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Report of the Comptroller and Auditor General of India

for the year ended March 1999

Government of Tamil Nadu

No. 3 (Civil) of 2000

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APPENDICES

PREFACE

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

2. Chapters I and II of this Report respectively contain Audit observations on matters arising from examination of Finance Accounts and Appropriation Accounts of the State Government for the year ended 31 March 1999.

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

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

5. The cases mentioned in the Report are among those which came to notice in the course of test-audit of accounts during the year 1998-99 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 1998-99 have also been included wherever necessary.

OVERVIEW

OVERVIEW

This Report includes two chapters containing Audit observations on Finance and Appropriation Accounts of Government of Tamil Nadu for the year 1998-99 and five other chapters on eight Audit Reviews and 45 Paragraphs arising from the audit of financial transactions of Government of Tamil Nadu. A synopsis of findings contained in the Audit Reviews and important paragraphs is presented in this overview.

1 *Review of the State's Finances*

The assets of the State Government grew by only 2.7 *per cent* during 1998-99 while the liabilities grew by 18.9 *per cent* mainly as a result of 43.4 *per cent* growth in the deficit on the Government account. The share of revenue receipts went down from 79.6 *per cent* of the total receipts of Government in 1997-98 to 73.7 *per cent* during 1998-99. While the share of recoveries of loans and advances also went down from 7.1 *per cent* to 1.7 *per cent*, the net receipts from the Public Account increased from 3.1 *per cent* to 8.2 *per cent* due to increase in small savings and deposits and advances.

The share of revenue expenditure to total expenditure went up from 87.6 *per cent* to 91.4 *per cent* and remained significantly higher than the share of revenue receipts, leading to a higher revenue deficit of Rs 3437 crore during 1998-99. Balance from Current Revenues was negative, as in 1997-98, indicating that Government had to depend only on borrowings to meet its plan expenditure.

Interest payments increased by 95 *per cent* from Rs 1090 crore in 1994-95 to Rs 2122 crore in 1998-99. The interest ratio which is the ratio of net interest burden to revenue receipts less interest receipts shot up from 0.10 to 0.13 in 1998-99.

Assistance to local bodies, Universities, etc., rose to 21 *per cent* of the revenue expenditure in 1998-99.

The repayment of loans and advances to State Government went down from Rs 1217 crore in 1997-98 to Rs 323 crore in 1998-99.

Capital expenditure which showed a rising trend upto 1997-98 decreased from Rs 1468 crore in 1997-98 to Rs 1153 crore in 1998-99. As a result, its share to total expenditure also declined from 9 *per cent* to 6 *per cent*. Also the ratio between capital outlay and capital receipts declined from 0.60 in 1996-97 to 0.32 in 1998-99 indicating a worsening sustainability, as a substantial part of the capital receipts were not available for capital formation or investment.

As on 31 March 1999, 48 Government companies, in which Government had invested Rs 753 crore, were running under loss with accumulated losses of Rs 1296 crore up to March 1998 (the period for which the accounts were rendered). Even the companies which were making profits were giving only a marginal return on investment ranging from 1.08 *per cent* to 3.46 *per cent*.

Thus, while the Government was raising high cost borrowings (at 12.15 *per cent* to 14 *per cent* rate of interest) from the market, its investments in Government companies etc., fetched insignificant returns.

Revenue realised from 5 major and 47 medium irrigation projects with a total capital outlay of Rs 1658.10 crore was only 0.25 *per cent* of the capital outlay and was not sufficient to cover even the direct working expenses of Rs 58.53 crore. The schemes suffered a net loss of Rs 112.88 crore in 1997-98 of which the loss under 5 major irrigation projects was substantial (Rs 76.59 crore).

The revenue deficit of Rs 3437 crore in 1998-99 was partly met by borrowings (Rs 2160 crore). The fiscal deficit of Rs 4777 crore was financed by net proceeds of the Public Debt (Rs 2160 crore), surplus from Public Account (Rs 1590 crore) and by decrease in cash balance (Rs 1027 crore). The ratio of Revenue deficit to Fiscal deficit increased from 0.45 in 1996-97 to 0.72 in 1998-99 indicating that a larger share of the borrowings was applied to meet the revenue expenditure.

On the guarantees given by Government, an amount of Rs 1.81 crore was received as guarantee commission during 1998-99, while Rs 1.09 crore was outstanding for recovery as on 31 March 1999 from 10 Government companies. The outstanding guarantees amounted to Rs 6151 crore as on 31 March 1999.

Only a small part of the borrowings was available for investment and other expenditure after meeting repayment obligations.

Analysis of financial data for the Government of Tamil Nadu showed that revenue expenditure was being increasingly financed with borrowings. This had led to increase in interest payments and decline in capital expenditure. Mounting revenue deficits have left little for investment. The Government has preferred the costlier option of borrowing to increasing the tax revenue.

2 Appropriation Audit and Control over expenditure

During 1998-99, expenditure of Rs 21364.68 crore was incurred against the total grants and appropriations of Rs 24412.53 crore resulting in a saving of Rs 3047.85 crore (12 *per cent*). The overall saving was the result of saving of Rs 3280.70 crore in 45 grants and 48 appropriations offset by excess of Rs 232.85 crore under 16 grants and 2 appropriations. The above excess of Rs 232.85 crore required regularisation by the Legislature under Article 205 of the Constitution.

Supplementary provision of Rs 1898.89 crore obtained during 1998-99 constituted 8 *per cent* of the original budget provision of Rs 22513.64 crore. Supplementary provision of Rs 23.27 crore obtained in 18 grants and 11 appropriations proved unnecessary in view of the final saving in each grant/appropriation being more than the supplementary provision obtained in March 1999. On the other hand, in 9 grants and one appropriation, supplementary provision obtained during the year proved insufficient by more than Rs 50 lakh in each case resulting in uncovered excess expenditure aggregating Rs 229.40 crore.

Significant excess was persistent in 2 grants (Grant 20 and 35) and one appropriation (Appropriation 45). Persistent savings of 5 *per cent* and above were noticed in 7 grants and 7 appropriations.

In 13 grants and 3 appropriations, the expenditure fell short by more than Rs 1 crore each and also by 10 *per cent* or more of the total provision.

In respect of 102 schemes, out of the total provision of Rs 3255.79 crore, Rs 2638.07 crore (81 *per cent*) were surrendered either due to non-implementation or slow implementation of the schemes.

Injudicious reappropriation of funds resulted in excess/savings of more than Rs 10 lakh in 717 cases; out of which, in 169 cases, the excess or saving was more than Rs 1 crore.

In 65 heads, expenditure of Rs 570.39 crore incurred during March 1999 was more than 50 *per cent* of the total expenditure, revealing rush of expenditure during the last month of the financial year.

In 89 schemes, expenditure of Rs 76.71 crore was incurred which attracted the limitations of New Service/New Instrument of Service for which approval of Legislature or advance from Contingency Fund should have been obtained. In 17 schemes, expenditure of Rs 13.15 crore was incurred by utilising the reappropriated funds. In respect of 4 other schemes, against token provision, Rs 3.28 crore were spent without specific inclusion in supplementary estimates.

3 Public Distribution System

The Public Distribution System for distribution of essential commodities to public through family cards has been in vogue from 1964 onwards. The main objective was to ensure adequate availability to the public of food grains and other essential commodities of acceptable quality at affordable price. A review of the implementation of the system brought out significant systemic and operational deficiencies. While on one hand, it pointed to the failure of the system to reach out to the entire target group, as evidenced by the shortfalls in the off-take of rice, the staple food in the State, on the other hand, it showed widespread misuse of the system through bogus cards. There were inefficiencies in the system of lifting, transportation and processing of food grains which, if addressed, could lead to significant cost cuts and reduction in the subsidy burden. Some important findings are given below:

- Opportunities to economise on the extension of subsidy were not considered by Government. In real terms, Government could have saved Rs 1380.59 crore during 1993-99 (45 *per cent* of the total subsidy extended) through proper structuring of the scale of issue and pricing of commodities.

- Even after Government of India's recommendation to impose traders' levy for augmenting procurement of rice, it was not reintroduced, after being abolished in January 1992, which resulted in an additional expenditure of Rs 115.18 crore during 1995-97 in procurement of rice through open market.

- There was continued poor off-take of rice indicating the failure of the system to reach out to the entire target group of beneficiaries. Government had not taken steps to address the issue.

- Performance of 23 Modern rice mills run by the Tamil Nadu Civil Supplies Corporation was poor; the average shortfall in utilisation of capacity being 48 *per cent* during 1994-98. Want of adequate hulling and drying facilities caused discolouration of rice resulting in a loss of Rs 14.03 crore.

- Despite attempts made to eliminate bogus cards, there were 16 lakh bogus cards in circulation as of May 1999, indicating continued liability of Rs 5.25 crore per month on avoidable subsidy.

- Excess payment of commission to wholesalers and retailers selling kerosene resulted in overcharging of consumers and undue benefit to dealers of Rs 17.79 crore in Chennai and belt areas and Rs 37.27 crore in other districts during September 1993 to October 1997.

- Failure of the Registrar of Cooperative Societies to assess correctly the subsidy payable to fair price shops resulted in excess release of Rs 7.89 crore during 1993-97.

(Paragraph 3.1)

4 Rural Employment Generation Programmes

Jawahar Rozgar Yojana and Employment Assurance Scheme are the current Rural Employment Generation Programmes under implementation in the State with the aim of alleviating rural poverty by generating employment to rural poor through works. A review of the programmes revealed that:

- In 5 districts, there were unutilised funds to the tune of Rs 10.81 crore and Rs 5.16 crore available with various implementing agencies at the end of 1997-98 and 1998-99 respectively but were not shown in the progress reports under Jawahar Rozgar Yojana. Cheques issued but not encashed on 31 March and unutilised funds lying with implementing agencies in 4 and 6 districts respectively were treated as final expenditure resulting in overstatement of expenditure on Employment Assurance Scheme by Rs 62.58 crore.

- Expenditure on buildings and roads under Jawahar Rozgar Yojana and Employment Assurance Scheme during 1996-98 was far in excess of the norms.

- Works involving huge material component were taken up whereas the wage component was to be at least 60 *per cent* of the expenditure.

- Maintenance of Nominal Muster Roll, the main record showing the authenticity of generation of employment was dispensed with by Government under Jawahar Rozgar Yojana. Number of mandays of employment generated was worked out by dividing the total wage component by the prevailing rate of minimum wage. The mandays generated as reported averaged between 5 and 16 days only per adult.

- With the funds provided under Employment Assurance Scheme, only 7 days of employment per registered person was generated while the objective was to provide assured employment for 100 days.

- Contrary to guidelines, contractors were engaged for executing works under Jawahar Rozgar Yojana and Employment Assurance Scheme. In 3 districts, works valued at Rs 1.89 crore were executed through contractors during 1993-98.

- Payment of wages at rates less than the minimum wages payable resulted in short payment of Rs 1.06 crore in six districts during 1997-99.

- Programme funds of Rs 35.58 crore were irregularly diverted during 1992-99 to small savings scheme, fixed deposits and schemes like Members of Parliament Local Area Development Programme, Drought Prone Area Programme etc.

(Paragraph 6.1)

5 *Working of Social Welfare Department*

The Department of Social Welfare is functioning for the development and welfare of women, children and the handicapped. The main objectives of the Department were to ensure providing health and nutritional support to pregnant and lactating mothers, providing shelter and protection to needy children, helping women in distress especially widows, deserted wives and destitutes by providing employment and to rehabilitate the handicapped people in the State.

Review of the working of the Department during 1996-99 revealed deficiencies in the budgetary process and poor expenditure management. The programme implementation also suffered as the schemes were prepared without adequate inputs and implemented perfunctorily. Some significant findings are given below:

- Huge funds were surrendered by the Department after obtaining large supplementary grants in the month of March, indicating inaccurate estimation of expenditure and inadequate control over expenditure.

- Launching of a scheme even before conducting baseline survey and formulation of proposals resulted in huge surrender of Rs 19.60 crore (Rs 9.60 crore during 1996-97 and Rs 10 crore during 1997-98).

- Expenditure of Rs 4.99 crore was incurred under 98 heads without any budget provision during 1995-98.

- Revenue Receipts of the Department were persistently under-estimated, the percentage of variation between estimates and actuals being 67, 151 and 114 during 1995-98.

- Women Welfare Schemes (which accounted for 72 *per cent* of the expenditure during Eighth plan and 52 *per cent* of the projected allocation for Ninth plan) were predominantly for extending one time assistance for marriage/maternity to the beneficiaries. Expenditure of Rs 180.72 crore on Women Welfare did not largely help to ensure sustained development of vulnerable women.

- Government's failure to furnish enrolment data to Government of India while implementing the scheme for 'Nutritional Support to Primary Education' resulted in foregoing Central assistance of Rs 27.99 crore during 1996-97.

(Paragraph 3.4)

6 Integrated Child Development Services

The Scheme of 'Integrated Child Development Services' is being implemented in the State since 1975. The primary objective of the scheme was to improve the health and nutritional status of children in the age group 6 months to 6 years. A review of the implementation of the scheme revealed that:

- The number of children availing of supplementary nutrition had gone down significantly and the incidence of moderate malnourishment remained significant.

- Weaning food was not provided continuously for over three months during 1996 and 1997 in 65 out of 301 Anganwadi Centres test-checked.

- Shortfall in administration of Vitamin A solution to children for prevention of blindness ranged from 55.6 to 96.3 *per cent* during 1992-93 to 1998-99.

- Under non-formal pre-school education, the percentage of school dropouts was 30 in urban areas and 11 in rural areas .

- Twenty-five Anganwadi centres in 3 projects were totally damaged and 58 centres in 6 projects did not have buildings and were functioning in open.

- Scheme funds of Rs 1.11 crore were kept unutilised in a bank account and interest of Rs 15.75 lakh was utilised for construction of a training centre *cum* office without the approval of Government of India.

- Central assistance of Rs 38.09 lakh remained blocked due to non-opening of additional Anganwadi Centres.

- Excess payment of pay and allowances/honorarium to Anganwadi Workers and Helpers over and above the amount of honorarium prescribed by Government of India during January 1996 to December 1998 resulted in excess claim of Central assistance of Rs 23.23 crore.

- Purchase of gram was made at a higher rate than the market rate resulting in avoidable expenditure of Rs 1.61 crore.

(Paragraph 3.3)

7 *Decentralised District Planning Scheme*

The Decentralised District Planning Scheme is being implemented in the State from 1993-94. The main objectives of the scheme were to decentralise planning and decision making process at district levels for faster flow of benefits of developmental schemes to the people; execution of small works by local bodies and line departments which would benefit a particular village or cluster of villages by creating community assets by giving employment opportunities to local people; and provision of infrastructure facilities for sustained development in rural areas. Review revealed that:

- Comprehensive district plans that were to be prepared after compilation of data, formulation of strategy and assessment of resources for allocation to projects were not so prepared.

- Belated approval of district plans and eventual delay in release of funds to Block Development Officers resulted in delay in commencement of works, thereby postponing the flow of benefits to the people.

- In 6 districts, the prescribed ratio of 60:40 in respect of works taken up in rural and urban areas was not maintained.

- A higher coverage of roads and bridges sector ranging between 24 and 100 *per cent* of district allocation was made in 4 districts as against 20 *per cent* envisaged under the scheme.

- Even though District Rural Development Agencies had unspent balances of previous year, the entire allocation under the scheme for each year was drawn and released to them.

- In 6 test-checked districts, there were huge variations in the physical and financial achievements reported by District Rural Development Agencies to the State Planning Commission. These reports did not reflect the correct picture.

- In five test-checked districts, 225 inadmissible works costing Rs 2.07 crore were executed under the scheme.

- Rupees 8.41 crore of scheme funds were diverted during 1995-97 towards augmentation of small savings, flood relief works, etc.

(Paragraph 6.2)

8 Manpower Management in Health and Family Welfare Department

The Health and Family Welfare Department renders various health and medical services. A review of the manpower management in the Health and Family Welfare Department revealed the following:

- In 6 district hospitals test-checked, the strength of medical and para medical staff was less than the norms fixed. The shortages ranged between 19 to 67 *per cent* in respect of Nurses, Pharmacists and Assistant Surgeons.

- Government sanctioned recruitment of 250 Medical Officers, while the existing strength in the cadre was in excess of requirement in the Directorate of Public Health and Preventive Medicine.

- Due to non-enforcement of the norms fixed in 1992, 13,590 posts of basic servants were continued to be operated for more than 7 years in the Directorate of Medical Education/Directorate of Medical and Rural Health Services.

- Government was providing training to nursing students on payment of stipend. The number of students trained was far in excess of the number the Government could absorb. As of June 1999, 3,815 trained nurses were yet to be provided employment in Government Hospitals.

- Ambulance vans were provided to 24 Hour Primary Health Centres without drivers, raising questions about their eventual utilisation.

- Rupees 23.06 crore were due to be recovered from Employees State Insurance Corporation; 71 *per cent* of this amount (Rs 16.31 crore) related to salaries, wages and travelling expenses of the staff.

- Rupees 134.41 crore were due from Government of India towards the cost of running the 5,293 Health sub-centres which included Rs 19.93 crore on salaries.

(Paragraph 3.2)

9 Nanganjiar Reservoir Project

Government sanctioned the construction of Nanganjiar Reservoir Project in Palani Taluk of Dindigul District at an estimated cost of Rs 20.70 crore in May 1990 to irrigate 2554.22 hectares of ayacut. Scheduled to be completed by March 1996, the project remained incomplete even after incurring an expenditure of Rs 25.22 crore, mainly due to faulty design, inadequate funds and expenditure on unapproved works. The following irregularities were noticed in the execution of the project.

- Time overrun of 3 years was largely attributed to delays in evolving designs, finalising the tender for spillway, non-completion of connected works and non-provision of enough funds in the Budget.

- Abnormal delay in the issue of notification under Land Acquisition Act resulted in an additional liability of Rs 1.99 crore towards higher compensation to land owners.

- Failure of the Executive Engineer to execute Random Rubble and Coarse Rubble masonry works simultaneously in the construction of spillway resulted in unnecessary revision of design and consequential additional cost of Rs 2.98 crore.

- The Executive Engineer executed two works (value: Rs 29.43 lakh) which were unnecessary.

- Rupees 27.89 lakh were paid to 3 contractors for works which were not actually executed.

- Of the total expenditure of Rs 25.22 crore incurred on the project, the unauthorised expenditure accounted for Rs 1.57 crore; diversion of funds, wasteful, fictitious and other irregular expenditure accounted for Rs 0.65 crore.

(Paragraph 4.1)

10 Material Management in Tamil Nadu Water Supply and Drainage Board

Tamil Nadu Water Supply and Drainage Board executes water supply and drainage schemes in urban and rural areas throughout the State (excluding Chennai Metropolitan area) on behalf of local bodies. The system of procurement, custody, issue and accounting of materials for execution of these schemes during the period 1993 to 1999 was reviewed, which revealed the following:

- Purchases were made in excess of requirement. As a result, closing stock in the divisions was as high as 5 to 14 months requirement.

- While the divisions reported surplus stores of Rs 4.29 crore only as of March 1999, the actual surplus was Rs 16.31 crore.

- Due to failure of the Board to communicate the reduction in rates of Asbestos cement pipes to the divisions in time, there was an overpayment of Rs 42.84 lakh.

- Casing pipes and hand pumps worth Rs 77.03 lakh purchased in anticipation of Government order for drought relief works were rendered surplus due to reduction in the number of borewells to be constructed during 1996 and non-declaration of drought for the year 1997.

- Purchase of pipes far in advance of requirement deprived the Board of the price advantage of Rs 2.74 crore due to cheaper rates obtained in subsequent purchase.

- Entrustment of accounting functions to the officer who was entrusted with the purchase of material led to fraudulent activity resulting in a loss of Rs 1.12 crore to the Board.

- Failure of the Regional Chief Engineer, Madurai to ascertain the availability of pipes in other divisions while entrusting the work on turnkey basis resulted in avoidable additional liability of Rs 71.90 lakh.

(Paragraph 6.3)

11 Blocking of funds

(i) Out of subsidy of Rs 2.16 crore released for supply of bullock-drawn and tractor-drawn implements to farmers, only Rs 31.90 lakh was utilised and the balance subsidy was lying in the Personal Deposit Account of the Tamil Nadu Agro Engineering and Service Cooperative Federation (Rs 35 lakh) and outside Government Account (Rs 1.49 crore).

(Paragraph 3.5)

(ii) Special Central Assistance of Rs 1 crore was blocked outside Government Account for 3 years with Tamil Nadu Agro Engineering and Service Cooperative Federation due to delay in taking a decision on appropriate scheme for Hindu Adi Dravidar Farmers.

(Paragraph 3.6)

(iii) Release of entire subsidy without ascertaining the exact number of eligible beneficiaries resulted in blocking of Government funds to the tune of Rs 1.07 crore outside Government Account for more than 4 years.

(Paragraph 3.17)

(iv) Non-finalisation of a suitable site for construction of Yatri Nivas at Samayapuram resulted in blocking of Government funds of Rs 21 lakh with Central Public Works Department for more than 4 years.

(Paragraph 3.20)

(v) Construction of High Income Group flats at Madhavaram in spite of poor demand resulted in blocking of Tamil Nadu Housing Board's funds to the tune of Rs 4.60 crore for more than 3 years.

(Paragraph 6.11)

(vi) Entrustment of the work of construction of men's hostel building for University of Madras to Tamil Nadu State Construction Corporation without ascertaining its capability resulted in blocking of funds to the tune of Rs 32.53 lakh.

(Paragraph 6.10)

(vii) Construction of flats in "Special and Hazardous Industrial Use Zone" resulted in blocking of Tamil Nadu Housing Board's funds to the tune of Rs 1.23 crore.

(Paragraph 6.12)

12 Diversion of funds

Ninety *per cent* of budget provision was released to Tamil Nadu Medical Services Corporation for purchase of medicines and equipments for Government Hospitals, without regard to the unutilised funds already available with it. The Corporation utilised Rs 9.02 crore for creation of assets for its own use.

(Paragraph 3.12)

13 Non-achievement of objectives

(i) Government decided (January 1990) to computerise the functions in all the treasuries and sub-treasuries in the State with a view to enable (a) a much better monitoring of expenditure; (b) a better regulation in the release of funds and (c) a more realistic assessment of the budget estimates of the succeeding year based on the actual expenditure etc. A review of the computerisation project showed several deficiencies in the planning, organisation and control; some of the findings are: (i) Due to hasty implementation, an investment of Rs 57.12 lakh made during December 1992 and March 1998 on hardware and infrastructure remained unproductive for 13 to 17 months; and Rs 91.81 lakh for 1 to 7 months. (ii) Even after incurring an expenditure of Rs 2.34 crore on computerisation and consumables, none of the objectives of computerisation was achieved mainly due to deficiencies in software. The compilation of receipts at the district level had not been taken up as the required software had not been obtained.

(Paragraph 3.8)

(ii) Due to the delay in purchasing centrifugal pumps and power take-off units, the water tenders supplied to 12 single unit fire stations could not be used for effective fire fighting even after incurring an expenditure of Rs 1.04 crore.

(Paragraph 3.13)

(iii) Failure to obtain prior concurrence from Government of India for utilising forest land resulted in the project of constructing a road to link Eachangadu Village remaining incomplete after 5 years even after spending Rs 1.79 crore.

(Paragraph 4.3)

14 Unintended benefit

(i) Absence of time frame for payment of land cost in the Memorandum of Understanding executed with Mahindra Ford India Limited resulted in additional liability of Rs 1.39 crore to Government towards interest payment to Chennai Metropolitan Development Authority.

(Paragraph 3.18)

(ii) In spite of reduction of excise duty, the price payable for paper supplied by Tamil Nadu Newsprint and Papers Limited was not reduced, resulting in excess payment of Rs 14.82 lakh.

(Paragraph 3.19)

15 Avoidable/Unfruitful/infructuous expenditure

(i) Delay in assessing the requirement and belated issue of orders for procurement of arms and ammunitions resulted in an avoidable expenditure of Rs 41.06 lakh.

(Paragraph 3.14)

(ii) The expenditure of Rs 50.40 lakh on the purchase of 360 houses in Madurai District from Tamil Nadu Housing Board for accommodating refugees in the transit camps, which were found to be structurally weak, was unfruitful and the expenditure of Rs 10.89 lakh incurred on their repair also was largely unproductive.

(Paragraph 3.22)

(iii) Delay in processing land acquisition cases resulted in an avoidable payment of enhanced compensation of Rs 95.03 lakh.

(Paragraphs 3.24 and 6.15)

(iv) Premature drawal of the second instalment of loan even before the completion of preliminary works for the construction of 50 high level bridges for the improvement of eight radial roads leading to Chennai city resulted in an avoidable payment of interest of Rs 3.94 crore besides payment of penalty of Rs 1.35 crore for non-utilisation of funds within six months of drawal of loan.

(Paragraph 4.2)

(v) Provision of higher specification by Chief Engineer for improvement of 12 roads in Ambattur without justification resulted in an additional liability of Rs 80.81 lakh to Ambattur Municipality.

(Paragraph 4.4)

(vi) Provision of higher specification for slow moving vehicle track and service lanes without following guidelines resulted in avoidable expenditure of Rs 70.58 lakh.

(Paragraphs 4.6, 4.10 and 6.13)

(vii) Failure of the Superintending Engineer to prescribe the period of completion for the work of improvement of rural roads as per the norms of Indian Roads Congress resulted in an avoidable payment of escalation charges of Rs 44.53 lakh.

(Paragraph 4.5)

(viii) As a result of non-acquisition of land required for the approach road to the bridge due to objection raised by the land owners, Rs 23.92 lakh spent on the road work and bridge remained unfruitful.

(Paragraph 4.7)

(ix) Deployment of funds, borrowed by Tamil Nadu Water Supply and Drainage Board from Life Insurance Corporation of India, for improving the cash balance of Government led to avoidable interest liability of Rs 2.82 crore to the Board during 1997-98 and 1998-99.

(Paragraph 6.8)

(x) Failure of the Tamil Nadu Slum Clearance Board to collect instalment of principal and interest on Housing and Urban Development Corporation loan from the Coimbatore Municipal Corporation in time resulted in avoidable extra financial commitment of Rs 52.63 lakh.

(Paragraph 6.16)

(xi) Failure of Tamil Nadu Slum Clearance Board to repay the loan obtained from Housing and Urban Development Corporation for construction of shopping *cum* office complex even after selling the building resulted in an avoidable payment of interest of Rs 15.49 lakh.

(Paragraph 6.17)

(xii) Tamil Nadu Water Supply and Drainage Board laid pipes in the land belonging to Railways without verifying the ownership. Consequently, the Board had to abandon the pipes laid and lay new pipes at a cost of Rs 45.71 lakh.

(Paragraph 6.19)

16 Unutilised equipment/teaching aids

\- Hasty purchase of teaching aids at a cost of Rs 24.36 lakh without following the tender procedure even before completion of the building for the Fire Services training school resulted in the teaching aids remaining idle for 2 years.

(Paragraph 5.2)

17 Other points of interest

(i) An amount of Rs 33.89 crore due from Local Bodies and aided schools/educational institutions towards the subscription and management contribution under the Group Insurance Scheme was not remitted into Government account. There was no system to monitor and ensure that monthly remittances were made. Profits of Rs 12.30 crore due to Government had not been realised.

(Paragraph 3.7)

(ii) In 23 branches of 5 public sector banks in 7 districts, Rs 16.44 lakh were drawn and credited into the bank account of 38 pensioners even after the date of their death, due to the failure on the part of the banks to inform the concerned Treasury officers about the death of the pensioners.

(Paragraph 3.10)

(iii) The utilisation of housing loan of Rs 3.36 crore given during 1992-93 to 1997-98 to 6,954 Srilankan repatriates was not monitored nor its recovery watched.

(Paragraph 3.21)

(iv) Due to non-framing of rules for use of aircraft and helicopter acquired by Government at a cost of Rs 39.55 crore, the aircraft/helicopter were used by some non-officials but no charges were recovered from them. The aircraft/helicopter were underutilised in spite of incurring huge expenditure on maintenance and operation.

(Paragraph 3.23)

(v) A review of the transactions relating to Personal Deposit Account revealed that under 106 Personal Deposits, there was a balance of Rs 652.48 crore as on 31 March 1999 whereas the Personal Deposit accounts are required to be closed at the end of the year. There were huge differences between balances as per the records of Treasuries and as per the departmental records. Under 800 Other Deposits, out of Rs 1636.10 crore released and credited to 33 Personal Deposit accounts of various Corporations/Undertakings during 1998-99, Rs 553.42 crore remained unutilised as on 31 March 1999. Rupees 44.99 crore were drawn and credited to Personal Deposit account during the last week of March 1999, only to avoid lapse of Budget provision. Out of Rs 200 crore sanctioned by Government during 1998-99 as share capital assistance to State Transport Undertakings for procurement of new buses, which was remitted into Personal Deposit account of Tamil Nadu Transport Development Finance Corporation, Rs 153.65 crore were utilised for adjustment of dues of State Transport Undertakings.

(Paragraph 3.11)

CHAPTER I

AN OVERVIEW OF THE FINANCES OF THE STATE GOVERNMENT

AN OVERVIEW OF THE FINANCES OF THE STATE GOVERNMENT

1.1 Introduction

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

1.2 Financial position of the State

In the Government accounting system comprehensive accounting of the fixed assets like land and buildings etc., owned by the Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred by the Government. Exhibit I gives an abstract of such liabilities and assets as on 31 March 1999, compared with the corresponding position on 31 March 1998. While the liabilities in this statement consist mainly of external and internal borrowings, loans and advances from the Government of India, receipts from the Public Account and Reserve Funds, the assets comprise mainly the capital outlay, loans and advances given by the State Government and the cash balances. It would be seen from Exhibit I that while the liabilities grew by 18.9 *per cent*, the assets grew by only 2.7 *per cent* during 1998-99, mainly as a result of a very high (43.4 *per cent*) increase in deficit. There was overall deterioration in the financial condition.

1.3 Sources and applications of funds

1.3.1 Exhibit III gives the position of sources and applications of funds during the current and the preceding year. The main sources of funds include the revenue receipts of the Government, recoveries of the loans and advances, public debt and the receipts in the Public Account. These are applied mainly on revenue and capital expenditure and on lending for developmental purposes. It would be seen that the revenue receipts constitute the most significant source of fund for the State Government, but their relative share went down from 79.6 *per cent* in 1997-98 to 73.7 *per cent* during 1998-99. The share of recoveries of loans and advances also went down from 7.1 *per cent* to 1.7 *per cent*. As a result, the Government had to meet its requirement through increased borrowings (the share of public debt went up from 10.1 to 11.2 *per cent*), receipts from Public Account (their share went up from 3.1 *per cent* in 1997-98 to 8.2 *per cent* in 1998-99, mainly because of increase in small savings and deposits and advances) and depletion in cash reserves.

1.3.2 The funds were mainly applied for revenue expenditure, whose share not only went up from 87.6 *per cent* to 91.4 *per cent*, but also remained significantly higher than the share of the revenue receipts (73.7 *per cent*) in the total receipts of the State Government. This led to the Revenue Deficit. The increase in the revenue expenditure and the consequent revenue deficit was attributable partly to Rs 1100.23 crore (provisional) spent on the award of the Sixth Pay Commission during 1998-99. While the percentage of capital expenditure went down from 8.6 *per cent* to 6 *per cent*, lending for development purposes also came down from 3 *per cent* to 2.6 *per cent*.

EXHIBIT I
SUMMARISED FINANCIAL POSITION OF THE GOVERNMENT OF TAMIL NADU AS ON 31 MARCH 1999

(Rupees in crore)

As on 31.03.1998	Liabilities		As on 31.03.1999
2.24	External Debt		..
4099.12	Internal Debt -		5035.90
3625.14	Market Loans bearing interest	4168.52	
5.69	Market Loans not bearing interest	6.58	
146.66	Loans from Life Insurance Corporation of India	221.57	
321.63	Loans from other Institutions	639.23	
..	Ways and Means Advances	..	
..	Overdrafts from Reserve Bank of India	..	
9620.56	Loans and Advances from Central Government -		10845.66
249.23	Pre 1984-85 Loans	197.63	
3541.63	Non-Plan Loans	4234.35	
5730.48	Loans for State Plan Schemes	6300.65	
35.17	Loans for Central Plan Schemes	34.34	
64.05	Loans for Centrally Sponsored Plan Schemes	78.69	
150.00	Contingency Fund		150.00
2562.72	Small Savings, Provident Funds, etc.		3700.34
1901.51	Deposits		2293.74
1231.72	Reserve Funds		1220.87
..	Advances		..
130.60	Remittance Balances		168.57
19698.47			**23415.08**
As on 31.03.1998	**Assets**		**As on 31.03.1999**
7450.43[@]	Gross Capital Outlay on Fixed Assets -		8603.74
	Investments in shares of Companies, Corporations, etc.	1560.98	
	Other Capital Outlay	7042.76	
3507.44	Loans and Advances -		3694.66
546.27	Loans for Power Projects	488.46	
2616.40	Other Development Loans	2835.59	
344.77	Loans to Government servants and Miscellaneous loans	370.61	
38.50	Reserve Fund Investments		38.40
6.76	Advances		7.05
(-) 181.06	Suspense and Miscellaneous Balances		(-) 172.49
1054.50	Cash -		26.87
1.70	Cash in Treasuries and Local Remittances	(-) 20.55	
85.42	Deposits with Reserve Bank	(-) 35.40	
1.32	Departmental Cash Balance	1.22	
4.99	Permanent Advances	5.62	
961.07	Cash Balance Investments	75.98	
7821.92	Deficit on Government Accounts -		11216.85
1363.90	(i) Revenue Deficit of the Current Year	3436.57	
..	(ii) Appropriation to Contingency Fund	..	
(-) 35.38	(iii) Miscellaneous Deficit	(-) 41.63	
6493.40	Accumulated deficit up to 31 March 1998	7821.91[@]	
19698.49[A]			**23415.08**

[A] Differs from the figure shown in last year's account due to *pro forma* correction as stated at @.

EXHIBIT II

ABSTRACT OF RECEIPTS AND DISBURSEMENTS FOR THE YEAR 1998-99

(Rupees in crore)

1997-98		Receipts		1998-99	1997-98		Disbursements	Non-Plan	Plan	Total	1998-99
		Section-A: Revenue									
13586.95	I	Revenue receipts		14260.83		I	Revenue expenditure-				17697.40
8685.64		-Tax revenue	9625.30		4672.07		General services	5873.06	6.72	5879.78	
					5613.45		Social Services-	5818.60	1282.74	7101.34	
1121.87		-Non-tax revenue	1156.70		2889.57		-Education, Sports, Art and Culture	3665.49	187.54	3853.03	
					899.56		-Health and Family Welfare	799.10	300.68	1099.78	
2728.30		-State's share of Union Taxes	2408.98		375.11		-Water Supply, sanitation, Housing and Urban Development	89.91	371.90	461.81	
					13.98		-Information and Broadcasting	16.74	2.06	18.80	
120.61		-Non-Plan grants	162.25		386.95		-Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	238.50	210.66	449.16	
467.59		-Grants for State Plan Scheme	394.27		75.63		-Labour and labour Welfare	89.06	2.82	91.88	
					954.64		-Social Welfare and Nutrition	874.41	206.82	1081.23	
462.94		-Grants for Central and Centrally sponsored Plan Schemes	513.33		18.01		-Others	45.39	0.26	45.65	
					3835.06		Economic Services-	2635.13	1046.17	3681.30	
					1243.50		-Agriculture and Allied Activities	1165.07	286.32	1451.39	
					531.77		-Rural Development	126.81	439.80	566.61	
					15.32		-Special Areas Programmes	0.27	16.35	16.62	
					326.03		-Irrigation and Flood control	285.16	110.33	395.49	
					1.16		-Energy		1.18	1.18	
					249.62		-Industry and Minerals	157.41	145.11	302.52	
					387.70		-Transport	319.99	19.01	339.00	
					5.84		-Science, Technology and Environment	0.01	7.10	7.11	
					1074.12		-General Economic Services	580.41	20.97	601.38	
					830.27		Grants-in-aid and Contributions-	940.46	94.52	1034.98	
					14950.85		Total	15267.25	2430.15	17697.40	
1363.90	II	Revenue deficit carried over to Section B		3436.57		II	Revenue Surplus carried over to Section B				
14950.85		**Total**		**17697.40**	**14950.85**		**Total**				**17697.40**
		Section-B : Others									
912.62	III	Opening Cash balance including Permanent Advances and Cash Balance Investment		1054.50		III	Opening Overdraft from Reserve Bank of India				
	IV	Miscellaneous Capital receipts		..		IV	Capital Outlay-				1153.32
					55.35		General Services-	20.49	93.50	113.99	
					246.86		Social Services-	6.86	221.14	228.00	
					35.04		-Education, Sports, Art and Culture	(-)0.18	72.61	72.43	
					39.46		-Health and Family Welfare	0.03	66.91	66.94	
					133.35		-Water Supply, Sanitation, Housing and Urban Development	(-)0.03	33.99	33.96	
					6.60		-Information and Broadcasting	7.04	0.34	7.38	
					20.47		-Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	..	38.57	38.57	

EXHIBIT II – (concld.)

(Rupees in crore)

1997-98		Receipts		1998-99	1997-98		Disbursements	Non-Plan	Plan	Total	1998-99
		Section-B: Others (concld)									
					1.14		-Social Welfare and Nutrition		2.47	2.47	
					10.80		-Others		6.25	6.25	
					1165.58		Economic Services-	(-) 73.11	884.44	811.33	
					76.16		-Agriculture and Allied Activities	(-) 2.90	166.71	163.81	
					0.36		-Rural Development	..	0.26	0.26	
					9.72		-Special Areas Programmes		11.22	11.22	
					66.22		-Irrigation and Flood Control		226.03	226.03	
					574.28		-Energy	(-) 57.55	..	(-) 57.55	
					42.42		-Industry and Minerals	(-) 12.73	33.10	20.37	
					393.70		-Transport		440.54	440.54	
					2.72		-General Economic Services	0.07	6.58	6.65	
					1467.79		Total	(-) 45.76	1199.08	1153.32	
1216.90	V	Recoveries of Loans and Advances-		322.98	506.94	V	Loans and Advances disbursed-				510.20
641.33		-From Power Projects	58.34		..		-For Power Projects			0.53	
71.67		-From Government Servants	83.29		110.87		-To Government Servants			110.18	
503.90		-From Others	181.35		396.07		-To Others			399.49	
	VI	Revenue surplus brought down		..	1363.90	VI	Revenue deficit brought down				3436.57
2132.69	VII	Public debt receipts-		3420.73	407.78	VII	Repayment of Public debt-				1261.09
		-External debt	(-) 2.24		..		-External debt				
697.84		-Internal debt other than ways and means Advances and Overdraft	1046.33		60.96		-Internal debt other than Ways and Means Advances and Overdraft			109.55	
		-Ways and Means Advances	742.34								
1434.85		-Loans and Advances from Central Government	1634.30		..		-Ways and Means Advances			742.34	
					346.82		-Repayment of Loans and Advances to Central Government			409.20	
..	VIII	Appropriation to Contingency Fund			..	VIII	Appropriation to Contingency Fund				..
5.30	IX	Amount transferred to Contingency Fund		..	..	IX	Expenditure from Contingency Fund				..
13062.38	X	Public Account receipts-		15791.17	12528.98	X	Public Account disbursements-				14201.33
1545.87		-Small Savings and Provident Funds	2422.89								
124.69		-Reserve Funds	132.24		1170.88		-Small Savings and Provident Funds			1285.27	
3596.85		-Suspense and Miscellaneous	4207.86								
3295.19		-Remittance	4065.26		148.85		-Reserve Funds			142.99	
4499.78		-Deposits and Advances	4962.92		3628.38		-Suspense and Miscellaneous			4174.81	
					3257.93		-Remittances			4027.29	
					4322.94		-Deposits and Advances			4570.97	
	XI	Closing Overdraft from Reserve Bank of India		..	1054.50	XI	Cash Balance at end-				26.87
					1.70		-Cash in Treasuries and Local Remittances		(-) 20.55		
					85.42		-Deposits with Reserve Bank		(-) 35.40		
					6.31		-Departmental Cash Balance including permanent Advances		6.84		
					961.07		-Cash Balance Investment		75.98		
17329.89		**Total**		**20589.38**	**17329.89**		**Total**				**20589.38**

EXHIBIT III

SOURCES AND APPLICATIONS OF FUNDS

(Rupees in crore)

		Sources	
1997-98			**1998-99**
13586.95	1.	Revenue receipts	14260.83
1216.90	2.	Recoveries of Loans and Advances	322.98
1724.91	3.	Increase in Public debt other than overdraft	2159.64
	4.	Net receipts from Public Account:	
374.99		Increase in Small Savings and Provident Fund	1137.62
176.84		Increase in Deposits and Advances	391.95
(-)24.16		Increase in Reserve Funds	(-) 10.75
(-)31.53		Net effect of suspense and Miscellaneous transactions	33.05
37.26		Net effect of Remittance transactions	37.97
5.30	5.	Net effect of Contingency Fund transactions	..
..	6.	Decrease in closing cash balance	1027.63
17067.46		**Total**	**19360.92**
		Applications	
1997-98			**1998-99**
14950.85	1.	Revenue expenditure	17697.40
506.94	2.	Lending for development and other purposes	510.20
1467.79	3.	Capital expenditure	1153.32
141.88	4.	Increase in closing cash balance	..
17067.46		**Total**	**19360.92**

Explanatory Notes for Exhibits I, II and III:

1. The abridged accounts in the foregoing statements have to be read with comments and explanations in the Finance Accounts.

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

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

4. There was a difference of Rs 51.25 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 0.19 lakh (net credit) had been reconciled (May 1999).

