zero revenue deficit by 2008-09. The MTFRP was to form the basis of a Memorandum of Understanding (MoU) between the State and Ministry of Finance, Government of India (GOI). Further, the EFC recommended an Incentive Fund from which grants were to be released to States based on their fiscal performance. The Incentive Fund releases proposed for Tamil Nadu were Rs 402.36 crore to be released on achieving a minimum improvement of five percentage points in the revenue deficit as a proportion of its revenue receipts each year till 2004-05 over the base year 1999-2000.

1.9.5 The State Government passed the "Tamil Nadu Fiscal Responsibility Act, 2003" in May 2003 which included the objectives required

to be achieved by it under the MTFRP and signed the MoU regarding this with GOI in September 2003.

1.9.6 The table below depicts the main targets set under the MTFR Plan for 2003-04 and the actual achievements thereagainst. The actual position with the relevant key indicators at the end of 2003-04 is as given below:

Table 14: Position of key indicators

(Rupees in crore)

	Projected in MTFR plan	Actuals	Target achieved Yes (Y)/No (N)
Total Revenue Receipts (TRR)	22567	23706	Y
State's Own Revenues (SOR)	17470	18039	Y
State's Own Tax Receipts (SOTR)	15942	15945	Y
Non-Tax Revenue	1529	2094	Y
Central Revenue	5097	5667	Y
(a) Shared taxes	3435	3544	Y
(b) Grants-in-aid	1662	2123	Y
Total Revenue Expenditure	26084	25271	Y
Capital Outlay	2359	3590	Y
Net lending	215	436	Y
Salaries	8920	7066	Y
Pension and Retirement benefits	3635	3280	Y
Subsidies	6184	1680	Y
Interest payment	4672	4700	N
Revenue Deficit	3517	1565	Y
Fiscal Deficit	6091	5591	Y
Primary Deficit	1419	891	Y
GSDP	166027	170530	Y
Rate of growth of GSDP	8 per cent	10.3 per cent	Y
Percentage of RD to			
(a) TRR	15.6 per cent	6.6 per cent	Y
(b) FD	57.7 per cent	28.0 per cent	Y
(c) GSDP	3.7 per cent	3.3 per cent	Y
Salary payment to TRR	39.52	29.81	Y
Salary payment to SOTR	55.95	44.31	Y
Pension payment to TRR	16.11	13.8	Y
Pension payment to SOTR	22.80	20.6	Y
Interest payment to TRR	20.7	19.8	Y

The above table indicates that the Government had achieved almost all the targets set for 2003-04 under the MTFR Plan.

1.10 Investments and returns

1.10.1 Statement 14 of Finance Accounts showed that as on 31 March 2004, Government had invested Rs 2257.13 crore in statutory corporations,

rural banks, joint stock companies and cooperatives. As indicated in Table 15 below Government's return on this investment by way of dividend was not only meagre but also continued to decline till 2002-03. The loss making Government companies and cooperatives in which investment aggregated Rs 1383 crore had incurred a cumulative loss of Rs 4261.84 crore as of March 2004. While Government was borrowing at high rates of interest to finance its expenditure, its investments in companies etc. fetched a meagre return.

Table 15: Return on Investment

Year	Investment at the end of the year (Rupees in crore)	Return (Rupees in crore)	Percentage of Return	Rate of interest of Government borrowing (in per cent)
1999-2000	2702.77	41.95	1.6	12.25, 11.85 and 11.74
2000-2001	2954.21	36.53	1.2	12.00, 11.70, 10.52 and 10.50
2001-2002	2967.46	33.45	1.1	10.35, 9.38, 9.45, 8.30 and 8
2002-2003	2992.74	25.99	0.9	7.80, 7.30, 6.80, 6.95 and 6.75
2003-2004	2257.13	27.20	1.2	6.40, 6.35, 6.20, 6, 5.90 and 5.85

Loans and Advances by State Government

1.10.2 In addition to its investment, Government has also been providing loans and advances to many of these parastatals. Total outstanding balance of the loans/advances rose steadily from Rs 4031 crore in March 2000 to Rs 5048 crore as on 31 March 2004 (Table 16).

Table 16: Average interest received on loans advanced by the State Government

	(Rupees in crore)				
	1999-2000	2000-01	2001-02	2002-03	2003-04
Opening Balance	3694	4031	4125	4348	4612
Amount advanced during the year	651	453	547	697	1011
Amount repaid during the year	314	359	324	433	575
Closing Balance	4031	4125	4348	4612	5048
Net addition	337	94	223	264	436
Interest received	178	204	271	311	215
Average rate of interest earned	4.6	5.0	6.4	6.9	4.5
Average rate of interest paid	10.5	10.1	9.8	10.1	10.1
Difference between rate of interest received and paid	(-) 5.9	(-) 5.1	(-) 3.4	(-) 3.2	(-) 5.6

The above table indicates that the State Government has not been successful in using GOI permission for substituting high interest loans with low interest loans.

1.10.3 Government ordered (July 1998) that Commissioner of Municipal Administration (CMA) was (a) to monitor and collect the loan dues and (b) all the loans¹¹ alongwith interest should be consolidated into a single loan with effect from 1 April 1998. The loan amount was to be repaid in 20 years in half yearly instalments with interest at 13.5 per cent per annum. In the same order Government also directed that in case of non-repayment of instalments by municipalities or corporations, the same would be recovered from the devolution of funds to be released to them by the CMA. Accordingly, the aggregate loan amount due from all municipalities and

¹¹ Loans for water supply schemes, road works, sewerage and sanitation scheme, drainage, ways and means, etc.

corporations (other than Chennai Corporation) was calculated by CMA as Rs 479.40 crore as of 1 April 1998. It was observed that between April 1998 and March 2004, CMA adjusted Rs 207.13 crore (Rs 154.90 crore from State Finance Commission (SFC) grants and Rs 52.23 crore by actual repayment by municipalities/corporations).

At the end of March 2004, Rs 719.78 crore were outstanding of which Rs 302.68 crore (Principal: Rs 87.19 crore and interest: Rs 215.49 crore) was overdue from 91 municipalities and five corporations. CMA stated (June 2004) in reply to Audit that (a) the weak financial position of municipalities was the main reason for the unsatisfactory repayment of loan and (b) in some cases the quantum of SFC grants from which adjustment was to be made was less than the loan amount due.

A review of a few selected schemes is detailed in paragraph 4.4.1.

1.11 Management of cash balances

It is generally desirable that the Government's flow of resources should match its expenditure obligations. However, to take care of any temporary mismatches in the flow of resources and the expenditure obligations, a mechanism of Ways and Means Advances (WMA) from Reserve Bank of India has been in place. The Ways and Means Advances availed during 2003-04 declined sharply with reference to earlier years as indicated in table 17. Moreover, no overdraft during the year was availed, reversing the trend of earlier years.

Table 17: Ways and Means Advances and Interest paid thereon

	(Rupees in crore)				
	1999-2000	2000-01	2001-02	2002-03	2003-04
Ways and means advances					
Taken during the year	3761.15	5151.63	4855.47	8624.44	1710.13
Outstanding on 31 March	313.71	241.53	101.63	651.42	596.33
Interest paid	7.07	14.51	21.88	20.46	7.64
Overdraft					
Taken during the year	1485.97	1712.93	4110.24	1911.22	Nil
Outstanding on 31 March	98.13	Nil	Nil	579.63	Nil
Interest paid	0.52	1.89	4.72	3.98	0.86
Number of days of overdraft	55	76	148	71	2

1.12 Conclusions

Though Government reduced the revenue and fiscal deficits during 2003-04, the following areas require attention.

➤ The percentage of total expenditure to revenue receipts was 126 indicating that only a little over three-fourth of the State's total expenditure was met from its current revenue, leaving the balance to be financed by borrowings.

➤ The fiscal liabilities of the State were more than twice its revenue receipts. The direct fiscal liabilities have grown much faster compared to the

rate of growth of GSDP, revenue receipts and Government's own resources. The increasing liabilities could lead to the path of unsustainability.

➤ Interest payments increased steadily by 73.4 *per cent* during the period 1999-2004. This was due to the continued reliance of the Government on borrowings to meet deficit.

➤ The ratio of outstanding guarantees to GSDP is also on the increasing trend indicating that the cap specified in the Fiscal Responsibility Act could be touched within the next few years.

➤ Investment of Government funds in companies, co-operative units etc. continued to fetch only a meagre return of 1.2 *per cent* while Government continued to borrow funds from market at a higher rate of interest.

➤ Reducing non-productive revenue expenditure, increasing the revenue receipts by restructuring and modernising the tax collection system, reprioritising resource allocation, increasing investments on infrastructure, using borrowed funds for growth generation and curbing the tendency of utilising borrowed funds to meet current expenditure in the coming years could help to achieve the various financial parameters aimed in the Medium Term Fiscal Responsibility Plan.

CHAPTER II
APPROPRIATION AUDIT
AND
CONTROL OVER EXPENDITURE

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CHAPTER II

APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

2.1 Introduction

2.1.1 The Appropriation Accounts prepared annually indicate capital and revenue expenditure on various specified services *vis-à-vis* those authorised by the Appropriation Act in respect of both charged and voted items of budget.

2.1.2 Audit of appropriation by the Comptroller and Auditor General of India seeks 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

The summarised position of actual expenditure during 2003-04 against 51 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	22559.76	1740.96	24300.72	21317.81*	(-) 2982.91
	II Capital	2563.73	1516.67	4080.40	3606.63	(-) 473.77
	III Loans and Advances	631.16	461.23	1092.39	1010.57*	(-) 81.82
	Total Voted	25754.65	3718.86	29473.51	25935.01	(-) 3538.50
Charged	IV Revenue	4592.20	19.22	4611.42	4739.36	127.94
	V Capital	0.00	0.00	0.00	0.00	0.00
	VI Public Debt-Repayment	10974.84	0.00	10974.84	6238.10	(-) 4736.74
Total Charged		15567.04	19.22	15586.26	10977.46	(-) 4608.80
Appropriation to Contingency Fund (if any)		..	..	..	..	..
Grand Total		41321.69	3738.08	45059.77	36912.47**	(-) 8147.30

* These are gross figures and do not take into account the recoveries adjusted in accounts under certain suspense heads as reduction of expenditure except in respect of Grant Nos. 7, 20, 26 and 38 where figures are net.

** The total expenditure includes Rs 979.74 crore transferred to 8443- Civil Deposits – 800 Other Deposits in respect of 28 Corporations / Autonomous Bodies.

2.3 Results of Appropriation Audit

The following results emerge from the audit of appropriation accounts.

2.3.1 The overall saving of Rs 8147.30 crore was the result of saving of Rs 8301.91 crore in 47 grants and 34 appropriations under Revenue Section, 26 grants under Capital Section and 11 grants and one appropriation (Public Debt - Repayments) under Loans Section, offset by excess of Rs 154.61 crore in two grants and five appropriations under Revenue Section and five grants under Capital Section.

Excess over provision requiring regularisation - previous years

2.3.2 As per Article 205 of the Constitution of India, it is mandatory for the State Government to get the excess over a grant/appropriation regularised by the State Legislature. However, the excess expenditure amounting to Rs 5950.82 crore for the years 1997-2003 was yet to be regularised as detailed in Appendix IX.

Excess over provision during 2003-04 requiring regularisation

2.3.3 The excess (Appendix X) of Rs 154.61 crore (2003-04) requires regularisation under Article 205 of the Constitution.

Expenditure incurred without provision

2.3.4 In 68 sub-heads, expenditure of Rs 6.82 crore had been incurred either without budget provision or the entire provision made was withdrawn subsequently through reappropriation.

Original budget and supplementary provisions

2.3.5 An analysis of the Budget provision made, expenditure incurred and amount surrendered during 1999-2004 disclosed the following:

(Rupees in crore)

Year	Original Provision	Supplementary Provision	Amount surrendered	Expenditure	Final saving (-)/ Excess (+)
1999-2000	23072.31	7199.20	1076.67	28717.41	(-) 1554.10
2000-2001	26886.68	5125.08	628.46	32256.50	(+) 244.74
2001-2002	37048.29	991.28	3800.12	34304.31	(-) 3735.26
2002-2003	37609.61	3229.38	2611.82	40165.57	(-) 673.42
2003-2004	41321.69	3738.08	7391.54	36912.47	(-) 8147.30

2.3.6 Supplementary provision obtained during the year constituted nine per cent of original provision. In previous years 1999-2003, it was 31, 19, three and nine per cent respectively.

Unnecessary supplementary provision

2.3.7 In 31 voted grants under Revenue Section and 11 voted grants under Capital Section which are detailed in Appendix XI, the original provision of Rs 16844.65 crore was augmented by first and second supplementary provisions (November 2003 and March 2004) of Rs 138.27 crore, but the expenditure fell short of even the original provision under each of these grants.

Similarly, in 34 voted grants under Revenue Section and 12 voted grants under Capital Section, second supplementary provision of Rs 106.50 crore obtained (Appendix XII) in March 2004 proved unnecessary in view of the final saving in each grant being more than the supplementary provision obtained in March 2004.

2.3.8 In six charged appropriations, supplementary provision of Rs 0.82 crore (Appendix XII) obtained in March 2004 proved unnecessary, in view of the final saving in each appropriation being more than the supplementary provision obtained. Similarly, in one charged appropriation (under grant number 3), supplementary provision of Rs 0.52 crore obtained in March 2004 proved unnecessary as the expenditure (Rs 24.56 crore) fell short of original provision of Rs 26.20 crore, resulting in saving of Rs 2.16 crore.

Insufficient supplementary provision

2.3.9 Supplementary provision obtained during the year proved insufficient (by more than Rs one crore), resulting in excess of Rs 10.08 crore and Rs 5.47 crore in respect of grant numbers 33 and 40 respectively aggregating excess expenditure of Rs 15.55 crore. Similarly, in one charged appropriation (Debt charges), supplementary provision obtained proved insufficient, resulting in excess expenditure of Rs 138.61 crore (Appendix XIII).

2.3.10 In 27 grants and three appropriations, the expenditure fell short by more than Rs one crore each and also by 15 *per cent* or more of the total provision (Appendix XIV).

Substantial surrenders

2.3.11 Substantial surrenders were made in respect of 116 schemes on account of either non-implementation or slow implementation. Out of the total provision amounting to Rs 11265.43 crore in these 116 schemes, Rs 8376.89 crore (74 *per cent*) were surrendered; *per cent* surrender was made in 34 schemes (Rs 390.16 crore). Results of review conducted by Audit in respect of a few of these cases are given in Appendix XV.

Excessive/unnecessary reappropriation of funds

2.3.12 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. Reappropriation proved excessive or insufficient and resulted in savings/excess by over Rs ten lakh in 579 sub-heads. The excess/saving was more than Rs one crore in 98 cases as detailed in Appendix XVI.

Unexplained reappropriations

2.3.13 According to paragraph 151 of Tamil Nadu Budget Manual, Volume I, reasons for the additional expenditure and the savings should be explained in the reappropriation statement and vague expressions such as "based on actuals", "based on progress of expenditure", etc., should be avoided. However, a scrutiny of reappropriation orders issued by the Finance Department revealed that in respect of 9002 out of 19533 items (46 *per cent*), reasons given for additional provision/withdrawal of provision were of general nature like "actual requirement" and "based on latest assessment".

2.4 Unreconciled Receipts/Expenditure

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

2.4.2 Eleven Controlling Officers did not reconcile their receipt figures (September 2004) amounting to Rs 40.92 crore during 2003-2004. This

amount included Rs 39.24 crore pending reconciliation by Secretary, Finance (Ways and Means) Department.

2.4.3 The number of controlling officers who did not reconcile their expenditure figures and the amounts involved as of September 2004 were as under.

(Rupees in lakh)

Year	Number of controlling officers who did not reconcile their figures	Amount not reconciled
1992-1993	1	65.46
1995-1996	1	65.25
1996-1997	1	45.38
1998-1999	1	12.13
1999-2000	1	5.34
2001-2002	2	9.55
2002-2003	3	8.00
2003-2004	18	10000.90
Total	28	10212.01

2.4.4 Amounts exceeding Rs ten crore in each case remained unreconciled during 2003-2004 in respect of expenditure figures of the following four controlling officers.

(Rupees in crore)

Sl. No.	Controlling Officers	Amount not reconciled
1.	Commissioner of Municipal Administration	31.80
2.	Secretary, Finance Department	26.20
3.	Chief Electoral Officer & Secretary to Government (Public – Election Department)	13.97
4.	Chief Engineer, Highways, Rural Roads	11.08

2.5 Rush of expenditure

According to article 39 of Tamil Nadu Financial Code, Volume I no attempt should be made to prevent the lapse of an appropriation by any undue rush of expenditure during March.

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

Grant No. 33 - 2217.04.192.II.JA

Slum Improvement Programme in Urban Local Bodies

Government of India introduced National Slum Development Programme for the up-gradation of urban slum and ten *per cent* of the provision under the programme was allocated for Shelter Upgradation. Commissioner of Municipal Administration did not obtain the detail of works to be taken up district-wise from Municipal Corporations, Municipalities and Town Panchayats even by February 2004. Government sanctioned Rs 19.02 crore in

February 2004 and Rs 6.17 crore in March 2004 for the implementation of the scheme. The amount was released to the respective Municipalities/Municipal Corporations in the month of March. The entire amount was drawn and released only to avoid the lapse of budgetary provision. Even as of August 2004 only Rs 12.39 lakh (0.5 per cent) out of Rs 25.20 crore released were utilised leaving an unspent balance of Rs 25.08 crore.

Grant No. 33 - 6215.01.192.II.JA

Loans to Municipal Corporations and Municipalities

Loan of Rs 84.72 crore was obtained in May 2002 from LIC of India for implementing new Rural and Urban Water Supply Scheme by Tamil Nadu Water Supply and Drainage (TWAD) Board and the provision was made in the budget during 2003-04 only. However, Government released Rs 64.58 crore in March 2004, which was credited to Personal Deposit Account of TWAD Board. This was done evidently to avoid lapse of Budget provision.

2.6 Budgetary procedure and control over expenditure

Inadequate control over expenditure

2.6.1 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 resummptions of funds under the grants were persistent and significant not only during 2003-04 but also in earlier years. Further, there had also been significant variations (excess or saving) between the final modified grant/appropriation and actual expenditure. Overall position for the five years from 1999-2004 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)
1999-2000	30271.51	1076.67	29194.84	28717.41	(-) 477.43
2000-01	32011.76	628.46	31383.30	32256.50	(+) 873.20
2001-02	38039.57	3800.12	34239.45	34304.31	(+) 64.86
2002-03	40838.99	2611.82	38227.17	40165.57	(+) 1938.40
2003-04	45059.77	7391.54	37668.23	36912.47	(-) 755.76

2.6.2 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.

2.6.3 Rupees 7391.54 crore were surrendered during 2003-04 and resumed to Consolidated Fund on 31 March 2004. However, in two capital voted grants (5 and 43) and two Revenue charged appropriations (1 and 51) total provision of Rs 4572.10 crore was reduced to Rs 4529.72 crore in the final modified grant stage, but expenditure incurred under these grants/appropriations (Rs 4710.85 crore) was in excess of final modified grant/appropriation by Rs 181.13 crore.

2.6.4 In 13 Revenue (Voted)¹ grants, 12 Capital (Voted) grants², three Loans (Voted) grants (Grant No 12, 25 and 42) and two Revenue (Charged) appropriations (Nos. five and 34) against Rs 632.83 crore surrendered in March 2004, the saving was only Rs 497.64 crore, resulting in excess expenditure over the final modified grant/appropriation.

2.6.5 In 47 Revenue (Voted) grants³, 26 Capital (Voted) grants⁴, 11 Loans (Voted) grants⁵ and 34 Revenue (Charged) appropriations⁶ and one Public Debt Repayment, against Rs 7349.16 crore surrendered in March 2004, the saving was Rs 8301.91 crore, indicating that the departments had not utilised Rs 952.75 crore out of the final modified grant/appropriation.

2.6.6 Budget Review of Home Department - Police

(i) Introduction

Police is responsible for maintenance of law and order, detection of crime and enforcement of the various legislations. In the Budget Provision for Home Department-Police under Grant 21 for 2003-04, 97 per cent of the demand is under the Heads of Department 'Police (DGP)' and 'Police (Commissioner)', the balance being spread over nine other heads. The entire budget of the Department is covered under 145 sub-heads.

(ii) Overall position

The total grant, actual expenditure and variation (savings/excess) for the years 2002-04 are as under:

(Rupees in crore)					
Year	Division		Total provision	Actual Expenditure	Savings(-)/ Excess(+)
2002-03	Revenue	V	1173.87	1017.31	(-) 156.56
		C	0.93	0.95	(+) 0.02
	Capital	V	165.69	118.93	(-) 46.76
		C	..	..	..
	Loans	V	2.00	1.00	(-) 1.00
		C	..	..	..
2003-04	Revenue	V	1240.75	1071.77	(-) 168.98
		C	2.02	1.79	(-) 0.23
	Capital	V	152.90	103.49	(-) 49.41
		Loans	V	1.00	0.50	(-) 0.50
		C	..	..	..

V: Voted

C: Charged

The percentage of savings under Revenue heads during 2002-03 and 2003-04 were 13.34 and 13.62 respectively and under Capital heads during the same period were 28.22 and 32.32 respectively.

- ¹ Revenue (Voted) Grant - 5, 14, 16, 17, 26, 27, 28, 34, 37, 38, 43, 46 and 49
- ² Capital (Voted) Grant - 5, 7, 9, 21, 26, 29, 33, 35, 38, 40, 41 and 43
- ³ Revenue (Voted) Grant - 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 34, 35, 36, 37, 38, 39, 41, 42, 43, 44, 45, 46, 47, 48 and 49
- ⁴ Capital (Voted) Grant - 4, 6, 7, 9, 12, 14, 15, 18, 19, 20, 21, 22, 23, 25, 26, 29, 31, 33, 35, 38, 39, 40, 41, 42, 45 and 46
- ⁵ Loan (Voted) Grant - 4, 12, 13, 15, 16, 19, 21, 25, 33, 41 and 42
- ⁶ Revenue (Charged) appropriation - 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 15, 16, 18, 19, 20, 21, 22, 23, 24, 25, 26, 29, 31, 33, 34, 36, 39, 41, 42, 43, 45, 46 and 47

Unrealistic Budgeting

As per Paragraph 18 of the Tamil Nadu Budget Manual estimates should be framed after a careful and thorough consideration of all items of expenditure and of all source of income and of every factor likely to affect the actual results.

Non-adherence to the provision of the Manual led to large scale saving and surrenders under various sub-heads during 2003-04, as illustrated below:

(Rupees in lakh)

Sl. No.	Head of account	Original provision	Supplementary provision	Total provision	Expenditure	Savings	Percentage of savings to the total provision
1	2055.00.101.I.AA	2444.91	0.02	2444.93	1387.51	1057.42	43
2	2055.00.109.I.AA	50900.82	51.85	50952.67	44332.83	6619.84	13
3	2055.00.109.I.AL	10625.89	9.18	10635.07	9154.40	1480.67	14
4	2055.00.115.I.AA	8097.66	83.78	8181.44	4230.37	3951.07	48
5	4055.00.207.VI.UA	5000.00	..	5000.00	2487.82	2512.18	50
6	4055.00.211.I.AJ	8911.15	..	8911.15	6797.92	2113.23	24

Savings/Excess

Under the grant, the gross savings of Rs 250.24 crore under 145 sub-heads were partly offset by excess expenditure of Rs 31.12 crore under 28 sub-heads resulting in net savings of Rs 219.12 crore during 2003-04.

Unnecessary supplementary provision

In 29 sub-heads under the Grant, original provision of Rs 1071.13 crore was augmented by supplementary provision (November 2003 and February 2004) of Rs 1.68 crore, but the expenditure fell short of even the original provision under each of these sub-heads.

Unnecessary or excessive reappropriations

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. In the case of 53 sub-heads, there were savings with reference to Final Modified Grant (FMG) due to excess augmentation (11 sub-heads) or insufficient reduction (42 sub-heads) in reappropriation. Again in the case of 46 sub-heads, there was excess expenditure with reference to FMG due to insufficient augmentation (11 sub-heads) or excess reduction (35 sub-heads) in reappropriation.

Three cases where excess was more than Rs ten lakh due to inadequate augmentation of funds in reappropriation as given below:

(Rupees in lakh)

Head of Account	Original provision	Supplementary provision	Total Provision	Reappropriation	Final Modified Appropriation	Actual Expenditure	Excess
2055.00.101.I.AD	316.85	0.01	316.86	59.43	376.29	392.70	16.41
2055.00.003.I.AA	874.76	106.99	981.75	1047.98	2029.73	2041.07	11.34
2055.00.800.I.AL	..	0.01	0.01	438.90	438.91	457.49	18.58

Injudicious withdrawal of funds in reappropriation

In the case of the sub-head indicated below, funds were injudiciously withdrawn in reappropriation (March 2004) since the final expenditure exceeded the provision after reappropriation.

(Rupees in lakh)

Head of account	Original Budget provision	Reappropriation	Total expenditure	Final excess
2055.00.101.I.AP	642.56	(-) 184.62	618.69	(+) 160.75

(iii) *Non-adherence to provisions of the Manual resulted in huge surrender*

As per Paragraph 37 (a) of Tamil Nadu Budget Manual (Volume I), the estimate for salary should be framed on the basis of the expenditure likely to be incurred in the coming year on account of the officers and subordinates likely to be on duty and the actual pay (including special pay and personal pay excluding the compensatory allowances) to be drawn by them irrespective of the actual sanctioned strength. As per Paragraph 37(d) of the above Manual, the estimates for salary should be examined with reference to the differences between the estimates and the actuals in the past years and a lump sum deduction should be made for probable savings. Non-adherence to the provisions of the Manual has led to large-scale savings and surrender of Rs 96.21 crore in the reappropriation under Pay and Dearness Allowance (DA) under the following heads of account during 2003-04, though there was substantial savings under these sub-heads during 2001-03.

(Rupees in lakh)

Sl. No.	Head of account	Pay and DA 2001-02	Pay and DA 2002-03	Pay and DA 2003-04
Office of the Director General of Police, Chennai				
1	2055.00.101.I.AA	335.68	405.93	1084.67
2	2055.00.109.I.AA	1800.36	5814.16	6540.23
3	2055.00.104.I.AA	122.91	68.89	122.54
4	2055.00.104.I.AE	57.77	64.84	93.36
5	2055.00.104.I.AG	82.13	26.22	113.96
6	2055.00.104.I.AO	38.79	89.93	106.02
7	2055.00.104.I.AP	140.13	66.91	110.36
8	2055.00.104.I.AQ	73.10	94.65	180.91
9	2055.00.104.I.AS	113.31	117.37	134.03
10	2055.00.104.I.AU	85.01	51.66	94.64
11	2055.00.104.I.AY	166.95	68.38	145.27
12	2055.00.109.I.AN	267.41	270.20	111.93
13	2055.00.111.I.AB	165.36	156.88	234.51
14	2235.02.105.I.AB	343.92	283.53	244.27
	Total	3792.83	7579.55	9316.70
Office of the Commissioner of Police, Chennai				
1	2055.00.108.I.AC	383.95	185.72	304.50
	Grand Total	4176.78	7765.27	9621.20

In the following sub-head, though budget estimate was less than that projected in the number statement for 2003-04, there was huge surrender of funds (10.94 per cent).

(Rupees in lakh)

Head of account	Funds required as per number statement		Funds provided as per budget estimate		Surrender		Total
	PAY	DA	PAY	DA	PAY	DA	
2055.00.109.I.AL	6102.50	3600.48	4929.33	3006.89	333.54	728.27	1061.81

In the following sub-head provision in the budget estimate was more than the requirement as per the number statement, resulting in surrender.

(Rupees in lakh)

Head of account	Funds required as per number statement		Funds provided as per budget estimates		Surrender		Total
	PAY	DA	PAY	DA	PAY	DA	
2055.00.111.1.AA	419.97	247.78	607.13	370.35	208.85	203.59	412.44

2.6.7 Drawal of funds far in advance of requirement

A sum of Rs two crore was sanctioned by the Youth Welfare and Sports Development Department for relaying astroturf (Rs one crore) and to provide flood-lighting facilities in Mayor Radhakrishnan Hockey Stadium (Rs one crore), Chennai in May 2003 and October 2003 respectively and the amount was drawn and deposited in Personal Deposit Account of the Sports Development Authority of Tamil Nadu (SDAT) in June 2003 and January 2004. The amount was withdrawn from Personal Deposit account and deposited in Indian Overseas Bank, Nehru Park branch in April 2004 for 91 days fixed deposit. Member Secretary, SDAT to an audit enquiry regarding non-utilisation of funds replied (July 2004) that the amount could not be utilised as the tender was yet to be finalised. Drawal of funds before finalisation of tender violated paragraph 178 (ix) of Tamil Nadu Budget Manual according to which moneys should not be drawn from treasury unless required for immediate use.

The above facts indicate that the release of Rs two crore to SDAT was made far in advance of requirement which is against the provisions of Tamil Nadu Budget Manual.

2.6.8 Non-encashed cheques

As per paragraph 92 of Pay and Accounts Office Manual, in cases where cheques are not cashed within three months after the month of issue, payees concerned should be advised by Pay and Accounts Officer to surrender the time barred cheques. On receipt of non-payment certificate from the bank, action should be taken to cancel the time barred cheques and this fact must be appraised to the departmental officer of having cancelled the payment originally authorised and only fresh claims should be entertained.

The details of cheques issued by Pay and Accounts Offices and not cashed and time barred as on 31 March 2003 are as below:

(Rupees in crore)

Sl.No.	Name of PAO	Number of cheques	Amount
1.	PAO (South)	26355	15.40
2.	PAO (East)	12156	35.89
3.	PAO (North)	5082	68.16
4.	PAO (Secretariat)	401	7.39
5.	PAO (Madurai)	4812	5.46
6.	Sub PAO (Corporation)	297	1.71
Total		49103	134.01

Commissioner of Treasuries and Accounts informed Audit (May 2004) that suitable instructions have been issued in April 2004 to Pay and Accounts Offices/Treasury offices for following the codal provisions in respect of

cheques issued after April 2000. Failure on the part of Pay and Accounts Offices to comply with codal provisions contained in paragraph 92 of Pay and Accounts Office Manual had resulted in accumulation of 49103 time barred cheques amounting to Rs 134.01 crore being kept without cancellation and also resulted in boosting of expenditure to that extent in previous years.

Government instructed (November 2004) the Special Commissioner and Commissioner of Treasuries and Accounts to monitor the adjustments of unencashed cheques on a monthly basis.

2.7 Irregularities in the maintenance of Personal Deposit Accounts

2.7.1 Personal Deposit (PD) Accounts are created by debit to the Consolidated Fund of the State and should be closed at the end of the financial year by minus debit to the relevant service heads. There were 1458 PD Accounts in 28 District Treasuries and five Pay and Accounts Offices (PAO) with a closing balance of Rs 153.64 crore as of March 2004.

2.7.2 Autonomous bodies/Universities/Public Sector Corporations maintain Deposit account in the Public Account into which grants released by Government are credited. Withdrawals are made when needed with the concurrence of Finance Department.

2.7.3 Irregularities noticed during test-check in the maintenance of PD Account by their administrators are given below:

8443 – Civil Deposits – 106 – Personal Deposit Account

Barathi Women's College, Chennai

The college has a PD Account for grants received from Government towards scholarship for the SC/BC/MBC students. Contrary to codal provisions, the Account was not closed at the end of 2002-03 and had an opening balance of Rs 6.32 lakh. It received Rs 54.86 lakh during 2003-04 and transferred Rs 56.54 lakh to a Savings Bank (SB) account whose balance at the end of the 2003-04 was Rs 20.32 lakh. The above amount along with Rs 4.64 lakh available in the PD account as on 31 March 2004 was not remitted back into Government account.

8443 – Civil Deposits – 800 – Other Deposits – AE Deposits of Government Companies and Corporations

(i) Commissioner of Handlooms and Textiles

A Deposit account has been operated by the Commissioner of Handlooms and Textiles (CHT) from April 1998 onwards for implementing the schemes "Free supply of Sarees and Dhoties" and "Free supply of uniform to school children", through Tamil Nadu Handloom Weavers Co-operative Society Ltd. (Co-optex) and Tamil Nadu Textiles Corporation (TNTC). As the operation of head of account of this deposit account is limited to Government companies and corporations, its use by the CHT was irregular.

It was noticed that a sum of Rs 22 crore was withdrawn on 28 March 2003 from the above account and paid to Co-optex which redeposited the same on 3 April 2003. The reasons for this withdrawal/redeposit are awaited from Co-optex/CHT/Government.

(ii) Tamil Nadu Medical Services Corporation

Tamil Nadu Medical Services Corporation Limited (TNMSC) operates a Deposit Account wherein various departments deposit funds for purchase of drugs, medicines, equipments and for construction. The position of deposits and withdrawals by TNMSC from this account during 1999-2004 is given below:

(Rupees in crore)

Year	Opening balance as on 1 April	Deposited during the year	Total funds available	Withdrawn during the year	Closing balance as on 31 March	Percentage of closing balance to total available funds
1999-2000	68.92	74.31	143.23	71.00	72.23	50
2000-01	72.23	65.52	137.75	78.50	59.25	43
2001-02	59.25	185.19	244.44	94.50	149.94	61
2002-03	149.94	200.56	350.50	293.45	57.05	16
2003-04	57.05	313.94	370.99	307.71	63.28	17

a) TNMSC had no data regarding the directorate-wise break-up of withdrawals and unutilised funds. TNMSC stated that they were maintaining details of receipts of funds directorate-wise and withdrawals of funds on daily basis to reconcile their figures with Pay and Accounts Office (East), who maintained the Deposit Account of TNMSC.

b) Huge variations were noticed between amounts reported as transferred to TNMSC by three Directorates⁷ during 1999-2003, and as received by TNMSC as indicated below:

(Rupees in crore)

Year	DPHPM		DMRHS		DME		Total	
	Released by the Directorate	Received by the TNMSC	Released by the Directorate	Received by the TNMSC	Released by the Directorate	Received by the TNMSC	Released by the Directorates	Received by the TNMSC
1999-2000	17.28	5.31	41.48	28.46	30.74	30.74	89.50	64.51
2000-01	25.20	13.94	38.26	18.98	30.75	31.05	94.21	63.97
2001-02	43.02	65.30	33.99	68.21	27.56	32.85	104.57	166.36
2002-03	36.75	36.75	40.37	61.89	43.51	30.00	120.63	128.64
Total	122.25	121.30	154.10	177.54	132.56	124.64	408.91	423.48

Perusal of records of PAO (South) wherein bills are admitted and passed for payment for the Directorates and of PAO (East) which is maintaining the Deposit Account of TNMSC revealed that the differences were due to delay in sending the intimation of credit adjustment to Personal Deposit Account by PAO (South) to PAO (East) for crediting the Personal Deposit Account of TNMSC. Though Commissioner of Treasuries and Accounts had directed as early as in February 2002 that the responsibility of maintaining the Deposit Account of TNMSC be transferred from PAO (East) to PAO (South) to avoid the recurrence of such non/belated communication of adjustment, the Deposit Account was transferred only in April 2004. The huge differences are yet to be reconciled by the Directorates.

Government, with a view to avoid funds being kept idle with TNMSC, had issued a revised procedure in July 1999, directing all the Directorates to release the funds for the fourth quarter, only after receiving the accounts for

⁷ Directorate of Public Health and Preventive Medicine (DPHPM), Directorate of Medical and Rural Health Services (DMRHS) and Directorate of Medical Education (DME).

the first three quarters from TNMSC and after assessing the quantum of drugs etc. actually required for the fourth quarter from all the institutions under their control. However this procedure is not being followed.

In April 2004, TNMSC requested all the Directorates to reconcile the entire transactions since 1994-95.

Though Government directed (November 2004) the TNMSC to transfer the unutilised balance in the PD account for purchase of equipment, furniture etc., for the five new medical colleges, action is yet to be taken to reconcile the accounts between the Directorates and TNMSC (December 2004).

2.8 Non-adjustment of temporary advances

2.8.1 Drawing and Disbursing Officers (DDOs) draw temporary advances either on the authority of standing orders or specific sanction of Government. Tamil Nadu Financial Code requires that if any temporary advance is pending for more than four months, the Treasury Officer (TO)/Pay and Accounts Officer (PAO) should write to the Head of Department concerned to adjust the same with a Detailed Contingent (DC) bill supported by vouchers, within a month. An advance pending for more than five months should be brought to the notice of the Government.

2.8.2 Scrutiny of Register of temporary advances in two PAOs⁸ in respect of six offices indicated in the table below revealed that the above provisions were disregarded by the DDOs.

(Rupees in lakh)

Offices	Pendency as on 31 March 2004					
	More than 5 years	3 to 5 years	2 to 3 years	1 to 2 years	Less than one year	Total
Commissioner of Police Chennai (COP)	-	152.07	-	24.24	-	176.31
Director of Agriculture (DOA)	-	-	191.87	77.93	-	269.80
Director of Elementary Education (DEE)	158.97	-	13.40	-	-	172.37
Director General of Police (DGP)	127.83	4.93	545.87	646.57	1505.45	2830.65
Director of School Education (DSE)	1625.20	-	6.58	-	-	1631.78
Project Officer World Bank Assisted Integrated Child Development Scheme III (P.O., WBA ICDS III)	16.91	22.51	-	390.36	238.26	668.04
Total	1928.91	179.51	757.72	1139.10	1743.71	5748.95

2.8.3 In response to PAO's (South and East) communications, DEE, DSE and DGP denied pendency of 36 DC bills involving Rs 9.82 crore on the ground that the concerned advances did not pertain to their office. Result of verification by the PAOs of the advances in question is awaited (August 2004).

2.8.4 Government in June 2001 instructed to stop payment of non-salary bills of DDOs who have not adjusted the temporary advances for a long time. However, Special Commissioner and Commissioner of Treasuries and Accounts (SC & CTA) based on the orders of the Finance Department,

⁸ PAO (East) and PAO (South), Chennai.

instructed PAO (South) (December 2003 and January 2004) to admit non-salary bills pertaining to DEE and DSE upto March 2004 on the condition that pending temporary advances are settled before 31 March 2004. However, these DDOs adjusted only a meagre amount of Rs 8.28 lakh (0.5 per cent) out of Rs 1804.15 lakh as on 31 March 2004.

2.8.5 Thus, laxity in enforcing codal provisions has resulted in pendency of large number of temporary advances involving huge amounts. A risk of such pendency is that misappropriation, if any, would go undetected.

2.9 Expenditure on New Service/New Instrument of Service

2.9.1 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 the Contingency Fund.

2.9.2 During 2003-04, expenditure totaling Rs 0.93 crore was incurred in four schemes, where only token provision was made. For six new schemes, expenditure of Rs 12.07 crore was incurred without any original or supplementary provision and had to be treated as New Service/New Instrument of Service. Expenditure of Rs 95.10 crore was incurred on eight schemes by utilising reappropriated funds.

2.9.3 Though only token provision was made in the Budget for a scheme receiving assistance from Government of India in respect of Grant No. 7 (Animal Husbandry and Fisheries Department - Fisheries), Rs 0.76 crore was incurred during the year without seeking supplementary grant.

CHAPTER III

PERFORMANCE REVIEWS

STANDARD OF
CIVILIZATION

CHAPTER III

PERFORMANCE REVIEWS

This chapter presents five Performance Reviews and two long paragraphs. The performance reviews include reviews on the Performance of the Villupuram District Administration in selected areas, the regulating role of Government of Tamil Nadu in the implementation of the Child Labour (Prohibition and Regulation) Act, 1986, results of Integrated Audit of Backward classes, Most Backward classes and Minorities Welfare Department, performance of Puratchi Thalaivar MGR Nutritious Meal Programme and Indian Systems of Medicine and Homoeopathy. The two long paragraphs are on Integrated Sanitary Complexes for women and on the Drought Relief Measures in Animal Husbandry Department.

SCHOOL EDUCATION, HEALTH AND FAMILY WELFARE, MUNICIPAL ADMINISTRATION AND WATER SUPPLY AND SOCIAL WELFARE AND NUTRITIOUS MEAL PROGRAMME DEPARTMENTS

3.1 Performance of the Villupuram District Administration in selected areas

Highlights

Villupuram District is one of the backward districts in the State and ranked 28th among the 29 districts in the State in terms of human development index. As district head, District Collector accords administrative sanction for the release of funds under various schemes and the monitoring authority for them. Even three years after the issue of guidelines by the State Planning Commission, neither District Development Plan nor the Annual Plans had been prepared. Though the target for enrolment in respect of primary classes was 100 per cent with no dropout under Sarva Shiksha Abhiyan, 4116 children were not enrolled in primary classes as of March 2004 and dropout rate was six per cent in 2003-04. The couple protection rate in the district stood at 43 per cent in 2003 as against the State level achievement of 50 per cent and Ninth Five Year Plan goal of 70 per cent. Government had not considered upgradation of more number of Primary Health Centres on priority basis despite the backwardness of the district in terms of health indicators. 68 per cent of the rural habitations, 75 per cent of the Town Panchayats and all the Municipalities in the district were not providing adequate quantity of safe water.

➤ Though the District Planning Cell and the District Planning Committee were established in the District in October 1999 and February 2002 respectively, neither the District Development Plan nor the Annual Plans were prepared till date resulting in specific need of the district not being adequately addressed.

(Paragraph 3.1.6)

➤ Textbooks and uniforms were not provided to all the students who were covered under Nutritious Meal Programme. Shortfall in supply of textbooks ranged between five and nine *per cent* during 1999-2002 and in uniforms ranged between two to 23 *per cent* during the period 1999-2003 due to wrong assessment of requirement by Headmasters of the test-checked schools.

(Paragraph 3.1.16)

➤ Norms prescribed in the Ninth Plan document for opening new Primary schools and Middle schools in unserved habitations to provide easy access to Primary/Middle education were not adhered to.

(Paragraphs 3.1.17 and 3.1.18)

➤ No augmentation work was taken up in Villupuram Municipality to meet the increasing demand for water due to non-functioning of Municipal Council and non-approval of scheme formulated in August 2002.

(Paragraphs 3.1.60 to 3.1.63)

➤ The purpose for which the Baby Friendly Toilets were designed as early as in January 2002 was yet to be achieved, due to delay in release of funds by District Rural Development Agency. Only 54 toilets were completed and 14 toilets have been handed over as of September 2004, though the toilets were to be constructed within two months.

(Paragraphs 3.1.69 and 3.1.70)

Introduction

3.1.1 Villupuram District was formed in 1993 by bifurcating the erstwhile South Arcot District. The district is divided into four sub divisions, eight taluks and 1490 revenue villages. There are 1104 village panchayats grouped into 22 panchayat unions, 16 town panchayats and two municipalities. Only 14 *per cent* of the population reside in urban areas. The District Collector is responsible for the co-ordination of all Plan schemes in the district.

Objective of the schemes reviewed

3.1.2 The main objectives of the selected areas are given below.

➤ **School Education:** The main objective of the schemes relating to primary education is to provide easy access to it for all children. The main objective of secondary and higher secondary education schemes is to improve ability, to apply knowledge, develop analytical skills and generally enable students to enter the world with sufficient skills as socially and economically active citizens.

➤ **Health Care:** The main objective of the schemes in this area is to improve the health status of the population.

➤ **Provision of safe drinking water:** The main objective of the scheme reviewed is to provide safe drinking water to cover all habitations.

➤ **Development of Women and Children:** The main objectives of the schemes reviewed are to ensure all children below the age group of six and pregnant and lactating mothers are healthy by providing adequate food and nutrition supplements.

Organisational set up

3.1.3 District Collector is in overall charge of implementing the various schemes and co-ordinates with other departments in the district. The details of organisational set up are given in Appendix XVII.

Audit objective

3.1.4 The objective of the review was to assess the overall development and shortfalls in respect of school education, public health care, provision of safe drinking water and women and child development activities in Villupuram District during the period 1999-2004.

Audit coverage

3.1.5 Records relating to implementation of various Plan and non-Plan schemes relating to the above activities were scrutinised in 28 district level offices and 21 unit offices under 12 departments as detailed in Appendix XVIII.

Implementation of development programmes

District Development Plan

Neither the District Development Plan nor the Annual Plans were prepared even after a lapse of three years since issue of guidelines.

3.1.6 Government ordered (August-1999) establishment of a District Planning Cell headed by a District Planning Officer to assist the District Planning Committee (DPC) in preparing the District Development Plan (DDP) for incorporation in the State Five Year Plan and Annual Plans covering 31 major activities in the Districts. Statistical information and details regarding existing Plan schemes of all departments were to be collected by the District Planning Cell. The draft DDP was to be prepared by the DPC by consolidating need based plan prepared by local bodies. The District Planning Cell and the DPC were established in the District in October 1999 and February 2002 respectively. The State Planning Commission issued guidelines for preparation of District Development Plan in January 2001. However, neither the District Development Plan nor the Annual Plans were prepared (September 2004). The absence of DDP resulted in specific needs of the district not being appropriately reflected in the State Plan and the resultant allocation of funds.

School Education

3.1.7 Review of this sector revealed (a) shortfall in enrolment in primary classes, (b) shortages in supply of text books and uniforms, (c) vacancies of teachers and (d) shortfalls in inspection of schools.

Primary and Middle Education

3.1.8 Ninth and Tenth Plan periods revolved around District Primary Education Programme (DPEP) and Sarva Shiksha Abhiyan (SSA) sponsored

by Government of India (GOI) for universalisation of elementary education in the age group six to 14.

3.1.9 The literacy level of Villupuram District as per census of 1991 and 2001 was 48 and 64 *per cent* only *vis-à-vis* 63 and 73 *per cent* respectively for the State. The District ranked 29th among 30 districts in this respect. The lowest female literacy rate ranged from one to eight *per cent* in 16 villages belonging to Sankarapuram taluk.

3.1.10 SSA aimed at getting (i) all children to be in school by 2003, (ii) all children to complete five years of primary schooling by 2007 and (iii) all children to complete eight years of elementary education by 2010 without dropouts.

Enrolment and dropout of children in Primary and Middle classes

Achievements fell short of the target of 100 *per cent* for enrolment with no dropout.

3.1.11 Though the target for enrolment in primary classes was 100 *per cent* with no dropout under SSA, 4116 children were not enrolled in Primary classes as of March 2004.

3.1.12 The dropout rate during 1999-2004 was as under:

	Dropout percentage				
	1999-2000	2000-01	2001-02	2002-03	2003-04
Primary classes	14	12	14	10	6
Middle Classes				13*	12

* Dropout rate was assessed only from 2002-03 for Middle classes.

3.1.13 In view of the above dropouts, the SSA goal of all children completing five years of primary schooling by 2007 and all children completing eight years elementary schooling by 2010 cannot be achieved. Assistant District Programme Coordinator, SSA, reported to Audit (March 2004) that migration of parents, engaging students in domestic, agriculture and other seasonal works and illiteracy /carelessness on the part of parents were the reasons for dropouts.

3.1.14 Government implemented five welfare schemes¹ to enrol all school-age children and to reduce the dropout rate in schools. The points noticed in the implementation of three of these schemes are discussed in the succeeding paragraphs.

- ¹ (i) Puratchi Thalaivar MGR Nutritious Meal Programme (PTMGRNMP), 1982.
- (ii) Free supply of uniform to all children of Standard I to VIII covered under NMP.
- (iii) Free supply of slates to students studying in Standard I from 1984-85.
- (iv) Free supply of text books to all children of Standard I to V and children of Standard VI to VIII covered under NMP.
- (v) Free supply of bicycles to girl students belonging to Scheduled Castes (SC)/ Scheduled Tribes (ST) and Scheduled Caste Converts studying in Standard XI and XII from 2001-02.

Non-provision of benefits under PTMGR NMP

The programme did not cover 12 primary schools and VI standard students of 56 middle schools.

3.1.15 In Villupuram District, Nutritious Meal Programme (NMP) was not introduced in 12 Panchayat Union primary schools newly opened during 2002-04 with strength of 429 students (204 students in three schools in September 2002 and 225 students in nine schools in October/November 2003) due to non-receipt of proposals from the Block Development Officers. Similarly, the programme did not cover 1353 students admitted to VI Standard as of September 2002 (619 students in 24 schools) and October 2003 (734 students in 32 schools) in 56 Panchayat Union upgraded Middle schools.

Supply of free textbooks and uniforms

3.1.16 Students studying in Standard VI to VIII and covered under NMP are eligible for free supply of textbooks and uniforms. Scrutiny of data in a few selected middle, high and higher secondary schools revealed that five to nine *per cent* students were not supplied with textbooks during 1999-2002. Uniforms were not supplied to two to 23 *per cent* of the students during 1999-2003 (Appendix XIX) due to incorrect assessment of requirements by the Headmasters of the schools. No student was given free uniform during 2003-04 due to non-issue of orders by the Government for the scheme.

Non-opening of required number of Primary and Middle schools

The norms prescribed in the Ninth Plan document for opening new primary schools and middle schools in unserved habitations to provide easy access to primary education was not adhered to.

3.1.17 To provide easy access, State Ninth Plan envisaged opening of new primary/middle school in the habitations where there was no other primary/middle school within a radius of one km/three km.

3.1.18 As of March 2004, five habitations in the district did not have Primary schools within a radius of one km and 38 habitations did not have a Middle school within a radius of three km. Thus the norms prescribed in the Ninth Plan document for opening new Primary schools and Middle schools in unserved habitations were not adhered to. The District Programme Coordinator, SSA, Villupuram, while admitting that non-opening of primary/middle schools may cause dropout among girl children reported to Audit (March 2004) that Primary schools and Middle schools were being opened in the district in a phased manner.

3.1.19 Number of Primary schools opened and number of Middle schools upgraded along with the posts sanctioned for the newly opened schools in the district is given below:

Year	Newly opened Primary schools	Primary school upgraded to Middle school	Posts sanctioned for each newly opened Primary school	
			Secondary Grade Teacher	Headmaster
2002-03	10	47	1	1
2003-04	11	47	2	-
Total	21	94	-	-

3.1.20 The posts sanctioned above (barring Headmasters) were not filled up through recruitment as required under SSA scheme. Instead, the classes were handled by teachers transferred from other Primary schools or by the existing teachers in upgraded schools. Director of Elementary Education (DEE) issued appointment orders based on selection made by Teachers Recruitment Board in June 2004 whereupon 29 out of 32 posts of Secondary

Grade Teachers and 133 out of 141 posts of Middle Grade Graduate Teachers were filled up (July 2004). Reimbursement of pay and allowances of 162 teachers² (excluding Headmasters) amounting to Rs 186.73 lakh for the period September 2002 to June 2004 from SSA funds, in respect of 21 newly opened primary schools and 94 upgraded schools during 2002-04 was irregular as these posts were not filled up by fresh recruitment. This interim arrangement had further eroded the teaching hours in the schools from which the teachers were transferred to newly opened primary schools. Further, it was noticed that the 11 primary schools opened in the year 2003-04 functioned with single teacher only during the period October 2003 - June 2004 as against the norm of at least two teachers in a Primary school under SSA. District Elementary Education Officer (DEEO), Villupuram stated (October 2004) that pending fresh recruitment of teachers through employment exchange, the newly opened (2003-04) primary schools were provided with single teacher only on deputation basis.