EXHIBIT IV
TIME SERIES DATA ON STATE GOVERNMENT FINANCES

(Rupees in crore)

	1994-95	1995-96	1996-97	1997-98	1998-99
Part A. Receipts	**16,321**	**17,533**	**20,090**	**21,838**	**24,372**
I Revenue Receipts	**9219**	**10599**	**11961**	**13587**	**14261**
(a) Tax Revenue	**5834(63)**	**7151(68)**	**7983(67)**	**8686(64)**	**9625(67)**
Agricultural Income Tax	17	20	14	39	39
Sales Tax	3914(67)	4689(66)	5341(67)	5604(65)	6113 (64)
State Excise	615(11)	935(13)	1063(13)	1300(15)	1710(18)
Taxes on vehicles	372(6)	392(6)	425(6)	470(5)	518(5)
Stamps and Registration fees	507(9)	613(9)	591(7)	632(7)	673(7)
Land Revenue	35	25	19	60	28
Taxes on goods and passengers	110	162	187	215	183(2)
Other Taxes	264	315	343	366	361(4)
(b) Non Tax Revenue	**772(8)**	**858(8)**	**885(7)**	**1122(8)**	**1157(8)**
(c) State's share in Union taxes	**1735(19)**	**1806(17)**	**2165(18)**	**2728(20)**	**2409(17)**
(d) Grants in aid from GOI	**878(10)**	**784(7)**	**927(8)**	**1051(8)**	**1070(8)**
II Capital Receipts	**7102**	**6934**	**8129**	**8251**	**10113**
Market Borrowings	402(6)	474(7)	471(6)	698(9)	1046(10)
Loans and advances from GOI	1502(21)	988(14)	1307(16)	1435(17)	1634(16)
Other Receipts (Public Account)	5198(73)	5472(79)	6351(78)	6118(74)	7433(74)
Part B. Expenditure	**10315**	**11502**	**13985**	**16419**	**18851**
I Revenue Expenditure	**9635(93)**	**10911(95)**	**13065(93)**	**14951(91)**	**17698 (94)**
Plan	1787(19)	1914(18)	2297(18)	2131(14)	2431(14)
Non Plan	7848(81)	8997(82)	10768(82)	12820(86)	15267(86)
General Services	2866(30)	3408(31)	4096(31)	4672(31)	5880(33)
Economic Services	2789(29)	2957(27)	3516(27)	3835(26)	3682(21)
Social Services	3847(40)	4333(40)	5121(39)	5613(38)	7101(40)
Interest Payments	1090(11)	1293(12)	1476(11)	1763(12)	2122(12)
Arrears of Revenue (Percentage to Tax and Non-Tax revenue receipt)	1714(26)	2401(30)	3471(39)	4382(45)	6325(59)
Financial Assistance to local bodies etc.	992	1183	2279	2037	3767
Loans and advances given	874	760	1080	507	510
II Capital Expenditure	**680(7)**	**591(5)**	**920(7)**	**1468(9)**	**1153(6)**
Plan	478(70)	587(99)	781(85)	883(60)	1199(104)
Non Plan	202(30)	4(1)	139(15)	585(40)	(-) 46(-4)#
General Services	18(3)	33(6)	30(3)	55(4)	114(10)
Economic Services	554(81)	329(56)	682(74)	1166(79)	811(70)
Social Services	108(16)	229(38)	208(23)	247(17)	228(20)
Part C. Deficits/Surpluses					
Revenue Deficit(-)/Surplus(+)	(-)416	(-)311	(-)1104	(-)1364	(-) 3437
Fiscal Deficit	1496	1256	2445	2122	4777
Budgetary Deficit(-)/Surplus(+)	(-)125	(+)114	(+)16	(+)12	(-) 143
Part D. Other data					
Ways and Means Advances (WMA) (days)	217(18)	57(2)	..	..	742(38)
Interest on WMA	0.21	0.08	..	..	@
Gross State Domestic Product (GSDP)*	69402	78767	91914	104683	117044
Outstanding Debt (year end)	9362	10555	11995	13720	15882
Outstanding guarantees (year end)	2128	3559	4339	4472	6151
Number of incomplete projects	$	$	6	21	17
Capital blocked in incomplete projects	$	$	101	116	215

Note: Figures in brackets represent percentages (rounded) to total of each sub heading except for Ways and Means Advances; # minus figure is mainly due to conversion of equity in Electricity Board to tariff compensation.; @ not debited to account during 1998-99; * GSDP at current prices (adopted as per the new series with base year 1993-94); $ Compiled only from 1996-97 onwards

1.4 Financial operations of the State Government

1.4.1 Exhibit II gives the details of the receipts and disbursements made by the State Government. The Revenue expenditure (Rs 17698 crore) during the year exceeded the revenue receipts (Rs 14261 crore) resulting in a revenue deficit of Rs 3437 crore. The Revenue receipts comprised tax revenue (Rs 9625 crore), non-tax revenue (Rs 1157 crore), State's share of Union taxes and duties (Rs 2409 crore) and grants-in-aid from the Central Government (Rs 1070 crore). The main sources of tax revenue were sales tax (64 *per cent*), state excise (18 *per cent*) and stamps and registration fees (7 *per cent*). Non-tax revenue came mainly from interest receipts (33 *per cent*) and economic services (32 *per cent*).

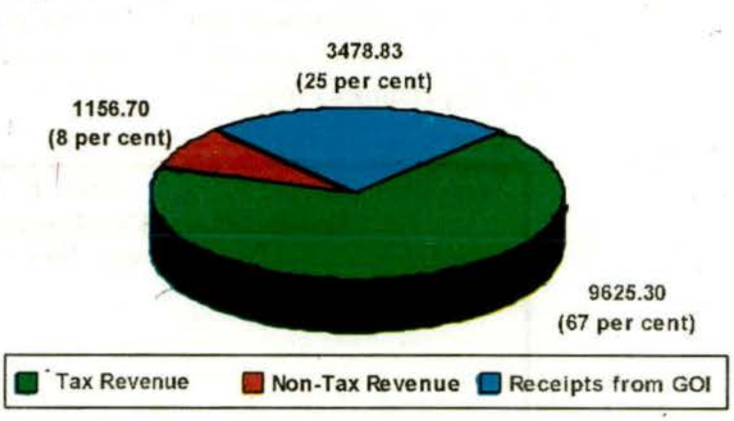
1.4.2 The capital receipts comprised Rs 323 crore from recoveries of loans and advances and Rs 3421 crore from public debt. Against this, the expenditure was Rs 1153 crore on capital outlay, Rs 510 crore on disbursement of loans and advances and Rs 1261 crore on repayment of public debt. The receipts in the Public Account amounted to Rs 15791 crore, against which the disbursements of Rs 14201 crore were made. The net effect of the transactions in the Consolidated Fund, Contingency Fund and Public Account was a decrease in the cash balance from Rs 1055 crore at the beginning of the year to Rs 27 crore at the end of the year.

1.4.3 The financial operations of the State Government pertaining to its receipts and expenditure are discussed in the following paragraphs, with reference to the information contained in Exhibit II and the time series data for the five year period from 1994-95 to 1998-99, presented in Exhibit IV.

1.5 Revenue receipts

1.5.1 The revenue receipts consist mainly of tax and non-tax revenue and receipts from Government of India (GOI). Their relative shares are shown in Figure 1. The revenue receipts, which had grown at an average annual rate of 14 *per cent* during 1994-95 to 1997-98, experienced a slow down and grew only by 5 *per cent* during 1998-99.

Figure 1
Revenue Receipts for 1998-99
(Rupees in crore)



1.5.2 Tax revenue

This constitutes the major share (67 *per cent*) of the revenue receipts. Exhibit IV shows that the relative contribution of sales taxes has come down from 67 *per cent* in 1994-95 to 64 *per cent* in 1998-99, while that of excise duty has gone up considerably from 11 *per cent* to 18 *per cent* over the same period. The other two major constituents of the tax revenue *viz.*, taxes on vehicles and stamps and registration fees are more or less static at 5 and 7 *per cent* respectively.

1.5.3 Non-tax revenue

The non-tax revenue constituted 8 *per cent* of the revenue receipts of the Government during 1994-95 to 1998-99 (except during 1996-97). The growth rate, however, decelerated in 1998-99 to only 3 *per cent*, as compared to 27 *per cent* in 1997-98.

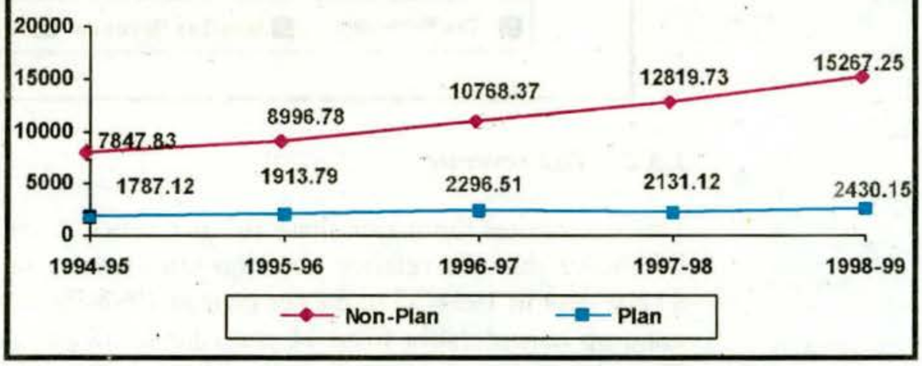
1.5.4 State's share of Union taxes and duties and grants-in-aid from the Central Government

The State's share of Union taxes (excise duties and income and corporation taxes) decreased by 12 *per cent* during the year, while the grants in aid from the Central government increased marginally by 2 *per cent*. However, as a percentage of revenue receipts they (both taken together) declined from 28 *per cent* in 1994-95 to 25 *per cent* during 1998-99.

1.6 Revenue expenditure

1.6.1 The revenue expenditure accounted for most (94 *per cent*) of the expenditure of the State Government and increased by 18 *per cent* during 1998-99. A comparison shows that the growth in Non-Plan component of revenue expenditure over the five year period (95 *per cent*) far surpassed that in Plan expenditure (36 *per cent*), as can be seen in Figure 2.

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



1.6.2 Sector wise analysis shows that while the expenditure on General Services increased by 105 *per cent*, from Rs 2865.53 crore in 1994-95 to Rs 5879.78 crore in 1998-99, the corresponding increases in expenditure on Social Services and Economic Services were only 85 and 32 *per cent* respectively. As a proportion of total revenue expenditure, the share of General Services increased from 30 *per cent* in 1994-95 to 33 *per cent* in 1998-99, whereas the share of Social Services remained at 40 *per cent* and that of Economic Services decreased from 29 *per cent* to 21 *per cent*.

1.6.3 Interest payments

Interest payments increased steadily by 95 *per cent* from Rs 1090 crore in 1994-95 to Rs 2122 crore in 1998-99. Interest payments accounted for 12 *per cent* of Revenue Expenditure, as compared to 11 *per cent* in 1994-95. This is further discussed in the section on financial indicators.

1.6.4 Financial assistance to local bodies and other institutions

The quantum of assistance provided by way of grants and loans to different local bodies etc., during the period of five years ending 1998-99 was as follows:

(Rupees in crore)

	1994-95	1995-96	1996-97	1997-98	1998-99
Universities and Educational Institutions	161	794	40	960	1527
Municipal Corporations and Municipalities	1	1	106	159	217
Zilla Parishads and Panchayati Raj Institutions	23	191	928	197	1402
Development agencies	25	40	67	364	210
Hospitals and Other Charitable Institutions	2	1	3	4	9
Other institutions	780	156	1135	353	402
Total	**992**	**1183**	**2279**[Ψ]	**2037**	**3767**
Percentage of growth over previous year	(-) 1	19	93	(-) 11	85
Assistance as a percentage of revenue expenditure	10	11	17	14	21

The assistance to the local bodies and others increased during 1998-99 mainly due to the increase in the financial assistance to universities and Zilla Parishads and Panchayati Raj Institutions.

1.6.5 Loans and Advances by the State Government

The Government gives loans and advances to Government companies, corporations, local bodies, autonomous bodies, cooperatives, non-Government institutions, etc., for developmental and non-developmental activities. The position for the last five years given below shows that though there was substantial improvement in repayment during 1997-98, it went down steeply during 1998-99 as a result of which the closing balance increased by 5 *per cent*.

(Rupees in crore)

	1994-95	1995-96	1996-97	1997-98	1998-99
Opening balance	3041	3442	3796	4217	3507
Amount advanced during the year	874	760	1080	507	510
Amount repaid during the year	473	406	659*	1217	323
Closing balance	3442	3796	4217	3507	3694
Net addition	401	354	421	(-)710	187
Interest received	168	153	163	345	223

Ψ Figures reported since 1996-97 include loan assistance also

* higher rounding adopted

Out of loans advanced to municipalities, panchayat union councils, town panchayats and village panchayats, the detailed accounts of which were kept by the Principal Accountant General (Accounts and Entitlements) and Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited, recovery of Rs 134.60 crore (principal: Rs 44.86 crore and interest: Rs 89.74 crore) was in arrears as on 31 March 1999. Details in respect of loans, the detailed accounts of which were maintained by the departmental officers, had not been furnished to the Principal Accountant General (Accounts and Entitlements) by 68 heads of departments.

1.7 Capital expenditure

Capital expenditure leads to asset creation. In addition, financial assets arise from moneys invested in institutions or undertakings outside Government i.e. public sector undertakings (PSUs), corporations, etc and loans and advances. The capital expenditure after showing a growth of 56 *per cent* and 59 *per cent* during 1996-97 and 1997-98 respectively, decreased by 21 *per cent* during 1998-99. As a result, its share in total expenditure has declined from 9 *per cent* in 1997-98 to 6 *per cent* in 1998-99. Exhibit IV shows that most of the capital expenditure has been on economic and social services.

1.8 Quality of expenditure

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

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

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

	1994-95	1995-96	1996-97	1997-98	1998-99
1. Plan expenditure as a percentage of:					
- Revenue expenditure.	19	18	18	14	14
- Capital expenditure	70	99	85	60	104*
2. Capital expenditure (*per cent*)	7	5	7	9	6
3. Expenditure on General services (*per cent*)					
- Revenue	30	31	31	31	33
- Capital	3	6	3	4	10
4. Amount of wastages and diversion of funds detected during test audit (Rupees in crore)	25	105	200	353	1767
5. Non-remunerative expenditure on incomplete projects (Rupees in crore)	@	@	101	116	215
6. Unspent balances under deposit heads, booked as expenditure at the time of their transfer to the deposit head (Rupees in crore)	572	598	601	495	652

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

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

It would be seen that the share of Plan expenditure on the revenue side has been declining since 1995-96. The share of Plan expenditure on the capital side declined upto 1997-98 and then went up during 1998-99. The share of capital expenditure, also went down during 1998-99 after showing an upward trend in 1996-97 and 1997-98. The expenditure on General Services, at the same time, has increased on both the revenue and capital sides. The table also shows that substantial amounts remained blocked in incomplete projects and a significant amount of expenditure booked every year did not actually take place, in addition to the substantial amounts of wastages and diversions of funds brought out in the Audit Reports. This, in turn, affected the quality of expenditure by the Government.

1.9 Financial Management

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

1.9.1 Investments and returns

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

Sector		Number of concerns	Amount invested as on 31.3.1999 (Rupees in crore)	Amount invested during 1998-99 (Rupees in crore)
(1)	Statutory Corporations	1	3.81	..
(2)	Government Companies	76	1247.84	232.15
(3)	Joint Stock Companies	6	2.53	..
(4)	Cooperative Institutions	9451	306.80	15.51
	Total	**9534**	**1560.98**	**247.66**

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

(Rupees in crore)

Year	Investment at the end of the year	Return	Percentage of return	Rate of interest on Government borrowing from open market
1994-95	727.58	7.86	1.08	12.50
1995-96	820.84	28.38	3.46	14.00
1996-97	1066.63	22.20	2.08	13.85 and 13.75
1997-98	1316.43@	18.45	1.40@	13.05 and 12.30
1998-99	1560.98	24.29	1.56	12.50 and 12.15

@ Differs from the figures furnished in the last year's Report due to adoption of revised figures communicated by the departments

Thus, while the Government was raising high cost borrowings from the market, its investments in Government companies etc., fetched insignificant returns. As on 31 March 1999, 48 of the Government companies in which Government had invested Rs 753.48 crore, were running under loss and the accumulated loss was Rs 1295.51 crore up to March 1998.

1.9.2 Financial results of irrigation works

The financial results of 5 major and 47 medium irrigation projects with a capital outlay of Rs 1658.10 crore at the end of March 1998 showed that revenue realised from these during 1997-98 (Rs 4.20 crore) was only 0.25 *per cent* of the capital outlay. After meeting the working expenditure (Rs 58.53 crore) and maintenance expenditure (Rs 0.44 crore) and interest charges (Rs 58.11 crore), the schemes suffered a net loss of Rs 112.88 crore in 1997-98. The loss was substantial (Rs 76.59 crore) in all the major irrigation projects.

1.9.3 Incomplete Projects

As of 31 March 1999, there were 17 incomplete projects in which Rs 215.35 crore were blocked. The position had deteriorated as compared to the position as on 31 March 1998. This showed that the Government was spreading its resources thinly, which failed to yield any return.

1.9.4 Arrears of revenue

The arrears of revenue pending collection increased by 44 *per cent* during the year. The outstanding arrears registered a secular increase during the preceding five years (Exhibit IV) and their percentage increased from 26 *per cent* of the revenue raised during 1994-95 to 59 *per cent* during 1998-99. Of the arrears of Rs 6325.02 crore as of March 1999, Rs 1907.25 crore (30 *per cent*) were pending for more than five years, and pertained mainly to Sales Tax (Rs 1046.16 crore), 'Mines and Minerals' (Rs 770.20 crore) and State Excise (Rs 52.54 crore). The overall deterioration in the position of arrears of revenue showed a slackening of the revenue efforts of the State Government.

1.9.5 Ways and means advances and overdraft

Under an agreement with the Reserve Bank of India, the State Government had to maintain with the Bank a minimum daily cash balance of Rs 1.10 crore. If the balance fell below the agreed minimum on any day, the deficiency had to be made good by taking ways and means advances (WMA)/overdraft (OD) from the Bank. In addition, special ways and means advances are also made by the Bank whenever necessary. Recourse to WMA/OD means a mismatch between the receipts and expenditure of the Government, and hence reflects poorly on the financial management in Government. During the year 1998-99, the State Government was able to maintain the agreed minimum balance with the Reserve Bank of India for 327 days and for the remaining 38 days, the minimum balance was maintained by obtaining ordinary Ways and Means Advance (Rs 742.34 crore) which was repaid during the year. There was no overdraft during the year.

1.9.6 Deficit

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

1.9.6.2 The Revenue Deficit is the excess of revenue expenditure over revenue receipts. The Fiscal Deficit may be defined as the excess of revenue and capital expenditure (including net loans given) over the revenue receipts (including grants-in-aid received). Primary Deficit is fiscal deficit less interest payments. The following exhibit gives a break-up of the deficit in Government account for 1998-99.

(Rupees in crore)

CONSOLIDATED FUND					
Receipt	**Amount**			**Disbursement**	**Amount**
Revenue	14261	**Revenue deficit: 3437**		Revenue	17698
Miscellaneous capital receipts				Capital	1153
Recovery of loans and advances	323			Loans and advances disbursement	510
Sub Total	14584	**Gross fiscal deficit: 4777**		Sub Total	19361
Public debt	3421			Public debt repayment	1261
Total	18005	**A: Deficit in Consolidated Fund : 2617**			20622
PUBLIC ACCOUNT					
Small savings, Provident Fund etc.	2423			Small savings, Provident Fund etc.	1285
Deposits and advances	4963			Deposits and advances	4571
Reserve funds	132			Reserve funds	143
Suspense and miscellaneous	4208			Suspense and miscellaneous	4175
Remittances	4065			Remittances	4027
Total Public Account	15791	**B: Deficit in Consolidated Fund financed by Public Account: 1590**			14201
Decrease in cash balance (A-B) : 1027					

The table shows that the Revenue Deficit of Rs 3437 crore was partly met by borrowings (Rs 2160 crore). The Fiscal Deficit of Rs 4777 crore was financed by net proceeds of the public debt (Rs 2160 crore), the surplus from Public Account (Rs 1590 crore) and the decrease in cash balance (Rs 1027 crore). Exhibit IV shows that both the deficits have shown an increasing trend over the last 4 years (1995-96 to 1998-99).

1.9.6.3 Application of the borrowed funds (Fiscal Deficit)

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

Ratio	1994-95	1995-96	1996-97	1997-98	1998-99
RD/FD	0.28	0.25	0.45	0.64	0.72
CE/FD	0.45	0.47	0.38	0.69	0.24
Net loans/FD	0.27	0.28	0.17	(-) 0.33	0.04
Total	1.00	1.00	1.00	1.00	1.00

It would be seen that while more and more of the borrowed funds have been applied for meeting the revenue expenditure in the last three years, its application to capital expenditure declined during 1998-99. Therefore, if the revenue expenditure is not controlled, the capital formation is bound to suffer.

1.9.7 Guarantees given by the State Government

Guarantees are given by the State Government for due discharge of certain liabilities like repayment of loans, share capital, etc., raised by the statutory corporations, Government companies and cooperative institutions etc., and payment of interest and dividend by them. They constitute contingent liability of the State. No law under Article 293 of the Constitution had been passed by the State Legislature laying down the maximum limits within which Government may give guarantees on the security of the Consolidated Fund of the State. Exhibit IV lists the amounts of outstanding guarantees at the end of each year during 1995-99, which showed an increasing trend. While Rs 1.81 crore were received as guarantee commission during 1998-99, Rs 1.09 crore of guarantee commission were outstanding for recovery from 10 Government companies as on 31 March 1999.

1.10 Public debt

1.10.1 The Constitution of India provides that a State may borrow within the territory of India, upon the security of Consolidated Fund of the State within such limits, if any, as may from time to time, be fixed by an Act of Legislature of the State. No law had been passed by the State Legislature laying down any such limit. The details of the total liabilities of the State Government as at the end of the last five years are given in the following table. During the five year period, the total liabilities of the Government had grown by 73 *per cent*. This was on account of 96 *per cent* growth in internal debt, 59 *per cent* growth in loans and advances from Government of India and 80 *per cent* growth in other liabilities. During 1998-99, Government borrowed Rs 620.93 crore in the open market at interest rates of 12.15 and 12.50 *per cent* per annum.

(Rupees in crore)

Year	Internal debt	Loans and advances from Central Government	Total public debt	Other liabilities[α]	Total liabilities	Ratio of debt to GSDP
1994-95	2561.37	6800.81	9362.18	3986.13	13348.31	0.19
1995-96	3015.02	7539.72	10554.74	4382.51	14937.25	0.19
1996-97	3462.24	8532.53	11994.77	5129.52	17124.29	0.19
1997-98	4099.12	9620.56	13719.68	5657.45	19377.13	0.19
1998-99	5035.90	10845.66	15881.56	7176.55	23058.11	0.20

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

(Rupees in crore)

	1994-95	1995-96	1996-97	1997-98	1998-99
Internal Debt					
- Receipt	620	531	471	698	1789
- Repayment (principal + interest)	551	392	399	510	1400
- Net funds available (*per cent*)	69(11)	139(26)	72(15)	188(27)	389(37)
Loans and advances from Government of India					
- Receipt during the year	1502	988	1307	1435	1634
- Repayment	839	1037	1209	1388	1598
- Net funds available (*per cent*)	663(44)	(-) 49	98(7)	47(3)	36(2)
Other liabilities					
- Receipt during the year	5198	5472	6351	6118	7433
- Repayment	5096	5266	5810	5863	6299
- Net funds available (*per cent*)	102(2)	206(4)	541(9)	255(4)	1134(15)

It would be seen that only a small part of the borrowings are available for investment and other expenditure after meeting the repayment obligations. Considering that the outstanding debt has been increasing year after year, the net availability of funds through public borrowings is going to reduce further.

1.11 Indicators of the financial performance

1.11.1 A Government may either wish to maintain its existing level of activity or increase its level of activity. For maintaining its current level of activity, it would be necessary to know how far the means of financing are sustainable.

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

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

(i) Sustainability

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

(ii) Flexibility

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

(iii) Vulnerability

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

(iv) Transparency

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

1.11.2 Information available in Finance Accounts can be used to flesh out Sustainability, Flexibility and Vulnerability that can be expressed in terms of certain indices/ratios worked out from the Finance Accounts. The list of such indices/ratios is given in the Appendix I. Exhibit V indicates the behaviour of these indices/ratios over the period from 1994-95 to 1998-99. The implications of these indices/ratios for the state of the financial health of the State Government are discussed in the following paragraphs.

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

EXHIBIT V

FINANCIAL INDICATORS FOR GOVERNMENT OF TAMIL NADU

	1994-95	1995-96	1996-97	1997-98	1998-99
(1)	(2)	(3)	(4)	(5)	(6)
Sustainability					
BCR (Rs in crore)	575.81	945.41	409.49	(-)163.31	(-) 1914.02
Primary Deficit (PD) (Rs in crore)	407	(-) 37	969	358	2655
Interest Ratio	0.09	0.09	0.10	0.10	0.13
Capital outlay/Capital receipts	0.39	0.46	0.60	0.46	0.32
Total Tax receipts/GSDP	0.11	0.11	0.11	0.11	0.10
State Tax Receipts/GSDP	0.08	0.09	0.09	0.08	0.08
Return on Investment ratio	0.0108	0.0346	0.0208	0.0143	0.0156
Flexibility					
BCR (Rs in crore)	575.81	945.41	409.49	(-)163.31	(-) 1914.02
Capital repayments/Capital borrowings	0.13	0.18	0.19	0.19	0.19
State tax receipts/GSDP	0.08	0.09	0.09	0.08	0.08
Debt/GSDP	0.19	0.19	0.19	0.19	0.20
Vulnerability					
Revenue Deficit(RD) (Rs in crore)	416	311	1104	1364	3437
Fiscal Deficit(FD) (Rs in crore)	1496	1256	2445	2122	4777
Primary Deficit(PD) (Rs in crore)	407	(-) 37	969	358	2655
PD/FD	0.27	(-) 0.03	0.40	0.17	0.56
RD/FD	0.28	0.25	0.45	0.64	0.72
Outstanding Guarantees/revenue receipts	0.23	0.34	0.36	0.33	0.43
Assets/Liabilities	0.63	0.65	0.63	0.60	0.52

Note:

1. The interest payment in 1995-96 was more than the fiscal deficit, hence the negative figure for primary deficit.

2. Fiscal deficit has been calculated as: Revenue expenditure + Capital expenditure + Net loans and advances – Revenue receipts – Net loan capital receipts.

3. In the ratio Capital outlay vs. Capital receipts, the denominator has been taken as Internal loans + Loans and Advances from Government of India + Net receipts from small savings, Provident Fund etc., + Repayments received from loans advanced by the State Government – Loans advanced by State Government.

SAB II

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

(i) Balance from current revenues (BCR)

BCR is defined as revenue receipts minus plan assistance grants minus non-plan revenue expenditure. A positive BCR shows that the State Government has surplus from its revenues for meeting plan expenditure. The table shows that the State Government has had positive BCRs in three out of the five years, but, in 1997-98 and 1998-99, the BCR was negative suggesting that Government had to depend only on borrowings for meeting its plan expenditure.

(ii) Interest ratio

The higher the ratio the less the ability of the Government to service any fresh debt and meet its revenue expenditure from its revenue receipts. In case of Tamil Nadu, the ratio has shot up to 0.13 after having been in the narrow range of 0.09 to 0.10 till 1997-98. A rising interest ratio has adverse implications for the sustainability since it points out to rising interest burden.

(iii) Capital outlay/capital receipts

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

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

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

(v) Return on Investment (ROI)

The ROI is the ratio of the earnings to the capital employed. A high ROI suggests sustainability. The table presents the return on Government's investments in statutory corporations, Government companies, joint stock companies and cooperative institutions. It shows that the ROI in case of Government of Tamil Nadu has been negligible and has moved in the narrow range of 1.08 *per cent* to 3.46 *per cent*.

(vi) Capital repayments vs Capital borrowings

This ratio would indicate the extent to which the capital borrowings are available for investment, after repayment of capital. The lower the ratio, the higher would be the availability of capital for investment. In case of Tamil Nadu Government, this ratio has increased from 13 *per cent* in 1994-95 to 19 *per cent* and has remained static at that level since 1996-97, indicating reduced availability of the borrowings for investment.

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

The GSDP is the total internal resource base of the State Government, which can be used to service debt. An increasing ratio of Debt/GSDP would signify a reduction in the Government's ability to meet its debt obligations and therefore increasing risk for the lender. In the case of Tamil Nadu, this ratio has increased from 0.19 during 1994-95 to 1997-98 to 0.20 during 1998-99, indicating growing indebtedness of the Government.

(viii) Revenue deficit/Fiscal deficit

The revenue deficit is the excess of revenue expenditure over revenue receipts and represents the revenue expenditure financed by borrowings etc. Evidently, the higher the revenue deficit, the more vulnerable is the State. Since fiscal deficit represents the aggregate of all the borrowings, the revenue deficit as a percentage of fiscal deficit would indicate the extent to which the borrowings of the Government are being used to finance non-productive revenue expenditure. Thus, the higher the ratio the worse off the state because that would indicate that the debt burden is increasing without adding to the repayment capacity of the state. During 1998-99, 72 *per cent* of the borrowings were applied to revenue expenditure as compared to 25 *per cent* in 1995-96. This is an unfavourable trend.

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

Primary deficit is the fiscal deficit minus interest payments. It represents non-interest borrowings of the Government, on account of its current actions (interest payment relate to the past actions of the Government). Primary deficit is sustainable only when the economy grows at a rate higher than the interest rate on borrowings. This not being the case, fiscal prudence would require aiming at a zero primary deficit or primary surplus. In case of Tamil Nadu, as Exhibit V shows, the ratio of PD/FD has increased substantially during 1998-99 (in contrast to the position in 1995-96 when the ratio was negative) suggesting that the sustainability is adversely affected.

(x) Guarantees vs Revenue receipts

Outstanding guarantees, including the letters of comfort issued by the Government, indicate the risk exposure of a State Government and should therefore be compared with the ability of the Government to pay *viz.*, its revenue receipts. Thus, the ratio of the total outstanding guarantees to total revenue receipts of the Government would indicate the degree of vulnerability of the State Government. In case of Tamil Nadu, this ratio has been on the increase from 0.23 in 1994-95 to 0.43 during 1998-99 indicating an increase in vulnerability.

(xi) Assets vs Liabilities

This ratio indicates the solvency of the Government. A ratio of more than 1 would indicate that the State Government is solvent (assets are more than the liabilities) while a ratio of less than 1 would be a contra indicator. As explained in para 1.2, the accounting of assets and liabilities in the Government pertains mainly to the financial assets and liabilities. In case of Tamil Nadu, this ratio has declined from 0.63 in 1994-95 to 0.52 in 1998-99 indicating that the increase in liabilities has not led to corresponding increase in the assets. This suggests imprudent financial management.

(xii) Budget

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

Preparation	Month of submission	Month of approval
Vote on account	March 1998	March 1998
Budget	March 1998	June 1998
Supplementary I	November 1998	December 1998
Supplementary II	March 1999	March 1999

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

(xiii) Accounts

There was no significant delay in the submission of accounts by the treasuries/departments during 1998-99.

1.11.4 Conclusion

The State spent an extra Rs 2300 crore during the year. Increase in revenue expenditure by Rs 2700 crore was more than this amount forcing a decline in capital expenditure of over Rs 300 crore. The incremental expenditure was in the main debt financed because of poor performance of revenue receipts and a significant decline in capital recoveries. This extra expenditure financed significant increase in pay and allowances (effect of Pay Commission) and increased assistance to local bodies. These decisions significantly affected the financial position of the State, aggravated the imbalance between Assets and Liabilities and other fiscal indicators changed for the worst. These policy options are no longer sustainable.

CHAPTER II

APPROPRIATION AUDIT
AND
CONTROL OVER EXPENDITURE

APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

Appropriation Accounts: 1998-99

Total Number of grants: 63

Total provision and actual expenditure

Provision	Amount (Rs in crore)	Expenditure	Amount (Rs in crore)
Original	22513.64		
Supplementary	1898.89		
Total gross provision	24412.53	**Total gross expenditure**	21364.68
***Deduct* – Estimated recoveries in reduction of expenditure**	260.88	***Deduct* – Actual recoveries in reduction of expenditure**	742.68
Total net provision	**24151.65**	**Total net expenditure**	**20622.00**

Voted and Charged provision and expenditure

	Provision (Rs in crore)		Expenditure (Rs in crore)	
	Voted	**Charged**	**Voted**	**Charged**
Revenue	17799.59	*2146.42*	15946.85	*2158.01*
Capital	1795.19	*1.07*	1487.71	*0.82*
Total (Gross)	19594.78	*2147.49*	17434.56	*2158.83*
***Deduct* – recoveries in reduction of expenditure**	260.66	*0.22*	742.32	*0.36*
Total (Net)	**19334.12**	***2147.27***	**16692.24**	***2158.47***

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

2.1 Introduction

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

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

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

2.2 Summary of Appropriation Accounts – 1998-99

The summarised position of actual expenditure during 1998-99 against 63 grants/appropriations was as follows:

(Rupees in crore)

	Nature of expenditure	Original grant/appropriation	Supplementary grant/appropriation	Total	Actual expenditure	Saving (-)/ Excess (+)
Voted	I Revenue	16251.40	1548.19	17799.59	15946.85*	(-) 1852.74
	II Capital	1579.98	215.21	1795.19	1487.71*	(-) 307.48
	III Loans and Advances	487.46	38.30	525.76	510.20	(-) 15.56
Total Voted		**18318.84**	**1801.70**	**20120.54**	**17944.76**	**(-) 2175.78**
Charged	IV Revenue	*2050.02*	*96.40*	*2146.42*	*2158.01*	*(+) 11.59*
	V Capital	*0.28*	*0.79*	*1.07*	*0.82*	*(-) 0.25*
	VI Public Debt	*2144.50*	@	*2144.50*	*1261.09*	*(-) 883.41*
Total Charged		***4194.80***	***97.19***	***4291.99***	***3419.92***	***(-) 872.07***
Appropriation to Contingency Fund (if any)		..	..	..	..	..
Grant Total		**22513.64**	**1898.89**	**24412.53**	**21364.68****	**(-) 3047.85**

@ **Rs 9,000 only**

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

** The total expenditure stands inflated to the extent of Rs 553.42 crore transferred to 8443 - Civil Deposits. Out of this, Rs 7.75 crore were drawn and kept in bank accounts outside the Government account to avoid lapsing of budgetary provision.

2.3 Results of Appropriation Audit

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

2.3.1 The overall saving of Rs 3047.85 crore was the result of saving of Rs 3280.70 crore in 45 grants and 48 appropriations offset by excess of Rs 232.85 crore in 16 grants and 2 appropriations.

2.3.2 The overall excess (Appendix II) of Rs 232.85 crore in 16 grants (Rs 212.22 crore) and 2 appropriations (Rs 20.63 crore) requires regularisation under Article 205 of the Constitution.

2.3.3 *Excess over provision relating to previous years requiring regularisation*

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a grant/ appropriation regularised by the State Legislature. However, the excess expenditure amounting to Rs 1,443 crore for the years 1989-90 to 1997-98 was yet to be regularised, as detailed below:

(Rupees in crore)

Year	Number of grants/ appropriations	Grant/ Appropriation Numbers	Amount of excess	Amount for which explanations not furnished to Public Accounts Committee (PAC)
1989-90	12 Grants	2, 6, 8, 14, 15, 21, 29, 31, 37, 38, 46 and 53	12.10	PAC after discussion, has recommended for regularisation. Appropriation Act is yet to be passed by the Legislature
	4 Appropriations	7, 42, 46 and 53		
1990-91	21 Grants	2, 3, 5, 7, 14, 17, 23, 29, 30, 31, 37, 38, 41, 42, 45, 47, 50, 53, 54, 55 and 59	269.65	Explanations were received and discussed by PAC, but recommendations are awaited
	5 Appropriations	7, 37, 44, 52 and 53		
1991-92	15 Grants	5, 10, 11, 17, 19, 20, 35, 37, 39, 44, 46, 48, 50, 57 and 58	167.82	167.82
	8 Appropriations	7, 15, 18, 31, 37, 44, 46 and 59		
1992-93	14 Grants	5, 7, 19, 20, 24, 34, 35, 37, 42, 44, 46, 57, 60 and 62	49.37	49.37
	8 Appropriations	2, 7, 11, 15, 18, 19, 37 and 55		
1993-94	9 Grants	11, 19, 20, 22, 37, 38, 45, 49 and 56	39.42	39.42
	6 Appropriations	Debt Charges, 7, 15, 18, 31 and 36		
1994-95	15 Grants	7, 8, 20, 21, 31, 33, 36, 38, 41, 42, 53, 56, 57, 60 and 61	208.21	208.21
	8 Appropriations	7, 15, 35, 36, 38, 41, 45 and 52		
1995-96	8 Grants	30, 31, 34, 38, 40, 41, 45 and 56	112.51	112.51
	11 Appropriations	7, 11, 15, 16, 18, 19, 35, 36, 37, 42 and 43		
1996-97	17 Grants	5, 8, 11, 20, 26, 31, 33, 35, 36, 39, 41, 45, 50, 53, 56, 57 and 59	284.32	284.32
	8 Appropriations	1, 15, 18, 19, 35, 45, 46 and 47		
1997-98	7 Grants	19, 20, 23, 26, 35, 38 and 45	299.42	299.42
	5 Appropriations	15, 29, 35, 45 and 55		
		Total	**1442.82**	**1161.07**

2.3.4 ***(a)*** Supplementary provision obtained during the year constituted 8 *per cent* of the original provision.

(b) Unnecessary Supplementary provision

Supplementary provision of Rs 23.27 crore obtained in 18 grants (Rs 22.21 crore) and 11 appropriations (Rs 1.06 crore) (Appendix III) during March 1999 proved unnecessary in view of the final saving in each grant/appropriation being more than the supplementary provision obtained in March 1999.

In 9 voted grants detailed below, the original provision of Rs 1619.52 crore was augmented by supplementary provision of Rs 60.31 crore but the expenditure fell short of even the original provision.

(Rupees in crore)

Grant number	Original Provision	Supplementary Provision	Expenditure	Saving
2	17.02	5.71	15.72	7.01
9	152.76	8.72	152.58	8.90
16	57.47	3.00	48.19	12.28
37	10.46	5.72	8.91	7.27
47	104.49	0.18	97.15	7.52
49	513.53	13.05	454.69	71.89
51	24.63	5.49	24.53	5.59
54	262.33	15.60	226.45	51.48
56	476.83	2.84	244.48	235.19
Total	**1619.52**	**60.31**	**1272.70**	**407.13**

Similarly, in the charged appropriation (under grant numbers 30 and 36), supplementary appropriation amounting to Rs 0.53 crore obtained in March 1999 proved unnecessary as the expenditure (Rs 0.23 crore) fell short of original provision of Rs 4.25 crore resulting in saving of Rs 4.55 crore.

In 8[@] other appropriations, though the original provision of Rs 0.14 lakh was augmented by supplementary provision of Rs 53.37 lakh, no expenditure was incurred resulting in saving of the entire provision of Rs 53.51 lakh.

@ Appropriations under grant numbers 11, 16, 18, 19, 20, 28, 29 and 38

(c) *Insufficient supplementary provision*

In 9 grants and one appropriation (Appendix IV), supplementary provision obtained during the year proved insufficient by more than Rs 50 lakh each (ranging from Rs 0.86 crore to Rs 86.95 crore) leaving an uncovered excess expenditure of Rs 229.40 crore.

2.3.5 *Excess requiring regularisation*

(a) *Persistent excess*

Significant excess was persistent in 2 grants and one appropriation as detailed in Appendix V. Persistent excess requires investigation by the Government for remedial action.

(b) *Audit of Monthly Appropriation*

During the check of monthly appropriation, significant excess was noticed in respect of 4 Grants (Appendix VI). Though, the excess was pointed out well in advance by Audit (December 1998), adequate funds were not provided in supplementary estimate or through reappropriation, which resulted in final excess.

(c) *Expenditure incurred without provision*

In 816 cases (54 grants and 1 appropriation), expenditure of Rs 229.94 crore had been incurred either without budget provision or the entire provision made was withdrawn subsequently through reappropriation.

2.3.6 *Persistent savings*

Persistent savings of 5 *per cent* and above during 1996-97 to 1998-99 were noticed in 7 grants and 7 appropriations (Appendix VII). Under grant number 54 - Capital Outlay on Irrigation, saving occurred in all the preceding 20 years, the percentage of saving ranging from 10 to 45.

2.3.7 In 13 grants and 3 appropriations, the expenditure fell short by more than Rs 1 crore each and also by 10 *per cent* or more of the total provision (Appendix VIII).

2.3.8 *Substantial surrenders*

Substantial surrenders were made in respect of 102 schemes on account of either non-implementation or slow implementation of the schemes. Out of the total provision amounting to Rs 3255.79 crore, Rs 2638.07 crore (81 *per cent*) were surrendered. Results of review conducted by Audit in respect of a few of these cases are given in Appendix IX.

2.3.9 Excessive/Unnecessary reappropriation of funds

Reappropriation is transfer of funds within a grant from one unit of appropriation where savings are anticipated to another unit where additional funds are needed. There were 717 cases where injudicious reappropriation of funds proved excessive or insufficient and resulted in savings/excess by over Rs 10 lakh. Out of these, there were 286 cases in which excess/savings exceeded Rs 50 lakh. Cases in which the excess/saving was more than Rs 1 crore (169 cases) are detailed in Appendix X.