Secondary and Higher Secondary Education

Shortage/vacancy in posts of teachers in Government schools

The infrastructure created for spread of education suffered adversely due to non-creation of large number of posts and even the sanctioned posts remained vacant.

3.1.21 As per the norms prescribed by State Government (December 1997) for sanction of teaching posts effective from 1 June 1998, 4795 posts of Secondary Grade teachers were required in primary and middle schools against which 4768 posts were sanctioned till March 2004. Out of these sanctioned posts, 876 (18 per cent) posts were vacant as of March 2004. Further, all seven posts of Urdu teachers were vacant in seven Urdu teaching schools. DEEO, Villupuram, reported (September 2004) that out of 876 vacant post of Secondary Grade teacher, 67 posts were filled up and the remaining vacant posts would be filled up soon.

3.1.22 The details of additional posts required as per the above norms in 119 Government High schools and 80 Higher Secondary schools in Villupuram District as of March 2004 were as follows.

	High Schools			Higher Secondary Schools			
	Secondary Grade Teachers	Graduate Teachers	Tamil Pandits	Secondary Grade Teachers	Graduate Teachers	Tamil Pandits	Post Graduate Teachers
Actual requirement as per norms	987	414	300	1141	478	231	747
Sanctioned	525	297	160	622	314	222	628
Shortfall (percentage)	462 (47)	117 (28)	140 (47)	519 (45)	164 (34)	9 (4)	119 (16)
Men in position	425	251	149	580	279	210	530*
Vacancy (percentage)	100 (19)	46 (15)	11 (7)	42 (7)	35 (11)	12 (5)	98 (16)

3.1.23 The infrastructure created for spread of education suffered adversely due to non-creation of large number of posts and even the sanctioned posts remaining vacant, as brought out in the table above.

² For ten primary schools opened in 2002-03 : 10 teachers
 For 11 primary schools opened in 2003-04 : 11 teachers
 For 47 middle schools opened in 2002-03 : 94 teachers
 For 47 middle schools opened in 2003-04 : 47 teachers
 Total : 162 teachers

Special Coaching for SC/ST students

3.1.24 Under non-plan scheme, special coaching classes are conducted every year for SC/ST students studying in Standards VIII to XII in subjects like Mathematics, Science, Commerce and Accountancy.

3.1.25 Though there were 47720 SC/ST students in 249 schools in 2002-03 and 49859 SC/ST students in 259 schools in 2003-04, only 10767 students (23 *per cent*) of 27 schools (11 *per cent*) in 2002-03 and 10922 students (22 *per cent*) of 29 schools (11 *per cent*) in 2003-04 were covered under the scheme.

3.1.26 Budget allotment was made on the basis of the projections made by the Chief Educational Officer (CEO). However, CEO did not take into account the entire SC/ST students of the district while sending proposals to Director of School Education (DSE). Hence, only number of schools/ students as proposed by CEO was covered.

3.1.27 Pass percentage of SC/ST students (X and XII standard) who were offered special coaching and those who were not covered under the scheme was as given below:

Year	Number of students covered under special coaching	Number of students passed	Percentage	Number of students not covered under special coaching	Number of students passed	Percentage
Tenth standard						
2002-03	2265	1562	69	3133	1700	54
2003-04	2454	1644	67	3785	1759	46
Twelfth standard						
2002-03	1286	848	66	1376	707	51
2003-04	1585	1030	65	2785	1005	36

3.1.28 As may be seen from the above table, the students who were given special coaching performed well, while the pass percentage of students who were denied the special coaching was less by 15 to 21 in respect of X standard and 15 to 29 in respect of XII standard.

3.1.29 CEO replied (February 2004) to audit that action would be taken from next year to seek allotment of funds from the Directorate to cover all eligible schools/ students under the scheme.

3.1.30 It was noted that though the number of SC/ST students enrolled increased from 28139 in 1999-2000 to 49859 in 2003-04, their number covered under the scheme increased marginally from 10011 to 10922. Consequently, the coverage of students declined from 36 *per cent* to 22 *per cent* during this period.

Basic amenities not provided in Government/private hostels for SC/ST students

3.1.31 Twenty seven out of 78 hostels for Scheduled Caste and Scheduled Tribe students were functioning in rented buildings with an annual rent of Rs 4.49 lakh.

Number of hostels without toilets and drinking water were as under:

	Boys Hostels		Girls Hostels	
	Government	Private	Government	Private
Number of hostels for SC/ST	35	25	16	2
Number of hostels with no toilet	8	23	1	1
Number of hostels with no drinking water facility	1	4	1	1

3.1.32 Though toilet facilities and drinking water were provided in 42 out of 51 and 49 out of 51 Government hostels respectively and work is in progress in respect of remaining hostels, no action has been taken to provide these facilities in the private hostels despite huge rent being paid to the hostels without these basic facilities.

Inspection of Schools

Shortfall in conduct of inspection was 63 per cent during 1999-2004.

3.1.33 As per the instructions of DSE, CEOs should inspect at least six Higher Secondary schools in a month and cover all the school in a span of two years. As such the CEO, Villupuram should have conducted at least 300 inspections during 1999-2004. However, CEO conducted only 112 inspections during the above period, the shortfall being 63 per cent. CEO replied (February 2004) that shortfall in inspection was due to frequent meetings with district collector and DSE and also his role as district programme co-ordinator to implement SSA.

Vocational Training Institute for Scheduled Tribes

Assistance of Rs 14.78 lakh provided by GOI for starting VTI remained unproductive and the benefits expected of the scheme did not reach the STs even after eleven years.

3.1.34 GOI released (March 1993) Rs 14.78 lakh for constructing and running a Vocational Training Institute (VTI) at Kalrayan Hills in Villupuram District for STs. Government in March 1995 ordered the Director of Employment and Training to implement the scheme. Later, Government decided (December 1999) to entrust the scheme of constructing and running the VTI to a non-Governmental organisation (NGO). Only one NGO, Danish Mission Higher Secondary School, came forward (May 2000) and the same was communicated to Commissioner of Tribal Welfare (CTW), Chennai. CTW, Chennai took no decision till November 2003. As there was no response from CTW, Chennai, NGO expressed (November 2003) its inability to start VTI as the buildings earmarked for this purpose were utilised for regular schools. In December 2003, consent to run VTI was obtained from another NGO, World Vision India, and the application/project proposals obtained from the NGO were forwarded (February 2004) to the CTW for approval which was awaited. Thus, even after 11 years of receipt of funds from GOI, the VTI had not started functioning. Consequently, assistance of Rs 14.78 lakh provided by GOI remained unproductive and the benefits expected of the scheme did not reach the Scheduled Tribes.

Public Health Care

3.1.35 Review of this sector revealed: (a) family planning target fixed was not achieved and (b) adequate attention was not given for providing sufficient manpower, infrastructure and increasing the bed strength.

Vital health indicators

3.1.36 In terms of vital health indicators Villupuram District had not achieved the goals fixed in Ninth Five Year Plan (1997-2002). A comparative

statement of vital health indicators of Villupuram District and the State at the beginning and end of Ninth Five Year Plan period and March 2003 is as given below:

Sl. No.	Vital Indicators	1997		Ninth Five Year Plan Goal (State)	Achievement			
		State	Villupuram		2002		2003	
					State	Villupuram	State	Villupuram
1	Birth rate	17.6	16.5	15/1000 population	18.4	18.4	17.7	18.8
2	Death rate	6.5	6.8	6/1000 population	3.9	4.9	4.5	5.6
3	Still birth rate	16.0	17.0	10/1000 live birth	16.4	23.0	15.2	22.5
4	Infant Mortality rate	31.8	30.7	20/1000 live birth	25.3	31.2	22.6	28.2
5	Maternal Mortality rate	1.3	1.6	<1 per 1000	1.5	1.5	1.3	1.7
6	Couple protection rate (Percentage)	53	46	70 per cent of eligible couples	51	43	50	43

Birth rate

3.1.37 The birth rate³ in the District had increased from 16.5 in 1997 to the present level of 18.8 as against the goal of 15 to be achieved by 2002.

3.1.38 The couple protection rate⁴ in the district stood at 43 per cent in 2003 as against the State level achievement of 50 per cent and Ninth Five Year Plan goal of 70 per cent. It was further noticed that even the low couple protection rate was achieved largely due to disproportionately higher achievement under temporary methods of couple protection like IUD, distribution of condoms and oral pills (70 to 78 per cent) rather than sterilisation (22 to 30 per cent) which is the permanent way for couple protection.

3.1.39 Among various methods adopted for couple protection, achievement under vasectomy remained very low. The number of vasectomies done during the period from 1999-2004 was only six, compared to 51313 tubectomies during the same period.

3.1.40 There was high rate of infant mortality and still birth in Villupuram District as indicated in the table above. Ninth plan envisaged only ten per cent domiciliary deliveries. However, the percentage of domiciliary deliveries was 26 to 49 in the district during 1996-2003.

3.1.41 Government of India estimated that about 15 per cent of the deliveries would involve higher risk. Proper medical care facilities in close proximity should be ensured to avoid maternal mortality. However, only three out of the 22 Primary Health Centres (PHCs) and four out of ten Government hospitals (GHs) were conducting Caesarean deliveries. Further, in 15 out of 22 main PHCs and two out of ten GHs, the operation theatres were not functioning for various reasons such as repairs to doors, windows and exhaust fan, non-availability of water supply, etc.

Only three out of the 22 main PHCs and four out of ten GHs were conducting caesarean deliveries and in 15 out of 22 main PHCs and two out of ten GHs the operation theatres were not functioning.

Manpower and infrastructure

3.1.42 Adequate attention was not given for providing sufficient manpower, infrastructure and increasing the bed strength as discussed hereunder.

³ Birth rate: Number of births per thousand population per year

⁴ Couple Protection rate: $\frac{\text{Number of couples protected}}{\text{Number of eligible couples below 40 years}} \times 100$

Shortage of manpower

3.1.43 Posting of required number of medical and para-medical staff (PMS) is essential for the effective implementation of public health activities. However, 23 to 27 per cent of the sanctioned posts of Medical Officers (MOs) and 16 to 18 per cent of PMS in the district remained vacant as of January 2004 as detailed below:

Institution	Category of staff	Sanctioned strength	Men in position	Vacancy (percentage)
Government hospitals (10) and dispensaries (2)	Medical officers	88	68	20 (23)
	Para-medical staff	454	383	71 (16)
PHCs (80)	Medical officers	160	117	43 (27)
	Para-medical staff	1411	1155	256 (18)

3.1.44 An analysis of vacancy position in seven Government hospitals and 80 PHCs revealed that 25, 27 and two posts of MOs and 83, 168 and 56 posts of PMS were vacant upto one year, one to five years and more than five years respectively.

3.1.45 As against the sanctioned strength of eight medical officers, in the four PHCs⁵ of Vallimalai tribal block, only three medical officers were in position (January 2004) to cover a total population of 50230. Even the only upgraded PHC in Kariyalur block had only one medical officer as against the sanctioned strength of four and vacancy of three posts ranged from 15 to 39 months. Joint Director of Medical and Rural Health Services and Family Welfare, Villupuram stated (November 2004) that most of the vacancies of doctors arose due to transfer and frequent leave availed by doctors.

Non-posting of staff to newly upgraded Government Hospital

3.1.46 Government Hospital, Sankarapuram was upgraded from PHC level in January 1997. MO of the hospital submitted (August 1999) a proposal to Joint Director of Health Services (JDHS), Villupuram for creation of 17 new posts including two MOs and 15 other staff. The JDHS recommended the proposal to Director of Medical and Rural Health Services (DM&RHS), in October 1999. However, no new posts were created and the hospital functioned with the limited staff as of January 2004. As a result, the average bed occupancy during 1999-2004 ranged between four to eleven patients per day as against the sanctioned bed strength of 32. The JDHS, Villupuram also concurred (December 2003) with Audit that unless required number of medical/para-medical staff are provided, it would be difficult to justify service to the people in the area. Thus, the very purpose of upgrading the hospital was defeated.

Public health activities in municipalities

3.1.47 Public health activities, mainly outreach services like ante-natal registration, immunisation, vector control, family welfare activities etc., for the people living in urban areas are to be provided by the public health wing of the municipality concerned.

3.1.48 In the two Maternity homes of Tindivanam Municipality, there is no sanctioned post of MO and only three out of eleven other staff sanctioned are in position. Due to the huge shortage in manpower, activities such as

⁵ Kariyalur, Keelakkadu, Mottampatti and Serapattu.

(i) distribution of condoms and oral pills, (ii) IUD insertion and family planning promotional activities were not carried out in the Municipality during the period covered by audit. Further, the ante-natal registrations of pregnant women in the municipal area, which was 1520 in 2001 came down to 91 in 2001-02, 51 in 2002-03 and nil during the year 2003-04. Commissioner, Tindivanam Municipality replied to Audit that the vacant posts were not filled up due to the ban imposed by Government on new recruitments.

Infrastructure facilities

Insufficient medical facilities in Blocks

Government had not considered up-gradation of more number of PHCs on priority basis despite the backwardness of the district in terms of health indicators.

3.1.49 According to the policy declared by Government in March 2001, every block should be provided with one public medical institution with bed strength of at least 30. Only nine out of twenty two blocks (41 per cent) in the district had 30 or more beds (Headquarters hospital: one, Taluk hospital: seven, PHC: one each in 22 blocks) as of March 2001. In spite of the above, Government sanctioned (October 2001 and February 2002) upgradation of only three PHCs as 30 bedded institutions during the three year period from 2001 to 2003. Only one out of the three upgraded PHCs (at Kachirapalayam) started functioning and building works were in progress in the other two PHCs (Mailam and Siruvanthadu) as of December 2003. Government had not considered upgradation of more number of PHCs on priority basis despite the backwardness of the district in terms of health indicators.

Non-utilisation of Hospital Maintenance Fund

3.1.50 Government sanctioned (September 1996) a sum of Rs five lakh to each Headquarters hospital in the State to establish 'Hospital Maintenance Fund' (HMF) to provide amenities to patients in the hospital premises and towards maintenance of hospital building. Income by way of entrance fee and charges paid by Tamil Nadu Medical Services Corporation in respect of CT Scan equipment operated by them inside the hospital premises were also to be credited to the HMF. There was a closing balance of Rs 16.33 lakh and only Rs 1.91 lakh had been utilised so far from the fund as on 31 March 2003.

3.1.51 Hospital Advisory Committee meetings held in April, May 2002 and March 2003 and Law and Order Review meeting held at Collectorate in July 2003 discussed the shortcomings in the hospital maintenance like non availability of public toilets; acute water shortage in the hospital; pending electrical repairs for several years; misuse of hospital premises by anti-social elements due to non-availability of security guards; over-grown shrubs in the hospital premises in the absence of periodical clearance and non-provision of cattle trap to prevent entry of animals.

3.1.52 However, no remedial action was taken by utilising the available funds in the HMF. On this being pointed out (May 2004), JDHS, Villupuram stated (November 2004) that HMF available was distributed to other taluk and non-taluk hospitals of the district in July 2004 and details of the expenditure would be submitted later.

Non-utilisation of Eleventh Finance Commission Grant by Villupuram Municipality

3.1.53 The Eleventh Finance Commission recommended grants to urban local bodies to finance core civic services such as improvement to hospitals, maternity centres, provision of safe drinking water, street lights etc. The grant was to meet 50 *per cent* of the cost of works to be taken up by municipalities. The Villupuram Municipality identified health care projects for Rs 32.30 lakh (the grant portion being Rs 16.15 lakh). Only a sum of Rs 2.30 lakh was utilised till February 2004 towards health care facilities and the remaining grant of Rs 13.85 lakh was kept unutilised. The unspent balance was kept in the General Fund Account only, in contravention of the guidelines issued by Commissioner of Municipal Administration to keep the funds of Eleventh Finance Commission in separate account. The Commissioner, Villupuram Municipality informed (March 2004) to Audit that the fund was not utilised for want of Municipal Council's approval.

Provision of safe drinking water

3.1.54 Review of this sector revealed (a) 68 *per cent* of Rural Habitations, 75 *per cent* of Town Panchayats and all Municipalities in the district did not provide required quantity of safe water and (b) no augmentation work was taken up to meet the increasing demand due to rapid growth of population and diminishing yield of water in the existing sources, as discussed in the succeeding paragraphs.

3.1.55 Ninth Five Year Plan envisaged provision of safe drinking water to cover all habitations including all the water quality-affected habitations and to monitor the water quality under surveillance system. According to the existing national norms, all rural habitations, Town Panchayats and Municipalities were to be provided with safe water at the rate of 40,70 and 90 litres per capita per day (LPCD) respectively.

3.1.56 The numbers of rural habitations in the district and availability of safe drinking water therein, as of March 2004, were as follows:

Total number of habitations	Water supply position		
	Habitations covered with less than 10 LPCD	Habitations covered with 10 to 40 LPCD	Habitations covered with more than 40 LPCD
4190	492 (12 <i>per cent</i>)	2362 (56 <i>per cent</i>)	1336 (32 <i>per cent</i>)

3.1.57 As seen from the above, 68 *per cent* of the rural habitations in the district were not provided with safe drinking water at the existing national norms.

3.1.58 Similarly, in respect of urban areas the achievements by the local bodies as of December 2003 were as follows:

Category of local body	Number of local bodies in the district	Norms for water supply	Number of local bodies providing water supply in the range of		
			Up to 39 LPCD	40 to 69 LPCD	70 LPCD and above
Municipalities	2	90 LPCD	2	Nil	Nil
Town Panchayats	16	70 LPCD	2	10	4

3.1.59 As seen from the above, 75 per cent Town Panchayats and all Municipalities did not provide the required quantity of safe drinking water (September 2004). Government stated (January 2005) that water supply improvement schemes are now under execution in urban areas and on their completion all the towns in the district will be provided with the required quantity of safe drinking water.

Provision of Safe Drinking Water in urban areas

3.1.60 In Villupuram municipal area the quantity of water supply ranged from 25 to 45 LPCD against the norm of 90 LPCD.

3.1.61 A major augmentation work was carried out in 1968 at a cost of Rs 26.05 lakh in Villupuram municipal area. However, no major augmentation work was taken up subsequently to meet the increasing demand due to rapid growth of population and diminishing yield of water in the existing sources.

3.1.62 Tamil Nadu Water Supply and Drainage (TWAD) Board prepared a project proposal (October 1997) at a cost of Rs 12.23 crore to augment water supply by one crore litres per day without ascertaining the capability of the municipality to bear the expenditure. The Municipal Council, which discussed the proposal (March 1998), resolved to approach Government for 100 per cent grant to implement the scheme, as the Municipality did not have enough resources to meet the project cost and the recurring expenditure towards maintenance and repayment of loans. The proposal was dropped after four years and a new proposal with lower cost (Rs 6.84 crore) was prepared and approved by TWAD Board in August 2002. As the Municipal Council did not meet for more than two years, no decision was taken on the above Scheme as of February 2004.

3.1.63 Government stated (January 2005) that the matter is being perused to ensure early implementation of the scheme.

Development of women and children

3.1.64 Review of this sector revealed: (a) supplementary nutrition was not provided on Sundays and Government holidays at some centres, (b) delay in release of funds led to delay in starting/completing baby friendly toilets, and (c) funds provided for carrying out repairs to Integrated Child Development Services (ICDS) and PTMGR Nutritious Meal Centres remained unutilised.

Implementation of World Bank assisted Integrated Child Development Services – III Project

3.1.65 World Bank assisted Integrated Child Development Services – III Project (WBA ICDS – III Project) was under implementation from 1998-2004 in 24 districts of Tamil Nadu including Villupuram. The main objective of the scheme is to improve the nutritional and health status of children in the age group of zero - six years through various sub-programmes such as supplementary nutrition to children and mothers.

3.1.66 After the closure of Tamil Nadu Integrated Nutrition Project II (TNIP), 318 TNIP II blocks were taken over under WBA ICDS – III Project with effect from 1998-99. While wheat-based supplementary nutrition was provided on all the days in 1644 rural centres, the same was not provided on Sundays and Government holidays in 85 urban centres and 61 tribal centres in Kalrayan hills. Thus, there was no uniformity in rural and urban/tribal centres

after converting TNIP II centres into Anganwadi Centres in accordance with the ICDS pattern.

3.1.67 For want of stock (weaning food), supplementary nutrition was not provided on all the days in a year during 1999-2004 in centres as detailed below.

Year	Weaning food not provided for			
	16-30 days	31-90 days	91-150 days	More than 150 days
	(Number of centres)			
1999-2000	6	1	-	-
2000-01	84	9	-	-
2001-02	4	30	269	121
2002-03	10	339	97	-
2003-04	70	47	-	-

3.1.68 The non-supply of weaning food, had a direct impact on the nutritional and health status of children and mothers. In this context Audit noted the prevalence of moderate/severe malnourishment (11209 to 18008 children) and relapse cases (921 to 1174 children) during 2001-03.

Construction of Baby Friendly Toilets in Anganwadi Centres

3.1.69 Government sanctioned (January 2002) construction of 1575 Baby Friendly Toilets in 21 districts at an estimated cost of Rs 4500 per toilet. Seventy five toilets had been proposed for construction in three blocks of Villupuram District at the rate of 25 toilets per Block. The construction of toilets was to be completed within two months from the date of release of funds. The execution of the work was entrusted to the concerned Block Development Officers (BDOs). The Project Co-ordinator WBA ICDS-III Project released (May 2002) to the District Collector, Villupuram Rs 1.69 lakh as 50 per cent advance for construction of 75 toilets in the above three Blocks and the amount was kept in Savings Bank Account. After a delay of more than a year, the amount was distributed (June 2003) equally (Rs 56250 each) to the three Blocks by the Project Officer, District Rural Development Agency (DRDA) for execution of works. The balance amount of Rs 1.69 lakh was released in June 2004. Thus, delay in release of funds had led to delay in starting/completing the works.

3.1.70 Out of 75 toilets, 54 had been completed, 15 were under progress and six were not commenced as of September 2004. Programme Officer, WBA ICDS-III Project, Villupuram reported (September 2004) that out of 54 completed toilets, 14 toilets constructed in one block (Tiruvannainallur) have alone been taken over by Anganwadi Centres and the balance 40 completed toilets had not been taken over due to incomplete/defective construction (seven), non provision of water facilities (19) and not handed over by the BDO (14). Thus, the scheme sanctioned in January 2002 was yet to be completed fully (September 2004).

Repairs to ICDS and PTMGRNMP Centers

3.1.71 Commissioner of Municipal Administration (CMA) released (October 2002) Rs 13.10 lakh to District Collector for carrying out repairs to 26 ICDS and nine Nutritious meal centres functioning in Villupuram Municipal area. This amount had not yet been released to the Municipality by District Collector and the amount with accumulated interest of Rs 1.11 lakh

had been kept in a Nationalised Bank. Thus, Rs 13.10 lakh provided for carrying out repairs as early as in October 2002 remained unutilised and the centres were functioning without repairs.

Conclusions

3.1.72 The review identifies several constraints in the promotion of school education especially at the primary and middle level. These include not opening of schools as required under the norms in inadequately served habitations and inadequate number of coaching classes for SC/ST students. Despite the backwardness of the district as per various health indicators, action was not taken to upgrade the Primary Health Centres (PHC) on priority basis and to provide adequate manpower in hospitals and PHCs. No major augmentation work for drinking water was taken up though the required quantity of water was not provided in most of the rural habitations and Town Panchayats and all the Municipalities of the District.

Recommendations

- The District Planning Cell and the Planning Committee should prepare the District's Annual Plan without further delay.
- Coverage of special coaching classes for SC/ST students should be increased.
- Special emphasis should be given for safe drinking water to meet the increasing demand due to rapid growth of population both in rural and urban areas.
- Government should consider provision of funds to the Villupuram Municipality to augment water supply in view of acute scarcity there.

The above points were referred to Government in July 2004. Replies were not received (January 2005) from the concerned departments of the Government except Municipal Administration and Water Supply Department.

LABOUR AND EMPLOYMENT DEPARTMENT

3.2 Implementation of the Child Labour (Prohibition and Regulation) Act, 1986

Highlights

The Child Labour (Prohibition and Regulation) Act, 1986 bans the employment of children of less than 14 years age in specified occupations and processes and lays down penalties for their employers.

A review of the implementation of the Act in Tamil Nadu revealed wide variations in data on estimation of child labour identified through various surveys; infirmities in the provisions of the Act enabling employers to escape penal provisions; failure of the system to reach out to the child labour in unorganised sector; low level of achievement of 'National Child Labour Project' schools and under Child Labour Rehabilitation Project in Chennai slums; failure in carrying out directions of the Supreme Court and absence of efforts to bridge the gap between the number of children identified through survey and those actually rehabilitated.

➤ Available data on child labour were unreliable; child labourers could not be rescued from hazardous processes like weaving, beedi making etc. as these activities are carried out as family units to which prohibitory provisions of the Act do not apply.

(Paragraphs 3.2.7 and 3.2.8)

➤ Lack of data of unregistered factories hinders inspection agencies from prosecuting employment of child labour in them.

(Paragraphs 3.2.10 and 3.2.14)

➤ Majority of the cases filed for violations/non-compliance with the provisions of the Act did not result in conviction. Failure to adopt a legally acceptable method for determining the age of children resulted in acquittal of many cases.

(Paragraphs 3.2.16 and 3.2.18)

➤ National Child Labour Project could not fully achieve its objective mainly due to shortage of vocational instructors and closure of special schools.

(Paragraphs 3.2.29 and 3.2.30)

➤ Under Child Labour Rehabilitation Project in Chennai slums, enrolment was poor and there was no follow up after mainstreaming children to monitor their relapsing into child labour.

(Paragraph 3.2.41)

➤ Despite the judgement of the Supreme Court, the State Government could not rehabilitate 9485 children working in hazardous occupations.

(Paragraphs 3.2.43 to 3.2.48)

Introduction

3.2.1 The Child Labour (Prohibition and Regulation) Act, 1986, enacted by Parliament (hereinafter referred to as the Act) and rules framed thereunder in 1988 regulate various aspects relating to child labour. Through a notification issued in May 1993, the working condition of children was sought to be regulated in all employments which are not prohibited under the Act. Details of other Acts in force for prohibition of child labour are given in Appendix XX. The Contract Labour Act, 1970 is silent about engaging child labour on contract basis. Supreme Court of India in a landmark judgement (December 1996) issued a number of directions to Government of India/State Governments regarding elimination of child labour. National Child Labour Policy formulated in 1987 stresses on (i) Legal Action Plan on strict enforcement of various laws relating to child labour; (ii) focussing of general development programmes for the benefit of child labour and (iii) project based plan of action for the welfare of working children in areas of high concentration of child labour. In pursuance of this policy, Ministry of Labour has been implementing, since 1988, a scheme of National Child Labour Projects (NCLPs). International Labour Organisation (ILO) implemented 'International Programme on Elimination of Child Labour (IPEC)' in Tiruppur region of Coimbatore District and Sivakasi region of Virudhunagar District from February 2000 to June 2003 with the aim of eliminating child labour in the hazardous industries existing in these regions.

Programme objectives

3.2.2 The main programme objectives are detailed as under:

- The Act bans the employment of children who have not completed their fourteenth year in specified occupations and processes and lays down penalties for employment of children.
- Special schools were established under NCLP to provide a package of welfare measures including non-formal education, skill/craft training, supplementary nutrition, stipend, health care etc.

Organisational setup

3.2.3 The various Acts prohibiting child labour are implemented at the field level by Assistant/Deputy Inspectors of Labour, Inspectors of Labour, Assistant Inspector of Factories and Inspector of Factories. No additional staff has been sanctioned by Government.

A Child Labour Monitoring Cell headed by the Additional Commissioner of Labour (ACOL) is functioning to monitor activities originating from the directions of the Supreme Court. This Cell also oversees the functioning of the NCLPs in the State.

At the District level, where NCLP is operated, a registered project society under the chairmanship of District Collector implements the project. A Project Director administers the society with the grants-in-aid released by Ministry of Labour. These projects run special schools for imparting non-formal education to the children withdrawn from employment.

Audit objective

3.2.4 The Audit objectives were:

- to examine the difficulties in implementation of certain provisions of the Act and Rules;
- to examine the regulatory and prohibitory functions and the enforcement machinery functions under the Act;
- to examine the rehabilitation measures undertaken under various projects;
- to check progress of implementation of Supreme Court Judgement and
- to examine the adequacy of monitoring and evaluation mechanism.

Audit coverage

3.2.5 The review covers the five year period of 1999-2004. Eleven out of 30 districts in the State were selected in the sample for audit coverage including six¹ of the nine NCLP districts. Out of 16 Non-Governmental Organisations (NGOs) which received grant from Government of India (GOI) during 1999-2001, records of four NGOs² were scrutinised.

Financial Management

3.2.6 Details of grants received from GOI by the NCLP societies and the expenditure incurred during 1999-2004 are furnished in Appendix XXI. An amount of Rs 35.91 lakh was incurred on the Child Labour Monitoring Cell during 1999-2004. State Government sanctioned Rs 25 lakh in May 2003 for conducting awareness campaigns and training programme and to provide assistance for education to the child labourers rescued. Commissioner of Labour (COL) reported that Rs 17.06 lakh were spent upto March 2004.

Statistical data on child labour

Wide variation in data on estimation of child labour

3.2.7 Number of child labourers in the State identified through various sources till the year 2000 is listed in Appendix XXII. A survey conducted in 2001 revealed that there were 3.49 lakh child labourers in the State. A house to house survey conducted in September 2002 under 'Sarva Siksha Abhiyan' (SSA) revealed that 2.26 lakh children of school-going age are not attending school. A supplementary survey conducted in March 2003 revealed that 70344 child labourers were working in hazardous (17385) and non-hazardous occupations (52959). This survey did not cover the child labourers who were staying in accommodation arranged by the employers.

3.2.8 Owing to different methods of estimation and sources of collection of data for such surveys, compounded by the vast unorganised, informal and unregulated sectors, the identification/estimation of child labour has not been accurate. Wide variations in the number of identified child labour by various surveys clearly indicated the unreliability of the available data. A streamlined and well designed procedure for conducting a survey in the State for identification of child labour should be planned. In the revised scheme of NCLP in 2003, provision of Rs 2.75 lakh per survey has been made

¹ NCLP districts : Coimbatore, Dharmapuri, Salem, Tirunelveli, Vellore and Virudhunagar.

² Madurai Multipurpose Social Service Society, Madurai; Tamil Nadu Rural Reconstruction, Madurai; YMCA Sattur and Women's Voluntary Service, Satchiapuram.

to conduct district-wise surveys of working children twice during the Tenth Plan period. So far no survey has been undertaken.

Legislative framework and its adequacy

Difficulties in implementing certain provisions of the Act and Rules

Implication of non-prohibition of child labour employed as a family unit

3.2.9 Section 3 of the Act prohibits employment of children in certain occupations and processes. This prohibition does not apply to any workshop wherein any process is carried on by the occupier with the aid of his family. In the consultative meeting on Indicative Law on Child Labour (November 2002) it was apprehended that many employers escape the penal provisions under the guise of family activities. Further, children employed in hazardous processes like weaving, beedi making etc. could not be rescued and rehabilitated since they are generally carried on as a family unit.

Non-prevention of child labour in unregistered factories and unorganised sectors

3.2.10 In Tamil Nadu, 64 *per cent* of child labour was accounted for by agriculture and allied activities and the balance 36 *per cent* by manufacturing and service sectors³. As unregistered factories and unorganised/informal/ unregulated sectors do not come under the active purview of inspection, substantial child labour employed in these sectors could not be prevented easily.

Non-prevention of child labour engaged in hazardous silver ornaments units

3.2.11 Silver chain ornaments manufacturers in Salem District employ children. Out of 220 units inspected 59 children were noticed working in 22 units. SSA survey of 2003 also revealed that out of 7947 child labourers identified in the district, 650 were employed in silver ornaments units. Though the State Government proposed (January 2000) to GOI the inclusion of silver chain making process in Part B of the schedule to the Act of 1986 on the ground that it was a hazardous process, no such inclusion was made. Thus, engagement of child labour could not be prohibited in this hazardous process.

Programme Management

Regulatory and prohibitory functions under the Act

Non-fixing of jurisdiction for inspections to designated Inspectors

3.2.12 As discussed below, the present trend of enforcing the regulatory and prohibitory functions of the Act indicates that the goal of complete elimination of child labour by 2007 would be difficult to achieve.

3.2.13 State Government has framed "The Tamil Nadu Child Labour (Prohibition and Regulation) Rules, 1994 in August 1994. Prior to that in July 1993, it earmarked 161 categories of posts in different departments, as "Inspectors" for this purpose and directed the district authorities to assign to each of them appropriate jurisdiction. While the District Collectors of Pudukottai and Nagapattinam stated that necessary orders were issued in March 2004 and May 2004 respectively, none of the other districts took required action in this regard. Non-fixing of jurisdiction could result in omission of some areas from inspection.

³ Source : Workshop sponsored by UNICEF during 2003.

Non-furnishing of required details by establishments which employed or permit any child to work

3.2.14 Section 9 of the Act stipulated that every occupier in relation to an establishment which employs or permits any child to work should, within a period of 30 days send to the Inspector, within whose local limits the establishment is situated, various particulars including the name and address of the establishment and the nature of the occupation or process carried out. However, in all the ten sample districts⁴ no such particulars were received though there were 46711 child labourers in these districts as recorded by SSA survey of 2003. As in all the ten districts, local limits of the inspectors have not been defined by the District Collectors, this section of the Act remained unenforced.

Absence of a reliable method for determining the age of the child

3.2.15 According to Section 10 of the Act, in case of dispute regarding the age of any child, a certificate should be obtained from a prescribed medical authority. Audit scrutiny indicated that the main reason for acquittal in cases of employment of child labour was that the medical certificates of age were based on the dental formula which the courts were reluctant to accept. The courts desired age to be determined by X-ray tests which the Department found difficult to furnish.

Prosecutions launched against employment of child labour

3.2.16 If any child labour was found working in any shop or establishment, prosecution was launched invoking the prohibitory sections under the relevant Acts *eg.* Tamil Nadu Shops and Establishment Act, 1947, etc. Government in Labour and Employment Department also clarified (December 1999) that wherever these Acts apply, prosecution should be launched against employment of child labour. Perusal of connected records revealed that 1420 cases resulted in conviction for violation and a fine of Rs 32.56 lakh was collected under various Acts during 1996-2004 (upto March 2004), as indicated below:

Name of the Act	Number of inspections	Number of cases in which violations noticed	Number of cases filed	Number of cases disposed		Fine amount collected (Rs in lakh)
				By acquittal	By conviction	
Tamil Nadu Shops and Establishment Act, 1948	904082	3778	2016	143	866	1.08
Tamil Nadu Catering Establishments Act, 1958	158267	2280	1255	103	538	0.55
Factories Act, 1948	167516	725	826	123	16	30.93
Total	1229865	6783	4097	369	1420	32.56

Year-wise break-up details are furnished in Appendix XXIII. Perusal of details revealed that violations noticed were on the increasing trend since 2002, indicating that the existing system is grossly inadequate in elimination and prohibition of child labour.

3.2.17 According to Section 14 of the Act, whoever employs any child or permits any child to work in contravention of the provisions of Section 3 shall be punishable with imprisonment for a term ranging from three months to one year or with fine which shall not be less than Rs 10000 but may extend to Rs 20000 or with both. In addition there are penal provisions arising from failure to notify Inspector, maintain the required register etc.

⁴ Chennai, Coimbatore, Dharmapuri, Erode, Kancheepuram, Namakkal, Salem, Thiruvallur, Vellore and Virudhunagar.

Cases filed against violations/non-compliance with provisions of the Act

3.2.18 Connected records revealed that 604107 establishments were inspected under the Act by both the Labour and Factories Departments and violations were noticed in 7803 cases. Of the 7435 cases filed for such violations, 586 cases resulted in conviction and Rs 10.66 lakh were collected as fine. Year-wise break-up details regarding the cases filed and disposed are furnished in Appendix XXIV.

3.2.19 An unusual feature of the data exhibited in Appendices XXIII and XXIV is that no violation regarding child labour was noticed in 2001 in any of the four Acts though the inspections carried out during this year were of the same order as in the years preceding or succeeding it. As the violations noticed during 1999, 2000, 2002 and 2003 were 6975, 224, 860 and 4168 respectively, the absence of any violation noticed during the year 2001 appears incredible. Reply of the COL regarding the anomalous figures of this year is awaited. Further, the fact that 6754 violations under the Child Labour Act were noticed during 1999 while in no other year this number exceeded 400 indicates that there was laxity in enforcement during other years.

Action Plan for elimination of child labour by 2007

3.2.20 Government approved an action plan in May 2003 for the elimination of child labour in hazardous occupations by 2005 and in all non-hazardous occupations by 2007. The strategies planned to achieve the goals were (a) surveying and identifying working children, (b) rescuing child workers and admitting them in special schools and mainstreaming them into formal schools, (c) conducting special drives to enrol all children in the age group five to seven years, (d) strengthening formal education, (e) providing skill training to children in age group 14 to 16 years, (f) enforcing strictly laws prohibiting child labour, (g) targeting implementation of development schemes to benefit families of rescued child labour and (h) achieving convergence of services of departments and NGOs. Government proposed the implementation of this action plan through NCLPs in nine project districts and through other District's Child Labour rehabilitation-cum-welfare societies and at State level through State Child Labour Rehabilitation-cum-Welfare Society.

3.2.21 However, as discussed in the preceeding paragraphs, (i) the fact that a majority of the detected cases went without conviction and even most of the convicted cases were penalised with fines only, (ii) absence of reliable data on the number of child labour prevalent in the State and (iii) existing infirmities in the Act and non-enforcement of prohibition of child labour in the unorganised sector indicate that the objective of eliminating child labour by 2007 would be difficult.

Enforcement machinery

3.2.22 Though the Act was passed in 1986 and the rules framed in 1988, a separate manual for enforcement officials on child labour was prepared by the Labour Department belatedly in 2003.

Conducting of joint raids by district level prevention squad

3.2.23 Between June and December 2003, 53 joint raids were conducted by District Level Prevention squad comprising Inspectors of Labour, Factories and Plantations, volunteers from NGOs and Civil Assistant Surgeon during which 412 child labourers were identified. However, only 70 of these children were rehabilitated. This indicated poor follow-up by the enforcement machinery. In ten districts test checked special squads identified 168 child labourers between January and March 2004 of whom only 95 were rehabilitated (June 2004).

Labour department's perception of difficulties in enforcement.

3.2.24 Some of the major difficulties faced during enforcement as identified by the Labour Department (June 2003) were (i) non-cooperation from parents and owners of shops/establishments, (ii) lack of coordination/convergence between departments during enforcement and for rehabilitation, (iii) slow processing of cases in courts, (iv) unwillingness of some of the rescued child labourers to study in schools and (v) difficulty in collecting documentary evidence. Government needs to address these problems effectively if the objective of elimination of child labour in all sectors by 2007 is to be realised.

Rehabilitation through National Child Labour Project

Implementation of National Child Labour Projects for rehabilitation

3.2.25 National Child Labour Projects (NCLPs) are being implemented in the State in nine districts⁵ for rehabilitating the child labourers identified. The main components of these projects are survey for identification of child labour, awareness campaigns, running of special schools for imparting non-formal education and mainstreaming of special school children to formal schools etc. The entire funding of NCLP is provided by the Ministry of Labour, GOI which releases the earmarked funds to the Project Societies and NGOs concerned directly. Special schools are run by the Project Societies in three Project districts viz. Vellore, Salem and Dharmapuri and in other NCLP districts by NGOs and Project Societies. A monthly stipend of Rs 100 per child is also sanctioned under the Project.

3.2.26 The special schools under NCLP have two academic instructors and one vocational instructor. 466 special schools were functioning in the State and 19958 children were studying as of March 2004. Upto March 2004, 22254 children were reported to have been mainstreamed into formal schools in the State from the time of commencement of NCLP Projects. A review of the working of the Project Societies in sample districts and the Special schools functioning under them revealed problems such as inaccurate reporting, vacant posts of vocational instructors, closure of schools and non-follow up of mainstreamed children as detailed in the succeeding paragraphs.

Deficiencies noticed in implementing the projects

3.2.27 During 1999-2004, the total number of children mainstreamed as reported by the Project Directors was 15148. However, according to the details gathered by Audit from the special schools the number of mainstreamed children was 13518 only. There was thus an excess reporting of 1630 children.

3.2.28 During the same period, the number of students who had discontinued their studies in special schools (dropouts) as furnished by the Project Directors to Audit was 9454. However, an independent verification of the schools' records by Audit revealed that the number of dropouts was 17145.

3.2.29 In Salem, out of 40 schools functioning, the post of vocational instructors was vacant in 14 schools, out of which in five schools the vacancy was for more than five years. 23 schools were closed without imparting any vocational training since the posts were not filled up. In 29 schools functioning in Dharmapuri District the posts of vocational instructors were vacant for periods ranging from one year to seven years. The Project Directors concerned attributed these vacancies to (a) non-posting of instructors

⁵ Coimbatore, Dharmapuri, Pudukottai, Salem, Tiruchirappalli, Tirunelveli, Thoothukudi, Virudhunagar and Vellore

due to poor student strength and (b) non-availability of suitable candidate in the locality.

3.2.30 In the test-checked districts, between 1999 and 2004 (March 2004), 387 schools⁶ were closed. Of this, 103 schools functioned for less than six months, 44 schools for less than a year, 29 schools for less than two years and 50 schools for less than three years. 161 schools functioned for more than three years. The Project Directors stated that the schools were closed mainly due to migration of parents of the child labourers. This clearly indicates that convergence of various schemes for poverty alleviation to enable steady income of labourers in a place to check their seasonal migration has not occurred.

Non-availability of adequate special schools in sample districts.

3.2.31 As against the 165379 child labourers identified in four districts (Dharmapuri, Salem, Tirunelveli and Vellore) in the survey in 1996, the special schools of the four districts could enrol 27721 children only (17 *per cent*) up to March 2004. In all, 449 NCLP schools were run in these districts upto March 2004 which according to norms had an optimum capacity of 18000 children only. The Department decided (February 2004) to reduce the number of schools in Pudukottai to 50 *per cent* so that the resultant savings could be utilised for opening more schools in Dharmapuri District. Similar relocation of projects to cover all the 17 districts which reported more than 1000 child labourers is under consideration (September 2004).

Absence of follow-up of mainstreamed children from special school

3.2.32 As per reports of the Commissionerate of Labour, 22254 children were mainstreamed into formal schools in the State till March 2004. In the six NCLP districts⁷ test-checked, records did not indicate that the Project Directors had ascertained the continuance of studies of the children mainstreamed. The Project itself did not contemplate such monitoring, paving the way for the dropout children relapsing into child labour. As the number of children who continued their education could not be correctly ascertained, the impact of the Projects could not be assessed. As a test check, in Salem District, the Head Masters of 130 formal schools were requested to confirm the continuance of around 2000 mainstreamed children in their schools. 55 schools reported that 268 children did not join the schools and 114 children did not continue their studies. This reveals that the data furnished by the NCLP schools was not reliable.

Non-adoption of uniform procedure in payment of stipends

3.2.33 The manual for implementation of NCLPs issued by GOI was silent about minimum attendance necessary for disbursing stipends of Rs100 per month to children. Thus, the minimum required attendance varied from 80 *per cent* in Salem District to 60 *per cent* in Dharmapuri District. In Pudukottai District, 50 *per cent* of attendance was insisted upto 2002-03 and from 2003-04, it was raised to 60 *per cent*. Children with attendance ranging from 25 to 59 *per cent* were paid half of the stipend. In Virudhunagar District for attending 21 days in a month, full stipend was released and for attendance less than 21 days, only half of the stipend was paid.

Though stipend was to be disbursed every month, in Dharmapuri District, stipend was disbursed to the special school children on quarterly basis, through Post Office Savings Account / Bank Account. It was also noticed that in nine schools of Thoothukudi District stipend was disbursed after a delay of

⁶ Upto 1999: 134; 1999: 71; 2000: 78; 2001:39; 2002:22 and 2003: 43.

⁷ Coimbatore, Dharmapuri, Salem, Tirunelveli, Vellore and Virudhunagar.

one to 20 months and in one school (closed in November 2001) the stipend was not disbursed for the entire period of seven months (as of March 2004).

3.2.34 Main reason for adoption of different criteria for disbursing incentive was the absence of specific guidelines. However, as per revised guidelines issued by GOI (December 2003), monthly stipend is to be disbursed only after the child is successfully mainstreamed.

Lack of infrastructure in special schools of three districts.

3.2.35 In Dharmapuri, Tirunelveli and Virudhunagar, the information gathered from 309 schools revealed that (a) drinking water was not available in 15 schools, (b) toilet facilities were not provided in 140 schools, (c) furniture for teachers was not available in 24 schools and (d) 164 schools functioned without running water. Thus, children were not provided with environment conducive for education. Efforts have to be taken for dovetailing the existing similar schemes in School Education and Rural Development Departments to fill such gaps in infrastructure.

Non-supply of uniforms to special school children

3.2.36 Despite Government's order of October 2000 free uniforms were not provided to the special school children (February 2004). This non-compliance is attributable to lack of coordination between three departments viz., Education, Social Welfare and Labour.

Elimination of child labour in Chennai slums

Implementation of child labour rehabilitation project in Chennai slums.

3.2.37 With a view to eliminate child labour in slums of Chennai city, State Government nominated Tamil Nadu Slum Clearance Board (TNSCB) as nodal agency to conduct a "Child Labour Rehabilitation Project" and sanctioned (March 1996) Rs one crore as grant for this purpose. Details of utilisation of grant by TNSCB along with the physical targets and achievements are given in Appendix XXV. The activities which were planned to be completed by December 1998, were continued till March 2002. Out of the grant of Rs one crore, Rs 96.65 lakh was spent during 1997-2002. A review of the implementation of the scheme revealed poor enrolment of identified child labour in schools and non-follow up of mainstreamed children as detailed in the succeeding paragraphs.

Non-taking up of two main components under the project

3.2.38 Two main activities were not taken up for implementation. 'Income generation programme for mothers of child labourers' proposed at a cost of Rs 35 lakh was not taken up, as TNSCB decided (May 1999) that by sheer motivation and counselling it was possible to bring the desired number of child labourers for education in transit schools⁸. Secondly, 'Construction/reconstruction and upgradation of shelter homes for 1000 children' proposed at a cost of Rs 15 lakh was not taken up due to the apprehension of TNSCB that such homes would become a liability once the project was closed after the completion of the project. The resultant savings were used for augmenting (a) Transit schools and Child Development Activities and (b) Support to NGOs.

Poor enrolment of identified child labour

3.2.39 The household survey conducted by TNSCB, covering all the slums in Chennai city had identified 13057 child labourers living in 10596 slum households as of March 1997 of which 10699 were in the age group of 11-14. As per the report of TNSCB, out of 13057 only 6050 children (46 per cent) were admitted to transit schools. The shortfall in enrolment was

⁸ Transit school has been defined as a preparatory school for child labourers where they can be trained and motivated for a year before enrolment with a regular school.

attributed to (a) children's disinterest in formal education due to economic independence in the early age, (b) the dependence of the family on the income of the child and (c) the parents' apathy towards childrens' education.

3.2.40 Percentage of children enrolled against the identified child labourers in each of the ten zones of the Corporation of Chennai ranged between 33 and 100. Only two Zones (Zones V and VII) had the percentage of enrolment above 60. In two Zones (Zones I and III) which had been identified with high child labourers, the percentage of enrolment was poor at 36 and 38 respectively.

Non-follow up of
mainstreamed
children

3.2.41 Scrutiny of records revealed that during 1997-2002, 4713 children (78 *per cent* of the enrolled and 36 *per cent* of the identified) were mainstreamed into formal schools; the balance 1337 children did not continue their studies till the end of academic year. As TNSCB did not follow-up further education of such mainstreamed children, the education level of such children could not be assessed to ensure the impact of the programme. Proper follow-up of such children for atleast three years would be necessary for assessing impact.

Constraints faced in
the implementation
of the project

3.2.42 TNSCB stated that the following constraints and problems were faced in the implementation of the project:

- Regular corporation schools with meagre amenities are not attractive enough to retain the children admitted from transit schools
- Most of the occupations carried out by children among slum population in Chennai city are classified as non-hazardous and hence could not be strictly covered under the existing laws
- Inadequate legal actions against the employers of child labourers.

The above constraints have not been adequately addressed by the State Government.

Implementation of Supreme Court Judgement

3.2.43 The Supreme Court, with a view to withdraw the children working in hazardous occupations and regulate the working conditions of the children in non-hazardous occupations, directed in their judgement (December 1996) that a survey of child labour be conducted and that compensation of Rs 20000 per child be collected from the employer and the child be withdrawn from the occupation. The State Government was to contribute Rs 5000 per child if it was not able to provide a job to one adult member of the family of the child. Interest accrued on the invested corpus should be utilised towards education of the children concerned.

3.2.44 A survey was accordingly conducted in April 1997 and 9493 children⁹ in 20 districts were identified as working in hazardous occupations and 8828 children in non-hazardous occupations in 27 districts. Government constituted (March 1997 and October 1997) a State Child Labour Rehabilitation-cum-Welfare Fund (SCLRW) and District Child Labour Rehabilitation-cum-Welfare Fund (DCLRW) in each of the 20 districts

⁹ This was later revised as 8970 following re-categorisation of occupation as hazardous and non-hazardous during January 1999.

wherein child labourers in hazardous occupations were identified. Government sanctioned Rs 4.75 crore for the State Fund as its contribution for 9493 children and credited it to the deposit head in March 1999.

3.2.45 Out of Rs 4.75 crore, only Rs 7.85 lakh (two *per cent*) were released to the District Fund of six districts¹⁰ for 157 children. However, the employers' compensation of Rs 1.60 lakh was collected only for eight children in four districts and transferred to the District Funds. For the remaining 9485 children, employers' contribution to the tune of Rs 18.97 crore was due but remained uncollected.

3.2.46 The non-collection of the employers' compensation was mainly attributed to (a) employers denying the age of children, as reflected in the legal notices issued, (b) employers claiming that the children identified in the survey were not actually workers and (c) compensation amount of Rs 20000 per child could be collected only after conviction by criminal courts, which was time consuming.

Government failed to implement the directions of the Supreme Court

3.2.47 Audit scrutiny revealed that (i) Government did not make any efforts to find employment for an adult member of the family to which the child labourer belonged, (ii) only the District Collectors of Pudukottai and Tiruchirappalli utilised interest from the investments made out of State contribution for educating one child and eight children respectively. In other cases the same was not utilised due to factors such as children dropping out of schools and lack of information on the whereabouts of the children and (iii) other than nine children, no child labourers were released from hazardous occupations.

Rupees 4.67 crore were prematurely transferred and kept in PD account for four years without use.

3.2.48 Government accepted these facts and stated (April 2003) that as the child labourers in the survey conducted in April 1997 might have crossed the age of 14 years by this time and most of the children could not be located and withdrawn from employment, the amount of Rs 4.67 crore lying in Personal Deposit (PD) Account in the name of State Fund was withdrawn and credited to Government account. Thus, the failure of the State Government in implementing the directions of Supreme Court resulted in non-utilisation of Rs 4.67 crore released for the rehabilitation of identified child labourers in hazardous occupations.

Implementation of an International Programme

Implementation of International Programme of Elimination of Child Labour in Tiruppur and Sivakasi regions

3.2.49 An International Programme on Elimination of Child Labour (IPEC) in Tiruppur region of Coimbatore District and Sivakasi region of Virudhunagar District was implemented by the International Labour Organisation (ILO) from February 2000 to June 2003. The major aim of the project was to eliminate child labour in the hazardous hosiery and power loom industries of Tiruppur region and match-work and fire-work industries of Sivakasi region. The programme was implemented through NCLP societies of those districts.

¹⁰ Chennai: 1, Madurai:4, Pudukottai:1, Tiruchirappalli:112, Virudhunagar:37 and Thoothukudi:2.

3.2.50 Audit scrutiny of the records of ILO-IPEC, Tiruppur revealed that 4962 children were enrolled in special schools during the project period out of which 1661 children dropped out in the middle due to migration and 2128 children only could be mainstreamed. The balance 1173 children who stayed in the special schools till their closure did not get mainstreamed. Out of 2128 children mainstreamed, 958 were stated to be continuing their education in formal schools, 213 were dropouts and information was not made available in respect of 957 students. The evaluation report of the project attributed this to (i) migration and (ii) disinterest in education. As indicated earlier (paragraph 3.2.30) convergence of various schemes for poverty alleviation could check seasonal migration.

Monitoring

3.2.51 The following committees were functioning for monitoring implementation of the Act in the State.

Nature of committee	Constitution	Remarks
State Level Advisory Board on Child Labour	Formed in 1995. Headed by Minister of Labour with representatives from all departments concerned. Chief Inspector of Factories is the convenor.	The Board met on six occasions during 1995-2000.
State Authority on Elimination of Child Labour	Formed in 1995. Chaired by Chief Secretary with representatives from all concerned departments.	The Committee met once in 1999 and once in 2003.
State Monitoring Committee	Formed in 1999. Chaired by Principal Secretary, Labour and Employment Department for monitoring progress of NCLPs.	The committee is required to meet twice a year; it met only once a year in 2003 and 2004.

3.2.52 Minutes of the Meetings of all these Committees did not indicate any steps suggested to identify the bottlenecks and bridge the gap between the total number of child labourers identified in surveys and those actually mainstreamed.

Conclusions

3.2.53 Rehabilitation of child labourers gained momentum only after the approval of the Action Plan by State Government in May 2003. However, the pace of progress indicates that the target of elimination of child labour by 2007 is unlikely to be achieved.

Recommendations

- Accurate database on number of children working in different sectors should be created.

- State Government should pursue with GOI to make a suitable provision in Contract Labour Act, 1970 prohibiting child labour.
- Existing enforcement machinery should be geared up for prohibiting employment of child labour in unorganised sector.
- A system should be evolved by State Government for following up the mainstreamed children as mere enrolment in a formal school is only the beginning rather than the end of a meaningful future for the child.

The above points were referred to Government in August 2004. The reply of Government in the Labour and Employment Department (December 2004) was not specific or complete on many vital issues such as

- action taken for alleviating the infirmities in various Acts
- action taken to define specific jurisdiction among various "Inspectors"
- steps taken for elimination of child labour in family activities
- rehabilitation of identified child labour and
- explanations on differences in child labour data reported under various surveys.

Reply to a rejoinder issued in January 2005 is awaited. Moreover no replies were received from (a) School Education Department and (b) Housing and Urban Development Department and (c) Tamil Nadu Slum Clearance Board.

BACKWARD CLASSES, MOST BACKWARD CLASSES AND MINORITIES WELFARE DEPARTMENT

3.3 Integrated Audit of Backward Classes, Most Backward Classes and Minorities Welfare Department

Highlights

A review of the functioning of the Department revealed (a) belated payment of pre-matric/post-matric scholarships, (b) non-supply of special guides at the beginning of each year, (c) short supply/non-supply of textbooks to eligible students, (d) delayed allotment of funds under the incentive scheme to girl students resulting in belated distribution, (e) absence of feedback regarding employment secured by trainees of heavy vehicle driving course and (f) negligible construction of houses by beneficiaries of free house 'pattas'.

➤ Inaccurate estimation resulted in variation of actual expenditure vis-à-vis provision voted by Legislature ranging up to 75 per cent under various schemes for scholarships.

(Paragraph 3.3.8)

➤ Addition of project period interest with the estimated cost calculated for raising loans for constructing hostels resulted in additional liability of Rs 2.69 crore as interest.

(Paragraph 3.3.14)

➤ Schemes with high emphasis on education of the Backward Classes/Most Backward Classes/Denotified Communities suffered due to belated disbursement of (a) scholarship of Rs 11.96 crore and (b) incentives of Rs 12 crore to rural girls.

(Paragraphs 3.3.18 and 3.3.29)

➤ Data on trainees who secured employment was not ascertained though 5515 were trained in heavy vehicles driving during 1996-2000 at a cost of Rs 7.89 crore. This led to non-continuance of the scheme after 2001-02. Rupees 64 lakh were not got refunded from Institute of Road Transport.

(Paragraphs 3.3.41 and 3.3.43)

➤ During 1981-2004, 1.93 lakh 'pattas' for house sites were distributed free but approximately 5000 houses only were constructed in the State though they were to be constructed within six months of distribution. Further, 4176 plots acquired at a cost of Rs 84.76 lakh remained undistributed in 16 districts as of April 2004. Only in December 2001 did Government decide to provide infrastructure facilities in the areas of free 'pattas'.

(Paragraphs 3.3.53, 3.3.56 and 3.3.58)

➤ The administrative structure of the Department from Government to the grass root level has inbuilt inconsistencies that require to be addressed.

(Paragraphs 3.3.63 to 3.3.65)

Introduction

3.3.1 Backward classes and Other Backward classes (OBC) comprise castes and communities listed in the Report of the Mandal Commission and in the list of State Government. Community-wise population figures as of 1985 in Tamil Nadu were reported by Amba Sankar Backward Class Commission which estimated the population of Backward Classes (BCs)/Most Backward Classes (MBCs) and Denotified Communities (DNCs). Thereafter the population of these communities has been projected from time to time. The projected population of these communities in Tamil Nadu as per census 2001 (provisional) was 67 per cent of the total population of 6.21 crore of the State i.e. 4.16 crore¹.

Objectives of the Department

3.3.2 Educational and economic backwardness were identified by Government as the root causes for the overall backwardness of these people. Hence, Government allotted major chunk of funds for

- the implementation of educational programmes through provision of scholarships, text books, guides, uniforms, incentives to girl students etc.,
- imparting skill training for economic development and
- schemes on housing activities.

Organisational set up

3.3.3 Policy matters regarding the welfare of BC/MBC/DNCs are looked after by the Secretary, Backward Classes, Most Backward Classes and Minorities Welfare Department. The Director of Backward Classes and Minorities Welfare (DBC & MW) and the Special Commissioner of Most Backward Classes and Denotified Communities (CMBC & DNC) are responsible for implementing and monitoring the schemes intended for BCs and MBC/DNCs respectively at State level. At the district level, all schemes of the two Directorates are implemented through District Backward Classes and Minorities Welfare Officers (DBC & MWOs), functioning under the control of respective District Collectors. Schemes intended for the welfare of the Piramalai Kallar community in Madurai, Theni and Dindigul Districts are implemented through the Special Deputy Collector (Kallar Reclamation) (SDC/KR) headquartered at Madurai.

3.3.4 Tamil Nadu Backward Classes Economic Development Corporation (TABCEDCO) and Tamil Nadu Minorities Economic Development Corporation (TAMCO) are functioning in the State for the economic development of BC/MBC/DNCs and minority communities since 1982 and 1999 respectively.

¹ Backward Classes: 2.87 crore, Most Backward Classes: 1.08 crore and Denotified Communities: 0.21 crore.

Audit objective

3.3.5 The objective of assessment in audit was

- to examine the adequacy of financial management and control;
- to see the effectiveness of various schemes implemented for the benefit of the community under sectors such as education and housing and
- to examine the implementation of various programmes launched by Government for the economic development of the community with a view to assess the impact.

Audit coverage

3.3.6 Records relating to various schemes implemented during the period 2001-04 were test checked between February and June 2004 in the Secretariat, Directorate of BC & MW, Commissionerate of MBCs and DNCs, Office of the Chief Engineer (Buildings), Public Works Department (PWD) and the Offices of DBC & MWOs of six districts². Besides, particulars were also obtained from TABCEDCO and TAMCO and Divisional offices of PWD in the above districts. Important points noticed during the review are discussed in the succeeding paragraphs.

Financial Management and Control

3.3.7 Total resources that were available to the Department through Final Modified Appropriation and expenditure incurred against such provision under Non-plan and Plan schemes during 2001-04 were as tabulated below:

(Rupees in crore)

Year	Revenue Expenditure				Capital Expenditure				Total	
	Non Plan		Plan		Non Plan		Plan			
	P	E	P	E	P	E	P	E	P	E
2001-02	65.02	64.87	55.86	55.47	0.38	0.38	4.29	4.26	125.55	124.98
2002-03	66.77	66.51	53.24	53.43	..	..	8.60	8.71	128.61	128.65
2003-04 ³	48.76	47.57	122.89	119.90	..	..	4.01	4.01	175.66	171.48

P: Provision through original and supplementary estimates voted by Legislature and funds made available through Final Modified Appropriation; E: Expenditure

Though the overall position revealed utilisation of resources fully as above, shortcomings such as excessive/inadequate budget provision, irregular utilisation of grants from Government of India (GOI) and off-budget borrowings were noticed by Audit in the budgetary process adopted and expenditure control as discussed below.

² Chennai, Coimbatore, Madurai, Salem, Thanjavur and Vellore.

³ The decrease under Non-plan schemes during 2003-04 was mainly due to reclassification of scheme heads for construction of Hostels for BC, MBCs, payment of scholarships from Non-plan to plan. The increase in expenditure under Plan schemes was mainly due to additional expenditure on Incentive Scheme for rural girl students (Rs 11.93 crore); Free education to MBCs/BCs doing B.A., B.Sc., etc. courses (Rs 14.16 crore); Free Education to BC students for polytechnics (Rs 1.62 crore); and Implementation of Centrally sponsored schemes for post matric scholarship to OBCs (Rs 3.52 crore).

Budgetary Process

Percentage of variation of actual expenditure with the Budget provision ranged between 18 and 75

3.3.8 Budgetary rules stipulate that estimates should be made as accurately as possible to avoid huge surrender of funds and excess expenditure over provision. Scrutiny revealed that under the schemes for providing scholarships, variation of actual expenditure with the provision voted by Legislature ranged from 18 to 75 *per cent* as given in Appendix XXVI.

3.3.9 Provision/withdrawal of funds through reappropriation at the year end proved excessive or inadequate as shown in Appendix XXVI. As early as in July 1982 (when Social Welfare Department was implementing the scholarship schemes) Government ordered that all applications for scholarships were to be received by September every year. The Director of BC and MW ordered (June 2002) that scholarships were to be disbursed latest by the end of October every year. Despite these orders, incorrect estimates of requirement of funds even at the end of the year resulted in excess provision (ranging from Rs 0.38 lakh to Rs 64.09 lakh) and inadequate provision (ranging from Rs 12.72 lakh to Rs 61.59 lakh) under these schemes (Appendix XXVI). This indicated inadequate control over expenditure.

Irregular utilisation of GOI grants

Irregular utilisation of GOI grants

3.3.10 GOI released (February 2003) Rs 2.40 crore to the Government of Tamil Nadu (GTN) towards its 50 *per cent* share of scholarship to 36000 OBC students. Though GOI specifically stipulated that its share should not be utilised for supplementing ongoing State schemes, Government adjusted the entire grant towards the State schemes during 2003-04. An incorrect Utilisation Certificate (UC) was furnished (June 2004) by CMBC & DNC to GOI assuring that all the conditions of the grant were duly fulfilled.

Off-Budget borrowings, additional interest burden and irregular deduction of R & D charges

Off-budget borrowing of Rs 19.98 crore by Government for construction of hostels

3.3.11 Government proposed (July 2001) construction of 770 hostels that were functioning in rented buildings in a phased manner. During 2001-02 construction of 114 hostels was taken up in Phase I at estimated cost of Rs 36.99 crore. Construction of another 100 hostels was taken up during 2003-04 at an estimated cost of Rs 31.50 crore in Phase II.

3.3.12 Cost of construction was to be shared by Central and State Governments. The State share was to be met from MLACDS⁴ and loan from Housing and Urban Development Corporation (HUDCO). TABCEDCO availed loan of Rs 27.22 crore from HUDCO for Phase I and drew Rs 19.98 crore in three instalments between March 2002 and March 2003. The fourth instalment is yet to be drawn (May 2004). For the Phase II, Chief Engineer (Buildings)/Public Works Department (CE/PWD) obtained loan from HUDCO.

3.3.13 The loan for the Phase I was obtained with Government guarantee and payment of interest and repayment of principal were also supported by budgetary provisions. The loan transactions were operated through Personal Deposit Account of TABCEDCO and thus escaped being

⁴

Member of Legislative Assembly Constituency Development Scheme.

shown as borrowings of GTN. This resulted in understatement of Government's debt and liability position each year till repayment.

Avoidable interest liability of Rs 2.69 crore.

3.3.14 The project is not for earning revenue. Against the requirement of Rs 24.07 crore (Phase I) and Rs 26.77 crore (Phase II), agreements were completed for loans of Rs 27.22 crore (Phase I) and Rs 28.79 crore (Phase II) with HUDCO. This was mainly due to addition of the interest accrued during project period for calculating the loan amount from HUDCO. Interest on loan availed by TABCEDCO and PWD was Rs 2.17 crore and Rs 1.71 crore for the two phases. Addition of this accrued interest resulted in additional interest liability of Rs 2.69 crore (Rs 1.66 crore for Phase I loan and Rs 1.03 crore for Phase II) to Government.

Deduction of Rs 7.20 lakh towards R & D charges by HUDCO not provided for in the agreement.

3.3.15 For the Phase II, the loan was to be drawn in four instalments. While releasing the first instalment of Rs 6.92 crore, drawn in December 2003, HUDCO deducted Rs 7.20 lakh towards R & D charges @ 0.25 per cent of the loan though this was neither contemplated in the agreement nor in the sanction order of HUDCO. The CE, PWD had not responded to the Audit observations that the deduction by HUDCO was irregular.

Programme Management

3.3.16 Education, economic upliftment and housing are three important sectors for alleviating the conditions of BCs, MBCs and DNCs. Government accounts reflect the following expenditure in these sectors during the last three years viz. 2001-04.

(Rupees in crore)

Expenditure on ⁵	2001-02	2002-03	2003-04
Education	104.51	103.26	156.51
Economic Upliftment	2.29	2.32	1.01
Housing	3.77	6.06	1.10
Others	9.76	8.30	8.95
Total	120.33	119.94	167.57

Audit scrutiny of selected schemes in the above sectors revealed (i) allotment of inadequate funds resulting in delay in disbursement of scholarships/incentives to students, non-supply/short supply of text-books/ guides and (ii) distribution of house sites without adequate infrastructure facilities as discussed in the following paragraphs.

Education

Scholarship payments

3.3.17 About Rs 44 crore were disbursed on scholarships annually to the eligible students during 2001-04. However, non-allotment of sufficient funds resulting in postponement of benefits and non-obtaining of Disbursement Certificates (DCs) indicating absence of evidence of actual disbursement to the beneficiaries were noticed as discussed below:

⁵ Includes Non-plan and plan expenditure (except capital expenditure).

Non-allotment of sufficient funds during 2001-04 resulted in postponement of scholarships to subsequent years

3.3.18 Due to non-allotment of sufficient funds during the period 2001-04, scholarship claims were kept in abeyance and paid in the subsequent years against those years' allotment. Arrears of Rs 11.96 crore in payment of scholarships for 2002-03 was cleared only in 2003-04 but this led to pendency of claims for 2003-04.

3.3.19 Test-check revealed that scholarship of Rs 1.20 crore for 2003-04 was not paid in three districts⁶ as of May 2004 resulting in postponement of benefit to 20813 students.

3.3.20 Though DCs which constitute proof of payment of scholarship to students by Heads of Institutions are to be obtained within two weeks of drawal of funds, they were not obtained by district officers. Test-check revealed that DCs were not obtained from 379 institutions in Chennai and Vellore Districts in respect of scholarship of Rs 1.64 crore disbursed during 2000-04.

Excess payment of scholarships

3.3.21 Scrutiny of scholarship claims for 2001-2003 admitted by the DBC & MWOs of two districts viz. Tiruvallur and Tiruvannamalai revealed that the special fees were reimbursed to the students at the rates ranging between Rs 26 and Rs 47 per student against Rs 23.50 per student stipulated resulting in excess payment of Rs 3.93 lakh.

3.3.22 Scrutiny in Tiruvallur⁷ (11 schools) and Vellore⁸ (three colleges) districts revealed payment of scholarship to students at rates higher than that stipulated⁹ resulting in excess payment of Rs 4.07 lakh during 2001-2003.

Supply of text books and special guides

Belated supply of special guides

3.3.23 With a view to improve the pass percentage in public examination, hostel students belonging to BC/MBC/DNC of "Tenth Standard" and "Plus two" are supplied with special guides. Scrutiny of records revealed that the guides for academic years 2001-02, 2002-03 and 2003-04 costing Rs 11.65 lakh were supplied in February 2002, January 2003 and February 2004 respectively with the result the students could not benefit in time. Also, such belated supply is against the Government order for providing the guides at the beginning of the academic year. In one test-checked district (Madurai) shortage ranging between seven and 78 per cent was noticed in supply of special guides to hostel students.

Short supply of text books

3.3.24 Text books are supplied to hostel students of BC/MBC communities studying in sixth to eighth standards. The indents for this supply were placed by DBC & MWOs based on previous years' supply. However, due to admission of more new students, the indented supply fell short. Records in Madurai District revealed that the short supply of text books during

⁶ Madurai, Thanjavur and Vellore.

⁷ Between Rs 73 and Rs 302 per school student.

⁸ Between Rs 715 and Rs 1300 per college student.

⁹ Each eligible BC student of eleventh and twelfth standards was to be paid special fees/book money @ Rs 65 for non-science group and Rs 85 for science group per annum under Post-Matric scholarship; the BC students hailing from non-graduate families undergoing graduate course were also entitled to scholarship under Post-Matric Scholarship Scheme @ Rs 120.50 or Rs 133.50 per annum as per the norms prescribed in State Scholarship notification.

2001-04 to students of sixth, seventh and eighth standards ranged between 54 and 63 *per cent* (368 students), 44 and 53 *per cent* (305 students) and 12 and 27 *per cent* (125 students) respectively. Out of 90 sets each containing six text books supplied to sixth standard students in Madurai District during 2003-04, only seven sets were complete and the remaining 83 sets did not have the mathematics book.

3.3.25 In Vellore District during 2001-02 and 2002-03, 7183 and 7585 MBC students of ninth standard and 7475 and 4675 MBC students of tenth standard respectively were not supplied with text books. The shortage was due to assessment of requirement based on ten *per cent* addition to the supplies made during the previous year.

3.3.26 Neither the district offices placed additional indents nor the Directorate directed the district offices to submit additional indents to meet the shortage. As the hostel strength was pre-fixed and students' strength in each class was known by August each year, supplementary indents should be made before September each year to ensure that all the eligible students get text books.

Incentive to girl students

3.3.27 Government introduced (June 1999) a scheme of providing incentive to girl students belonging to MBC & DNC studying in third to sixth standards in Government/Government aided schools in village panchayats. The main aim of the scheme is to prevent dropouts among MBC/DNC girls. The scheme proposed to provide Rs 500 per annum to each student at Rs 50 per month for ten months to 60000 girls (third to fifth standards) and Rs 1000 per annum (Rs 100 per month for ten months) to 30000 girls (sixth standard). Girls whose parental income is below Rs 25000 per annum are eligible for the incentive. The guidelines for implementing the scheme were issued in January 2000. Scrutiny of claims relating to the scheme revealed the following.

Belated payment of incentives in violation of Government instructions

3.3.28 Though the Commissionerate of MBC & DNC instructed (June 2001) that pending claims for incentives for 1999-2001 should not be paid out of the allotment made for 2001-02, the DBC & MWO, Madurai paid Rs 16.41 lakh during 2001-02 against the pending claims of 174 institutions relating to the year 2000-01. Payment of such pending claims did not help to prevent dropouts and deprived the fresh claims of current students (6731) for the year 2001-02 to that extent.

Incentive to girls (third to sixth standards) not paid in time for want of funds during 2002-03; delayed allotment during 2003-04

3.3.29 During 2002-03, the scheme was not implemented for want of Government orders on procedural changes contemplated. Due to delayed allotment¹⁰ of funds between June 2003 and February 2004, payment of incentive of Rs 12 crore was delayed (Rs six crore for more than a year for 2002-03 and Rs six crore paid only at the end of the academic year 2003-04) defeating the scheme's objective.

3.3.30 Contrary to the Government stipulation of implementing the scheme in rural schools, incentive to the tune of Rs 3.90 lakh was paid to 554

¹⁰ June 2003: Rs three crore, January 2004: Rs four crore and February 2004: Rs five crore.

girls studying in schools situated in Town Panchayat and Municipal areas of five districts¹¹.

3.3.31 Though the objective of the scheme was to eliminate dropout among girls of third to sixth standards, Government/ Department had not issued any instructions to district offices to collect data regarding the position of dropouts in these standards among the targeted girl students. A review to be conducted after three years as contemplated in the Government order of January 2000 had not been conducted so far (May 2004).

3.3.32 Anomalies in the administrative structure of the department caused by absence of effective manpower deployment (as discussed in paragraphs 3.3.63 to 3.3.65) contributed to the above review not being taken up.

Supply of Uniforms

3.3.33 Till 2002-03, two sets of stitched uniforms were supplied every year to students studying upto eighth standard in KR schools and to boarders of hostels for BCs, MBCs and DNCs studying upto tenth standard. Due to complaints received regarding unsuitable sizes of stitched uniforms, Government ordered (September 2003) that from 2003-04 polycotton cloth would be procured based on indents placed and District Offices would arrange the stitching of the uniforms. About 19175 boarders of BC hostels, 20000 boarders of MBC/DNC hostels and 45000 students of KR schools were covered under the scheme during 2003-04. Results of review of the scheme are discussed below.

Delay in supply of uniforms

3.3.34 For 2003-04, DBC & MW and CMBC & DNC placed their indents with the Director of Handlooms (DOH) in May and June 2003. Due to delay in Government's decision taken in September 2003 (when almost half the academic year was over) and subsequent delay in receipt of cloth, distribution of uniforms to students (cost Rs 1.35 crore) was made belatedly in February 2004.

3.3.35 Against the supplies for 2003-04, SDC (KR) informed (March 2004) the CMBC & DNC that due to clerical error 90500 meters of khaki cloth and 10500 meters of blue cloth were excess. The CMBC & DNC had to retain 33800 meters of Khaki cloth for adjusting the advance payment already made (75 per cent cost of total requirement calculated). He returned the balance 56700 meters of khaki cloth and 10500 meters of blue cloth to the supplier. This resulted in procurement of khaki cloth worth Rs 14.50 lakh in advance of requirement.

3.3.36 In Vellore District, cloth for uniforms was not supplied to nine out of 28 MBC (boys:6; girls:3) hostels resulting in deprival of benefits to 271 students during 2003-04.

3.3.37 At the end of March 2003, cloth valuing Rs 0.71 lakh comprising 1818 meters of white cloth, 420 meters of khaki cloth, 363 meters of blue casement and 205 meters of half-saree, were lying in stock in

¹¹ Coimbatore: Rs 2.04 lakh to 191 students, Salem: Rs 0.40 lakh to 60 students, Thanjavur: Rs 0.37 lakh to 79 students, Madurai : Rs 0.43 lakh to 86 students and Vellore : Rs 0.76 lakh to 148 students.

Coimbatore District; no further details regarding their utilisation were on record.

3.3.38 In Madurai District, uniforms were not given to 94 out of 150 students during 2001-02 and to 56 students during 2002-03 due to shortage. During 2003-04, there was excess supply of 162 sets of stitched uniforms. Nevertheless, 234 shirts and 251 pants were lying in stock with six wardens of BC hostels undistributed.

Economic Development

3.3.39 Employment oriented trainings such as Heavy Vehicle Driver training, automobile mechanic, plastic processing machine operators, leather goods manufacture, lab technician, High level computer training etc. were conducted mostly through Government institutions and wherever such institutions are not available, through recognised private institutions. State Government incurred expenditure of Rs 12.36 crore towards various training programmes for BC/MBC/DNCs during 2000-2004. Important observations on some of the training programmes were as follows:

Job Oriented Training Programmes

3.3.40 Heavy Vehicles Driver Training (HVDT) was given through Institute of Road Transport, Chennai (IRT) and full payment was made in advance. During 1996-2001, 5515 candidates were trained under HVDT at a cost of Rs 7.89 crore (paid towards course fee) as indicated below:

Period	Targeted Number for training	Funds advanced to IRT (Rs in lakh)	Number trained
1996-97	250	-	250
1997-98	2000	191.58	1990
1998-99	205	-	180
1999-2000 ¹²	3795	596.96	3095
Total	6250	788.54	5515

Rupees 64 lakh not got refunded from IRT.

3.3.41 Out of the unutilised amount available, IRT withheld Rs 64 lakh towards arrears on account of enhancement of training fee by Rs 3200 in respect of 2000 trained candidates during 1997-98. However, Government rejected the claims of IRT and the Directorate of BC & Minorities Welfare addressed (January 2002) IRT to refund the withheld and unutilised amounts. IRT is yet (June 2004) to refund this amount of Rs 64 lakh along with the accrued interest.

Shortfall in achievement

3.3.42 There was also a shortfall in achievement under the number of candidates trained to the extent of 12 per cent (735 persons out of the targeted number of 6250) during 1996-2000.

Feedback data on employment of trainees not ascertained

3.3.43 Before continuing the HVD training further, Government desired (November 2002) to know the effectiveness of the training and the number of trainees placed in employment. Despite 5515 candidates trained at a cost of Rs 7.89 crore during 1996-2000, the actual number of trained

¹² Out of 3640 sponsored for training, 3095 joined the course; 434 did not join the course; 17 did not complete the course; 53 candidates were rejected and 58 were not admitted.

candidates who secured employment was not compiled by the Directorate. Consequently, Government discontinued the scheme.

High Level Computer Training

3.3.44 Government ordered (July 2000) training of 5000 BC/MBC/DNC candidates in High Level Computer Training course during 2000-01 and Electronics Corporation of Tamil Nadu (ELCOT) was nominated as nodal agency for training. ELCOT was paid service charges at five *per cent* of the training fees. The training was conducted through SSI Limited, Chennai in two batches (February 2001 to February 2002 and May 2001 to May 2002) at a cost of Rs 9700 per candidate.

Non-recovery of
amount spent on
dropouts

3.3.45 Of the 4077 candidates enrolled, 3798 completed training and the remaining 279 (seven *per cent*) dropped out of the course midway. The total expenditure of Rs 4.04 crore incurred towards this training also included expenditure of Rs 17.65 lakh on dropped out candidates. Despite the department stipulation that fees in respect of dropped out candidates would be recovered in full, even after a lapse of two years from the date of completion of training, only Rs 0.24 lakh was recovered by ELCOT from four candidates and the same was yet to be refunded to Government. Rupees 17.41 lakh were due to be recovered as of June 2004.

3.3.46 Despite expenditure of Rs 4.04 crore, Government did not obtain feedback on the number of candidates who obtained employment on the completion of the training. The benefit of the training was therefore not determined.

Role of Corporations

3.3.47 TABCEDCO and TAMCO were providing loans at low rates of interest to the targeted BC/MBC/DNCs and minorities groups for financially viable schemes by obtaining funds from the National Backward Classes Finance and Development Corporation (NBCFDC) and National Minorities Finance and Development Corporation (NMFDC). State Government's role was limited to providing share capital and extending guarantee to these corporations for obtaining loans. The corporations could not reach out to the targeted beneficiaries due to non/poor implementation of the formulated schemes. TABCEDCO was booking profit by deploying funds mobilised from national corporations in short term deposits and also had huge amounts uncollected which if ploughed back could have assisted beneficiaries as discussed in the succeeding paragraphs.

Investment of
borrowed funds in
short term deposits

3.3.48 Though huge funds were given by Government/National Corporations to TABCEDCO for welfare schemes it was investing huge funds in short term/long term deposits in financial institutions/nationalised banks and the interest accrued from such deposits mainly contributed to its profit, indicating the absence of concerted efforts for formulating and implementing schemes to utilise such borrowed funds for the welfare of BC/MBC/DNCs. About Rs 29.69 crore was found to have been invested and an interest of Rs 94.05 lakh was earned during 2001-04.

3.3.49 Government ordered formation of Industrial Co-operative Societies for Muslim Youth in three districts *viz.* Vellore, Coimbatore and Tirunelveli and distribution of loan to 470 members of these societies @ Rs 25000 each during 2002-03. The scheme sanctioned at a total outlay of Rs 1.17 crore had not been implemented (April 2004) though the Directorate

of Industries and Commerce and the District Collectors concerned had been requested (October 2003) to arrange the formation of Industrial Production Units/Common Service Centres by availing the services of NGOs/Trust/Other agencies and to help the beneficiaries to avail TAMCO loans through co-operative banks.

Non-establishment of industrial co-operative societies

3.3.50 Government permitted (November 2002) TAMCO to obtain Rs 2.50 crore as financial assistance from NMFDC and loan it further to 1000 Muslim youth @ Rs 25000 each during 2002-03 for self-employment under “Entrepreneurs Development Programme” (EDP). Government also sanctioned Rs 3.85 lakh for imparting seven days EDP training to one thousand beneficiaries at the cost of Rs 385 per trainee. While 745 persons were trained at a cost of Rs 2.87 lakh, only 194 trained persons were provided with loan of Rs 63.59 lakh. TAMCO attributed the poor performance to the reluctance on the part of the co-operative banks who were to provide loan beyond the first Rs 25000 in participating in the schemes, due to Government insistence (August 1999) that the banks had to pay instalments on the due dates irrespective of recoveries made from the existing beneficiaries. Government had not initiated any further action to overcome the impediment.

Poor recovery of loans

3.3.51 The Demand, Collection and Balance (DCB) statement of TABCEDCO also revealed that Rs 10.37 crore was pending recovery as of March 2004. This amount was due to be collected from Handloom Development Corporation, Co-operative banks, Fishermen Co-operatives, Fisherwomen Co-operatives, AAVIN¹³ etc. The other major defaulters are ICS Auto Societies (Rs 2.36 crore), Co-operative Banks (Rs 2.22 crore), Handloom Development Corporation (Rs 1.71 crore) and TAICO¹⁴ Bank (Rs 1.48 crore). Timely collection would enable the Corporation to assist more BC/MBCs through fresh loans.

Free supply of sewing machines

3.3.52 Government introduced (September 2001) in 2001-02 a scheme for free supply of sewing machines to 4000 persons belonging to BC/MBC/DNC. Audit scrutiny revealed 54 sewing machines were lying undistributed (for 12 to 24 months) in Madurai District, though 84 eligible persons were in the waiting list for delivery of machines as of March 2004. In two other districts¹⁵ 75 machines were lying undistributed for 12 to 24 months, as of March 2004.

Housing

Distribution of free house sites

Though 1.93 lakh free house ‘pattas’ were distributed (1981-2004) only 5000 were constructed.

3.3.53 The department is implementing a scheme of providing free sites for houses to BC/MBC/DNCs by acquiring private lands. During 1981-82 to 2003-04 about Rs 62 crore were spent under this scheme and 1.93 lakh ‘pattas’ were issued to the beneficiaries. Against this approximately 5000 houses (three *per cent*) only were constructed in the State.

¹³ Tamil Nadu Co-operative Milk Producers Federation.

¹⁴ Tamil Nadu Industrial Co-operative Bank.

¹⁵ Chennai (37) and Coimbatore (38).

3.3.54 CMBC & DNC had observed (August 2001) that (i) the DBC & MWOs did not maintain records of plots distributed and houses constructed thereon and (ii) the beneficiaries had not utilised the free sites due to lack of infrastructural facilities.

3.3.55 In response to the instruction (December 2002) of the CMBC & DNC, seeking details of distribution of free site 'pattas' and their utilisation, particulars were compiled and furnished only by 16 district officers; the remaining 12 district officers did not respond (June 2004).

3.3.56 The reports of the 16 district¹⁶ officers revealed that 4176 plots acquired during 1991-2003 at a cost of Rs 84.76 lakh were lying undistributed in 11 districts. Test-check revealed that in Coimbatore District, 409 plots acquired during 1998-2002 (cost: Rs 15.14 lakh) remained undistributed as of April 2004, but the district officer did not report this to CMBC & DNC. The utilisation of only three *per cent* of the free sites indicated inadequate monitoring and direction by the Directorates. The reason for the non-distribution in two districts was absence of conscientious efforts to identify beneficiaries (The Nilgiris) and litigation regarding distribution (Vellore).

3.3.57 According to the norms of the scheme, the beneficiaries were required to construct houses within six months from the date of allotment failing which the 'pattas' would be cancelled. Records did not indicate if such cancellation had ever been invoked. A few such cancellations may have had an impact in getting the beneficiaries to start construction.

Infrastructural facilities for housing

3.3.58 Noting that paucity of funds and lack of infrastructural facility were the main reasons for the non-construction of houses by the beneficiaries, the Department decided (December 2001) that further acquisition of lands may be stopped and instead infrastructural facilities such as roads, street lights, drinking water facilities etc., may be provided in the first phase. In the second phase, it proposed to construct houses on behalf of the beneficiaries. Accordingly, expenditure of Rs 19.77 crore was incurred for land acquisition and infrastructure till April 2004. Connected records in sample districts revealed the following:

Deficiencies in utilisation of funds provided for infrastructure facilities in sample districts

3.3.59 Government sanctioned Rs 33.21 lakh for Madurai District in January 2002. DBC & MWO, Madurai released it belatedly to District Rural Development Agency, Madurai, in August 2002 who in turn distributed the funds belatedly in February 2003 to six Panchayat Unions for execution of works. Of this, only Rs 25.84 lakh were utilised during 2002-2004. The shortfall in utilisation was due to non-provision of street lights in six habitations as Tamil Nadu Electricity Board refused to furnish estimates for the works citing non-payment of electricity charges by the Panchayats concerned.

3.3.60 In Thanjavur District, land acquired at a cost of Rs 7.74 lakh was distributed to 62 beneficiaries belonging to different communities @ five

¹⁶ Erode, Kanyakumari, Madurai, The Nilgiris, Perambalur, Pudukottai, Salem, Sivaganga, Thiruvavur, Thiruvannamalai, Tirunelveli, Theni, Thanjavur, Thoothukudi, Thiruvallur and Vellore.

cent per beneficiary under Samathuvapuram¹⁷ scheme. As the free 'patta' scheme was for distribution of plots of three cents to each of the beneficiaries belonging to BC/ MBC/DNC, distribution of bigger sized plots resulted in covering fewer beneficiaries.

3.3.61 Even though the plots acquired during earlier years were lying undistributed, 94.95 acres of lands costing Rs 21.49 lakh were acquired in two districts during 2002-04 as shown below:

District	Land acquired (acres)	Period	Cost (Rs in lakh)	Number of Plots		
				Purchased	Distributed	Undistributed
Coimbatore	13.08	March 2003	12.55	391	251	140
Madurai	81.87	2002-2004	8.94	667	172	495
Total	94.95		21.49	1058	423	635

Thus, 635 plots acquired during 2002-2004 were remaining undistributed in the two districts. No construction of houses was taken up in the assigned plots.

Manpower deployment

3.3.62 Review of manpower deployment by the department revealed the following:

3.3.63 Though two separate Directorates were functioning, one for BCs and Minorities and the other for MBCs and DNCs, there was only one office at district level looking after the programmes of both the Directorates. The district office, in turn, was functioning under the control of the District Collector with staff deployed from Revenue Department. The staff in the district were subject to frequent transfers on being assigned works connected with election, drought relief etc., by District Collector. This contributed to delay in submission of required details to Directorates/Government and consequent delay in implementation of various programmes. Director BC and MW Department proposed (June 2003) to Government to bring the district offices under his control to ensure accountability, efficiency, continuity, development and retention of experienced staff. Earlier, after constitution of Staff and Expenditure Commission for reviewing the staffing and administrative expenditure of Government departments, a proposal for merger of the Directorates was also sought (March 2002) from Government by the Director of BC and MW, as most of the schemes were of similar nature. He followed up the proposals with additional details as required by Government in April 2002, February 2003 and October 2003. Government had not taken any decision on these proposals as of April 2004.

3.3.64 Consequent to a review meeting of District officers in February 2002, both the Directorates submitted four proposals in March 2002 to Government requesting abolition of posts identified as unnecessary in the district offices. While two proposals seeking abolition of three posts of Special Tahsildars in three districts and abolition of 13 posts of Investigators (one each in 13 districts) involving total cost savings of Rs 20.93 lakh per annum were accepted by Government and implemented, two other proposals involving

Government did not take decision on streamlining of staff deployment

Other pending proposals on staff

¹⁷ A scheme under which house sites of five cents each in a area are distributed to beneficiaries of all communities with all infrastructure. Government also gave subsidy for construction of houses.

total abolition of 20 posts with a resultant savings of Rs 29.38 lakh per annum were pending with Government (June 2004).

3.3.65 Thus, the administrative structure for implementing programmes for the benefit of BCs, MBCs and DNCs was (a) not consistent with the principle of one functionary reporting to only one superior and (b) the district level functionaries and the Directorates not under the same Department of the Government.

Conclusions

3.3.66 Delay in obtaining claims from institutions resulted in belated distribution of scholarships and in pendency of claims. Distribution of uniforms, special guides and disbursement of incentive amounts to girl students were also delayed. Feedback data on securing of employment by trainees and other beneficiaries under various schemes were not obtained. Plots lying undistributed and non-construction of houses on sites distributed since 1981 by 97 *per cent* of beneficiaries indicate weaknesses in the department to direct and monitor the scheme appropriately.

Recommendations

- Annual requirement of funds for scholarships based on the eligible students should be worked out and allotted by October every year to ensure timely disbursement.
- Feedback regarding dropout of girl students from third to sixth standard should be collected as desired by Government to assess impact of the incentive scheme.
- Action should be taken by August each year to assess the requirements of text books, special guides, uniforms etc., so that children obtain the intended benefits in time.
- Feedback on employment of persons trained under various schemes should be obtained periodically to assess the impact of the schemes.
- Viability of providing infrastructural facilities in areas where house-site 'pattas' were distributed should be examined.
- Anomalies in the existing administration structure of the department should be addressed and rectified.

The above points were referred to Government in August 2004; reply had not been received (December 2004).

SOCIAL WELFARE AND NUTRITIOUS MEAL PROGRAMME DEPARTMENT

3.4 Puratchi Thalaivar MGR Nutritious Meal Programme

Highlights

Puratchi Thalaivar MGR Nutritious Meal Programme was launched in 1982 with a view to providing adequate nutrition to economically disadvantaged children of age group two to five years and was later extended to students of age up to 15 years. Audit observed (a) though fine rice was received from Government of India under National Programme of Nutritional Support to Primary Education, it was substituted by common rice, (b) Double Fortified Salt was supplied in seven goitre prone districts during 2002-04 against the recommendations of UNICEF and National Institute of Nutrition, (c) non-supply of eggs by Tamil Nadu Poultry Development Corporation during 1999-2000 and (d) shortfall in conducting of inspections during 2002-04.

➤ Fine rice supplied (38820 MT) by Government of India free of cost for children of I to V standard during 1999-2003 was substituted by common rice.

(Paragraphs 3.4.14 and 3.4.15)

➤ Supply and use of Double Fortified Salt in seven goitre prone districts against the recommendations of UNICEF and National Institute of Nutrition resulted in extra expenditure of Rs 27.15 lakh during 2002-04.

(Paragraphs 3.4.16 to 3.4.20)

➤ Despite recommendation of the Committee on Public Accounts, measuring devices had not been provided at the Nutritious Meal Centres.

(Paragraphs 3.4.25 to 3.4.28)

➤ Though 23712 excess staff existed in anganwadis, they were not redeployed to Nutritious Meal Centres despite 5535 vacancies and the programme had to bear expenditure of Rs 13.06 crore on a portion of the excess staff.

(Paragraphs 3.4.29 to 3.4.32)

Introduction

3.4.1 With a view to providing adequate nutrition to economically disadvantaged children, the Government of Tamil Nadu launched Puratchi Thalaivar MGR Nutritious Meal Programme (PTMGRNMP) with effect from 1 July 1982. Initially, noon meal was provided only to pre-school children (age group 2-5 years) and primary school children (age group 5-9 years) in rural areas. It was extended to urban areas from September 1982, to old age pensioners (OAP) from January 1983, to school students in the age group of 10-15 years from September 1984 and to pregnant women from December 1995. Under the programme, one meal during noon was provided free of cost

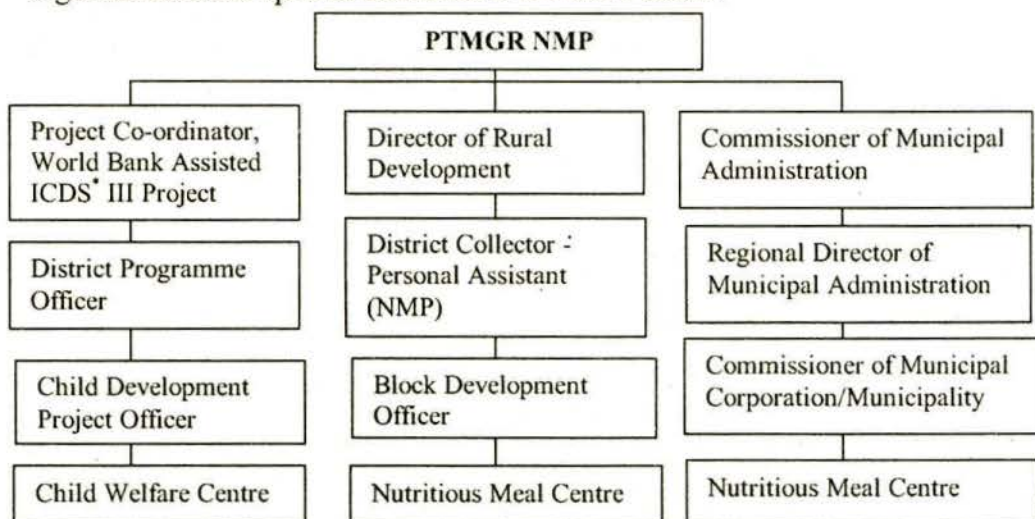
to school-going children at Nutritious Meal Centres (NMC) and to pre-school children, OAPs and other beneficiaries at Child Welfare Centres (CWC).

Programme objective

3.4.2 The programme sought to provide adequate nutrition to economically disadvantaged children with the objective of (a) combating malnutrition and (b) to act as an incentive for increasing enrolment in schools and reducing dropouts.

Organisational set up

3.4.3 At the apex level, the Secretary, Social Welfare and Nutritious Meal Programme (SW&NMP) Department implemented the programme. The organisational set up is as furnished in the chart below.



* Integrated Child Development Services

3.4.4 At the District level, the Collectors of respective districts (except Chennai city) are responsible for the implementation of the programme.

Audit objective

3.4.5 Audit objective was to examine the implementation of the programme especially with reference to ingredients supplied, staffing of NMCs and adequacy of mechanism evolved for monitoring and evaluation.

Audit coverage

3.4.6 The review was conducted between September 2003 and April 2004 in Chennai Corporation and six selected districts¹ covering the period 1999-2004. Records of Social Welfare and Nutritious Meal Programme Department, Co-operation, Food and Consumer Protection Department, four Directorates², two Commissionerates³, District Collectorates, District

¹ Coimbatore, Cuddalore, Dharmapuri, Kancheepuram, Madurai and Vellore.

² Social Welfare and Nutritious Meal Programme, Rural Development, Elementary Education and School Education.

³ Municipal Administration and Civil supplies

Programme Officers, offices of Regional Director of Municipal Administration, offices of the District Elementary Education and District Education in sample districts, office of the Project Co-ordinator, World Bank assisted ICDS Project – III, 26 Panchayat Unions, eight municipalities, three municipal corporations and 33 Project Offices of ICDS in the test checked districts and 623 NMCs and 325 CWCs were perused. In addition, particulars were also obtained from the Head Office as well as Regional Offices of Tamil Nadu Civil Supplies Corporation (TNCSC).

Financial Management

3.4.7 The department-wise expenditure *vis-à-vis* the final modified grant (FMG) during the years 1999-2004 is tabulated below.

(Rupees in crore)

Name of the Department	Final Modified Grant	Expenditure
Rural Development	848.81	873.95
Social Welfare and Nutritious Meal Programme	415.06	399.28
Co-operation, Food and Consumer Protection	541.14	480.67
Municipal Administration	44.92	40.50
Total	1849.93	1794.40

3.4.8 Based on indents of the centres, TNCSC supplied rice, *dhall*, Bengal gram, green gram, salt and oil. District Collectors were authorised to make payment to the Regional Offices of TNCSC for the food commodities supplied to the centres at the economic cost fixed by the Government/TNCSC. They were also authorised (February 2001 and January 2002) to release quarterly advance grant to Panchayat Unions for payment of honorarium to NMC workers, contingent charges (Rs 20 / Rs 30 per month where number of beneficiaries is less than 500/more than 500) and feeding charges for the children towards cost of vegetables, condiments and fuel.

Programme implementation

Data of the Programme

3.4.9 The number of centres and beneficiaries during 1999-2004 are depicted below:

Year	Number of Centres		Number of Beneficiaries	
	Child Welfare Centres	School Nutritious Meal Centres	Child Welfare Centres	School Nutritious Meal Centres
1999-2000	29723	39807	1144538	6463957
2000-01	30701	40437	1425969	6389589
2001-02	30664	41057	1364493	6460223
2002-03	30638	41012	1275998	6491662
2003-04	30639	41118	1303161	6504642

3.4.10 Audit noticed non-supply of commodities, diversion of fine rice supplied by Government of India (GOI), supply of Double Fortified Salt against the recommendations of UNICEF and non-implementation of recommendations of Committee on Public Accounts (PAC) as discussed in the succeeding paragraphs.

Non-supply of dhal and eggs

Dhall and eggs were not supplied depriving the prescribed nutrition to children

3.4.11 The programme envisaged supply of *dhall* of ten grams per day to two to five age group and 15 grams to other beneficiaries. However, it was noticed that during 1999-2004, *dhall* was not supplied to beneficiaries in Dharmapuri, Madurai, Vellore and Kancheepuram districts as depicted below:

Sl. No.	District	Dhall was not supplied		
		NMC	Number of days	Number of feeds without <i>dhall</i> (in lakh)
1.	Madurai (3 Blocks)	29	803	2.82
2.	Vellore (3 Blocks)	16	363	0.83
3.	Kancheepuram (2 Blocks)	37	1771	1.27
4.	Dharmapuri (5 Blocks)	75	3142	2.87

3.4.12 Due to non-supply of *dhall* the beneficiaries were deprived of its protein value.

3.4.13 District Collector, Vellore, entered (November 1999) into an agreement with a poultry farm in Vellore, for supply of eggs to centres for the period November 1999-October 2000 at Rs 1.12 per egg. The contractor did not supply eggs to one to 18 Blocks for one to three weeks between November 1999 and February 2000 and stopped supply of eggs from fourth week of February 2000 to all the 20 Blocks. The District Collector procured eggs locally and supplied to centres from March 2000. The extra expenditure for March and April 2000 worked out to Rs 5.56 lakh. Though the agreement with the contractor stipulated that in case of non-supply of eggs, the Collector could procure them from the open market and the additional cost, if any, would be borne by the contractor, the Collector did not enforce this condition. The Collector merely retained the security deposit of Rs one lakh of the contractor and black listed him.

➤ In Dharmapuri District, the extra expenditure for the period March-April 2000 worked to Rs 6.92 lakh.

➤ Similarly, in Cuddalore District, eggs were not supplied during third and fourth week of February 2000 and the first week of March 2000, depriving 1.36 lakh to 2.70 lakh beneficiaries. The non-supply of eggs has resulted in deprival of nutrition to the beneficiaries.

Diversion of free fine rice supplied under National Programme of Nutritional Support to Primary Education (NP-NSPE)

3.4.14 GOI supplied fine rice @ 100 grams per beneficiary per school day for children in I to V standard for ten months in an academic year. In ten out of 29 Regions of TNCSC, while fine rice (77878.058 MT) was lifted from Food Corporation of India (FCI) under the above programme, BR Common rice (inferior to fine rice) was substituted to the extent of 38820.305 MT during 1999-2003.

3.4.15 Due to the above substitution children were fed with rice of inferior quality during 1999-2003. Further, the State Government gained to the extent of Rs 6.81 crore on 20355.742 MT of fine rice substituted during 1999-2000 in the ten Regions of TNCSC as the rates of reimbursement for fine rice was more than that of common rice supplied by TNCSC in 1999-

2000⁴. TNCSC stated (September 2004) that the fine rice, so substituted, was diverted to Public Distribution System (PDS).