2.3.10 Unexplained reappropriations

A scrutiny of the reappropriation orders issued by the Finance Department revealed that in respect of 4,766 out of 12,102 items (39 *per cent*) at the first reappropriation stage and in respect of 8,979 out of 10,850 items (83 *per cent*) at the second reappropriation stage, reasons given for additional provision/withdrawal of provision were of general nature like "actual requirement" and "based on latest assessment".

2.4 Budgetary procedure and control over expenditure

2.4.1 Inadequate control over expenditure

The Appropriation Acts specify the sums authorised by the Legislature under each grant for meeting expenditure during a financial year; the final modified grants authorised by Government are the sums to be spent upto 31 March and the difference is resumed to the Consolidated Fund. Such resumptions of funds under the grants were persistent and significant not only during 1998-99 but also in earlier years. Further, there had also been significant variations (excess or savings) between the final modified grant/appropriation and actual expenditure. Overall position for the 5 years from 1994-95 to 1998-99 is indicated below:

(Rupees in crore)

Year	Sums authorised by the Legislature	Amount resumed (surrendered)	Final Modified Grant/ Appro-priation	Actual Expenditure	Variation between (4) and (5) Excess (+)/ Saving (-)
(1)	(2)	(3)	(4)	(5)	(6)
1994-95	13422.16	1721.78	11700.38	11844.28	(+) 143.90
1995-96	14902.18	1990.74	12911.44	12826.19	(-) 85.25
1996-97	17629.85	2212.39	15417.46	15636.66	(+) 219.20
1997-98	20327.38	2756.40	17570.98	17884.23	(+) 313.25
1998-99	24412.53	3775.81	20636.72	21364.68	(+) 727.96

Resumption of more than Rs 1500 crore every year indicated over-estimation of expenditure. Persistent significant variations between the final modified grant and actual expenditure showed that estimates of expenditure prepared even in March, the last month of the financial year, were defective. Similarly, excess expenditure over and above the final modified grant indicated that the control over expenditure was inadequate.

Rupees 3775.81 crore were surrendered out of the grants and appropriations authorised by the Legislature for expenditure during 1998-99 and resumed to Consolidated Fund on 31 March 1999. However, in 12 grants (numbers 3, 6, 17, 20, 27, 30, 35, 38, 39, 50, 52 and 57) and one appropriation (Debt Charges), original provision of Rs 9681.02 crore was reduced to Rs 9616.34 crore in the final modified grant/appropriation stage by surrendering Rs 64.68 crore. But expenditure incurred under these grants/appropriations (Rs 9905.60 crore) was in excess of final modified grant/appropriation by Rs 289.26 crore and also leading to an excess of Rs 224.58 crore over the original provision, requiring regularisation under Article 205 of the Constitution of India.

In 25 other grants[a] and one appropriation (Grant number 13) against Rs 2550.10 crore surrendered in March 1999, the saving was only Rs 1928.33 crore, resulting in excess expenditure over the final modified grant/ appropriation.

In 19 other grants[b] and 13 appropriations (numbers 7, 9, 12, 15, 17, 18, 20, 29, 30, 31, 41, 42 and Public Debt Repayment), against Rs 1161.03 crore surrendered in March 1999, the saving was Rs 1351.83 crore, indicating that the department had not utilised Rs 190.80 crore out of the final modified grant/appropriation.

2.4.2 Rush of expenditure

According to codal provisions, rush of expenditure in the closing month of the financial year should be avoided. Contrary to this, in respect of 275 heads, expenditure exceeding Rs 1 lakh and also more than 50 *per cent* of the total expenditure was incurred in the month of March 1999. Of these, in 65 heads, expenditure exceeded Rs 1 crore (Appendix XI).

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

2.5 Funds flow for Centrally sponsored schemes

Details of Central assistance received as grants by the State Government for the implementation of various Centrally sponsored plan schemes, during 1998-99, are as follows:

[a] Grant numbers 1, 4, 9, 10, 11, 12, 14, 15, 18, 19, 21, 22, 23, 24, 28, 29, 34, 41, 42, 44, 45, 46, 55, 58 and 59

[b] Grant numbers 2,7,8,13,16,25,31,32,36,37,43,47,49,51,53,54,56,60 and 61

Quarter	Amount of Central assistance received (Rupees in crore)
I (April to June 1998)	24.85
II (July to September 1998)	81.78
III (October to December 1998)	205.93
IV (January to March 1999)	200.77
Total	513.33

In respect of 17 schemes, the entire Central assistance of Rs 20.47 crore was received only during the last quarter of 1998-99 (Appendix XII).

In 94 Centrally sponsored schemes, expenditure of Rs 6.15 crore had been incurred without any budget provision. A review in 4 departments showed that as of March 1999, Rs 1.08 crore of Central grants were lying unutilised (Appendix XIII).

In the Departments of Agricultural Engineering and Forest, Rs 26.39 crore of Central assistance was received during 1994-95 to 1998-99, out of which, Rs 40.98 lakh was lying unutilised as of March 1999, mainly due to non-implementation of the scheme by Forest Department.

2.6 Expenditure on New Service/New Instrument of Service

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

During 1998-99, expenditure totalling Rs 9.34 crore was incurred on 11 schemes (Appendix XIV) where only token provision was made and the entire expenditure was met out of reappropriation (8 schemes) without obtaining the approval of legislature. In respect of the remaining 3 schemes, even the token provision was withdrawn and the expenditure was incurred without any provision. In 78 schemes, expenditure of Rs 67.37 crore was incurred without any original or supplementary provision or reappropriation and had to be treated as New Service/New Instrument of Service as the prescribed procedure for drawal had not been followed (Appendix XV). In 17 schemes, an expenditure of Rs 13.15 crore was incurred by utilising the reappropriated funds (Appendix XVI).

(b) In 4 other schemes (Appendix XVII), receiving assistance from Government of India and in respect of expenditure on natural calamities, though token provision was made in the Budget, the expenditure of Rs 3.28 crore was incurred during the year without including it in the supplementary estimates for regularisation by the Legislature.

2.7 Advances from Contingency Fund

The corpus of the Contingency Fund placed at the disposal of Government of Tamil Nadu to meet unforeseen expenditure pending authorisation by the State Legislature was Rs 150 crore for the year 1998-99. 157 sanctions were issued during 1998-99 advancing Rs 185 crore from the Contingency Fund. It was noticed that:

(i) eighteen sanctions amounting to Rs 4.19 crore were neither operated nor cancelled ; and

(ii) the actual expenditure (Rs 1.49 crore) against eight sanctions was less than 50 *per cent* of the amount sanctioned (Rs 18.74 crore).

2.8 Trend of Recoveries and Credits

Under the system of gross budgeting, the demands for grants presented to the Legislature are for gross expenditure and exclude all credits and recoveries which are adjusted in the accounts in reduction of expenditure; the anticipated recoveries and credits are shown separately in the Budget estimates. During 1998-99 also, such recoveries were anticipated at Rs 260.88 crore; actual recoveries during the year were, however, Rs 742.68 crore. Some of the important cases of shortfall/excess as compared to estimates are detailed in Appendix XVIII.

2.9 Non-receipt of explanations for saving/excess

After the close of each financial year, the detailed Appropriation Accounts showing the final grants/appropriations, the actual expenditure and the resultant variations are sent to the Controlling Officers requiring them to explain significant variations under the heads. Out of 888 sub-heads, the explanations for variations were not received in respect of 640 cases (72 *per cent*) (September 1999).

2.10 Unreconciled expenditure

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

The number of controlling officers who did not reconcile their figures and the amounts involved were as under:

(Rupees in crore)

Year	Number of controlling officers who did not reconcile their figures	Amount not reconciled
1992-93	2	1.15
1993-94	9	27.71
1994-95	5	0.69
1995-96	7	21.50
1996-97	9	248.53
1997-98	22	70.40
1998-99	48	498.97
Total	**102**	**868.95**

Amounts exceeding Rs 10 crore in each case remained unreconciled during 1998-99 in respect of the following 6 controlling officers.

(Rupees in crore)

Serial number	Controlling Officers	Amount not reconciled
1.	Director of Handlooms and Textiles, Chennai	136.93
2.	Director of Public Libraries, Chennai	18.53
3.	Director of Rural Development, Chennai	27.19
4.	Special Commissioner and Commissioner of Revenue Administration, Chennai	140.72
5.	Engineer-in-Chief, Water Resource Organisation and Chief Engineer (General), Public Works Department, Chennai	100.30
6.	The Inspector General of Registration, Chennai	13.27

2.11 Reserve Funds

Reserve Funds are constituted by the State Government under a statutory provision or otherwise, either by allotment of sums from the Consolidated Fund of the State or from grants or contributions made by other Governments or outside agencies, for spending for specific and particular purposes for which they have been constituted. As of 31 March 1999, the accumulated balances in various Reserve Funds were Rs 1228.30* crore.

Review of the transactions under Reserve Funds revealed that:

(i) One Reserve Fund (Milk scheme - Central dairy, Madhavaram under "8115 - Depreciation Reserve funds") had not been operated for more than 12 years and an accumulation of Rs 1.06 crore was still lying under this fund;

* Includes amount under Major Head 8449.103.Subventions from Central Road Fund

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

(iii) For want of balance, expenditure of Rs 43.25 crore incurred was not debited to the 'Religious and Charitable Endowments Fund'.

CHAPTER III

CIVIL DEPARTMENTS

SECTION – A

AUDIT REVIEWS

3.1 Public Distribution System (Co-operation, Food and Consumer Protection Department)

Highlights

The Public Distribution System for distribution of essential commodities to public through family cards has been in vogue from 1964 onwards. The main objective was to ensure adequate availability to the public of food grains and other essential commodities of acceptable quality at affordable price. A review of the implementation of the system brought out significant systemic and operational deficiencies. While on one hand it pointed to the failure of the system to reach out to the entire target group, as evidenced by the shortfalls in the off-take of the staple food in the State viz., rice, on the other hand, it showed widespread misuse of the system through bogus cards. There were inefficiencies in the system of lifting, transportation and processing of foodgrains, which, if addressed, could lead to significant cost cuts and reduction in the subsidy burden. Government did not avail of the options to economise on the extension of subsidy and this resulted in excess subsidy burden of Rs 1380.59 crore during 1993-99.

Some important findings are given below:

- **Advance subsidy was released every year by the State Government to the Tamil Nadu Civil Supplies Corporation. These releases were not based on proper projection of requirements by the Corporation or any internal assessment taking into account the unadjusted subsidy of previous years. The estimated unadjusted subsidy as of March 1998 with Tamil Nadu Civil Supplies Corporation was Rs 800 crore.**

(Paragraph 3.1.2.1)

- **Even after strong recommendation by Government of India (August 1996) for augmenting procurement of rice through imposing traders levy which was abolished by Government of Tamil Nadu in January 1992, the levy was not reintroduced. This resulted in additional expenditure of Rs 115.18 crore during 1995-97 in procurement of rice through open market.**

(Paragraph 3.1.2.3)

- **The off-take of rice, the staple food of people of the State, continued to be poor indicating the failure of the system to reach out to the entire target group of beneficiaries. Government had not taken steps to address the issue.**

(Paragraph 3.1.3.2)

Abbreviations used in this review are listed in the Glossary in Appendix LXIV (page 320)

- Performance of 23 Modern rice mills run by Tamil Nadu Civil Supplies Corporation was poor; the average shortfall in utilisation of capacity being 48 *per cent* during 1994-98. By effective utilisation of capacity, the Corporation could have saved Rs 1.70 crore of hulling charges paid to private millers. Want of adequate hulling and drying facilities also caused discolouration of rice hulled during 1992 and 1997 resulting in loss of Rs 14.03 crore.

(Paragraph 3.1.4.1)

- Failure of the Registrar of Co-operative Societies to correctly work out the eligible subsidy to the fair price shops resulted in release of excess subsidy of Rs 7.89 crore during 1993-97.

(Paragraph 3.1.5.2)

- The position of inspection of fair price shops by various officials was poor, especially in the case of inspections by the District Collectors and District Revenue Officers. There was also no phased programme framed by the departments to ensure inspection of all the shops in rotation.

(Paragraph 3.1.5.3)

- Follow-up of cases of offences under Essential Commodities Act was not effective.

(Paragraph 3.1.5.6)

- Despite attempts made for verification of family cards and elimination of bogus cards there were 16 lakh bogus cards in circulation as of May 1999. This indicated continued liability of Rs 5.25 crore per month towards avoidable subsidy.

(Paragraph 3.1.6.1)

- Despite the declared policy of the Government to bear the retail margin, the same continued to be borne by consumers, thus, depriving them of the benefit of Rs 196.38 crore during 1993-99.

(Paragraph 3.1.6.2 (i))

- Benefit of reduction (March 1993) of sales tax to the tune of Rs 85.95 lakh on wheat products intended for the poor was not passed on to the consumers with a corresponding reduction in selling price.

(Paragraph 3.1.6.2(ii))

- In contravention of Government of India guidelines, excess commission was paid to wholesalers and retailers selling kerosene. Due to

this, consumers were overcharged resulting in undue benefit of Rs 17.79 crore in Chennai and belt areas and Rs 37.27 crore in other districts to the wholesalers and retailers during September 1993 to October 1997.

(Paragraph 3.1.6.2 (iii))

- **Opportunities to economise on the extension of subsidy were not considered by Government. In real terms, Government could have saved Rs 1380.59 crore during 1993-99 (45 *per cent* of the total subsidy extended) through proper structuring of the scale of issue and pricing of commodities.**

(Paragraph 3.1.7.1)

3.1.1.1 Programme objectives

The main objective was to ensure adequate availability to the general public of food articles and essential commodities of acceptable quality at affordable price. In Tamil Nadu, rice, wheat and wheat products, sugar, palmolein (edible oil) and kerosene were provided through Public Distribution System. The scales for distribution of the commodities for each cardholder are prescribed by Government of Tamil Nadu from time to time (Appendix XIX). In 1992, with a view to cover the vulnerable sections in the Tribal, Arid, Hilly and drought prone and remotely located areas, the Revamped Public Distribution System was launched in 68 blocks in Tamil Nadu.

While the Eighth Five Year Plan concentrated on the effective Public Distribution System, the focus during the Ninth Plan was on the poor. In June 1997, Government of India (GOI) proposed to introduce the Targeted Public Distribution System to streamline the system by requiring the states to formulate fool-proof and credible administrative arrangements so as to monitor closely the distribution of essential commodities to the poor at specially subsidised rates, in line with the objective of the Ninth Plan.

3.1.1.2 Scope of Audit and Organisational set up

Issue of family cards, monthly allotment of essential commodities and monitoring of the system of distribution is the overall responsibility of the Secretary, Co-operation, Food and Consumer Protection Department. He is assisted by the Commissioner of Civil Supplies and Consumer Protection (CCS) and the Registrar of Cooperative Societies (RCS). Lifting of commodities allotted by Government of India through Food Corporation of India (FCI) and procurement through open market are carried out by the Tamil Nadu Civil Supplies Corporation Limited (TNCSC), the identified agency of Government of Tamil Nadu. Distribution of the commodities is carried out by the retail shops run by TNCSC and Cooperative Societies. The Corporation was headed by a Chairman and Managing Director assisted by Regional Managers in the districts.

Implementation of the Public Distribution System was reviewed by Audit during January 1999 to May 1999 covering the period 1992-93 to 1998-99 by test-check of records in the Co-operation, Food and Consumer Protection Department of Secretariat, Offices of (i) Commissioner of Civil Supplies, (ii) Registrar of Cooperative Societies (RCS), (iii) 8 Deputy Registrars[1] of Cooperative Societies (DRCS(PDS)) and (iv) 8 District Supply Officers (DSOs)[2]. Records of 15 Regional Offices and 23 Modern Rice Mills of TNCSC were also seen. Statistical details of test-checked districts are given in Appendix XX.

The services of the ORG centre for Social Research, a division of ORG-MARG Research Limited were commissioned by the Comptroller and Auditor General of India with a view to obtaining the beneficiary perception of the programme and related matters. The ORG-MARG carried out survey over a sample, determined on the basis of socio-cultural characteristics and development status. Findings of the survey have been included in this review at appropriate places.

3.1.2 Programme inputs

3.1.2.1 Financial - Release of advance subsidy

Advance subsidy was released by Government every year to TNCSC without adequate basis which led to huge amount increasing year after year lying unadjusted with the corporation

The expenditure on administering the system amounted to Rs 159.06 crore for the period 1992-93 to 1997-98. In addition, Government was to reimburse to TNCSC the difference between the cost price i.e. cost of procurement, handling, transportation, storage, etc., and the selling price (fixed by Government) of rice sold through outlets, in the form of subsidy every year, to be restricted to the overall business loss of TNCSC. The subsidy was released by Government (Finance Department) in advance every year pending adjustment after finalisation of Accounts. The following table shows that the Finance Department released subsidy in an adhoc manner, resulting in large amounts remaining unadjusted with the Corporation every year:

(Rupees in crore)

Year	Advance subsidy released by Government	Amount adjusted towards subsidy by the Corporation	Excess subsidy lying unadjusted with the Corporation at the end of the year
1993-94	351.68	335.26	16.42
1994-95	515.00	317.38	214.04
1995-96	800.00	614.97	399.07
1996-97	1000.00	874.17	524.90
1997-98	1000.00	905.38	619.52
1998-99	500.00	NA	NA

NA: Not Available

1 DRCS (PDS): Coimbatore, Dharmapuri, Madurai, The Nilgiris, Thanjavur, Tirunelveli, Vellore and Villupuram

2 DSOs: Coimbatore, Dharmapuri, Madurai, The Nilgiris, Thanjavur, Tirunelveli, Vellore and Villupuram

Finance Department estimated the unadjusted subsidy as of March 1998 as Rs 800 crore and released a further advance subsidy of Rs 500 crore for 1998-99. Scrutiny of files in the Finance Department indicated that the funds released every year were not based either on any proper projection of requirement by the Corporation or any internal assessment taking into account the unadjusted subsidy of previous years pointing out to absence of an effective system in the release of funds.

In addition, as has been discussed in Paragraph 3.1.7, Audit has made independent assessment of the reduction in subsidy that would have resulted by following cost effective Public Distribution operations.

3.1.2.2 Dues pending collection

Rupees 3.33 crore were due to be recovered by TNCSC as of March 1999 from FCI and field staff, as indicated in Appendix XXI. Records made available to Audit did not indicate any effective action taken by the Regional Managers of TNCSC for speedy collection of the dues.

3.1.2.3 Physical – Procurement of rice

Despite strong recommendations by Government of India (August 1996), traders levy abolished in January 1992 was not reintroduced resulting in additional expenditure of Rs 115.18 crore

The requirement of rice for the Public Distribution System was met out of central pool allotment and procurement from the farmers (Appendix XXII). Up to January 1992, a part of the requirement was met through 'traders/millers levy'[3] which was abolished from January 1992 on the ground that this formed only 6 *per cent* of the total procurement and that its abolition would significantly reduce the open market price of rice in the State, which the traders had promised to do. The grounds on which the levy was abolished were not tenable because (i) the traders levy imposed in the State during 1985 to 1991 constituted 18 *per cent* of the total procurement of paddy and (ii) after the abolition of levy in 1992, open market price of rice showed only increasing trend from Rs 5.67 to Rs 9.14 per kg between 1992 and 1998.

Government was empowered to levy 50 *per cent* of their stock from traders/millers. Had Government procured 50 *per cent* of the marketable surplus, it would have fetched an average of 14.04 lakh MT (of rice) per annum before 1992 and an average of 15.07 lakh MT (of rice) per annum during 1992-93 to 1996-97. Thus, the Government decision was based on wrong facts and did not result in the aimed objective of reduction in open market price; on the other hand, the decision deprived the Government of a major source of procurement.

Though the need for reintroduction of the Traders levy system was strongly recommended by Government of India (Ministry of Food and Civil Supplies) and TNCSC (August 1996), the system was not reintroduced. As a result, the Government had to spend additional Rs 115.18 crore on procurement of

[3] Traders levy: Under the system 'traders levy', traders including millers who procure paddy or rice for trade could move the stock to the place of business only after tendering the levy (quantity of paddy) fixed by Government from time to time

7.22 lakh MTs of rice through open market during 1995-97, (on account of difference between the procurement cost and levy price).

3.1.3 Resource allocation

3.1.3.1 Appendix XXX shows that out of Rs 1547.41 crore spent on the scheme in the test-checked districts, only Rs 938.76 crore (60.6 *per cent*) were actually spent on the scheme. The remaining amount pertained to various irregularities, as discussed subsequently.

3.1.3.2 Off-take of commodities

Absence of control over the system in ensuring the availability to eligible beneficiaries

Allotment of commodities to the DSOs was made by CCS every month taking into account the closing balance of previous month. The DSOs issue talukwise/shopwise allotment orders. Off-take is the total quantity purchased by the consumers from the fair price shops. Allotment and off-take of main essential commodities distributed through Public Distribution System as reported by Civil Supplies and Consumer Protection Department were as indicated in Appendix XXIII.

The percentage of shortfall in off-take was near about the same for rice, the staple food of the people of the State (between 17 and 39) and wheat (between 26 and 40). Government had not analysed the reasons for the poor offtake and had not also examined the genuine problems faced by the consumers on this account.

Analysis disclosed that only 25 *per cent* of the food requirement of the total population of the State was covered (during 1997 and 1998) by the Public Distribution System. There was no demarcation in respect of Below Poverty Line (BPL) and Above Poverty Line (APL) consumers and, therefore, the extent to which the food requirement of BPL families was met through the system was not ascertainable as brought out in paragraph 3.1.6.5 of this Review.

The beneficiary survey conducted by ORG-MARG Research Limited during 1999 revealed that only 75 *per cent* of households owning ration cards bought rice from Public Distribution System fair price shops and purchase of rice through Public Distribution System as a proportion of total purchase including that from open market constituted 31.1 *per cent* only. Some of the main problems, as perceived by consumers, were related to poor quality of rice, incorrect weighment at fair price shops, etc.

3.1.3.3 Coverage of ineligible areas under Revamped Public Distribution System

Absence of control over the system in ensuring the availability to eligible beneficiaries

The Revamped Public Distribution System (RPDS) was launched in June 1992 by extending the benefit of the existing scheme of providing food grains at specially subsidised rates (Rs 50 per quintal) in Integrated Tribal Development Project areas to identified difficult and remote areas covered by Drought Prone Area Programme, Desert Development Programme and Designated Hill Areas.

Government of India made an additional allocation of 830 MTs of rice per month for distribution under RPDS from June 1992 onwards. Out of this, 630 MTs were allotted (July 1992) to The Nilgiris District for distribution to the cardholders at 4 kg per month.

Though the Government instructions (June 1992) were to exclude Urban/urban agglomeration areas, the additional 4 kg. of rice per card per month was distributed to people living in Urban/urban agglomeration areas also in The Nilgiris District. A total quantity of 5,618.573 MTs of rice was distributed to the cardholders in Urban/urban agglomeration areas of the District during August 1992 to April 1994.

3.1.3.4 Diversion of rice

Rice costing Rs 47.16 lakh earmarked for free distribution to old age pensioners was diverted for other purposes

Under the scheme of distribution of free rice to old age pensioners, the Fair Price Shops distributed (i) 1 kg of fine rice per week to those pensioners who were not covered under the noon meal scheme and (ii) ½ kg of fine rice per week to those pensioners who were covered under the noon meal scheme.

Rice required for the scheme was lifted from TNCSC by the societies and the bills were settled by DSOs from the funds provided under Social Welfare Grant. Commissioner of Revenue Administration, the implementing authority for issue of rice to old age pensioners not covered by noon-meal scheme, did not furnish to Audit the details of number of beneficiaries in the State under the scheme.

Test-check of records of DSOs, Vellore and Villupuram Districts revealed that against the requirement of 3799.30 MTs (during 1995-98) of rice for distribution to identified old age pensioners, 4674.25 MTs of rice were shown as distributed. In Coimbatore District, against 2912.85 MTs of rice lifted for old age pensioners, during 1995-98 (upto November 1998), only 2501.39 MTs were distributed. However, the actual closing balance was only 28.81 MTs on 1 December 1998 indicating a shortage of 382.65 MTs. The difference of 874.95 MTs at Vellore and Villupuram Districts and shortage of 382.65 MT in Coimbatore were valued at Rs 47.16 lakh. Though aware of the shortages, the concerned DSOs did not take any action to inquire into these shortages to establish the reasons for the same. DSO, Villupuram attributed (August 1998) the difference to errors in the figures compiled but did not furnish the reconciled figures of distribution.

3.1.4 Hulling and Transport operations

3.1.4.1 Hulling operation

Performance of hulling mills run by TNCSC was poor

23 Modern Rice Mills were functioning in the State under the control of the TNCSC with an installed capacity of 5.75 lakh MT for processing paddy into rice. In addition, hulling operations were entrusted to private hulling agents also for meeting the requirement. As can be seen from the following table, TNCSC's mills were operating at only 46 to 56 *per cent* of their capacity.

(Quantity in MTs)

Year	Total paddy processed	Paddy hulled by Modern Rice Mills	Percentage capacity utilisation against total installed capacity of 5.75 lakh MT	Paddy hulled by hulling contractors	Percentage of paddy hulled by hulling contractors with reference to total paddy processed
1994-95	625799	305204	53	320595	51
1995-96	326754	301847	52	24907	8
1996-97	337843	263136	46	74707	22
1997-98[4]	1170754	324656	56	846098	72

(i) Despite the recommendation of the Committee on Public Undertakings (March 1989) that "the TNCSC should create additional hulling capacity of its own", so as to reduce the dependence on the private agents, the percentage of paddy processed in private mills during 1994-95 and 1997-98 was much more than the paddy processed in TNCSC's rice mills.

Avoidable expenditure of Rs 1.70 crore on hulling charges paid to private millers

(ii) The average shortfall in the utilisation of installed capacity was 48 *per cent* during 1994-95 to 1997-98. This was traced to downtime as indicated below:

Year	Downtime (Idle hours)	Percentage to total available hours	Reasons for idle hours
1994-95	25,615	17	Due to factors like (a) Want of paddy (b) want of loadman/space (c) mechanical breakdown etc.
1995-96	35,727	23	
1996-97	54,703	34	
1997-98	19,974	13	

In effect, therefore, while the TNCSC's mills ended up with idle time of 88,572 hours "due to want of paddy", 2.69 lakh tonnes of paddy was given to private mills and Rs 1.70 crore paid to them, during 1994-98 towards hulling charges. No reasons were available in records for such diversion of paddy to private mills. If the idle time of 88,572 hours attributable to 'want of paddy' had been effectively utilised, TNCSC would have saved an amount of Rs 1.70 crore towards hulling charges paid to private millers during 1994-98.

(iii) The paddy consumed during the process of hulling in 23 mills of TNCSC was in excess of norms (68 *per cent* for boiled rice and 66 *per cent* for raw rice) by 80,513 MTs valued at Rs 35 crore during 1994-95 to 1997-98.

(iv) Excess consumption of electricity (Rs 41.99 lakh) and excess expenditure on maintenance (Rs 3.12 crore) over the norms during 1994-95 to 1997-98 were noticed.

[4] The heavy processing was due to huge procurement during kuruvai 1997 season. There were two procurement seasons – (i) Kuruvai season : 1 October to 15 December. (ii) Samba season : 16 December to 30 September

The poor performance stated above at (i) to (iv) was attributed mainly to worn out machinery in the Mills which were taken over from Cooperative sector 25 years back. No serious efforts were made by TNCSC to modernise the mills.

Loss of Rs 14.03 crore on high moisture paddy not processed into rice immediately

(v) High moisture paddy procured during Kuruvai 1992 and Kuruvai 1997 seasons could not be processed into rice immediately for want of adequate hulling capacity and drying facilities. This led to discolouration of 10,433 MTs (Kuruvai 1992) and 39,864 MTs (Kuruvai 1997) of rice which was not fit for distribution through Public Distribution System and hence was disposed of through tender resulting in net loss of Rs14.03 crore to the TNCSC.

(vi) Government increased in December 1997 the hulling charges[5] payable to private millers on grounds of clearing the glut of paddy procured during Kuruvai 1997, even though the earlier revision had been made in February 1997. However, Government did not restrict this to Kuruvai 1997 paddy alone, and the increased hulling rates continued to be paid. The additional expenditure on hulling 4.20 lakh MTs through private millers during Samba 1998 season was Rs 1.13 crore in 15 regions.

3.1.4.2 Transportation

Compared with the rates finalised by cooperatives for transportation of foodgrains, TNCSC rates were higher resulting in extra expenditure of Rs 10.06 crore

(i) Tamil Nadu Civil Supplies Corporation finalised contracts every year region-wise for movement of food grains both from FCI godowns and also for its internal godown movement. The rates accepted by TNCSC for movement of food grains from FCI godowns to its own godowns were more than the rates accepted for its internal movement. Further, the above accepted rates were higher than those of the Cooperative Societies for the transportation of food grains from the Corporation godowns to their retail shops as indicated in Appendix XXIV.

Extra expenditure to the TNCSC in the transportation of 60.81 lakh MTs food grains during 1997-98 and 1998-99 (worked out for the minimum average distance covered, at the differential rate with reference to the Cooperative Societies rate per km) worked out to Rs 10.06 crore in 15 test-checked regions.

Similarly, the transport rates finalised by TNCSC for movement of food grains from the godowns of FCI to its own godowns were on the higher side when compared with rates finalised by FCI for its own movement resulting in additional expenditure of Rs 1.31 crore in the transport of food grains during 1997-98 and 1998-99.

It was seen that rates tendered by all the contractors were one and the same and significantly higher than the existing rates indicating the formation of cartels. However, records did not indicate any remedial action taken by TNCSC on its own or through Government.

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5 Raw rice: from Rs 17 to Rs 21 per quintal
Boiled rice: from Rs 20 to Rs 25 per quintal

Failure of TNCSC to produce break up details for the transportation of food grains resulted in the rejection of claim of Rs 69.98 crore by the FCI

(ii) For movement of rice and wheat lifted from FCI to its godowns, the TNCSC was claiming reimbursement of transport and handling charges from FCI. After 1986-87, FCI discontinued the reimbursement of transportation and hulling charges and TNCSC had to bear the cost. Government of India, however, clarified in October 1991 that FCI would reimburse transport cost only if they failed to distribute food grains from their designated depots in the respective revenue districts and TNCSC had to lift the stock from another depot or from Railway Station. The TNCSC, however, continued to claim reimbursement of transport charges for all liftment without applying the above restriction. The amount thus claimed from 1987 to 1998 was Rs 69.98 crore. The claim was rejected by FCI as the TNCSC did not produce separate details of lifting from godowns not designated.

(iii) While the wholesale dealers for Thanjavur, Papanasam, Thiruvaiyaru and Orathanadu Taluks of Thanjavur District were lifting Superior Kerosene Oil from Tiruchirappalli Depot, the dealers for Kumbakonam, Thiruvidaimarudur, Pattukkottai and Peravoorani Taluks of the same district were lifting from Chennai instead of from the nearest depot at Tiruchirappalli. Similarly, in Vadipatti Taluk in Madurai District, the wholesale dealer was lifting Superior Kerosone Oil from Tiruchirappalli instead of the nearest depot at Vilangudi. Due to non-lifting of Superior Kerosene Oil from the nearest depot, the selling price of kerosene was fixed at a higher rate due to extra transportation charges. This resulted in excess charging from consumers of 5 paise to 20 paise per litre. The total value of excess charge on consumers during April 1996 to March 1999 worked out to Rs 44 lakh.

3.1.5 Administrative arrangements

3.1.5.1 Opening of fair price shops

Norms prescribed for opening fair price shops were not adhered to

(i) Government issued specific norms in March 1997 for opening of fair price shops, according to which (i) no existing shops should be closed; (ii) in urban areas, the shops would be so reorganised as not to have more than 1000 cards or less than 800 cards per shop; (iii) in rural areas, the shops will be so reorganised that no shop will have less than 500 cards and more than 800 cards; and (iv) while reorganising the shops, it should be ensured that no card holder is required to travel more than 2 km to reach the fair price shop.

Though the Government had completed enumeration of all families and issued new cards to 97 *per cent* of them (June 1999), as of March 1999, 8,585 (40 *per cent*) out of 21,285 shops were having less than 500 cards and 3,194 (15 *per cent*) were having more than 1,000 cards.

The survey by ORG-MARG revealed that the ration shops in urban areas opened more frequently than those in rural areas. While 81 *per cent* of the shops opened every day or six days a week in urban areas, only 49 *per cent* of the shops in rural areas opened that frequently. 12 *per cent* of the shops in rural areas opened once a week or less.

Loss incurred by shops run by TNCSC was more by 306 to 542 *per cent* than the shops run by Cooperatives

(ii) Out of 22,395 fair price shops in the State, the TNCSC operates 1,110 fair price shops and the remaining are run by the Cooperative Sector. Taking the various margins and the expenditure incurred by the TNCSC on distribution, the loss incurred during 1992-93 to 1998-99 by the TNCSC including the fair price shops was reported as Rs 18.10 crore. A comparison of subsidy released towards the loss incurred by Cooperative societies for running 21,285 fair price shops with the loss incurred by TNCSC on 1,110 shops indicated that the loss (per shop on the average) by the latter was more by 306 *per cent* to 542 *per cent.*

The variation was due to significantly higher establishment expenditure in the TNCSC shops. However, no considered steps were evident for introducing cost effectiveness in the operation of TNCSC shops.

3.1.5.2 Assistance to Fair Price Shops

There was excess release of subsidy of Rs 7.89 crore to fair price shops during 1993-97

Subsidy to fair price shops for compensating for the loss incurred while administering the Public Distribution System was periodically released by Government through the RCS.

The working group constituted by Government in December 1993 for the simplification of procedure for the sanction of subsidy to cooperatives under Public Distribution System recommended (April 1994) categorisation of shops depending on card strength from 100 to 1200 to arrive at the quantum of subsidy payable based on the notional loss worked out for each category. The working group assessed that the non-viable shops were those having less than 800 ration cards in rural areas and 1,100 ration cards in urban areas. While the working group recommended reworking of the quantum of subsidy wherever there was change in the salaries payable to salesmen, cost of transport, issue price of the commodities, etc., it did not prescribe any cut-off date for arriving at the category of shops based on which subsidy was to be released every year. Failure to adopt appropriate categorisation of shops and non-revision of quantum of subsidy considering the increase in scale as stipulated by the working group resulted in excess subsidy amounting to Rs 7.89 crore as detailed in Appendix XXV.

3.1.5.3 Inspection of Fair Price shops

There was no phased programme for inspecting all the fair price shops in rotation

For monitoring the functioning of Public Distribution System shops, Government fixed specific monthly targets for the number of inspections to be carried out by the officials of the Revenue, Civil Supplies and Co-operation Departments. No phased programme was, however, framed by these departments, so as to ensure the coverage of all the shops in rotation. Test-check revealed substantial shortfall in inspection by various offices as detailed in Appendix XXVI. The shortfall was found to be more pronounced in the case of Collectors and District Revenue Officers.

3.1.5.4 Monitoring by the commissionerate

Discrepancies between liftment reported by TNCSC and CCS were not analysed for remedial action

The details of progress of the implementation of Public Distribution System showing number of cards in circulation, quantities of commodities allotted, actually lifted, commodities sold, number of inspections conducted etc., were compiled at Taluk level and a consolidated report of these details at District level were sent every month by the DSOs to the CCS in the prescribed formats.

(i) A comparison between the quantities of rice sold to Public Distribution System (as reported by TNCSC) and the quantities of rice received by retail outlets (as reported by DSOs and consolidated by CCS) revealed wide variations between the quantities as indicated below:

(in MTs)

Year	Quantity of rice lifted for Public Distribution System as per the records of TNCSC	Quantity of rice lifted for Public Distribution System as per the records of CCS
1995-96	20,03,813	17,15,693
1996-97	23,50,405	23,63,865
1997-98	22,59,820	22,55,912
1998-99 (upto November 1998)	13,95,884	13,83,039

(ii) There were discrepancies between the closing balance reported in the progress reports and the closing balance worked out with reference to the receipts and off-take of commodities during 1996-97 to 1998-99 in 7 districts as detailed in Appendix XXVII. Records did not indicate whether the CCS had analysed the reasons for discrepancy and taken remedial action.

When this was pointed out, the CCS stated (June 1999) that instructions were being issued to the DSOs to reconcile the discrepancies. The result of the reconciliation was awaited (June 1999).

3.1.5.5 Persistent shortages

Value of shortages of various commodities (storage loss plus transit loss) during 1993-94 to 1997-98 reported by the TNCSC was as follows:

Year	Value of shortages
	(Rupees in crore)
1993-94	10.84
1994-95	21.64
1995-96	13.83
1996-97	8.10
1997-98	28.73
Total	**83.14**

Out of the shortage of Rs 83.14 crore. TNCSC had recovered only Rs 2.14 crore from staff and the balance of Rs 81 crore had been absorbed in the accounts as a loss, without working out the loss to be recovered from the employees and the loss attributable to the normal storage loss. The TNCSC revised the norms of storage loss (April 1993) based on the moisture level and period of storage. The storage loss norm was re-fixed from 1.5 *per cent* to 8.35 *per cent* depending upon the period of storage and while re-fixing the norms, the Board of Directors of Corporation decided (April 1993) that the TNCSC should work out more scientifically the norms for storage loss and until such time the re-fixed norms were to be followed. However, TNCSC had not evolved any scientific norms for storage loss and for fixing responsibility for the excess over prescribed limits (December 1998) even after six years of the initial recommendation.

3.1.5.6 Implementation of Essential Commodities Act

Follow up of cases of offences under the Essential commodities Act was not effective

The Essential Commodities Act was enacted by the Government of India in 1955 to curb hoarding and black marketing. It was noticed that the value of seizures and confiscation thereof in respect of Paddy, Rice, Wheat etc. made by Revenue Department and Civil Supplies Criminal Investigation Department (Food Cell) under the Essential Commodities Act, 1955 during inspection of godowns of private traders and during smuggling of essential commodities showed an increasing trend as shown below.

Year	Number of raids	Value of commodities (Rupees in lakh)		Number of persons convicted
		Seized	Confiscated	
1993	8932	178.69	162.83	2901
1994	10542	267.21	147.08	3461
1995	10383	208.95	113.02	3296
1996	10801	324.79	235.51	3889
1997	7451	449.93	368.16	4230
1998	8945	540.07	398.65	3979

Seizure cases were tried by the District Revenue Officers/Deputy commissioners(city) (in Chennai). Final orders either for releasing the seized commodity or confiscating the whole or part of the essential commodity seized were passed based on such trials. Persons found guilty after trial were to be convicted. The seized stock was to be deposited with TNCSC for eventual disposal. The DSOs were to watch the collection of the value of the confiscated stock. However, the source from which the commodities were seized or originated was not indicated in the seizure registers by all the 8 DSOs of test-checked districts. Also, the registers did not fully indicate the number of cases in which the remittance was due from TNCSC to Government.

Viewed in the context of huge shortages of stock (paragraph 3.1.5.5) reported by the TNCSC, and the existence of unreconciled differences between the liftments reported by TNCSC and CCS, as stated in paragraph 3.1.5.4, the importance of taking action against those holding unaccounted stocks or found smuggling food grains cannot be overemphasized. Audit found that follow-up of cases where stocks were confiscated was poor as CCS had instructed (November 1986) that in confiscation cases there was no need for prosecution if there were no compelling reasons. Government needs to review the decision.

3.1.6 Programme implementation

3.1.6.1 Non-elimination of Bogus cards

As of May 1999, there were 16 lakh bogus cards entailing continued liability to Government to the tune of Rs 5.25 crore per month towards avoidable subsidy

Enumeration of families for issue of family cards was done in 1975 and again in 1982 by field staff of the Department as well as by staff deputed from other departments. The number of households in Tamil Nadu was 1.31 crore in 1995 (population 5.80 crore) against which the number of family cards issued was 1.49 crore as of January 1995, pointing out to an excess of 18 lakh cards in circulation. Government embarked on the verification of cards at the rate of 6 lakh per month (during 1996-99) by door to door checking of households for unearthing bogus cards[6]. In April 1998, CCS stated that 7.02 lakh bogus cards had been eliminated upto December 1997.

Commissioner of Civil Supplies reported (May 1999) that the number of households as per "Economic Census 1998" was 1.38 crore. In May 1999, he stated that the number of cards in circulation was 1.54 crore which suggests that there were 16 lakh bogus cards in circulation. Government fixed the target every year for verification of family cards by Taluk Supply Officer, Special Revenue Inspector and flying squad to unearth bogus cards. Against yearly target of eliminating 14.64 lakh bogus cards, the Department could eliminate only 2.07 lakh bogus cards during 1996-97 to 1998-99. Scrutiny of records revealed that the shortfall in the target for elimination during 1996-97 to 1998-99 ranged between 46 and 98 *per cent* in 8 districts test-checked. Even after incurring an estimated expenditure of Rs 3.44 crore on the enumeration process (undertaken since December 1997), huge number of bogus cards remained to be eliminated by the Department. This meant an

6 Bogus card is a family card obtained on a fictitious address or fictitious name.

avoidable monthly subsidy of Rs 5.25 crore worked out for the minimum eligible quantity of rice alone (12 kg/month) per card for the 16 lakh bogus cards in circulation. There was no evidence to suggest that Government took effective action in plugging the loopholes in the system of issue of cards and thus arrest the proliferation of bogus cards in the initial stage itself.

3.1.6.2 Pricing of commodities

Pricing of commodities was not consistent with the declared policies

(i) Government, as a policy adopted in 1993, decided to bear the retail margin on rice sold to customers through Public Distribution System retail outlets and this was reiterated successively till 1999. However, the Government did not translate its policy into action. Consequently, the retail margin included in the selling price at the rate of Rs 10 per quintal during 1993-95 and Rs 20 per quintal during 1995-99 was continued to be borne by consumers, who were deprived of the benefit of Rs 196.38 crore during the years 1993-99.

(ii) Government reduced, from March 1993, the Sales Tax on wheat products from 4 *per cent* to 3 *per cent* for the benefit of the poor. Commissioner of Civil Supplies and Consumer Protection, however, did not reduce the retail price of maida and suji but increased (June 1993) the retail margin payable to TNCSC/Cooperative society outlets. Thus, the benefit contemplated for the poor was not passed on to the Public Distribution System beneficiaries. The amount of such foregone benefit during the period July 1993 to May 1997 on the Maida and Suji sold through Public Distribution System worked out to Rs 85.95 lakh.

(iii) Government of India revised (August 1993) the rates of dealers' commission for Kerosene distribution through Public Distribution System effective from 1 September 1993 as follows:

(Rupees per kilolitre)

	Wholesaler	**Retailer**
Dealers' remuneration	14.50	14.50
Leakage allowance	7.20	14.40
Operating expenses	31.00	40.10
Total	**52.70**	**69.00**

The commission covered all expenses except Octroi, Sales Tax and transportation cost which were payable at actuals. Government of India also reiterated its instructions that if any State had revised the commission on its own, the rates should be re-worked to bring them in line with the rates prescribed by Government of India.

Scrutiny of records of CCS indicated that the dealers' commission (wholesalers' and retailers' margin) allowed was higher than the rates prescribed by Government of India. Further, there was a marked difference between the rates of commission adopted for Chennai and belt areas and the rates for districts as detailed in Appendix XXVIII.

Due to the excess margin allowed to the wholesalers and retailers in contravention of Government of India guidelines, consumers were overcharged to the extent of Re 0.25 per litre of kerosene in Chennai and belt areas. This resulted in undue benefit totalling Rs 17.79 crore to the wholesalers and retailers in Chennai and belt areas alone and Rs 37.27 crore in other districts during 1 September 1993 to 31 October 1997, when Government of India further revised the rates of dealers' commission upwards, permitting the State Government to fix the retail margin on their own taking into account the local factors.

3.1.6.3 Implementation of the Scheme of custom milling

Introducing the scheme of custom milling through flour mills, Government of India permitted (December 1992) diversion of one third of the allotted wheat to private millers for conversion into wheat products like Maida and 'Suji' with the main conditions that (i) the State Government will not make any profit on the implementation of the scheme and (ii) in case the quantity of such products was in excess of requirement and, therefore, had to be sold in the open market, the difference between the controlled price and the price fetched in the open market should be credited to Government of India. The scheme was implemented in Tamil Nadu from May 1993. CCS was to communicate the open market rate of wheat products to TNCSC, which was to recover the difference in cost from millers and remit to Government of India .

Further, while recovering the value of wheat products retained by the millers, Government of Tamil Nadu stipulated (April 1994) that the rate of realisation should not fall below the raw material cost i.e., the open market price of wheat supplied to millers plus the milling charges. However, CCS fixed the rate of wheat products to be realised monthly relying on the price levels ascertained from the Millers Association, without reference to the cost of raw material as stipulated.

Rs 62.75 crore being the differential cost of wheat products sold to private millers were not remitted to Government of India by TNCSC

For the period from July 1993 to May 1997[7], for 3.94 lakh MTs of wheat products retained and sold by the millers, the differential cost (arrived at after deducting the value of the quantity at Public Distribution System rate from the market rate) worked out to Rs 62.75 crore (Appendix XXIX). This was not remitted to Government of India by the TNCSC as of June 1999.

Incorrect fixation of cost of wheat products resulted in undue benefit of Rs 16.74 crore to the millers

During August 1993 to May 1997, the millers retained 10110.5 MTs of suji, which must have been obtained from 77773.08 MTs of wheat, applying the prescribed conversion percentages for wheat products ('Maida' 55 *per cent*, 'Suji' 13 *per cent*, 'Atta' 6 *per cent*, Bran 24 *per cent* and Refraction 2 *per cent*). It was seen that the recovery made by the CCS was at rates lower than the open market rate of wheat plus milling charges, the shortfall ranging from Rs 130.41 per quintal to Rs 458.59 per quintal of wheat products. The undue benefit to the Millers due to shortfall in realisation for the period August 1993 to May 1997 worked out to Rs 16.74 crore.

[7] During June 1997 to March 1998, the scheme of custom milling was not implemented in the State. Details of quantities given to millers for the period 1 April 1998 to 31 March 1999 are awaited.

While communicating to Government the difficulties experienced in the implementation of the custom milling scheme, CCS stated (May 1998) that the Department was under compulsion to accept the lower rate quoted by the Millers Association and, therefore, recommended "curbing such dictatorial attitude by the private organisation". Further action taken by Government was awaited.

3.1.6.4 Claim of subsidy under Revamped Public Distribution System

The RPDS provided for subsidised foodgrains up to a maximum of 20 kg per family per month. In Tamil Nadu, rice was distributed in RPDS areas at the existing scale of 12 kg per month per household. Government of Tamil Nadu raised the maximum limit to 20 kg from January 1996. It was, however, seen that the DSO in Dharmapuri District did not indent for the additional quantity of rice. This resulted in foregoing of subsidy of Rs 1.06 crore on 21,229.681 MTs of rice distributed in the District during January 1996 to May 1997.

3.1.6.5 Target group under Targeted Public Distribution System

Extent of coverage of beneficiaries below the poverty line could not be measured and, therefore, the diversion of rice to other ineligible beneficiaries could not be ruled out

Under the Targeted Public Distribution System launched in June 1997, the people below poverty line were entitled to commodities at specially subsidised rates[8]. The State Government, however, did not categorise people on the basis of their economic status but classified the consumers under two broad categories, one opting for rice and other opting for sugar/kerosene in lieu of rice. As a result, it was difficult to say whether the heavily subsidised rice given by Government of India for families below the poverty line actually reached them; the possibility of diversion of this rice to ineligible beneficiaries could not be ruled out.

3.1.7 Impact assessment and Cost effectiveness

3.1.7.1 Impact assessment

By proper adjustment in the structure of the system as regards scale of issue and pricing, Government could have saved Rs 1380.59 crore on subsidy burden

Only 25 *per cent* of the food requirement (both rice and wheat) of the total population of the State was covered by the Public Distribution System during 1997 and 1998 as discussed in paragraph 3.1.3.2. The off-take of rice in the State was significantly less than the quantity worked out on the basis of number of families and the scale of ration per family. The shortfall in the off-take of rice during 1992-98 ranged from 17 to 39 *per cent*, although rice is the staple food in the State. This indicated that efforts of the Government through the system were not bearing the optimum results. Government had not analysed the reasons for the poor off-take. The subsidy per MT of rice had increased by 61 *per cent* from Rs 2515.29 in 1992-93 to Rs 4045.49 in 1997-98 against only 10 *per cent* increase in the number of beneficiaries, due to increases in the quantity of subsidised commodities and cost of procurement. In the context of the complexity of the operations involved for

8 For BPL families, the Central Issue Price was reduced from Rs 5.37 per kg (common) to Rs 3.50 per kg; from Rs 6.17 (Fine) per kg to Rs 3.50 per kg and administrative charges of Re 0.25 per kg was chargeable.
However, Government of Tamil Nadu fixed the issue price at Rs 2.00 per kg (Common) and Rs 3.75 per kg (Fine) for both BPL and APL families.

'holding the price line' and achieving the objective of ensuring adequate availability of essential commodities at affordable price to the deserving people, and the huge subsidy Government had to extend for the same, financial prudence necessitated that the scheme be run on demand driven basis for achieving optimum results. However, the following opportunities to economise on the subsidy were not considered by the Government for better utilisation of the available resources.

(i) Government of India issue price remained stable during 1993-94 to 1996-97. The State Government reduced the sale price of rice by Re 1 per kg from April 1995 to protect the poor and down-trodden from the rigours of price rise. However, the benefit was not restricted to only the poor, but was extended to all family card holders, resulting in additional subsidy burden of Rs 428.80 crore (up to end of March 1999).

(ii) In view of the drought in the State, Government increased (December 1995) the quantity of subsidised rice from 12 kg to 20 kg per family from January 1996. However, Government did not roll it back to the original level of 12 kg., despite bountiful harvest in 1997 and fall in open market price and specific recommendation of TNCSC. This resulted in additional subsidy burden of Rs 783.49 crore for the period January 1997 to March 1999.

(iii) The scale of issue of 12 kg per month upto December 1995 comprised 3 kg of common rice. Despite knowing that the earlier efforts of TNCSC to procure common rice from FCI and open market were a failure, the Government, while enhancing the quantity of rice by 8 kg, reiterated the directions for issue of 3 kg of common rice at Rs 2 per kg. During January 1996 to December 1996, the Corporation issued (with Government permission) 62,041 tonnes of fine/super fine variety at the issue rate of common rice. This resulted in extra expenditure of Rs 10.86 crore to the Government.

(iv) In respect of rice supplied to the population above poverty line, the Central issue price was revised in June 1997 and January 1999, as follows:

(Rupees per kg)

Date		Central Issue Price of Rice		
		Common Rs	Fine Rs	Super Fine Rs
01.06.1997	For APL families	-	6.50	7.50
	For BPL families	3.50	3.50	-
01.12.1997	For APL families	-	7.00 (Grade A)	-
	For BPL families	3.50	3.50	-
29.01.1999	For APL families	-	9.05 (Grade A)	-
	For BPL families	3.50	3.50	-

APL - Above poverty line
BPL - Below poverty line

However, Government of Tamil Nadu did not increase the issue price of rice through Public Distribution System in tune with the central issue price. The price remained at Rs 2.00 per kg for common variety and Rs 3.75 per kg for fine variety for all families. The non-revision of issue price for APL families by Government of Tamil Nadu resulted in additional commitment of Rs 157.44 crore per year.

(v) The beneficiary survey conducted by ORG-MARG Research Limited revealed that:

(a) 45 *per cent* of the households felt that rice supplied through Public Distribution System was not of acceptable quality, 11 *per cent* reported so in the case of wheat. Those who felt that rice was of unacceptable quality traced the same to bad smell of rice (34 *per cent*), bad colour (27 *per cent*) mixing of small stones (16 *per cent*). Further, only 41 *per cent* perceived that the quality of rice was consistently good or mostly good. Poor perceptions of quality of rice was predominantly seen in Chennai and Coimbatore regions. Forty one *per cent* of APL households and 58 *per cent* of BPL households felt that the quality of rice was average to poor.

(b) Sixty six *per cent* of the consumers in urban areas felt that weighing of commodities at ration shops was not done correctly. Among BPL families, 58 *per cent* felt that weighing of commodities at ration shops was not done correctly. About 17 *per cent* of the consumers felt harassed mainly due to lack of adequate quantities of commodities at ration shops.

(c) Only 2 *per cent* of beneficiaries lodged complaint regarding functioning of ration shops. Among those who did not, 72 *per cent* did not know whom they could approach to lodge complaint.

3.1.7.2 Cost effectiveness

The average benefit accrued to a family through the Public Distribution System compared to open market price worked out to Rs 989.48 per family per annum during 1992-98. To pass on the above benefit, Government incurred an expenditure of Rs 453.47 per family per annum. Thus, for passing on a benefit of Re 1, Government had to incur expenditure of Re 0.46 per family per annum. Tamil Nadu being a food deficit State, Government efforts 'to hold the price line of the staple food' (rice) would best be achieved if the PDS operations were to cover all identified beneficiaries, (subject to the measures of economy pointed out in the foregoing discussion), in which case, the expenditure per family per annum would work out only to Re 0.44.

The above points were referred to Government in September 1999; reply had not been received (January 2000).

3.2 Manpower Management in Health Department (Health, Indian Medicine and Homoeopathy and Family Welfare Department)

Highlights

The Health and Family Welfare Department is rendering various health and medical services through nine Directorates. A review of the manpower management of the Department showed that there were numerous instances of uneven distribution of technical staff, affecting the services to the public. Recruitments were made in excess of requirement in some places, while others suffered due to lack of staff. Some significant findings are given below:

- **In six district hospitals test-checked, the strength of medical and para-medical staff was less than the norms fixed. The shortages ranged from 27 to 62 *per cent* in respect of Nurses, 27 to 67 *per cent* in respect of Pharmacists and 19 to 40 *per cent* in respect of Assistant Surgeons.**

(Paragraph 3.2.6.2)

- **Government sanctioned recruitment of 250 Medical Officers, while the existing strength in the cadre was in excess of requirement in Directorate of Public Health and Preventive Medicine.**

(Paragraph 3.2.6.5)

- **13,590 posts of Basic Servants continued to be operated for more than 7 years in the Directorate of Medical Education/Directorate of Medical and Rural Health Services as the norms fixed in 1992 were not enforced.**

(Paragraph 3.2.6.6)

- **Government was providing training to nursing students on payment of stipend. The number of students trained was far in excess of the number the Government could absorb. As of June 1999, 3815 trained nurses were yet to be provided employment in Government Hospitals.**

(Paragraph 3.2.7.2)

- **Ambulance vans were provided to 24 hour Primary Health Centres without drivers raising questions about their eventual utilisation.**

(Paragraph 3.2.8)

Abbreviations used in this review are listed in the Glossary in Appendix LXIV (Page 320)

- Rupees 23.06 crore were due to be recovered from Employees State Insurance Corporation; 71 *per cent* (Rs 16.31 crore) of this amount related to salaries, wages and travelling expenses of the staff.

(Paragraph 3.2.9.1)

- Rupees 134.41 crore were due from Government of India towards the cost of running 5,293 Health Sub-centres, which included Rs 19.93 crore on salaries.

(Paragraph 3.2.9.2)

3.2.1 Introduction

Government of Tamil Nadu implements various health care schemes to provide health care facilities to all the residents in the State viz., out-patient and in-patient services in hospitals, maternity and child health care to the rural and urban poor, prevention and control of communicable diseases etc. For this purpose, Government maintains Hospitals in districts, taluk and non-taluk towns and Primary Health Centres (PHCs) in rural areas. Government is also implementing teaching, training and research programmes in medical field. In order to achieve these objectives, Medical, Para-Medical, Nursing, Ministerial and other staff are employed. The Tamil Nadu Medical Code lays down the organisational structure and functions of the Health Department. This review pertains to certain aspects of Manpower management in the Department.

3.2.2 Organisational set up

The Secretary, Health, Indian Medicine and Homoeopathy and Family Welfare Department was the overall administrative authority. Various medical and health services were being rendered in the State through the following nine Directorates:

(i) Directorate of Medical Education (DME)

(ii) Directorate of Medical and Rural Health Services (DMRHS)

(iii) Directorate of Public Health and Preventive Medicine (DPHPM)

(iv) Directorate of Family Welfare

(v) Directorate of Drug Control

(vi) Directorate of Indian Medicine and Homoeopathy

(vii) Directorate of Danish International Development Agency (DANIDA) Health Care Project

(viii) Directorate of Reproductive and Child Health Project

(ix) Tamil Nadu State Health Transport Department

Out of the above, 3 Directorates – DMRHS, DPHPM and DME – control about 84 *per cent* of the manpower of the Department. DMRHS was incharge of medical services in the major towns and rural areas through 26 District Headquarters Hospitals and 160 Taluk, 67 Non-Taluk and 37 other Hospitals. Each revenue district was headed by a Joint Director of Health Services.

Directorate of Public Health and Preventive Medicine functions for the improvement of the general health conditions of the people in the rural areas through PHCs. As on 31 March 1999, there were 1,409 PHCs including 62 Community Health Centres and 8,682 Health Sub-Centres established in the State in 42 Health Unit Districts rendering health services to 75 *per cent* of the total population of the State. Each Health Unit District was headed by a Deputy Director of Health Services.

Director of Medical Education was implementing teaching, training and research programmes through 12 medical colleges and rendering health services through 29 hospitals attached to these medical colleges.

3.2.3 Audit Coverage

The review examines the manpower management in the 3 Directorates, which account for 84 *per cent* of the manpower in the Department, and is based on test-check of records pertaining to the years 1996-97, 1997-98 and 1998-99 in 6 District Headquarters Hospitals, 11 Hospitals attached to Medical Colleges and 11 Offices of Deputy Directors of Health Services. The names of hospitals/offices test-checked are given in Appendix XXXI. The findings are discussed in the succeeding paragraphs.

3.2.4 Financial performance including Budgetary Process

Details of Budget provisions and actual expenditure for the Medical and Public Health (PH) Department for the year 1996-97 to 1998-99 were as follows.

(Rupees in crore)

Year		Budget Provision	Actual Expenditure	Expenditure on salary	Salary expenditure as a percentage of total expenditure
1996-97	Medical	548.23	516.94	378.00	73
	PH	314.98	297.23	72.60	24*
1997-98	Medical	577.21	569.95	454.93	80
	PH	324.08	360.00	56.89	16*
1998-99	Medical	696.84	660.60	514.64	78
	PH	478.21	474.59	126.30	27

* Major portion of expenditure on salary incurred in PHCs related to Plan expenditure.

It would be seen that a major portion of the expenditure (73 to 80 *per cent*) in the Medical Department was on salaries.

3.2.5 Manpower Profile

Appendix XXXII gives the details of the staff strength distributed among the nine Directorates. Nearly 84 *per cent* of the total 88,237 staff[1] were under the control of DMRHS (17,815), DME (22,579) and DPHPM (33,386).

3.2.6 Surplus/shortage of certain categories of staff

Men in position was far less than the strength required as per norms

3.2.6.1 The bed strength, average daily out-patients/in-patients in the Hospitals under the control of DMRHS/DME as of March 1998, based on which posts were sanctioned according to norms, were as under:

Directorate	Bed Strength	Daily average out-patient	Daily average in-patient
Directorate of Medical and Rural Health Services	21,477	1,53,051	17,817
Directorate of Medical Education	18,126	54,996	16,553

3.2.6.2 Appendix XXXIII gives the position of requirement of Assistant Surgeons (AS), Nurses and Pharmacists, as per the norms fixed by the Government in 1988, the sanctioned strength and the persons actually in position, in six District Hospitals test-checked. It would be seen that the actual staff in position was much lower than the norms in the six District Hospitals test-checked. More significantly, shortages were high in critical categories; thus, the shortage of nurses varied from 27 to 62 *per cent*, of Assistant Surgeons from 19 to 40 *per cent* and of Pharmacists from 27 to 67 *per cent*. The sanctioned strength had not increased commensurate with the number of patients attending the hospitals; as a result, the quality of services to the patients suffered.

3.2.6.3 In 10 hospitals attached to Medical Colleges, there were surplus posts of Pharmacists (7 to 78 *per cent*) and shortage of Nurses (5 to 49 *per cent*) with reference to the norms (Appendix XXXIV).

3.2.6.4 Medical Council of India prescribed the norms for teaching and other staff in Medical Colleges. On an inspection in 1998 of some Medical Colleges in the State, the Council found shortages in the posts of Professors, Assistant Professors, Readers, Tutors and others as compared to the minimum prescribed by the Council. The shortage in four Medical Colleges is given in the table below.

[1] 49,146: Medical/Para-medical staff; 39,091: Non-medical staff

Shortages in Professor/Assistant Professor etc in Medical Colleges

Serial Number	Name of the College	Professor	Assistant Professor	Reader	Tutor	Others
1	Madras Medical College, Chennai	1	5	1	2	4
2	Stanley Medical College, Chennai	3	13	11	13	6
3	Thanjavur Medical College, Thanjavur	3	20	15	15	2
4	Tirunelveli Medical College, Tirunelveli	4	15	4	5	4

It is not clear how the courses were being conducted, in view of severe shortages, particularly in Stanley Medical College, Chennai and Thanjavur Medical College, Thanjavur.

3.2.6.5 Sanction of excess Medical Officers under the control of Director of Public Health and Preventive Medicine

Additional posts of Medical Officers sanctioned when actual sanctioned strength was already in excess

Government of Tamil Nadu proposed in August 1996 to convert 420 out of 1,420 PHCs into 24 hour PHCs in a phased manner. Accordingly, 250 PHCs were converted into 24 hour PHCs up to 1997-98. Government sanctioned (October 1997) 250 posts of Medical Officers, based on the proposal sent by DPHPM, in which the additional requirement was worked out as 518 for all the 420 PHCs proposed to be converted. Out of this, orders for filling up 223 posts of Medical Officers were issued in June 1999. As only 250 PHCs had been converted upto 1997-98, no new posts were necessary, after taking into account the existing strength to operate round the clock these 250 PHCs, as shown in Appendix XXXV. Thus, 250 posts of Medical Officers were sanctioned in excess of requirement.

3.2.6.6 Non-implementation of norms fixed by Government

Norms fixed by Government in December 1992 not implemented

Government unified (December 1987) 63 categories of basic servants working in Medical Department into a single category as Hospital Workers. In December 1992, Government fixed the norm of one basic servant for 6 beds. This formula was to be applied for working out the number of Cooks, Sanitary Workers, Nursing Assistants and Hospital Workers required for each hospital. In November 1997, Director of Medical and Rural Health Services reported to Government that the revised norms were not based on any scientific study on the actual requirement of staff and expressed difficulty in implementing the revised norms, since the existing strength of basic servants in his Directorate alone was 5,940 as against the requirement of 3,731 as per the revised norms (total bed strength of 22,387 as of November 1997) rendering a surplus of 2,209 posts.

Government constituted a committee (December 1997) to review the norm (one basic servant for six beds). The committee recommended (June 1998) revision of the norms. However, Government did not accept the recommendation but instructed (March 1999) the Director of Medical and Rural Health Services to re-examine the requirement of basic servants. Though the latter had pointed out (March 1999) to the Government that since the services to be rendered were different for each category and, therefore, different norms for different categories of basic servants alone would solve the problem, the Government was yet to take a decision on the issue (July 1999).

Pending resolution of the matter, the operation of 13,590 posts of basic servants continued. An urgent action by Government, therefore, is called for.

3.2.6.7 Engagement of Substitute Workers in Hospitals under the control of Director of Medical Education

Salaries paid to substitute workers not included in the Budget Estimate

Hospitals under the control of Director of Medical Education were permitted to engage for 10 to 15 days in a month 'substitute workers' selected from the list of candidates sent by the employment exchanges for casual work against short duration vacancies. But substitute workers were, in fact, employed in regular vacancies for more than 15 days in a month; some workers had put in seven or eight years service.

It was noticed in test-checked Hospitals that wages to substitute workers were paid at the minimum of the time scale plus allowances; a sum of Rs 63.60 lakh had been paid as salaries in the five Hospitals[2] during 1998-99 alone. The entire expenditure was booked under salaries instead of under 'Contingent Expenditure' without including any suitable provision in the Budget Estimates and, thus, not bringing it to the notice of the Legislature.

3.2.6.8 Leave Reserve posts of Assistant Surgeons

Out of 458 Leave Reserve posts of Assistant Surgeons sanctioned for the Medical Department, 341 posts were operated by Director of Medical and Rural Health Services and 117 posts by Director of Medical Education. No Leave Reserve post was operated by the Director of Public Health and Preventive Medicine as against 2,911 regular posts sanctioned. As majority of the PHCs under this Directorate (880 PHCs) were having only one Medical Officer, non-provision of Leave Reserve posts would have affected the medical services rendered in these PHCs.

The Directorate operated 272 Leave Reserve posts against 192 posts sanctioned

In the DMRHS, 192 out of 341 Leave Reserve posts were being operated at the Directorate level and the remaining 149 posts in certain specified hospitals. Though the Medical Code prescribed that the number of posts operated in any hospital including Leave Reserve posts should not exceed the number of the sanctioned posts, the number of Assistant Surgeons in position in individual hospitals exceeded the number of sanctioned posts. Further, as of March

2 1 Government Hospital for Children, Chennai; 2 Government Hospital for Women and Children, Chennai; 3 Government Ophthalmic Hospital, Chennai; 4 Kilpauk Medical College Hospital, Chennai; and 5 Government Royapettah Hospital, Chennai

1999, the Directorate was operating 272 Leave Reserve posts against 192 posts sanctioned. The Directorate had increased the men-in-position in some hospitals beyond the sanctioned strength by diversion from other hospitals, which led to shortages in the critical posts in these hospitals, as would be evident from the following table in respect of 4 hospitals.

Hospital	Sanctioned posts	Number in position	Excess(+) / Shortage (-)
Government Hospital, Tambaram	10	15	(+) 5
Government Hospital, Sriperumbudur	4	5	(+) 1
District Headquarters Hospital, Kumbakonam	21	18	(-) 3
District Headquarters Hospital, Villupuram	11	9	(-) 2

In the DME, 50 *per cent* of the 117 sanctioned Leave Reserve posts of Medical Officers were operated in Chennai and Madurai General Hospitals alone and the balance 50 *per cent* was distributed to other 17 Hospitals. There were no Leave Reserve posts at all in 10 hospitals, which was bound to have an adverse effect on the medical service and teaching.

3.2.6.9 Non-deployment of surplus post of Pharmacists working under the DME

Pharmacists were excess in DME while there was shortage in Directorate of Medical and Rural Health Services

In the DMRHS, 850 out of 948 sanctioned posts of Pharmacists were being operated. 98 posts were vacant as of 31 March 1999 which included 43 posts of Pharmacists who were sent on deputation to Tamil Nadu Medical Services Corporation Limited. The posts of Pharmacists were to be sanctioned based on the average daily out-patient/in-patient attendance. No new posts of Pharmacists were sanctioned even though average daily out-patient/in-patient attendance in the hospitals had increased from 1.42 lakh in 1995-96 to 1.53 lakh in 1997-98. Due to general ban on recruitment, even the vacant posts of Pharmacists had not been filled up for more than 3 years in the DMRHS. Government had not taken a view (July 1999) on the proposal submitted by the Directorate in March 1999 to allow the filling up of the existing vacancies of Pharmacists, in relaxation of ban on recruitment, by direct recruitment or transfer from other Directorates.

In 29 institutions under the control of DME, 487 posts of Pharmacists were sanctioned as against the average daily out-patient/in-patient attendance of 54996/16553 in 1997-98. Applying the norms, as recommended by Organisation and Method cell of Personnel Administrative Reforms Department in 1983, the actual requirement of posts of Pharmacists worked out to only 441 and the excess number of Pharmacists sanctioned was 46.

No move was made to suitably redeploy the Pharmacists in excess in the DME to the DMRHS, where there was a shortage of Pharmacists.

3.2.6.10 Deputation of Pharmacists to Tamil Nadu Medical Services Corporation Limited

Pharmacists were sent on deputation to Tamil Nadu Medical Services Corporation in spite of shortages in the hospitals

As of 31 March 1999, 43 Pharmacists were on deputation to Tamil Nadu Medical Services Corporation Limited. 39 of them were on deputation for more than 4 years; but the terms of deputation were yet to be finalised. The pension contribution, estimated at Rs 3.61 lakh per annum, had not been recovered from the Corporation.

Continued diversion of Pharmacists by deputation to Tamil Nadu Medical Services Corporation Limited in spite of shortage in the hospitals would affect the services rendered to the public.

3.2.7 Training

3.2.7.1 The Medical Department gives training to various categories of personnel in recognised medical institutions in the State. DPHPM also conducts Participatory Learning Approach and Gender Sensitisation training programmes to the field staff for implementation of Reproductive and Child Health project with financial support of Government of India and the United Nations Children's Fund.

3.2.7.2 Nurses Training Programme

Number of nurses trained in Schools of Nursing was much more than the number inducted to hospitals

There were eight Nursing Schools in the State which conduct Three-Year Diploma Courses in Nursing, with an intake of 78 students in each Nursing School every year. The trainees are selected on merit and receive a monthly stipend. In 1997-98 and 1998-99, expenditure of Rs 50.04 lakh and Rs 73.51 lakh were incurred on training of nurses. An undertaking from the candidates was obtained at the time of enrolment that they would serve the Department for a minimum period of 3 years, provided, they were appointed in Government Hospitals within 6 months from the date of completion of training. It was seen that the number of trainees inducted was much more than the requirement. 4,144 students had completed the training during the period from 1989 to 1999 and were registered with Tamil Nadu Midwifery Council for appointment in Government Hospitals, but only 329 of them were appointed in Government Hospitals during 1991-99. As of June 1999, 3,815 trained nurses were awaiting appointment in Government Hospitals (there were only 277 vacancies as of April 1999). Thus, the actual annual intake of Nurses for training was far in excess of the requirement of nurses in the Department. The Department needed to review its policy of recruiting the trainees on payment of stipend, in view of its inability to absorb a majority of them in Government Hospitals after completion of their training.

3.2.8 Posts of Drivers

As on 31 March 1999, there were 2,002 drivers and 2,240 vehicles in the nine Directorates. 1,671 vehicles were being used in the 3 Directorates with only 1,410 drivers. Two Directorates purchased 351 Ambulance Vans for use in the 127 Hospitals and 224 PHCs including 24 hour Primary Health Centres during 1997-98 and 1998-99 at a cost of Rs 12.79 crore. However, no new posts of drivers were sanctioned and instructions were issued by the Department (August and September 1997) that the services of the drivers available in PHCs/Hospitals may be utilised for Ambulance Vans also.

Ambulance Vans were supplied to PHCs without driver's posts

As the number of drivers in position was less than the number of vehicles, even before the purchase of Ambulance Vans, the Department's instructions were not easy to implement, without affecting the optimal utilisation of the vehicles.

3.2.9 Other points of interest

3.2.9.1 Amount due from Employees State Insurance Corporation

Reimbursement due from Employees' State Insurance Corporation not obtained in full

The responsibility of administering the medical benefit under Employees State Insurance scheme, under the administrative control of the Government of India, Ministry of Labour, was vested with the State Government. The expenditure was initially met by the State Government and seven-eighth share of expenditure was to be reimbursed to the State Government by the Employees' State Insurance Corporation, New Delhi, based on the annual Audit Certificate issued by Accountant General (Audit) I, Tamil Nadu.

A sum of Rs 23.06 crore was due from Employees' State Insurance Corporation, of which, Rs 16.31 crore (71 *per cent*) related to salaries, wages, and travel expenses of the staff employed (total 5,116).

3.2.9.2 Non-receipt of Central Assistance for Health Sub-Centres

Rs 134.41 crore due from Government of India towards expenditure on Health Sub-Centres

Government of India was to reimburse in full the recurring and non-recurring expenditure in respect of Health Sub-Centres established after 1 April 1981. There were 5,293 such Health Sub-Centres in the State entitled for 100 *per cent* Central Assistance as on 31 March 1999.

A sum of Rs 148.08 crore was incurred by the State Government towards salary, drugs and other contingencies during the three years 1996-99. As of July 1999, Rs 134.41 crore were yet to be reimbursed by Government of India which included a minimum of Rs 19.93 crore (approximately) representing expenditure on salary incurred during the period from April 1997 to March 1999.

3.2.10 Suggestions

(i) The Department should consider undertaking a well designed work study to review the staff norms and the staffing pattern in existence, so as to rationalise both. Specifically, the existing strength in the cadres of Assistant Surgeons, Nurses, Pharmacists etc., may be reviewed taking into account the norms and the increase in the number of patients, both in Urban/Rural areas.

(ii) Government should take a final view in the matter of norms for basic servants, pending for several years, to end the uncertainty about the 'surplus' posts in this category.

(iii) A system should be evolved to limit the number of 'substitute' workers and the period upto which each could be engaged.

The above points were referred to Government in September 1999; reply had not been received (January 2000).

3.3 Integrated Child Development Services (Social Welfare and Nutritious Meal Programme Department)

Highlights

A review of implementation of the 'Integrated Child Development Services' (ICDS) scheme brought out that even though the scheme had been in operation since 1975, its primary objective of improving the nutritional status of the children in the age group 6 months to 6 years has not been achieved. Though there has been a consistent decline in malnutrition levels, the incidence of moderate malnourishment remained significant. The number of children availing of supplementary nutrition had gone down significantly which calls for a rethinking of the strategy to make this service quantitatively more effective and appealing. Besides malnutrition, the programme also failed to achieve the targets laid down for immunisation and low birth weight. Some significant findings are given below:

- **Weaning food was not provided continuously for over three months in 65 Anganwadi centres during 1996 and 1997.**

(Paragraph 3.3.5.2 (iii) (b))

- **Under non-formal pre-school education, the percentage of school drop-outs was 30 in urban areas and 11 in rural areas.**

(Paragraph 3.3.5.4)

- **The shortfall in administering Vitamin A solution to children for prevention of blindness ranged from 55.6 to 96.3 *per cent* during 1992-93 to 1998-99.**

(Paragraph 3.3.5.5.(ii))

- **Rupees 23.10 lakh paid in November 1997 as advance to Tamil Nadu Medical Services Corporation for supply of medicines remained unadjusted and Rs 12.50 lakh meant for the purchase of medicines were diverted for the purchase of tricycles.**

(Paragraph 3.3.5.5.(iii))

Abbreviations used in this review are listed in the Glossary in Appendix LXIV (page 320)

- Twenty-five Anganwadi centres in 3 projects were totally damaged and 58 Anganwadi centres in 6 projects did not have buildings and were functioning in the open.

(Paragraph 3.3.5.6.(i))

- Central assistance of Rs 38.09 lakh remained blocked due to non-opening of additional Anganwadi centres.

(Paragraph 3.3.5.6.(iii))

- Scheme funds amounting to Rs 1.11 crore (March 1999) were kept in Fixed Deposit Account in a bank and an expenditure of Rs 15.75 lakh from interest accumulation in Savings Bank Account was incurred on construction of a training centre *cum* office building at Tambaram without prior permission of Government of India.

(Paragraph 3.3.6.1)

- Excess payment of pay and allowances/honorarium to Anganwadi Workers and Anganwadi Helpers during January 1996 to December 1998 over and above the amount of honorarium prescribed by Government of India resulted in excess claim of Central assistance to the tune of Rs 23.23 crore.

(Paragraph 3.3.6.2)

- Purchase of gram was made at a higher rate than the market rate resulting in avoidable expenditure of Rs 1.61 crore

(Paragraph 3.3.6.3)

- Advance of Rs 15.57 lakh paid in September 1992 to two societies for supply of play materials remained to be adjusted/recovered.

(Paragraph 3.3.6.4)

3.3.1 Introduction

The Integrated Child Development Services (ICDS) scheme commenced in 1975-76 as a Centrally Sponsored Scheme. The objectives of the scheme are (i) to improve the nutritional and health status of children in the age group of 0-6 years, (ii) to lay the foundation for proper psychological, physical and social development of the child, (iii) to reduce the incidence of mortality, morbidity, malnutrition and school drop-out amongst children, (iv) to achieve effective co-ordinated policy and its implementation amongst the various departments to promote child development and (v) to enhance the capability of the mother to look after the normal health and nutritional needs of the child through proper nutrition and health education. The scheme consists of various sub-programmes, *viz.*, Supplementary nutrition to children and mothers, Immunisation against diseases, administering Vitamin A solution for prevention of blindness, non-formal pre-school education to children and

Nutrition and Health education to mothers. The above functions were mainly executed through field level functionaries at Anganwadi centres.

3.3.2 Organisational set up

The scheme was implemented by the Secretary, Social Welfare and Nutritious Meal Programme Department through the Directorate of Social Welfare in 113 (67 Rural, 44 Urban and 2 Tribal) projects, each headed by a Child Development Project Officer (CDPO). Each project area covered a population of 1 lakh through a network of 100 Anganwadi Centres each providing services to 100 beneficiaries. The performance of the CDPO was supervised by 11 Programme Officers. Each CDPO was assisted by 4 or 5 supervisors to supervise and guide the Anganwadi Workers who are in turn assisted by Anganwadi Helpers. The Anganwadi Centre was the focal point for the delivery of services under the scheme. As at the end of March 1999, 10,477 Anganwadi Centres were functioning in the State.

Out of 113 projects mentioned above, 47 ICDS projects situated in the districts of Kancheepuram, Thiruvallur, Pudukkottai and The Nilgiris were being given from 1989, additional support services. These include providing boiled grams to children in the age group of 2-5 years, assistance for repairs and construction of Anganwadi buildings, training to adolescent girls, etc., with the assistance received from Swedish International Development Authority (SIDA).

3.3.3 Audit coverage

A review of the scheme was included in the Report of the Comptroller and Auditor General of India for the year 1987-88 (Civil) (Vol.5 of 1989) which was presented to the Legislature in January 1990. The recommendations of Public Accounts Committee are included in 62nd Report of the X Assembly. The scheme has been further reviewed during November 1998 to April 1999 with reference to records in the Secretariat, Directorate of Social Welfare, Offices of 5 Programme Officers, 24 CDPOs situated in 6 Districts and 10-15 Anganwadi Centres in each of these 24 projects. The population covered by test-check was 28.83 lakh out of the total population of 1.14 crore in 113 projects in the State.

3.3.4 Resource allocation

3.3.4.1 Cent *per cent* assistance from Government of India (GOI) was provided for inputs except for supplementary nutrition which was funded by the State Government. The SIDA and the United Nations Children's Fund also provided assistance for certain additional components.

3.3.4.2 During 1992-93 to 1998-99, GOI released Rs 194.21 crore for the scheme, against which an expenditure of Rs 157.72 crore was incurred. The year-wise details may be seen in Appendix XXXVI. It was seen that:

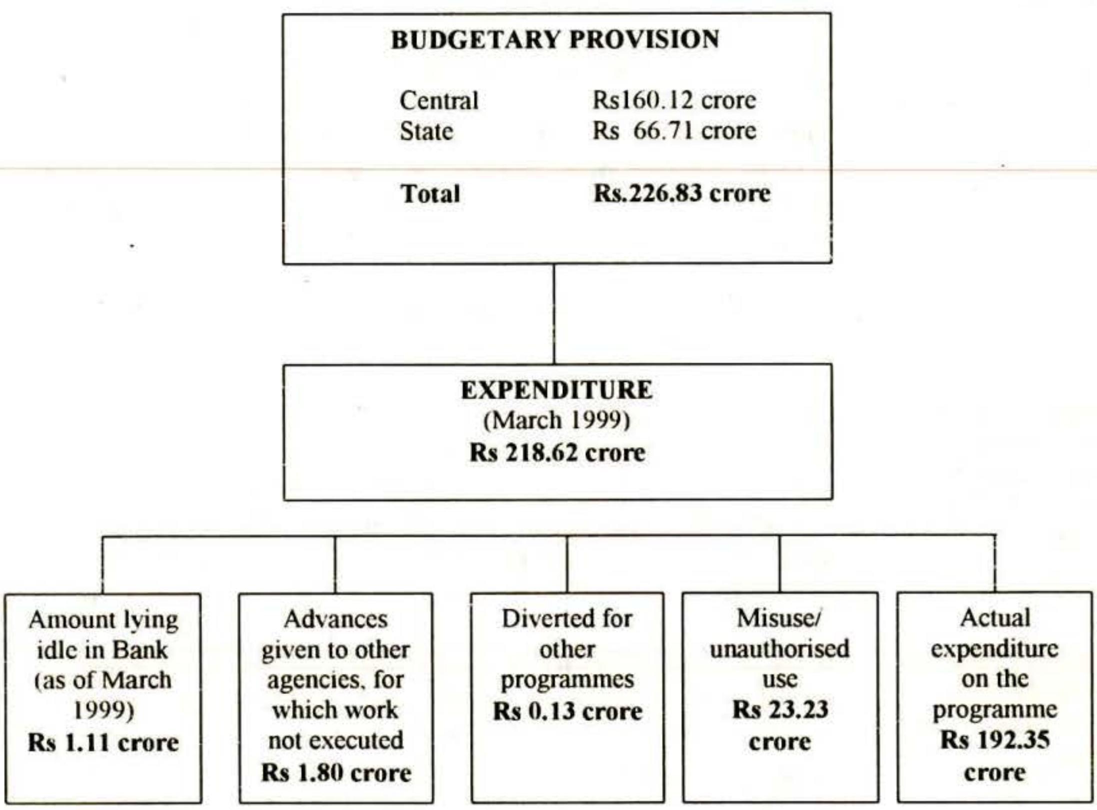
(i) Rupees 50.94 lakh released for construction of Anganwadi Centres/godowns etc., and medicine kits valuing Rs 1.52 crore supplied by GOI during 1994-95 to 1997-98 were not included in the 'receipts'.

(ii) While Rs 1.01 crore was received from GOI during 1992-93 to 1997-98 for training of Anganwadi functionaries, the receipt was indicated as Rs 98.67 lakh in departmental records.

(iii) Out of Rs 0.79 crore released by GOI under Indira Mahila Yojana, only Rs 0.19 crore were released to Tamil Nadu Corporation for Development of Women in March 1996 and the balance Rs 0.60 crore was lying with the State Government since 1995-96.

3.3.4.3 Figure 1 represents an expenditure analysis chart giving details of the amounts allocated for the programme and the expenditure incurred. It would be seen that about 12 *per cent* of the programme funds were *ab initio* not available for expenditure on the programme, affecting its implementation.

Figure 1
(Reference: Paragraph 3.3.4.3)
EXPENDITURE ANALYSIS CHART
1992-93 to 1998-99



2/35—17

3.3.5 Programme Performance

The implementation of important components of the programme *viz.* (i) supplementary nutrition (ii) immunisation (iii) non-formal pre-school education and (iv) health care is discussed below:

3.3.5.1 Non-achievement of Eighth Plan goals

According to the Ninth Five Year Plan document of Tamil Nadu, the achievement against Eighth Plan Target is shown below:

		Target as envisaged in the Eighth Five Year Plan	Achievement as shown in Ninth Five Year Plan Document
(i)	Malnutrition among children (0-3 Years)	10 *per cent*	Reduced from 28.6 *per cent* to 13.1 *per cent*
(ii)	Immunisation	100 *per cent*	*100 per cent*
(iii)	Incidence of Low birth weight	15 *per cent*	17.6 *per cent*
(iv)	Infant mortality rate	40 per 1000 live births	54 per 1000 live births

Except for immunisation, there has been a shortfall in achievement. Even in the case of immunisation, the achievement in the test-checked projects was found to be only 95 *per cent* and not cent *per cent* as reported.