Supply and use of Double Fortified Salt against the recommendations of National Institute of Nutrition and UNICEF

Supply of DFS was made against the recommendations of UNICEF and NIN

3.4.16 Government started supplying Double Fortified Salt (DFS) containing iron and iodine in seven goitre prone districts⁵ under the scheme from May 2002 onwards. Prior to this, Government had solicited the opinion of UNICEF and National Institute of Nutrition (NIN), Hyderabad on supply and use of DFS.

3.4.17 Project Officer (Health and Nutrition), UNICEF stated (November 2001) that iron supplementation through DFS was insignificant when considering the amount of iron finally reaching the child and recommended (November 2001) supply of iodised salt throughout the State in preference to supply of DFS or Iron Fortified Salt.

3.4.18 NIN also advised (January 2002) against DFS being used as a public health measure to combat Iodine deficiency disorders and Iron-deficiency Anaemia. They also recommended the use of iodised salt along with supplementation of Iron Folic Acid (IFA) tablets till the efficacy of DFS was established.

3.4.19 In spite of the above observations, State Government ordered (May 2002) supply of DFS to seven goitre prone districts.

3.4.20 While procurement and supply of DFS to centres was not warranted as it was not recommended by NIN or UNICEF, it also resulted in extra expenditure of Rs 27.15 lakh⁶ on procurement of 810.50 MT of DFS between April 2002 and March 2004.

Extra expenditure due to re-tendering for purchase of eggs

3.4.21 To improve nutritional status of children covered under the programme, the Government augmented the scheme with supply of eggs once in a fortnight from June 1989 and once a week from June 1998. Commissioner of Social Welfare (CSW) called for tenders (March 1999) for supply of eggs to Nutritious Meal Centres for each district of the State for the year 1999-2000. The contract was awarded (March 1999) to the lowest bidder, Tamil Nadu Poultry Development Corporation (TAPCO) for supply of eggs till March 2000 to 26 districts and two Corporations⁷ at rates varying from Rs 1.11 to Rs 1.26 per egg. The District Collectors were (March 1999) to execute the agreement with TAPCO and pay for the supplies made by TAPCO.

3.4.22 TAPCO had an accumulated loss of Rs 4.24 crore till the end of March 1998 against a paid up capital of Rs 1.27 crore. A committee set up by

⁴ The gain of Rs 6.81 crore has been calculated with reference to the difference in price at which GOI reimburses FCI for supply of fine rice and the price of common rice charged by TNCSC. Such gain has not been calculated for other years because the latter price was higher.

⁵ Coimbatore, Karur, Namakkal, The Nilgiris, Perambalur, Salem and Tiruchirappalli.

⁶ Calculated on the basis of prices of Iodised Salt (Rs 2150/MT) and DFS (Rs 5500/MT) effective from April 2001 as notified by Government.

⁷ Chennai and Madurai.

the Government in January 1997 had recommended its closure and Animal Husbandry and Fisheries Department issued an order accepting this in April 1999. In this background, the decision of the CSW to award the contract to TAPCO was ill conceived.

3.4.23 TAPCO supplied eggs during April and May 1999 and expressed (May 1999) their inability to supply eggs thereafter as their own suppliers failed. The District Collectors purchased the eggs locally between 30 May 1999 and 7 November 1999 at rates in the range of Rs 1.10 to Rs 1.40 per egg as instructed by CSW. The CSW identified (October 1999) suppliers through a fresh tender for supply of eggs from 8 November 1999 onwards. The Government issued orders (January 2000) terminating the contract with TAPCO retrospectively with effect from 29 May 1999.

3.4.24 Government provided (April 1999) Rs one crore as ways and means advance to TAPCO for procurement and supply of eggs. TAPCO returned (May 1999) Rs 50 lakh and adjusted (July and August 1999) Rs 25.85 lakh towards service charges for supervising the supply of eggs for 1998-99 (Rs 18.22 lakh) and supply of eggs to NMCs in Chennai Corporation (Rs 7.63 lakh). The remaining amount of Rs 24.15 lakh, was neither refunded nor adjusted by TAPCO as of March 2004.

Recommendations of Committee on Public Accounts not implemented

Recommendations of PAC were not acted upon

3.4.25 Supply of weights and measures to centres were discussed in the Report of the Comptroller and Auditor General of India (Civil) – Government of Tamil Nadu for the years 1983-84 and 1994-95. PAC in its 54th Report (12th Assembly) presented to the Assembly on 22 April 2002 stated that it was distressed to note that its recommendations issued in 1987 regarding the necessity of providing measuring devices at NMP centres, had not been acted upon by the department even after a lapse of 12 years. The Committee viewed the delay seriously.

3.4.26 Government in SW&NMP Department stated (September and December 2004) that Finance Department did not agree to their repeated proposals (2001-03) of providing weights and measures due to financial constraints.

3.4.27 Considering that the average annual expenditure on the scheme is about Rs 360 crore and the benefit of weighing the food ingredients at the time of their delivery to the centres, the expenditure on weights and measures would appear to be well deserved.

3.4.28 In this context, Audit noted that shortages in supply by TNCSC had been reported from time to time by some District Collectors. Government had also noted (February and June 2002) that short supplies get covered up because the number of children actually fed is less than the strength reported.

Other points of interest

Posts of organisers, cooks and helpers in NMCs not filled up with the surplus staff in CWCs

Surplus staff in ICDS centres were not re-deployed to NMCs and CWCs

3.4.29 One hundred eleven projects (67 rural; 42 urban and two tribal projects) were being implemented under Integrated Child Development Services (ICDS) scheme during 1997-98. Of these 47 projects were assisted by Swedish International Development Authority (SIDA) up to June 1998.

The staffing pattern at each centre under SIDA-ICDS consisted, among others, of two Anganwadi Workers (AWW) and two Anganwadi Helpers (AWH). These centres were merged with General ICDS on completion of the project period. With effect from 31 December 1997, the World Bank Assisted (WBA) Tamil Nadu Integrated Nutrition Project II (TINP), implemented in 318 Blocks, was closed and the CWCs under TINP II were taken over under WBA-ICDS III.

3.4.30 Government ordered that the staffing pattern in the CWCs would be one AWW and AWH with effect from January 1998. As a result about 40000 AWWs/AWHs working in WBA-ICDS III and erstwhile SIDA-ICDS were rendered surplus. Government further ordered (February 1998) that a seniority list of surplus workers/helpers in each district should be maintained in order to facilitate their redeployment in NMP centres. While the expenditure on surplus staff in WBA-ICDS III Project was met from that project, the pay and allowances of surplus staff under the erstwhile SIDA-ICDS were borne under NMP up to 2003-04. This expenditure worked out to Rs 13.06 crore⁸ (approximately) for 2002-03 and 2003-04.

3.4.31 According to DRD the vacancy position of organisers, cooks and helpers in NMP centres as on 31 March 2004 was as follows:

Sl No.	Name of the post	Number of posts sanctioned	Total vacancy	Percentage of vacancy
1	Organiser	39279	744	2
2	Cook	39947	1942	5
3	Helper	39914	2849	7
Total		119140	5535	5

The Commissioner of Municipal Administration (CMA) did not furnish the details of the vacancies in centres under his control.

3.4.32 As per the details furnished by the Project Coordinator, World Bank Assisted ICDS Project, as on 31 March 2004 the surplus staff was 23712 comprising 13920 Anganwadi workers and 9792 Anganwadi helpers. Thus, on one hand the benefit of redeployment of excess staff of Anganwadi centres in NMCs has not been fully realised, while on the other, substantial expenditure was incurred till March 2004 on surplus staff from the NMP scheme funds.

Monitoring

Constitution of Monitoring Committee

3.4.33 Government ordered (March 2002) the formation of Monitoring Committee in every school to ensure that rice, *dhall*, oil, vegetables, etc. are issued in correct quantity with reference to actual number of students consuming noon meal and also to ensure quality of meals served to the students.

School level monitoring committees did not carry out the functions assigned to them

Year	Number of surplus staff		(Rupees in crore)
	AWW	AWH	Expenditure
2002-03	2816	3181	5.98
2003-04	3004	3839	7.08
Total			13.06

3.4.34 Each committee was to comprise of four members including Headmaster of the concerned school and representative from the Parent-Teachers Association.

3.4.35 It was, however, seen in the sample districts that though the committees were formed, there was no evidence to show that the committees have carried out the functions assigned. Thus, the objective of forming the Monitoring Committee was not fulfilled.

Shortfall in inspection

Shortfall in quantum of inspection by PAs (NMP) to Collectors was noticed

3.4.36 To check over-reporting of number of students consuming meals at NMP centres, Government instructed (December 1986) that the Personal Assistant (PA) (NMP) to inspect 20 centres per month during feeding time. However, it was noticed that during 2002-04, inspections were not conducted by PA (NMP) in Kancheepuram (three months), Cuddalore (two months), Vellore (one month), Dharmapuri (four months) and Madurai (five months).

3.4.37 The following deficiencies were noticed in the inspections conducted.

➤ In ten districts⁹ the concerned PA (NMP) visited only seven to 18 centres during January 2000 as against the monthly target of 20 centres.

➤ Inspection of centres during August 2001 by PA (NMP) in nine districts¹⁰ averaged 14 (against 20) and varied between eight and 18.

Inspection by BDOs

3.4.38 The Block Development Officers (BDOs) are required to conduct ten inspections per month. The inspections conducted by BDOs in Vellore, Cuddalore and Madurai districts during 2002-2004 revealed shortfall as follows:

District	No. of Blocks	2002-03		2003-04	
		No. of months in which inspections were			
		Not conducted	Conducted in 1 to 4 centres	Not conducted	Conducted in 1 to 4 centres
Vellore	5	17	11	11	5
Cuddalore	4	3	8	3	7
Madurai	2	2	13	7	12
Total	11	22	32	21	24

The shortfall reflected above indicates inadequate monitoring.

Evaluation

3.4.39 Union Planning Commission suggested (February 2002) a comprehensive evaluation of the Midday Meal Scheme with special reference to literacy, school enrolment and retention. Though this evaluation was entrusted to Directorate of Economics and Statistics in April 2002, it has not been taken up so far (June 2004).

⁹ Kancheepuram, Madurai, Namakkal, Salem, Thanjavur, Thiruvarur, Tiruchirappalli, Tiruvannamalai, Tuticorin and Villupuram

¹⁰ Kancheepuram, The Nilgiris, Perambalur, Tiruvannamalai, Thiruvarur, Tuticorin, Vellore, Villupuram and Virudhunagar

Conclusions

3.4.40 The review indicates that there were deficiencies in the implementation of the scheme. These include non-supply of *dhall* and eggs during some periods, substitution of common rice in place of fine rice, non-supply of weights and measures to centres and vacancies in NMCs despite excess staff in anganwadis.

Recommendations

- Monitoring of inspections of centres should be carried out as per targets assigned.
- Evaluation of the scheme is to be conducted to improve the effectiveness of implementation.
- PAC recommendations regarding supply of weights and measures to centres should be acted upon urgently.

The above points were referred to Government in August 2004; Government generally accepted the facts (September – December 2004).

HEALTH AND FAMILY WELFARE DEPARTMENT

3.5 Review on Indian Systems of Medicine and Homoeopathy

Highlights

The Government of Tamil Nadu took initiatives to encourage Indian Systems of Medicine with the objective of popularising them and to bring out their benefits. However, the Indian Medicine and Homoeopathy Department did not maintain any statistics to prove their effectiveness in treatment of diseases. The vacancies in the posts of Assistant Medical Officers resulted in shortfall in providing services. Against 9604 in-patients admitted in Arignar Anna Government Hospital of Indian Medicines, Chennai, during 1999-2004, 4465 (46 per cent) patients either abandoned the treatment or got discharged against medical advice. Four Research Units established in the above hospital for cancer and AIDS, diabetes, infertility and fracture did not carry out any research activities due to lack of modern machineries/ equipments and staff. Grants from Government of India for procurement of equipments for Drug Testing Laboratory was utilised only partially.

➤ Out of Rs 60 lakh released by Government of India as grant for procurement of equipments for Drug Testing Laboratory Rs 27.88 lakh were not utilised.

(Paragraphs 3.5.8 to 3.5.10)

➤ The statistical data available with the Department only indicated the number of visits by patients and no data was available to prove the effectiveness of the Indian Systems of Medicines in treating diseases.

(Paragraph 3.5.16)

➤ Out of 9604 patients admitted in the in-patient ward in Arignar Anna Government Hospital of Indian Medicines, Chennai, during 1999-2004, 4465 patients either abandoned the treatment or got discharged against medical advice.

(Paragraph 3.5.18)

➤ The attendance of Assistant Medical Officers was less than 15 days in a month in 56 per cent and 68 per cent of the months in Thiruvannamalai and Nagapattinam Districts respectively during the five years from 1999 to 2003.

(Paragraph 3.5.22)

➤ The four Research Units established in Arignar Anna Government Hospital of Indian Medicines, Chennai, did not carry out any research activity due to lack of modern equipments and staff.

(Paragraphs 3.5.25 and 3.5.26)

➤ A Regional Pharmacy (at Thirumayam, Pudukottai District) was defunct from April 2002 but Rs 11.59 lakh was spent towards staff of the defunct pharmacy.

(Paragraph 3.5.30)

Introduction

3.5.1 With a view to encourage traditional systems of medicines, Government of Tamil Nadu (GTN), set up the Directorate of Indian Medicine and Homoeopathy (DIMH) in 1970, by separating it from Directorate of Medical Education. DIMH was expected to encourage Indian Systems of Medicines (ISM) comprising Siddha, Unani and Ayurveda with special emphasis on development of Siddha system, which is indigenous to and an integral part of Tamil culture.

Objectives of the Department

3.5.2 The functions of the Department included:

- providing health care in district/taluk/non-taluk hospitals and primary health centres (PHC) through wings of Siddha, Ayurveda, Unani, Homoeopathy, Naturopathy and Yoga;
- research, production, standardisation and quality control of herbs and drugs and
- teaching in Under Graduate and Post Graduate courses.

Organisational set up

3.5.3 The Department of Indian Medicine and Homoeopathy (IMH) is under the administrative control of Secretary, Health and Family Welfare (HFW) Department and headed by a Commissioner of Indian Medicine and Homoeopathy (CIMH). The State (except Chennai) has been divided into 22 districts, each headed by a District Siddha Medical Officer (DSMO), assisted by Assistant Medical Officers (AMO) of 704 IMH wings of hospitals (373) and PHCs (331). Arignar Anna Government Hospital of Indian Medicine (AAGHIM), Chennai, is the referral hospital for ISM. One National Institute of Siddha (NIS) was formed in January 1999. Tamil Nadu Board of Indian Medicines, Tamil Nadu Siddha Medical Council, Tamil Nadu Homoeopathy Council and Tamil Nadu Medicinal Plants Board were established for development of ISM and Homoeopathy.

Audit objectives

3.5.4 A review of the working of Department of IMH was conducted with a view to ascertaining:

- the achievement of the Government in popularising the ISM;
- effectiveness and quality of services rendered by the Department and
- sufficiency of manpower and infrastructure facilities.

Audit coverage

3.5.5 The review was conducted in the Health and Family Welfare Department of Secretariat, Commissionerate of Indian Medicine and Homoeopathy, AAGHIM, Chennai and its attached dispensaries (Siddha:

seven and Homoeopathy: four), three¹ Colleges in Chennai and DSMOs and IMH wings in four districts viz. Kancheepuram, Thiruvannamalai, Thanjavur and Nagapattinam from February 2004 to July 2004 and covering records pertaining to 1999-2004. Records of the Boards/Councils stated in paragraph 3.5.3 above were also reviewed.

Financial Management

3.5.6 The Budget allocation and expenditure of the Department during 1999-2004 were as follows:

(Rupees in crore)

Year	Plan		Non- Plan		Total		Savings	Percentage
	Allotment	Expenditure	Allotment	Expenditure	Allotment	Expenditure		
1999-2000	5.89	5.92	30.36	27.75	36.25	33.67	2.58	7
2000-01	6.94	6.82	32.85	28.51	39.79	35.33	4.46	11
2001-02	9.93	7.64	35.35	30.25	45.28	37.89	7.39	16
2002-03	7.93	7.97	34.67	31.10	42.61	39.07	3.54	8
2003-04	16.31	14.13	36.40	32.81	52.71	46.94	5.77	11
Total	47.01	42.47	169.63	150.43	216.64	192.90	23.70	11

3.5.7 Government of India (GOI) released grants amounting to Rs 5.30 crore during 1999-2004 (vide details in Appendix XXVII). The deficiencies noticed in utilisation of the grants are discussed in the succeeding paragraphs.

Utilisation of GOI grant for strengthening of DTL

GOI grant, Rs 27.88 lakh, towards procurement of equipment and Rs ten lakh for manpower for DTL was not utilised.

3.5.8 GOI sanctioned (March 2001) Rs 85 lakh and released Rs 50 lakh in March 2001 by Demand Draft to CIMH and Rs 35 lakh in March 2003 for strengthening of Drug Testing Laboratory (DTL) in AAGHIM. The grant included Rs 60 lakh for equipments and Rs ten lakh for manpower.

3.5.9 The CIMH placed (December 2001) orders for purchase of equipments on Hospital Services Consultancy Corporation (India) Ltd., (HSCC) a GOI undertaking, on the advise of GOI, but did not negotiate a time schedule for supply of equipments though 100 per cent advance payment of Rs 31.63 lakh was made in March 2002. The HSCC supplied three equipments (Total cost: Rs 2.75 lakh) in October/November 2002 and another three equipments (cost: Rs 26.91 lakh) in March 2004. For the only equipment pending supply, UV/Visible Spectrometer, the HSCC demanded (November 2003) additional payment of Rs 4.72 lakh towards special customs duty (Rs 1.74 lakh) and exchange rate fluctuation (Rs 2.98 lakh). These amounts were not paid as of June 2004. Out of the six equipments supplied so far, one autoclave (cost: Rs 2.51 lakh) supplied in November 2002 and one HPTLC² (cost Rs 17.57 lakh) supplied in March 2004 had not been installed so far (September 2004). The Superintendent, AAGHIM stated (September 2004) that the supplier had not installed the autoclave inspite of several reminders and as regards HPTLC, action was being taken for purchase of nitrogen cylinder for which the Government order was got revalidated in July 2004.

¹ Government Siddha Medical College, Government Unani Medical College and Government Naturopathy and Yoga College.

² High Pressure Thin Layer Chromatograph.

3.5.10 The delay in receipt of equipment could have been mitigated had CIMH entered into an agreement stipulating a time frame for supply with an appropriate clause for levy of liquidated damages. From the equipment/consumables component of Rs 34 lakh out of the Rs 50 lakh released by GOI in March 2001 the CIMH utilised Rs 32.12 lakh only as of September 2004. Out of the Rs 35 lakh received from GOI in March 2003, GTN released the equipment component of Rs 26 lakh to CIMH belatedly in March 2004 which remained unutilised (September 2004). Thus, Rs 27.88 lakh remained unutilised for more than a year.

3.5.11 The GOI grant of Rs ten lakh earmarked for engaging contractual manpower, remains unutilised as the State Government rejected (August 2002) the proposals of CIMH for creation of regular posts. The subsequent proposal (August 2004) of CIMH for posting of personnel on consolidated pay was pending with Government (September 2004). CIMH placed (June 2003) an Assistant Lecturer of Government Siddha Medical College (GSMC), Chennai in charge of DTL and two analyst diverted from DTL (Allopathy) joined the Laboratory in September 2003. As of June 2004 the DTL was engaged only in testing of samples of 15 raw drugs supplied by Tamil Nadu Medicinal Plant Farms and Herbal Medicine Corporation Limited (TAMPCOL) to AAGHIM pharmacy, for which alone pharmacopoeia specifications were available. No finished product was being tested. Thus, GOI grants to strengthen the DTL have been utilised only partially.

Non-utilisation of Computer Laboratory established with GOI Grant

Computer laboratory established with GOI grant was not used for the intended purposes for more than a year.

3.5.12 GOI released (March 2001) Rs ten lakh to GSMC for procuring Personal Computers (PC), LCD Projector and providing internet facility to enable the college and its students to update their knowledge on growth and development in the field of traditional and modern medicine in India and abroad. The Principal utilised (March 2002) Rs 8.22 lakh for purchase of the above equipments and refunded Rs 1.78 lakh (July 2003). The computers were installed in September 2002 and the Projector was received in March 2003. Though GOI had stated (January 2001) that necessary guidelines for use of the computer laboratory by faculty and students would be issued in due course they had not been received (June 2004). The Principal addressed (June 2004) GOI for the guidelines and called for application from students for basic computer training programme only after Audit pointed out (June 2004) the low levels of utilisation of the five PCs. This clearly indicates that the College did not make any effort to ensure optimum use of the PCs. Further, no records were produced to Audit to prove that the LCD projector was being put to the intended use.

Operational performance

Provision of health care

3.5.13 Poor outpatient services, inadequate in-patient services, shortfall in services, non-creation of posts and delay in commissioning of new wings were noticed in Audit as discussed in succeeding paragraphs.

Out-patient Services

3.5.14 Services to patients are being delivered by the 704 wings of ISM and Homoeopathy. The census of out-patients (OP) and in-patients (IP) treated by the IMH wings in the State during 1999-2003 (calendar years) was as follows:

(Number in thousands)

Type	1999		2000		2001		2002		2003	
	Old	New	Old	New	Old	New	Old	New	Old	New
OP	6246	2585	6491	2589	7354	3246	9057	3826	10761	4593
IP	127	11	138	10	128	9	149	12	169	14

New: the number of patients who were seen by AMOs for the first time

Old: the number of subsequent visits all such patients make to the hospital for continued treatment

The Department did not have any data to indicate the effectiveness of its services.

3.5.15 The IPs were earlier attended to in OP Department and hence included in OP census also. On admission as IP, the OP census should have been decreased accordingly to show the correct number of OP and IP. The non-deletion of IPs from OP boosted the OPs census.

3.5.16 In respect of old cases, the department have details only of number of visits by patients and not for number of patients treated. The Department did not also have any statistical data to indicate the effectiveness of its services. CIMH stated (June 2004) that in as much as the department did not do research activities, such statistics were not being collected. This reply is not tenable as popularising IMH envisaged in Tenth Five Year Plan would require documentation of the effectiveness of ISM to make it fact-based. Therefore, the CIMH's stand was not in keeping with the Plan's objectives.

In-patient services

3.5.17 The Department has IP wards in 22 districts for various systems with 965 beds. There was no IP ward for any ISM in six districts viz. The Nilgiris, Perambalur, Pudukottai, Theni, Thiruvallur and Thiruvannamalai. When Audit required (May 2004) details regarding staff provided, services to be provided in IP ward and infrastructure facilities available in wards in the State, CIMH called for the details from field offices. The absence of this important information with CIMH indicated lack of monitoring. The information collected by CIMH indicated that the following single posts in some units had been lying vacant during 1999-2004. These included Male and Female Nursing Attendants in seven District Headquarter Hospitals (DHHs)³; Male Nursing Attendant at DHH, Villupuram and Masseur at non-taluk hospital, Kadayannallur and DHH, Thoothukudi.

Forty six per cent of in-patients did not complete the treatment in AAGHIM; they either abandoned it or got discharged against medical advice.

3.5.18 AAGHIM, Chennai, has IP facilities for Siddha, Ayurveda and Unani. Of the 9604 IPs treated during 1999-2004, 4465 (46 per cent) did not complete the treatment *vide* details furnished below:

(In numbers)

System	Abandoned	PLT	AR	Total
Siddha	829	961	121	1911
Ayurveda	333	534	50	917
Unani	709	772	156	1637
Total	1871(19)	2267(24)	327(3)	4465(46)

PLT: Patient left treatment against medical advice; AR: Discharged at request of the patient. Figures in brackets indicate percentage to total number of IPs.

³ Namakkal, Virudhunagar, Kumbakonam, Thiruvallur, Karur, Mettur Dam and Sivaganga.

3.5.19 The Superintendent (June 2004) attributed abandonment of treatment by patients to the lengthy nature of treatment in ISM *vis-à-vis* Allopathy.

Medical records were not maintained properly and no discharge summary was prepared and issued to patients.

3.5.20 The medical records are important documents not only during the IP's stay in the Hospital, but also for future reference for later medical treatment. The procedures prescribe, giving to the patient a discharge summary, signed by the Medical Officer (MO), that should include the patient's condition at the time of discharge and MO's advice to the patient. Despite its importance, the records were not properly maintained as the relevant entries were either not made or entered illegibly. Also, in none of the cases, the discharge summary was prepared and issued to the patients. The Superintendent admitted (June 2004) the above deficiency and assured corrective action.

Though an in-patient ward was opened in DHH, Kumbakonam only OP services were provided due to non-provision of staff.

3.5.21 The IP ward at DHH, Kumbakonam, Thanjavur District, was established at a cost of Rs 21.64 lakh with 16 beds and was opened in December 1999. However, the first patient was admitted only in July 2003 and it treated 64 patients up to December 2003 (Siddha: 4, Ayurveda: 45 and Homoeopathy: 15). According to DSMO (April 2004), no separate staff for IP ward was provided and hence, no services except that of OP treatment was provided.

Shortfall in services due to non-attendance of AMOs

The attendance of AMOs was less than 15 days in a month in two sample districts in 56 to 68 per cent of the months.

3.5.22 During 1999 to 2003, out of 18 posts of AMOs sanctioned for Nagapattinam District three to nine posts were vacant and in Thiruvannamalai District eight to 17 posts were vacant out of 23 posts. The vacancies necessitated deputing available AMOs from their parent wing to vacant wings for some days every week. The arrangement led to AMO's attendance being less than 15 days a month at both the parent and the vacant wings. Such shortfall in services due to diversion of AMOs from parent wing during the five years 1999-2003 was 56 per cent in respect of 14 units in Thiruvannamalai District and 68 per cent in respect of 14 units in Nagapattinam District.

Non-creation of posts of Pharmacist in the newly opened wings

3.5.23 Government sanctioned only the posts of AMOs in respect of 89 wings newly opened in October 2003 (Siddha wing: 80; Unani wing: 6 and Ayurveda wing: 3) and directed (June 2002) the CIMH to use the services of pharmacists of Allopathy wings for vending of medicines after giving them training in ISM and on payment of additional allowance of Rs 1000 per month. As the pharmacists approached the High Court against the above orders, this arrangement did not work in the sample districts. As a result, the AMOs themselves were forced to distribute the medicines in addition to attending on patients. The CIMH did not furnish information on the working of the above arrangements in other districts.

Research and quality control

Classification of diseases

3.5.24 IMH wings classify the diseases treated by them into 53 Siddha, 24 Ayurveda, 20 Unani and 25 Homoeopathy categories; the last category in all the systems is 'other diseases'. The disease-wise statistics of the wings showed that upto 76 per cent of the OP cases were classified under the 'other diseases'. This indicates that the categorisation required a revision,

so as to make the classification more meaningful. The CIMH stated (July 2004) that the diseases could not be codified, as classification may differ from place to place. This reply was not tenable because diseases have to be classified with reference to their cause and/or treatment, which do not depend on geographical location. Further, more detailed codification of diseases would help to formulate strategy for treating and containing such diseases.

Functioning of Research Units

3.5.25 The Department has four Research Units (RU) at AAGHIM for cancer and AIDS, diabetes, infertility and fracture and one at GSMC Hospital, Palayamkottai for cancer and AIDS.

The four RUs established at AAGHIM did not do any research work due to dearth of modern equipment and staff.

3.5.26 The RUs at AAGHIM were formed in 1993 (one unit) and in 1997 (three units) with sanction for five posts (one Laboratory Technician, one Plaster Technician and three Hospital Servants). The Superintendent, AAGHIM stated (May 2004), that no research could be carried out due to lack of facilities like modern machinery/equipment to carry out tests, required number of staff etc. As such the RUs established did not serve the purpose.

Absence of medical audit for quality control

No medical audit was being conducted though the department was formed as far back as 1970.

3.5.27 The technical aspects of the treatment can be scrutinised only by technical personnel through medical audit. This is required as a quality control measure to ensure efficiency of the personnel and effectiveness of the services. This also assumes significance in the absence of a timeframe for curing diseases. However, no medical audit has been conducted though the department was formed as far back as 1970. CIMH stated (April 2004) that this matter would be discussed in the subsequent meeting of DSMOs.

Functioning of pharmacies engaged in production of drugs

Norms for Good Manufacturing Practices not fulfilled

The pharmacy in AAGHIM did not obtain certificate of Good Manufacturing Practices as required under Drugs and Cosmetics Rules, 1945.

3.5.28 GOI, by an amendment to Drugs and Cosmetics Rules, 1945, introduced (June 2000) Good Manufacturing Practices (GMP) for manufacture of Siddha, Ayurveda and Unani medicines to ensure that the drugs were of acceptable quality. In case of existing manufacturing units, these amendments came into force with effect from June 2002. Rule 157-B of Drugs and Cosmetics Rules, 1945, required the manufacturing units to obtain a certificate of GMP (valid for two years) from the licensing authority for ISM&H.

3.5.29 There are four⁴ pharmacies for production of drugs under ISM in the State. Out of these GMP certificates have not been obtained so far (June 2004) by the pharmacies in the AAGHIM, Chennai and GSMC, Palayamkottai as re-organisation for complying with GMP norms have not been completed. The Regional pharmacies at Vannarpettai (Tirunelveli) and Thirumayam (Pudukottai) were under closure. Thus, the intention of GOI in introduction of GMP has not been fulfilled though about 72692 kg of medicines are being prepared and administered every year to patients.

⁴ AAGHIM, Chennai; GSMC, Palayamkottai; Regional Pharmacies at Vannarpettai (Tirunelveli) and Thirumayam (Pudukottai).

Infructuous expenditure on staff of defunct pharmacy

There was infructuous expenditure of Rs 11.59 lakh towards idle staff of a defunct pharmacy at Thirumaiyam, Pudukottai District.

3.5.30 The Regional Pharmacy (RP) was functioning at Thirumaiyam (Pudukottai District) with a strength of one Medical Officer, one Pharmacy Supervisor, seven Pharmacy Attendants, one Watchman and one Junior Assistant. The Medical Officer (MO) recommended the closure of RP to CIMH, due to its remote location, absence of proper power supply, financial non-viability and irregularities of staff. The RP did not function from April 2002 and the stock of raw drugs was transferred to AAGHIM Pharmacy in August and September 2002. The machineries (cost: Rs 6.33 lakh) were lying idle for the past two years. Though the pharmacy was defunct, CIMH has obtained Government's sanction for extension of the posts up to June 2005. While all the other posts became vacant between September 2001 and May 2003, the posts of Junior Assistant and six Pharmacy Attendants were continued to be operated (June 2004). The expenditure on establishment during 2002-04, Rs 11.59 lakh, was infructuous and the staff could have been utilised elsewhere.

Ambulance available with AAGHIM not put to intended use

Ambulance with AAGHIM was used entirely for other purposes.

3.5.31 Only one ambulance was available under ISM in the State. The AAGHIM was allotted this ambulance in September 1987 and it had covered 22936 km between April 1999 and April 2004. The ambulance was used for trips of officials to Secretariat, movement of stores/medicines etc. and was used for moving patient only once for a distance of 23 km. The hospital has another vehicle for transportation of material. The use of the ambulance entirely for other purposes indicated that the hospital did not require an ambulance at all.

Conclusions

3.5.32 In spite of the efforts taken by the GTN and assistance extended by GOI for procurement of equipments, construction of buildings, etc., the impact was not felt due to lack of propagation and vacancies in the posts of AMOs. The RU also could not do the intended research work due to shortage of staff and equipments. Almost half of the in-patients admitted in AAGHIM did not complete the treatment indicating that IP wards were not given sufficient attention.

Recommendations

- Government should consider sorting out urgently the problem of vacancies in the posts of AMOs and other important posts.
- Action should be taken to fulfil the norms and obtain the certificate for Good Manufacturing Practices.
- Keeping of medical records, especially of in-patients should be improved.
- Classification of diseases under Indian Systems of Medicine should be amplified.

The above points were referred to Government in September 2004; reply had not been received (December 2004).

RURAL DEVELOPMENT DEPARTMENT

3.6 Integrated sanitary complexes for women

Introduction

3.6.1 To improve rural sanitation, Government sanctioned a State Plan scheme for constructing Integrated Sanitary Complexes for Women (ISCW) to provide toilets, bathrooms, space for washing and water tubs in each of 12618 village Panchayats during 2001-03¹. The scheme was executed by the Block Development Officers (BDO) and monitored by the District Rural Development Agencies (DRDA) at district level and by the Director of Rural Development (DRD) at the State level.

3.6.2 Test check of records during October 2003 to January 2004 in various offices² revealed inadequate financial management leading to avoidable expenditure on interest, poor programme management leading to delays in putting the complexes to use and non-utilisation of the complexes, inadequate monitoring and non-participation of user groups in maintenance of the complexes as brought out in the succeeding paragraphs.

Financial management

3.6.3 The project cost of Phase I was Rs 136.56 crore and was met by loan assistance (70 *per cent*) from Housing and Urban Development Corporation Limited (HUDCO) and State contribution (30 *per cent*). Rupees 95.55 crore were obtained as loan in instalments from HUDCO during January to October 2002. Government sanctioned Rs 85.04 crore for 4252 complexes under ISCW between February 2002 and February 2003 and the balance 2057 complexes were to be taken up under Member of Legislative Assembly Constituency Development Scheme (MLACDS). Since 4317 complexes were actually taken up under ISCW in Phase I, Government released a further amount of Rs 1.08 crore in March 2004, balance Rs 0.22 crore being met from savings of the Panchayat Unions.

3.6.4 For Phase II, the full project cost (Rs 151.96 crore) was proposed to be obtained (September 2003) as loan from HUDCO. The loan amount was ultimately restricted to Rs 80.48 crore³, to cover only the 3408 complexes that were taken up under ISCW during 2003-04; the balance targeted complexes were taken up under other schemes *viz.* MLACDS, Total Sanitation Campaign (TSC) and other schemes. The loan amount was obtained and Government released Rs 76.68 crore during December 2003 and March 2004.

3.6.5 Test-check revealed the following irregularities:

➤ These complexes are constructed in rural areas. However, HUDCO classified the loan under "Urban Infrastructure" and charged interest at the rate

Failure to save interest to the tune of Rs 1.34 crore

¹ 6309 complexes during each year.

² Rural Development Department in the Secretariat, Directorate of Rural Development and DRDAs at Thiruvallur, Vellore and Villupuram and 56 Panchayat Unions in the above three districts.

³ Cost of construction at revised rate of Rs 2.25 lakh per complex: Rs 76.68 crore, Interest on HUDCO loan during construction period : Rs 2.67 crore, Front end fee and R&D charges Rs 1.13 crore.

of 13 *per cent* on the loan for Phase I instead of classifying the loan under 'Rural Housing under Economically Weaker Sections' (EWS) carrying a concessional interest of ten *per cent*. Government could have saved Rs 1.34 crore⁴ towards interest by following correct classification.

Improper obtaining
of loan to pay interest

➤ Further, loan obtained from HUDCO for Phase I included Rs 7.38 crore towards interest on the loan. As the project was not a revenue earning project, obtaining a loan for payment of interest is tantamount to getting a loan for extinguishing a part of its liability, which is improper. Instead, the interest amount should have been borne from Government funds.

Unjustified loan of
Rs 1.77 crore for
Administration and
Supervision charges

➤ The Project cost for Phase I included Rs 2.52 crore towards Administration and Supervision (A&S) charges at two *per cent* of the Project cost. Thus, Rs 1.77 crore was obtained as loan towards A&S charges in the total loan of Rs 95.55 crore under Phase I. As A&S services were rendered by Rural Development Department and DRDAs for which expenditure was incurred through budget provisions of the department, inclusion of these charges in the loan amount was not justified.

➤ In respect of the first point above, Government stated (December 2004) that the loan had to be availed under "Urban Infrastructure" as there was no provision of loans under "Rural Infrastructure". In the absence of any evidence showing that the Government tried to negotiate a lower rate of interest on the grounds that the sanitary complexes were to be constructed in rural areas, Government's reply is untenable.

Programme management

3.6.6 Against 12618 complexes⁵ to be completed under the scheme, only 8278 had been completed as of 26 March 2004. Information on the number of villages covered so far was awaited. Though Phase I of construction was proposed to be completed by March 2002, it was completed only in 2003-04. The Phase II of construction due for completion in March 2004 was commenced belatedly in January 2004, after obtaining loan from HUDCO in December 2003.

3.6.7 Test-check of records in three sample districts⁶ revealed delay in completion/putting into use of complexes, non-usage due to lack of electricity connection, poor/non-optimum use of constructed complexes and absence of maintenance due to non-involvement of user groups, as discussed below.

➤ In 1123 out of 1365 complexes test-checked, time taken for construction exceeded the period of three months allowed in the work orders issued for completion. Of this, completion time of 603 complexes was more than six months, leading to postponing the intended benefits. Delays ranging upto six months were noticed in 559 (41 *per cent*) out of the 1365 complexes test-checked. In case of 136 complexes (10 *per cent*) the delay exceeded six months.

➤ Government attributed (December 2004) the delay in completion of the complexes to delay in selection of sites, delay in finalisation of tenders and prevalence of severe drought conditions.

⁴ 12.5 *per cent* for the period 10 January 2002 to 31 December 2002. With effect from 1 January 2003 the interest rate was reset at 10.25 *per cent*.

⁵ Of which 7725 taken up under ISCW and balance under MLACDS, TSC etc.

⁶ Vellore, Villupuram and Thiruvallur.

Twenty nine complexes not put to use mainly for want of electricity connection.

➤ Twenty nine complexes in the three test-checked districts constructed between September 2002 and January 2004, were not put to use mainly due to lack of electricity connection. Perusal of Electricity cards furnished in respect of 642 complexes out of the records of 1079 complexes test checked in two districts (Vellore and Villupuram) revealed that (a) there was no consumption of power in respect of 169 complexes (26 per cent), (b) power was consumed only for a brief period in 71 complexes (11 per cent) and (c) no entry (except the initial reading) was made in the cards of 55 complexes (nine per cent). Since all the sanitary complexes have been provided with motor pump, consumption of electricity is a must for provision of water. The above mentioned 295 complexes may therefore be construed as not put to use optimally, rendering the expenditure of Rs 5.90 crore incurred on them largely unfruitful. Copies of Electricity cards, were not produced to Audit for 437 complexes (41 per cent) in these two districts.

➤ Government clarified (December 2004) that in some cases there was no electricity consumption because of scarcity of water in the borewells.

Unnecessary expenditure of Rs 28.83 lakh on construction of pump rooms

➤ As per the approved drawing, one pump room was provided for each complex for installation of motor. However, in 536 complexes in Vellore and Villupuram Districts where submersible pumps were provided, there was no necessity for such pump rooms. Yet, expenditure of Rs 28.83 lakh had been incurred towards construction of pump rooms. Government's reply (December 2004) stating that the pump room was necessary for the safety of the electric meters, is not tenable as a metal box with a locking arrangement covering the meters would have sufficed.

Non-participation of user groups in maintenance

Envisaged objective of maintenance of complexes by user groups not achieved

3.6.8 DRD instructed (June 2002) that expenditure on maintenance be borne by user groups by forming a Corpus fund and making monthly contribution to the fund by the user families. Information collected in respect of 689 complexes (Thiruvallur:266 and Vellore: 423) revealed that expenditure on maintenance was met by user groups for 238 complexes, the expenditure for 222 complexes was met either from the personal funds of the Presidents of the Panchayat Union or from Panchayat funds. The continued incurring of such expenditure by Panchayats would cause additional financial strain on their limited resources. In respect of the remaining 229 complexes, the concerned BDOs did not have any information as to how the maintenance expenditure was met. Government stated (December 2004) that out of grants received from XI Finance Commission, it had earmarked Rs 1000 per complex per month for maintenance of the complexes.

Monitoring

3.6.9 As per the guidelines issued (December 2001) by Government, Block Level Committees (BLC) were to be formed for monitoring the construction, post-construction and maintenance of the complexes and the same were required to be convened once a quarter. Out of 56 Panchayat Unions⁷ in the sample districts, Committees were formed in 23. The remaining 33 Unions had not furnished any details about the formation of committees. As Committees were formed belatedly in 16 Unions (between September and November 2003) and no meetings were held by six BLCs, the purpose of their formation viz. monitoring the construction and maintenance was not largely achieved. Government stated (December 2004) that user groups and BLCs had since been constituted in the three districts test-checked.

⁷ Thiruvallur: 14, Vellore: 20 and Villupuram: 22.

Conclusions

3.6.10 Non/meagre consumption of power in most of the complexes in the sample districts indicated non-optimum use of the complexes. User groups were not involved in the maintenance of complexes. Incorrect classification of loan under urban infrastructure led to avoidable interest. Loan obtained for payment of interest was improper and the loan obtained for Administration and Supervision charges was unjustified.

Recommendations

- Necessary action has to be taken urgently for putting the unutilised complexes to use.
- User groups should be motivated to form and utilise Corpus fund to maintain the complexes.

ANIMAL HUSBANDRY AND FISHERIES DEPARTMENT

3.7 Drought Relief Measures in Animal Husbandry Department

Introduction

3.7.1 Government of India (GOI) sanctioned (December 2002) Rs 20 crore, for drought relief measures from National Calamity Contingency Fund (NCCF) to the State towards fodder. The State nodal officer *viz.* Special Commissioner and Commissioner for Revenue Administration (SC & CRA), forwarded (December 2002) the detailed proposals prepared by the Secretary, Animal Husbandry and Fisheries Department (AHFD) for utilising this amount for drought relief measures under five components¹ to the State Level Committee (SLC) for Calamity Relief Fund Scheme (CRF). Based on SLC's approval (December 2002), Government sanctioned (January 2003) Rs 20 crore and the SC & CRA was required to obtain and send utilisation certificate (UC). Secretary, AHF Department directed his District Officers to complete all the works within two months.

3.7.2 Records of AHFD in Secretariat, Office of SC & CRA, Directorate of Animal Husbandry (DAH), Directorate of Veterinary Services (DVS) and the connected offices in four districts² (out of 29 districts) including the district Collectorates were test-checked. The check revealed irregular allocation and utilisation of funds for long term benefits in violation of norms for Calamity Relief Fund, belated and piece-meal releases for new schemes, non-provision of funds for drinking water facilities for all districts, poor protection of livestock against diseases and poor impact of infrastructure works in farms as brought out in the succeeding paragraphs.

Irregular utilisation of funds for long term benefits

Allocation of Rs ten crore under CRF for long term benefits violated the norms for utilisation of CRF.

3.7.3 Though GOI sanctioned Rs 20 crore from NCCF for fodder development, SLC based on the proposal of Secretary, AHFD, apportioned the amount to provision of drinking water facility (Rs 4.70 crore), protection of livestock against diseases (Rs 5.30 crore) and establishment of infrastructure for development of fodder inputs (Rs ten crore). Although the funds for drought received under CRF are for providing immediate relief, half the funds were proposed by DAH for establishment of infrastructure, which is for long term benefit.

Belated and piece-meal release of funds

3.7.4 Government in Revenue Department requested (December 2003) SC & CRA to obtain UC for the amount utilised and to surrender the unspent amount out of Rs 20 crore to Government account as all the districts had received sufficient rainfall and AHFD had not utilised major portion of the funds allotted. The SC & CRA, in turn, also requested (December 2003) the Secretary, AHFD to arrange for surrendering the unspent balance amount out of Rs 20 crore to Government account immediately and to send the UC for the amount utilised so far. However, this was not done even after the receipt of

¹ Protection of livestock against diseases, Infrastructure for fodder inputs development in large farms and small farms, fodder development in villages and provision of drinking water facilities in Panchayat Unions.

² Coimbatore, Dharmapuri, Kancheepuram and Thanjavur.

Absence of definite and decisive plans initially to combat drought.

instructions from Government and SC & CRA for surrendering the unspent amount, Rs 78.60 lakh was released by DAH as additional funds in January 2004 for execution of works in farms and to two District Collectors for infrastructure development for fodder inputs although substantial unutilised funds were lying with them. Also, Government issued (January 2004) orders for releasing Rs 76.10 lakh to the Principal Chief Conservator of Forests (PCCF), Chennai for sinking 79 borewells to tap ground water for elephants and other wild life and DAH released this amount to PCCF in January 2004. Based on Government order (May 2004) and the subsequent release order of SC&CRA, DVS transferred (June 2004) Rs 1.51 crore to Rural Development Department for the purpose of fodder cultivation in grazing grounds/poramboke lands through the District Rural Development Agencies/Self Help Groups (SHGs) and remitted Rs 6.24 crore into Government account (June 2004). Such belated and piecemeal sanction and transfer indicated the absence of definite and decisive plans to combat drought.

Factors leading to slow utilisation of funds.

3.7.5 DAH attributed the delay in utilisation of funds mainly to delay in supply of vaccines, poor storage capacity in AHD and non-completion of development works by Agricultural Engineering Department. In the meeting held on 15 December 2003, SC & CRA instructed AHFD to complete the works before 31 January 2004. Thus, the objective of provision of immediate relief to the people affected by drought remained largely unachieved despite expenditure of Rs 12.20 crore (Appendix XXVIII).

Non-provision of funds for drinking water supply facilities for all districts

Failure of AHFD in assessing initially the exact requirement in all districts resulted in exclusion of six districts to combat water scarcity at the required time.

3.7.6 Though 28 districts were declared as drought affected, funds for borewells were proposed (December 2002) by Secretary, AHFD in 22 districts only. Subsequently SC & CRA recommended (October 2003) the proposal of Secretary, AHFD for additional provision of drinking water facilities in Pudukottai District at a cost of Rs 16.60 lakh and in the remaining six districts (216 borewells in 72 Panchayat Unions (PUs)) at a cost of Rs 1.62 crore. Government in Revenue Department did not approve this proposal on the grounds that (a) the above works would have been taken up already by AHFD and (b) almost all the districts have since received sufficient rainfall. Thus, the failure of AHFD in assessing initially the exact requirement in all districts resulted in non-sanction of funds for the works proposed in October 2003 to combat water scarcity at the required time.

Poor protection of livestock against diseases

3.7.7 On the grounds that shortage of feed and fodder will reduce vitality and immunity to diseases of cattle, Secretary, AHFD proposed (December 2002) to protect 25 per cent of the cattle population of 2.10 crore in 22 districts against major diseases like Foot and Mouth Diseases (FMD), Black Quarter and Haemorrhagic Septicaemia at a cost of Rs 5.31 crore. After SLC's approval, Government included this component in their order in January 2003. The basis for covering only 25 per cent of the cattle population and for leaving six districts out was not available on record.

Against 75 lakh doses ordered, only 27.20 lakh were received.

3.7.8 The sanctioned amount of Rs 5.31 crore (calculated @ Rs ten per animal) was later decided to be utilised for protecting the livestock against FMD only. The amount was released in April 2003 to Tamil Nadu Medical Service Corporation Limited (TNMSC) for supply of about 75 lakh doses, with a request to supply 25 lakh doses each in June and September 2003 and the remaining in December 2003. TNMSC supplied doses costing Rs 1.70 crore (at the rate of Rs 6.25 per dose) between August 2003 and May 2004 and

Refund of Rs 3.61 crore out of Rs 5.31 crore released.

the same were distributed by DAH. Though DAH proposed to vaccinate 82.51 lakh cattle, the receipt and distribution of 27.20 lakh doses from TNMSC indicates that only 33 *per cent* of the proposed target was achieved. TNMSC refunded (March 2004 and June 2004) the unutilised amount of Rs 3.61 crore to the DVS who in turn remitted the same into Government account in June 2004.

3.7.9 TNMSC attributed the non-supply to the policy of Government of India not to produce Tetravalent Foot and Mouth Vaccine from 2004-2005. The DVS stated (September 2004) that the Tetravalent vaccine has been produced and supplied only after April 2004 and TNMSC had written that fresh tenders had to be called for further supply.

Poor impact of Infrastructure works in farms

As a result of slow implementation of works, there was no impact on tackling the prevalent drought.

3.7.10 Perusal of connected records revealed that neither SLC nor the department proposed a time frame for completion of works. As a result, the implementation of work was very slow and there was little impact on tackling the prevalent drought, as none of the farms had produced or supplied fodder as required (except about 75 tonnes produced and utilised in Hosur and 51 tonnes in Chettinad farms).

3.7.11 The value of work done in three out of five large farms *viz.* Hosur, Chettinad and Eachenkottai, as compared to the funds released was only 79.72 and 84 *per cent* respectively at the time of surrendering funds (May 2004). The department approved works in the farm at Abhishekapatti only in October 2003, and as of May 2004 the works were executed to the value of 32 *per cent* of the amounts released.

Conclusions

3.7.12 Out of Rs 20 crore provided by GOI towards calamity relief measures, Rs ten crore was provided for works of long term nature in violation of CRF guidelines, of which Rs 7.38 crore³ were used without any benefit for tackling the prevalent drought. Out of the remaining amount of Rs ten crore earmarked for protection of livestock against diseases and provision of drinking water facilities only Rs 6.32 crore were utilised.

Recommendations

➤ Funds from Calamity Relief funds should be utilised only for immediate relief.

➤ Definite and decisive plans should be identified and implemented for combating the drought in all districts declared as drought affected.

The above points were referred to Government in April 2004. Government stated (December 2004) in their reply that long term works were taken up for finding a permanent and sustainable solution to the problem. This reply is not tenable as the funds from CRF are given only for providing immediate relief according to the norms specified by GOI. Such long term measures which strengthen the capacity to withstand drought have to be executed by utilising regular funds allotted to the department. Government has again been addressed (January 2005) to offer their specific remarks on all the audit comments.

³ Including Rs 76.10 lakh released (January 2004) to PCCF and Rs 150.14 lakh released (June 2004) to DRD.

CHAPTER IV

AUDIT OF TRANSACTIONS

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CHAPTER IV

AUDIT OF TRANSACTIONS

Audit of transactions of the Departments of Government, their field formations as well as that of the autonomous bodies brought out several instances of lapses in management of resources and failures in the observance of the norms of regularity, propriety and economy. These have been presented in the succeeding paragraphs under broad objective heads.

4.1 Wasteful/unfruitful expenditure

MUNICIPAL ADMINISTRATION AND WATER SUPPLY DEPARTMENT

CHENNAI METROPOLITAN WATER SUPPLY AND SEWERAGE BOARD

4.1.1 Unfruitful expenditure in executing an unviable Project

Commencement of a project for renovating sewage without obtaining a firm commitment from beneficiary industries resulted in unfruitful expenditure of Rs 138.93 crore including interest.