3.3.5.2 Supplementary nutrition

Supplementary nutrition was provided in the form of wheat-based weaning food to children of 6 months to 2 years of age and to pregnant and nursing mothers, while rice-based noon-meal was provided to children of 2^+ to 5^+ years in Anganwadi Centres.

(i) Inadequate coverage of beneficiaries

Children enrolled for supplementary nutrition came down during 1992-99 by 4.58 lakhs

Though 786 Anganwadis were added during 1992-93 to 1998-99 and the total child population under ICDS in the State increased by 1.31 lakhs, the number of children enrolled for supplementary nutrition came down by 4.58 lakhs. Further, the number of children given supplementary nutrition out of the children enrolled remained between 5.72 lakhs and 4.76 lakhs as per the particulars furnished by the Director of Social Welfare (Appendix XXXVII).

Coverage of children in urban projects lower than the rural projects

In the 21 sample projects, it was observed that the percentage of children fed out of the children identified for supplementary nutrition reduced from 62.5 *per cent* in 1992-93 to 58 *per cent* in 1998-99. The results of test-check are given in Appendix XXXVIII. It could be seen that during 1992-99, the coverage of the urban projects was poor as compared to the rural projects, even though ICDS is the only programme operating in the urban areas of the State. (In rural areas both ICDS and TINP (Tamil Nadu Integrated Nutrition Project) are in operation).

The two major reasons attributed by the Anganwadi workers for the poor response to the programme of supplementary nutrition are, (i) the parents preferred sending their children to 'convent' for pre-school education rather than the Anganwadi and (ii) working mothers found it difficult to bring children to Anganwadis for supplementary nutrition.

(ii) Belated registration of Ante-Natal Care mothers

Review of Ante-Natal Care (ANC) registers in 30 Anganwadi Centres in 12 projects for the period 1995-98 indicated that 900 out of 3,052 mothers were registered after the completion of second trimester instead of during first trimester of their pregnancy. Ante-Natal Care register maintained by Anganwadi Workers did not contain the full particulars regarding registration, immunisation to mothers, issue of supplementary nutrition to Ante-Natal Care and Post-Natal Care mothers.

(iii) Other important observations

The expenditure under this component is fully met by the State Government. The wheat for the preparation of weaning food was provided by GOI.

As against a budget provision of Rs 82.79 crore, Rs 78.81 crore had been spent during 1992-99.

Supplementary nutrition was provided in the form of wheat-based weaning food to children of 6 months to 2 years of age and to pregnant and nursing mothers, while rice-based noon-meal was provided to children of 2+ to 5+ years in Anganwadi Centres. The aim was to supplement the nutrition intake by providing 300 calories and 8-10 gms of protein for children and 500 calories and 15-20 gms of protein for pregnant and nursing mothers for 300 days in a year. The following points were noticed:

Deficiency in nutritive value of supplementary nutrition

(a) Children in the age group of 6 months to 2 years were to be given 80 gms of cereal-based ready-to-eat supplementary nutrition, mixed with jaggery. The weaning food was manufactured by 26 Cooperative societies in the State and sold to the CDPOs. As per norms laid down by Bureau of Indian Standards (IS –7021/1973), the composition of food supplement should contain 15 *per cent* protein. However, it was seen from the results of analysis obtained by 9 CDPOs during 1998-99 that the percentage of protein content varied from 5.6 to 14.2 in a sample of 100 gms. During the years 1992-93 to 1997-98, such analysis was not done; however, the deficiency in nutritive value was noticed even during 1987-88 and was brought to the notice of the Department.

Supplementary nutrition not given as per norms

(b) Under the scheme, supplementary nutrition was to be given to each beneficiary for 300 days in a year. Test-check of records in 21 projects in 301 Anganwadi Centres indicated that this norm was mostly elusive in a majority of the centres.

Year	Number of centres in which weaning food (Sathu) not provided continuously for more than one month	Number of centres in which weaning food (Sathu) not provided continuously for more than 2 months	Number of centres in which weaning food (Sathu) not provided continuously for more than 3 months
1996	56	108	36
1997	100	51	29
1998	8	-	-

(c) Though the scheme envisaged continuous feeding of Sundal[1] throughout the year, it was not supplied for 48 to 188 days in the test-checked centres (Appendix XXXIX).

Decline in beneficiaries after introduction of spot feeding

(d) The Directorate of Social Welfare introduced the system of spot feeding from November 1997 wherein only those who came to the Anganwadi Centre were given weaning food. It was noticed in 21 sample projects that after the introduction of spot feeding, the number of beneficiaries in the age group of 6 months to 2 years fed under the scheme in 301 centres had come down drastically viz., 1995-96: 47,414; 1996-97: 41,743; 1997-98: 39,120 and 1998-99: 28,170.

The Director stated (May 1999) that spot feeding was being insisted as it was found during inspection of Anganwadi Centres that there was wastage of weaning food and the take-home facility was being misused. While there is merit in the reply of the Director inasmuch as the supply of weaning food was a key element of the programme, the reply lacked any answer to the vital question of drop in the number of beneficiaries consequent on introduction of spot feeding. It is this aspect that needs government attention so that the participation increases. In other words, the critical question to be probed was how effective the spot feeding was for the health of the beneficiary children.

(e) The scheme envisaged that severely malnourished children should be given therapeutic nutrition, the food which is easily digestible by the child. GOI also recommended (June 1990) milk based weaning food instead of wheat based one. However, wheat based food was continued to be supplied to the malnourished children in the State at the rate of 160 gms per child.

(f) Status of malnourished

Moderate malnutrition remains significant

Appendix XL gives data of malnourished children in 301 Anganwadis in 21 projects. There was decline in the extent of malnourishment between 1995 and 1998. In SIDA areas, (130 Anganwadis in 9 projects), it was found in Audit that the number of severely malnourished children came down from 0.7 *per cent* to 0.4 *per cent* of the number enrolled. However, in 171 Anganwadis in 12 non-SIDA projects, there was no improvement in the extent of severe malnutrition, which was between 0.3 *per cent* and 0.5 *per cent* of the number of children enrolled. The prevalence of moderate

1 Sundal – Boiled grams

malnourishment was in the range of 15 to 22 *per cent* of the children enrolled which is significantly high.

(g) Non-priority in feeding

Non-availing of supplementary nutrition by malnourished children

In the sample 21 projects, in 301 Anganwadis, a large proportion of the malnourished children did not come up for getting the supplementary nutrition (Appendix XLI). Up to 60 *per cent* of malnourished infants (6 months - 2 years) and 19 to 68 *per cent* of malnourished children in the age group of 2 to 5 years did not get the benefit intended for them.

As there was no compulsion on the part of the beneficiaries to avail the benefit of supplementary nutrition and the feeding programmes were not prioritised, the percentage of malnourished left out was more pronounced in the pre-school category. It could also be seen that the percentage of Grade III and Grade IV severely malnourished left out was in the range of 0 to 68 *per cent*, although the scheme Manual provided that such children should be given priority in feeding.

3.3.5.3 Immunisation

Non-achievement of 100 *per cent* immunisation

Immunisation against tuberculosis, diphtheria, whooping cough, tetanus, measles and poliomyelitis for all children under one year of age and immunisation against tetanus of all the expectant mothers was envisaged under the scheme. The position of immunisation in the 24 sample projects is given in Appendix XLII. The coverage was highest in 1997-98 ranging from 85 to 93 *per cent* of the identified children. The percentage of ANC mothers identified who were given Tetanus Taxoid (TT) I dose had gone up from 71 in 1992-93 to 91.5 in 1998-99. Overall, the immunisation coverage had been high, though below the target of cent *per cent*.

3.3.5.4 Non-formal pre-school Education

30 *per cent* drop-out in pre-schools under urban projects

Under the scheme, children in the age group of 3 to 5 years should be imparted non-formal pre-school education. From the details furnished by the Child Development Project Officers in 15 sample projects, it was noticed that during 1992-93 to 1998-99, out of 7.38 lakh eligible beneficiaries, only 3.95 lakh (53 *per cent*) were enrolled for pre-school education, of which, only 3.35 lakh (45 *per cent*) attended the schools. The urban projects showed a drop-out rate of 30 *per cent* while it was 11 *per cent* in rural areas. The drop out was attributed by the Project Officers to opening of more private schools which were preferred by the parents to Anganwadi Centres.

3.3.5.5 Health care

(i) Functioning of Urban Medical Centres

Inadequate facilities in Urban health sub-centres resulted in poor service

Every ICDS urban project area was having health sub-centres, headed by a Medical Officer (MO) assisted by Auxiliary Nurse Midwife (ANM). There were 44 urban projects with 144 health sub-centres in the State. The sub-centres were to be equipped with sophisticated instruments for diagnosis. Of the 7 urban projects[2] reviewed, only Cuddalore project had 4 sub-centres, while the remaining 6 projects had no health sub-centres at all. In 5 projects[3], the basic tools for diagnosis supplied to the ANMs *viz.*, Blood pressure checking instrument and stethoscope were not in working condition. The ANMs were not supplied with syringes, disposable needles, spirit and cotton necessary for immunisation. In the absence of infrastructural facilities and basic clinical equipment, the role of MOs and ANMs was confined to periodic visits to the projects, during which children and mothers were referred to hospitals even for routine examination. Further, immunisation, which was the main activity of ANMs, was transferred to the Municipal Health Staff in all the urban areas in the State. In the absence of clinical equipment and transfer of immunisation activity, the services of MOs and ANMs were largely under-utilised.

(ii) Prevention of Blindness

Vitamin A solution is to be given to all children in the project area twice a year for prevention of blindness. The shortfall in administering Vitamin A solution ranged from 55.6 *per cent* to 74.6 *per cent* (I dose) and 78.5 *per cent* to 96.3 *per cent* (II dose) for the period 1992-99 in the projects in the entire State.

(iii) Non-supply of medicines by Tamil Nadu Medical Services Corporation

Advance of Rs 23.10 lakh lying with TNMSC without supply of medicine

Government sanctioned (March 1996) Rs 44.96 lakh for the purchase of medicines through Tamil Nadu Medical Services Corporation (TNMSC) for supply to public in 4,496 Anganwadi centres in Chengalpattu, The Nilgiris and Pudukkottai Districts. The Director of Social Welfare (DSW) drew the amount in March 1996 and kept it in the Savings Bank Account Out of this, Rs 12.50 lakh were diverted to the Directorate of Rehabilitation of the Disabled in April 1996 for purchase and distribution of 500 tricycles.

Subsequently, the DSW placed orders with the TNMSC in November 1997 for supply of Vitamin A solution and Ferrous Sulphate tablets and paid an advance of Rs 32.40 lakh to the Corporation. Reports received from 3 Programme Officers[4] indicated that medicines for Rs 9.30 lakh only had been received up to December 1998. The DSW did not take up the issue of

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[2] Alandur, Cuddalore, Madurai I, Madurai II, Salem I, Salem II and Thiruvottiyur

[3] Madurai I, Madurai II, Salem I, Salem II and Thiruvottiyur

[4] Pudukkottai, Tambaram and The Nilgiris

non-supply of medicines (cost: Rs 23.10 lakh) with the Corporation, which resulted in blocking of Rs 23.10 lakh outside Government account.

(iv) Nutrition and Health Education

Under the scheme, Nutrition and Health Education was to be given to all women in the age group of 15 to 45 years with priority to nursing and expectant mothers. The objective was to make women aware of the role of nutrition in preventing diseases and promoting good health. This was to be done through publicity, special campaigns, home visits by Anganwadi Workers, nutrition-related demonstration programmes, etc. Director of Social Welfare had not fixed any norms for the number of campaigns/demonstrations to be conducted by the Child Development Project Officers. It was observed during review of records of 5 projects that the home visits by the Anganwadi Workers and Supervisors had not even covered 50 *per cent* of the population of women in the age group of 15-45 years.

3.3.5.6. Infrastructure

(i) Lack of facilities at Anganwadi Centres

Most of the Anganwadis in very poor condition

The status of Anganwadi Centre buildings in 15 projects selected for review disclosed that 25 Anganwadi Centres in 3 projects were totally damaged and 58 Anganwadi Centres (in 6 projects) did not have buildings at all and were functioning in the open. 355 Anganwadi Centres in 5 projects did not have water facilities and sanitation, 531 Anganwadi Centres needed repair of doors and windows, 320 centres needed repair of the roof and 304 Anganwadi Centres were in need of flooring, 293 buildings were without electricity, 125 Anganwadi Centres were without storage facilities and 137 buildings were in bad environment conditions. The functioning of the Anganwadi Centres in such adverse conditions would have a negative impact on the Integrated Child Development Services programme.

(ii) Non-construction of Anganwadi Centre buildings

During the period 1992-97, Government sanctioned Rs 6.88 crore for the construction of 519 Anganwadi Centre buildings, 20 office-*cum*-godowns and repairs to 1154 existing buildings. The details of amount released to implementing agencies and the progress of construction are given in Appendix XLIII. Out of the above, Rs 1.41 crore remained unutilised with the agencies as of December 1998.

(iii) Non-establishment of additional Anganwadi Centres

Government of India sanctioned the establishment of 1192 additional Anganwadis and released (March 1994 and March 1995) Rs 71.96 lakh as grant-in-aid. However, only 561 additional Anganwadi Centres were established during 1995-96 to 1998-99, which resulted in non-utilisation of Rs 38.09 lakh. The DSW stated that non-opening of the remaining centres was due to want of sufficient population and other prescribed norms.

3.3.6 Financial observations

3.3.6.1 Scheme funds kept outside Government account

Rupees 2.05 crores scheme funds lying outside Government accounts as investments

The Accounts Officer (SIDA), who was in charge of maintaining the accounts of the scheme, stated (August 1997) that though different cash books were maintained for various activities, all these funds were deposited in a single Savings Bank Account maintained in a nationalised bank. As per the orders of DSW, Rs 2.05 crore was withdrawn and invested (May 1997) in short term Fixed Deposit for 47 days in the same bank. The balance in the Fixed Deposit Account as on 15 March 1999 was Rs 1.11 crore which was a consolidated investment of both Government as well as non-Government money including interest reinvested.

The exact amount of interest earned in respect of each activity had not been arrived at by the DSW, though a balance of Rs 35.65 lakh was available as interest earned in Savings Bank Account as of March 1999. In the absence of any specific instructions regarding the utilisation of interest amount earned on the scheme funds kept in Savings Bank Account/ Fixed Deposit Account, the DSW constructed a training centre at Tambaram at a cost of Rs 15.75 lakh out of the interest earned without obtaining the prior permission from GOI. Not crediting interest to Government account and incurring expenditure of Rs 15.75 lakh on construction without drawing from Government account were highly irregular.

3.3.6.2 Excess payments made to Anganwadi Workers and Anganwadi Helpers out of GOI funds

Excess payment of Honorarium and Bonus to Anganwadi staff out of GOI Funds

Though GOI provided for payment of monthly honorarium, at specified rates, to Anganwadi Workers and Anganwadi Helpers, the State Government granted regular time scale to Anganwadi Workers from January 1996 onwards along with Dearness Allowance. It also fixed the honorarium to Anganwadi Helpers at a rate higher than that fixed by GOI and gave increase in honorarium every six months together with adhoc bonus every year. The excess payment of honorarium during January 1996 to March 1999 in 7 test-checked projects worked out to Rs 49.36 lakh; the excess payment of honorarium to Anganwadi Workers and Anganwadi Helpers for the entire State for the period January 1996 to December 1998 would work out to Rs 21.44 crore (approximately).

The payment of adhoc bonus to Anganwadi Workers and Anganwadi Helpers amounted to Rs 18.15 lakh during 1996-97 in 11 test-checked projects. Bonus paid to Integrated Child Development Services staff in the entire State for the year 1996-97 alone would work out to Rs 1.79 crore (approximately). GOI also stated (June 1998) that as per norms of Integrated Child Development Services, there was no provision for payment of bonus to employees like Anganwadi Workers and Anganwadi Helpers who were receiving honorarium.

The DSW stated (May 1999) that GOI would be requested for ratification or the excess amount of Rs 23.23 crore (Rs 21.44 crore + Rs 1.79 crore) would be debited to State Government account after obtaining proper sanction and provision of funds.

3.3.6.3 Excess expenditure of Rs 1.61 crore on purchase of Gram (Sundal)

According to scheme guidelines, children in the age group of 2 to 5 years were to be given 25 gms of Sundal (boiled grams) consisting of peas/soyabeans grains every day as an evening snack throughout the year. This additionality was to enhance the protein value of food given to children in the SIDA assisted projects. The CDPOs in charge of the scheme at Block level were directly purchasing Grams locally and settling the bills as per the instructions of the DSW up to August 1994. Scrutiny of records revealed that the DSW centrally purchased Grams at higher rates than the prevailing market rate during October 1994 to May 1996 resulting in excess expenditure of Rs 1.61 crore to Government in the procurement of 1899.800 MT of Grams. The matter was under investigation by Crime Branch (Criminal Investigation Department). The supply of Grams was stopped in May 1996 by the Society which was selected by Director of Social Welfare in April 1996. The supply was resumed only in December 1996 when order was placed with National Co-operative Consumer Federation of India Limited, Chennai. Thus, during the period June 1996 to November 1996, there was no supply due to failure of the Society.

3.3.6.4 Non-supply of play materials resulted in loss of Rs 15.57 lakh

Two cooperative societies did not supply play materials after receiving advance of Rs 15.57 lakh

(i) The DSW paid an advance of Rs 1.08 crore (September 1992) to 17 Co-operative Societies for supply of 800 sets of outdoor play equipment. Of these, two societies[5] supplied only 25 and 26 sets against 86 sets ordered from each. These Societies had not completed the supply as of May 1999, and also had not refunded the unadjusted advance of Rs 15.57 lakh. The DSW did not take any effective action to trace their whereabouts. The matter was under investigation by the Directorate of Vigilance and Anti-Corruption.

(ii) The play equipment were not installed by the Societies and were kept unutilised in a corner and were getting rusted. In Tambaram, 117 sets of play equipment (value Rs 17.55 lakh) were yet to be erected and 259 sets of play equipment (value Rs 38.50 lakh) were under repair (April 1997). The expenditure of Rs 56.05 lakh incurred on these 376 sets of play material remained unfruitful. The objective of procurement of these items was also not achieved.

3.3.6.5 Excess expenditure due to non-adoption of open tender system for printing and supply of Health Cards

According to codal provisions, open tenders were to be called for in case of purchases exceeding Rs 1 lakh. However, the DSW obtained 3 quotations and

[5] Swami Sivananda Urban Multipurpose Cooperative Cottage Industrial Society, Tiruvottiyur and Marudhamalai Aluminium, Leather, Tyre, Rexin and Allied products Producers' Industrial Cooperative Society, Coimbatore

purchased from society 'A' (lowest offer) for supply of 4.93 lakh Health Cards at the rate of Rs 5.50 per card. Government, in March 1996, sanctioned a further purchase of 1.12 lakh Health Cards based on which the Director invited open tenders during July 1997 and accepted the offer of firm 'B' which was Rs 2.96 per card. As there was no mention of any specification of quality in the tender document, a comparison between the two purchases cannot be made straightaway. However, granting that such quality differentiation was not a big issue in the item involved, the earlier purchase was higher by Rs 12.52 lakh and to that extent indicates lack of financial prudence.

3.3.6.6 School uniform not supplied

14,600 metres of Blue Casement and 13,400 metres of white shirting cloth were purchased from Tamil Nadu Handloom Weavers' Cooperative Society Limited in July 1997 for uniform for pre-school children. The Programme Officer, The Nilgiris gave the cloth for stitching to the local cooperative societies. But the uniforms had not been stitched so far (May 1999) and the expenditure of Rs 8.32 lakh remained unfruitful.

3.3.6.7 Non-adjustment of temporary advances

During the period 1992-98, the DSW drew advances for the purchase of various items, for training of ICDS personnel and for construction of Anganwadi Centres. It was seen from the records of Pay and Accounts Officer (East) that there were 33 advances drawn from December 1992 onwards, amounting to Rs 5.75 crore that were pending adjustment as of March 1999. Of this, Rs 3.97 crore related to advances drawn for construction of Anganwadi Centres, which was distributed to District Rural Development Agencies/Public Works Department. The progress of expenditure and the reasons for pendency were not available in the DSW.

3.3.7 Training

The training for CDPOs was conducted by National Institute of Public Co-operation and Child Development at its regional centre, Bangalore and supervisors were given training at the Middle Level Training Centre of Indian Council for Child Welfare, Tamil Nadu, and the training of Anganwadi Workers and Anganwadi Helpers was arranged at the Project level. The details of training imparted to ICDS functionaries as of March 1999 revealed that percentage of untrained persons at various levels were : CDPO:53, Supervisor: 25, Anganwadi Workers I: 17 and Anganwadi Helper I: 79

3.3.8 Monitoring

Though the scheme was claimed to be monitored by Directorate of Social Welfare through monthly meetings, it was noticed that in all the 24 test-checked projects, there were discrepancies between the Anganwadi Centres' records and the connected supervisors' notebooks. This, in turn, resulted in incorrect reporting.

With reference to the audit observations communicating the discrepancies in the months test-checked, 9 CDPOs[6] admitted the mistakes and stated that (i) the Anganwadi Workers submitted their reports without comparing their source record and the supervisors, in turn, failed to cross-check the records, (ii) the Anganwadi Workers failed to attend group meetings; (iii) records were not maintained properly and (iv) all the Grade II supervisors were promoted from Gramasevika cadre and it would take time for them to understand the Project records.

3.3.9 Evaluation

The Gandhigram Institute of Rural Health and Family Welfare Trust and the Department of Community Medicine, Government Kilpauk Medical College, Chennai conducted an evaluation in 1997 which showed that despite efforts by Government to reduce malnutrition among children under 5 years of age, a significant proportion of the children was under-nourished. The study found that 25 *per cent* of children aged 0-11 months, 30 *per cent* of those aged 12-23 months, 29 *per cent* of those aged 24-35 months, 26 *per cent* of those aged 36-47 months and 18 *per* cent of those aged 48-59 months were under-nourished on the criterion of weight for age in the State. The results suggest the need for strengthening the various nutrition intervention programmes in the State.

3.3.10 Other points of interest

3.3.10.1 Excess supply of medicine kits

Government of India supplied medicine kits to the State Government free of cost. The supply was far in excess of the quantity indented by the Director of Social Welfare as shown below:

Year	Number of kits		Excess	Rate per kit	Value of excess kits (Rupees in lakh)
	Indented	Supplied		Rupees	
1994-95	9854	12325	2471	393.00	9.71
1995-96	9860	12892	3032	393.00	11.92
1996-97	10091	11100	1009	412.88	4.17
Total			**6512**		**25.80**

Despite the excess supply of medicine kits, several Anganwadi Centres did not receive the kits in this period. It was seen in 11 projects that medicine kits were not received by 79 *per cent* of Anganwadis in 1994-95 and 46 *per cent* of Anganwadis during 1995-96. This indicated obvious loopholes in the system of distribution of medicine kits, which needed to be addressed.

[6] Hosur, Keerapalayam, Kolli Hills, Kundrathur, Madurai I, Salem I, Salem II, Thally and Thiruvallur.

3.3.10.2 Non-coverage of Municipal areas

Forty-seven municipalities in the State comprising 723 Nutritious Noon Meal Centres were not covered either under Tamil Nadu Integrated Nutrition Project or under ICDS scheme. Though the children in the age group of 3 to 5 years were covered under Nutritious Noon Meal Programme, other benefits under the scheme of ICDS like Immunisation Coverage, pre-school education, etc., were not provided to these children. Further, pregnant and nursing mothers and the children in the age group of 0 to 3 years in these 47 municipalities were also not brought under the purview of Integrated Child Development Services scheme.

3.3.10.3 United Nations Children's Fund assistance

During January 1994 to April 1999, the DSW received Rs 64.70 lakh from the United Nations Children's Fund (UNICEF) and incurred an expenditure of Rs 56.25 lakh. Though he furnished utilisation certificates for the assistance, it was observed that the financial assistance received as well as the value of jeeps, refrigerators, slide projectors, etc., supplied by UNICEF were not brought into Government account. The cash assistance received was deposited in a Savings Bank Account of the State Bank of India in the name of DSW.

Contrary to GOI instructions issued in March 1991, in 20 projects test-checked, the jeeps were diverted for election and other purposes for 1333 days during 1992-99, the kilometres run being 1,12,483. Similarly, in 10 projects, the jeeps supplied were under repair/off-the-road for 2717 days during 1992-99. This could not but have adversely affected the scheme.

The above points were referred to Government in August 1999; reply had not been received (January 2000).

3.4 Working of the Social Welfare Department (Social Welfare and Nutritious Meal Programme Department)

Highlights

The Department of Social Welfare is functioning for the development and welfare of women, children and the handicapped. The main objectives of the Directorate were to ensure adequate food and nutrition, proper immunisation and pre-school education to all children up to the age of 6 years, providing health and nutritional support to pregnant and lactating mothers, providing shelter and protection to needy children, helping women in distress especially the widows, deserted wives and destitutes by providing employment and to rehabilitate the handicapped people in the State. A review of the working of the Department revealed deficiencies in the budgetary process and poor expenditure management. The programme implementation also suffered as the schemes were prepared without adequate inputs and implemented perfunctorily. Some significant findings are given below:

- **Though Budgetary Rules require that estimates are to be formulated as accurately as possible to avoid huge surrender or excess, after obtaining huge supplementary grants during last week of the financial year, huge funds were surrendered by the Department during the same period in 1995-96 and 1997-98. Estimation of expenditure inaccurately even during the last week of the financial year indicates inadequate control over expenditure.**

(Paragraph 3.4.4.2)

- **'Employment scheme for poor women' was launched in 1996-97. Government issued detailed instructions for its implementation only in November 1997. Resultantly, most of the provision made was surrendered (Rs 19.60 crore). The scheme could not take off for want of baseline survey, adequate staffing, identification of non-governmental organisations and lack of motivation in women to take part in the scheme.**

(Paragraph 3.4.4.2(i))

- **Expenditure of Rs 4.99 crore was incurred under 98 heads during 1995-96 to 1997-98 without budget provision.**

(Paragraph 3.4.4.2(v))

Abbreviations used in this review are listed in the Glossary in Appendix LXIV (page 320)

- **During 1995-96 to 1997-98, revenue receipts of the Department were persistently under-estimated, the percentage of variation between estimates and actuals being 67, 151 and 114 respectively.**

(Paragraph 3.4.4.2(vi))

- **Temporary advances amounting to Rs 17.93 crore drawn by the three[1] Directorates were pending adjustment for more than the time limit of 5 months stipulated in the Rules. Of this, Rs 6.06 crore was outstanding for over 5 years.**

(Paragraph 3.4.4.5)

- **Women Welfare Schemes (which accounted for 72 *per cent* of expenditure during Eighth Plan and 52 *per cent* of the projected allocation for the Ninth Plan) were predominantly for extending one time marriage/maternity assistance to the beneficiaries. Expenditure of Rs 180.72 crore on Women Welfare during 1992-98 did not largely help to ensure the sustained development of vulnerable women.**

(Paragraph 3.4.5)

- **Government's failure to furnish enrolment data to Government of India while implementing the scheme for 'Nutritional Support to Primary Education' resulted in foregoing Central assistance of Rs 27.99 crore during 1996-97.**

(Paragraph 3.4.5.2.(i))

- **As 28 posts of Audiologists were not filled up, the Audiology and Speech Therapy unit was not established in 28 districts and equipment procured at a cost of Rs 32.95 lakh remained idle.**

(Paragraph 3.4.5.3.(i))

- **As guidance bureaux rendered counselling service to only 4.75 *per cent* of women workers of the State during 1992-97, expenditure of Rs 1.26 crore incurred on running the 21 bureaux during 1996-99 proved to be unfruitful.**

(Paragraph 3.4.6.3)

- **No periodical basic survey was conducted in respect of Women Welfare Schemes to assess the targeted population. Hence, the Department's activities were restricted to the extent funds were available without relevance to long term objectives.**

(Paragraph 3.4.7.1.(ii))

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[1] Directorates of (i) Social Welfare (ii) Social Defence and (iii) Rehabilitation of the Disabled

3.4.1 Introduction

The Department's main objectives are:

(a) to help the women in distress, especially the widows, the deserted wives and destitutes, (b) to rehabilitate the medically, economically, socially and educationally handicapped people in the State, (c) to provide shelter and protection to needy children and (d) to provide adequate food and nutrition supplement etc., to children below the age of 6. In all, the Department was running 55 schemes to achieve its objectives.

3.4.2 Organisational set up

At the Government level, Secretary to Government, Social Welfare and Nutritious Meal Programme Department was responsible for overseeing the functions of the Department. Implementing agencies of the Department at the State level were: (i) Director of Social Welfare and Nutritious Meal Programme, (ii) Project Co-ordinator, Tamil Nadu Integrated Nutrition Project, (iii) Director for Rehabilitation of the Disabled and (iv) Director of Social Defence. They were assisted at the district level by the District Social Welfare Officers, District Project Nutrition Officers, and District Rehabilitation Officers respectively. There is a Regional Office of Social Defence at Madurai.

3.4.3 Audit coverage

Functioning of the Department during 1996-99 was reviewed (December 1998 to April 1999) by test-check of records of the Department at the Secretariat, the three Directorates, six out of 29 District Social Welfare Offices, six out of 29 District Rehabilitation Centres, six out of 29 Collectorates, the Regional Office at Madurai and 76 institutions (59 functioning under Government and 17 non-governmental organisations). This review does not include some major schemes implemented by the Department (details given below) as they have already featured in the various Audit Reports of the Comptroller and Auditor General of India.

Serial Number	**Scheme**	**Report in which the review was featured**
	Civil Report	
1.	Rehabilitation of the Disabled	Year ending 31 March 1992
2.	Puratchi Thalaivar MGR Nutritious Meal Programme	Year ending 31 March 1995
3.	Tamil Nadu Integrated Nutrition Project II	Year ending 31 March 1997
4.	Free supply of uniforms to school children	Year ending 31 March 1998
	Commercial Report	
5.	Working of the Tamil Nadu Corporation for Development of Women	Year ending 31 March 1995

All the above reviews were pending at various stages of discussion by the Public Accounts Committee/Committee on Public Undertakings. Besides, a review of the 'Integrated Child Development Services Scheme' appears separately in paragraph 3.3 of this Report.

3.4.4 Financial Management

3.4.4.1 Utilisation of resources

The budget provision and expenditure incurred under Non-Plan and Plan heads under Grant No.29 - Social Welfare in respect of schemes run by the 3 directorates during 1995-96 to 1998-99 were as follows:

(Rupees in Crore)

Year	Non-Plan schemes		Plan Schemes				Total		Grants-in-aid*
			State Plan		Centrally Sponsored/other assisted Plan schemes				
	Budget Provi-sion (FMG)	Actual Expen-diture	Budget Provi-sion (FMG)	Actual Expen-diture	Budget Provision (FMG)	Actual Expen-diture	Budget Provi-sion (FMG)	Actual Expen-diture	
1995-96	47.77	49.15	156.94	158.78	20.48	20.24	225.19	228.17	43.43
1996-97	54.40	55.22	163.61	163.08	21.13	21.90	239.14	240.20	38.65
1997-98	133.80#	132.90	111.38#	109.11	26.70	30.32	271.88	272.33	73.09
1998-99	195.28	194.00	157.02	159.02	39.63	41.90	391.93	394.92	87.80

FMG: Final Modified Grant

* **Grants-in-aid was released to Non-Governmental Organisations/Voluntary Institutions.**

\# **During 1997-98, two schemes were reclassified from Plan to Non-Plan. Hence the increase in budget provision in non-plan and decrease in plan.**

3.4.4.2 Budgetary procedure and expenditure control

Estimation of expenditure inaccurately even during the last week of the financial year indicated inadequate control over expenditure

Budgetary Rules require that the Chief Controlling Officers/and Controlling Officers formulate estimates as accurately as possible to avoid large surrender or excess of funds and exercise proper control over expenditure for guarding against unnecessary or excessive supplementary grants, unnecessary or excessive reappropriations, unspent and uncovered appropriations, incurring of expenditure without the approval of Legislature etc.

Scrutiny revealed that though expenditure incurred by all the Controlling Officers exceeded the grant in all the years, huge funds were surrendered through reappropriation as detailed below:

(Rupees in crore)

Year	Excess expenditure incurred over grant	Supplementary grant obtained during last week of the year	Amount surrendered during last week of the year
1995-96	2.98	13.50	17.16
1996-97	1.06	Nil	30.93
1997-98	0.45	23.49	11.49
1998-99	2.99	22.34	Nil

Thus, after obtaining large supplementary grants during the last week of the financial year, huge amounts were surrendered during the same period in 1995-96 and 1997-98. By exercising proper expenditure control, the Department should have obtained token provisions in the Supplementary grants and met the balance from out of savings within the Grant. Even though it was claimed by the Department that control over expenditure is exercised through periodical monthly review meetings, huge surrenders indicate estimation of expenditure incorrectly even during the last week of the financial year and inadequate control over expenditure and very poor quality of expenditure review.

Schemewise analysis revealed that there were huge savings and excesses during 1995-98, a few of which are discussed below.

(i) While provision was made for the scheme 'New Employment scheme for poor women' in 1996-97 (Rs 12 crore) and 1997-98 (Rs 12 crore), Government issued detailed instructions for its implementation only in November 1997. Consequently, most of the provision made was surrendered (Rs 9.60 crore during 1996-97; and Rs 10 crore during 1997-98). Though Rs 2.40 crore transferred to the Tamil Nadu Corporation for Development of Women in March 1997 was not utilised, a further sum of Rs 2 crore was released in January 1998. As of September 1998, only Rs 78.53 lakh had been spent by the Corporation. The scheme could not take off for want of baseline survey, adequate staffing, identification of the non-governmental organisations and lack of motivation in women to take part in the scheme which resulted in the surrenders during the two years (1996-98).

(ii) The entire provision of Rs 4 crore for the 'Scheme for Girl Child Welfare' was surrendered during 1996-97. Though 12,174 children were enrolled under the Scheme in that year, the scheme was not implemented during 1996-97. The Directorate stated (February 1999) that consequent on the announcement of elections for the State Assembly, proposals were not forwarded to Government in anticipation of changes in the pattern of implementation of the scheme. The scheme was launched as early as in 1992. Therefore, the reasons stated for not implementing the same during 1996-97 were not acceptable.

(iii) Under 'Integrated Child Development Services' Scheme, in 3 major heads, significant excess expenditure of Rs 6.73 crore, Rs 1.55 crore and Rs 1.20 crore occurred during 1997-98. The excess expenditure occurred mainly under salary heads. The Department, even while obtaining supplementary grants on 30 March 1998, could not specify the exact financial commitment towards the three heads which resulted in the excess expenditure. In another case, the Department failed to make supplementary provision for Rs 1.07 crore (cost of medicines supplied by Government of India) even though the Accountant General had accounted for the transaction (July 1996), much ahead of the months of supplementary grant (October 1996 and March 1997). This also led to excess expenditure over grant.

(iv) The Controlling Officers were to receive, by prescribed dates in every month, statement of expenditure incurred in previous month from the Drawing and Disbursing Officers (DDOs). There were 349 DDOs[2] under the three Directors and the Project Co-ordinator, Tamil Nadu Integrated Nutrition Project. Scrutiny of monthly accounts statements during 1998-99 revealed delays ranging from 30 to 49 days in submission of the returns by 9 DDOs; 23 DDOs submitted their returns after a delay of 50 days.

(v) Expenditure without budget provision

Expenditure of Rs 4.99 crore (Rs 1.39 crore on Social Welfare and Rs 3.60 crore on Nutrition) was incurred under 98 heads controlled by the three Directorates[3] during 1995-96 to 1997-98 without budget provision.

(vi) Estimation of receipts

According to Rules, all items of revenue receipts that could be foreseen should be provided in the estimate, and should be estimated as accurately as possible. However, during 1995-96 to 1997-98, revenue receipts of the Department were persistently under-estimated, the percentage of variation between estimates and actuals being 67, 151 and 114 respectively.

Recoveries of over-payments and refund of unutilised grants were not being accounted for as reduction of expenditure under the concerned service sub-heads, but were being credited as departmental receipts, in contravention of Rules. During June 1996 to March 1999, on 17 occasions, recoveries of over-payment amounting to Rs 17.14 lakh and on 2 occasions unspent amount of scheme funds amounting to Rs 0.31 lakh were credited to the receipts head by the Directorate of Social Welfare and Nutritious Meal Programme. Further, interest on savings bank accounts amounting to Rs 0.69 lakh was credited to the departmental receipt head instead of to the specific receipt head for interest.

3.4.4.3 Release of grants-in-aid

(i) During 1995-96 to 1998-99, the Director of Social Defence released Rs 3.20 lakh to two orphanages, without verifying their eligibility. It was

[2] Director of Social Welfare and Nutritious Meal Programme: 36, Director of Social Defence: 29; and Director of Rehabilitation of the Disabled: 55 and Project Co-ordinator, Tamil Nadu Integrated Nutrition Project: 229

[3] Directorate of (i) Social Welfare, (ii) Social Defence and (iii) Rehabilitation of the Disabled.

observed that the children admitted to the orphanage were not orphans but had parents/relatives with whom they stayed during night time and holidays. Thus, without verifying the eligibility, the Director of Social Defence released Rs 3.20 lakh to these two orphanages run by the same non-governmental organisation.

(ii) Under 'Prevention and Control of Juvenile Social Maladjustment', establishment charges incurred by a Voluntary Organisation (subject to a maximum of Rs 2.20 lakh per annum) were to be shared by the Central and State Government in the ratio of 45:45 and the balance 10 *per cent* was to be borne by the organisation.

However, in the case of two[4] organisations, against the admissible grant of Rs 5.18 lakh for the years 1996-97 to 1998-99, the Director of Social Defence released grants-in-aid equal to the entire establishment expenditure. This resulted in excess release of Rs 8.79 lakh.

3.4.4.4 *Claims and adjustment of Central assistance*

(i) Central assistance was available for meeting part of the expenditure on maintenance and staff salary of Observation/Juvenile/Special Homes. The Department claimed maintenance charges at Rs 80 per month per inmate as against Rs 150 per month per inmate as prescribed by Government of India resulting in short claim of Central assistance of Rs 58.73 lakh during 1996-97 to 1998-99. Similarly, though Central assistance was available to the extent of 45 *per cent* of expenditure incurred by Non-Governmental Organisations on running of Homes, the State Government did not claim it during 1996-97 to 1998-99 and, thus, had to forego Central assistance of Rs 59.19 lakh during 1996-99 in respect of 15 non-governmental organisations.

(ii) Under the Centrally Sponsored Scheme of Prevention and Control of Juvenile Maladjustment, Government of India provided Rs 21.39 lakh (50 *per cent* share) during 1990-91 to 1992-93 for infrastructure like Scientific Apparatus, Skill Development Training and Bedding and contingencies. However, it was only in November 1997 that the State Government proposed to provide infrastructural facilities at a cost of Rs 42.78 lakh. Meanwhile, as the amount of Rs 21.39 lakh was not spent, Government of India, while releasing maintenance grant for 1996-97 in November 1997, adjusted the above unspent amount. Thus, the State Government failed to avail of Central assistance of Rs 21.39 lakh and the entire expenditure on infrastructure was met from State funds during November 1997 to March 1998.

3.4.4.5 *Advances pending adjustment*

Records of the Pay and Accounts Office (East) and (South), Chennai revealed that temporary advances amounting to Rs 17.93 crore drawn by the three Directorates for purposes such as meetings, exhibition, effecting supplies by contractors etc., were pending adjustment for more than the time limit of

4 Discharged Prisoners Aid Society, Coimbatore and Madurai Aid Society, Madurai

5 months stipulated in the rules. Of this, Rs 6.06 crore was outstanding for over 5 years.

3.4.5 Programme Management

Activities on Women Welfare were given top priority. However, the schemes implemented were predominantly in the nature of extending one time assistance only

During the Eighth plan and Ninth plan period, activities on welfare of women were given top priority accounting for 72 *per cent* of the expenditure of the Department during Eighth plan and 52 *per cent* of the projected allocation for the Ninth plan period.

Women Welfare Schemes were also implemented through the Tamil Nadu Corporation for Development of Women with the main objective of providing employment opportunities to 15 lakh women. While no time frame was fixed for achieving this objective, the Corporation could enrol only 3.15 lakh women up to the end of 1998-99. The women welfare schemes implemented by the Department were predominantly in the nature of extending one time assistance to the beneficiaries for meeting their marriage/maternity expenses and did not ensure the sustained development of vulnerable women. The expenditure of Rs 180.72 crore booked during 1992-98 on Women Welfare Schemes included Rs 53.41 crore transferred to the Corporation as grants-in-aid. The Corporation would utilise these grants in due course. The expenditure booked in Government accounts was, therefore, not the actual amount spent on Women Welfare during the years.

Details of schemes implemented by the three Directorates are given in Appendix XLIV. The defects noticed in the implementation of the schemes by the three Directorates are discussed below.