Under the Chennai Sewerage Renovation and Functional Improvement Project (Project), the Chennai Metropolitan Water Supply and Sewerage Board (Board) proposed (April 1994) to (a) lay an Effluent Conveyance System (ECS) for pumping secondary treated sewage from Koyambedu to Kodungaiyur, (b) construct Tertiary Treatment and Reverse Osmosis Plants (TTRO) of 100 million litres per day (mld) capacity for sewage renovation at Kodungaiyur and (c) lay Permeate Conveyance Pipeline (PCP) for conveying the renovated sewage from the TTRO to various industries in Manali area for industrial use.

As this infrastructure would become wasteful if the industries failed to draw the renovated sewage, the Central Public Health and Environmental Engineering Organisation (CPHEEO) of Government of India, in May 1994 and while technically clearing the Project in August 1994, instructed the Board to obtain written commitment from all the major industries that they would take the entire 100 mld of renovated sewage for the next 25 years at a realistic rate determined by the Board from time to time. Though the Board obtained (May 1994) written requirement for 128 mld from five industries, none of them gave a firm written commitment during the meetings held with them on five occasions during August 1996 to November 1998. In fact, many industries went back on their original requirement, some installed their own desalination plant and the total demand got reduced to 21 mld in December 1998.

Meanwhile, the Board arranged (February 1995) financial assistance by way of loan from Japan Bank for International Cooperation (Bank) and obtained administrative approval for the Project from Government in February 1998. The Board also finalised the agreement in November 1998 for ECS and PCP components with a firm for Rs 31.87 crore plus Yen 125.65 crore (approximately Rs 38.36 crore) for execution on turnkey basis. In spite of poor demand, the Board proposed (May 1999) to continue the Project and

supply renovated sewage to the new industries that would come up in the area. As no such development of new industries occurred, the Board, in September 1999, resolved (a) not to go ahead with the construction of TTRO, (b) to continue the execution of ECS and PCP, (c) to utilise the pipes laid under ECS for transporting excess sewage from Koyambedu Treatment Plant to Kodungaiyur Treatment Plant and (d) to utilise the pipes laid under PCP for transporting fresh water to industries. The Bank mission, which visited in December 1999 to review the justification, decided to foreclose the assistance to the Project as there was no firm demand for renovated sewage. Consequently, the Board abandoned (February 2001) the PCP component.

The Board obtained loan assistance of Rs 96.77 crore from the Bank and spent Rs 84.03 crore (March 2001). The pipes were laid for 15 kilometres (km) out of 16.4 km under ECS and for 3.75 km out of 28.75 km under PCP. As the Board commenced (September 2003) the construction of a 60 mld treatment plant to treat excess sewage at Koyambedu itself, the possibility of utilising the pipes laid under ECS was also ruled out. Thus, the failure of the Board to get firm commitment from industries for renovated sewage as instructed by CPHEEO resulted in unfruitful expenditure of Rs 84.03 crore. Besides, the Board also paid Rs 54.90 crore as interest till March 2004.

The matter was referred to Government in May 2004; reply had not been received (December 2004).

TAMIL NADU WATER SUPPLY AND DRAINAGE BOARD

4.1.2 Unfruitful expenditure on a sewerage scheme

Defective execution of works for augmentation of the sewerage system and its poor maintenance defeated the objective of prevention of pollution of Ooty lake despite expenditure of Rs 12.45 crore. Besides, Rs 1.42 crore was spent for cleaning the lake.

To prevent pollution to the lake at Udthagamandalam (Ooty) by leakages from the existing sewerage system and raw sewage from the uncovered areas through Kodappamund Channel, the Tamil Nadu Water Supply and Drainage Board (Board) completed the work of Restricted Sewerage Scheme (RSS) in November 1998 at a cost of Rs 12.45 crore. The Municipality was reluctant to take over the scheme for maintenance as there were defects in the planning and execution of the scheme as detailed below :

- The level of water closets in houses was below the level of sewerage lines laid.
- Collapse of manholes.
- Hydraulic testing of the sewer system was not done and joints were not plugged properly.
- Board had neither repaired nor relaid the existing old drainage system and trunk sewers.
- There was no main trunk sewer for linking drainage connection.

However, the Municipality had to take over (October 2000) the scheme on the directions of the Government and spent Rs 13 lakh during 2001 to 2003 to carry out rectification works such as inter-linking the sewers, laying parallel sewer along the existing sewers to increase the capacity and construction of a weir to divert flow of the Kodappamund Channel into a collection well for onward transmission to treatment plant.

Scrutiny by Audit revealed the following:

(a) The Board had under RSS made provision for sewerage connections to only 3960 houses as assessed in April 1993. Due to omission of certain dwelling houses and addition of new houses subsequently, 5000 house connections were not covered by the Municipality. Consequently, against the designed sewage collection of 8.32 million litres per day (mld) in 2001, the actual sewage collected was only 2.96 mld. Thus, the system was not put to optimum use. The Board decided to implement another underground drainage scheme and appointed a consultant in December 2003 for preparation of detailed Project Report.

(b) Improper connections between houses and street sewers made by the Municipality resulted in sullage from houses in some areas discharging directly into the Channel.

(c) As the pipes laid by the Municipality to divert the flow from Kodappamund Channel were at a higher level, they require to be dismantled and rectified.

(d) There was back flow of sewage into the lake as the pumps at the collection well were not operated during night hours.

(e) As there was continuous flow of pollutants in the lake, Public Works Department (PWD) was entrusted with the work of cleaning of the lake through Bio-remediation technique. The PWD took up cleaning work and spent Rs 1.42 crore upto March 2004.

Government stated (October 2004) that the defects in the execution of the scheme were rectified by the Municipality and construction of the weir across the Kodappamund Channel prevented the entry of sullage water into the lake. Government further contended that all the houses in the scheme area were given sewerage connection and the sewage generated by the present population of 58000 in the scheme area was treated and pollution is completely prevented in the lake. The contention of the Government is not tenable as:

(i) the PWD reported (December 2003) to the Municipality that the purpose of construction of weir was defeated due to its defective execution,

(ii) the Secretary, Municipal Administration and Water Supply Department after his visit to Ooty in September 2003 directed the District Collector (December 2003) that the remaining 5000 houses' service connections should be given by February 2004,

(iii) as against the sewage of 5.20 mld generated by the present population of 58000 and the sewage generated by the floating population, only three mld were treated under the scheme and

(iv) the Tamil Nadu Pollution Control Board observed (April 2004) that unless the flow of raw sewage through the Kodappamund Channel was stopped, the pollution of the lake would continue.

Thus, due to defective execution of the sewerage system by the Board and poor maintenance by the Municipality, the main objective of preventing pollution of Ooty lake was not achieved even after spending Rs 12.45 crore.

PUBLIC WORKS DEPARTMENT

4.1.3 Wasteful expenditure due to poor investigation

Carrying out rehabilitation works of tank bund without proper investigation resulted in wasteful expenditure of Rs 5.04 crore which included avoidable extra expenditure of Rs 1.21 crore due to allowing excess lead for transportation of red earth and cost of earth.

The earthen bund of the Willingdon Reservoir in Thittakkudi Taluk of Cuddalore District, constructed in 1913-23, had shown distress between LS¹ 2100 metre (m) and LS 2300 m at various times which were repaired from time to time. In order to provide a lasting solution for this problem, Government referred the rehabilitation of the Reservoir to the Dam Safety Review Panel (Panel). Based on the measures suggested by the Panel, the Department carried out repair works during 1995 to 1997 at a cost of Rs 51.87 lakh, but cracks and slips developed again on the bund in the same section. The Panel, after inspecting the tank embankment, decided (May 1998) that the slippage was only a result of slip failure of the slope and recommended strengthening of the embankment. Pending preparation of detailed drawing, the Department carried out (August 1998 to October 1998) partly² the measures recommended by the Panel at a cost of Rs 30.27 lakh, but the bund again sank during November 1998.

The Chief Engineer, Design Research and Construction Support, after carrying out soil tests, reported to the Panel (May 1999) that the soil at the bottom of the distressed portion comprised clay of high plasticity and any additional improvement to existing embankment would not solve the problem. He suggested that either the existing bund be removed and rebuilt or another bund of 50 m length be constructed downstream parallel to the existing bund.

The Panel, after inspecting the site, rejected (July 2000) the above proposal on the ground that the slip profile did not indicate failure due to foundation and the tests did not show high sub-soil pressures. The panel recommended carrying out stability analysis and certain additional remedial measures. In August 2001, the Chief Engineer, Chennai Region reported to the Panel that laboratory tests on the soil for the embankment and foundation confirmed the earlier stand of foundation failure. The Chairman of the Panel, however, replied (August 2001) that the test results were unrealistic and recommended that the soil tests be repeated by two independent and recognised agencies. Immediately thereafter (September 2001) the Department requested the Indian Institute of Technology, Chennai and Regional Engineering College, Trichy to take up the soil tests in the distressed portion. However, the tests were conducted only on the embankment and toe portion soils and not on foundation soil.

Meanwhile, tenders had been called for (May 2001) based on suggestions made by Panel in May 1998 and July 2000. Without conducting tests on foundation soil, the tendered work was awarded to a contractor in September 2001. When large-scale slippage was noticed in December 2001, the Panel and a Geo-technical consultant were requested to identify the nature of the

¹ Longitudinal Section

² Construction of rock toe and stone revetment on the upstream side after restoring the slope with pervious material and excavation of a toe drain on the downstream side

problem. The Geologist of the Panel after inspecting the site in January 2002 reported that the near liquid state of the foundation soil could trigger slips in the embankment slope. The Geo-technical consultant also opined (January 2002) that the sickness of the embankment was mainly due to presence of weak clay bed and improvement could be made only by stabilisation of foundation.

In March 2002, the Panel concluded that there was clear indication of seepage of flow through dam foundation and suggested installation of compacted clay quicklime columns in addition to works awarded in September 2001. These works were completed in March 2003 at a total cost of Rs 5.04 crore but large-scale distress occurred in the same area in April 2003 and many works just executed were damaged resulting in rendering the expenditure of Rs 5.04 crore largely wasteful. The foundation was not strengthened as of March 2004.

Further, though the quarry from which the red earth required for embankment work was to be transported was only six km from tank bund, the Department provided a lead of 25 km in the tender schedule on the ground that the road by shorter route was not motorable. It was, however, noticed that this road was motorable as per the traffic census conducted in 1999. Further, as red earth was quarried free of cost, inclusion of cost of earth in the contract was erroneous. These factors resulted in avoidable extra expenditure of Rs 1.21 crore³ incurred out of Rs 5.04 crore for the works.

The matter was referred to Government in May 2004; reply had not been received (December 2004).

HIGHWAYS DEPARTMENT

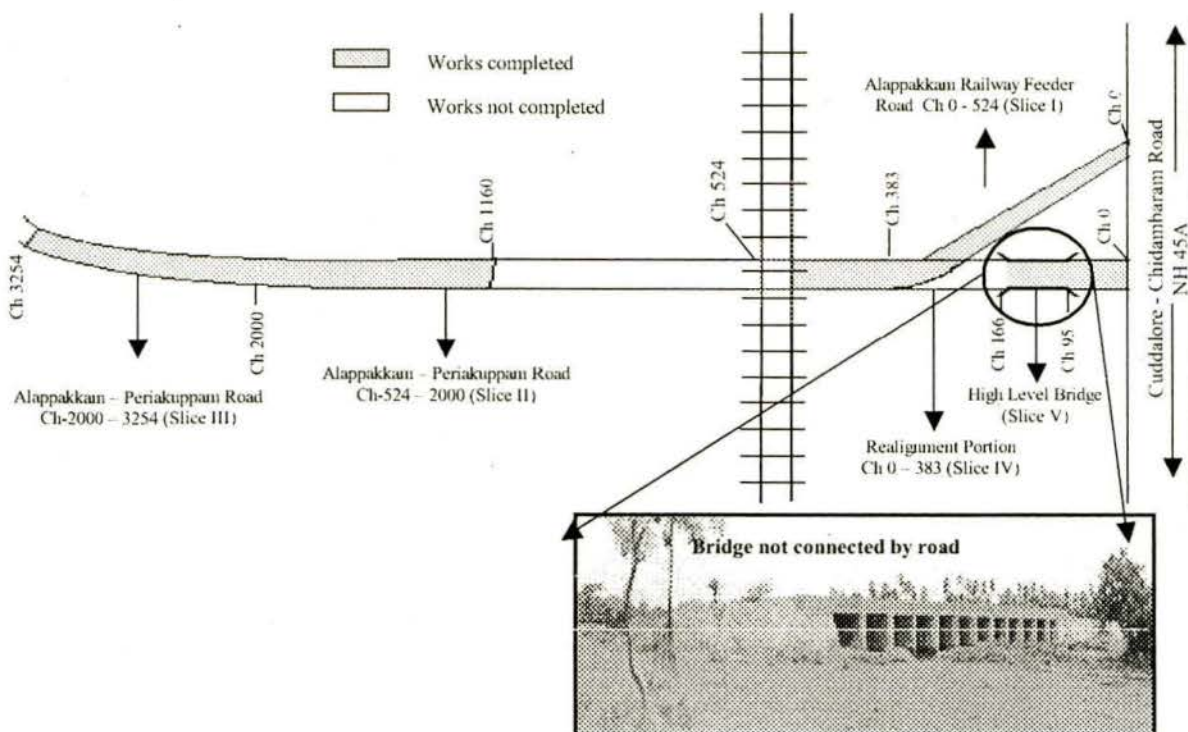
4.1.4 Unfruitful expenditure on a contributory work

Commencement of work without completing acquisition of land and obtaining the required contribution in full from the refinery resulted in expenditure of Rs 2.86 crore being largely unfruitful.

Government sanctioned (May 1999) Rs 3.65 crore towards widening and strengthening the existing Alappakkam railway feeder road and Alappakkam-Periakuppam road to the project site of a proposed petroleum refinery. The work also included formation of a new approach road for a length of 383 metre (m) to join the Alappakkam railway feeder road with provision for the construction of a high level bridge to handle the heavy density of traffic. The work, split into five slices for early completion, was contracted out between September 1999 and November 1999 for completion by May 2000. The work was stopped due to non-acquisition of land in certain reaches and Rs 3.11 crore was spent by March 2001. The following observations are made:

- (i) A sketch showing the present stage of the work is given below:

³ Excess lead : Rs 1.01 crore and cost of red earth : Rs 0.20 crore



A length of 636 m on Alappakkam-Periakuppam road and 210 m in the new approach road could not be completed as the owners of these lands refused to give consent for carrying out the work before payment of compensation. The proposals for acquiring lands in three relevant villages for the work were initiated (December 1999 and January 2000) by the Divisional Engineer (DE) only after awarding the work to the contractors. The Revenue Department, after calling for Government permission for acquisition and permission to acquire wetland, issued notification under Section 4(1) of the Land Acquisition (LA) Act in respect of two villages in February and March 2002. However, the Revenue Divisional Officer, Cuddalore, did not obtain the concurrence of Hindu Religious and Charitable Endowments Department for acquisition of temple land included in the notification. Consequently, the declaration under Section 6 of LA Act could not be issued within one year from the date of 4(1) notification as required under the Act and the land acquisition proposals lapsed (March 2003). In respect of the remaining village, the Revenue Department pointing out differences in the Land Plan Schedules returned the proposals. The revised proposals were forwarded by the DE belatedly in January 2003.

Meanwhile, Government passed the Highways Act (September 2002) empowering the Collector to acquire land required for formation of roads and framed Rules (June 2003) prescribing the procedures to be followed. Consequently, the District Collector, Cuddalore ordered that all pending cases of land acquisition be brought under the new Act. The proposals to acquire the land required for the road were sent by the DE to the Revenue Department in April 2004. Further progress on acquisition of land is awaited.

(ii) According to Government's sanction of May 1999, half of the cost of the work was to be contributed by the promoters of the refinery and deposited before commencement of the work. However, the Chief Engineer (General), Chennai, took up the work even before remittance of the contribution by the refinery. Of its share of Rs 1.83 crore, the refinery paid only Rs 25 lakh (November 1999). In spite of reminders, the balance amount was not paid. Government suffered an interest loss of Rs 80.58 lakh for the period from

April 2000 to June 2004 (at 12 *per cent* per annum) on Rs 1.58 crore spent by it on behalf of the refinery. Incidentally, the construction work on the refinery was slowed down by the promoters due to financial constraints.

Thus, commencement of work without (a) firming up availability of land and (b) obtaining the refinery's contribution resulted in Rs 2.86 crore of Government funds (Rs 3.11 crore - Rs 0.25 crore) being blocked on a work whose purpose appears doubtful.

The matter was referred to Government in June 2004; reply had not been received (December 2004).

PUBLIC WORKS DEPARTMENT

4.1.5 Wasteful expenditure due to defective designing of canal

Designing a canal for a higher capacity than required had resulted in wasteful expenditure of Rs 97.85 lakh.

Mention was made in paragraph 4.1.7.1 of the Report of the Comptroller and Auditor General of India - Tamil Nadu (Civil) for the year ended 31 March 2001 regarding five schemes which were taken up to utilise the surplus water when both Vaigai Dam and Ramnad Big Tank fill up simultaneously, but were not successful for want of surplus water. Government sanctioned (May 1999) one more scheme to utilise the surplus water when both Vaigai Dam and Ramnad Big Tank fill up simultaneously. This scheme envisaged the excavation of 18th canal in the Cumbam Valley for a length of 38.95 kilometre (km) to feed 36 existing tanks and four new tanks in the valley by diverting 26.2 million cubic feet (mcft) of water from Suruliyar river at 0.79 km from Periyar Power House for nine days and utilising 72.73 mcft of water realised from five small streams in the valley which did not have any ayacut. The work was split up into three reaches⁴ and entrusted to three contractors in March and June 2001 at a cost of Rs 15.73 crore for completion in 36 months. Due to change in alignment, delay in acquiring the land required and meagre allotment of funds, only 1.86 km of canal had been excavated and Rs 2.82 crore spent as of June 2004. Audit scrutiny revealed the following:

The canal was to carry 26.20 mcft of water in nine days in the first reach and 98.93 mcft of water in the remaining reaches when water was realised from the streams. Therefore, the canal should have been designed for carrying 34 cubic feet per second (cusecs) in the first reach. However, the Superintending Engineer (SE), Plan Formulation Circle, Trichy designed the canal for 279 cusecs uniformly for all the reaches. When the unnecessary larger width in the first reach was pointed out by the SE, Periyar Vaigai Basin Circle, the SE, Plan Formulation Circle suggested (April 2000) change of design during execution. The SE, Periyar Vaigai Basin Circle, however, did not revise the design of the canal and started (October 2001) excavating the canal to carry 279 cusecs uniformly in all the reaches. The extra liability due to excavation of canal of larger width including cross drainage works in the first reach was Rs 3.51 crore. Considering the value of work executed so far (Rs 1.55 crore) in the first reach (contract value: Rs 5.56 crore) the wasteful expenditure worked out to Rs 97.85 lakh.

The matter was referred to Government in May 2004; reply had not been received (December 2004).

⁴ Reach I: 0m to 10 km; Reach II: 10 to 24 km and Reach III: 24 to 38.95 km

HEALTH AND FAMILY WELFARE DEPARTMENT**4.1.6 Non-functioning of three eye wards with operation theatres**

Non-functioning of three eye wards with operation theatres resulted in the failure to achieve the intended objective and unfruitful expenditure of Rs 88.88 lakh.

The Public Accounts Committee in their 33rd report (VII Assembly) recommended simultaneous coordinated action for providing all the requirements including staff for putting the medical facilities to beneficial use without delay. Assurance was also given by Government in August 1986 that the recommendation would be followed in future.

Under the World Bank assisted Cataract Blindness Control Project, Government of Tamil Nadu set up 35 eye wards with operation theatres and modern equipment during March 1998 to September 2001 at a cost of Rs 13.25 crore. Of these, three were established at a cost of Rs 88.88 lakh in the Government hospitals at Arcot, Kallakurichi and Thirukkuvalai for providing benefits to people of backward areas.

Director of Medical and Rural Health Services (DMRHS) submitted (November 1999) a consolidated proposal for Rs 1.09 crore towards recurring and non-recurring expenditure for two eye wards (Thirukkuvalai and Arcot). No proposal was sent for the eye ward at Kallakurichi. Government requested (March 2000) DMRHS to fill up the posts required for the three new wards either by redeployment or by surrender of equivalent number of posts. DMRHS intimated (April 2000) his inability to redeploy or to surrender equivalent number of posts and requested for creation of new posts. DMRHS followed up his request till February 2002 through reminders. However, no orders were issued by Government (October 2003).

Audit observed that the above three eye wards were not functional due to non-posting of staff on regular basis as detailed below:

Name of the Hospital	Date from which not functional	Total cost incurred (Rs in lakh)	Number of operations performed	Present status regarding utilisation of equipment/ward
Thirukkuvalai	15.05.1999	29.84	9(2000)	No staff was attached except a surgeon during 12.12.1999 to 24.06.2002. Equipment is kept in a storeroom. The eye ward was being utilised for general out patients. Patients with eye ailments are being referred to the District Headquarters Hospital
Kallakurichi	21.11.1998	27.27	NIL	No staff was attached. A surgeon from Puthupettai Primary Health Centre was attending once a week.
Arcot	10.06.1999	31.77	1999:132 2000:500 2001: 36 2002 : NIL 2003 : NIL	Equipment was transferred to Government Hospital, Arakonam and Government Pentland Hospital, Vellore after 2001. Ward was being utilised for the treatment of outpatients on general side.
		88.88		

Thus, non-deployment of required medical/para medical staff had rendered expenditure of Rs 88.88 lakh incurred on establishing eye wards with operation theatres largely unfruitful.

The matter was referred to Government in July 2004; reply had not been received (December 2004).

AGRICULTURE DEPARTMENT

4.1.7 Unfruitful expenditure on construction of an oilseed storage godown

An oilseeds godown with air conditioning and dehumidifying facilities constructed at a cost of Rs 66.48 lakh at Foundation Seed Production Centre, Musarawakkam remains unutilised for more than six years.

With a view to providing facilities for stocking of foundation seeds before distribution to Agricultural Extension Centres, an oilseed storage godown with air-conditioner and dehumidifier facilities was constructed at Foundation Seed Production Centre, Musarawakkam at a cost of Rs 66.48 lakh, under 100 per cent Centrally Sponsored Oilseed Production Thrust Project. The Public Works Department (PWD), through which the construction was undertaken, handed over the godown with the required facilities to Assistant Director of Agriculture (ADA), Musarawakkam Farm in December 1997. While handing over, the PWD Electrical Division instructed that the electrical equipment be operated at least once or twice every week for maintaining it in good working condition and that a wireman be employed on a regular basis for operation of the equipment. However, no staff had been appointed (March 2004) inspite of request by ADA to Director of Agriculture as early as October 1996.

The godown constructed for storing oilseeds such as groundnut, sunflower, gingely, castor etc. and preserving them under the prescribed temperature, was kept unutilised, as of March 2004. ADA informed (May 2000) the Director of Agriculture that this was because breeder seeds produced at the farms were immediately transferred to Agricultural Extension Centres and the cost of air conditioning the godown was prohibitive. The ADA stated (April 2004) in reply to Audit that necessity of storing of seeds in the godown did not arise from the date of takeover as the seeds were distributed to the Agricultural Extension Centres within a period of one month based on the requirement.

Thus, the storage godown constructed at a cost of Rs 66.48 lakh (Civil Works: Rs 18.95 lakh and Electrical Works: Rs 47.53 lakh) was lying unutilised without being put to suitable alternative use, even after six years of creation of the facilities. The electrical equipment provided remained without operation/maintenance.

The matter was referred to Government in June 2004; reply had not been received (December 2004).

4.2 Avoidable/excess expenditure

INDUSTRIES DEPARTMENT

4.2.1 Grant of concession to power tariff to ineligible companies

Government paid Rs 18.47 crore as concession to power tariff though no liability on account of such a commitment existed.

Government signed a Memorandum of Understanding (MOU) with Mahindra and Mahindra Limited⁵ (Company 'A') in January 1996 and another with Hyundai Motor Company (Company 'B') in July 1996 for formation of

⁵ Now Ford India Limited

companies for manufacturing vehicles. According to clause 13 of the MOUs 'the companies were entitled to all the incentives offered to industries set up in Tamil Nadu' which were outlined in a brochure "Incentives offered by Government of Tamil Nadu to Industries" published by the Tamil Nadu Industrial Guidance and Export Promotion Bureau in June 1994. The companies were also entitled to other incentives available for 'Super Mega Projects' announced by Government in January 1996.

One of the incentives available for new industries as per the brochure was concession to power tariff by 40 *per cent* in the first year, 30 *per cent* in the second year and 20 *per cent* in the third year subject to amendments issued by Government from time to time. The concession to the tariff was to come into force from the date an industry was 'set up' which in terms of Government Order of February 1993, was defined as the date on which connection under High Tension Tariff was given. However, the concessions to the tariff were withdrawn in February 1997 for new industries set up on or after 15 February 1997.

Company 'A' availed High Tension Power supply connection in April 1998 and Company 'B' in February 1998, i.e., long after the date from which power tariff concession was withdrawn. Despite this, Government sanctioned concessional power tariff in February/June 2002 and paid the two companies the amounts as reflected in the table below:

(Rupees in crore)

	Amount sanctioned	Amount of power tariff concession	
		Paid	Period of payment
Company A	7.02	6.47	July 2002 to December 2003
Company B	13.10	12.00	February 2003 to December 2003
Total	20.12	18.47	

Government sanctioned tariff concession to the above companies on the ground that the MOUs represented an explicit commitment of the Government to the investor investing in the State. Scrutiny by Audit did not indicate that any legal opinion was obtained by the Government to check if indeed liability on account of an explicit commitment existed.

The matter was referred to Government in July 2004; Government stated (October 2004) that the concession arose out of the MOUs and the State had to honour the commitment it made while attracting investment in Tamil Nadu. The reply is not tenable as (i) the setting up of the companies was after the withdrawal of the concession and (ii) the brochure cited in the MOUs clearly cautioned that incentives are based on Government orders including amendments issued from time to time. Thus, there was no explicit and specific commitment arising from the MOUs for providing the concession.

HIGHWAYS DEPARTMENT

4.2.2 Avoidable extra expenditure due to adoption of higher specifications

The failure of the Chief Engineer and Director, Highways Research Station to follow the latest census and the revised specifications in widening and strengthening the radial roads leading to Madurai resulted in avoidable extra expenditure/liability of Rs 9.46 crore.

The works of widening and strengthening 12 radial roads leading to Madurai City contracted out in September 2002 (11 works) and February 2003 (one work) were in progress and Rs 50.70 crore were spent as of April 2004. Audit

scrutiny revealed that the roads were designed adopting higher specifications leading to avoidable extra expenditure/ liability of Rs 9.46 crore as discussed below.

(i) According to Indian Road Congress (IRC) specifications, the existing roads are to be strengthened on the basis of projected traffic at the end of designed life computed with reference to commercial vehicles weighing three tons or more. The widening of roads depends upon the projected traffic at the end of designed life computed in terms of Passenger Car Units⁶ (PCU) determined with reference to all types of vehicles.

Contrary to IRC specifications, the Director, Highways Research Station, Chennai (HRS) who prepared the estimates in 1999-2000 considered 20 per cent of vehicles weighing less than three tons also for arriving at the projected traffic for strengthening and adopted 1996 traffic census for determining the projected traffic in respect of nine roads instead of 1999 census. As per the 1999 traffic census, there was a marked decrease in traffic in respect of five roads due to formation of a ring road in 1998, shifting of bus stand to Mattuthavani in 1998 and change in flow of traffic to another road upgraded as National Highway from 1999. Besides, the IRC specifications were also revised in 2001. When the Chief Engineer, Project I, Chennai (CE) pointed out the necessity for revision of estimates (February 2002), the Director, HRS suggested adoption of the design already finalised to avoid delay in revising the estimates and in obtaining revised sanction from Government. Due to adoption of higher design traffic, the Department strengthened five roads⁷ and also widened four out of the five roads with greater thickness than that required as per IRC specifications. This resulted in extra expenditure of Rs 2.51 crore and additional liability of Rs 1.27 crore on works to be completed.

Government stated (December 2004) that there was no decrease in traffic due to the reasons stated by Audit and that the decrease in 1999 traffic census might be due to the traffic intensity prevailing at the time of census. The contention of Government is not tenable as the reasons for decrease in traffic were furnished by the Department and the CE also pointed out the need for revision of estimates based on the 1999 traffic census and to conform to revised IRC specifications.

(ii) According to IRC specifications, if the projected traffic at the end of the design life was between 6000 and 15000 PCUs, the width of the road should be 5.5 metre. In respect of two roads⁸, though the projected traffic computed on the basis of 1999 traffic census was 10334 and 13852 PCUs only, these roads were widened to seven metre width resulting in extra expenditure of Rs 1.33 crore and additional liability of Rs 32.15 lakh.

Government stated that in general, traffic will jump enormously after completion of a road and hence the road was widened to seven metre width.

⁶ Passenger Car Unit is a method for accounting the interaction of various fast and slow moving vehicles by expressing the capacity of the roads in terms of a common unit.

⁷ Alagarkoil road, Palamedu road, Aruppukottai road, Melakkal road and Thirunagar-Palkalainagar road.

⁸ Thirunagar-Palkalainagar road and Avaniyapuram-Thirupparankundram road.

This reply was not tenable since the width was arrived at based on the projected traffic at the end of the design life period.

(iii) The specifications of the composition to be adopted for paved shoulders⁹ have been prescribed by the Ministry of Road Transport and Highways. However, the CE designed the paved shoulders for six roads¹⁰ by adopting the composition provided for widening the main carriageway. This resulted in an avoidable extra expenditure of Rs 4.03 crore.

Government stated that in the six roads there was a mixed and congested traffic and the paved shoulders would be utilised by all types of traffic. This contention is not tenable as these roads were widened adequately after considering the projected traffic at the end of the design life period.

4.2.3 Extra expenditure on provision of wearing course in excess of standards

Provision of Bituminous Concrete in excess of standard requirement resulted in avoidable extra expenditure of Rs 6.33 crore.

With a view to improve the riding quality of city roads, Government ordered (June 2002) transfer of 65 bus route roads from Chennai Corporation to Highways Department for improvement and maintenance. The Divisional Engineer, Saidapet (DE) took over the roads in September 2002 and spent Rs 3.68 crore during November 2002 to March 2003 for laying Dense Bituminous Macadam (DBM) of 50 millimetre (mm) thickness for filling potholes, dips and sunken portions and for providing wearing course with 25 mm thick Semi Dense Bituminous Concrete.

Meanwhile, the DE also prepared nine detailed estimates (September to December 2002) for improving these roads at a cost of Rs 29.20 crore. These estimates were based on the consideration that the existing riding surface had deep potholes, ruts, cracks and sunken portions resulting in the entire profile of the roads being disturbed. To improve the riding quality, provision was made for profile correction with DBM and 40 mm thick Bituminous Concrete (BC) as wearing course in all estimates. The works were awarded during March to April 2003 at an estimated cost of Rs 28.50 crore. At the end of May 2004, seven works were completed, two works were in progress and the expenditure incurred was Rs 24.50 crore.

The guidelines issued by the Ministry of Road Transport and Highways (MORTH) for improving the riding quality of roads provide for 25 mm thick BC as wearing course on roads with heavy vehicular traffic. Therefore, providing 40 mm BC was excessive and led to avoidable extra expenditure of Rs 6.33 crore (Appendix XXIX). The DE stated (February 2004) that 40 mm BC was to be provided as per Indian Road Congress (IRC) specifications for roads carrying heavy vehicle traffic.

The above reply is not tenable because the IRC specifications cited by the DE relate to construction of new roads and strengthening of roads with additional thickness only. For improving the riding quality of roads not requiring

⁹ Provided on either side of the road for overtaking manoeuvres, movement of slow moving vehicles and for lending structural support.

¹⁰ Alagarkoil road, Palamedu road, Aruppukottai road, Natham road, Thondi road and Avaniyapuram bye-pass road.

strengthening, IRC specifications as well as MORTH guidelines stipulate that only a thin surfacing (25 mm) as wearing course need be provided.

The matter was referred to Government in July 2004; reply had not been received (December 2004).

HANDLOOMS, HANDICRAFTS, TEXTILES AND KHADI DEPARTMENT

4.2.4 Avoidable extra expenditure

Payment for cloth for uniforms for students without accounting for the elongation of cloth during processing, resulted in extra expenditure of Rs 2.98 crore.

Government of Tamil Nadu introduced in 1985-86 a scheme 'Free Supply of Uniform' for students studying in Standard I to VIII in the schools covered by 'Nutritious Meal Programme'. Commissioner of Handlooms and Textiles (CHT) procured the cloth for uniforms from Tamil Nadu Textile Corporation (TNTC), Coimbatore and Tamil Nadu Handloom Weavers Co-operative Society (Co-optex), Chennai, and delivered it to the District Social Welfare Officers (DSWOs) for getting the uniforms stitched.

Supply rate for the cloth to be purchased was arrived at by the CHT after taking into account yarn rate, weaving charges, sizing charges, margin to primaries, processing charges, handling charges etc., to Co-optex and TNTC.

The weaving of the cloth was done by handloom/ power loom societies and processed by processing units. In the course of processing, cloth gains in length. In the absence of industrial norms for such elongation, it was fixed mutually each year between the processing units and the suppliers *i.e.* TNTC and Co-optex. The percentage of gain due to elongation agreed to was as below:

(Per cent)

Cloth	By TNTC			By Co-optex		
	1999-2000	2000-01	2001-02	1999-2000	2000-01	2001-02
Khaki drill (for half-pant)	2	2	-	3.25	1.40	2.90
Blue casement (for skirt)	-	-	-	3.14	3.40	3.95
Blue Dhavani (half-saree)	2	1	-	-	-	-
White Shirting (for shirt, blouse/choli)	2	2.5	2.5	-	-	-

Settlement of claim to TNTC/Co-optex without reducing the extra quantity gained through elongation, resulted in an avoidable expenditure of Rs 297.69 lakh (TNTC: Rs 84.04 lakh and Co-optex: Rs 213.65 lakh during 1999-02) *vide* Appendix XXX.

On being pointed out by Audit, CHT stated that TNTC and Co-optex utilised the benefit accrued out of elongation for compensating processing losses such as fents, rags and seconds and to meet their handling charges. The reply is not tenable as the costing included charges separately towards processing and handling costs incurred by TNTC/Co-optex.

On the above matter being pointed out, Government stated (December 2004) that as elongation is not a definite parameter, it is not necessary to take this as a component for arriving at procurement price. The reply of the Government is not tenable as the same percentage of elongation as agreed to between the processing mill and TNTC/Co-optex while fixing the price could have been adopted.

HIGHWAYS DEPARTMENT

4.2.5 Avoidable expenditure on a consultancy contract

Entering into an open ended contract with vital omissions with a foreign Consultant and delay in providing him necessary data and facilities resulted in avoidable expenditure of Rs 2.97 crore.

The Project Director (PD) of Tamil Nadu Road Sector Project appointed a foreign Consultant (May 1997) for preparation of the Project Report (Phase I) for obtaining loan from World Bank and extended the agreement by way of variation orders (November 1998 and August 2000) for additional work (Phases IA and IB). The PD signed the contract without having it vetted by the Law Department.

The Consultant completed Phases I and IA in June 1999 and part of Phase IB in March 2001. Against the contract value of Rs 24.45 crore for these works, the Consultant was paid Rs 22.59 crore (March 2001). Mention has been made in paragraph 4.1.6.4.1(i) of the Report of the Comptroller and Auditor General of India – Tamil Nadu (Civil) for the year ended 31 March 2002 regarding (i) overpayments due to duplication of works included in Phase IA and IB and (ii) non-adherence to cost ceilings.

Subsequent scrutiny in Audit revealed that in April 2001, the Consultant raised a supplementary claim for additional expenditure incurred for Phase I and IA and release of withheld amounts under Phase IB for a total amount of Rs 11.04 crore before the arbitrators. Based on the arbitration award (February 2003), the Department paid (September 2003) Rs 10.79 crore. As explained in the subsequent paragraphs, out of the amount paid, Rs 2.97 crore is attributable to various lapses on the part of the Department.

➤ The general conditions of contract stipulated that the cost ceilings in local and foreign currency should not be exceeded and additional payments, if any, should be made to the Consultant to cover any additional expenditure not envisaged in the cost estimate. After completion of Phases I and IA the Consultant preferred supplementary claims over and above the monthly claims. The PD restricted the claims to ceilings fixed in the contract.

➤ The Consultant's claims before the arbitrators comprised (a) the rejected claims and (b) additional claims relating to works not envisaged in the cost estimate, change in scope of work during execution and delayed/incorrect supply of inputs by the Department. The Consultant also contended that the contract was only a reimbursible contract and the actual time taken for each item of work at the rate prescribed was to be paid irrespective of the contract value. The PD agreed before the arbitrators that it was a reimbursible contract. As the contract did not indicate the man-months required for each item of work, milestones required to be achieved at different points of time and the monthly claims also did not indicate the man-months employed for each item of work, the PD could not refute the extra man-months claimed to have been employed for the additional works as well as for the works included in the contract. Consequently, the arbitrators ordered payment based on the extra man-months employed as claimed by the Consultant.

➤ The award included Rs 1.44 crore for extra time claimed by the consultant due to changed/delayed/ incorrect inputs furnished by the PD. As explained in Appendix XXXI, this payment was avoidable.

➤ The negotiated contract value for Phase I and IA included preparation of Land Plan Schedules for acquisition of land required for the work and pegging of centre line by the Consultant. However, these items were omitted to be included in the cost schedule of the agreement. As the Consultant had not prepared the Land Plan Schedule, the PD withheld Rs 75 lakh being the amount spent by the Department on this work. The Consultant claimed reimbursement of this amount along with the expenditure of Rs 23.84 lakh incurred on pegging of centre line. The arbitrator allowed both the claims accepting that these did not form part of the agreement. Thus, their non-inclusion in the cost schedule resulted in extra expenditure of Rs 98.84 lakh.

➤ Rupees 1.66 crore out of Rs 2.43 crore (Rs 1.44 crore + Rs 0.99 crore) was paid in Australian Dollars and due to increase in the exchange rate between the dates payable and actually paid, the Department incurred additional expenditure of Rs 35.20 lakh.

➤ Though the contract with the Consultant provided for the preparation of Resettlement Rehabilitation Action Plan (RAP) by March 2001, the Consultant did not prepare it even by March 2002. Consequently, the independent review of the Project as envisaged could not be completed timely by the second Consultant. This led to the Project Director having to pay Rs 18.55 lakh to the second Consultant for the delay. The Department could not claim this from the first Consultant due to absence of penal provision in the agreement.

Thus, entering into the agreement without adequate scrutiny of its terms by Legal Department and avoidable delay in providing inputs resulted in avoidable payment of Rs 2.97 crore to the Consultant.

The matter was referred to Government in June 2004; reply had not been received (December 2004).

MUNICIPAL ADMINISTRATION AND WATER SUPPLY DEPARTMENT

CHENNAI METROPOLITAN WATER SUPPLY AND SEWERAGE BOARD

4.2.6 Unfruitful expenditure due to deficiencies in strengthening of distribution network

Leakages in distribution network despite its strengthening at a cost of Rs 32.75 crore resulted in the sub-optimal use of pumping capacity created and unfruitful expenditure of Rs 1.44 crore.

The Chennai Metropolitan Water Supply and Sewerage Board (Board) constructed the Water Distribution Station for Choolaimedu Zone under Second Chennai Water Supply and Sewerage Project to supply 105 million litres per day (mld) of treated water envisaged for the population of 2011. The Project envisaged, among others, (a) pumping of treated water directly into the distribution network to the consumers for four hours every day and (b) strengthening of the distribution network by replacing pipes over a length of

131 kilometre (km) and lining of pipes with cement mortar wherever required to increase their capacity to withstand pressure. The strengthening work commenced in May 1999 was completed except flushing of about 22 km and expenditure of Rs 32.75 crore was incurred. The functioning of the Station, which was commissioned in May 2001, revealed the following:

➤ Based on the designed peak flow of the distribution network, the Pumping Station was designed to pump 15.12 million litres of water per hour (mlh) by operating four pump sets simultaneously (two more pump sets were to be kept as spare). However, when commissioned, the newly laid pumping main and the delivery network developed leakages forcing the Board to operate only one pump to maintain lesser pressure. Even with this reduced operation, leaks were developing regularly (May 2001 to May 2004) forcing stoppage of pumping for attending to the leakages.

During the periods when there was no water shortage the Board could pump a maximum of 51.05 mld of water using just one pump running for 23½ hours. The Area Engineer stated (May 2004) that the pumps were operated at lesser efficiency due to deficiency in the delivery network. As the Board could utilise only one pump set, the remaining five pump sets were kept idle. Allowing one more pump set as spare, the expenditure of Rs 1.16 crore incurred on procuring four pump sets remained unfruitful. Besides, the distribution network strengthened at a cost of Rs 32.75 crore could not also be put to optimum use due to leakages.

On being pointed out, the Government contended (September 2004) that all the pump sets could not be used due to water shortage. This contention is not tenable as the Board could use only one pump set even during the periods when there was no water shortage.

➤ To run the four pump sets and motors, the Board obtained a contracted demand of 1200 KVA from Tamil Nadu Electricity Board (TNEB) in July 2001. Due to operating constraints, the maximum KVA reached between July 2001 and December 2003 was only 432 KVA. The Board requested for reduction of contracted demand to 600 KVA in July 2002 and TNEB reduced it from January 2004. As TNEB charged with reference to approved contracted demand, the Board had to incur an avoidable expenditure of Rs 27.92 lakh upto December 2003.

PUBLIC WORKS DEPARTMENT

4.2.7 Extra financial commitment due to execution of unnecessary work and allowing higher rates

Increase in the width of the jeep track without any justification and allowing higher rates than admissible for the quantity of earth conveyed from longer distances resulted in avoidable extra commitment of Rs 1.12 crore.

The work of providing irrigation facilities to 58 villages situated in Usilampatti Taluk of Madurai District was approved by Government in October 1996 for Rs 33.81 crore. The work envisaged, among other things, excavation of a high level main canal for 27.20 kilometre (km) from Vaigai reservoir with left and right branch canals of 22.08 km. The work was split up into 14 sub-works and they were taken up between February 1999 and October

2000. As there was large scale increase in the quantity of earthwork during execution, the Chief Engineer, Madurai (CE) sent a revised estimate (January 2002) for Rs 78.40 crore which is pending with Government for approval. Fund restriction and land acquisition problems affected the progress of work and Rs 21.88 crore was spent as of February 2004. Test-check of the execution of two sub-works on which Rs 8.05 crore was spent, revealed the following:

(i) The sanctioned estimate for excavation of high level canal contemplated formation of jeep track mainly with borrowed earth for a width of 3.30 metre (m) in the reaches km 0 - 3, km 3 - 11.65 and km 12.25 - 16.30 for inspection purposes. The cart track, Panchayat Union road and forest road already available in the remaining reaches were to be linked to the jeep track. During execution, the CE instructed (June 2000) to provide jeep track in the right branch canal also. Though the Department formed jeep tracks for inspection purposes for a width of 3.65 to 4 m in other projects, the Superintending Engineer, Designs circle, Chennai instructed (February 1998) to provide the jeep track for a width of five metre. Accordingly, the Executive Engineer, Periyar Improvements Division VII, Madurai formed 5m width jeep track in km 3 - 6.78 of main canal and km 0 - 6.5 of right branch canal involving increase in the quantity of earthwork. The CE, while preparing revised estimate, however, allowed only 3.3 m jeep track for the remaining reaches. Thus, the formation of the jeep track with larger width in a portion of the work was not justifiable and resulted in extra financial commitment of Rs 85.86 lakh.

(ii) Due to non-availability of sufficient quantity of earth, the contractor conveyed only 94452 cubic metre (cu.m) of earth from the stipulated area within one kilometre (km) for executing work in km 3 - 11.65 of main canal and conveyed 2.70 lakh cu.m from seven km and 2.07 lakh cu.m from 10 km. Though the agreement provided for deriving the rates with reference to current schedule of rates without tender premium for the quantity of earth conveyed from longer distances, the Superintending Engineer, Periyar Vaigai Basin Circle, incorrectly approved higher rates with reference to schedule of rates adopted in the estimate allowing tender premium for earth to be conveyed with seven km lead. However, the rate for conveying earth with 10 km lead was derived as per agreement. The incorrect derivation of rate resulted in extra commitment¹¹ of Rs 25.84 lakh for 2.70 lakh cu.m of earthwork executed so far by conveying earth with seven km lead.

The matter was referred to Government in May 2004; reply had not been received (December 2004).

4.2.8 Avoidable expenditure due to non-acquisition of land

Failure to investigate field conditions, follow the prescribed procedure before sending Land Plan Schedules and poor co-ordination with Revenue Department caused abnormal delay in land acquisition and caused avoidable expenditure of Rs 1.09 crore.

The Chennai City Waterways Project sanctioned by Government in August 1998 included improvements to surplus courses¹² of Madhavaram, Red hills, Korattur and Chembarambakkam Tanks by acquiring 117.15 hectares (ha) of

¹¹ Pending approval of Revised Estimate, only part rate was allowed.

¹² Water way for carrying surplus water from the tanks.

Government and private lands. The work along with two other sub-works which did not involve land acquisition, were entrusted to a contractor in July 1999 for completion in 21 months. The work commenced in September 1999 but could not be completed mainly due to non-acquisition of required land. Out of Rs 14.60 crore spent (November 2003), Rs 1.09 crore related to escalation in prices for the works executed after the agreement period (Rs 0.34 crore) and compensation for non-handing over of site in time to the contractor (Rs 0.75 crore). Audit scrutiny revealed the following reasons for the delay in acquisition of land.

(i) The Chief Engineer, Chennai (CE) accorded sanction (March 1999) for the work without conducting detailed investigations. The Land Plan Schedules (LPS) sent to the Revenue Department were returned (June 1999 and October 1999) as the lands were not demarcated, LPSs were not prepared separately for Government and private lands, Government approval for acquiring wet lands was not obtained, provision for cutting measurements were not made in field sketches and intervention of outer ring road was not considered while deciding alignment. During the field investigations conducted for rectifying the defects, the Department found that the original LPSs did not consider the built-up areas in the alignment and the land requirement for widening the canals and flood banks. As there were large-scale variations in the requirement of land for the work, the CE obtained (December 2001) approval of Government for acquiring 230.56 ha of land. As there were variations in survey numbers, the CE obtained (January 2003) another revised sanction for acquiring 209 ha of land for the work. During the survey conducted by the Revenue Department, the actual area of private land and Government land required for the work was found to be 98 ha and 102 ha respectively.

(ii) Though the Revenue Department was allowed 150 days from the date of receipt of LPS for acquiring land under urgency clause of Land Acquisition Act, there was undue delay in conducting survey and finalising the acquisition proceedings. Only three hectares of private land were handed over and the remaining land was under various stages of acquisition as of May 2004. The Department also did not obtain consent letters from the landowners for handing over the land to the contractor for continuing the work. Further, Government lands, which constituted more than 50 per cent of the total land requirement were not alienated and handed over to the contractor.

Thus, the Department failed to investigate the field conditions, send LPSs as per the prescribed procedures and coordinate with the Revenue Department for timely acquisition of land required for the work. This resulted in an avoidable expenditure of Rs 1.09 crore to Government.

The matter was referred to Government in June 2004; reply had not been received (December 2004).

HIGHWAYS DEPARTMENT

4.2.9 Extra cost due to injudicious rejection of lowest valid tenders

Rejection of the competitive bids received for construction of two Road Over Bridges resulted in extra liability of Rs 77.38 lakh. Besides, the achievement of the objective of easing out traffic congestion in railway level crossings was delayed.

With a view to ease traffic congestion at the three Level Crossings (LC) leading to Kovilpatti town and for safety, Government sanctioned (October

2000) construction of Road Over Bridges (ROB). The portion of the bridges above the railway lines were to be constructed by Railways while the remaining portion of the bridges were to be constructed by the Department. The Railways completed their part of the construction of the bridges at LC 437 (ROB 1) and at LC 440 (ROB 2) in July 2002 and March 2003 respectively. As the remaining portion of these bridges were not constructed by the Department, the construction of bridge at LC 439 (ROB 3) was kept in abeyance to maintain flow of traffic. Audit scrutiny revealed the following failure in finalising the tenders for ROB by the Department.

The estimates, prepared on the basis of 2001-02 Schedule of Rates (SR) for ROB 1 and ROB 2 were sanctioned by the Chief Engineer, Designs and Investigation, Chennai in January 2002 and tenders, on percentage basis, were called for by the Superintending Engineer, Project I Circle, Madurai (SE) in May 2002. The lowest tenders of Nagarjuna Construction Company Limited (19.6 *per cent* and 19.7 *per cent* above estimated cost) were negotiated by the SE to 9.70 *per cent* excess over the estimates. On the ground that the prevailing market rates of 2002-03 were higher than that of 2001-02 SR, the SE recommended the negotiated tenders to the Chief Engineer, Project I, Chennai (CE) for acceptance. In response, the CE instructed (August 2002) the SE for further negotiation. Thereupon the tenderer reduced the rate to 8.90 *per cent* over estimated cost. This was not considered adequate by the CE and he ordered (October 2002) re-tender.

In the second tender calls (October 2002) the same tenderer was the lowest (12 *per cent* excess over estimate) and on negotiation he offered (December 2002) Rs 3.85 crore for ROB 1 and Rs 4.86 crore for ROB 2, which were 4.90 *per cent* excess over the estimate. However, the SE rejected these rates without referring them to CE. Scrutiny by Audit revealed that during this period the CE had accepted a tender for another ROB involving a premium of 6.35 *per cent*.

There was no response to the third tender calls and the offers of the same tenderer which were the lowest (14.95 *per cent* excess over the estimate) in the fourth call (February 2003) were also rejected by the SE due to higher tender premium. In the fifth tender calls (June 2003), the lowest negotiated offers of Rs 4.15 crore for ROB 1 and Rs 5.33 crore for ROB 2 (13.10 and 14.62 *per cent* excess over the estimated rates) from the same tenderer were recommended (October 2003) by the SE on the grounds that (i) the tender premium would be 8.98 *per cent* over the estimate as per SR 2003-04, (ii) there was increase in the market trend, (iii) there were agitations by the public and political groups against delay in commencement of work especially as the Railways had completed their works long back and (iv) the work of ROB 3 was held up.