3.4.5.1 Women Welfare Schemes

(i) Under the "Moovalur Ramamirtham Ammaiyar Ninaivu Thirumana Udhavi Thittam" (financial assistance for the marriage of poor girls) cash assistance of Rs 5000 (increased to Rs 10,000 from 1996-97) was payable to girls from poor households who had completed 8^{th} standard and above and attained the age of 18 years at the time of marriage. Applications for assistance were to be submitted 45 days before the marriage and the assistance was to be provided within 30 days of receipt of application. However, in three districts (Cuddalore, Madurai and Thanjavur), in all the 1403 cases for which dates of receipt of applications and disbursement were made available, the assistance was disbursed after a delay of 79 to 563 days. In three districts (Dharmapuri, Kancheepuram and Salem), assistance of Rs 13.60 lakh was provided (during 1996-99) to 136 applicants, even though the applications were received on or after the date of marriage. The huge increase in number of beneficiaries during 1997-98 and 1998-99 was due to accumulation of beneficiaries in waiting list and increase in number of beneficiaries in 1997-98. Funds were released during May 1997 to March 1998 with specific instructions to clear the backlog. Thus, the delayed release of funds resulted in non-availability of the assistance in time.

(ii) Government launched (June 1989) the scheme 'Dr.Muthulakshmi Reddy Ninaivu Mahapperu Udhavi Thittam' (Financial assistance to pregnant women from poor family) to provide cash support in the last 2 months of pregnancy and 2 months after delivery of the child. The cash support would cover only the first two children and the age at the time of marriage should be 20 years and above. The amount of cash support was Rs 200 during June 1989 to April 1992 and was increased to Rs 300 from May 1992 and to Rs 500 from 1996-97. The cash support was to be provided in one instalment, 12 to 8 weeks prior to delivery and was meant for adequate nutritional support to the expectant mothers.

From October 1995, Government of India introduced "National Social Assistance Programme" which, *inter alia*, consisted of a component called "National Maternity Benefit Scheme". Under this component, a lumpsum assistance of Rs 300 was contemplated to 2,90,500 pregnant women (below poverty line) of 19 years or more up to the first two live births, which was subsequently raised to Rs 500 from August 1998. After the introduction of the Central Scheme, the State's share was reduced from Rs 300 to Rs 200 from 1996-97 and was withdrawn from August 1998 which was contradictory to the Central Government instructions to maintain State Government's level of expenditure on social protection programmes.

In two districts (Madurai and Salem), out of the first instalment of Rs 31.79 lakh provided by Government of India for National Maternity Benefit Scheme during 1995-96, Rs 24.61 lakh were not utilised but the amount was credited to State Head of account.

Though the cash support was to be provided 12 to 8 weeks prior to delivery, test-check revealed that during 1995-98, 12,614 beneficiaries were assisted only after delivery in Cuddalore, Madurai and Thanjavur Districts, thus, defeating the objective of the scheme.

3.4.5.2 Child Welfare schemes

(i) Nutritional support to Primary Education

This Centrally sponsored scheme was implemented in the State from August 1995 to provide mid-day meal to the school-going children in primary schools. The Central assistance consisted of the cost of rice allocated to the State and cost of transportation of food grains to schools from the nearest godown of Food Corporation of India. The scheme covered all 'Revamped Public Distribution System' and 'Employment Assurance Scheme' blocks during 1995-96. Government of India extended (August 1995) the scheme to all Lower Female Literacy blocks during 1996-97 and all the remaining blocks including urban areas from 1997-98.

Review of implementation of the scheme revealed the following:

State Government deprived of Central Assistance of Rs 27.99 crore

(a) Due to failure of the State Government to furnish the enrolment data relating to Lower Female Literacy blocks, Government of India did not allocate rice for these blocks in 1996-97. As a result, the cost of rice utilised (31,213 MT) for feeding the children of primary schools in these blocks was borne by the State Government, though it was eligible for Central assistance of Rs 24.97 crore.

(b) Similarly, due to its failure to furnish to the Government of India the enrolment figures relating to the primary schools in urban areas, the State Government had to forego Central assistance of Rs 3.02 crore, as the Government of India did not allocate any rice to these urban areas during June 1997 to October 1997.

(ii) Puratchi Thalaivi Dr. Jayalalitha Scheme for Girl Child

The scheme was launched by the State Government in April 1992 with a view to promoting adoption of small family norm and eradicate female infanticide. On identification of the parent and the girl child, Rs 5000 were to be invested in the name of the child by crediting to a "Special Fund Account" (forming part of Public Account). This initial deposit of Rs 5000 was repayable as Rs 20,000 on completion of 20 years of age, for the girl's marriage or for pursuing higher education. Further, to promote girls' education, other[5] benefits were to be provided from the periodic interest accruing on the special fund.

During the period 1992-96, Rs 11.44 crore were credited to the Special Fund Account in respect of 22,886 beneficiaries. 22,462 gold rings were procured during 1994-96, out of which, 21,716 rings were distributed , leaving a balance of 746 gold rings. In four districts (Coimbatore, Cuddalore, Dharmapuri and Salem), cash at the rate of Rs 800 per child was given to 526 girl children in lieu of gold rings, which was not contemplated in the scheme.

Director of Social Welfare and Nutritious Meal Programme instructed in July 1996 the District Social Welfare Officers to stop distribution of gold rings. In May 1997,Government ordered for (i) remittance of unspent balance of the amount drawn from treasury during February-March 1996 by District Social Welfare Officers for purchase of gold rings, (ii) auctioning of the 746 undistributed gold rings and (iii) crediting the sale proceeds to Government account. Though the unspent amount of Rs 34.64 lakh was remitted back into Government account in July-September 1997 by 13 District Social Welfare Officers, the 746 rings were not disposed of as of October 1999.

In order to extend the benefit to both the girl children in a family (which does not have a male child or a third female child), the State Government revised the scheme in (May 1997) and each of the children enrolled up to 1996-97 was

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(i)	On first birthday of the child or next birthday immediately after enrolment	One gold ring of two grams weight worth about Rs 800
(ii)	On enrolment in the school	Rs 250
(iii)	On enrolment in VI standard	Rs 500
(iv)	From IX standard to XII standard for 4 years (Benefit of Rs 50 per month for 10 months for each year)	Rs 2000

given Fixed Deposit Receipt for Rs 1500 through Tamil Nadu Transport Development Finance Corporation Limited. From 1997-98 onwards, the assistance payable was Rs 3000 in case of only one girl child and Rs 1500 each in case of two girl children on the condition that the mother should undergo sterilisation before 40 years of age. This deposit of Rs 1500 and Rs 3000 was repayable with interest on completion of 20 years of age. The other benefits of gold rings and educational assistance were withdrawn.

A report by Tamil Nadu Transport Development Finance Corporation showed (September 1998) that, in 175 cases, 2 Fixed Deposit Receipts (Rs 1500 each) were issued for the same child due to defective screening of application and identification . The second Fixed Deposit Receipt (value : Rs 2.63 lakh) was not yet collected and cancelled by the Corporation.

Although new Fixed Deposit Receipts were issued to all girl children enrolled during 1992-96 out of the funds provided in 1997-98, Rs 11.44 crore available in the Special Fund Account for the same beneficiaries had not been transferred back to Revenue account.

(iii) Cradle Baby Scheme

In order to curb female infanticide in Salem District, the Cradle Baby Scheme was introduced in 1993. The babies received in the cradles were handed over to reputed voluntary agencies which, in turn, gave them in adoption. The Japanese Government provided an assistance of Rs 22.40 lakh in March 1995 for constructing a home. A building was constructed at a cost of Rs 5.50 lakh (taken over in November 1996) and three vehicles were procured (November 1995) at a cost of Rs 12.90 lakh. The home had not started functioning as of March 1999 and a proposal to entrust its running to Indian Council for Child Welfare, a non-Governmental Organisation, was pending with the Government since August 1997.

Thus, the Japanese assistance of Rs 18.40 lakh spent so far remained unfruitful. Meanwhile, 6671 cases of female infanticide had occurred during 1995 (2232), 1996 (2025) and 1997 (2414) in Dharmapuri, Namakkal and Salem Districts.

(iv) Under the scheme 'Free Supply of Footwear to School Children', out of the advance of Rs 1.73 crore made in December 1993 to 14 Societies for supply of 19.50 lakh pairs of footwear during 1993-94, only 6.17 lakh pairs valuing Rs 1.10 crore had been supplied by 10 out of 14 Societies up to 15 May 1997. Although the scheme itself was discontinued from 1994-95, unadjusted advance of Rs 63 lakh had not been recovered from the Societies and remitted to Government account. No information was available regarding receipt and distribution of the 6.17 lakh pairs of footwear to school children.

3.4.5.3 Schemes for the welfare of the disabled

(i) To establish Audiology and Speech Therapy Unit in 28 Districts, Government sanctioned (May 1997) Rs 43.50 lakh for purchase and supply of machinery and equipment. Though the Director for Rehabilitation of the

Disabled had procured during December 1997-March 1998 the machinery and equipment valuing Rs 32.95 lakh, and Government had created 28 posts of Audiologists in May 1997, the units did not become functional as the posts were not filled up due to non-framing of adhoc rules. The equipment procured remained idle. Similarly, a unit already established at Chengalpattu in November 1987 was also not functioning as the post of Audiologist was vacant since April 1997.

(ii) Government sanctioned Rs 14.44 lakh in May/June 1997 towards conducting Comprehensive Rehabilitation Camps to identify physically handicapped persons, provide medical treatment and supply aids and appliances based on the nature and degree of disability. Four District Rehabilitation Centres (Chennai, Madurai, Thanjavur and Thiruvallur) conducted camps during November 1997 to March 1998, identified 3473 disabled persons and placed (February 1998 to February 1999) indents with the Directorate for supply of kits such as calipers, crutches, tricycles etc. However, the Directorate had not procured and supplied aids and appliances (March 1999), with the result, that the expenditure of Rs 2.40 lakh on conducting camps remained unproductive. The Directorate stated (October 1999) that the delay in procuring the appliances was due to release of the sanctioned amount at the fag end of 1998-99 and that the tenders had been called for in October 1999. But the delay of 8 months between sanction of the amount and calling for tender was not justifiable.

3.4.5.4 On the 10 schemes reviewed by Audit, the Department reported expenditure of Rs 69.75 crore, against the budget allotment of Rs 91.43 crore during 1996-99. It was seen that, of the reported expenditure, only Rs 41.06 crore (59 *per cent*) had actually reached the beneficiaries as Rs 3.61 crore had been transferred to bank account, Rs 17.93 crore pertained to unadjusted advance and Rs 7.15 crore were spent either in violation of rules or in an unfruitful manner.

3.4.6 Personnel Management

3.4.6.1 As per the number statement furnished (September 1998) by Director of Social Welfare and Nutritious Meal Programme to Government in respect of Social Welfare Directorate excluding Integrated Child Development Services, 1286 persons were in position against the sanctioned posts of 1470.

3.4.6.2 In the Directorate of Social Defence, out of the total strength of 848 supervisory posts of field staff, 126 posts including 3 posts of Superintendents in Government Juvenile/Special Homes remained unfilled since 1992 for want of approval of the Administrative Department. 39 base level posts (Watchman, guard, Cartmen, Sanitary women, gardener, Hairdresser, Washerman) which could be filled up locally were also kept vacant.

3.4.6.3 A Guidance Bureau (one each in 21 districts) was functioning to help needy women especially widows, deserted wives and destitutes in obtaining bank loan, settling loan dues and other advisory work.

All the Bureaux in the State had rendered counselling service to only 4.75 *per cent* of total women workers of the State during 1992 to 1997 (VIII plan period). The guidance Bureaux in the 6 sample districts provided service during 1996-99 only to 0.01 *per cent* to 0.41 *per cent* of the total women workers (marginal workers plus those registered with district employment exchanges) in the Districts. The expenditure of Rs 1.26 crore incurred on salaries to staff in the 21 Bureaux during 1996-99 proved to be unfruitful. There were other organisations like District Rural Development Agencies and Tamil Nadu Corporation for Development of Women which were rendering counselling service. Government did not, at any time, review the performance of the bureaux and deploy the staff (total staff strength: 73) for more productive purposes.

3.4.6.4 138 posts of Office Assistants were in excess of the norm specified by Government under the control of Director of Social Welfare and Nutritious Meal Programme. It was stated (May 1999) by the Director that Government had been addressed (September 1997) for their retention as surrendering them would tell heavily upon the administration.

3.4.6.5 Training

Government sanctioned (April 1995) Rs 85.02 lakh for conducting Sector level reorientation training programme for field functionaries in 12 Project districts of Tamil Nadu Integrated Nutrition Project. However, proceedings for drawal of the amount were issued by the Project Coordinator, Tamil Nadu Integrated Nutrition Project only on 25 March 1996 (after a lapse of 11 months), demand drafts obtained on 19 April 1996 and sent to 12 District Project Nutrition Officers. Thus, no training programme was conducted in 1995-96. Further, out of Rs 85.02 lakh, only Rs 56.48 lakh was spent on training and the balance Rs 28.54 lakh was refunded during September/ December 1996, due to lesser expenditure on training than expected. This indicated that the training needs were not properly assessed by the Project Coordinator.

3.4.7 Macro Level Monitoring

3.4.7.1 Performance Budgeting

(i) Government sought to ensure macro level monitoring and evaluation of all activities of departments through performance budgeting. The main purposes sought to be achieved by performance budgeting were (i) to facilitate review and decision making at all levels of operations in the Government machinery as also by the Legislative Assembly, (ii) to make possible more effective performance audit and (iii) to measure progress towards long term and short term objectives as envisaged in the plan documents.

No basic survey was conducted to assess the targeted population in respect of women welfare schemes. Activities were restricted to the extent funds were available without relevance to the long term objectives

(ii) Scrutiny of the performance budget for the years 1996-97 to 1998-99 prepared by the Department disclosed that only details of physical/financial targets vis-à-vis achievement were brought out. Neither the yearly scheme proposals nor the performance budgets indicated whether in respect of Women Welfare Schemes basic survey was conducted to assess the targeted population. In the absence of such survey, the activities were restricted to the extent funds were available without relevance to the long term objectives.

(iii) Under the 'Moovalur Ramamirtham Ammaiyar Ninaivu Thirumana Udhavi Thittam' scheme, the target and achievement during 1991-92 to 1996-97 were in the range of 10,000. However, it was suddenly raised to 15,000 in 1997-98 against which achievement was 58,156. In September 1997, Government issued orders to extend assistance to all applicants with no ceiling. Consequently, Government had to provide Rs 24.35 crore through supplementary demands and also Rs 18.80 crore through reappropriation in March 1998. As the scheme provided for assisting the parents of girls, the impact of the scheme with reference to the main objective of Women Welfare was not discernible.

(iv) Similarly, the target for the scheme of free supply of sewing machine was increased from 1000 to 2000 in 1996-97, from 2000 to 3000 during 1997-98 and from 3000 to 4000 during 1998-99, during the middle of the year. Records did not indicate whether any assessment was made before the increase of target.

(v) The adhoc measures repeatedly resorted to by the Department and absence of basic surveys before commencement of the scheme or later revealed that the Department was setting annual physical targets in an adhoc manner.

3.4.7.2 Internal Audit

Internal Audit was inadequate

(i) 36 Drawing and Disbursing Officers are under the control of Director of Social Welfare and Nutritious Meal Programme (excluding Integrated Child Development Services). To conduct audit of the accounts of these offices, one Audit Party comprising one Superintendent, four Assistants and one Junior Assistant had been created. Under Integrated Child Development Services, 123 offices are functioning for which no Audit Party has been sanctioned. It was reported (February 1999) by the Directorate that one Audit Party had been formed by internal arrangement diverting scheme staff. Percentage of shortfall in coverage of offices by Internal Audit Parties during April 1996 to January 1999 ranged between 64 and 84. The Department attributed the shortfall to insufficient manpower. Consequently, there was no periodical check on the proper maintenance of accounts.

(ii) In order to have effective check and control over funds released to Voluntary Institutions (VIs) running Destitute Homes, Government sanctioned (June 1992) establishment of an Audit Wing in the Directorate of Social Welfare and Nutritious Meal Programme. Of the 183 voluntary Institutions, only 51, 67 and 52 institutions were audited in the years 1996-97, 1997-98 and 1998-99 respectively.

(iii) The Directorate for Rehabilitation of the Disabled had 55 Drawing and Disbursing Officers under its control in districts. No system of internal audit had been introduced so far.

3.4.7.3 Response to Audit

Poor response to Audit

(i) Audit observations on financial irregularities and defects in initial records noticed during local audit but not settled on the spot are communicated to Heads of offices and to immediate superior authorities through Inspection Reports. Serious irregularities are reported to Heads of Departments and Government as well and included in the Reports of Comptroller and Auditor General of India and presented to the Legislature.

(ii) Based on the detailed replies received from Government, the paragraphs included in Audit Reports are discussed by the Public Accounts Committee (PAC) and suitable recommendations are made by the Committee. Further follow-up action is required to be communicated by the Government on all these recommendations. Despite PAC's instructions to Government Departments for furnishing prompt reply to the pending recommendations, there were 72 recommendations (7 Reports) relating to 1981-82 to 1989-90 of Social Welfare and Nutritious Meal Programme Department pending final settlement as indicated in Appendix XLV.

(iii) As of April 1999, 167 Inspection Reports containing 576 paragraphs were pending settlement. Year-wise details of pendency were as detailed in Appendix XLVI.

(iv) Government issued orders in April 1967 fixing a time limit of 4 weeks from the receipt of Inspection Reports for furnishing first replies by Head of Office. This was rarely followed and, in fact, as of April 1999, there were 36 Reports (262 paragraphs) relating to the period 1991-92 to 1998-99 for which even the first reply had not been received as shown in Appendix XLVII.

(v) As per orders (March 1993) of Government, a Departmental level Audit and Accounts Committee with the Secretary as its Chairman has to be constituted in each department for expeditious settlement of outstanding paragraphs in Inspection Reports. This committee was constituted only in February 1999 and had not met so far (April 1999).

3.4.8 Microlevel monitoring of schemes

Following deficiencies were noticed in monitoring the schemes:

Deficiencies in micro level monitoring of schemes

(i) Government prescribed that the District Collectors should inspect 120 noon meal centres in a year (at 10 centres per month) for monitoring the implementation of the Puratchi Thalaivar MGR Nutritious Meal Programme. During April 1998 to September 1998, the shortfall in monitoring by District Collectors ranged between 10 and 80 *per cent* in 15 districts.

(ii) In order to eliminate cases of undeserving persons getting assistance under the "Moovalur Ramamirtham Ammaiyar Ninaivu Thirumana Udhavi

Thittam", Government prescribed (May 1993) 10 *per cent* of super-check of cases by the District Social Welfare Officers. However, shortfall in super-checks ranged between 94 and 100 *per cent* in 5 Districts test-checked (Cuddalore, Dharmapuri, Kancheepuram, Salem and Thanjavur) during 1996-97 to 1998-99.

(iii) To provide self-employment to disabled persons, one-third of loan amount provided by Nationalised Bank subject to a maximum of Rs 1000 per beneficiary was given as subsidy. Though in 6 District Rehabilitation Centres subsidy of Rs 9.68 lakh was provided during 1996-99 to 970 disabled persons, no follow-up action was taken to ensure that the beneficiaries actually started running the business.

(iv) Under the scheme 'Financial assistance to trained inmates', which was introduced in 1994-95, a lumpsum assistance was provided to trained and discharged inmates from Juvenile/Special Homes to enable them to start a career to earn their livelihood. Accordingly, an assistance of Rs 2.06 lakh was provided to 135 ex-inmates during 1994-95 to 1998-99 under various trades. However, no follow-up action was taken to find out whether the discharged inmates had actually utilised the assistance.

(v) Under the scheme of payment of scholarship to physically handicapped students, District Rehabilitation Officers disbursed scholarship amounts to Headmasters/Principals of Schools/Colleges for ultimate disbursement to students. To ensure that the scholarship amount was paid to the beneficiaries, District Rehabilitation Officers should obtain original acquittances or atleast disbursement certificate from the Schools/Colleges concerned. However, in three districts (Chennai, Madurai and Thiruvallur), neither original acquittances nor disbursement certificates were obtained for Rs 22.57 lakh from Schools/Colleges.

The above points were referred to Government in July 1999; reply had not been received (January 2000).

SECTION – B

AUDIT PARAGRAPHS

AGRICULTURE DEPARTMENT

3.5 Blocking of Government Funds

Only Rs 31.90 lakh out of subsidy of Rs 2.16 crore released for supply of bullock-drawn and tractor-drawn implements to farmers could be utilised and the balance was lying in the PD account (Rs 35 lakh) and outside Government account (Rs 1.49 crore)

The Centrally sponsored scheme of "Sugarcane-based cropping system" was implemented during 1995-96 to 1998-99 to enable the farmers, with priority being given to small and marginal farmers, to develop their resources in the form of improved farm implements and machinery. Under the scheme, subsidy for purchase of bullock-drawn and tractor-drawn implements (BDI/TDI) was provided at 50 and 25 *per cent* of the cost of the implements subject to a ceiling of Rs 1,500 and Rs 10,000 respectively per unit.

The Assistant Directors of Agriculture (ADA) were to identify the beneficiaries and the Director of Agriculture (DOA) was to monitor the implementation of the scheme. The cost of the scheme was to be shared by Government of India (GOI) and the State Government in the ratio of 3:1. Tamil Nadu Agro Engineering and Service Co-operative Federation (AGROFED) and Tamil Nadu Agro Industries Corporation (TAI) were to procure and supply the BDI and TDI respectively. A review of the scheme brought out the following points:

(a) There was huge shortfall in the sale of TDI to the farmers as compared to the targets as shown below:

Year	Month of release	Subsidy released (Rupees in lakh)	Number of TDI to be supplied	Number of TDI supplied	Value of TDI supplied (Rupees in lakh)
1996-97	December 1996	31.00	810	Nil	Nil
	March 1997	50.00			
1997-98	February 1998	25.00	250	30	2.69
1998-99	September 1998	35.00	350	78	4.32
Total		**141.00**	**1410**	**108**	**7.01**

Although subsidy at the rate of Rs 10,000 per unit was released to TAI for supply of 1,410 TDIs, only 108 farmers had purchased the TDIs. Thus, only Rs 7.01 lakh out of the subsidy of Rs 1.41 crore was utilised by TAI. The remaining amount of Rs 1.34 crore remained in the current account(Rs 98.99 lakh) and in the Personal Deposit (PD) account (Rs 35 lakh). TAI informed

Audit (February 1999) that the poor achievement was due to non-identification of beneficiaries by ADAs.

Target for tractor-drawn implements was set and subsidy released without ascertaining the demand for them; as a result, the achievement was only 8 *per cent* of the target.

(b) AGROFED was asked to supply bullock-drawn implements and subsidy of Rs 75 lakh was released to them for a target of 5,000 implements as under:

Year	Month of release	Subsidy released (Rupees in lakh)	Number of BDI to be supplied	Number of BDI supplied	Value of BDI supplied (Rupees in lakh)
1997-98	August 1997	13.50			
	March 1998	10.50	2000	6752	9.39
	March 1998	6.00			
1998-99	September 1998	45.00	3000	6809	15.50
Total		**75.00**	**5000**	**13561**	**24.89**

The AGROFED utilised only Rs 24.89 lakh to supply 13,561 implements to ADAs. The physical achievement exceeded the target due to the fact that low-cost implements like one-way and two-way ploughs were sold in large numbers. As of October 1999, bullock-drawn implements involving a subsidy of Rs 13.35 lakh were lying in stock with various ADAs.

Director of Agriculture had released subsidy of Rs 10.50 lakh (December 1996) and Rs 13.50 lakh (March 1997) to TAI for the supply of bullock-drawn implements, without ascertaining whether TAI was dealing with bullock-drawn implements or not. When TAI informed him (March 1997) that it was not in the business of supplying bullock-drawn implements, the DOA got the subsidy of Rs 24 lakh transferred to AGROFED. As a result, no BDI was supplied during 1995-96 and 1996-97 although a target of 1,600 was set for these two years.

Director of Agriculture attributed (September 1999) the poor response to the fact that the type and design of the implements could not be changed without permission of GOI although the need for the supply of implements as per local needs was stressed in the meetings convened by GOI. However, records produced to audit did not indicate that DOA had brought the matter to the notice of GOI through the State Government. The failure of DOA was apparent inasmuch as he did not take action to overcome the difficulties, despite the scheme being in existence for over 3 years.

Thus, the delayed action for the purchase and supply of BDI, non-identification of beneficiaries for supply of TDI and failure of DOA to take follow-up action to supply implements as per local needs resulted in blocking of Rs 1.49 crore (TAI: Rs 98.99 lakh and AGROFED: Rs 50.11 lakh) outside the Government account.

The matter was referred to Government in May 1999; reply had not been received (January 2000).

3.6 Blocking of Special Central Assistance of Rs one crore outside Government account resulting in unintended benefit of interest of Rs 13.75 lakh to Tamil Nadu Agro Engineering and Service Co-operative Federation

Special Central Assistance of Rs one crore was blocked outside Government Account for three years with Tamil Nadu Agro Engineering and Service Co-operative Federation, due to delay in decision on appropriate scheme for Hindu Adi-Dravidar farmers.

Based on the proposal (November 1995) of the Director of Agriculture (DOA), Chennai, Government approved (March 1996) supply of tarpaulins at the rate of Rs 122 per sq.m to 8196 small and marginal Hindu Adi-Dravidar (HAD) farmers during 1995-96, for providing facilities for thrashing of their agricultural produce, at a cost of Rs 2 crore with 50 *per cent* subsidy. The scheme was to be implemented by Tamil Nadu Agro Engineering and Service Co-operative Federation (AGROFED), which received Rs 1 crore from the Tamil Nadu Adi Dravidar Housing and Development Corporation (TAHDCO) in April 1996 and deposited the same in various Cooperative Banks.

Subsequently, the Secretary, Adi Dravidar and Tribal Welfare Department (AD& TW) decided (September 1996) to drop the scheme, stating that it might not be beneficial to the expected level due to increase in the price of tarpaulins. An alternate scheme to set up Agro-Service Centres was also not approved by the Empowered Committee of the Government. Finally Government directed (November 1997) the Director of Agriculture to arrange refund of Rs 1 crore to TAHDCO. But, AGROFED did not refund the amount and instead sent a fresh proposal (December 1998) to utilise the amount for supply of agricultural implements with 75 *per cent* subsidy to Hindu Adi-Dravidar farmers. The scheme was sanctioned by Government in March 1999. Meanwhile the funds released earlier continued to remain in the bank accounts of AGROFED.

It was seen in audit that the initial scheme proposed by Director of Agriculture was defective as it adopted the rate of Rs 122 per sq.m for the tarpaulin, based on local market enquiries, without taking into account the tax element, whereas the then prevailing rate was much higher and the department itself had purchased tarpaulins at a higher rate of Rs 149 per sq.m during 1994-95. The defective proposal of Director of Agriculture, which was subsequently dropped by Government, resulted in blocking of Rs 1 crore outside Government account with AGROFED for 33 months (June 1996 to

February 1999). The AGROFED earned interest of at least Rs 13.75 lakh on this amount, which was an unintended benefit to it and which should be refunded to the scheme.

FINANCE DEPARTMENT

3.7 Non-remittance of amount due to Government under Group Insurance Scheme

Lack of proper monitoring in the implementation of Group Insurance Scheme led to non-remittance of Rs 33.89 crore to Government towards employees' subscription and management contributions, and non-realisation of profits to the extent of Rs 12.30 crore.

Government in January 1978 modified the existing scheme of Family Benefit Fund into a Group Insurance Scheme for the employees of local bodies and aided schools/educational institutions. The scheme was further extended to cover the employees of noon meal centres (November 1990) and the employees of Panchayats (July 1997).

The Government paid the premium under the scheme to Life Insurance Corporation of India and deducted a nominal contribution, at rates fixed from time to time, from the employees covered under the scheme. To cover the difference between the premium paid to Life Insurance Corporation of India and the subscription collected from the individuals, a management contribution at a specified rate was to be collected from the local bodies/institutions.

The rates of employees' and management contribution and the amount assured under the scheme were revised by Government from time to time. The Commissioner of Treasuries and Accounts, who was to administer the scheme, was to ensure that the monthly recovery effected was tallied with the number of employees.

A scrutiny of records relating to the implementation of the scheme, in the office of the Commissioner of Treasuries and Accounts, (Commissioner) brought out several deficiencies in its administration. These are discussed below:

(i) The rate of premium to be paid to the Life Insurance Corporation of India was required to be determined on the basis of the total number of employees and their age group. The Commissioner, however, did not have such details and therefore the premium was determined by the Government on adhoc basis. The number of employees for each year was arrived at by adding one *per cent* to the staff strength of the previous year and deducting the number of death cases during the year.

(ii) Out of the demand of Rs 79 crore, pertaining to the period from 1978 to 1998, only Rs 45.11 crore was collected from the institutions as their contribution, with a balance of Rs 33.89 crore remaining to be collected from them as of October 1998. Commissioner of Treasuries and Accounts did not maintain any record/register to watch whether the local bodies etc., were depositing the dues every month into the treasury.

(iii) The offices covered under the scheme were not being adequately inspected to collect the details of the staff and to ensure remittance of dues in time. The Commissioner attributed it to lack of sufficient staff but it was seen that he had brought it to the notice of Government only in September 1993. The Government also had not taken any steps to address the problems.

(iv) Under the scheme, the Government is entitled to 90 *per cent* of profits. (The profit is determined after deducting from total premium paid, the actual claims during that year, 10 *per cent* of the premium towards administrative expenses and 2 *per cent* for allocation to reserve for catastrophic risks). The profit has to be allowed in the form of reduction in the premium payable in the subsequent year. Similarly, the Government also has to bear 90 *per cent* of the loss which has to be carried forward for being offset against future profits. However, the Commissioner did not work out the profit due during 1978 to 1997 from Life Insurance Corporation of India. As per the details made available by the Commissioner, the amount of profit not claimed during the above period worked out to Rs 12.30 crore. The Commissioner, however, availed Rs 3.17 crore only towards profit while making payment of premium for 1998-99 and 1999-2000 (upto June 1999).

When the matter was referred to Government (February 1999), it stated (May 1999) that necessary action was being taken for obtaining the particulars of the employees from the concerned Heads of Departments. The Finance Department also directed (July 1999) the Commissioner of Treasuries and Accounts to recover the dues from the Finance Commission Grant/Devolution amount payable to the concerned Village Panchayats, Panchayat townships and Panchayat Unions.

3.8 Non-achievement of objectives of computerisation of treasuries

Due to haste in implementation, an investment of Rs 57.12 lakh remained unproductive for 13 to 17 months due to lapses in planning, implementation and monitoring; computerisation remained incomplete after incurring an expenditure of Rs 2.34 crore and 3 to 5 years of operation. None of the objectives of computerisation was achieved.

3.8.1 With a view to enable (a) a much better monitoring of expenditure, (b) a better regulation in the release of funds, (c) a more realistic assessment of the budget estimates of the succeeding year based on the actual expenditure, (d) a district-wise and Heads of Department-wise review of plan performance, (e) generation of several subsets of data for analysis and (f) advance the date of submission of accounts by 8 days, Government of Tamil Nadu decided (January 1990) to computerise the functions in all the treasuries and sub-treasuries in the State. Government expected to utilise computer media and the NICNET for transfer of data between Treasuries and the Government Data Centre (GDC)/Government.

3.8.2 Each Sub-treasury was to be supplied with one Personal Computer (PC) working on DOS for capture of daily transactions and transmission of the same to the District Treasury through floppies. Each District Treasury was to be supplied with a computer with 4 terminals operating under UNIX System for consolidation of the Sub-treasury data and a PC on DOS for capturing their own transactions. The application software required was to be developed and supplied by National Informatic Centre (NIC).

3.8.3.1 To begin with, Government sanctioned (May 1992) Rs 75 lakh for computerisation of 10 treasuries* and the sub-treasuries under them and ordered the computerisation in the District Treasury, Tiruvellore on an experimental basis at a total expenditure of Rs 15.06 lakh. In December 1992 Government ordered computerisation of treasuries at Madurai, Nagapattinam and Pay and Accounts Officer (PAO), Madurai instead of Tiruvannamalai and South Arcot District, as per original sanction of May 1992. An expenditure of Rs 14.49 lakh was incurred between May 1992 and March 1993 on purchase of hardware, software and provision of infrastructure. The machines with the required software were installed and made ready for operation in January 1993. However, due to one or more of the following reasons, the first computerised Treasury Account of Thiruvellore Treasury was sent to Accountant General (AG) and the GDC only in May 1995 after a delay of two and a half years.

1. The voltage stabilizers provided could not function properly due to abnormal variation in input supply.

2. Frequent breakdown of machines due to poor earthing, a basic pre-requisite that was not taken care of.

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* 1.Chengai-MGR, 2. Chennai, 3. PAO (East), 4.PAO (North), 5. PAO (Secretariat), 6. PAO (South),7.North Arcot,8.South Arcot,9.Thiruvannamalai and 10. Thiruvellore.

3. The 6 AT machines supplied without Hard Disks to the sub-treasuries could not manage the workload and required the addition of Hard Disks.

4. Frequent power failures interrupted the operation of computers calling for the supply of Uninterrupted Power Supply (UPS) systems.

5. Though machines were supplied in January 1993, the application software was supplied only in November 1994.

6. Non-availability of proper service support (by the Chennai based supplier) for the machines at sub-treasuries in remote places.

3.8.3.2 Thus, during the period from January 1993 to June 1995, computerisation was limited to generation of Input Statements I and II for consolidation at Thiruvellore Treasury. The UNIX machine with 4 terminals meant for consolidation of the data from Sub-treasuries and preparation of Treasury Accounts remained practically idle for 22 months from January 1993 to November 1994 for want of Application Software from NIC.

3.8.4 A total expenditure of Rs 57.12 lakh was incurred between December 1992 and March 1998 on hardware and infrastructure for the remaining 10 treasuries in the First Phase. The computers were installed between February 1994 and March 1994 and sending accounts in the computerised form commenced only between May 1995 and September 1995. The delay ranging from 13 to 17 months was due to one or more of the problems faced in Thiruvellore District.

3.8.5 Though the experimental run of the project in Thiruvellore District had not stabilised, Government issued orders (December 1993, December 1994 and February 1995) for the computerisation of 10 more treasuries[@] at a total cost of Rs 91.81 lakh. The entire amount was spent on hardware and infrastructure. The machines were installed between March 1995 and May 1995 and sending of computerised accounts commenced between May 1995 and October 1995.

3.8.6 In the last stage of the project, Government sanctioned (December 1996) the computerisation of the remaining 9 treasuries at a total cost of Rs 108.30 lakh. This was yet to be completed.

3.8.7 A review showed several deficiencies in the planning, organisation, and control of the computerisation project. Some of these aspects are discussed below:

@ **1. Coimbatore, 2.Cuddalore, 3.Dharmapuri, 4. Erode, 5.Salem, 6.Tiruchirappalli, 7.Tiruvannamalai, 8.Udagamandalam, 9.Pension Pay Office and 10. Villupuram.**

3.8.7.1 Premature implementation resulting in idleness of machines

Due to haste in taking up the second phase even before the trial phase, a sum of Rs 57.12 lakh remained unproductive for 13 to17 months

At the time of sanctioning computerisation of Treasuries, Government ordered implementation in a phased manner after an initial experimentation in Thiruvellore District. However, the computerisation in other districts was taken up even before the machines were installed in Thiruvellore District and the application software was fully developed, defeating the intention of the Government.

The time taken between the date of supply of machines and date of sending computerised accounts to the GDC and the AG was as follows:

Serial Number	Phase	Delay
1.	Phase I (Experimentation at Thiruvellore)	28 months
2.	Phase II 5 District Treasuries and 5 PAOs	13 to 17 months
3	Phase III 9 Districts and Pension Pay Office	1 to 7 months

Though the delay of 28 months in the experimental district may be justifiable, in view of the preliminary hurdles and other teething trouble associated with the computerisation, the delay in respect of the other districts was avoidable if the subsequent phases of computerisation were taken up after successful implementation in the experimental district. On account of the haste exhibited in taking up the second phase of computerisation even before the experiment at the first stage had begun, the investment of Rs 57.12 lakh remained unproductive for 13 to 17 months and Rs 91.81 lakh for 1 to 7 months in the third phase.

3.8.7.2 Incompleteness of computerisation – non-achievement of objectives

An indepth analysis of the Computerised Treasury Accounts and the various reports sent to the Directorate/Government disclosed that the Treasury Accounts were not complete (May 1998) as discussed below, though as per the original schedule, the work should have been completed in all respects and manual accounts dispensed with within 3 months from the date of implementation.

The computerisation of treasury functions can be deemed to be complete only if both receipts and payments are fully computerised, and Main Account, Sub-Account, Fly Leaf and List of Payments are prepared through the computer. However, there were deficiencies as detailed below.

A Computerisation of Receipts

Receipts not computerised

(a) The compilation of receipts at the district level had not been taken up as the required software had not been obtained from NIC. However, the Directorate took the computerisation as complete, the moment the disbursement part of the transactions was processed through the system. No effective action was initiated at the Directorate level to get the software for this purpose from NIC. Treasury account relating to receipts was processed manually (September 1998).

(b) At the Sub-treasury level also, the capturing of data relating to Receipts was inaccurate on account of the following:

i. Incomplete/incorrect furnishing of Heads of Account in the challans both by public and Government departments.

ii. The treasuries had no control over the Heads of Account furnished in respect of remittances made through the branches of the State Bank.

iii. Pre-printed challans also contained some incorrect Heads of Account.

These problems were not considered and sorted out even before the process of computerisation was taken up.

B Computerisation of Payments

(a) Main Account

Main Account not computerised

Main Account is a vital part of Treasury Accounts. Even though Major Head-wise totals of Receipts and Expenditure and the application software required for the compilation of Main Account are available in computer system, Main Account was continued to be prepared manually in all the Treasuries/PAOs (except Nagapattinam, Sivaganga and The Nilgiris).

(b) Sub-Accounts

Errors in computerised sub-accounts

Even after operating the software for the compilation of sub-accounts for payments for over 3 years, a number of deficiencies were observed with regard to the outputs generated as discussed below:

i. Out of 21 treasuries computerised, 14 treasuries were yet to compile all the sub-accounts through their computer system.

ii. The statements prepared through the computer required several corrections based on a manual examination. Though such corrections were carried out month after month for years together, no effort was made to seek a permanent remedy. Further, treasuries carry out corrections only in the printouts sent to AG and GDC and leave the database, which contributed to the error, uncorrected. Treasury-wise details of manual corrections thus made in the accounts for January 1998 are furnished in Appendix XLVIII.

3.8.7.3 Deficiencies in Software

Software developed by NIC had deficiencies and errors

Some of the errors in the Computerised accounts were attributable to deficiencies in the Application Software as discussed below:

i. The Treasuries were able to accommodate disbursements only under Heads available in the Master Files. Incomplete Master File forced Treasuries to accommodate the disbursements under some available Heads and subsequently correct them manually on the print outs. There was no established procedure for the incorporation of new Heads of Account included in the Budget in the Master Files of all the Treasuries.

ii. Huzur Voucher Numbers were allotted by the system. The system, however, had the effect of re-allotting all the voucher numbers in the Sub-account in the event of altering a Head of Account of a particular voucher. This forced the Treasuries to refrain from making even genuine corrections.

iii. Allotment of Huzur Voucher Numbers by the system was not continuous between List of Payments 1 (LOP1) and LOP2 in case of sub-accounts having more than one Major Head.

iv. The system-generated reconciliation statement in respect of Sub-Account 27A, 27B, 27C, 27D, 27E was not in the format prescribed by the Accountant General. As a result, all treasuries resort to preparation of the statement manually.

v. General Provident Fund recoveries under the respective Sub-Account were exhibited once under the concerned sub-account and a consolidated figure was again reflected under the SA 27C. Thus, the deductions under GPF were reflected twice in the accounts, calling for manual correction.

vi. To facilitate easy data capture, deductions had been codified by NIC in a Master File. However, this master file did not have codes for certain Heads, eg., "Motor Car Advance – Advance for purchase of conveyance". This resulted in forcing the Treasuries to book such deductions under irrelevant or wrong heads and to correct the entry manually.

3.8.7.4 Inefficient Transfer of Treasury Accounts

Duplication of data capture in treasuries and the GDC resulting in wastage of manpower worth Rs 10.96 lakh

Apart from the AG, GDC is the only other institution compiling the Treasury Accounts. Even though GDC is fully computerised, the data flow between them and the Treasuries was carried out on hard copies instead of through electronic media. This results in the GDC having to key in all the data already keyed in at the Treasury for a second time, involving 234 man-days per month costing the Government an avoidable expenditure of Rs 10.96 lakh for the period from September 1995 to April 1998 apart from considerable wastage of stationery.

3.8.7.5 Inefficient monitoring of computerisation by the Directorate

The procedure adopted by the Directorate for ensuring accuracy and completeness of computerisation was ineffective on account of the following:

i. As part of the progress monitoring exercise, each Treasury Officer (TO) is required to furnish Monthly Statements to the Directorate. However, 10 TOs had overstated the number of sub-accounts that were compiled using the system. The Directorate had no system to verify the correctness of the statements thus furnished.

ii. Each Treasury was required to furnish the number of sub-accounts that had suffered manual corrections each month. It was noticed that (January 1998) 13 TOs had understated the actual number of corrections made.

3.8.7.6 Non-achievement of objectives

In view of the overall deficiencies noticed, none of the stated objectives was achieved as discussed below.

i. The computerisation did not result in the generation of any new outputs. None of the additional benefits contemplated actually accrued.

ii. As per the objective, the date of rendering of accounts was to be advanced by 8 days. However, even after functioning for over three years, this advancement of date had not been achieved.

3.8.8 Conclusion

Thus, on account of hasty and unplanned implementation of computerisation, and lack of adequate monitoring, the investment of Rs 57.12 lakh remained unproductive for 13 to 17 months and Rs 91.81 lakh for 1 to 7 months. Further, even after incurring an expenditure of Rs 163.42 lakh on computerisation and Rs 70.75 lakh on consumables and continued operation of the same software for over 3 to 5 years, the computerisation of Treasury Accounts remained incomplete. The software in use had a number of shortcomings which need to be rectified before complete and accurate accounts can be produced through computer. Above all, none of the objectives of computerisation contemplated was achieved.

The above points were referred to Government in July 1999; reply had not been received (January 2000).

3.9 Foreign Travel by Officials

A review of expenditure incurred on the foreign travel undertaken by the officers of Government of Tamil Nadu during 1998-99 was taken up during July and August 1999.

The review disclosed that there was no centralised system for keeping consolidated records of Foreign travel undertaken by the Ministers/ officials. There was no detailed Head in the accounts to book expenditure on foreign travel expenses. 5 out of 36 Secretariat departments did not even reply to the audit query seeking information on the particulars of foreign travel during 1998-99.

A scrutiny of the available records revealed that there were 152 cases of journeys to foreign countries on official duties, of which 32 visits were financed by the Government of Tamil Nadu and the remaining 120 visits were funded by external agencies.

The following are the highlights of the review.

(i) Irregular reimbursement of travel expenses to Tamil Nadu Tourism Development Corporation

In the following cases, the expenses on foreign travels undertaken on behalf of Tamil Nadu Tourism Development Corporation(TTDC), were borne by the Government of Tamil Nadu.

Officers	Period	Countries visited	Purpose	Expenditure reimbursed to TTDC (in rupees)
Secretary to Government and Director of Tourism	22.4.1998 to 29.4.1998	Malaysia and Singapore	To participate in Travel Market organised by Pacific Asian Travel Association at Singapore and Malaysia and Tourism Campaign in Malaysia.	2,07,595
Secretary to Government and Director of Tourism	16.11.1998 to 19.11.1998	United Kingdom	To participate in World Travel Market 1998 at London	5,19,640
Director, Tourism and Joint Director, Tourism	6.3.1999 to 10.3.1999	Germany	To participate in World Travel Market 1999 at Berlin.	3,97,028
			Total	**11,24,263**

According to Government of India (GOI), Ministry of Finance, Department of Expenditure Office Memorandum of February 1993, the cost of deputation abroad of the officers on behalf of Public sector Undertakings (PSUs) should be borne by the Public sectors undertaking. Therefore, the reimbursement of expenditure to TTDC was irregular, since the foreign travel was in connection with the business of the Corporation. The reimbursement included

Rs 4.27 lakh towards expenses on publicity, erection of pavilion and registration fee.

(ii) Though the Government of India instructions provide that the Government officers going abroad on the business of PSUs should be paid daily allowance (DA) at the rates fixed by Government of India, the Government of Tamil Nadu had prescribed separate rates of DA ($350 for Secretaries/Heads of Department).

The following cases of overdrawal of DA were noticed :

(a) Two Assistant Engineers of Public Works Department were deputed to attend an international training programme in Denmark for 54 days in September/October 1998. They were paid daily allowance at $100 per day for the entire duration of training. GOI orders provided for full DA upto 14 days, 75 *per cent* of full DA for next 14 days and 60 *per cent* of full DA thereafter in the case of long tour/Temporary Duty. The overpayment of DA was Rs 1.20 lakh, which was recoverable.

(b) Three officers of the Police Department had gone abroad to Australia for 19 days in January 1999, they were paid daily allowance at the full rates for all 19 days resulting in the overpayment of Rs 0.16 lakh which was recoverable.

(c) One Officer went to USA/Canada in April/May 1998 to participate in a Course and all expenses on boarding/lodging were borne by the foreign agency and per diem was also paid by them. However, the officer was paid DA at 25 *per cent* of full rate for the duration of the tour which was not admissible. The overpayment was Rs 0.29 lakh.

The matter was referred to Government in November 1999; reply had not been received (January 2000).

3.10 Bogus pension payment

Pension was continued to be paid into bank account beyond the date of death of pensioners

Government of Tamil Nadu introduced the Pilot Pension Scheme in June 1970 to facilitate pensioners to draw pension through a branch of a Nationalised/ Co-operative bank of their choice. Under the Scheme, Treasury Officer/ Sub-Treasury Officer/Pension Pay Officer were to act as drawing officer to draw the pension and send a consolidated credit advice to the bank of the pensioner's choice to credit the pension amount to the Saving Bank Account of the pensioner.

Under the scheme, initially, the pensioners were exempted from submitting Life Certificates. In 1991, the Treasury Officers were made responsible for obtaining Life Certificates. This was in force upto 1994 In 1994, consequent upon the introduction of new format of life certificate, the pensioners obtained an injunction against submission of Life Certificates. In September 1994, Government issued orders for annual mustering, if the pensioners were unable to produce Life Certificates. In October 1994, Government suspended the condition of submission of Life Certificates pending disposal of this case. Necessary amendments to the Tamil Nadu Treasury Code (Volume I) were issued in July 1996 providing for annual mustering, if the pensioners were not able to produce Life Certificates.

During test-check of pension payments at 23 branches of 5 Public Sector Banks in 7 districts, conducted during April 1998 to March 1999, it was noticed that a sum of Rs 16.44 lakh was drawn as of March 1999 by the Treasury Officers and credited to the bank accounts of 38 pensioners who had already expired. The banks were also aware of the fact of death and had made entries in their records but had failed to inform the concerned Treasury Officers. As a result, the latter continued to draw the pension and send credit advice to the bank.

The Department stated (July 1999) that the Commissioner of Treasuries and Accounts had been instructed to recover the amount from the concerned banks and credit to Government account. However, no directions had been given to all the banks in Tamil Nadu to inform the Treasury Officers promptly as and when the banks came to know of the death of the pensioner or to credit to Government account all pension payments credited to a pensioner's bank account after the date of his death.

The matter was referred to Government in September 1999; reply had not been received (January 2000).

3.11 Personal Deposit Accounts

Except in the cases of discharge of Government liabilities arising out of special enactment, Personal Deposit (PD) accounts created by debit to the Consolidated Fund should be closed at the end of the financial year by minus debit of the balance to the relevant service heads in the Consolidated Fund. These accounts are operated through various Treasuries, Pay and Accounts Offices (PAOs) by authorised Administrators in the Government Departments/Corporations etc. A review of the transactions relating to minor heads 106 and 800 under "8443 – Civil Deposits" revealed the following:

3.11.1 8443 Civil Deposits - 106 Personal Deposits

As per the particulars available with the Accountant General (Accounts and Entitlements), there were 3041 Personal Deposit Accounts in 30 District Treasuries/PAOs in the State as of 1 April 1999.

The position of Personal Deposit Accounts during 1998-99 was as under:

	(Rupees in Crore)
Opening Balance as on 1 April 1998	494.93
Amount transferred to the Personal Deposit Accounts	425.52
Amount withdrawn from Personal Deposit Accounts	267.97
Closing Balance as on 31 March 1999	652.48

A review of 273 PD Accounts with a balance of Rs 42.46 crore on 31 March 1999 maintained in one District Treasury at Coimbatore and four PAOs in Chennai and by three Administrators revealed the following:

(a) In respect of the 270 PD Accounts maintained in the District Treasury, Coimbatore (103 PD Accounts) and the Pay and Accounts Offices (167 PD Accounts), the details regarding the authority for the opening of Personal Deposit Accounts were made available to Audit only in respect of 17 Accounts (Coimbatore: 13 and PAO (Secretariat) : 4)

(b) Only 26 accounts were closed on 31 March 1999 in Huzur Treasury/sub-treasuries, Coimbatore as required in the Government rules. A certificate of acceptance of balance on 31 March of each year should be given by the Personal Deposit Account Administrator to the concerned PAO/Treasury Officer by 30 June of that year. However, Certificates of acceptance of balances were received only from 11 Administrators (Coimbatore : 9 and PAOs : 2)

(c) 49 Accounts (Coimbatore : 22 and PAOs : 27) remained inoperative for periods ranging from 1 year to 16 years and a sum of Rs 3.10 crore remained unutilised in these accounts. No action was taken to close the accounts, as required under Article 269 of Tamil Nadu Financial Code.

(d) There were huge differences between the balances as per the records of Treasuries and as per the departmental records. A few cases noticed are listed below.

Serial Number	Administrator of the Personal Deposit Account	Balance as on 31 March 1999	
		As per treasury accounts (Rs)	As per Administrator's PD Cash Book (Rs)
1.	District Adi Dravidar Welfare Officer, Tiruvannamalai	(-) 8,77,462	NIL
2.	Special Tahsildar (Land Acquisition), Neighbourhood Housing Scheme, Erode	58,78,142	5,24,633
3.	Special Tahsildar (Land Acquisition), Housing Scheme III, Coimbatore	1,56,73,900	1,68,24,682

The difference had not been reconciled.

Important points noticed during test-check of records relating to certain PD Accounts having substantial closing balance are given below:

3.11.2 Retention of substantial amount in the Personal Deposit Account

(i) For the purpose of payment of compensation to the landowners for the proposed acquisition of private lands in "Kalakad – Mundanthurai Tiger Project", the Forest Department deposited Rs 1.40 crore (Rs 5 lakh (May 1983), Rs 80 lakh (March 1989) and Rs 55 lakh (March 1992)) in the PD Account of the Collector, Tirunelveli who was vested with powers of land acquisition and awarding compensation. As the proposals of acquiring private lands and resettling the families of tribals were dropped in November 1993 and April 1995 respectively, Rs 1.40 crore remained unutilised (July 1999) in the PD Account.

(ii) According to the orders of Government issued in June 1998, the office of the Special Tahsildar (Land Acquisition), Neighbourhood Housing Scheme, Erode was disbanded with effect from 30 June 1998. Even after that, the PD Account was retained with a balance of Rs 58.78 lakh (as per Treasury records) which remained unutilised (July 1999).

(iii) The Office of the Special Tahsildar (Land Acquisition), Housing Scheme III, Coimbatore was disbanded with effect from 31 October 1995 and the pending land acquisition works were allocated to Special Tahsildar (Land Acquisition), Housing Scheme I and II, Coimbatore. But, due to non-delegation of cheque drawing powers to either of the officers, the amount of Rs 1.68 crore available (as per Administrators PD cash book) in the PD Account of the Special Tahsildar (Land Acquisition), Housing Scheme III, Coimbatore could not be utilised for land compensation payments (July 1999).

3.11.3 8443 Civil Deposits – 800 Other Deposits

During 1998-99, Rs 1636.10 crore were credited to 33 PD Accounts of various Corporations/Undertakings and Rs 553.42 crore remained as closing balance

(Appendix XLIX) in these accounts as on 31 March 1999 without being written back to the Consolidated Fund as stipulated in the financial rules. The amount credited into the PD Accounts included Rs 44.99 crore drawn and credited during the last week of March 1999, mainly to avoid lapse of budgetary provision. In the following cases, amounts credited to PD Accounts of Corporations/Federation/Agency with the concurrence of Finance Department were lying unspent for a considerable period.

(a) Rupees 71.13 crore kept unutilised in the PD Account of Tamil Nadu Adi Dravidar Housing and Development Corporation Limited, as on March 1999 included Rs 38.69 crore relating to works which could not be spent during the year due to non-availability of the site for construction (July 1999).

(b) Rupees 1.80 crore sanctioned by Government of Tamil Nadu in November 1998 was credited to the PD Account of Tamil Nadu Minerals Ltd. (TAMIN) in June 1998 for explorative studies of Molybdenite in Dharmapuri District. As per the Memorandum of Understanding (MOU) executed between TAMIN and Geological Survey of India in May 1998, the total cost of the Project was Rs 1.66 crore out of which 40 *per cent* was to be paid during 1998-99 and the balance in the subsequent years in instalments based on the progress of work. Rupees 50 lakh only was paid (June 1998) to the Geological Survey of India during 1998-99 and the balance of Rs 1.30 crore remained in the PD Account as of March 1999. Drawal of the entire Rs 1.80 crore in advance of requirement and keeping it in the PD account was mainly to avoid lapse of Budget provision.

(c) The balance in the Personal Deposit Account of Tamil Nadu Energy Development Agency (TEDA) as on March 1999 was Rs 1.88 crore which included Rs 86.79 lakh pertaining to the previous years (from 1985-86 onwards) for which TEDA had no scheme-wise particulars. The unspent balances were not remitted into the Consolidated Fund (July 1999).

3.11.4 Funds withdrawn and kept outside Government Accounts

(a) Particulars furnished by nine corporations revealed that as of March 1999, an amount of Rs 27.27 crore (cumulative balance) had been withdrawn from PD Account and kept in bank account.

(b) Government of Tamil Nadu sanctioned Rs 12.50 crore and Rs 5 crore during 1997-98 and 1998-99 respectively to State Industries Promotion Corporation of Tamil Nadu (SIPCOT) towards State Capital subsidy to industries in backward areas and the amounts were credited to the PD Account of SIPCOT. These amounts were withdrawn from PD Account during December 1997 to March 1999 and deposited in the bank accounts of the Corporation.

There was also a balance subsidy of Rs 4.49 crore as of March 1997 which was drawn from the PD Account and kept in the bank account. Out of the total amount of Rs 21.99 crore (Rs 17.50 crore + Rs 4.49 crore), Rs 9.58 crore and Rs 6.05 crore were disbursed to industries during 1997-98 and

1998-99 respectively leaving a balance of Rs 6.36 crore in the Bank account of the Corporation till date (July 1999).

(c) Rupees 1.39 crore, being subsidy sanctioned by Government in August 1997 to Tamil Nadu Pollution Control Board for construction of common effluent treatment plants by three tanneries, was withdrawn from the PD Account in October 1997 and kept in the current account of the Board unutilised. Though the schemes were subsequently dropped, the amount was not remitted back to Government (July 1999).

3.11.5 Credit to Personal Deposit Account without Government sanction

Rupees 51.66 crore of interest bearing loan received from Housing and Urban Development Corporation Limited (HUDCO) for the project 'Flood alleviation measures and improvement of storm-water drainage system' was credited to the PD Account of Chennai Metropolitan Development Authority on 31 March 1999. This was based on the draft minutes of the review meeting held in February 1999 and without the orders of Government.

3.11.6 Diversion of funds from Personal Deposit Account

(i) Government of Tamil Nadu provided Rs 200 crore in the Budget for 1998-99 towards Share Capital Assistance to the State Transport Undertakings (STUs) in Tamil Nadu to enable them to procure 3600 new buses. The amount was sanctioned by Government in 4 instalments of Rs 50 crore (May 1998), Rs 50 crore (June 1998), Rs 70 crore (October 1998) and Rs 30 crore (December 1998) and ordered to be debited to the Head "Capital Outlay on Road Transport – Investments towards Share Capital of State Transport Undertakings" and credited to 8443 Civil Deposits – Other Deposits of Tamil Nadu Transport Development Finance Corporation (TNTDFC).

Out of Rs 100 crore sanctioned in the first two instalments, TNTDFC released Rs 20.25 crore only to STUs for purchase of new buses and adjusted the balance amount of Rs 79.75 crore against the loan taken by STUs.

From the third and fourth instalments released by Government, TNTDFC adjusted Rs 73.90 crore against the dues of STUs and released Rs 26.10 crore to the STUs for payment of bonus/ex-gratia to employees.

Thus, amount originally sanctioned by Government for purchase of new buses and credited to the PD Account of TNTDFC was diverted for adjustment of dues of STUs and for payment of bonus to employees, which was irregular.

(ii) The Tenth Finance Commission recommended a special grant of Rs 60 crore to Tamil Nadu for the period from 1996-97 to 1999-2000 for slum improvement in Chennai City for construction of 6500 houses. Government of India released Rs 9 crore in 1996-97 and Rs 22.50 crore in October 1998 for the purpose. The State Government sanctioned Rs 30 crore to Tamil Nadu Slum Clearance Board (TNSCB) in March 1997 (Rs 12 crore) and in November 1998 (Rs 18 crore), which was deposited in PD Account. Out of this, the TNSCB utilised Rs 24.51 crore upto March 1999 and diverted

Rs 5.49 crore to other slum clearance schemes during 1998-99, without obtaining the approval of State Government/Government of India.

The above points were referred to Government in November 1999; reply had not been received (January 2000).

HEALTH, INDIAN MEDICINE AND HOMOEOPATHY AND FAMILY WELFARE DEPARTMENT

3.12 Diversion of funds earmarked for the purchase of medicines and equipment for creating assets

Funds were transferred to Tamil Nadu Medical Services Corporation Limited even though it had unutilised balance. Corporation diverted Rs 9.02 crore for creation of assets, without valid authority.

Tamil Nadu Medical Services Corporation Limited (Corporation) was established in July 1994 to purchase and distribute drugs, surgicals and stores required by Government medical institutions. Government ordered (March 1995) that 10 *per cent* of the funds allotted in the budget for procurement of medicines be retained by the department for local purchase of medicines and the remaining 90 *per cent* of allotment to be transferred to the Personal Deposit (PD) account of the Corporation.

Government also directed (February 1996) the Heads of Department to surrender the excess money available for local purchase of medicines so that the same could be placed at the disposal of the Corporation. Accordingly, the Heads of Department transferred to the Corporation the unutilised amount earmarked for the local purchase of medicine, along with the amounts provided for purchase of equipment remaining unutilised at the end of each year during the period 1995-96 to 1998-99, to avoid lapse of budget provisions.

The following table gives the details of amounts transferred to the PD account of the Corporation in the above manner:

(Rupees in crore)

Year	Funds transferred to PD account			Funds utilised from PD account			Balance lying unutilised in the account of Marc
	Out of 90 *per cent* allotment	Out of unutilised budget provision for local purchase of medicine	Total	Out of Column 2	Out of Column 3	Total	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1994-95	20.30	..	20.30	19.99	..	19.99	0.31
1995-96	81.57	1.74	83.31	75.51	0.87	76.38	7.24
1996-97	85.99	27.12	113.11	78.02	17.59	95.61	24.74
1997-98	88.67	11.25	99.92	78.41	..	78.41	46.25
1998-99	87.14	43.91	131.05	68.98	31.87	100.85	76.45
Total	**363.67**	**84.02**	**447.69**	**320.91**	**50.33**	**371.24**	

Neither the Heads of Department nor the Government kept a watch on the utilisation of the amounts released to the Corporation; and the unutilised amount in the PD account was not adjusted from the subsequent releases made during the next year. This led to accumulation of huge balance in the PD account of the Corporation enabling them to divert Rs 9.02 crore out of this accumulated balance for creation/purchase of various fixed assets* for the Corporation.

When pointed out, the Corporation reported (March 1999) that it had requested the Government for regularisation of the purchases and that the supply of drugs and equipment were not affected by such diversion. The fact however remained that the Government had ordered unregulated release of funds to the Corporation without any regard to the requirements and also asked the Heads of Department to transfer the unutilised funds to the Corporation. This, in turn, facilitated misuse of the funds by the Corporation, without a valid authority.

The matter was referred to Government in May 1999; reply had not been received (January 2000).

* Warehouse buildings, CT scan, Hospital/warehouse equipment, furniture, office equipment, computer, office building and other assets

HOME DEPARTMENT

3.13 Delay in fabricating fire tenders

Due to delay in purchase of centrifugal pumps and power take-off units, 12 water tenders could not be used effectively and expenditure of Rs 1.04 crore remained largely unproductive.

Government sanctioned (November 1996) the purchase of 18 water tenders (cost: Rs 3.96 crore), one each for the 18 single unit fire stations to be opened at specified places. Director of Fire Services procured in February 1997, 18 chassis for the water tenders at a cost of Rs 79.93 lakh. The body was to be fabricated with inbuilt fire pumps (centrifugal pumps) and power take-off arrangements. In accordance with the standing orders of Government, the work of fabricating the 18 water tenders was entrusted (April 1997) to the Tamil Nadu State Transport and Engineering Corporation (Coimbatore) Limited, (then known as Cheran Engineering Corporation), Pollachi and advance payment of Rs 1.48 crore was made. The work was scheduled to be completed by October 1997. The Corporation communicated (May 1997) to the Directorate their inability to purchase the centrifugal pumps and power take-off unit due to the change in the procurement policy which stipulated adoption of open tender system for purchases of the value of Rs 1 lakh and above. The Corporation fabricated the 18 water tenders without the two essential accessories and refunded Rs 71.37 lakh in July 1997.

The partially fabricated water tenders were delivered to the Directorate in October 1997. Before delivering, the Corporation fitted 6 of the water tenders with pumps taken out from the condemned vehicles of the Department and the remaining 12 with portable petrol driven pumps. Though the water tenders were distributed to the identified fire stations, the Directorate observed that the 12 water tenders discharged water within a very short time (less than 3 minutes) and were not useful for effective fire-fighting.

Director of Fire Services insisted, in 1997 and again in 1998, that the Corporation must purchase the centrifugal pumps and power take-off units and fit them to the water tenders. However, as of March 1999, the equipments had not been purchased by the Corporation.

Thus, due to the delay in purchase of the centrifugal pumps and power take-off units, water tenders supplied to 12 (out of 18) single unit fire stations were not equipped for effective fire fighting even as of June 1999. The expenditure of Rs 1.04 crore incurred (Rs 53 lakh on purchase of 12 chassis and Rs 51 lakh on fabrication) remained largely unproductive.

Government replied in July 1999 that the Corporation was in the process of procuring the centrifugal pumps and power take-off units by following open tender system. The fact, however, remained that for over 2 years, the water tenders could not be used effectively.

3.14 Avoidable expenditure due to delay in purchase of arms and ammunitions

Delay in assessing the requirement and belated issue of orders for procurement of arms and ammunition resulted in avoidable expenditure of Rs 41.06 lakh.

On the basis of Government of India allotment order, the Rifle Factory, Ishapur, sent (April 1997) to Director General of Police, Chennai a proforma invoice for Rs 55.86 lakh valid up to 31 August 1997 for the supply of 300 numbers Pistol Auto 9 mm 1A with 15 chests. The Ordnance Factory, Khamaria sent (June 1997) a proforma invoice for Rs 4.62 crore towards the cost of 3 types of cartridges. Payment was to be made by bank draft. It was also specifically stated in the proforma invoice received from Ordnance Factory, Khamaria that the issue rate prevalent at the time of actual issue of ammunition would be charged.

Proposals for the financial sanction for the purchase of 300 Pistols (Auto 9 mm 1A) at a cost of Rs 55.86 lakh and for the purchase of 15,00,800 cartridges (SA 303 Ball BDR) and 50,400 cartridges, (SA 303 Ball CTN) at a cost of Rs 3.72 crore were, however, submitted by Director General of Police (DGP) to Government only in November 1997 and December 1997 respectively. Government accorded sanction for these purchases in March 1998. DGP drew the amounts and obtained Demand Drafts on 2 April 1998 and forwarded the same to the concerned factories on 7 April 1998. The Rifle Factory, Ishapur informed (April 1998) the DGP that the pistols could not be supplied at the rates of 1997-98 as the financial year was already over and requested him to pay an additional amount of Rs 8.92 lakh in view of the increase in the price of pistol from Rs 17,800 to Rs 20,643 with effect from 1 April 1998 or to restrict the indent to 260 pistols. The indent was subsequently restricted by DGP and 260 pistols with 13 chests were collected in June 1998. Similarly, the Ordnance Factory, Khamaria informed (May 1998) the DGP that due to the receipt of demand draft after completion of the financial year 1997-98, the ammunitions could only be supplied at the rates for 1998-99. Accordingly, 13,64,900 cartridges (SA 303 Ball BDR) and 50,400 cartridges (SA 303 Ball CTN) whose value was Rs 3.72 crore were supplied in June 1998.

Delay in arriving at the requirement of arms/ammunition by Director General of Police and belated issue of Government sanction resulted in supply of the pistols and cartridges at 1998-99 issue rate instead of at 1997-98 issue rate. The avoidable additional expenditure (including Central Sales Tax) incurred was Rs 41.06 lakh as worked out below:

Item	Quantity purchased (Numbers)	Amount paid at issue rate of 1998-99 (Rs)	Amount payable at issue rate of 1997-98 (Rs)	Avoidable expenditure (Rs)
Pistols	260	55,81,867	48,40,888	7,40,979
Cartridge				
SA 303 Ball BDR	13,64,900	3,60,55,198	3,27,90,357	32,64,841
SA 303 Ball CTN	45,990	11,47,910	10,47,468	1,00,442
				41,06,262

Government accepted that the avoidable expenditure in this case was due to the delay in arriving at a decision on the purchase.

3.15 Avoidable payment of interest on loan from General Insurance Corporation of India

Drawal of loan before formulating the proposal and consequent delay in obtaining Government sanction resulted in avoidable payment of Rs 20.89 lakh towards interest.

Government of India allotted (February 1998) an amount of Rs 3 crore as loan from General Insurance Corporation of India to be drawn by State Government for the year 1997-98 for the purchase of fire fighting equipment. The State Government obtained (March 1998) the loan from the United India Insurance Company Limited (a subsidiary of General Insurance Corporation of India) and credited to Government Account. The Government also authorised the Director of Fire Services (DFS) to pay instalments of principal and interest on the due dates. The principal was repayable in 15 equal annual instalments and interest payable at 13.27 *per cent* per annum half yearly on 31 March and 30 September.

The DFS sent proposals to Government (March 1998) to utilise the loan of Rs 3 crore for purchase of one water tender each for 13 Fire Stations, VHF set, furniture and installation of telephones for 26 fire stations, which was approved by Home (Police) Department in June 1998. However, Finance Department informed (July 1998) the DFS that the Home Department's order did not contain the specific sanction to incur the expenditure. The Home Department accordingly issued an amendment in September 1998.

The DFS procured 13 chassis for Water Tenders, Hoses and Couplings at a cost of Rs 75.28 lakh in 1998-99. He also paid an advance of Rs 39.55 lakh to Tamil Nadu State Transport Corporation, Coimbatore for fabrication of

13 Water Tenders. Government sanctioned (June 1999) utilisation of the remaining amount of loan of Rs 1.85 crore during 1999-2000.

Interest on loan was to be paid from the 23 March 1998, when the loan amount was credited to Government Account. DFS paid interest of Rs 20.89 lakh towards interest for the period from 23 March 1998 to 30 September 1998.

Thus, the loan drawn in March 1998 remained unutilised until September 1998 when Government sanction to incur expenditure was issued. Only Rs 1.15 crore out of the loan was utilised during 1998-99 and the balance was proposed to be utilised during 1999-2000. Had extension of time been sought from General Insurance Corporation to draw the loan in September 1998 instead of March 1998, the interest of Rs 20.89 lakh paid up to 30 September 1998 could have been avoided.

Government replied (July 1999) that revised proposals had to be obtained from the DFS only after Government of India allotted loan of Rs 3 crore during 1997-98 and many procedural formalities had to be observed which resulted in delay in utilising the loan amount. But Government did not state why extension of time to draw the loan could not be sought.

3.16 Purchase of breathing air compressors

Two breathing air compressors were ordered from foreign supplier without observing purchase procedure.

Director of Fire Services (DFS) purchased (June 1998) from a foreign supplier, M/s SAS Limited, UK two breathing air compressors at a cost of Rs 11.85 lakh. Audit revealed the following irregularities in this purchase:

(i) The purchase was made without the sanction of Government even though the powers delegated to DFS for purchasing equipment etc., had been withdrawn by Government in February 1995.

(ii) The purchase was made without inviting tenders and on the basis of the rates obtained from the foreign supplier through fax. This was in violation of the codal provisions.

(iii) Codal provisions in regard to purchase of stores require withholding of 5 *per cent* of total value of contract besides 2 *per cent* towards earnest money and security deposit to ensure due fulfillment of contract. In contravention of this provision, DFS paid the full value of equipment even before installation of the compressors.

(iv) Though the compressors were received in June 1998, the supplier was asked to install them at Coimbatore and Tiruchirappalli only in March 1999. Installation was done only in July 1999.

Thus, compressors were ordered without observing purchase procedure and funds were drawn from Government Account far in advance of requirement in March 1998 in order to avoid lapse of budget.

Government in its reply (July 1999) accepted the facts and stated that necessary action would be taken against the persons responsible for the irregularities

HOUSING AND URBAN DEVELOPMENT DEPARTMENT

3.17 Blocking of Government funds

Government released funds without identifying the exact number of eligible beneficiaries resulting in blocking of Rs 1.07 crore for more than four years.

Government sanctioned in January 1995 a subsidy of Rs 1.15 crore (at the rate of Rs 3,000 per house) for reconstruction with brick wall and thatched roof of 3,821 houses damaged during the floods of November 1992 and November 1993 in Kanyakumari District. The balance of the total cost of Rs 9000 was to be financed with loan from Housing and Urban Development Corporation Limited (HUDCO). Registrar of Co-operative Societies (Housing) (RCS(H)) was to implement the scheme. The Deputy Registrar of Co-operative Societies (Housing) drew Rs 1.15 crore in March 1995 and credited to the Personal Deposit account of the Tamil Nadu Co-operative Housing Federation (TNCHF) and later transferred the amount to Tamil Nadu State Co-operative Bank in June 1995.

HUDCO sanctioned (February 1996) a loan of Rs 2.29 crore. However, since the TNCHF did not complete the legal formalities, HUDCO did not release the amount and closed the scheme in June 1998.

Subsequently, only 640 of the 3,821 beneficiaries were found eligible for the assistance, as 1,270 of them did not possess titles for the land under their possession, 1,076 persons were unwilling for the assistance and the remaining did not even apply for the loan despite wide publicity. Accordingly, Government ordered (September 1998) TNCHF to refund Rs 95.43 lakh after releasing Rs 19.20 lakh subsidy for 640 beneficiaries. However, the TNCHF sought Government's permission for retaining Rs 38.40 lakh, which had to be given as loan to the 640 beneficiaries out of its own funds, as the proposed scheme of getting loan from HUDCO had not materialised. Government had not taken any decision as of July 1999.

Of Rs 19.20 lakh released as subsidy to TNCHF, Rs 7.32 lakh only was paid to 244 beneficiaries and utilised for the specified purpose. The remaining amount of Rs 11.88 lakh was not utilised as of July 1999 and remained in the current account of TNCHF.

It was noticed in audit that a similar scheme of reconstruction of 2,741 damaged houses during floods of November 1992 in the same district (sanctioned by Government in December 1993) with a higher subsidy of Rs 9,000 per beneficiary had failed earlier because of the same reasons, and only 640 persons had availed of the loan. In spite of this, the District Collector, Kanyakumari proposed the scheme in August 1994 and the Commissioner recommended it to the Government. It was also seen that the fact of the failure of the earlier scheme had been brought to the notice of RCS(H) and the TNCHF by HUDCO in November 1994 and December 1994 respectively and to the notice of Government in March 1995. Yet, the entire subsidy of Rs 1.15 crore was drawn in March 1995.

Government also failed to examine the scheme properly before sanction and released the entire subsidy without ascertaining the exact number of eligible beneficiaries. As a result, Government funds of Rs 1.07 crore remained unutilised and outside the Government account for more than four years (June 1995 to August 1999).

The matter was referred to Government in April 1999; reply had not been received (January 2000).

INDUSTRIES DEPARTMENT

3.18 Unintended benefit to a company due to arbitrary fixation of its liability

Absence of time frame for payment by the company in the Memorandum of Understanding executed with Mahindra Ford India Limited resulted in additional liability of Rs 1.39 crore to Government towards interest for the delay in payment of land cost. The amount payable by the company was fixed arbitrarily at Rs 30 crore, while the value of land transferred to the firm and expenditure on the infrastructure up to December 1998 was Rs 46.50 crore. Estimated expenditure on infrastructure yet to be created was Rs 22.84 crore.

Government of Tamil Nadu (Government) entered into a Memorandum of Understanding with Mahindra Ford India Limited (Company) in January 1996 for establishing a project for the manufacture of 1 lakh passenger cars per annum. Government was to provide 346.74 acres of land in Kilkaranai Village in Maraimalai Nagar Township with full infrastructure developed as per the specification given by the Company and realise Rs 30 crore from the Company.

A comment has already been included, as paragraph 3.15 in the Report of the Comptroller and Auditor General of India - Civil - Government of Tamil Nadu for the year ended 31 March 1996, regarding the unintended benefit extended to the firm. Government in their reply to the Public Accounts Committee had also conceded that the land cost recovered would cover only part of the cost of infrastructure created and the additional cost would be borne by Government as these would benefit neighbouring industries and habitations also.

A further scrutiny of the files in the Industries Department of the Secretariat, Tamil Nadu Industrial Guidance and Export Promotion Bureau, Chennai Metropolitan Development Authority, Tamil Nadu Industrial Development Corporation, State Industries Promotion Corporation of Tamil Nadu, Public Works Department and the Directorate of Industries and Commerce revealed the following :

The land was handed over in two phases. Under Phase I, 242.32 acres of land was handed over to the Company in August 1995 for which it paid Rs 19.14 crore in September 1997. Under Phase II, 104.42 acres of land was handed over in November 1998, for which the Company has paid (July, October 1998 and February 1999) Rs 10.67 crore. Thus, the Company had paid only Rs 29.81 crore so far towards cost of land (Chennai Metropolitan Development Authority: Rs 23.71 crore, Government: Rs 5.83 crore and Tamil Nadu Housing Board: Rs 0.27 crore) as against Rs 30 crore due as per Memorandum of Understanding (MOU).

Government had so far sanctioned Rs 19.14 crore during September 1996 to July 1998 for provision of infrastructure facilities. An amount of Rs 16.24 crore had been drawn and paid to the executing agencies up to December 1998 for development of infrastructure (for site levelling, storm water drain facility, shifting of petrol station, telephone lines, provision of water supply, construction of culvert, etc.,). The balance works related to construction of effluent treatment plant and upgradation of fire protection facilities, the estimated cost of which worked out to Rs 22.84 crore.

In this connection, the following observations are made :

(i) Government did not estimate the cost of the land and infrastructure to be provided before entering into MOU with the Company in which the amount due from the firm was fixed as Rs 30 crore only. Thus, the MOU was signed without Government assessing its liability in providing infrastructure as demanded by the Company. Government thus committed itself to an open-ended obligation. In fact, Government had disbursed Rs 16.24 crore up to December 1998 to the executing agencies towards development of infrastructure. The value of land and infrastructure created up to December 1998 was Rs 46.50 crore. The further estimated expenditure of Rs 22.84 crore on the infrastructure yet to be created also becomes the responsibility of Government. These slippages were avoidable, had the amount to be paid by the Company been fixed after taking into consideration the estimated cost of land and infrastructure to be created, before signing the MOU.

Thus, the Company was given undue benefit of Rs 16.50 crore upto December 1998

(ii) Government could not impose any penalty on the Company for the delayed payment of Rs 19.14 crore for acquiring Phase I land, since there was no time frame given in the Memorandum of Understanding for the amount of Rs 30 crore to be paid by the Company. Government, however, in turn had to pay interest of Rs 1.39 crore to Chennai Metropolitan Development Authority for the delay in payment by the firm.

Government replied (August 1999) that it was a conscious policy decision to attract such a project which would act as a catalyst to further industrial growth of the State. It was also stated that the infrastructure will not only benefit the Company, but also the neighbouring industries and the inhabitants in the area. The reply was not tenable since the infrastructure developed so far was exclusively for the benefit of the Company.

INFORMATION AND TOURISM DEPARTMENT

3.19 Undue favour to a company and consequent excess payment

Tamil Nadu Newsprint and Papers Limited did not refund Rs 65 lakh being the balance out of the advance paid to it for three years, resulting in loss of interest of Rs 21.74 lakh to Government. Price was not reduced consequent to reduction of excise duty, leading to avoidable extra payment of Rs 14.82 lakh

The Director of Stationery and Printing (Director) purchased during February-July 1994, 1900 MT of Creamwove paper and 100 MT of maplitho paper from Tamil Nadu Newsprint and Papers Limited (TNNPL). The agreement with the supplier did not provide for any advance payment, nor for any penalty in case of non-supply of full quantity ordered. It was seen in audit (March 1998) that the Director paid (March 1994) the entire amount of Rs 5 crore, sanctioned by the Government in March 1994, as advance to the TNNPL though Codal provisions did not permit it. The TNNPL supplied only 20 *per cent* of the order by March 1994; the value of the quantity supplied till July 1994 was Rs 4.35 crore. The remaining Rs 65.00 lakh was not refunded by TNNPL but adjusted against the supply made three years later in March-April 1997. This led to the loss of interest of Rs 21.74 lakh to Government.

Meanwhile, excise duty was reduced from 10 *per cent* to 5 *per cent* with effect from 25 April 1994. Instead of revising the cost downwards, the Director adjusted the advance paid to the TNNPL at the old price, after taking an undertaking from the TNNPL that any difference in price, consequent on Government decision, would be adjusted. Government, however, had not taken any decision on the reference made on the issue by the Director in September 1994. Had the basic price been adjusted due to reduction in the excise duty the value of the material supplied by TNNPL would have come down to Rs 4.20 crore.

Thus, due to imprudent action of the Director, the TNNPL not only enjoyed an undue credit, resulting in loss of Rs 21.74 lakh to Government but also was paid Rs 14.82 lakh in excess of what should have been due to it.

The matter was referred to Government in July 1999; reply had not been received (January 2000).

3.20 Non-construction of Yatri Nivas at Samayapuram and blocking of Government funds of Rs 21 lakh

Non-finalisation of a suitable site for the construction of Yatri Nivas at Samayapuram resulted in denial of facilities to tourists for over 5 years besides blocking of Government funds with Central Public Works Department for about 4 years without any use.

Based on a proposal (June 1993) of the Director of Tourism (Director), Chennai, Government of India approved (January 1994) construction of a Yatri Nivas at Samayapuram. The estimated cost of the project was Rs 49.48 lakh of which the Government of India share was Rs 39.92 lakh. The remaining expenditure was to be met by the State Government, which was also to provide developed land for the project, free of cost. The project was to be executed by the Central Public Works Department (CPWD), Central Circle, Chennai. The assets created would be the property of Government of India and leased out to the State Government. The project was to be commissioned within one year from the date of issue of sanction and any escalation on account of delay was to be borne by the State Government.

Government of India sanctioned Rs 15 lakh as first instalment in January 1994 and the same was passed on to CPWD in March 1995. State Government also sanctioned its share of Rs 6 lakh in March 1994 and released the same to CPWD in August 1994.

It was seen during audit that the site initially identified in February 1993 was not considered suitable and an alternative site near Samayapuram was taken over (October 1993) and handed over to CPWD (May 1994). Subsequently, the Director rejected (August 1994) this site also, stating that the site should be in and around Tiruchirappalli and identified another site in Srirangam town. Though the Superintending Engineer, CPWD had expressed some reservations about the suitability of this site after inspecting it in September 1994, Collector, Tiruchirappalli proposed (February 1996) to Government to alienate this land to Tourism Department at a cost of Rs 17.72 lakh.

The Director (April 1996) requested the Secretary, Information and Tourism Department to request the Revenue Department to alienate the land free of cost, since no funds were provided to meet the land cost. Government passed orders only in April 1999 transferring the land free of cost to the Director. The Director requested (July 1999) the Executive Engineer, CPWD to prepare the plans and estimates, limiting the expenditure to the sanctioned amount.

Thus, due to vacillation of the Tourism Department regarding the site for Yatri Nivas, and subsequent delay in allotting the land selected, the project had not started even after 5 years since its approval by Government of India. This not only resulted in blocking of Government money of Rs 21 lakh (Central Share: Rs 15 lakh and State Share: Rs 6 lakh) with CPWD for about 4 years but also the objective of providing facilities to tourists had not been achieved.

The matter was referred to Government in May 1999. Government generally accepted the delay (June 1999).

PUBLIC DEPARTMENT

3.21 Housing loan to repatriates from Srilanka

6,954 repatriates were given housing loans in six districts amounting to Rs 3.36 crore during 1992-93 to 1997-98. However, the utilisation of the loan and its recovery were not monitored.

Government of India (GOI) sanctioned loans to the State Government for disbursement to the repatriate families of Indian origin from Srilanka. The repatriate families were given loan of Rs 10,000 each for acquiring house in urban areas and Rs 6,000 (loan Rs 4,800; grant : Rs 1,200) in rural areas. The amount was payable to them in four instalments up to June 1996 and in two instalments after that. The scheme was implemented by Commissioner of Rehabilitation(COR).

Comments had been included in the Report of the Comptroller and Auditor General of India (Government of Tamil Nadu) for the year 1987-88 about the irregularities leading to unproductive assistance under the scheme. The Public Accounts Committee in its 118th Report (X Assembly) had also stated (August 1993) that the responsibilities of the Government would not cease with mere handing over of the amounts to the repatriates and that the Government should ensure that the assistance had actually benefited the repatriates to the extent anticipated.

Further review of the implementation of the scheme during 1992-93 to 1997-98 conducted in the Public Department in the Secretariat and in the office of

Commissioner of Rehabilitation, Chennai and the Collectorates in six districts[1] (which accounted for Rs 3.36 crore of the total Rs 5.34 crore of loan disbursed in the whole of the State) revealed widespread irregularities in disbursement of the loans and lack of follow-up action on utilisation of the loans and their recovery, as brought out in the succeeding paragraphs.

a. Irregularities noticed in the sanction of loan

(i) Loans amounting to Rs 42.80 lakh were shown as disbursed during 1995-96 to 428 repatriates in Virudhachalam Revenue Division in Cuddalore District using fictitious names and the entire amount was allegedly misappropriated by the Revenue Divisional Officer, Virudhachalam and Tahsildar, Tittagudi. The matter was under investigation by the Director of Vigilance and Anti-Corruption (March 1999).

(ii) In Paramathivelur Taluk of Salem District, out of 111 repatriates to whom loan of Rs 11.10 lakh was disbursed during 1993-94 for purchase of ready built houses, 93 (loan: Rs 10.92 lakh) had not purchased houses. Out of 524 repatriates to whom loan of Rs 18.34 lakh was disbursed for construction of houses in 1993-94, 484 had not constructed houses (loan : Rs 16.94 lakh). The matter was under investigation by the Director of Vigilance and Anti-Corruption. Similarly, in Pudukkottai Revenue Division, out of 91 cases in which loan of Rs 2.86 lakh was sanctioned between 1992-93 and 1997-98, the houses were not constructed in 89 cases (loan: Rs 2.79 lakh).