At this stage the CE called for (October 2003) explanation from the SE for suppressing the facts regarding the receipt of competitive offer in the second call thereby misguiding him. Responding, the SE stated that the omission was only accidental. Accepting this, the CE recommended the latest offers, which were approved by the Commissionerate of Tenders (November 2003). The works, commenced in December 2003, were scheduled for completion in 18 months.

Thus, the imprudent and injudicious rejection of the competitive bid received in the second tender call by the SE resulted in extra liability of Rs 77.38 lakh.

In addition, the achievement of the objective of easing out traffic congestion was delayed in spite of completion of the railway portion of the bridges in July 2002 and March 2003.

The matter was reported to Government in May 2004; Government stated (December 2004) that the SE might have rejected the tender received during the second call (October 2002) probably taking into account the pattern of tender practice prevailing at that time. The reply was not tenable as the CE had accepted a tender involving a premium of 6.35 *per cent* at that time. Moreover, the CE called for specific explanation of the SE for hiding the facts and the latter also accepted the omission.

MUNICIPAL ADMINISTRATION AND WATER SUPPLY DEPARTMENT

CHENNAI METROPOLITAN WATER SUPPLY AND SEWERAGE BOARD

4.2.10 Avoidable extra expenditure in purchase of liquid chlorine

Failure to accept the unconditional offer in purchase of liquid chlorine resulted in avoidable extra expenditure of Rs 27.92 lakh.

The Chennai Metropolitan Water Supply and Sewerage Board (Board) called for tenders in October 2001 for the supply of 2100 Metric Tonne (MT) of liquid chlorine spread over a period of one year. Four firms¹³ participated in the tender. As all the tenders were conditional and the bid documents prohibited accepting conditional offers, the Board requested (November 2001) the tenderers to withdraw their specific conditions. Only Tamil Nadu Petro Products Limited (TPL) and Sree Rayalaseema Alkalies and Allied Chemicals Limited (RACL) agreed to waive their conditions and their tenders alone were evaluated. While TPL agreed to supply 900 MT at the rate of Rs 3502.16 per MT, RACL agreed for supply at the rate of Rs 4012.80 per MT. As the rates of these firms were much less compared to the previous year's rate of Rs 8582.88 per MT, the Purchase Manager proposed that (5 January 2002) orders be placed with TPL for 900 MT and with RACL for 1200 MT.

While the Finance Director recommended negotiation with RACL to match its rate with TPL, the Tender Scrutiny Committee recommended negotiation with Chemfab Alkalies Limited (CAL) for withdrawing their conditions of loading and unloading at Board's cost and price escalation clause for freight charges as their basic rate were comparable to that of TPL. Accordingly, the Negotiation Committee constituted for this purpose, called (January 2002) all the four tenderers for negotiation. While TPL expressed their inability to supply in excess of 900 MT, RACL informed that they were unable to match with the rates of TPL. The Managing Director placed orders with TPL for 900 MT in January 2002.

Though CAL did not come for negotiation and refused to furnish the details of loading and unloading charges and their formula for escalation, the Purchase Manager worked out the loading and unloading charges departmentally and arrived at an all inclusive rate of CAL. As this was less than the rate of RACL, on the directions of the Managing Director, order for 1200 MT was

¹³ Tamil Nadu Petro Products Limited, Chemfab Alkalies Limited, Sree Rayalaseema Alkalies and Allied Chemicals Limited and Kothari Petrochemicals Limited.

placed on CAL on 12 February 2002. As the validity of their offer had expired on 3 February 2002, CAL refused to supply. The Board disqualified the tenderer for one year and in order to meet their urgent requirement, re-tendered in May 2002. The lowest negotiated offer of RACL at the rate of Rs 11559 per MT was accepted and the Board purchased 370 MT by December 2002.

The action of the Managing Director in placing the supply order with CAL in spite of their failure to come for negotiation and in rejecting the unconditional offer of RACL, resulted in avoidable extra expenditure of Rs 27.92 lakh.

The matter was referred to Government in May 2004; Government stated (July 2004) that (a) in view of the price advantage over the then market rate the conditional tender of CAL was accepted and (b) order was placed on CAL because under the Tamil Nadu Transparency in Tenders Act the tender was valid upto 13 February 2002 (90 days from the date of opening the tender).

Placing order on CAL is not justifiable as (i) the offer of CAL was valid only for 90 days from the date of their offer (6 November 2001), (ii) the validity was not got extended, (iii) CAL did not come forward for negotiation and (iv) RACL confirmed their rate in final negotiation in spite of increase in the market rate.

4.3 Blocking of funds

HOUSING AND URBAN DEVELOPMENT DEPARTMENT

4.3.1 Blocking of funds due to non-allotment of flats/houses/plots by Government

Failure to implement the High Court order for allotment of flats/houses/plots under Government Discretionary Quota resulted in blocking of at least Rs 26.13 crore.

Paragraph 6.5 of the Report of the Comptroller and Auditor General of India – Tamil Nadu (Civil) for the year ended 31 March 1995 mentions non-allotment of flats/ houses/plots (1143 housing units valuing Rs 15.80 crore) under various housing schemes of Tamil Nadu Housing Board reserved for allotment under Government Discretionary Quota (GDQ). The Committee on Public Undertakings (COPU) recommended (May 2002) that Government should fix a time limit for allotment under GDQ and hand over the unsold housing units to the Board thereafter for further sale. Scrutiny of the records of the Board and the Government revealed the following:

In August 1997, Government issued guidelines regarding categories of people who would be eligible for allotment under GDQ. In November 1998, the High Court ruled that units reserved under GDQ were to be allotted to eligible categories through tendering or open auction. Government, however, did not take any action on this order. In July 1999, the Board requested the Government to release the housing units reserved under GDQ in schemes that had high demand (i.e. all other units had been sold) so that they could be sold. Government, however, rejected these proposals (March 2003).

Meanwhile, based on the orders of the High Court and the recommendations of COPU, the Board sent proposals (May and November 2002) to allot the units reserved under GDQ by calling for tenders and to fix a time limit of one year for allotment of these units by Government. Pending decision on these proposals, the Government stated (July 2002 and March 2003) that the existing system should continue. In May 2003, the Government included

some more categories of persons as eligible for allotment under GDQ, but did not issue any orders on the proposals of the Board (May 2004).

It was seen that 1750 flats/houses and 3358 plots (valued at Rs 113.22 crore) reserved under GDQ remained unallotted as of April 2004; of these 377 flats/houses constructed during 1984-85 to 2002-03 and 1104 plots developed during 1996-97 to 2001-02 valued at Rs 26.13 crore were in schemes which had high demand. The action of the Government in retaining the powers of allotment of flats/houses/plots in contravention of High Court order and its failure to fix time limit as recommended by COPU resulted in blocking up of Board's funds of at least Rs 26.13 crore.

On being pointed out (July 2004), the Government contended (August 2004) that the huge pendency was due to general inflation, lack of demand and competition from private builders and there would be no loss to the Board as the price at the time of allotment includes interest till the date of allotment. These contentions are not tenable as the Audit observation is limited to units remaining unallotted in schemes in which the Board had sold all unreserved units and the Board, under orders of Government had waived (January 2001) the capitalisation of interest till the date of sale for the units constructed prior to June 2000.

ADI DRAVIDAR AND TRIBAL WELFARE DEPARTMENT

4.3.2 Blocking of Government of India assistance

Due to incorrect estimation by State Government Rs 11.46 crore was received in excess from Government of India for the scheme "Free supply of bicycles to SC/ST/SCC girl students of Class XI and XII" which remained unutilised for more than two years and led to avoidable interest liability of Rs 4.23 crore.

With the objective of preventing dropouts in higher secondary education by SC/ST/SCC girl students due to lack of mobility, State Government introduced a scheme "Free supply of bicycles to Scheduled Caste (SC)/Scheduled Tribe (ST)/Scheduled Caste Convert (SCC) girl students of Class XI and XII" in July 2001.

Purchase of bicycles was to be made centrally through a purchase committee with the Commissioner of Adi Dravidar Welfare (ADW) as Chairman. At the district level, District Collectors were responsible for implementation of the scheme.

The Commissioner of ADW sent a proposal to Government in July 2001 for supply of 80000 bicycles to eligible students at a cost of Rs 14.35 crore which was accepted by the State Government for the academic year 2001-02. However, State Government submitted a proposal to Government of India (GOI) in January 2002, requesting a sum of Rs 20 crore for covering 80000 students. Accordingly, Additional Central Assistance (ACA) for State Annual Plan 2001-02 amounting to Rs 20 crore (Loan: Rs 14 crore and Grant: Rupees six crore) was received in February 2002 from GOI. A sum of Rs 7.69 crore was spent for 56525 bicycles purchased for 2001-02 and State Government furnished utilisation certificate (UC) for this amount to GOI in March 2003. Thus, the State Government obtained assistance of Rs 12.31 crore in excess of requirement.

The State Government received a sum of Rupees six crore (Loan: Rs 4.20 crore and Grant: Rs 1.80 crore) for 2002-03 and spent Rs 6.85 crore. Accordingly, at the end of 2002-03, total unspent balance available was

Rs 11.46 crore and the interest liability @ 12 per cent was Rs 4.23 crore for period up to September 2004.

Test-check of 1166 cases relating to 15 schools in Tirunelveli and Vellore districts, revealed 262 students (22 per cent) who were either availing free bus pass or were residing in hostels in the same campus in which the school was situated were given free bicycles though they were ineligible under the scheme. The irregular expenditure on these 262 bicycles works out to Rs 3.56 lakh.

The matter was referred to Government in July 2004; Government in reply to Audit stated (August 2004) that the balance of Rs 11.46 crore of ACA available was utilised for other priority schemes in the same sector. However, intimation of this diversion has not been sent to GOI.

Hence, utilisation of unspent amount of Rs 11.46 crore for other schemes constituted unauthorised diversion.

INFORMATION AND TOURISM DEPARTMENT

4.3.3 Irregular parking of Government funds outside Government Account

To avoid lapse of budget grant sums of (a) Rupees five crore pertaining to schemes awaiting sanction (drawn in March 2004) and (b) Rs 40 lakh (drawn in March 2002) were deposited in bank accounts.

(a) In the Budget Estimates and Revised Estimates for 2003-04, provision for a sum of Rs 8.01 crore was made for creation of infrastructure facilities at various Tourist Centres. While Rs 2.05 crore were released during the year, sanction orders in respect of 33 schemes for which Rs 5.96 crore were provided were pending issue towards the end of the year.

With a view to avoid lapse of budget provision for the pending schemes, the Commissioner of Tourism (CoT) requested on 29 March 2004 that a sum of Rs 5.96 crore (including Government of India share of Rs 93.61 lakh) may be drawn as Advance under Article 99 of Financial Code and deposited in the bank account operated by the Department of Tourism. Accordingly, Government sanctioned the drawal of Rupees five crore as advance on 31 March 2004 and cheque for this amount was deposited in a Current Account in Indian Bank, in the name of Directorate of Tourism.

This deposit violated Article 39 of Tamil Nadu Financial Code which prohibits appropriation of funds by transferring to a deposit to prevent lapse of funds, for the reasons mentioned below:

(i) Article 99 of Financial Code relates to Temporary Advance for the purpose of meeting contingent expenditure which is generally of a small amount. The advance drawn by CoT related to significant expenditure on schemes that had not even been approved on the date of drawal of the advances.

(ii) The scheme head of account was debited even before the sanction of the scheme, while the amount remained unutilised in the bank account. Consequently, the expenditure accounts would be overstated and misleading.

CoT replied (July 2004) to Audit that (a) the drawal was made to meet the contingency situation and for ensuring speedy completion of works to avoid escalation in costs and (b) as Government subsequently sanctioned works valuing Rs 1.05 crore between April 2004 and July 2004, Rs 3.95 crore were remitted to Government in July 2004. Though Government stated (September 2004) that the practice of drawal of funds in advance by CoT and keeping the drawn funds outside Government account was as per their directions issued in

June 1983, the said order permitted drawing officers to deposit the undisbursed money in excess of Rs 1000 in a savings bank account opened for the purpose. However, this irregularity relates to drawal of huge funds for schemes even before their sanction which constitutes a gross violation of financial principles.

(b) Based on the proposal of CoT, the State Government sanctioned (December 2001) Rs 40 lakh to the Collector, Sivaganga for development of infrastructural facilities¹⁴ in the Heritage area of Karaikudi Municipality, Sivaganga District. Instead of drawing and disbursing the sanctioned amount in instalments as work progressed the Collector, Sivaganga drew the sanctioned amount of Rs 40 lakh in March 2002 and deposited in a savings bank account with State Bank of India, Sivaganga.

District Munsif Court, Devakottai had banned (June 1983) construction of any building in Maharnonbupottal, Karaikudi. In February 2003, a sum of Rs 10 lakh was released to Karaikudi Municipality for executing the works other than the work in banned area. These works have not commenced as yet (June 2004).

The Commissioner, Karaikudi Municipality sent (July 2003) another revised proposal to CoT through Collector for taking up new works at total cost of Rs 40 lakh, including two in the banned area. Simultaneously, the Municipality sought the opinion of their advocate on the legality of executing the works in Maharnonbupottal. Decision on the proposals sent to CoT in July 2003 had not been taken (June 2004). As a result, Government funds of Rs 40 lakh and interest of Rs 3.30 lakh earned in the savings bank account continued to remain outside Government account.

When the matter was referred to Government in August 2004, Government stated (November 2004) that the implementation of the scheme is being delayed due to administrative reasons.

RURAL DEVELOPMENT DEPARTMENT

4.3.4 Irregularities in the implementation of Self Sufficiency Scheme

Non-maintenance of accounts of the scheme for the State as a whole by the Director of Rural Development resulted in non-ascertaining of details of unutilised funds of Rs 2.69 crore with 10 DRDAs as of March 2004. Expenditure of Rs 63.01 lakh was incurred for purchase of furniture in violation of Government instructions.

With the objective of strengthening self reliant attitude of the rural community through educating people to identify their requirement through 'gram sabha' and planning for creating community assets like school building, bridges, road works etc., State Government has been implementing a Self Sufficiency Scheme¹⁵ since 1997-98. The scheme is funded through (a) public

¹⁴ (a) Modern urinals at two places in Kallukatti area (Rupees one lakh), (b) Improvement of taxi stand at Kallukatti (Rupees three lakh), (c) Parking Zone at Kallukatti (Rupees one lakh), (d) Modern toilet at Maharnonbupottal (Rs 15 lakh), (e) Compound wall around Maharnonbupottal (Rs 15 lakh) and (f) Deep bore wells with motor and pump room at Muthupattinam area (Rupees five lakh)

¹⁵ The scheme originally implemented as Namakku Name Thittam (NNT) since 1997-98, was renamed as "Village Self Sufficiency Scheme" in August 2001 and 'Thanniraivu Thittam' in July 2002.

contribution in cash and kind and (b) financial assistance by Government. Director of Rural Development (DRD) implemented the scheme through the Project Officers of the District Rural Development Agencies (DRDAs).

Government allotted Rs 40 crore in 2001-02 and sanctioned release (December 2001) of Rs 20 crore to 28 DRDAs and Chennai Corporation. Subsequently, Government decided (January 2002) to fund the scheme for 2001-02 through loan with the project period as January to June 2002 and authorised (March 2002) the DRD to obtain loan of Rs 24 crore from Housing and Urban Development Corporation (HUDCO) through Tamil Nadu Rural Housing and Infrastructure Development Corporation (TNRHC). In March 2002, Government withdrew the sanction of December 2001 for release of Rs 20 crore and sanctioned the balance Rs 16 crore from State funds.

The loan amount of Rs 23.72 crore (net of front end fee, etc.) was deposited by TNRHC into a Personal Deposit Account and was distributed to 28 DRDAs in May 2002 under Government order. The State share of Rs 16 crore, sanctioned in March 2002, was not released for want of ways and means clearance from Finance Department till October 2002. Government issued a fresh sanction in November 2002 for this amount and accordingly Rs 14.50 crore were distributed to 28 DRDAs and Rs 1.50 crore to Chennai Corporation in February 2003.

Perusal of records revealed the following.

- (i) Accounts of the scheme for the State as a whole were neither available with DRD nor Government. Thus, the extent of unutilised funds available with the DRDAs including that arising from public contribution was not available.
- (ii) Audit scrutiny in respect of 14 DRDAs revealed that as of March 2004 Rs 2.69 crore were lying unutilised in 10 DRDAs including Rs 1.67 crore with DRDA, Salem. The heavy balance at DRDA, Salem was due to drawal of Rs 1.19 crore originally sanctioned by Government in December 2001 that was subsequently cancelled in January 2002. As Government/Department did not take into account this withdrawal, it released Rs 1.08 crore afresh in May 2002.
- (iii) In violation of Government instructions four DRDAs spent Rs 63.01 lakh towards purchase of furniture out of the scheme funds.

The matter was referred to Government in June 2004. The reply given (December 2004) by Government was silent on non-availability of accurate accounts with DRD and on the failure of Government/Department to monitor unutilised funds lying with DRDAs. Also, Government's reply that expenditure incurred on furniture was reckoned as capital expenditure is contrary to the established norms of classification of Government expenditure and DRD himself had specifically instructed (February 2002) all DRDAs that supply of furniture should not be included under this scheme. A clarification on these points and also on inconsistencies in expenditure reported by DRDAs was sought from the Government in January 2005. Their further reply is awaited (January 2005).

SCHOOL EDUCATION DEPARTMENT

4.3.5 Operation Black Board

Delay in/non-supply of teaching and learning materials to the schools under Operation Black Board Scheme Phases I – III and V.

Operation Black Board (OBB) was a Centrally sponsored scheme implemented in the State since 1987-88 through the Director of Elementary

Education (DEE). Perusal of records relating to Phases I to III and V revealed that besides long delays in supplying teaching and learning materials to schools, materials valuing Rs 3.22 crore remained to be supplied as discussed below:

Phases I to III

There was an unspent amount of Rs 57.31 lakh (March 1994) with the State under these phases. DEE placed orders for supply of one set of teaching materials (comprising seven maps and five charts) each to 27647 schools at a cost of Rs 57.31 lakh with Tamil Nadu Khadi and Village Industries Board (TNKVIB) and paid (March 1994) Rs 51.58 lakh being 90 *per cent* advance to it. TNKVIB was to complete the supplies by March 1994 through the co-operative societies under their control. As of March 2004, out of 27647 sets ordered, 19686 sets had not been supplied, while in respect of 1823 schools only part supply was effected, the total value of unsupplied materials being Rs 41.83 lakh (73 *per cent*). Even after 10 years, one society (Panamarathupatti Multipurpose Workers Industrial Co-operative Society) has not supplied the materials against the advance of Rs 13.63 lakh. Two other societies¹⁶ started supplying materials only after six years of receipt of advance amounts. An amount of Rs 36.10 lakh retained by TNKVIB for which no supplies were made, was also not got refunded as of December 2003. The balance 10 *per cent* of the unspent Rs 57.31 lakh i.e. Rs 5.73 lakh was deposited (January 1998) by DEE with Tamil Nadu Text Book Corporation (TNTBC) and remains unutilised.

Phase V

Government of India (GOI) sanctioned in July 1999 a sum of Rs 9.14 crore for provision of teaching/ learning equipment to 1828 upper primary schools in tribal areas at Rs 50000 per school. During November 2001-February 2002, the DEE incurred expenditure of Rs 1.94 crore on procurement of steel almirahs, tables and chairs.

GOI informed (January 2002) that the OBB scheme would be substituted by the new scheme 'Sarva Shiksha Abhiyan' from April 2002 and called for comprehensive proposals for utilising the unspent amount before 31 March 2002. However, Government without intimating the GOI ordered (July 2002) utilisation of available funds under OBB during 2002-03. Balance unspent amount of Rs 7.20 crore was deposited (March – September 2002) with TNTBC by debiting the final service head without actually incurring the expenditure, resulting in misreporting of expenditure on OBB to the Legislature. Further, from time to time, DEE transferred money from TNTBC to a savings bank account for incurring expenditure. An expenditure of Rs 4.40 crore was incurred till March 2004 in this manner.

There was an unspent amount (March 2004) of Rs 2.80 crore (Rs 2.56 crore with TNTBC and Rs 0.24 crore with DEE SB Account).

The matter was referred to Government in March and April 2004; reply had not been received (December 2004).

¹⁶ Karungulam Carpentry and Blacksmithy Workers Industrial Co-operative Society and Tiruppur Timber and Blacksmithy Workers Industrial Co-operative Society.

RURAL DEVELOPMENT DEPARTMENT**4.3.6 Irregularities in the implementation of Anna Marumalarchi Thittam**

Government resorted to off-budget borrowing of Rs 69.25 crore during 2001-02 for implementing a scheme relating to rural development. Though the scheme was discontinued from April 2003, unutilised funds of Rs 2.22 crore, due for refund to Government were lying with 11 DRDAs for more than a year.

Government, since 1997-98 was implementing the scheme “Anna Marumalarchi Thittam” (AMT) for creating basic amenities and infrastructure at village level. The Director of Rural Development (DRD) implemented the scheme through the Project Officers (POs) of District Rural Development Agencies (DRDAs).

Government sanctioned (September 2001) Rs 75 crore as grant for the implementation of the scheme for 2001-02 of which Rs 37.50 crore were to be released as first instalment. During 2000-02, the cash position of the Government was critical and in March 2002 it ordered that the bills presented to the treasuries in pursuance of the sanction order of September 2001 should be treated as withdrawn. However, to fund the scheme, Government made Tamil Nadu Rural Housing and Infrastructure Development Corporation (TNRHC) take a loan of Rs 69.25 crore at 10.25 *per cent* interest from Housing and Urban Development Corporation (March 2002) and had it deposited in a Personal Deposit Account.

The loan amount of Rs 68.49 crore (net of Front end fee, etc.) was released to the implementing DRDAs in May 2002 (Rs 39.33 crore) and November 2002 (Rs 29.16 crore). The last instalment of Rs 5.75 crore was released in December 2002.

Perusal of connected records revealed the following:

- (i) By making TNRHC as the borrower instead of itself, Government circumvented exhibiting liability of repayment of the loan in its accounts. This resulted in understatement of Public Debt liabilities.
- (ii) The extent of unutilised funds available with DRDAs was neither ascertained by DRD nor the Government. The scheme was discontinued from 2003-04 but no action was taken by them to get back the unutilised funds available with DRDAs. Details obtained by Audit from 12 DRDAs showed that Rs 2.22 crore were available with 11 DRDAs as of March 2004. Of this, Rs 1.67 crore was with PO, DRDA, Salem. The main reason for this huge unutilised amount was the drawal of Rs 1.61 crore in January 2002 on the basis of Government sanction of September 2001 that was subsequently cancelled in March 2002. DRD did not restrict further releases by deducting the amount drawn by the DRDA, Salem. This resulted in a release of Rs 5.15 crore against the allotted amount of Rs 3.57 crore.
- (iii) A perusal of cash book and other connected records of DRDA, Kancheepuram revealed that Rs 2.90 lakh were diverted for meeting office contingencies, cost of fuel, repairs to vehicles, telephone charges, etc., which was irregular. Though Rs 2.81 crore was released to eight Panchayat Unions (PUs) during 2001-02, as of March 2004 PO had obtained utilisation certificates for Rs 1.50 crore only from five PUs.
- (iv) In Thiruvallur District, scheme funds of Rs 30.51 lakh were available as of March 2004 (inclusive of unutilised funds of earlier years).

As the cost of borrowing the funds for this scheme was specially high, we recommend urgent action for obtaining refund of the unutilised amounts lying with the DRDAs.

The matter was referred to Government in August 2004. In their reply (December 2004), Government stated that action is being taken to obtain refund of the unutilised funds and the pending utilisation certificates. Government's reply, however, indicated that expenditure had been incurred even after closure of the scheme in March 2004. Clarification on this aspect had been sought (January 2005).

4.4 Other Points

MUNICIPAL ADMINISTRATION AND WATER SUPPLY AND HOUSING AND URBAN DEVELOPMENT DEPARTMENTS

4.4.1 Loans by State Government under Sewerage and Sanitation, and Housing

Results of review of loans outstanding against some selected schemes in Sewerage and Sanitation and Housing sectors are reflected in the succeeding paragraphs.

Sewerage and Sanitation

Government repaid the following loans obtained by Tamil Nadu Water Supply and Drainage Board for implementing drainage/sewerage schemes of five corporations and three municipalities on the condition that the amount would be recovered from these urban local bodies.

Sl. No.	Loans obtained		Details of repayment made by Government	
	From	For	Period	Amount repaid (Rs in crore)
1.	Life Insurance Corporation of India (LIC)	Implementing eight drainage schemes in two Municipalities and five Corporations	April 1998 to March 2004	2.39
2.	Housing and Urban Development Corporation Ltd. (HUDCO)	Implementing a sewerage scheme in Kumbakonam Municipality	June 1989 to March 2004	0.52 (Including interest of Rs 0.26 crore)

However, Commissioner of Municipal Administration (CMA) had not raised any demand against the eight urban local bodies and no amount has been collected so far (September 2004).

Chennai Metropolitan Water Supply and Sewerage Board (CMWSSB)

CMWSSB obtained loans from Government for various schemes at interest rates ranging from eight to 14.5 per cent during 1989 to 2004.

CMWSSB sought permission (May 2003) of Government for obtaining loans from financial institutions at lower rate of interest to foreclose the 14 loans taken from Government aggregating Rs 99.57 crore that carried interest at 14.5 per cent. Later in October 2003, CMWSSB requested Government for reducing the rate of interest on the entire outstanding loan of Rs 793.90 crore as on 31 March 2003 to 8.5 per cent which would save them interest burden of Rs 37.50 crore per annum. CMWSSB added that if this was not acceptable, it be permitted to foreclose the Government loans carrying interest of 14.5 per cent and 13.5 per cent by availing loans from HUDCO, which had orally agreed to loan them the above amount at 8.5 per cent. Government's response on this proposal is pending (September 2004).

As Government is lender of last resort to CMWSSB and guarantees loans raised by the latter, the cost of indecision in permitting CMWSSB to swap the loan, could in the long run, fall on itself.

Housing - Rural Housing schemes

Out of Rs 184.70 crore given by Government till March 2004 as interest free loan to the Tamil Nadu Co-operative Housing Federation (TNCHF) for meeting its repayment obligation to HUDCO, only Rs 44.70 crore were repaid by the TNCHF resulting in dues of Rs 140 crore. Government, from time to time, announced incentives to beneficiaries for prompt payment of the principal outstanding by waiving a portion of principal, interest and penal interest. Despite such concessions, repayment of loans by the beneficiaries to the TNCHF continued to be meagre and TNCHF was forced to divert its general funds that were intended for urban housing, towards their share of repayment to HUDCO to avoid invocation of the guarantee clause. TNCHF attributed (June 2004) the poor recovery mainly to (a) parallel organisations such as Tamil Nadu Adi Dravidar Housing and Development Corporation (TAHDCO) that were constructing and allotting houses to beneficiaries free of cost and (b) due to prevailing drought situation in the State.

➤ The principal/interest overdue and penal interest on the loans payable by TNCHF to (i) General Insurance Corporation of India (GIC) and LIC; and (ii) Government in respect of loans availed during 1979 to 1987 for implementation of rural housing schemes aggregated Rs 96.17 crore¹⁷ as of 31 March 2003.

TNCHF sent a proposal to Government in June 2002 through Registrar of Co-operative Societies (Housing) for waiver of interest and penal interest and to allow them to repay the principal at the rate of Rupees one crore per month. Pending decision of Government in this proposal, TNCHF has not repaid any amount (March 2004).

Tamil Nadu Housing Board

Government's guidelines of January 2002 for economy in expenditure by the public sector undertakings and statutory boards specifically enjoined them to reduce their financing costs by substituting high interest loans with the low interest loans.

Scrutiny revealed that Tamil Nadu Housing Board (TNHB) had complied with this guideline in respect of loans obtained from various financial institutions. However, it continued to pay annual interest of Rs 2.68 crore per annum in respect of 67 loans carrying interest in the range of 11 to 15 *per cent* raised from Government during 1975 to 1998.

On the above being pointed out (July 2004) by Audit, TNHB stated (August 2004) that it had addressed the Government in August 2004 for reducing the rate of interest on Government loans or to permit it to foreclose the high cost loans by availing loans at cheaper rate. The matter is pending with Government (September 2004).

The matter was referred to Government in September 2004; reply had not been received (December 2004).

¹⁷ Over due amounts – Principal: Rs 28.14 crore, Interest : Rs 21.83 crore and Penal Interest : Rs 46.20 crore.

HOUSING AND URBAN DEVELOPMENT AND REVENUE DEPARTMENTS

TAMIL NADU HOUSING BOARD

4.4.2 Non-taking over of the land due to encroachments

Failure of the Board to take over the vacant land valued at Rs 12.70 crore resulted in encroachment, the eviction of which could not be ensured by Revenue Department.

Based on the request of the Tamil Nadu Housing Board (Board), the Special Deputy Collector, Tamil Nadu Housing Board Schemes, Chennai (LAO) passed an award (March 1970) for acquiring 1.04 acres in Kodambakkam village of Chennai District. There were structures in 0.12 acre in the land at the time of award. The land was not taken over by the LAO as the landowners appealed for exclusion of their land from acquisition to various forums. The appeals were rejected and Government directed (August 1980 and December 1981) the LAO to hand over the land to the Board. Instead of taking over 0.92 acre of land where there were no structures, pending eviction in the remaining land, the Board requested the LAO to hand over the entire land. The Tahsildar, Mambalam-Guindy Taluk, who was directed to carry out the eviction contended (July 1982) that Collector alone could issue 'surrender of possession' orders. The Revenue Department did not take any further action to resolve this impasse.

Meanwhile, the landowners constructed (1981 to 1983) more structures on the land and the vacant land got reduced to 0.73 acre. The Board requested the Government (January 1990) to arrange for possession of this land which had 15 feet access from the Inner Ring Road to prevent further encroachments. When inspected by the LAO (June 1991), the vacant land was found reduced to 0.50 acre. The Board refused (October 1991) to take over the available vacant land as there was no approach road from any side due to encroachment. Protracted correspondence between the Board and Revenue officials till June 2004 did not yield any results as the Board insisted for handing over the entire land whereas the LAO could hand over only the vacant land. The Revenue Department did not make any fruitful efforts to evict the encroachments. Consequently, the land, which was acquired in March 1970 was still in possession of the owners.

Thus, failure to take over the vacant land of 0.92 acre which was available in August 1980 when Government rejected the appeal of the landowners, coupled with inaction of Revenue Department in evicting the encroachment resulted in increase in the encroachment and blocking the approach to the vacant land. The present market value of 0.92 acre is Rs 12.70 crore.

The matter was referred to Government in July 2004. The Secretary, Revenue Department contended (July 2004) that the eviction could not be made under 'Tamil Nadu Encroachment Act, 1905' as it applies only to land owned by Government. This contention is not tenable as the Revenue Department is responsible for eviction under Land Acquisition Act. Reply from the Housing and Urban Development Department has not been received (December 2004).

HOUSING AND URBAN DEVELOPMENT DEPARTMENT**CHENNAI METROPOLITAN DEVELOPMENT AUTHORITY****4.4.3 Loss due to failure to watch payment of interest on loan**

Failure to watch payment of interest on a loan to Chennai Metropolitan Development Authority resulted in loss of interest of Rs 7.57 crore accrued during the moratorium period and penal interest.

Government sanctioned (November 1995) Rs 10 crore as loan to Chennai Metropolitan Development Authority (CMDA) for acquiring land for implementing Outer Ring Road Project. The loan carried an interest of 14 *per cent* per annum with a moratorium period of five years for repayment of loan and interest. The loan and accumulated interest thereon were to be repaid in five annual instalments. The amount was to be released by adjustment to Personal Deposit (PD) account of CMDA bearing five *per cent* interest.

Government released Rs 20 lakh in January 1996 and Rs 9.80 crore in March 1997 and deposited the amount in the PD account of CMDA on 28 March 1996 and 27 March 1997 respectively. While the release order for Rs 20 lakh was based on the November 1995 sanction, that for Rs 9.80 crore enhanced the interest to 15 *per cent* per annum. Another modification in the release order was that interest was to be paid to Government every calendar quarter. Penal interest at 2.75 *per cent* per annum was to be charged on all overdue instalments of principal and interest.

In September 1997, Government at the request of CMDA allowed a moratorium of five years for payment of interest. The CMDA commenced the repayment of the Rs 20 lakh loan in December 2000 and the Rs 9.80 crore loan in December 2001 and paid quarterly interest from 28 March 2001 and 27 March 2002 respectively. In May and June 2003, CMDA repaid the balance amount of principal and interest till the date of foreclosure of loan. CMDA, however, failed to calculate and pay the interest of Rs 7.42 crore accrued during the moratorium period. Penal interest of Rs 14.66 lakh was also payable to Government (up to May 2004) by CMDA on overdue instalments of moratorium period interest. As Government did not maintain any record for watching the clearance of the loan, these omissions went unnoticed.

In order to avoid reoccurrence of such cases, Government may like to consider releasing loans through Heads of Department since they have a machinery in place for watching recoveries against loans.

The matter was referred to Government in June 2004; reply had not been received (December 2004).

SCHOOL EDUCATION DEPARTMENT**4.4.4 Non-refund of unutilised scholarship grant and excess claim of grant**

Principal, Sainik School, Amaravathy Nagar (a) unauthorisedly retained the unutilised scholarship grant of Rs 1.03 crore given to the school by Government during 1999-2003 and (b) submitted excess claims of Rs 27.90 lakh.

The scheme of awarding scholarships to students of Sainik School, Amaravathy Nagar, Coimbatore has been under implementation since 1963.

Based on the proposal of the Principal of this school, Government introduced a Block grant system from 1994-95. This authorised the Principal to draw a grant of Rs 45 lakh per annum and after meeting the scholarship commitments of all beneficiaries, he could utilise the balance amount to meet the deficit, if any, in the school budget.

Consequent to the enhancement of fee of the school, Government increased (May 2000) the block grant to Rs 63 lakh with effect from 1999-2000 for three years. Government also advised the Principal of the school to increase the strength of payment seats so that the number of scholarships can be reduced such as to enable reduction of 20 *per cent* in the block grant for 2002-03. However, in the above order of May 2000, Government did not permit the Principal of the school to utilise the unspent balance available out of the block grant of Rs 63 lakh to meet the deficit in the school budget. The request (March 2002) of the Principal for this purpose was not acceded to by Government (March 2004).

Out of Rs 2.39 crore received as block grant from Government during 1999-2003, Rs 1.36 crore only was utilised towards scholarship. Contrary to the requirement of Article 270 A (1) of the Tamil Nadu Financial Code, the Principal had neither surrendered the unspent balance of Rs 1.03 crore nor sought its adjustment against grant for successive years.

Scrutiny by Audit also revealed that claims of scholarships in respect of general category students was made at the enhanced rate applicable to Scheduled Caste/Scheduled Tribe students. This had resulted in inclusion of excess claim of Rs 27.90 lakh within the aforesaid claims of Rs 1.36 crore.

The matter was referred to Government in May 2004; reply had not been received (December 2004).

SOCIAL WELFARE AND NUTRITIOUS MEAL PROGRAMME DEPARTMENT

4.4.5 Irregular implementation of the restructured girl child protection scheme

Non-adherence to Rules of the scheme by the Department resulted in assistance of Rs 39.89 lakh being extended to 258 ineligible beneficiaries.

For promoting small family norms, arresting the adverse juvenile sex ratio and eradicating female infanticide, Government launched a scheme "Puratchi Thalaivi Dr. Jayalalitha Scheme for Girl Child" in April 1992. The scheme underwent various changes and was restructured in December 2001.

Rules were framed by the Government (December 2001) for implementing the scheme. Selection of beneficiaries was to be done after scrutinising the prescribed documents¹⁸. Between December 2001 and October 2003, Rs 21.40 crore were spent to assist 14013 beneficiaries.

Test-check of records of the Directorate of Social Welfare and of the District Social Welfare Officers (DSWOs) in Chennai, Salem, Thanjavur and

¹⁸ (i) Birth certificate of girl(s) child, (ii) Income certificate of parents, (iii) Age and community certificates of parents, (iv) Copy of ration card, (v) Family planning operation certificate issued by Government approved hospital and (vi) Nativity certificate.

Thiruvallur revealed that assistance of Rs 39.89 lakh was extended to 258 ineligible beneficiaries as detailed below:

Chennai	Thiruvallur	Salem	Thanjavur	Total (cases)	Ineligible Assistance (Rs in lakh)	Remarks
4	2	7	-	13	2.05	Contrary to rules, the application was filed one year after the birth of the second girl.
2	-	-	-	2	0.30	Annual income of the parents exceeded the maximum limit of Rs 12000 specified in the rules.
8	26	8	-	42	6.38	Scrutiny of copies of ration cards enclosed with the application revealed that there were either a third male or female child of the parents.
-	1	-	-	1	0.22	Contrary to rules, assistance was given in respect of a girl child adopted from an orphanage.
4	6	2	-	12	1.83	In these cases either of the parents did not reside in Tamil Nadu for a minimum of 10 years preceding the date of application.
8	-	28	36	72	10.95	Family Planning operations were conducted in private hospitals not recognised by Government.
-	4	-	-	4	0.61	Parents underwent family planning operation after the age limit of 35 years.
-	-	26	-	26	5.77	Assistance was given to unrecognised orphanages.
-	86	-	-	86	11.78	Though applications were filed prior to December 2001, before launching of the restructured scheme payments were made at the enhanced rates under the restructured scheme. No specific instruction was issued by Government for covering the pending applications under the restructured scheme and in no other districts assistance were sanctioned at the rates fixed under the restructured scheme. As such the release of assistance at the rates of restructured scheme was ineligible.
26	125	71	36	258	39.89	

Apart from the ineligible payments, the following irregularities were also noticed:

➤ The DSWOs were to ensure that in case of children born in other districts, there should not be duplication of application by the parents. They were to obtain a 'No Objection Certificate' from the DSWO of the district in which the child was born. Thirty six applications were processed and recommended for sanction in two sample districts (Salem: 35; Thanjavur:1) without following this procedure. Thus, duplication of applications was not effectively checked.

➤ Income Certificates obtained from the Tahsildar covered only the income of the father. As Government had fixed the income ceiling for the family, application should have been supported with the income certificate of the mother, if any.

➤ Rules specified that 15 per cent random checks should be carried out every quarter by the Directorate to ensure the genuineness of the beneficiaries. However, this has not been done so far. The Director attributed (August 2003) this to shortage of officers.

The matter was referred to Government in July 2004; reply had not been received (December 2004).

GENERAL

4.4.6 Financial assistance to local bodies and others

Autonomous bodies and authorities receive substantial financial assistance from Government. Government also provides substantial financial assistance to other institutions such as those registered under the State Cooperative Societies Act, Companies Act, etc. to implement certain programmes. During 2003-04, financial assistance of Rs 5128 crore was given to various autonomous bodies and other institutions as detailed in Paragraph 1.7.4 of this report. Audit of accounts of the bodies mentioned in the Appendix XXXII has been entrusted to the Comptroller and Auditor General of India. Primary audit of local bodies, educational institutions and others is conducted as detailed below.

Sl. No.	Name of the Institution	Audit conducted by
1.	Panchayat Raj Institutions	Director of Local Fund Audit.
2.	Educational Institutions	
	a) Schools	Internal audit wing of the Directorate of School Education.
	b) Colleges	Internal audit wing of the Directorate of Collegiate Education.
	c) Polytechnics	Chief Internal Auditor and Chief Auditor of Statutory Boards.
	d) Universities	Director of Local Fund Audit.
3.	Cooperative Institutions	Director of Audit of Co-operative Societies.
4.	Miscellaneous Institutions	Chartered Accountants.

4.4.7 Delay in furnishing utilisation certificates

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

Of 5789 utilisation certificates due in respect of grants aggregating Rs 793.95 crore paid prior to April 2002 and further grants of Rs 104.78 crore (970 cases) given during 2002-03, only 1627 utilisation certificates for Rs 593.17 crore had been furnished to the Accountant General by 30 July 2004. Thus, 5132 certificates for an aggregate amount of Rs 305.56 crore were in arrears. Department-wise break-up of outstanding utilisation certificates is given below.

Sl. No.	Department	Number of Certificates	Amount (Rupees in lakh)
1.	Adi Dravidar and Tribal Welfare	378	63.30
2.	Animal Husbandry and Fisheries	6	9.04
3.	Backward classes and Most Backward classes	2638	5111.32
4.	Handlooms, Handicrafts, Textiles and Khadi	21	288.32
5.	Higher Education	4	39.16
6.	Municipal Administration and Water Supply	1291	16026.46
7.	Revenue	72	3265.04
8.	Rural Development	688	5113.75
9.	Art and culture	1	10.00
10.	Social Welfare and Nutritious Meal Programme	33	629.89
Total		5132	30556.28

FINANCE DEPARTMENT

4.4.8 Failure to protect the interests of Government

Important irregularities detected by Audit during periodical inspection of Government offices through test-check of records are followed up through Inspection Reports (IRs) issued to the Heads of offices with a copy to the next higher authorities. Government issued orders in April 1967 fixing a time limit of four weeks for prompt response by the authorities to ensure corrective action in compliance of the prescribed rules and procedures and accountability for the deficiencies, lapses, etc. A half-yearly report of pending inspection reports is sent to the Secretary of the Department by the Accountant General to facilitate monitoring of action on the audit observations.

As of June 2004, out of the IRs issued upto December 2003, 14977 paragraphs relating to 5034 IRs remained to be settled for want of satisfactory replies. Of these, 151 IRs containing 660 paragraphs had not been replied to/settled for more than ten years. Year-wise position of the outstanding IRs and paragraphs is detailed in the Appendix XXXIII.

A review of the pendency in respect of Agriculture, Animal Husbandry and Fisheries and Highways Departments revealed the following:

- Even the initial replies had not been received as of June 2004 in respect of 130 paragraphs contained in 37 IRs issued between January and December 2003.
- As a result of the long pendency, serious irregularities as detailed in Appendix XXXIV had not been settled as of June 2004.
- The Heads of Department did not reply to 804 paragraphs contained in 307 IRs.

Government constituted at both State level and Department level, Audit and Accounts Committees for consideration and settlement of outstanding audit observations. 42 paragraphs were settled by convening the committee and further, at the instance of Audit, during joint sittings with departmental officers, 561 paragraphs were settled during 2003-04.

CHAPTER V

INTERNAL CONTROL SYSTEM

CHAPTER V

INTERNAL CONTROL SYSTEM

HEALTH AND FAMILY WELFARE DEPARTMENT

5.1 Evaluation of Internal Control System and Internal Audit Arrangement in the Directorate of Public Health and Preventive Medicine

Highlights

Evaluation of the internal control in respect of Directorate of Public Health and Preventive Medicine revealed non-compliance of the codal provisions and non-reconciliation of departmental figures. Evaluation of the internal audit wing of the Directorate revealed huge arrears in audit, inadequate response to audit objections and diversion of audit staff.

➤ Funds were drawn far in excess of requirement and Rs 2.13 crore were refunded to government account belatedly.

(Paragraphs 5.1.6 to 5.1.8)

➤ Security bonds were not obtained from 201 officials dealing with cash and stores.

(Paragraphs 5.1.14 and 5.1.15)

➤ There was rush of expenditure in the last quarter of the financial year.

(Paragraphs 5.1.18 and 5.1.19)

➤ There were heavy arrears in internal audit and response to audit objection was poor.

(Paragraphs 5.1.33 to 5.1.36)

➤ The internal audit staff were utilised for work other than audit.

(Paragraph 5.1.37)

Introduction

5.1.1 The Directorate of Public Health and Preventive Medicine (DPH & PM) has been implementing several programmes relating to public health. It has 1413 Primary Health Centres (PHCs) including 384 block PHCs and 8682 Health Sub-Centres (HSCs) under it (March 2004). These centres provide preventive, promotive, curative and rehabilitative health care services.

Organisational set up

5.1.2 The Directorate of Public Health and Preventive Medicine is headed by a Director and assisted by four Additional Directors, 11 Joint

Directors, four Deputy Directors, Financial Advisor and Chief Accounts Officer and an Assistant Director (Internal Audit) at Headquarters and 68 Deputy Directors, 2609 Medical Officers and other subordinate officers at district level.

Audit objective

5.1.3 The evaluation of internal control system in the Directorate examined extent of adherence to the Budgetary control and Expenditure control envisaged in the codes, manuals, guidelines and instructions of the Government as well as evaluation of Internal Audit System in the Directorate.

Audit coverage

5.1.4 The records of the Directorate of Public Health and Preventive Medicine for the years 2001-04 were scrutinised and the deficiencies noticed are given in the succeeding paragraphs.

Financial controls

5.1.5 The Budget provision and actual expenditure for the years 2001-04 were as follows:

(Rupees in crore)

Year	Budget Estimate	Revised Estimate	Final Modified Grant	Expenditure
2001-02	413.77	397.48	394.67	386.18
2002-03	441.86	449.93	390.10	384.97
2003-04	501.50	465.77	406.78	408.71

Budgetary control

Unnecessary drawal of funds to avoid lapse of budget provision

5.1.6 Scrutiny of cash book maintained by the Directorate disclosed drawal of funds from the Treasury far in excess of immediate requirement, as evidenced by the huge balance in cash and in bank. During April 2001 to March 2004 the balances available with the Directorate at the end of each month were in excess of Rs one crore in 14 out of 36 months. The Directorate informed Audit in April 2004 that such excess drawal of funds would be avoided in future.

5.1.7 Funds were drawn far in excess of requirement, contrary to the codal provisions, to avoid lapse of budget grant. In five cases, an aggregate sum of Rs 3.43 crore was drawn (March 2000 to March 2003) for training purposes and kept in current account of a nationalised bank. Only Rs 1.30 crore (38 per cent) were spent and the balance of Rs 2.13 crore was remitted (October 2003 to February 2004) to Government account in subsequent financial year(s) after 10 to 44 months of drawal.

5.1.8 Government stated (December 2004) that due to "administrative reasons", the training could not be conducted as programmed. No specific reasons, however, were given for delay in refunding the unspent amount.

Surrender/saving of funds

5.1.9 The files relating to surrender of funds called for by Audit during March 2004 were not made available to Audit (July 2004); from the data collected by Audit from the Appropriation Accounts of the Government for the years 2001-03, it was noticed that there was an overall saving of funds during both the years. Some of the heads of account, where savings exceeded 20 per cent of the Final Modified Grant (FMG) are given in Appendix XXXV.

5.1.10 In their reply, Government in Health and Family Welfare Department pointed out (December 2004) several constraints in determining actual expenditure for estimating FMG. These included (a) the large number of its units and their spread to Block level (PHCs) which makes it practically difficult to collect expenditure data within a short period, (b) unexpected voluntary retirements, (c) unanticipated changes in Government policy such as stoppage of payment of (i) salary for leave surrendered and (ii) festival advance, etc; and (d) clearance of Finance Department for payment of non-salary bills.

5.1.11 The reply of the Government is not tenable because (a) a system of timely reporting of monthly expenditure is in place and if followed yields timely expenditure details under each head of account, (b) impact of voluntary retirements can always be taken into account because these entail a notice period, (c) Finance Department is expected to announce any policy change impacting on FMG well in advance and (d) Finance Department should control expenditure through budgetary means rather than at the stage of payment of bills.

Expenditure control***Analysis of cash balance***

5.1.12 As per Tamil Nadu Financial Code (TNFC), the drawing officer may retain the undisbursed amounts for a period not exceeding three months. After the lapse of such period, the amount should be remitted to Government account. The undisbursed amount was Rs 20.96 lakh as of March 2004. Analysis of undisbursed items was done only on four occasions during August 2001 to June 2003 and no action was taken to remit these amounts pending for more than three months to Government account.

5.1.13 Government stated (December 2004) that the required monthly analysis is being done strictly from April 2004 onwards, and except one item of Rs 49000 no undisbursed amount is being retained beyond three months.

Non-obtaining of security bonds from the persons handling cash and stores

Security bonds were not obtained from 201 officials dealing with cash and stores.

5.1.14 According to TNFC, every cashier, store keeper, and other subordinate who is entrusted, with the custody of Government cash or stores should be required to furnish security and to execute a security bond.

5.1.15 In six districts security deposit was not obtained from 201 officials comprising pharmacists (177), store keepers (19) and superintendents (5) dealing with cash, stores etc., pertaining to six offices of Deputy Director of Health Services (DDHS).

5.1.16 Government stated (December 2004) that action has been initiated to obtain the required security from the concerned officials.

Deficiencies in reconciliation

5.1.17 According to Tamil Nadu Budget Manual, monthly reconciliation is required to be done by the Drawing and Disbursing Officer (DDO) with the Treasury, not later than the 12th of the immediately succeeding month.

5.1.18 Lack of carrying out proper reconciliation by the Directorate with the Pay and Accounts Office (South) (PAO (South)), the bill passing officer, resulted in the following differences.

➤ Expenditure during June 2001:

(Rupees)

Head of account	Directorate's figure		PAO's figure	
2210.06.101.AU - SEP	GA	55211	GA	348184
	NA	54611	NA	344384
2210.06.101.UA - Malaria	GA	372241	GA	79268
	NA	368641	NA	78868

GA: Gross Amount; NA: Net Amount

➤ Though during the period May 2002 - April 2003 a total of Rs 921696 was spent under "Training", the monthly expenditure figures were not included in the reconciliation report prepared by the Directorate for verification by the PAO (South). Despite this, no Alteration Memorandum was sent to PAO. Government in their reply (December 2004) attributed this to oversight.

Rush of expenditure in the last quarter of the year particularly in the month of March

There was rush of expenditure in the last quarter of the financial year.

5.1.19 The system of quarterly control of appropriation introduced by Government from 1994-95 was to enable avoiding rush of expenditure at the close of the financial year.

5.1.20 An analysis of the expenditure pattern of the department as a whole for the years 2001-02 and 2002-03 made by Audit disclosed the following:

➤ Under the Head 2210.03.101.JD - Panchayat Union sub-centres taken over by Government, the entire expenditure of Rs 16.91 lakh incurred for purchase of materials and supplies was incurred during March 2002.

➤ The expenditure incurred during March 2002 was 56 per cent to 85 per cent under the following Heads of Account.

(Rupees in lakh)

Sl. No	Head of Account	Total expenditure during the year	Expenditure during March 2002	Percentage
1	2210.03.103.BL	982.37	564.87	58
2	2210.06.003.AD	12.29	6.90	56
3	2210.06.101.UC	84.03	71.28	85

➤ The expenditure incurred during March 2003 in respect of the following two Heads of Account was 63 per cent and 71 per cent respectively.

(Rupees in lakh)

Sl. No.	Head of Account	Total expenditure during the year	Expenditure during March 2003	Percentage
1	2210.06.101.UC	39.95	25.00	63
2	4210.02.103.JF	1438.41	1019.94	71

➤ Government did not adduce any reason for the rush of expenditure pointed out above.

Internal Audit System

Introduction

5.1.21 The internal audit of all the Government Departments is headed by the Chief Internal Auditor & Chief Auditor of Statutory Boards (CIA & CASB). However, his oversight of internal audit is through Heads of Department to whom the internal audit wings report.

Organisational set up of internal audit

5.1.22 The audit staff of the Director of Public Health and Preventive Medicine comprises one Internal Auditor (Assistant Director/ IA), one Superintendent, three Assistants and three Junior Assistants for one static audit party and five Superintendents and eight Assistants for touring audit parties.

5.1.23 The control of PHCs was transferred from the Directorate of Medical and Rural Health Services (DM & RHS) to DPH & PM from 1 March 1996. To take up the audit of PHCs, two separate sections were formed. The audit of PHCs is being conducted both by internal audit parties and PHC audit wing under the control of Accounts Officer (PHCs).

Non availability of Internal Audit Manual

5.1.24 The draft Internal Audit Manual in respect of DPH & PM was prepared and sent to Government for approval by CIA & CASB during August 1999. However, approval of Government was awaited (August 2004).

5.1.25 The DPH & PM in its reply (May 2004) stated that in the absence of Internal Audit Manual, whenever offices were taken up for audit, audit was done according to the general principles, Fundamental Rules, Pension Code, TNFC etc., and various important records such as cash book.

Responsibilities and duties of Internal Audit Organisation

5.1.26 The status report containing details of activities undertaken by Internal Audit Wing for the years 2000-02 and 2002-04 as contemplated in Finance (Local Fund) Department's order of August 1992 have not been prepared. Consequently the activities undertaken by the Internal Audit Wing during these years could not be ascertained.

5.1.27 Audit observed that the following important activities were not carried out by the Internal Audit Wing.

- Scrutiny of records such as Form MTC 70, UDP Register, Cash Book, Subsidiary Cash Book pertaining to the Directorate from April 2001 onwards reportedly due to non-availability of audit staff.
- Half yearly Review of cash book.
- Implementation of orders regarding economy in expenditure.
- Investigation of procedural omissions and irregularities and audit lapses brought to notice by other external inspecting authorities.

Government stated (December 2004) that action is being taken to fill up the vacant posts in the audit parties.

Training to Internal Audit personnel

5.1.28 No training was imparted to the personnel posted to Internal Audit Wing and no criteria was fixed by the Directorate for posting of personnel to Internal Audit Wing. It could not, therefore, be verified by Audit whether the personnel in the Internal Audit Wing has possessed requisite specialised knowledge for conducting audit in an effective manner.

Planning of Internal Audit

There were huge arrears in internal audit.

5.1.29 Under the audit purview of Internal Audit Wing there are 77 institutions and 384 Block PHCs. No data were available regarding arrears in audit of PHCs, at the time of transfer of control of PHCs from DM & RHS to DPH & PM with effect from March 1996. Audit could not, therefore, ascertain whether there were any arrears in audit of PHCs and whether District Action Plan drawn up to be effective from July 2003 to March 2004 has been drawn in a realistic manner. Reasons for drawing the plan belatedly after a period of more than seven years were also not on record.

5.1.30 The DPH & PM issued orders in July 2003 that all 42 DDHS would have to conduct audit of PHCs with their existing staff at the rate of one PHC per month. However, it was observed that 17 DDHS¹ have not taken up even a single audit of PHCs under their control and the remaining 25 DDHS also did not complete the audit in full as per schedule as of March 2004. The purpose of audit plan drawn up for the first time was not fulfilled. Audit of 263 PHCs was in arrears covering the period upto 2002-03 as of March 2004.

5.1.31 Audit also observed that there was no planning for audit of institutions other than the PHCs. This is also evidenced by the fact that in respect of 21 institutions audit was in arrears ranging from two to 13 years.

5.1.32 The audits of PHC, Kalambur and the PHC, Vanapuram relating to the period 1979-2003 and 1984-2003 respectively were taken up during April 2003. The audit of these two PHCs after a lapse of 24 years and 19 years were reportedly due to non-availability of audit staff.

5.1.33 The above position would indicate that there was no audit planning at all and the audit was taken up as and when found necessary and on adhoc basis.

Government stated (December 2004) that arrears in audit would be cleared after the vacancies are filled up.

¹ Aranthangi, Cuddalore, Dharapuram, Kallakurichi, Madurai, Nagapattinam, Pudukottai, Saidapet, Salem, Sankarankoil, Sivagangai, Sivakasi, Thanjavur, Theni, Thiruvannamalai, Villupuram and Virudhunagar.

Pendency in Inspection Reports issued by Internal Audit

Response to audit objections was poor.

5.1.34 The following is the position of pending Internal Audit paras pertaining to offices other than PHCs.

Description	Number of	
	Reports	Paras
Number of paras pending as on 1 April 2001	467	4000
Number of paras issued during 2001-04 (upto December 2003)	89	2627
Total	556	6627
Paras settled during 2001-04 (upto December 2003)	NA	998
Number of paras pending settlement as on 1 January 2004	NA	5629

NA: Not Available

(Yearwise break-up of paras pending settlement was not furnished by the Directorate)

5.1.35 The position of pending paras relating to PHCs is as follows:

Number of paras pending as on 31 March 2002	5448
Number of paras issued during 1 April 2002 to 31 March 2004	2867
Total	8315
Number of paras settled upto 31 March 2004	3889
Number of paras pending as on 31 March 2004	4426

(Yearwise break-up of paras pending settlement was not furnished by the Directorate)

5.1.36 This indicated that there was a lot of scope for improving the appropriate follow up of audit observations by PHCs.

5.1.37 The pendency of paragraphs of Inspection Reports (IRs) issued by the Principal Accountant General (Civil Audit) up to 31 March 2004 as on 30 September 2004 is tabulated below:

Year	Number of	
	IRs	Paragraphs
1991-1992	1	1
1995-1996	2	5
1996-1997	1	1
1997-1998	3	4
1998-1999	4	6
1999-2000	17	36
2000-2001	14	30
2001-2002	18	51
2002-2003	36	145
2003-2004	31	196
Total	127	475

The above pendency indicated inadequate response to audit observations, and neglect of an essential control.

Diversion of audit personnel

5.1.38 The audit parties were diverted for other works in Directorate such as verification of service registers, pay fixation, pay anomaly, regularisation of service etc.

Conclusions

5.1.39 The effectiveness of the internal audit in the DPH & PM was diluted due to various factors like non-availability of internal audit manual, vacancies in audit posts, utilisation of audit staff for work other than audit and *ad hoc* planning for audit of various institutions.

Recommendations

- Internal Audit Manual may be approved early by the Government.
- The personnel of the internal audit wing should not be diverted for other works.

The above points were referred to Government in August 2004. Government responded (December 2004) to some of these points as reflected in the paragraphs above.

Chennai
The

1 JUN 2005



(SANJEEV SALUJA)

Principal Accountant General (Civil Audit)
Tamil Nadu and Pondicherry

Countersigned



New Delhi
The

13 JUN 2005

(VIJAYENDRA N. KAUL)

Comptroller and Auditor General of India

APPENDICES

TYPEADICE2

Appendix I
(Reference: paragraph 1.4; page 4)
Time series data on State Government finances

(Rupees in crore)

	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	Average
Part A. Receipts						
1. Revenue Receipts	16328 (41)	18317 (41)	18818 (42)	20837 (36)	23706(38)	19601
(i) Tax Revenue	10919 (67)	12282 (67)	13010 (69)	14342 (69)	15945(67)	13300
Taxes on Agricultural Income	18	5	2	2	1	6
Taxes on Sales, Trade, etc	7024	8197 (67)	8386 (65)	9590 (67)	11005(69)	8840
State Excise	1834	1869 (15)	2058 (16)	2114 (15)	1657(10)	1906
Taxes on vehicles	578	590 (5)	648 (5)	746 (5)	934(6)	699
Stamps and Registration fees	818	910 (7)	1138 (9)	1079 (8)	1316(8)	1052
Land Revenue	47	56 (1)	50	8	18	36
Taxes on goods and passengers	223	242 (2)	283 (2)	489 (3)	611(4)	370
Other Taxes	377	413 (3)	445 (3)	314 (2)	403(3)	390
(ii) Non Tax Revenue	1357	1711 (9)	1557 (8)	1861 (9)	2094(9)	1716
(iii) State's share of Union taxes and duties	2667	2784 (15)	2870 (15)	3047 (15)	3544(15)	2982
(iv) Grants in aid from Government of India	1385	1540 (8)	1381 (8)	1587 (7)	2123(9)	1603
2. Miscellaneous Capital Receipts	..	..	..	..	..	..
3. Recoveries of Loans and Advances	314(1)	359(1)	324 (1)	433 (1)	575(1)	401
4. Total Revenue and Non debt capital receipts (1+2+3)	16642	18676	19142	21270	24281	20002
5. Public Debt Receipts	3711 (9)	4731 (11)	4522 (10)	9396 (16)	9723(16)	6417
Internal Debt (excluding Ways and Means Advances and Overdrafts)	1288	4665	3609	7347	8700	5122
Net transactions under Ways and Means Advances and Overdrafts	412	..	..	1129	..	308
Loans and Advances from Government of India	2011	66	913	920	1023	987
6. Total Receipts in the Consolidated Fund (4+5)	20353	23407	23664	30666	34004	26419
7. Contingency Fund Receipts	..	..	1	..	..	..
8. Public Account Receipts	19545(49)	21286(47)	21209 (47)	27156	28107(45)	23461
9. Total Receipts of the State (6+7+8)	39898	44693	44874	57822	62111	49880
Part B. Expenditure/Disbursement						
10. Revenue Expenditure	20728 (94)	21753 (92)	21557 (90)	25688 (92)	25271(85)	22999
Plan	2341	2336 (11)	2427 (11)	2973 (12)	4436(18)	2903
Non Plan	18387	19417 (89)	19130 (89)	22715 (88)	20835(82)	20097
General Services (including interest payments)	7743	8354	8921	9895	10589	9100
Social Services	7644	7792	7677	7974	8598	7937
Economic Services	4316	4628	4242	6262	4607	4811
Grants-in-aid and contributions	1025	979	717	1557	1477	1151
11. Capital Expenditure	645 (3)	1547 (6)	1778 (8)	1628 (6)	3590(12)	1838
Plan	1447	1867	1659 (93)	1498 (92)	3469(97)	1988
Non Plan	(-) 802 [#]	(-) 320 [#]	119 (7)	130 (8)	121(3)	(-) 150
General Services	156	152	151	174	253	177
Social Services	270	634	666	616	1512	740
Economic Services	219	761	961	838	1825	921
12. Disbursement of Loans and Advances	651(3)	453(2)	547 (2)	696 (2)	1011(3)	672
13. Total (10+11+12)	22024	23753	23882	28012	29872	25509
14. Repayments of Public Debt	603 (2)	855(2)	1076(2)	2144 (4)	3948(6)	1725
Internal Debt (excluding Ways and Means Advances and Overdrafts)	132	163	346	537	732	382
Net transactions under Ways and Means Advances and Overdraft	..	170	140	..	55	73
Loans and Advances from Government of India	471	522	590	1607	3161	1270
15. Appropriation to Contingency Fund	..	..	..	..	..	..
16. Total disbursement out of Consolidated Fund (13+14+15)	22627	24608	24958	30156	33820	27234
17. Contingency Fund disbursements	..	1	..	..	..	..
18. Public Account disbursements	17213	19944	20059	27578	27196	22398
19. Total disbursement by the State (16+17+18)	39840	44553	45017	57734	61016	49632
Part C. Deficits						
20. Revenue Deficit (1-10)	4400	3436	2739	4851	1565	3398
21. Fiscal Deficit (4-13)	5382	5077	4740	6742	5591	5506
22. Primary Deficit (21-23)	2671	1953	1227	2609	891	1870
Part D. Other data						
23. Interest Payments (included in revenue expenditure)	2711	3124	3513	4133	4700	3636
24. Arrears of Revenue (Percentage of Tax and non-tax Revenue Receipts)	8664(71)	8707 (62)	9171(63)	9424 (58)	7247 (40)	8643
25. Financial Assistance to local bodies etc.,	4221	3970	2977	5988	5128	4457
26. Ways and Means Advances/Overdraft availed (days)						
Ways and Means Advances availed (days)	3761(202)	5152 (219)	4855 (206)	8624 (284)	1710 (41)	4820
Overdraft availed (days)	1486(55)	1713 (76)	4110 (148)	1911 (71)	..	1844
27. Interest on Ways and Means Advances/Overdraft	8	16	27	24	9	17
28. Gross State Domestic Product (GSDP) [#]	126449	141109	143517	154566	170530	147234
29. Outstanding Fiscal liabilities (year end)-	28430	33421	37933	43915	49445	38629
30. Outstanding guarantees (year end) (including interest)	5654	6780	8570	8677	10098	7956
31. Maximum amount guaranteed (year end)	10223	11027	14695	16353	18843	14228
32. Number of incomplete projects	16	20	59	45	59	40
33. Capital blocked in incomplete projects	215	304	824	373	552	454

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

[#] Minus figures mainly due to conversion of equity in Tamil Nadu Electricity Board to tariff compensation

@ GSDP figures of all years revised adopting the figures communicated by Government

Appendix II
(Reference: paragraph 1.4; page 4)

Abstract of Receipts and Disbursements for the year 2003-2004

(Rupees in crore)

Receipts				Disbursements					
2002-2003	2003-2004			2002-2003	Non-Plan	Plan	Total	2003-2004	
Section-A: Revenue									
20836.74	I	Revenue receipts	23705.71	25687.70	I	Revenue expenditure-		25270.95	
14341.71		-Tax revenue	15944.97	9894.91		General services	10556.22	32.89	10589.11
1860.62		-Non-tax revenue	2093.79	7974.05		Social Services-	6242.59	2355.18	8597.77
				4145.33		-Education, Sports, Art and Culture	3971.99	203.08	4175.07
				1187.88		-Health and Family Welfare	865.01	337.95	1202.96
3047.57		-State's share of Union Taxes	3544.20	443.53		-Water Supply, Sanitation, Housing and Urban Development	190.86	365.84	556.70
				20.79		-Information and Broadcasting	22.91	0.89	23.80
454.76		-Non-Plan grants	532.19	505.13		-Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	230.17	318.42	548.59
602.50		-Grants for State Plan Scheme	936.44	114.62		-Labour and labour Welfare	142.92	2.13	145.05
				1531.56		-Social Welfare and Nutrition	798.14	1125.80	1923.94
529.58		-Grants for Central and Centrally sponsored Plan Schemes	654.12	25.21		-Others	20.59	1.07	21.66
				6261.62		Economic Services-	2707.47	1899.93	4607.40
				1143.51		-Agriculture and Allied Activities	572.84	529.25	1102.09
				608.94		-Rural Development	120.84	784.46	905.30
				15.74		-Special Areas Programmes	0.48	14.76	15.24
				486.10		-Irrigation and Flood control	412.31	125.43	537.74
				2002.27		-Energy	250.77	189.33	440.10
				300.30		-Industry and Minerals	113.87	111.24	225.11
				367.59		-Transport	360.28	90.96	451.24
				3.07		-Science, Technology and Environment	0.35	25.95	26.30
				1334.10		-General Economic Services	875.73	28.55	904.28
				1557.12		Grants-in-aid and Contributions- Total	1328.93	147.74	1476.67
4850.96	II	Revenue deficit carried over to Section B	1565.24	25687.70	II	Revenue Surplus carried over to Section B	20835.21	4435.74	25270.95
25687.70		Total	25270.95	25687.70		Total			25270.95
Section-B : Others									
81.80	III	Opening Cash balance including Permanent Advances and Cash Balance Investment	169.35		III	Opening Overdraft from Reserve Bank of India			579.63
	IV	Miscellaneous Capital receipts		1627.54	IV	Capital Outlay-			3589.91
				173.45		General Services-	88.26	164.13	252.39
				616.07		Social Services-	32.08	1480.17	1512.25
				13.60		-Education, Sports, Art and Culture	(-) 0.36	79.43	79.07
				48.37		-Health and Family Welfare		65.91	65.91
				538.36		-Water Supply, Sanitation, Housing and Urban Development	30.28	1250.55	1280.83
				0.61		-Information and Broadcasting	1.25	2.06	3.31
				14.34		-Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes		75.17	75.17

2002-2003	2003-2004		2002-2003	Non-plan		Plan	Total	2003-2004
	Section-B: Others (concl'd)							
			0.27	-Social Welfare and Nutrition	..	5.42	5.42	
			0.52	-Others	0.91	1.63	2.54	
			838.02	Economic Services-	0.51	1824.76	1825.27	
			98.11	-Agriculture and Allied Activities	0.58	97.09	97.67	
			1.65	-Rural Development	..	0.66	0.66	
			14.95	-Special Areas Programmes	..	13.91	13.91	
			303.01	-Irrigation and Flood Control	..	245.29	245.29	
			25.00	-Energy	..	200.00	200.00	
			19.80	-Industry and Minerals	(-) 0.93	0.07	(-) 0.86	
			374.63	-Transport	0.86	1230.08	1230.94	
			0.87	-General Economic Services	..	37.66	37.66	
			1627.54	Total	120.85	3469.06	3589.91	
432.69	V	Recoveries of Loans and Advances-	574.55	696.65	V	Loans and Advances disbursed-		1010.57
50.75		-From Power Projects	34.00	45.17		-For Power Projects	163.01	
110.46		-From Government Servants	102.98	111.92		-To Government Servants	85.06	
271.48		-From Others	437.57	539.56		-To Others	762.50	
				4850.96	VI	Revenue deficit brought down		1565.24
9396.40	VI	Public debt receipts-	9723.32	2144.49	VII	Repayment of Public debt-		3948.33
7347.40 ⁽⁹⁾		-External debt	..	..		-External debt	..	..
		-Internal debt other than Ways and Means Advances and overdraft	8700.33	537.74		-Internal debt other than Ways and Means Advances and Overdraft	732.41	
549.79		- Net transactions under Ways and Means Advances	..	..		- Net transactions under Ways and Means Advances	55.09	
579.63		- Net transactions under overdraft	..	..		
919.58		-Loans and Advances from Central Government	1022.99	1606.75		-Repayment of Loans and Advances to Central Government	3160.83	
..	VII	Appropriation to Contingency Fund	..	..	VIII	Appropriation to Contingency Fund	..	..
..	VIII	Amount transferred to Contingency Fund	..	..	IX	Expenditure from Contingency Fund	..	..
27155.49	IX	Public Account receipts-	28106.63	27577.39	X	Public Account disbursements-		27195.59
2895.15		-Small Savings and Provident Funds	2687.58	2606.26		-Small Savings and Provident Funds	2425.43	
(-) 159.32		-Reserve Funds	736.54	432.66		-Reserve Funds	678.18	
12044.44		-Suspense and Miscellaneous	12286.24	11150.13		-Suspense and Miscellaneous	11820.91	
4262.69		-Remittance	3653.73	4308.40		-Remittances	3540.83	
8112.53		-Deposits and Advances	8742.54	9079.94		-Deposits and Advances	8730.24	
..	X	Closing Overdraft from Reserve Bank of India	..	169.35	XI	Cash Balance at end-		684.58
				6.55		-Cash in Treasuries and Local Remittances	2.70	
				155.69		-Deposits with Reserve Bank	80.50	
				7.11		-Departmental Cash Balance including permanent Advances	7.65	
				..		-Cash Balance Investment	593.73	
37066.38	Total		38573.85	37066.38	Total			38573.85

Appendix III

(Reference: paragraph 1.4; page 4)

Sources and Applications of Funds

(Rupees in crore)

2002-2003	Sources	2003-2004
20836.74	1. Revenue receipts	23705.71
432.69	2. Recoveries of Loans and Advances	574.55
7251.91	3. Increase in Public debt other than overdraft	5774.99
..	4. Increase in overdraft	..
288.89	5. Net receipts from Public Account:	
	Increase in Small Savings and Provident Funds	262.15
(-) 967.41	Increase in Deposits and Advances	12.30
(-) 591.98	Increase in Reserve Funds	58.36
894.31	Net effect of suspense and Miscellaneous transactions	465.33
(-) 45.71	Net effect of Remittance transactions	112.90
..	6. Net effect of Contingency Fund transactions	..
..	7. Decrease in closing cash balance	..
28099.44	Total	30966.29
2002-2003	Applications	2003-2004
25687.70	1. Revenue expenditure	25270.95
696.65	2. Lending for development and other purposes	1010.57
1627.54	3. Capital expenditure	3589.91
..	4. Decrease in overdraft	579.63
87.55	5. Increase in closing cash balance	515.23
28099.44	Total	30966.29

Appendix IV

(Reference: paragraphs 1.4, 1.8.1 and 1.8.2; pages 4 and 14)

Summarised Financial Position of the Government of Tamil Nadu as on 31 March 2004

(Rupees in crore)

As on 31.03.2003	Liabilities	As on 31.03.2004
21997.64	Internal Debt -	29330.84
8999.85	Market Loans bearing interest	11537.41
4.34	Market Loans not bearing interest	4.15
958.88	Loans from Life Insurance Corporation of India	944.02
10803.52	Loans from other Institutions	16248.93
651.42	Ways and Means Advances	596.33
579.63	Overdrafts from Reserve Bank of India	..
11564.74	Loans and Advances from Central Government -	9426.90
85.90	Pre 1984-85 Loans	65.92
2839.53	Non-Plan Loans	229.82
8520.11	Loans for State Plan Schemes	9010.34
30.79	Loans for Central Plan Schemes	29.56
88.41	Loans for Centrally Sponsored Plan Schemes	91.26
150.00	Contingency Fund	150.00
6669.44	Small Savings, Provident Funds, etc.	6931.59
3092.81	Deposits	3106.89
623.68	Reserve Funds	683.14
205.49	Remittance Balances	318.39
44303.80		49947.75
	Assets	
14222.22 [@]	Gross Capital Outlay on Fixed Assets -	17812.11
2992.74	Investments in shares of Companies, Corporations, etc.	2257.13
11229.48	Other Capital Outlay	1554.98
4611.54	Loans and Advances -	5047.56
256.86	Loans for Power Projects	385.87
3799.39	Other Development Loans	4131.22
555.29	Loans to Government servants and Miscellaneous loans	530.47
33.15	Reserve Fund Investments	34.26
6.85	Advances	8.64
(-) 549.52	Suspense and Miscellaneous Balances	(-) 950.40
169.35	Cash -	684.58
6.55	Cash in Treasuries and Local Remittances	2.70
155.69	Deposits with Reserve Bank	80.50
1.21	Departmental Cash Balance	1.71
5.90	Permanent Advances	5.94
..	Cash Balance Investments	593.73
25816.22	Deficit on Government Account -	27311.00
4850.96	(i) Revenue Deficit of the current year	1565.24
(-) 714.92	(ii) Miscellaneous Deficit	(-) 64.45
21680.18	Accumulated deficit up to 31 March 2003	25810.21 [@]
44309.81 ^A		49947.75

[@] Differs from the figures shown in the last years' Account due to proforma correction^A Difference between assets and liabilities on 31.03.2003 is due to proforma corrections as stated at [@]**Explanatory Notes for Appendices II, III and IV:**

The abridged accounts in the foregoing statements have to be read with comments and explanations in the Finance Accounts.

Government accounts being mainly on cash basis, the deficit on Government account, as shown in Appendix IV, 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. Suspense and Miscellaneous balances include cheques issued but not paid, payments made on behalf of the State and other pending settlements etc.

There was a difference of Rs 2532.14 lakh (net credit) 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 53.82 lakh (net debit) had been reconciled (April 2004) leaving a balance of net credit of Rs 2590.46 lakh.

Appendix V

(Reference: paragraph 1.4; page 4)

List of rates/terms used in Chapter I and basis for their calculation

Terms	Basis for calculation
Buoyancy of a parameter	Rate of Growth of the parameter / GSDP Growth
Buoyancy of a parameter (X) with respect to another parameter (Y)	Rate of Growth of the parameter (X)/ Rate of Growth of the parameter (Y)
Rate of Growth (ROG)	$[(\text{Current year Amount}/\text{Previous year Amount}) - 1] * 100$
Trend / Average rate of growth over a period of five years	$(\text{LOGEST (Amount of 1998-99:Amount of 2003-2004)} - 1) * 100$
Average ratio of one parameter to another over five years	Average of parameter (x) over five years / Average of parameter (y) over five years
Development Expenditure	Social Services + Economic Services+ Grants-in-aid
Weighted Interest Rate (Average interest paid by the State)	Interest payment/ $[(\text{Amount of previous year's Fiscal Liabilities} + \text{Current year's Fiscal Liabilities})/2] * 100$
Interest spread	GSDP growth – Weighted Interest rates
Interest received as <i>per cent</i> to Loans Advanced	Interest Received $[(\text{Opening balance} + \text{Closing balance of Loans and Advances})/2] * 100$
Revenue Deficit	Revenue Expenditure - Revenue Receipt
Fiscal Deficit	Revenue Expenditure + Capital Expenditure + Net Loans and Advances given – Revenue Receipts – Miscellaneous Capital Receipts
Primary Deficit	Fiscal Deficit – Interest Payments
Balance from Current Revenues (BCR)	Revenue Receipts minus all Plan grants (under Major Head 1601-02,03,04) and Non-Plan revenue expenditure

Appendix VI

(Reference: paragraph 1.7.5; page 14)

Cases of misappropriation pending action as on 30 June 2004

(i) Department-wise analysis

(Rupees in lakh)

Sl. No.	Department	Number of cases	Amount
1.	Agriculture	40	216.48
2.	Animal Husbandry and Fisheries	1	87.85
3.	Commercial Taxes and Religious Endowments	8	100.96
4.	Co-operation, Food and Consumer Protection	1	0.14
5.	Education	25	59.99
6.	Environment and Forests	1	0.30
7.	Finance	7	6.97
8.	Handloom, Handicrafts, Textiles and Khadi	3	0.71
9.	Health and Family Welfare	30	35.92
10.	Home	3	7.45
11.	Labour and Employment	2	3.53
12.	Public	1	1.92
13.	Revenue	232	44.10
14.	Rural Development	11	12.19
15.	Social Welfare and Nutritious Meal Programme	7	1.05
16.	Transport	2	10.11
Total		374	589.67

(ii) Year-wise analysis

(Rupees in lakh)

Year	Number of cases	Amount
Up to 1997-98	333	156.87
1998-99	12	10.29
1999-2000	7	13.72
2000-2001	3	99.92
2001-2002	4	88.72
2002-2003	8	166.89
2003-2004	7	53.26
Total	374	589.67

Appendix VII

(Reference: paragraph 1.7.6; page 14)

Cases of shortages, etc., reported to Audit

(i) Department-wise analysis

(Rupees in lakh)

Sl. No.	Department	Number of cases	Amount
1.	Agriculture	146	110.13
2.	Animal Husbandry and Fisheries	42	5.41
3.	Backward classes and Social Welfare	2	2.73
4.	Education	24	4.04
5.	Environment and Forests	7	8.61
6.	Finance	5	5.77
7.	Health and Family Welfare	25	21.17
8.	Home	1	..
9.	Labour and Employment	1	2.61
10.	Public	1	0.03
11.	Public Works	2808	1646.97
12.	Revenue	8	1.67
13.	Rural Development	10	7.76
14.	Transport	1	1.97
Total		3081	1818.87

(ii) Year-wise analysis

(Rupees in lakh)

Year	Number of cases	Amount
Up to 1997-98	2083	770.49
1998-99	468	470.81
1999-2000	118	204.38
2000-2001	102	48.74
2001-2002	137	78.05
2002-2003	136	206.01
2003-2004	37	40.39
Total	3081	1818.87

Appendix VIII

(Reference: paragraph 1.8.8; page 15)

Summarised financial position of the Government Commercial/Quasi commercial undertakings

(Rupees in lakh)

Name of the Department	Year of commencement	Period of accounts	Capital at close	Net block of assets	Cumulative Depreciation	Turnover	Net profit (+)/ 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	
Agriculture												
Government Agricultural Engineering Workshop, Chennai	1952	2001-02	783.64	9.34	*	37.56	(-) 50.94	(-) 58.99	760.64	-	-	-

* The workshop had not been providing depreciation as the provision towards depreciation made up to the year 1995-96 had exceeded the historical cost of the fixed assets. The depreciation reserve fund account was therefore closed.

Appendix IX

(Reference: paragraph 2.3.2; page 28)

Excess over provision of previous years requiring regularisation

(Rupees in crore)

Year	Number of grants/appropriations	Grant/appropriation numbers	Amount of excess	Stage of consideration by Public Accounts Committee (PAC)
1997-1998	7 Grants	19,20,23,26,35, 38 and 45	299.42	Explanatory notes are awaited. Not yet discussed by PAC
	5 Appropriations	15,29,35,45 and 55		
1998-1999	16 Grants	3,5,6,17,20,27, 30,33,35,38,39, 40,48,50,52 and 57	232.85	Explanatory notes are awaited. Not yet discussed by PAC
	2 Appropriations	Debt Charges and 45		
1999-2000	9 Grants	2,17,26,33,35,38, 41,45 and 46	362.99	Explanatory notes are awaited. Not yet discussed by PAC
	1 Appropriation	29		
2000-2001	6 Grants	6, 21, 29, 35, 47 and 61	2239.47	Explanatory notes are awaited. Not yet discussed by PAC
	7 Appropriations	Debt Charges, 29, 35, 41, 42, 54 and Public Debt-Repayment		
2001-2002	3 Grants	32, 35 and 41	379.38	Explanatory notes are awaited. Not yet discussed by PAC.
	4 Appropriations	16, 42, 54 and Public Debt-Repayment		
2002-2003	12 Grants	Revenue – 1, 14, 16, 20, 35, 38, 48 and 49	2436.71	Explanatory notes are awaited. Not yet discussed by PAC.
	4 Appropriations	Capital – 6 and 26 Loans – 5, 20 and 40 Revenue – 1 and 21 Capital – 20 Loans – Public Debt – Repayment		
Total			5950.82	

Appendix X

(Reference: paragraph 2.3.3; page 28)

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.	5 Agriculture Department (Capital)	61939000	62128071	189071
2.	27 Information and Tourism Department - Information and Publicity (Capital)	128000	170765	42765
3.	28 Information and Tourism Department - Tourism (Capital)	11793000	12589000	796000
4.	33 Municipal Administration and Water Supply Department (Revenue)	10050820000	10151613119	100793119
5.	40 Rural Development Department (Revenue)	19219543000	19274203590	54660590
6.	43 Social Welfare and Nutritious Meal Programme Department (Capital)	46490000	47365394	875394
7.	47 Youth Welfare and Sports Development Department (Capital)	31720000	33505000	1785000
Charged Appropriations -				
8.	1 State Legislature (Revenue)	2804000	3141916	337916
9.	14 Environment and Forest Department (Revenue)	293000	523355	230355
10.	38 Public Works Department (Revenue)	5211000	5326013	115013
11.	48 Pension and Other Retirement Benefits (Revenue)	463000	596181	133181
12.	Debt Charges (Revenue)	45609770000	46995868413	1386098413
Total Voted		29422433000	29581574939	159141939
Total Charged		45618541000	47005455878	1386914878
Grand Total		75040974000	76587030817	1546056817

Appendix XI

(Reference: paragraph 2.3.7; page 28)

Grants/Appropriations where expenditure fell short of original provision augmented by supplementary provision

(In thousands of Rupees)

Sl. No.	Grant Number	Original provision	Actual expenditure	Supplementary provision	Savings out of Original provision
Revenue:					
1	01	129789	115300	3	14489
2	02	107320	105489	6036	1831
3	03	1444717	1262154	4218	182563
4	04	3835033	3486734	11469	348299
5	06	1769850	1532511	8274	237339
6	10	4466009	3236282	8	1229727
7	11	812084	794756	63386	17328
8	17	580507	512416	3	68091
9	18	13450188	11591998	25480	1858190
10	19	7368369	5755453	9020	1612916
11	20	6198464	5479320	655171	719144
12	21	12371020	10717742	36524	1653278
13	22	647005	607297	6	39708
14	23	630802	623322	6797	7480
15	24	421591	344535	4	77056
16	26	413273	320732	4	92541
17	27	284995	266434	52455	18561
18	28	262644	248100	12	14544
19	29	597473	500250	15910	97223
20	30	83689	56652	2	27037
21	31	1781094	1545936	8583	235158
22	34	223585	203443	6	20142
23	36	265561	221017	15486	44544
24	37	820430	723484	2629	96946
25	39	8836279	8103234	45	733045
26	41	41807995	34338605	20	7469390
27	42	638705	375363	6	263341
28	44	414742	360522	4014	54220
29	45	281011	238397	3	42614
30	47	261623	235533	7	26090
31	48	42297135	32929594	12	9367541

(In thousands of Rupees)					
Sl. No.	Grant Number	Original provision	Actual expenditure	Supplementary provision	Savings out of Original provision
	Capital:				
1	09	52608	40053	498	12555
2	12	82676	67402	4464	15274
3	14	1134468	951739	10	182729
4	18	352701	319572	3	33129
5	21	1528953	1034893	1	494060
6	25	826980	617180	1	209800
7	33	5450003	4794167	2	655836
8	35	66883	63462	2	3421
9	38	5298456	4353255	452112	945201
10	40	128451	925	1	127526
11	42	21353	4233	1	17120
Total of Revenue		153502982	126832605	925593	26670376
Total of Capital		14943532	12246881	457095	2696651
Grand Total		168446514	139079486	1382688	29367027
		16844.65 crore		138.27 crore	

Appendix XII

(Reference: paragraphs 2.3.7 and 2.3.8; pages 28 and 29)

Grants/Appropriations where Supplementary provision obtained in March 2004 proved unnecessary

(Rupees in lakh)

Sl. No.	Number and title of grant/appropriation	Supplementary provision (March 2004)	Final saving
Voted Grants -			
Revenue			
1.	1 State Legislature	0.03	144.92
2.	2 Governor and Council of Ministers	60.36	78.67
3.	3 Administration of Justice	0.10	1867.81
4.	4 Adi Dravidar and Tribal Welfare Department	0.35	3597.68
5.	6 Animal Husbandry and Fisheries Department-Animal Husbandry	0.24	2456.13
6.	10 Commercial Taxes Department – Commercial Taxes	0.08	12297.35
7.	11 Commercial Taxes Department – Stamps and Registration	633.86	807.14
8.	13 Energy Department	0.03	2495.37
9.	17 Handlooms, Handicrafts, Textiles and Khadi Department – Khadi, Village Industries and Handicrafts	0.03	680.94
10.	18 Health and Family Welfare Department	1.15	18836.70
11.	19 Higher Education Department	0.30	16219.36
12.	20 Highways Department	655.71	13743.15
13.	21 Home Department – Police	0.90	16898.02
14.	22 Home Department – Fire and Rescue Services	0.06	397.14
15.	23 Home Department – Prisons	67.97	142.77
16.	24 Home Department – Motor vehicles Acts – Administration	0.04	770.60
17.	26 Industries Department	0.04	925.44
18.	27 Information and Tourism Department - Information and Publicity	0.05	710.16
19.	28 Information and Tourism Department – Tourism	0.12	145.56
20.	29 Information and Tourism Department – Stationery and Printing	0.02	1131.33
21.	30 Information Technology Department	0.02	270.39
22.	31 Labour and Employment Department	0.19	2437.41
23.	34 Personnel and Administrative Reforms Department	0.06	201.48
24.	35 Planning and Development Department	0.07	221.34
25.	36 Prohibition and Excise Department	154.86	600.30
26.	37 Public Department	0.29	995.75

(Rupees in lakh)

Sl. No.	Number and title of grant/appropriation		Supplementary provision (March 2004)	Final saving
27.	39	Revenue Department	0.45	7330.90
28.	41	School Education Department	0.20	74694.10
29.	42	Small Industries Department	0.06	2633.48
30.	43	Social Welfare and Nutritious Meal Programme Department	3110.02	3156.31
31.	44	Tamil Development - Culture and Religious Endowments Department - Tamil Development - Culture	0.14	582.34
32.	45	Tamil Development - Culture and Religious Endowments Department - Hindu Religious and Charitable Endowments	0.03	426.17
33.	47	Youth Welfare and Sports Development Department	0.07	260.97
34.	48	Pension and Other Retirement Benefits	0.12	93675.53
Capital				
1.	9	Backward Classes, Most Backward Classes and Minorities Welfare Department	4.98	130.53
2.	12	Cooperation, Food and Consumer Protection Department	44.64	197.38
3.	14	Environment and Forests Department	0.10	1827.39
4.	18	Health and Family Welfare Department	0.03	331.32
5.	19	Higher Education Department	15.89	53.98
6.	21	Home Department - Police	0.01	4940.61
7.	25	Housing and Urban Development Department	0.01	2098.01
8.	33	Municipal Administration and Water Supply Department	0.02	6558.38
9.	35	Planning and Development Department	0.02	34.23
10.	38	Public Works Department	0.62	13973.13
11.	40	Rural Development Department	0.01	1275.27
12.	42	Small Industries Department	0.01	171.21
Total			10650.36	313424.15
Charged Appropriations -				
Revenue				
1.	2	Governor and Council of Ministers	0.01	38.80
2.	3	Administration of Justice	51.67	216.16
3.	9	Backward Classes, Most Backward Classes and Minorities Welfare Department	29.10	29.17
4.	10	Commercial Taxes Department - Commercial Taxes	0.79	0.81
5.	45	Tamil Development - Culture and Religious Endowments Department - Hindu Religious and Charitable Endowments	0.01	0.70
Loans				
1.		Public Debt - Repayments	0.09	473674.15
Total			81.67	473959.79
Grand Total			10732.13	1261058.08

Appendix XIII

(Reference: paragraph 2.3.9; page 29)

Grants/Appropriation where Supplementary provision obtained during 2003-2004 proved insufficient by more than Rs one crore each

(Rupees in lakh)

Sl. No.	Number and title of grant/ appropriation	Total Supplementary grant/ appropriation	Final excess
<i>Voted Grants - Revenue</i>			
1.	33 Municipal Administration and Water Supply Department	0.11	1007.93
2.	40 Rural Development Department	7545.11	546.61
<i>Charged Appropriation</i>			
	Debt Charges	1470.24	13860.98
Total	Voted	7545.22	1554.54
	Charged	1470.24	13860.98

Appendix XIV

(Reference: paragraph 2.3.10; page 29)

Statement showing cases where expenditure fell short by more than Rs one crore each and also by 15 per cent or more of the total provision

Sl. No.	Number and title of grant/appropriation	Amount of saving in Rupees in crore (Percentage of provision)
Voted Grants -		
1.	7 Animal Husbandry and Fisheries Department - Fisheries (Capital)	1.97 (67)
Main reasons for saving: Savings mainly occurred under (i) Development of Landing facilities for Fishing Harbour (Rs 1.86 crore) and (ii) Construction of Masheer Hatchery buildings and laboratory buildings (Rs 0.25 crore). Saving was due to non-finalisation of tenders in two places under item (i) and orders issued to take up works up to Rs five lakh only under item (ii). Savings were offset by excess in certain heads shown in Appropriation Accounts.		
2.	8 Animal Husbandry and Fisheries Department - Dairy Development (Revenue)	2.28 (17)
Main reasons for saving: Savings mainly occurred under (i) Establishment of Directorate of Audit for Milk Co-operatives (Rs 1.07 crore) and (ii) Establishment staff of Milk Production and Dairy Development Department (Rs 0.65 crore), specific reasons for which have not been communicated (June 2004).		
3.	9 Backward Classes, Most Backward Classes and Minorities Welfare Department (Capital)	1.31 (25)
Main reasons for saving: Savings mainly occurred under (i) Construction of Hostel Buildings for students - Assistance to Tamil Nadu Backward Classes Economic Development Corporation for repayment of loan to Housing and Urban Development Corporation (Rs 1.31 crore), specific reasons for which have not been communicated (June 2004).		
4.	10 Commercial Taxes Department - Commercial Taxes (Revenue)	122.97 (28)
Main reasons for saving: Savings mainly occurred under (i) Assignments of Entertainment Tax to Local Bodies etc., (Rs 50.80 crore), (ii) Amount transferred to Infrastructure Development Fund (Rs 39.41 crore), (iii) District Establishment - Collection charges for Taxes on Sales (Rs 37.20 crore) and (iv) Circle Establishment - Collection charges for Taxes on Sales (Rs 1.35 crore), specific reasons for which have not been communicated (June 2004). Savings were offset by excess in certain heads shown in Appropriation Accounts.		
5.	12 Cooperation, Food and Consumer Protection Department (Capital)	1.97 (23)
Main reasons for saving: Savings mainly occurred under (i) Investments in Credit Co-operatives under the schemes of Integrated Co-operative Development Project (Rs 1.63 crore) and (ii) Margin Money Assistance to Consumer Co-operative wholesale stores (Rs 0.20 crore). Saving was due to remittance of unspent balance under item (i) and specific reason for item (ii) have not been communicated (June 2004).		
6.	13 Energy Department (Loans)	40.38 (19)
Main reasons for saving: Savings mainly occurred under (i) Loans to Tamil Nadu Electricity Board for Accelerated Power Development Programme (Rs 37.60 crore) and (ii) Loans to Tamil Nadu Electricity Board for Implementation of Rural Electrification under Pradhan Mantri's Gramodaya Yojana (Rs 3.38 crore), specific reasons for which have not been communicated (June 2004). Savings were offset by excess in certain heads shown in Appropriation Accounts.		

Sl. No.	Number and title of grant/appropriation	Amount of saving in Rupees in crore (Percentage of provision)
7.	14 Environment and Forest Department (Capital)	18.27 (16)
Main reasons for saving: Savings mainly occurred under (i) Tamil Nadu Afforestation project funded by Overseas Economic Co-operation Fund (Rs 21.75 crore) and (ii) Forestry Programme including communication under Hill area development programme (Rs 1.21 crore). Savings was due to closure of the scheme under item (i) and specific reasons for item (ii) have not been communicated (June 2004). Savings were offset by excess in certain heads shown in Appropriation Accounts.		
8.	15 Finance Department (Loans)	6.05 (30)
Main reasons for saving: Savings mainly occurred under (i) Marriage Advance - controlled by the Secretary to Government, Finance Department (Rs 2.43 crore), (ii) Other advances - controlled by the Commissioner of Treasuries and accounts (Rs 2.37 crore), (iii) Loans to Government Servants for purchase of Computers (Rs 0.97 crore) and (iv) Loans for Purchase of Motor Conveyances Under Personal Car For Official Use Scheme (PCOUS) (Rs 0.25 crore), specific reasons for which have not been communicated (June 2004).		
9.	19 Higher Education Department (Revenue)	162.19 (22)
Main reasons for saving: Savings mainly occurred under (i) Grants to Private colleges (Arts and Oriental colleges) (Rs 85.35 crore), (ii) Arts College (Men) (Rs 26.58 crore) (iii) Arts College (Women) (Rs 13.91 crore), (iv) Madurai Kamaraj university (Rs 11.26 crore), (v) Periyar University (Rs 6.06 crore), (vi) Assistance to Regional Engineering College, Tiruchirappalli (Rs 3.86 crore), (vii) Grants-in-Aid to Aided Polytechnic Colleges (Rs 6.63 crore), (viii) Government Polytechnic Colleges (Men) (Rs 3.56 crore), (ix) Manonmaniam Sundaranar University (Rs 3.64 crore) and (x) Anna University (Rs 2.60 crore). Savings under items (iv), (v), (vi), (vii), (ix) and (x) was due to reduction of funds under Grants-in-aid to the Universities. Specific reasons for items (i), (ii), (iii) and (viii) have not been communicated (June 2004).		
10.	20 Highways Department (Revenue)	137.43 (20)
Main reasons for saving: Savings mainly occurred under (i) Transfer of Amount to Road Maintenance Fund (Core Segment) (Rs 120.00 crore), (ii) Maintenance of Chennai City Roads with financial assistance from Chennai Corporation (Rs 6.91 crore), (iii) Rural Roads (Rs 2.42 crore), (iv) Executive Establishment (General) Highways and Rural Works (Rs 4.12 crore), (v) Programme for Special Employment - Road Schemes (Rs 1.98 crore), (vi) Executive Establishment (National Highways) (Rs 1.92 crore) and (vii) Execution workshops (General) Highways & Rural Works (Rs 1.30 crore). Saving was due to non-filling up of vacant post in different categories under item (v) and specific reasons have not been communicated for other items (June 2004). Savings were offset by excess in certain heads shown in Appropriation Accounts.		
11.	21 Home Department - Police (Capital)	49.41 (32)
Main reasons for saving: Savings mainly occurred under (i) Modernisation of Police (Rs 25.12 crore), (ii) Payment to Tamil Nadu Police Housing Corporation towards construction of quarters for Police Personnel (Rs 21.13 crore) and (iii) Payment to Tamil Nadu Police Housing Corporation for construction works - controlled by Director General of Police (Rs 4.83 crore), specific reasons for which have not been communicated (June 2004). Savings were offset by excess in certain heads shown in Appropriation Accounts.		
12.	24 Home Department - Motor Vehicles Act - Administration (Revenue)	7.71 (18)
Main reasons for saving: Savings mainly occurred under (i) Regional Transport Authority - Mofussil (Rs 2.80 crore), (ii) Computerisation of Registration and Licencing of Motor Vehicles in Transport Department (Rs 1.54 crore), (iii) Implementation of Road Safety Programme (Rs 0.84 crore), (iv) Inspection and Flying Squad (Rs 0.57 crore) and (v) Regional Transport Authority - Chennai city (Rs 0.60 crore). Saving was due to non-taking up of implementation of Phase II computerisation of Regional Transport Office at Valasaravakkam under item (ii) and specific reasons have not been communicated for other items (June 2004).		

Sl. No.	Number and title of grant/appropriation	Amount of saving in Rupees in crore (Percentage of provision)
13.	25 Housing and Urban Development Department (Capital)	20.98 (25)
	(Loans)	32.48 (29)
Main reasons for saving: Savings under capital mainly occurred under (i) Capital Assistance to Tamil Nadu Slum Clearance Board for resetting and improving the Slum Tenements under Chennai Metropolitan Development Plan in Chennai Region (Rs 10.00 crore), (ii) Assistance to Chennai Metropolitan Development Authority for repayment of loan and interest to Housing and Urban Development Corporation Limited for improvement to Radial Roads leading to Chennai City (Rs 4.60 crore) and (iii) Payment to Tamil Nadu Housing Board towards construction of housing complex for legislators (Rs 4.33 crore). Savings under item (i) was due to lesser provision made as Tamil Nadu Housing Board had not drawn any specific plan to implement the scheme within the stipulated time and under item (iii) was due to lesser provision made towards grants to Tamil Nadu Housing Board following the reduction of interest rate by the Financial Institutions and resetting of loans by the Board. Specific reasons have not been communicated for item (ii) (June 2004). Savings under loans mainly occurred under Loans to Government Servants for construction of houses (Rs 31.78 crore), specific reasons for which have not been communicated (June 2004).		
14.	26 Industries Department (Revenue)	9.25 (22)
Main reasons for saving: Savings mainly occurred under (i) Assistance to Tamil Nadu Industrial Investment Corporation towards share subsidy to Industrial units (Rs 7.00 crore) and (ii) Transfer of Sugarcane cess fund (Rs 1.08 crore). Savings were based on actual disbursement of share subsidy to Industrial Units under item (i) and was due to non-payment of cess amount by financially sick co-operative and Public Sector Sugar Mills under item (ii).		
15.	27 Information and Tourism Department – Information and Publicity (Revenue)	7.10 (21)
Main reasons for saving: Savings mainly occurred under (i) Publicity (Rs 2.78 crore), (ii) Scheme for Publicity and Information (Rs 1.14 crore), (iii) Headquarters staff (Rs 1.02 crore), (iv) Incentive Scheme for promoting low budget Tamil film of High Quality with a Social Content (Rs 0.75 crore) and (v) Information and Tourism Department (Rs 0.64 crore). Savings under item (ii) was due to ban on direct recruitment and recruitment on compassionate grounds, due to which the vacant posts could not be filled which resulted in non-utilisation of funds, under item (iii) was due to non-filling up of certain posts due to strike from July 2003 to January 2004 by Tamil Nadu Government Employees, under item (iv) due to non-incurring of the proposed expenditure on account of administrative reasons and item (v) was towards incurring of less expenditure on salary of the staff due to their participation in the strike and consequent mass dismissal /suspension of the employees. Specific reasons for item (i) have not been communicated (June 2004).		
16.	29 Information and Tourism Department - Stationery and Printing (Revenue)	11.31 (18)
Main reasons for saving: Savings mainly occurred under Central Press, Chennai (Rs 6.92 crore) specific reasons for which have not been communicated (June 2004).		
17.	30 Information Technology Department (Revenue)	2.70 (32)
Main reasons for saving: Savings mainly occurred under (i) Grants to Electronic Corporation of Tamil Nadu Limited for improving Information Technology (Rs 2.54 crore) and (ii) Tamil Virtual University (Rs 0.15 crore), specific reasons for which have not been communicated (June 2004).		
18.	31 Labour and Employment Department (Capital)	1.37 (44)
Main reasons for saving: Savings mainly occurred under (i) Development of Industrial Training Institutes - Land and Buildings (Rs 0.42 crore) and (ii) Starting of new Industrial Training Institutes for women (Rs 0.92 crore). Savings under item (i) was due to non-taking up of certain civil work by the Chief Engineer (Buildings) during the year, non-supply of certain items by the firm for which order was placed and under item (ii) was due to non-supply of certain equipments by the firms.		

Serial Number	Number and title of grant/appropriation	Amount of saving in Rupees in crore (Percentage of provision)
19.	32 Law Department (Revenue)	2.57 (28)
Main reasons for saving: Savings mainly occurred under (i) Law Colleges (Rs 1.34 crore), (ii) Constitution of Law Commission (Rs 0.44 crore), (iii) Law Department (Rs 0.38 crore) and (iv) Introduction of Computer Course in Government Law Colleges (Rs 0.22 crore). Savings was mainly due to withdrawal of provision under Salaries, Dearness Allowance and office expenses under items (i), (ii) and (iii) and specific reasons for item (iv) have not been communicated (June 2004).		
20.	36 Prohibition and Excise Department (Revenue)	6.00 (21)
Main reasons for saving: Savings mainly occurred under (i) Headquarters Establishment - Commissioner of Prohibition and Excise Department (Rs 2.83 crore), (ii) District Establishment - Distilleries and Bonded Warehouses (Rs 0.78 crore), (iii) District Establishment - Revenue Establishment (Rs 1.23 crore) and (iv) Rehabilitation of Prohibition Offenders (Rs 1.07 crore), specific reasons for which have not been communicated (June 2004).		
21.	38 Public Works Department (Capital)	139.73 (24)
Main reasons for saving: Saving mainly occurred under (i) Irrigation schemes under Rural Infrastructure Development Fund VIII and IX with loan assistance from National Bank for Agriculture and Rural Development (Rs 35.07 crore), (ii) Add - Percentage charges for establishment transferred from Major Head "2059. Public Works" (Rs 18.07 crore), (iii) Canals in Cauvery Delta District (Rs 24.69 crore), (iv) Buildings - Construction of hostel buildings for Backward Classes and Most Backward Class students (Rs 17.98 crore), (v) Chennai flood relief with Housing and Urban Development Corporation Assistance (Rs 19.57 crore), (vi) Integrated water Resources Management Project with Housing and Urban Development Corporation Loan Assistance (Rs 14.97 crore) and (vii) Spillway - Construction of Shenbagathope Reservoir with the loan assistance from National Bank for Agriculture and Rural Development (Rs 10.47 crore). Saving was mainly due to non-finalisation of land acquisition/tenders/additional quantity approval/revised design/revised administrative sanction under items (v), (vi) and (vii). Specific reasons for savings in the remaining items have not been communicated (June 2004). Savings were offset by excess in certain heads shown in Appropriation Accounts.		
22.	39 Revenue Department (Capital)	28.23 (49)
Main reasons for saving: Savings mainly occurred under Eleventh Finance Commission - Upgradation and Special Problem Grants - Construction of buildings in the newly created Districts - (Rs 28.23 crore). Saving was due to non-completion of work before 31 March 2004 taken up by the Public Works Department.		
23.	40 Rural Development Department (Capital)	12.75 (99)
Main reasons for saving: Savings mainly occurred under (i) Programme for Desilting small tanks village ponds and conveyances (Rs 10.27 crore) and (ii) Buildings for Community Development under Rural Development Programme (Rs 0.34 crore). Saving was mainly due to non-execution of works under items (i) and (ii).		
24.	41 School Education Department (Revenue)	746.94 (18)
Main reasons for saving: Savings mainly occurred under (i) Salaries to Panchayat Union Elementary School Teachers (Rs 254.35 crore), (ii) General - Government Secondary Schools (Rs 196.49 crore), (iii) Grants to non-government Elementary Schools (Rs 128.92 crore), (iv) General - Assistance to Non-Government Secondary Schools (Rs 55.34 crore), (v) Sarva Shiksha Abhiyan (Rs 26.02 crore), (vi) Salaries of Municipal and Corporation Elementary School Teachers (Rs 24.95 crore) and (vii) Salaries of Municipal and Corporation Secondary/Higher Secondary School Teachers (Rs 15.09 crore). Savings under item (iii) and (iv) were mainly due to non-filling up of 2071 secondary grade teacher posts. Under (v) savings was due to non-utilisation of Boarding grant due to the non-audit of the accounts of homes. Specific reasons have not been communicated (June 2004) for items (i), (ii), (vi) and (vii).		

Serial Number	Number and title of grant/appropriation	Amount of saving in Rupees in crore (Percentage of provision)
25.	42 Small Industries Department (Revenue) (Capital)	26.33 (41) 1.71 (80)
Main reasons for saving: Savings under Revenue mainly occurred under (i) Implementation of New Anna Marumalarchi Thittam (Rs 9.87 crore), (ii) Power Tariff to Small Scale Industries Unit (Rs 5.53 crore), (iii) Assistance for setting up of Industries (Rs 1.76 crore), (iv) Assistance to Small Scale Industries for Technology upgradation/Modernisation of Small Scale Industries Units (Rs 1.99 crore), (v) Headquarters staff (Rs 1.63 crore), (vi) District Industries Centre (Rs 1.24 crore), (vii) Assistance to New Small Scale Industries Units under National Equity Fund Scheme (Rs 0.91 crore) and (viii) Strengthening of Existing Industrial Infrastructure in Industrial Estates (Rs 0.80 crore), specific reasons for which have-not been communicated (June 2004). Savings under Capital mainly occurred under (i) Establishment of Modern Tool room and Training Centre at Coimbatore (Rs 1.21 crore), (ii) Modernisation of Central Electrical Testing Laboratory, Kakkalur (Rs 0.50 crore). Savings was due to non-receipt of contribution from Government of India under item (i) and non-receipt of approval of Government of India for purchase of equipments under item (ii).		
26.	45 Tamil Development - Culture and Religious Endowments Department - Hindu Religious and Charitable Endowments (Revenue)	4.26 (15)
Main reasons for saving: Savings mainly occurred under (i) Headquarters staff (Rs 2.29 crore), (ii) District Staff (Rs 1.31 crore) and (iii) Audit Staff (Rs 0.80 crore), specific reasons for which have not been communicated (June 2004). Savings were offset by excess in certain heads shown in Appropriation Accounts.		
27.	48 Pension and Other Retirement Benefits (Revenue)	936.76 (22)
Main reasons for saving: Savings mainly occurred under (i) Dearness Allowance to Pensioners (Rs 359.39 crore), (ii) Commuted value of Pensions (Rs 128.93 crore), (iii) Death-cum-Retirement Gratuities to Tamil Nadu Government Pensioners (Rs 72.76 crore), (iv) Commuted value of pensions to Teachers of Aided Schools and Schools of Local Bodies (Rs 38.85 crore), (v) Family Pensions (Rs 36.20 crore), (vi) Gratuities (Rs 17.08 crore), (vii) Payment to Tamil Nadu Government Pensioners (Rs 37.26 crore), (viii) Family Pensions to Tamil Nadu Government Pensioners (Rs 28.39 crore) and (ix) Payment of arrears on Commuted Value of Pensions and Gratuities (Rs 200.00 crore). Saving under item (i), (iv) and (vi) was due to mixing up of Dearness Allowances with Pension under items (v), (vii) and (viii) was due to less number of retirees than anticipated and specific reasons for final saving under items (ii), (iii) and (ix) have not been communicated (June 2004).		
Charged Appropriations -		
1.	4 Adi Dravidar and Tribal Welfare Department (Revenue)	3.13 (78)
Main reasons for saving: Savings mainly occurred under House sites/Infrastructure facilities for Adi-Dravidars (Rs 3.13 crore), specific reasons for which have not been communicated (June 2004).		
2.	34 Personnel and Administrative Reforms Department (Revenue)	3.66 (31)
Main reasons for saving: Savings mainly occurred under Tamil Nadu Public Service Commission (Rs 3.66 crore), specific reasons for which have not been communicated (June 2004).		
3.	Public Debt - Repayment	4736.74 (43)
Main reasons for saving: Savings mainly occurred under Ways and Means Advances from Reserve Bank of India (Rs 6234.78 crore), specific reasons for which have not been communicated (June 2004). Savings were offset by excess in certain heads shown in Appropriation Accounts.		

Appendix XV

(Reference: paragraph 2.3.11; page 29)

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)	20 Highways Department	Execution Workshops (General) Highways and Rural Works (3054 80 001 AG)	126.35	65
Withdrawal of provision was mainly due to closure of the mechanical wing of Highways Department in June 2003.				
2)	20 Highways Department	Margin money to CMDA for improvement to Radial Roads with HUDCO Loan assistance (5054 04 337 JP)	1174.15	85
Withdrawal of provision was mainly due to revised proposal of Chengalpattu and Tiruvellore division during May/June 2003 towards making payment of land acquisition charges, as the land acquisition proceedings were not finalised.				
3)	20 Highways Department	Major District Roads (5054 04 800 JA)	314.55	62
Withdrawal of provision was due to revision of the original provision by Chief Engineer (National Highways) in November 2003 due to non-finalisation of land acquisition in respect of Hosur Bye pass work.				
4)	20 Highways Department	Improvement of roads with loan assistance from HUDCO/TUFIDCO (5054 80 800JV)	600.00	55
Withdrawal of provision was partially due to delay in acquisition of land and finalisation of tenders etc., with loan assistance from HUDCO.				
5)	20 Highways Department	Chennai Metropolitan Development Plan – Traffic and Transport improvement in Chennai City (5054 80 800 JW)	3500.00	70
Withdrawal of provisions was due to non-starting of 12 works due to non-finalisation of land acquisition and want of permission from appropriate authorities 4 cases - tenders could not be finalised before 31 March 2004 and 3 cases - works commenced only from 31 March 2004 onwards and remaining 36 works commenced only from December 2003.				
6)	38 Public Works Department	Construction of new secretariat building (4059 01 051 KH)	1000.00	100
Entire provision was surrendered due to non-finalisation of contractor by tender evaluation committee.				
7)	38 Public Works Department	Buildings (4225 03 277 JU)	1768.75	61
Withdrawal of provision was due to delay in release of loan by HUDCO				
8)	38 Public Works Department	Formation of new tank across Ramakkal Odai and Anai Vizhundan Odai (4701 03 311 JA)	252.54	84
Withdrawal of provision was due to stay order for acquiring the patta lands and the delay in obtaining permission from the forest department.				
9)	38 Public Works Department	Formation of reservoir across mirukandanadhi (4701 03 320 JA)	432.97	98
Withdrawal of provision was due to non-acquisition of patta dry land.				

Serial number	Number and title of Grant	Name of the scheme (Head of Account)	Amount of Surrender (Rupees in lakh)	Percentage of Surrender
10)	38 Public Works Department	Maintenance grant to water user Association (2701 80 800 JJ)	810.02	81
Withdrawal of provision was mainly due to non-renewal of farmer's councils/water users associations and due to delay in conducting election to the water users association before March 2004.				
11)	38 Public Works Department	Dam and Appurtenant works (4701 03 292 JB)	137.50	59
Withdrawal of provision was due to slow progress of work by the contractor.				
12)	38 Public Works Department	Spill way (4701 03 292 JC)	520.00	55
Withdrawal of provision was due to non-approval of revised design and drawings till March 2004.				
13)	38 Public Works Department	Integrated Water Resources Management project with HUDCO loan assistance (4702 00 101 JM)	1496.74	98
Withdrawal of provision was due to non-finalisation of agreement between HUDCO and Public Works Department.				
14)	38 Public Works Department	Reservoir (4701 03 314 JA)	385.00	96
Withdrawal of provision was due to the objection raised by land owners towards non-payment of compensation for their lands.				
15)	38 Public Works Department	Canals (4701 03 260 JC)	267.39	95
Withdrawal of provision was due to non-finalisation of design and drawing by Chief Engineer (DRCS).				
16)	38 Public Works Department	Headworks (4701 03 260 JE)	188.61	86
Withdrawal of provision was due to non-finalisation of design and drawing by Chief Engineer (DRCS).				

Appendix XVI

(Reference: paragraph 2.3.12; page 29)

Excess/Unnecessary/Insufficient Reappropriation of funds

(Rupees in lakh)

Sl. No.	Grant	Description	Head of Account	Reappropriation	Final Excess(+)/ Savings (-)
1.	05	Agriculture Department	2401.00.800.JY	2566.89	254.08
2.			2401.00.800.KA	3908.43	(-) 263.85
3.	06	Animal Husbandry and Fisheries Department - Animal Husbandry	2403.00.101.AA	(-) 1769.78	(-) 734.50
4.	10	Commercial Taxes Department - Commercial Taxes	2040.00.101.AB	(-) 3516.38	(-) 203.60
5.			3604.00.103.AA	(-) 5817.80	738.21
6.	11	Commercial Taxes Department - Stamps and Registration	2030.03.001.AB	(-) 245.38	(-) 538.95
7.	12	Co-operation, Food and Consumer Protection Department	2236.02.102.KB	346.41	(-) 739.93
8.			2236.02.102.KC	(-) 482.50	(-) 842.64
9.	15	Finance Department	7610.00.800.AB	151.45	(-) 388.92
10.	18	Health and Family Welfare Department	2210.03.103.JM	2852.69	(-) 903.43
11.			2211.00.001.SF	(-) 446.67	226.50
12.			2211.00.101.SC	(-) 1147.14	639.30
13.			2210.80.190.JA	(-) 946.05	326.58
14.			2210.03.103.BI	(-) 3957.22	337.56
15.			2210.05.105.AA	(-) 349.66	(-) 268.43
16.	19	Higher Education Department	2202.03.103.AB	(-) 1017.00	(-) 373.57
17.			2202.03.103.AA	(-) 2212.75	(-) 444.77
18.			2202.03.104.AA	(-) 7185.95	(-) 1348.59
19.	20	Highways Department	5054.04.337.JP	(-) 1174.15	(-) 326.63
20.			5054.04.337.JI	(-) 4090.00	(-) 276.10
21.			5054.80.800.JF	59.83	(-) 230.76
22.			5054.80.800.JE	(-) 2389.33	(-) 1488.44
23.			3054.04.337.AA	492.47	201.76
24.			3054.80.800.AY	(-) 100.00	(-) 591.49

Sl. No.	Grant	Description	Head of Account	Reappropriation	Final Excess(+)/ Savings (-)
25.	20	Highways Department	3054.80.001.AE	(-) 142.25	(-) 270.37
26.	21	Home Department - Police	2055.00.109.AA	(-) 6418.58	(-) 201.26
27.	25	Housing and Urban Development Department	7610.00.201.JA	(-) 4600.00	1422.32
28.	33	Municipal Administration and Water Supply Department	3604.00.191.AA	(-) 1782.20	401.54
29.			3604.00.192.AA	(-) 1887.78	401.90
30.			3604.00.193.AA	269.02	386.79
31.	38	Public Works Department	4701.01.211.JA	(-) 2679.06	209.70
32.			4701.03.261.JC	360.54	284.79
33.			4701.03.308.JB	251.07	(-) 205.17
34.			4701.03.219.JA	(-) 256.02	260.26
35.			2701.80.800.JK	(-) 583.32	(-) 250.58
36.			2059.80.001.BF	(-) 129.33	(-) 205.80
37.			4701.03.261.JB	340.29	(-) 298.51
38.			4701.03.300.JC	(-) 550.00	371.26
39.			2701.80.001.AF	(-) 828.79	(-) 324.24
40.			4059.01.051.AB	80.78	323.76
41.			4701.80.800.JJ	(-) 157.77	(-) 1649.12
42.			4701.80.800.JP	(-) 2007.00	(-) 1500.00
43.			4701.03.261.JA	295.62	215.25
44.			4059.01.800.JA	(-) 40.38	286.52
45.			4210.80.800.JA	(-) 152.18	222.53
46.			4202.04.800.JW	(-) 191.88	1530.22
47.	39	Revenue Department	2053.00.094.AC	(-) 4665.75	(-) 385.99
48.			2235.60.102.JA	(-) 1360.94	(-) 230.65
49.			4070.00.800.JO	(-) 1942.23	(-) 881.11
50.	40	Rural Development Department	2236.02.102.KL	4508.39	(-) 338.06
51.			2505.01.702.JA	(-) 290.37	(-) 401.35
52.			3604.00.198.AA	(-) 2235.13	1445.44

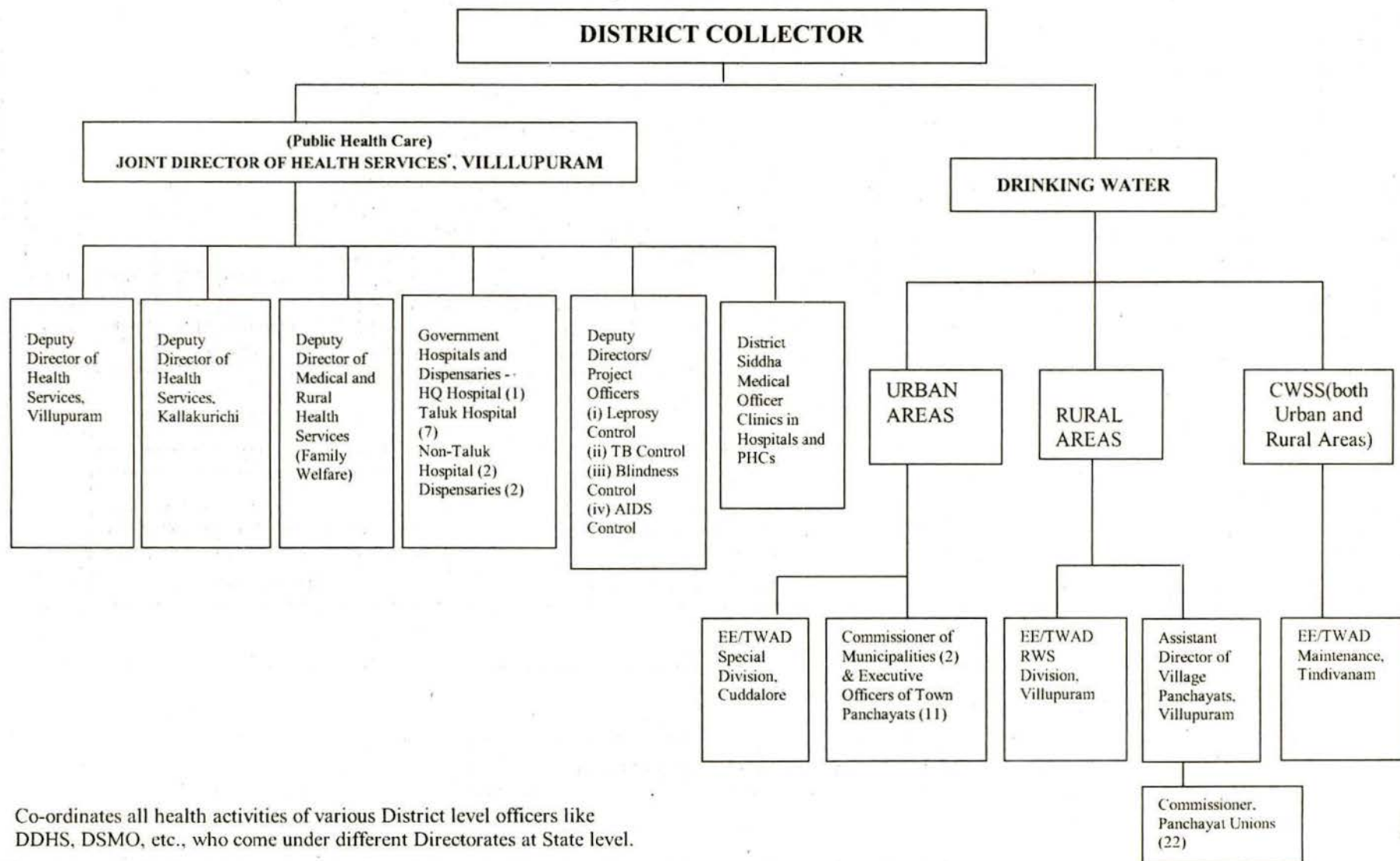
Sl. No.	Grant	Description	Head of Account	Reappropriation	Final Excess(+)/ Savings (-)
53.	40	Rural Development Department	2236.02.102.AR	(-) 195.07	257.01
54.	41	School Education Department	2202.02.110.AA	(-) 1399.39	(-) 4133.72
55.			4202.01.202.JG	(-) 500.00	422.87
56.	41	School Education Department	2202.01.101.AC	(-) 23600.17	(-) 1834.41
57.			2202.02.109.AB	(-) 1461.26	(-) 447.93
58.			2202.02.109.AA	(-) 16347.58	(-) 3301.55
59.	43	Social Welfare and Nutritious Meal Programme Department	2236.02.101.JN	(-) 4025.88	266.96
60.	48	Pension and Other Retirement Benefits	2071.01.109.AA	(-) 1892.29	4278.41
61.			2071.01.109.AB	5224.84	(-) 7048.94
62.			2071.01.109.AC	(-) 2313.45	604.68
63.			2071.01.109.AD	(-) 2071.37	(-) 1559.01
64.			2071.01.105.AC	(-) 6627.18	4929.02
65.			2071.01.109.AE	(-) 1074.39	881.59
66.			2071.01.104.AB	(-) 7056.25	(-) 220.21
67.			2071.01.105.AA	5671.68	(-) 8511.09
68.			2071.01.102.AB	(-) 14000.01	(-) 6000.00
69.			2071.01.102.AA	(-) 10930.08	(-) 1963.44
70.			2071.01.101.AC	(-) 54467.18	18528.22
71.			2071.01.101.AA	27490.86	(-) 31217.22
72.			2071.01.101.AM	513.99	(-) 514.00
73.	49	Relief on Account of Natural Calamities	2245.05.101.AB	2094.59	9042.00
74.	51	Debt Charges	2049.01.101.CR	1187.19	(-) 1187.20
75.			2049.01.101.CS	751.52	1180.03
76.			2049.01.123.AB	16086.99	7206.48
77.			2049.01.123.AC	16366.99	(-) 6437.08
78.			2049.01.123.AD	23099.99	6720.31
79.			2049.01.101.CQ	1063.62	(-) 1063.63
80.			2049.01.200.AU	2281.99	(-) 501.47

Sl. No.	Grant	Description	Head of Account	Reappropriation	Final Excess(+)/ Savings (-)
81.	51	Debt Charges	2049.01.123.AE	15345.99	(-) 3661.42
82.			2049.03.104.AD	(-) 125.00	(-) 225.00
83.			2049.01.123.AA	(-) 63900.00	5970.37
84.			2049.04.101.AA	(-) 3812.06	6500.01
85.			2049.01.101.CN	2711.55	3638.00
86.			2049.03.104.AK	4199.99	(-) 12899.99
87.			2049.01.101.CP	2102.99	(-) 2103.00
88.			2049.03.104.AC	2.00	(-) 250.00
89.			2049.01.200.BR	(-) 8338.18	8562.71
90.			2049.01.101.CD	0.01	(-) 1611.59
91.			2049.01.101.BM	832.10	801.31
92.			2049.01.101.BK	548.88	1057.09
93.			2049.01.101.CO	3107.99	(-) 1587.76
94.			2049.03.104.AL	0.16	(-) 324.77
95.	52	Public Debt - Repayment	6003.00.110.AA	(-) 568887.00	(-) 54591.00
96.			6004.01.102.AA	119352.99	72680.15
97.			6004.02.101.AA	2442.43	599.43
98.			6003.00.111.AA	56063.99	(-) 56064.00

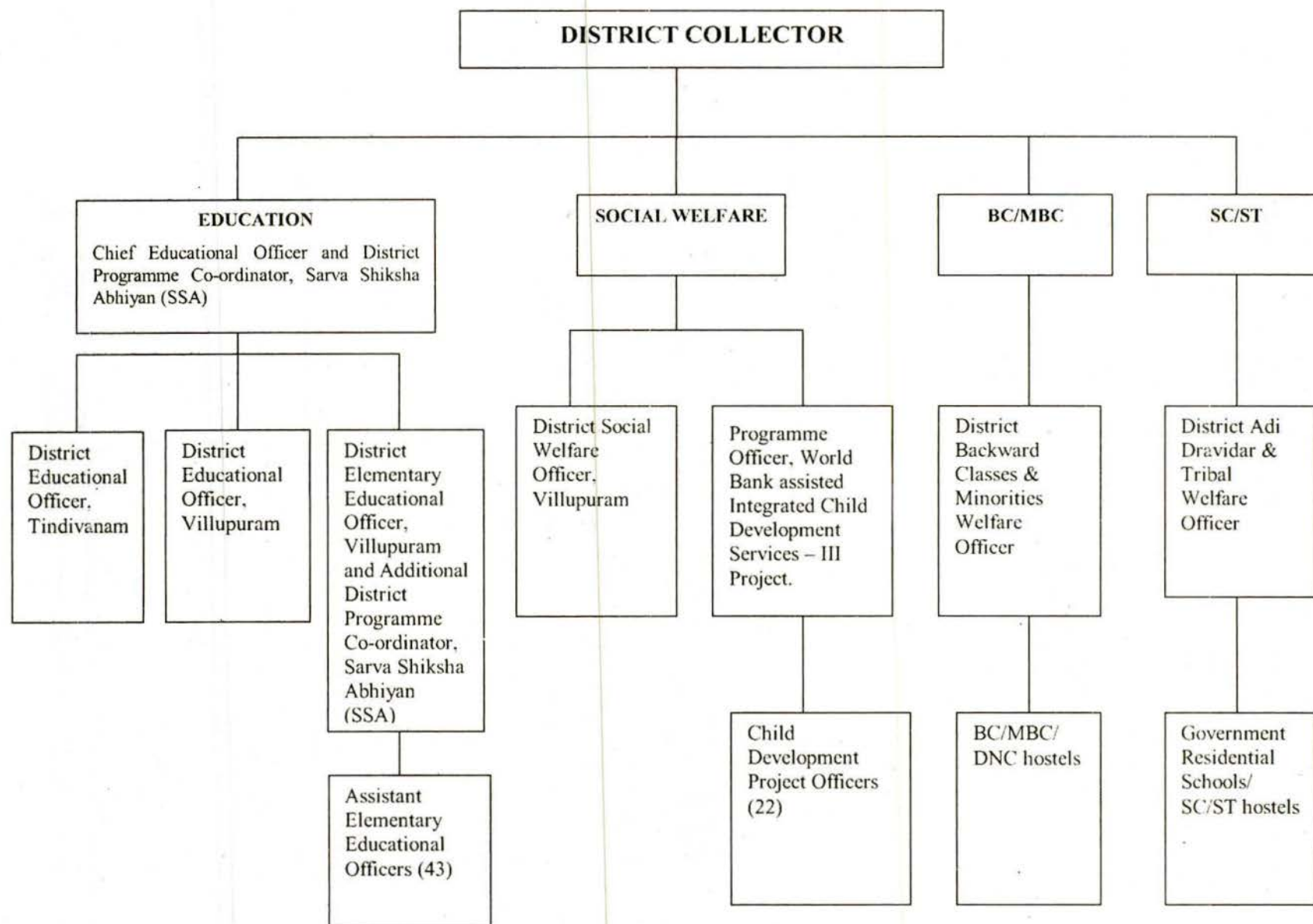
Appendix XVII

(Reference: paragraph 3.1.3; page 43)

Organisation Chart



* Co-ordinates all health activities of various District level officers like DDHS, DSMO, etc., who come under different Directorates at State level.



Appendix XVIII

(Reference: paragraph 3.1.5; page 43)

List of District Level and Unit Offices visited

A. DISTRICT LEVEL OFFICES

I. Rural Development Department

- Assistant Director Panchayats, Collectorate, Villupuram
- District Rural Development Agency, Villupuram

II. Revenue Department

- PA to Collector, Nutritious Meal Programme, Villupuram

III. Planning and Development Department

- Secretary, District Plan Cell, Villupuram.

IV. Health and Family Welfare Department

- Joint Director of Health Services, Villupuram
- Deputy Director of Health Services, Villupuram and Kallakurichi
- Deputy Director of Medical Services (Family Welfare), Villupuram
- Deputy Director of Health Services (TB), Villupuram
- Deputy Director of Health Services (Leprosy), Villupuram

V. Municipal Administration and Water Supply Department

- Executive Engineer/RWS/TWAD, Villupuram
- Executive Engineer/Maintenance/TWAD, Villupuram
- Executive Engineer/Urban Water Supply/TWAD, Cuddalore.
- Assistant Director, Town Panchayats, Cuddalore.

VI. School Education Department

- Chief Educational Officer, Villupuram
- District Educational Officer, Villupuram and Tindivanam
- District Elementary Educational Officer, Villupuram
- District Programme Coordinator, Sarva Shiksha Abhiyan, Villupuram

VII. Social Welfare Department

- District Social Welfare Officer, Villupuram
- Programme Officer, ICDS Project, Villupuram
- Project Officer, Tamil Nadu Corporation for Development of Women, Villupuram

VIII. Adi-Dravidar and Tribal Welfare Department

- District Adi-Dravidar and Tribal Welfare Officer, Villupuram
- District Manager, Tamil Nadu Adi-Dravidar Housing and Development Corporation Ltd., Villupuram

IX. Backward Classes Most Backward Classes and Minorities Welfare Department

- District Backward Classes and Minorities Welfare Officer, Villupuram

X. Agriculture Department

- Joint Director Agriculture, Villupuram

XI. Industries and Commerce

- General Manager, District Industries Centre, Villupuram

XII. Home Department

- Superintendent of Police, Villupuram

B. UNIT OFFICES

- ◆ Headquarters Hospital, Villupuram
- ◆ Taluk Hospital, Tindivanam and Kallakurichi
- ◆ Primary Health Centre, Mugaiyur, Vikravandi, Illavanasurkottai and Kandamanadi.
- ◆ Commissioner, Villupuram and Tindivanam Municipality
- ◆ Executive Officer, Town Panchayat, Valavanur
- ◆ Commissioner Panchayat Union, Gingee, Vikravandi, Vallam and Kandamangalam
- ◆ Assistant Elementary Educational Officer, Chinnasalem, Kolianur, Ulundurpet, Vikravandi and Villupuram.
- ◆ Special Tahsildar, Adi-Dravidar Welfare, Ulundurpet
- ◆ Weaning Food Society, Chinnasalem

Appendix XIX

(Reference: paragraph 3.1.16; page 45)

Short supply of text books and uniforms

Sl. No.		1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
1.	Number of schools	19	20	21	21	23
2.	Number of students covered under nutritious meal scheme	3738	3867	3993	3922	4088
3.	Number of students given free text books	3567	3645	3640	3982	4125
4.	Number of students given free uniforms	3285	3335	3069	3824	Not given
5.	Number of students not given any text book	171 (5)	222 (6)	353 (9)	-	-
6.	Number of students not given free uniforms	453 (12)	532 (14)	924 (23)	98 (2)	4088 (100)

* Figures given in the brackets represent percentage

Appendix XX

(Reference: paragraph 3.2.1; page 57)

Details of various Acts in force for prohibition of Child Labour

Sl. No.	Central Legislation	
1.	Factories Act, 1948 (Section 67)	Prohibiting employment of young children; no child who has not completed his fourteenth year shall be required or allowed to work in any sections.
2.	Plantation Labour Act, 1951 (Section 24)	No child who has not completed his twelfth year shall be required or allowed to work in any plantation.
3.	Merchant Shipping Act, 1951 (Section 109)	No person under fifteen years shall be engaged or carried to sea for work in any ship.
4.	Mines Act, 1952	No child shall be employed in any mine.
5.	Motor Transport Workers Act, 1961 (Section 2)	No child shall be allowed to work in any capacity in any motor transport undertaking.
6.	Apprentice Act, 1961 (Section 3)	A person shall not be engaged as an apprentice in any designated trade unless he is not less than fourteen years of age.
7.	Beedi and Cigar Workers (Conditions of Employment) Act, 1966 (Section 24)	No child shall be allowed to work in any industrial premises.
	State Legislation	
8.	The Tamil Nadu Shops and Establishments Act, 1947	Prohibits employment of children who have not completed 14 years of age
9.	The Tamil Nadu Catering Establishments Act, 1958	Prohibits employment of children who have not completed 16 years of age
10.	The Tamil Nadu Handloom workers (Conditions of Employment and Miscellaneous Provisions) Act, 1981.	Prohibits employment of children who have not completed 16 years of age
11.	The Tamil Nadu Manual Workers (Regulation of employment and Conditions of work) Act, 1982	Prohibits employment of children who have not completed 16 years of age.

Appendix XXI

(Reference: paragraph 3.2.6; page 58)

Details of grants received and expenditure incurred for National Child Labour Project

(Rupees in crore)

Year	Opening balance	Grants received	Other income	Total Income	Total Expenditure	Closing balance
1999-2000	1.51	4.56	0.47	6.54	4.47	2.07
2000-2001	2.07	3.09	0.79	5.95	4.32	1.63
2001-2002	1.63	6.60	0.53	8.76	6.43	2.33
2002-2003	2.33	7.35	0.25	9.93	6.94	2.99
2003-2004	2.99	7.01	0.30	10.30	7.72	2.58

Appendix XXII

(Reference: paragraph 3.2.7; page 58)

Child labourers identified through various surveys in the State

Year	Child Labour in India (in lakhs)	Child Labour in Tamil Nadu (in lakhs)	Survey conducted by
1981	136	9.75	National Census
1987-1988	176	13.00	National Sample Survey
1991	112.8	5.78	National Census
1993-1994	135	10.20	National Sample Survey
1996	..	2.46 (9 NCLP districts)	National Authorities for the Elimination of Child Labour (NAECL)
1997	..	0.18*	State Government authorities as per Supreme Court directions in April 1997.
1999-2000	104	4.50	National Sample Survey
2001	..	3.49	By State Government (Sarva Siksha Abiyan)
March 2003	..	0.70	Sarva Siksha Abiyan

* 0.094 lakh in hazardous occupations in 20 districts and 0.088 lakh in non-hazardous occupations in 27 districts.

Appendix XXIII

(Reference: paragraphs 3.2.16 and 3.2.19; pages 60 and 61)

Number of Cases convicted and fine amount collected

Year	Number of Establishments Inspected	Violation	Number of cases filed	Disposal by		Fine Amount (Rs)
				Acquittal	Conviction	
Tamil Nadu Shops and Establishments Act, 1948						
1996	101887	161	157	Nil	113	2977
1997	130371	167	158	17	120	6200
1998	129623	50	49	4	22	18750
1999	153182	62	62	Nil	42	22700
2000	102414	75	53	Nil	123	16600
2001	89326	Nil	48	17	35	1370
2002	91179	514	230	39	67	18500
2003	86325	2341	1039	28	179	14850
2004 (up to March 2004)	19775	408	220	38	165	5640
Total	904082	3778	2016	143	866	107587
Tamil Nadu Catering Establishments Act, 1948						
1996	14646	277	237	Nil	107	3975
1997	20165	149	192	Nil	159	8810
1998	19670	70	69	4	27	2925
1999	22089	54	57	Nil	14	9030
2000	18044	17	16	Nil	45	7850
2001	18843	Nil	4	6	15	1070
2002	19602	256	71	4	32	4200
2003	20641	1243	547	8	77	12300
2004 (up to March 2004)	4567	214	62	81	62	5200
Total	158267	2280	1255	103	538	55360
Factories Act, 1948						
1996	NA	NA	NA	NA	NA	NA
1997	26574	178	178	7	Nil	555750
1998	26796	57	57	25	Nil	977000
1999	27914	105	105	50	Nil	538800
2000	25159	100	100	13	Nil	50000
2001	25593	Nil	62	14	16	106000
2002	14138	55	83	Nil	Nil	75000
2003	16019	205	208	10	Nil	636000
2004 (up to March 2004)	5323	25	33	4	Nil	154000
Total	167516	725	826	123	16	3092550

NA: Not Available

Appendix XXIV

(Reference: paragraphs 3.2.18 and 3.2.19; page 61)

**Inspection and Prosecution under Child Labour (Prohibition & Regulation)
Act, 1986 by Labour and Factories Departments**

Year	Number of Establishments Inspected	Violation	Number of cases filed	Number of Disposal		Fine Amount (Rs)
				Acquittal	Conviction	
1996	56181	58	54	6	39	28725
1997	66678	255	241	1	118	118035
1998	89332	227	196	58	177	240075
1999	113627	6754	6756	75	163	298625
2000	68341	32	32	96	39	99062
2001	72830	Nil	20	60	22	15925
2002	51372	35	29	12	9	184575
2003	72188	379	76	29	12	60150
2004 (up to March 2004)	13558	63	31	6	7	20850
Total	604107	7803	7435	343	586	1066022

Appendix XXV

(Reference: paragraph 3.2.37; page 64)

Details of Utilisation of grants given for the Child Labour Rehabilitation Project to TNSCB (Activity wise)

(Rupees in lakh)

Sl No	Name of the Activity	Physical target	Physical Achievements	Time schedule	Proposed cost	Expenditure incurred
1.	Situational analysis conducting survey	To survey all the slum areas and pavement dwelling families	Survey completed by March 1997.	January 1997 to March 1997	5.00	3.32
2.	Training and Orientation of Government/NGO functionaries and community representatives	20800	20000	January 1997 to December 1997	3.00	1.99
3.	Social mobilisation and public awareness programme	Entire Chennai city	Not applicable.	January 1997 to November 1998	10.00	5.85
4.	Income generation activities for mothers of child labourers	Slums in Chennai.	Activities not taken up	April 1997 to December 1998	35.00	Nil
5.	Construction/upgradation of shelter homes	20 homes @ Rs 0.75 lakh to shelter 1000 children	Not taken up	April 1997 to December 1998	15.00	Nil
6.	Transit schools and Child Development Activities	Identified Child labourers	Out of 13057 identified 6050 were admitted to the transit school	January 1997 to December 1998	12.00	51.03
7.	Support to NGOs	10 NGOs for 24 months @ Rs 3000 pm.	NGO support given	-do-	7.20	21.66
8.	Contingency charges to TNSCB	@ Rs 1250 per month	Not applicable.	-do-	0.30	0.30
9.	Administrative charges to TNSCB		Not applicable.	-do-	12.50	12.50
Total					100.00	96.65

Appendix XXVI

(Reference: paragraphs 3.3.8 and 3.3.9; page 72)

Variation between budget provision and actual expenditure under scholarship schemes

(Rupees in lakh)

Sl. No.	Scheme	Budget Provision (Original and Supplementary)	Actual Expenditure	Savings (-)/ Excess(+) (Percentage to provision)	Funds provided through re-appropriation at year end	Provision excessive (+) / inadequate (-)
2001-2002						
1.	2225.80.101.AR Post-Matric scholarships to Denotified Communities	56.00	69.44	(+) 13.44 (24)	(-) 1.66	(-) 15.10
2.	2225.03.277.BO Extension of free education to BC students pursuing professional courses	97.61	133.73	(+) 36.12 (37)	(+) 59.97	(+) 23.85
3.	2225.03.277.JO Free Education to BC up to degree level	668.50	799.43	(+) 130.93 (20)	(+) 144.68	(+) 13.75
4.	2225.03.277.KG Free education to students of MBC/DNC studying in B.A., B.Sc., B.Com.	660.01	786.26	(+) 126.25 (19)	(+) 97.74	(-) 28.51
2002-2003						
1.	2225.03.277.BH Pre-Matric scholarship to MBC	136.58	57.15	(-) 79.43 (58)	(-) 15.34	(+) 64.09
2.	2225.03.277.JF Post-Matric scholarship to BCs	700.01	914.29	(+) 214.28 (30)	(+) 224.95	(+) 10.67
3.	2225.03.277.BM Free education to MSC & DNC for professional courses	120.01	209.89	(+) 89.88 (75)	(+) 28.29	(-) 61.59
4.	225.03.277.BO Extension of free education to BC students pursuing professional courses	150.01	215.08	(+) 65.07 (43)	(+) 52.35	(-) 12.72
5.	2225.03.277.KG Free education to students of MBC/DNC studying B.A., B.Sc., B.Com.	520.01	768.06	(+) 248.05 (48)	(+) 218.99	(-) 29.06
2003-2004						
1.	2225.03.277.KF Post-Matric scholarships to MBCs	423.58	505.84	(+) 82.26 (19)	(+) 94.87	(+) 12.61
2.	225.03.277.SA Post-Matric scholarships to OBC students controlled by DBC & MW	148.81	175.97	(+) 27.16 (18)	(+) 27.54	(+) 0.38

Appendix XXVII

(Reference: paragraph 3.5.7; page 94)

GOI Grants to Tamil Nadu

Sl.No.	For	Grantee	GOI sanction (Ministry of H & FW)		
			Rupees in lakh	Reference Number	Date
1.	Purchase of equipment/book	GHMC, Thirumangalam	10.00	Z-15011/314/99-E&C	29.2.2000
2.	Strengthening of Pharmacy	AAGHIM	50.00	K-11027/2/99-E&C	27.3.2001
		GSMC, Palayamkottai	80.00		
3.	Strengthening of DTL	CIMH	85.00		
4.	Building, equipment and books	GUMC, Chennai	42.00	Z-15011/60/2000-E&C	22.3.2001
5.	Computers etc.	GSMC, Chennai	10.00	14011/1/2000	29.3.2001
6.	Re-orientation training	GSMC, Palayamkottai	1.86	14011/1/2000	28.3.2001
		GSMC, Chennai	1.16	14011/1/2000	28.3.2001
7.	International ISM Conference	CIMH	3.00	Z-28015/139/2000-E&C	22.3.2001
8.	Supply of Home Remedy Kit	CIMH	8.04	U-120220/12/IEC/HRKS/PT	20.4.2002
9.	Essential drugs for remote/tribal/rural areas	CIMH	36.75	K-11023/8/2003-04/HPC/ED	23.10.2003
			21.75		2.12.2003
10.	Establishing ISM speciality clinics (District hospitals)	CIMH	100.00	K-11023/8/2003-04/HPC/ED	31.12.2003
11.	Establishing ISM speciality clinics (Taluk hospitals)	CIMH	60.00	K-11023/8/2003-04/HPC/ED	31.12.2003
12.	Establishment of quality control	Tampcol	20.00	Z-11716/61/2003-DCC(ISM)	2.9.2003
			529.56		

Appendix XXVIII

(Reference: paragraph 3.7.5; page 105)

Details of allocation, release and utilisation of Rs 20 crore released by Government of India from NCCF to State Government

(Rupees in lakh)

Sl. No	Name of the component	Total Funds received by State Government	Funds retained without release	Funds Released	Interest accrued	Funds utilised up to May 2004	Funds lying unutilised as of June 2004	
							Amount refunded	Amount yet to be refunded
1.	Protection of live stock against Foot and Mouth Diseases, Black Quarter and Haemorrhagic Septicaemia	530.50	Nil	530.50 (released to TNMSC in April 2003)		170.00	360.50	Nil
2.	Infrastructure for fodder inputs development in large farms	400.00	11.67	388.33	4.20	293.72	94.61 4.20*	Nil
3.	a. Infrastructure for fodder inputs development in small farms	400.00	117.09	56.67	0.07	56.12	0.55 0.07*	Nil
	b. Sinking bore well to tap ground water for elephants and other wild life			76.10 (released to PCCF in January 2004)		76.10 ^s		
	c. Rupees 100 lakh released to TCMF in May 2003 which was refunded in February 2004				2.05	Nil	2.05*	
	d. Fodder cultivation in grazing grounds/poromboke lands			150.14 (released to DRD in June 2004)		150.14 ^s		
4.	Fodder development in villages	200.00	31.64	168.36	0.32	162.06	3.70 0.26*	2.66
5.	Provision of drinking water facilities in 313 Panchayat Unions in drought affected 22 districts	469.50	Nil	469.50 (released to 22 District Collectors in February 2003)		461.55	7.95	..
Total		2000.00	160.40	1839.60	6.64	1369.69	467.31 6.58*	2.66

* Interest amount not utilised
^s Expenditure details not made available.

Appendix XXXI

(Reference: paragraph 4.2.5; page 120)

Avoidable payment due to changed/delayed/incorrect inputs

Sl. No.	Description of item of work	Amount awarded (Rupees in lakh)	Reasons attributed	Failure of the Department
1.	Study roads amended	28.00	The Project Director deleted 483 km road in July 1999 and added 460 km road for feasibility study. The Consultant worked for more than three weeks before the new schedule was given.	As 483 km of the road included in the agreement had already been upgraded they could have been deleted even before the execution of the agreement (May 1997).
2.	Combined contract	6.12	Consultant was asked to prepare seven bid documents initially. However the Consultant was requested to consolidate the same into four bid documents by which time seven bid documents were prepared and the Consultant had to rework.	The Department should have planned the preparation of bid documents before awarding the work or should not have changed the scope of the work after entrustment.
3.	Delay in furnishing the Right of Way (ROW) details	35.85	The ROW details were required by the Consultant in December 1997 but the details were furnished in a phased manner from May 1998 to July 1998. This led to the Consultant claiming idle time.	Though the Project Director requested the field officers in May 1997 itself to furnish all essential data he did not monitor their replies. As this is basic data which is readily available in the divisions the delay was avoidable.
4.	Delay in identifying the roads covered by Coastal Zone Regulation	29.81	The Project Director failed to furnish the Coastal Zone Regulation Maps at the beginning of the work as per agreement. This led to the consultant claiming idle time.	As the document was available with the Department the delay was avoidable.
5.	Office accommodation and equipment	44.45	Delay in providing office accommodation and advance money for office equipment resulted in additional cost.	The Department should have arranged office accommodation and paid the advance within the time.
		144.23		

Appendix XXXII

(Reference: paragraph 4.4.6; page 140)

Details of Audit entrusted by Government

Name of Body	Section under which entrusted	Period of entrustment	Date of entrustment
Tamil Nadu State Legal Services Authority, Chennai	19(2)	1997-98 onwards	03 December 1997
State Human Rights Commission, Chennai	19(2)	1997-98 onwards	07 June 1997
Tamil Nadu State AIDS Control Society, Chennai	20(1)	1994-95 onwards	15 February 1996
Tamil Nadu Maritime Board, Chennai	19(3)	1997-1998 to 2001-2002	30 April 1999
District Legal Services Authority (23 districts)*	19(2)	01 November 1997 onwards	23 May 1997
District Legal Services Authority, Perambalur	19(2)	1999-2000 onwards	27 April 1999
District Legal Services Authority, Karur	19(2)	1999-2000 onwards	27 April 1999
District Legal Services Authority, Namakkal	19(2)	2002-03 onwards	29 March 2002
Regional Institute of Correctional Administration, Vellore	20(1)	2000-2005	3 October 2001

* Chengalpattu, Chennai, Coimbatore, Cuddalore, Dindigul, Erode, Kanniyakumari, Krishnagiri, Madurai, Nagapattinam, The Nilgiris, Pudukottai, Ramanathapuram, Salem, Sivaganga, Srivilliputhur, Thanjavur, Thiruvannamalai, Thoothukudi, Tiruchirappalli, Tirunelveli, Vellore and Villupuram.

Appendix XXXIII

(Reference: paragraph 4.4.8; page 141)

Inspection Reports issued to various offices up to December 2003 and pending as at the end of June 2004

Sl. No.	Year	Total	
		IRs	Paras
1.	1984-1985	1	2
2.	1987-1988	8	11
3.	1988-1989	3	6
4.	1989-1990	7	12
5.	1990-1991	19	50
6.	1991-1992	23	55
7.	1992-1993	90	306
8.	1993-1994	89	218
9.	1994-1995	120	218
10.	1995-1996	137	299
11.	1996-1997	173	396
12.	1997-1998	239	479
13.	1998-1999	318	807
14.	1999-2000	444	1071
15.	2000-2001	649	1854
16.	2001-2002	790	2389
17.	2002-2003	1087	3820
18.	2003-2004 (up to December 2003)	837	2984
Total		5034	14977

Appendix XXXIV

(Reference: paragraph 4.4.8; page 141)

Serious irregularities pending settlement as of June 2004

(Rupees in lakh)

Sl. No.	Nature of Irregularities	Number of paragraphs	Amount
I	Agriculture Department		
1.	Subsidy to Hindu Adi Dravidar farmers, not reimbursed by TAHDCO	1	100.08
2.	Time-barred chemicals kept in stock	2	21.27
3.	Coconut Mother Farm at Putlur – Excess of expenditure over receipts during the past five years	1	17.30
	Total	4	138.65
II	Animal Husbandry Department		
1.	Non-recovery of amount due from sale of milk	2	56.18
2.	Avoidable expenditure on feeding charges	2	42.08
3.	Purchase of defective "Sailo Tank"	1	18.76
4.	Unutilised Special Central Assistance for heifer calf/goat/sheep rearing	1	664.00
5.	Non-utilisation of Central Assistance for Integrated Piggery Development	2	88.00
6.	Uneconomical operation of Liquid Nitrogen Plant	3	24.42
7.	Loss of Revenue to Government due to non-auctioning of tamarind trees	1	2.35
8.	Non-utilisation of grants on 'Mouth Disease Control Programme'	1	87.00
9.	Failure to avail Central Assistance under SGSY	1	23.04
10.	Failure to ensure adoption of proper procedure in 'Cross bred Sheep Scheme'	1	42.46
11.	Delay in supply of 'Backyard Poultry' to poor farmers	1	33.00
12.	Recurring loss in 'Raising Baby Chicks' scheme for the past five years	1	178.00
	Total	17	1259.29
III	Highways Department		
1.	Excess payments	3	23.83
2.	Excess over estimate	9	424.32
3.	Want of sanction	6	306.99
4.	Irregular expenditure to be recovered	47	1350.83
5.	Expenditure to be ratified by Government/Chief Engineer	21	1157.22
6.	Recovery of over payment of salary	15	1.53
7.	Loss shortages theft stock not handed over etc.	14	188.81
8.	Recovery from contractors	20	457.69
9.	Advance payment pending adjustment	21	3834.19
10.	Miscellaneous irregularities	120	18914.32
	Total	276	26659.73

Appendix XXXV

(Reference: paragraph 5.1.9; page 145)

Details regarding savings of 20 per cent and above as compared to FMG relating to the years 2001-02 and 2002-03

Expenditure details for the year 2001-02

(Rupees in thousand)

Head of account	Original grant	Supplementary grant	Reappropriation	Final modified grant (FMG)	Actual Expenditure	Savings	Percentage of Saving to FMG
2210.06.001.JD	13370	0	(-) 794	12576	8767	3809	30
2210.06.101.AU	7062	0	(-) 737	6325	4771	1554	25
2210.06.113.AD	1399	0	(-) 244	1155	827	328	28
2210.06.113.AE	1846	0	(-) 212	1634	1123	511	31
2210.06.113.JA	1277	0	(-) 524	753	499	254	34
2211.00.003.SF	1250	1	792	2043	1027	1016	50
2211.00.104.SD	283	0	(-) 83	200	153	47	24

Expenditure details for the year 2002-03

(Rupees in thousand)

Head of account	Original grant	Supplementary grant	Reappropriation	FMG	Actual Expenditure	Savings	Percentage of Saving to FMG
2059.01.053.BZ	21487	0	(-) 10000	11487	7398	4089	36
2059.01.053.CB	51750	0	(-) 27000	24750	18049	6701	27
2210.06.001.JA	95	0	(-) 20	75	51	24	32
2211.00.003.JA	0	5	15660	15665	3708	11957	76
2211.00.003.SG	12700	1	(-) 2137	10563	8264	2299	22
2211.00.104.SD	246	0	0	246	163	83	34
4210.02.103.JG	0	6899	2101	9000	611	8389	93