(iii) In Wallajabad taluk of Kancheepuram District, loan of Rs 8.16 lakh was disbursed to 233 repatriates (March 1996) at the rate of Rs 3,500 each. However, even the foundation work was not done and the whereabouts of the repatriates were also not known.

(iv) In 1,169 cases, loan instalments of Rs 40.59 lakh (Salem – 1,078 cases: Rs 37.73 lakh; Pudukkottai - 91 cases : Rs 2.86 lakh) were released in violation of Government orders without conducting physical verification of the houses and without ensuring the utilisation of previous instalments.

(v) In respect of six Revenue Divisions[2], the report on physical verification by the Tahsildar/ Revenue Divisional Officers revealed that only 4,116 beneficiaries (59 *per cent)* had availed during 1992-93 to 1995-96 up to three instalments of loan amounting to Rs 142.10 lakh. The beneficiaries did not avail the remaining amount of loan for completing the works. The Department did not take action to get the houses completed by the repatriates. Hence, Rs 142.10 lakh of assistance did not serve the intended objective.

(vi) As per the guidelines of Government of India, the loans were not to be sanctioned to repatriates after 10 years from the date of their arrival in India. However, loans amounting to Rs 20.32 lakh were granted during 1992-93 to

[1] Coimbatore, Cuddalore, Pudukkottai, Kancheepuram, Salem and Tiruchirappalli.
[2] Aranthangi : 9; Coimbatore: 89; Musiri :86; Pollachi: 3; Pudukkottai: 84 and Salem : 3845

1997-98 in two Revenue Divisions[3] in Tiruchirappalli District, after 11 years to 22 years of their arrival in India. This was irregular.

(vii) In Tiruchirappalli District, in 20 cases, the entire amount of Rs 10,000 and in 21 cases, second to fourth instalments of Rs 9,000 were paid in one lumpsum during 1993-95 contrary to guidelines.

The above irregularities indicate failure of the Department in devising suitable system to ensure that the loans were disbursed correctly and were utilised for the intended purpose.

b. Non-recovery of loan

The loans were recoverable in 22 annual instalments commencing from the fourth anniversary of the date of payment of loan. Against Rs 17.02 crore of loans released from 1984-85 to 1993-94, only Rs 4.50 lakh had been recovered. The Commissioner of Rehabilitation did not monitor the recovery of the loans which were to be effected at Taluk level. In four districts[4], the entire amount of Rs 1.65 crore due for recovery from the repatriates for the loans disbursed between 1988-89 and 1993-94 was pending recovery. In respect of loans amounting to Rs 131.24 lakh relating to Musiri and Aranthangi Revenue Divisions, the Revenue Divisional Officers stated that the whereabouts of the loanees were not known and, hence, the loans could not be recovered.

The District Collector, Tiruchirappalli instructed (December 1996) the Tahsildar, Srirangam to recover the loan of Rs 25.80 lakh paid to 899 repatriates in the District during 1993-94 and 1994-95 as they had not utilised the loan for the purpose for which it was granted. However, as of March 1999 no amount was recovered.

The matter was referred to Government in May 1999; reply had not been received (January 2000).

3.22 Purchase of defective houses for refugee transit camp

Department purchased 792 houses from Tamil Nadu Housing Board for Rs 1.11 crore, which were later found to be structurally defective. Repairs/reconstruction is estimated to cost Rs 4.43 crore.

Government of Tamil Nadu purchased from the Tamil Nadu Housing Board during August 1986 to February 1987, 792 ready built houses at Vilangudi Village, Madurai District at a cost of Rs 1.11 crore, utilising the grants-in-aid given by Government of India in March 1986, for providing accommodation to refugees. The condition was that the houses would remain the property of

[3] Musiri: 45 cases - Rs 3.04 lakh; Tiruchirappalli: 192 cases - Rs 17.28 lakh

[4] Coimbatore, Kancheepuram, Pudukkottai and Tiruchirappalli

Government of India and the sale proceeds on their disposal would be remitted back to it. The houses were used as a transit camp for refugees until August 1988, after which the houses remained unused, with no maintenance.

Due to continuous influx of refugees since August 1989 and also due to inadequate capacity of the other transit camps at Mandapam and Kottapattu, Director of Rehabilitation got the houses repaired (between February 1990 and August 1990) at an expenditure of Rs 23.96 lakh through the Tamil Nadu Housing Board.

Public Works Department took over the buildings for maintenance in May 1993. A technical committee set up by Public Works Department in August 1994 for assessing the condition of the houses observed major defects such as cracks in the grade beams and walls, damaged RCC pre-cast channels, rusted steel rods due to leakages and exposure, damaged flooring etc. The Committee suggested repairs to 360 houses, for which detailed estimates were prepared (August 1996) by the Superintending Engineer, Buildings Construction Circle, Madurai. The report accompanying the estimates stated that the defects were mainly due to defective construction with inadequate pile foundation, location of the houses in a low lying area without providing raised basement and provision of septic tank in the centre of the radial type of blocks. The estimates were for Rs 443.27 lakh at 1997-98 Schedule of Rates and provided for demolition and reconstruction of 11 blocks; reconstruction of 4 blocks utilising the existing foundation and major repairs of 17 blocks. Government's approval for the estimate was still awaited (February 1999).

It was seen in audit that before purchasing the houses, the Department did not conduct technical appraisal to ensure that their quality was acceptable. The houses had also not been registered in the name of Government of India, on the ground that the land cost was yet to be finalised. No arrangement was made (except for one time expenditure of Rs 23.96 lakh in 1990) for maintenance of the houses. The refugees were not shifted to safer places, although the Commissioner of Rehabilitation had requested the District Collector, Madurai in November 1996 and September 1998 to do so.

The expenditure of Rs 50.40 lakh on the purchase of 360 houses which were found structurally weak and the proportionate expenditure of Rs 10.89 lakh on repairing these 360 houses were largely unproductive.

Government replied in May 1999 that sanction of the estimates for the repair and reconstruction of the houses was under active consideration and the Tamil Nadu Housing Board had been requested to bear the expenditure since the structural failure found was due to their negligence.

3.23 Non-framing of rules for use of Aircraft/Helicopter and their poor utilisation

Aircraft/Helicopter acquired at a cost of Rs 39.55 crore were under-utilised. No rules were framed to regulate their use.

In December 1993, the Government of Tamil Nadu considered it necessary to acquire Cessna Citation V Ultra Aircraft and Bell 412 HP Helicopter through State Trading Corporation(STC) for use by the State Government, due to the difficulty in hiring helicopters/aircrafts from Indian Air force/private firms at short notice and to avoid incurring huge expenditure on hire charges.

One aircraft was accordingly acquired in October 1995 for Rs 19.85 crore and one helicopter in July 1995 for Rs 19.69 crore through STC. Avoidable payment of interest to the tune of Rs 11.39 lakh and Rs 17.33 lakh made to STC due to defective budgetary exercise, has already been commented in the Report of the Comptroller and Auditor General of India for the year 1995-96 and 1996-97 (Civil).

Although the aircraft/helicopter were acquired in 1995, Government has made no rules to specify the dignitaries who are entitled to use them or the purposes for which they could be used. The authority who is competent to permit the use of the aircraft/helicopter had also not been notified. As a result, the aircraft/helicopter were used by some non-officials from whom no charges were recovered.

Between May and September 1997, the aircraft and helicopter were used by dignitaries of Government of Andhra Pradesh. Although demand was raised against Government of Andhra Pradesh for Rs 2.88 crores in August 1997, the dues have not been settled so far.

A scrutiny of the log book and passenger manifesto of both the aircraft and the helicopter for the past three years (from April 1996 to March 1999) revealed that the utilisation was very meagre, as seen from the table below. The aircraft was used by the State Government only on 65 days and the helicopter on 33 days. The aircraft was chartered only on 10 days and the helicopter on 36 days. The expenditure on maintenance and operation of the aircraft and helicopter for three years was Rs 6.10 crore.

Year	Number of days used by Government		Number of days chartered		Annual maintenance/ Operational Expenditure (Rs in crore)
	Aircraft	Helicopter	Aircraft	Helicopter	
1996-97	10	10	2	12	1.73
1997-98	21	5	8	24	2.72
1998-99	34	18	Nil	Nil	1.65
Total	**65**	**33**	**10**	**36**	**6.10**

Thus, the aircraft and helicopter were under-utilised, in spite of incurring huge expenditure on maintenance and operation. Government could have effected substantial savings, had they hired an aircraft/helicopter for use on the days as in the above table, instead of owning them and incurring maintenance and operational expenditure.

The matter was referred to Government in November 1999; reply had not been received (January 2000).

REVENUE DEPARTMENT

3.24 Avoidable expenditure on land acquisition

Delay in processing land acquisition cases resulted in payment of enhanced compensation of Rs 19.62 lakh

According to the Land Acquisition Act, 1894 (Act), in addition to the market value of land acquired and a solatium calculated at 30 *per cent* of the market value, an additional compensation at 12 *per cent* per annum on the market value was payable to the land owner from the date of notification under section 4 (1) of the Act to the date of award or date of taking possession of land, whichever was earlier. As per Government of Tamil Nadu order (September 1986), the award was to be passed within 186 and 241 days from the date of notification for unobjectionable and objectionable cases respectively. The orders were reiterated by periodic instructions by the Special Commissioner and Commissioner for Land Administration.

A test-check of records of the Revenue Divisional Officers (RDOs), Palani and Tirunelveli revealed that in 16 cases of land acquisition, awards were passed during January 1994 to December 1996, after delays ranging from 549 to 853 days, as against the prescribed period of 241 days.

Government, in reply (August 1999) generally attributed the delay to belated provision of funds by requisitioning Department and want of special staff to deal with land acquisition cases.

The reply was not tenable in view of the fact that the prescribed time schedule was fixed in the PERT* chart after taking into account all the constraints.

Thus, non-adherence to time schedule prescribed by Government in processing of land acquisition cases resulted in an avoidable expenditure of Rs 19.62 lakh towards payment of enhanced compensation for the period of delay.

* Programme Evaluation Review Technique

GENERAL

3.25 Misappropriations, losses, etc.

Cases of misappropriation of Government money reported to Audit to the end of March 1999 and on which final action was pending at the end of June 1999 were as under.

	Number of cases	Amount (Rupees in lakh)
Cases reported to the end of March 1998 and outstanding at the end of June 1998	474	173.28
Cases reported during April 1998 to March 1999	23	11.05
Total	**497**	**184.33**
Cases cleared during July 1998 to June 1999	26	2.27
Cases outstanding at the end of June 1999	471	182.06

Department-wise and year-wise analyses of the pending cases are given in Appendix L. In all these cases, report on the departmental action taken and results of the proceedings against Government servants responsible, required to be sent to Audit according to Financial Rules, were awaited (July 1999).

In addition, 377 cases of theft, damages to properties, etc., involving Rs 1.31 crore reported to Audit up to March 1999 by departments other than Public Works and Highways Department and 6941 cases (involving Rs 26.68 crore) either reported by or noticed during audit of Public Works and Highways and Rural Works Departments up to 1998-99 were pending finalisation as on 30 June 1999. Departmentwise and year-wise analysis of these cases is contained in Appendix LI.

3.26 Write off/waiver of losses, irrecoverable loan/interest, etc.

In 29 cases, details of which were made available to Audit, losses and irrecoverable loans/interest etc., amounting to Rs 0.13 crore were written off/waived by Government during 1998-99.

Departmentwise details are indicated below:

(Rupees in lakh)

Department	Written off		Waiver	
	Number of items	Amount	Number of items	Amount
Adi Dravidar and Tribal Welfare	--	--	1	0.66
Agriculture	5	3.86	1	0.04
Animal Husbandry and Fisheries	--	--	2	0.06
Backward Classes and Most Backward Classes	--	--	2	0.10
Commercial Taxes and Religious Endowments	3	1.45	3	1.98
Handlooms, Handicrafts, Textiles and Khadi	2	0.26	--	--
Health and Family Welfare	1	0.06	--	--
Home(Courts)	--	--	1	3.83
Home (Prohibition)	--	--	1	0.26
Information and Tourism	--	--	1	0.03
Labour	1	0.05	--	--
Public (Telephones)	--	--	3	0.31
Transport(Motor Vehicles Maintenance)	--	--	2	0.02
Total	**12**	**5.68**	**17**	**7.29**

FINANCE DEPARTMENT

3.27 Failure of senior officials to enforce accountability and protect the interests of Government

Accountant General (Audit) (AG) arranges to conduct periodical inspection of the Government departments to test-check the transactions and verify the maintenance of important accounting and other records as per prescribed rules and procedures. These inspections are followed up with Inspection Reports (IRs). When important irregularities, etc., detected during inspection are not settled on the spot, these IRs are issued to the Heads of Offices inspected with a copy to the next higher authorities. Government issued orders in April 1967 which provide for prompt response by the executive to the IRs issued by the AG to ensure corrective action in compliance of the prescribed rules and procedures and accountability for the deficiencies, lapses etc., noticed during his inspection. The Heads of offices and next higher authorities are required to comply with the observations contained in the IRs and rectify the defects and omissions promptly and report their compliance to the AG. Serious irregularities are also brought to the notice of the Head of the Department by the office of the Accountant General(Audit). A half-yearly report of pending inspection reports is sent to the Secretary of the Department in respect of pending inspection reports to facilitate monitoring of the audit observations in the pending IRs.

As at the end of June 1999, out of the IRs issued up to December 1998, 31,355 paragraphs relating to 8,640 IRs remained outstanding. Of these, 412 IRs containing 976 paragraphs had not been replied to/settled for more than 10 years. Year-wise position of the outstanding IRs and Paragraphs is detailed in the Appendix LII. Even the initial replies, which were required to be received from the Heads of offices within four weeks from the date of issue, were not received in respect of 42 divisions/offices for IRs issued up to December 1998. As a result, the following serious irregularities commented upon in these IRs had not been settled as of June 1999.

(Rupees in lakh)

Serial Number	Nature of irregularities	Number of paragraphs	Amount
DIRECTOR OF RURAL DEVELOPMENT			
1.	Unutilised Subsidy	9	2,212.17
2.	Non-recovery of TV and Radio sets maintenance charges from various Panchayat Union Councils	2	108.98
3.	Non-obtaining of utilisation certificates for Rural Water Supply	1	92.15
	Total	**12**	**2,413.30**
PANCHAYAT UNION COUNCILS			
1.	Advances pending recovery	89	794.99
2.	Amount due to Panchayat Union Councils pending recovery	39	171.18
3.	Carpentry and Blacksmithy Units – Dues not recovered and Non-disposal of finished items	33	68.70
4.	Social Forestry – Infructuous expenditure	26	57.96
5.	Development of Women and Children in Rural Areas– Revolving fund kept idle	25	37.40
6.	Diversion of Funds – allotted for infrastructure/Sanitary latrines to Group houses	48	267.06
7.	Jawahar Velai Vaippu Thittam (JVVT) – Unfruitful expenditure on various works	16	124.69
8.	JVVT- Excess expenditure on various works	28	142.49
9.	Non-remittance of Group Insurance premium amount into Government account	13	21.29
10.	Special self-sufficiency scheme – Non-receipt of completion report from various departments for the deposit works	21	552.16
11.	Self-sufficiency scheme – Non-repayment of ways and means advance	16	235.49
12.	Infructuous expenditure on pay and allowances of various staff	5	21.24
13	Honorarium paid to Village Assistants not remitted into Government account	22	47.56
	Total	**381**	**2,542.21**

(Rupees in lakh)

Serial Num-ber	Nature of irregularities	Number of paragraphs	Amount
DIRECTOR OF BACKWARD AND MOST BACKWARD CLASSES			
1.	Delay in acquisition of land for House sites – Locking up of Government funds	1	9.54
2.	Free supply of Text Books – Excess procurement	5	4.38
3	Excess issue of Text Books	2	1.63
4.	Inordinate delay in distribution of Text Books – Wasteful expenditure	1	4.81
5.	Non-recovery of food charges	2	8.13
6.	Construction of Dhobikana – Delay in construction and not put to use – Locking up of Government funds	7	6.98
7.	Purchase of Iron Boxes – Excess expenditure	3	9.95
8.	Iron Boxes kept idle – Locking up of Government funds	1	2.49
	Total	**22**	**47.91**
FOREST DEPARTMENT			
1.	Excess payments	64	14.38
2.	Excess over estimate	65	1,984.12
3.	Want of sanction	29	5.59
4	Irregular expenditure to be recovered	60	105.18
5.	Expenditure to be ratified by Government/Principal Chief Conservator of Forests (Failure of plantations – Infructuous expenditure)	322	2,308.20
6.	Recovery on salary over-payment	62	2.85
7.	Loss, shortages, theft, stock not handed over etc.	197	2,933.67
8.	Recovery from the contractor	37	19.03
9.	Advance payments pending adjustment	26	396.55
10.	Miscellaneous recoveries/objections	651	898.42
	Total	**1513**	**8,667.99**

A review of the IRs which were pending due to non-receipt of replies in respect of Director of Rural Development, Panchayat Union Councils, Department of Backward Classes and Most Backward Classes and Forest Departments revealed that the Heads of the offices, whose records were inspected by Accountant General and the Head of the Department failed to discharge due responsibility as they did not send any reply to a large number of Inspection Reports/Paragraphs indicating their failure to initiate action in regard to the defects, omissions and irregularities pointed out in the Inspection Reports of the Accountant General. The Secretaries of the concerned Departments, who were informed of the position through half yearly reports, also failed to ensure that the concerned officers of the Department took prompt and timely action.

The above also indicated inaction against the defaulting officers and thereby facilitating the continuation of serious financial irregularities and loss to the Government though these were pointed out in Audit.

In view of large number of outstanding IRs and Paragraphs, Government constituted at both State level and departmental level, Audit and Accounts Committees for consideration and settlement of outstanding audit observations. During 1998-99, departmental level committee was convened only once in which no paragraph was settled indicating inadequate response to audit observations even at higher level of Government.

It is recommended that Government should relook into this matter and ensure that procedure exists for (a) action against the officials who failed to send replies to Inspection Reports/Paragraphs as per the prescribed time schedule, (b) action to recover loss/outstanding advances/over-payments in a time bound manner and (c) revamping the system in the Department for proper response to the audit observations.

CHAPTER IV

WORKS EXPENDITURE

SECTION – A
AUDIT REVIEW

4.1 Nanganjiar Reservoir Project
(Public Works Department)

Highlights

In May 1990, Government sanctioned the Nanganjiar Reservoir Project for Rs 20.70 crore to irrigate 2554.22 hectares. Scheduled to be completed by March 1996, the project was still incomplete mainly due to faulty design, inadequate funds and expenditure on unapproved works. Rupees 25.22 crore spent on the project till March 1999 had not benefited even a single hectare. The project cost was expected to go up to Rs 37.36 crore. Some important findings are given below:

- **Time overrun of 3 years so far was largely attributed to the delays in finalising the design of stilling basin, finalising the tender for spillway and non-completion of connected works, poor planning by the Executive Engineer and non-provision of enough funds in the budget by Government.**

(Paragraph 4.1.5)

- **Though the land required for the project was taken over after obtaining consent letters from the land owners, the abnormal delay in issue of notification under Land Acquisition Act resulted in an additional liability of Rs 1.99 crore towards higher compensation to land owners.**

(Paragraph 4.1.6 (ii))

- **Failure of the Executive Engineer to execute Random Rubble and Coursed Rubble masonry works simultaneously in the construction of spillway resulted in unnecessary revision of design and consequent additional cost of Rs 2.98 crore.**

(Paragraph 4.1.6 (iii))

- **In spite of observation by the Standing Irrigation and Water Resources Commission in January 1991 that the spillway capacity was unnecessarily high, an economical design was not evolved.**

(Paragraph 4.1.7.1)

Abbreviations used in this review are listed in the Glossary in Appendix LXIV (page 320).

- **The Executive Engineer did not follow the tendering system and favoured three contractors. Out of 262 works valued at Rs 13.45 crore awarded during 1993-95, 178 works valued at Rs 10.64 crore were awarded to these three contractors.**

(Paragraph 4.1.8.1)

- **The Executive Engineer executed two works (value Rs 29.43 lakh) which were unnecessary.**

(Paragraph 4.1.8.3)

- **Rupees 27.89 lakh were paid to three contractors for works which were not actually executed.**

(Paragraph 4.1.8.5)

- **The Executive Engineer incurred an expenditure of Rs 12.89 lakh on excavation of feeder channel to Appasamudram tank but the work was abandoned midway.**

(Paragraph 4.1.8.7)

- **Of the total expenditure of Rs 25.22 crore incurred on the project, unauthorised expenditure accounted for Rs 1.57 crore. Considering the diversion of funds, wasteful, fictitious and other irregular expenditure of Rs 0.65 crore, the actual expenditure incurred on the project was only Rs 23 crore.**

(Appendix LIII)

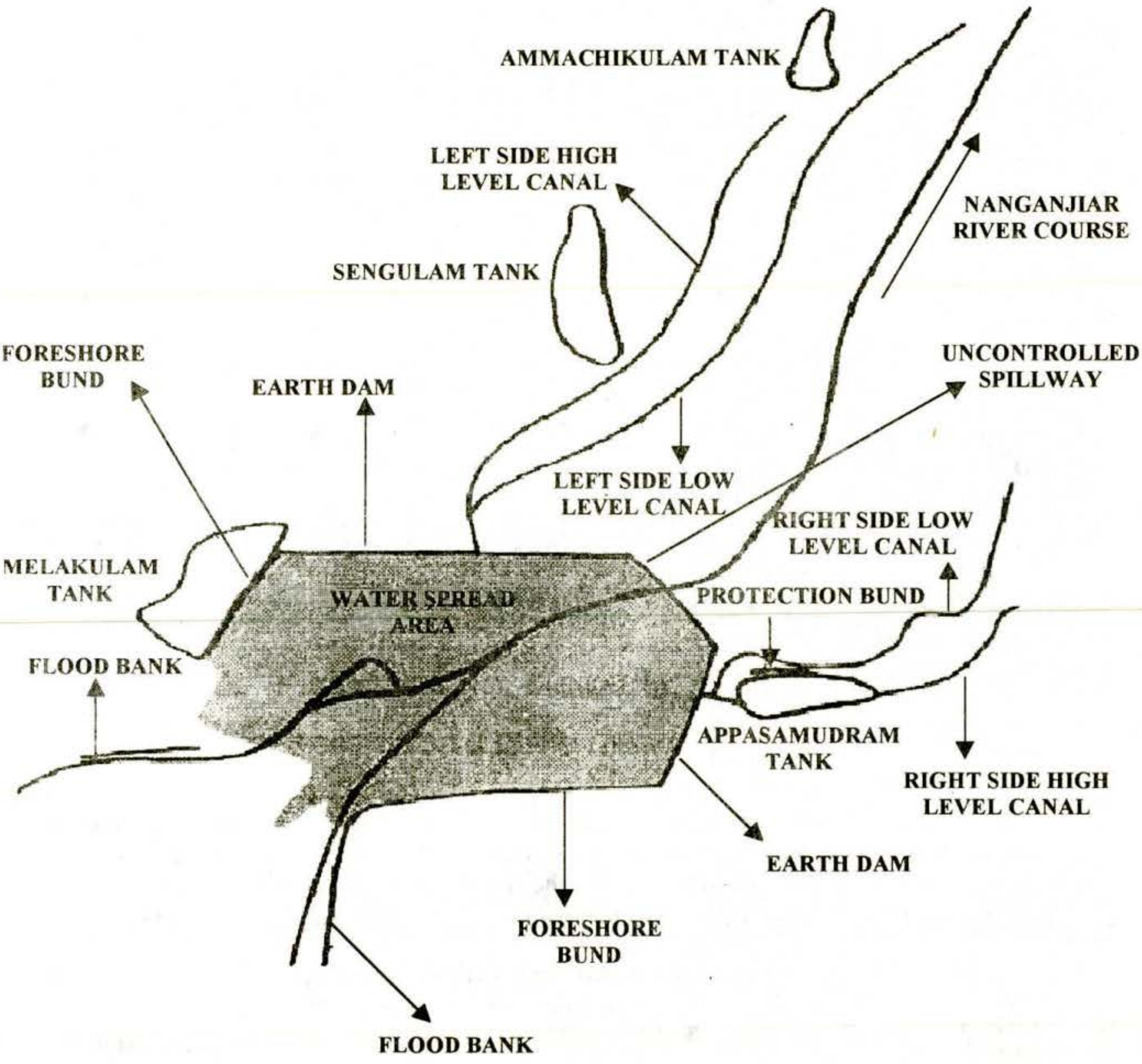
4.1.1 Introduction

With a view to irrigating 2530.36 hectare (ha) of new dry ayacut and stabilising 23.86 ha of wet ayacut, Government sanctioned (May 1990) the Nanganjiar Reservoir Project in Palani Taluk of Dindigul District at an estimated cost of Rs 20.70 crore. The project envisaged additional food production of 6,111 tonnes annually.

The project components included formation of earthdam for 2,240 metre (m) and foreshore bunds, construction of uncontrolled masonry spillway for 440 m and stilling basin, construction of two sluices, excavation of low level and high level canals on both sides for a total length of 36 kilometre (km) and excavation of distributaries from the canals and cross masonry works.

The plan for the proposed Nanganjiar Reservoir Project is given in Figure I.

Figure I



The Chief Engineer (Irrigation) (CE) accorded technical sanction to the project in August 1990 for Rs 22.77 crore. The project commenced in April 1991 and was scheduled to be completed in March 1996. However, as of March 1996, only the works relating to earthdam, foreshore bunds and sluices were completed and other works were in progress. As provision of funds was drastically reduced during 1996-99, the pace of the works suffered. As of March 1999, the project remained incomplete.

4.1.2 *Organisational set up*

The work was executed by the Executive Engineer, Nanganjiar Reservoir Project Division (now Nanganjiar Basin Division), Palani (EE) under the supervision of the Superintending Engineer (SE), Special Project Circle, Palani. The CE, Water Resources Organisation, Pollachi was the technical head and the Secretary, Public Works Department was the administrative head.

4.1.3 *Audit Coverage*

The records relating to execution of the project since inception were test-checked by Audit during January 1999 to March 1999 in the offices of the EE, SE, CE, Revenue Divisional Officer (RDO), Palani and the Public Works Department at the Secretariat. The findings are discussed in the succeeding paragraphs.

4.1.4 *Resource allocation*

As against the budget provision of Rs 24.11 crore during 1990-99, an amount of Rs 25.22 crore was spent during these years. Besides, there was an undischarged liability of Rs 46.25 lakh to the contractors pending since 1994-95. The reasons for the pendency were not on record.

As against Rs 25.22 crore booked by Accountant General (Accounts and Entitlements) as of March 1999, the Departmental records showed an expenditure of Rs 24.18 crore only. The difference was mainly due to booking of establishment expenditure on land acquisition staff and establishment expenditure of the Division directly in treasury accounts for certain periods. The CE should reconcile the difference with Accountant General (Accounts and Entitlements) as required under the Tamil Nadu Budget Manual.

Establishment expenditure of Rs 17.47 lakh on land acquisition staff relating to two other projects was booked under this project

Government, while sanctioning staff for land acquisition works of Kodaganar, Kuthiraiyar and Nanganjiar projects ordered that the entire establishment expenditure should be booked under this project. Consequently, the proportionate establishment expenditure of Rs 17.47 lakh, relating to the other two projects, was also booked by the Revenue Department under this project.

4.1.5 *Time Overrun*

Delay in finalisation of design, finalising tender and inadequate provision of funds led to time overrun

The project, targeted for completion in March 1996, was in progress as of March 1999 even though the expenditure had exceeded the original estimate of Rs 20.70 crore by 20 *per cent*. The component-wise physical achievement *vis-à-vis* financial achievement are as under:

Components	Physical achievement (Percentage of completion)	Expenditure (Percentage with reference to estimated cost)
Earthdam	98	200
Sluices	100	214
Uncontrolled spillway	50	101
Canals	75	187
Distributaries	50	46

The imbalance between the financial and physical achievement in respect of earthdam was due to execution of works which were not included in the original project estimate. The imbalance in respect of other components was mainly due to escalation in cost of material and labour.

Audit scrutiny indicated that the following factors contributed to the time overrun of the project.

(i) Delay in finalisation of the design

The model study for designing the stilling basin was entrusted to the Institute of Hydrology and Hydraulics, Poondi in May 1993. The study was, however, completed only in September 1995. The EE suggested modifications in respect of divide walls and floor levels in the design made on the basis of model study citing the site conditions. The modified design was finalised by the SE (Designs), Chennai only in November 1998.

(ii) Delay in finalising tender and handing over the site

The tenders for spillway works were invited in August 1993. The approval of Government was sought in September/October 1993 but the Government approved these only in March 1994 i.e., after 5 months. The site for the works was handed over to the contractors only during January and February 1995, the reasons for which were not on record.

(iii) Delay due to non-completion of connected works

Though the SE sanctioned the estimates for excavation of foundation of stilling basin in October 1995, the works could not be taken up as the spillway works were not completed due to revision of design and want of funds. Similarly, the remaining works relating to distributaries were not taken up due to non-completion of canal works for want of funds.

(iv) Delay in completion of works due to inadequate funds

The contractors delayed the works mainly on the plea that their bills were not settled and cement was not supplied by the Department. Audit revealed that the original estimate (Rs 20.70 crore) for the project, which was prepared based on 1987-88 schedule of rates, envisaged that the project cost would go up to Rs 30.15 crore on completion in 1993-94. Though codal provision stipulated that revised sanction of Government had to be obtained if the anticipated outlay was likely to exceed 10 *per cent* of original estimate, no such revised estimate was prepared, even though the expenditure was likely to exceed the original sanction even at the time of commencing the project. While according technical sanction in August 1990, the CE without considering the increase in cost of the project, simply added 10 *per cent* over the administrative sanction and gave technical sanction for Rs 22.77 crore.

When the project period was nearing completion, a reappraisal proposal for Rs 39.80 crore adopting 1995-96 schedule of rates was forwarded to Government in January 1997. In the meantime, as there were allegations regarding irregularities in the award of contracts, non-execution of certain items and improper execution of works, Government constituted an Enquiry Committee in July 1996. The Report, required to be submitted in a month, was submitted by the Committee only in June 1997 i.e., after a gap of one year. The decision on the Committee's report was taken in May 1998 only. In the meanwhile, fund allotment to the project was restricted to 10 *per cent* over the project cost. Thus, these delays further contributed to the already delayed works. Government accorded sanction for the reappraisal proposal only in May 1998 for Rs 37.36 crore.

Thus, the project could not be completed by the scheduled date mainly due to unrealistic project estimate, inadequate provision of funds and diversion of funds by the EE to works not contemplated in the project estimate.

4.1.6 Cost overrun

The estimated cost of the project increased by 80 *per cent* from Rs 20.70 crore in August 1990 to Rs 37.36 crore in May 1998. The increase was due to increase in establishment cost (Rs 1.94 crore), escalation in cost of material and labour (Rs 8.69 crore), escalation in land cost (Rs 1.99 crore), revision of design for spillway (Rs 2.98 crore) and inclusion of works not sanctioned in the original estimate (Rs 1.06 crore). Audit showed that:

(i) The increase in the establishment cost and escalation in cost of material and labour were mainly due to time overrun as discussed in the preceding paragraph.

Delay in acquisition of land led to increase in cost of the project by Rs 1.99 crore

(ii) The works commenced in April 1991 by taking possession of land after obtaining consent letter from the land owners. Though the Government sanctioned staff (two units) for acquisition work in March 1991, only 194.17 ha out of 389.30 ha land required for the project were acquired as of March 1999; for the remaining area, the Land Acquisition Officer had not even issued the notification under section 4(1) of Land Acquisition Act. As the compensation was to be determined with respect to the market rate on the date of issue of notification under section 4(1) and interest had to be paid on such compensation from the date of taking possession of the land, any delay in issue of notification under Section 4(1) of the Act would only increase the compensation payable to the land owners and thereby the project cost. It was seen that the provision for land acquisition, which was Rs 1.01 crore in the project report, increased to Rs 3 crore in the reappraisal report. Meanwhile, the Government wound up the two special land acquisition units in July 1995 and December 1998 respectively and entrusted the work to RDO, Palani.

Failure to execute RR and CR masonry simultaneously led to extra cost of Rs 2.98 crore on provision of RCC

(iii) According to original design evolved by SE (Designs), Chennai, the spillway was to be constructed with Random Rubble (RR) masonry and finished with Coarse Rubble (CR) masonry. The works commenced in January/February 1995. In November 1995, the EE proposed to substitute CR masonry with Reinforced Cement Concrete (RCC) citing shortage of stones required for the work which was not correct. The proposal was, however, not accepted (May 1996) by SE (Designs), Chennai, citing that similar proposals for other projects were not accepted by Dam Safety Panel on technical grounds.

During 1996-97, the progress of works was slow for want of funds and in June 1997, the Enquiry Committee observed that RR and CR masonry works were not executed simultaneously by the contractors and execution of CR masonry belatedly over RR masonry would not have proper binding. Consequently, the SE (Designs), Chennai revised the design of spillway providing for RCC for a thickness of one metre instead of CR masonry for the balance works at an extra cost of Rs 2.98 crore.

Thus, failure of the EE to execute RR masonry and CR masonry simultaneously resulted in revision of design and additional cost.

(iv) The reappraisal sanction accorded by Government for Rs 37.36 crore in May 1998 did not include unauthorised works executed by the EE for a value of Rs 1.57 crore. On regularisation, this would also add to the cost of project. Besides, no provision was made for the undischarged liability of Rs 0.46 crore in the reappraisal sanction.

4.1.7 Planning

4.1.7.1 Provision of spillway of higher capacity than required

Uncontrolled spillway was designed for higher flood discharge without proper justification

Though the maximum flood observed at the project site was reported as 24,350 cusecs, the uncontrolled spillway was designed for a flood discharge of 1,22,493 cusecs, calculated with reference to the extraordinary flood that occurred in the adjacent Kodaganar sub-basin during 1977. The Standing Irrigation and Water Resources Commission which studied the scheme observed (January 1991) that the spillway capacity was rather high and the design was based on a rare occurrence of once in 100 years or more. The Commission also observed that there was scope for reduction of project cost. The SE (Designs), Chennai, while replying to the remarks of the Commission stated that the spillway could be redesigned for a flood discharge of

86,213 cusecs if a more economical design was favoured. It was, however, seen that the execution of the work was taken up as per the original design and the reasons for not favouring the economical design were not on record.

4.1.7.2 Improper planning in the construction of diversion bund

Due to defective planning, 4,626 cubic metre (cu.m) of earth obtained from the excavation of foundation for spillway during June 1995 to September 1995 was dumped outside the dam area, while earth was brought from outside area, for the formation of diversion bund executed during September 1995. Non-utilisation of the excavated earth for the formation of diversion bund resulted in extra expenditure of Rs 3.18 lakh which could have been avoided.

4.1.8 Execution of works

4.1.8.1 Tendering system

Government, in July 1991, empowered the Departmental officers to split up the various components of the project into convenient operational stages for the purpose of preparation of estimates and calling for tenders etc. Except for earthdam for a length of 1,390 m executed with departmental machinery, all other components of the project were split up and executed by calling for tenders. The details of split up of these components, total value of contract, number of works and value of contract awarded to contractors during 1993-94 and 1994-95 are given in Appendix LIV.

Tender notices were not sent to all registered contractors in order to favour mainly three contractors

There were 43 registered contractors at the Division and the Circle level and contracts for Rs 13.45 crore (262 works) were awarded during 1993-94 and 1994-95 to 34 contractors. Of this, contracts for Rs 10.64 crore (178 works) were awarded to 3 contractors (145 works of value of Rs 9.11 crore were awarded to only two contractors) and the balance works were awarded to 31 contractors. Though the tender notice for the works taken up at EE's level were to be sent to all registered contractors and to other divisions, the EE advertised only by displaying them on the notice boards. It was seen that in respect of works relating to strengthening of Appasamudram tank and formation of protection bund (31 works valuing Rs 60.12 lakh), the EE neither issued any notice nor sold any tender forms. However, tenders from three contractors were received and the works were awarded to them. Further, the Enquiry Committee found that the EE had awarded the work relating to formation of down stream side flood bank (35 works valuing Rs 44.39 lakh) to two of these contractors without following the tendering system and therefore recommended the cancellation of the contracts.

Thus, the EE had not followed the tendering system and favoured mainly three contractors.

4.1.8.2 Execution of works not sanctioned by the competent authority

Works executed for a value of Rs 2.03 crore were not approved by Government

As the technical sanction for the project was accorded by the CE, any work not contemplated in the project had to be taken up only after the approval by CE. However, the EE executed nine works for a value of Rs 3.06 crore which were not included in the original estimate, without obtaining the approval of CE. In the reappraisal report approved by Government only Rs 1.06 crore was provided for four of these works for which Rs 1.03 crore had already been spent. Thus, the remaining five works executed for a value of Rs 2.03 crore were not approved by Government. Of this, the EE had paid Rs 1.57 crore to the contractors and the balance amount was not paid (March 1999).

It was also seen that the EE did not include these nine works in the progress report sent monthly to the CE for review of the progress of the project and the CE, during his inspection of the project site, also did not take any action on this lapse. Thus, failure of the CE in properly monitoring the execution of the project resulted in execution of nine unauthorised works for a value of Rs 3.06 crore of which only four works were regularised.

Further, though the Enquiry Committee in its Report had pointed out seven of the nine unauthorised works executed by the EE and Government while approving the reappraisal report in May 1998, had ordered to take action against the persons responsible, the CE did not take any action as of March 1999.

4.1.8.3 Execution of unnecessary works

The records relating to the execution of 2 unauthorised works not included in the original estimate revealed the following:

(a) The EE, in May 1994, sanctioned and executed stabilisation of leading channel from Odaikarai Anaicut to Melakulam tank at a cost of Rs 3.91 lakh, stating that the excess flood water over and above the maximum water level of the reservoir would be diverted through this channel. This work, however, would not serve any purpose as the surplus water would drain from the reservoir through the uncontrolled spillway. Further, as there is no regulatory arrangement for diversion of water through this leading channel, there was a possibility of breach of the channel during flood.

Expenditure of Rs 25.52 lakh incurred on formation of protection bund was unnecessary

(b) The EE sanctioned (June 1994) and executed the work of formation of protection bund for the right side low level canal for a length of 500 m at a cost of Rs 25.52 lakh on the ground that the low level canal which ran in the foreshore area of Appasamudram tank would be affected by water overflowing from the tank. It was, however, seen that there was no source for filling up Appasamudram tank and hence there was no possibility of the tank being filled up. Thus, there was no justification for forming the protection bund. The entire expenditure of Rs 25.52 lakh was, therefore, unnecessary. Incidentally, it was also seen that the works were awarded by the EE to two contractors without calling for tenders.

4.1.8.4 Fraudulent payment for strengthening non-existent tank bunds

Fraudulent payment of Rs 9.80 lakh was made for non-existent reaches of two tank bunds

The original estimate provided for Rs 3.05 lakh for strengthening the bund of Sengulam and Ammachikulam tanks. The SE, however, sanctioned (January 1994) 24 estimates for Rs 60.40 lakh and Rs 36.41 lakh for strengthening the bunds of these tanks for a length of 995 m and 600 m respectively. The works were executed during 1994-95 at a cost of Rs 60.40 lakh and Rs 36.40 lakh. The memoir of tanks published by the Public Works Department revealed that the lengths of bunds of Sengulam and Ammachikulam tanks were only 800 m and 567 m respectively. Since the tank bunds had only less length than that stated to have been strengthened, a proportionate amount of Rs 9.80 lakh constituted fraudulent payment.

4.1.8.5 Payment made for works not executed by the contractor

The works of strengthening the bunds of Sengulam tank, Ammachikulam tank and Appasamudram tank, split up into 42 reaches, were entrusted to three contractors during February 1994 and June 1994. Besides excavating, conveying, filling, depositing and spreading earth in layers of not more than 25 centimetre, the work included separate items for watering and consolidation with power roller for the entire quantity of conveyed earth.

Fictitious payment of Rs 27.89 lakh was made on consolidation of bund by power roller which was not possible

(a) It was seen during the audit that the consolidation of earth deposited on the tank bund by power roller was not possible for the following reasons.

(i) The conveyed earth was to be deposited over the existing bund on the top as well as on the side slopes. The consolidation of the earth deposited over the slopes by power roller would not be possible.

(ii) The existing top width of the bund was only 2 m whereas a minimum of 3 m was required to operate the power roller. Besides, there was no turn circle arrangement for operating the power rollers in the bund.

(iii) The roller could be taken up to the top of the bund only at entry points. Many of the alternative reaches which were of 30 m to 125 m length were awarded to different contractors and hence execution level surface of different reaches would vary. It would not, therefore, be possible for the three contractors to operate power rollers simultaneously.

(iv) If all the three contractors were to operate the power rollers, the rollers could be taken up to the top of the bund only by means of ramps. No such arrangements were made.

(v) It was seen from the records that all the three contractors took up and completed the entire works in 20 to 28 days. The total quantity of earth consolidated by them during this period as certified by the EE was 2.16 lakh cu.m. The consolidation was also made in layers. In order to complete the work in such a short span of time, more number of rollers would be needed as only 425 cu.m could be consolidated by a power roller in 8 hours. As already observed, there was no possibility of employing more rollers on the top of the bund.

(vi) It was also seen that the item of consolidation was not included in similar works. In the work of similar nature executed in 'Periyakulam tank' by this division during 1998-99, no consolidation of bund was made.

Though consolidation of earth on existing bund was not possible, it was certified in the measurement books that the entire conveyed earth was consolidated by power roller and Rs 13.88 lakh was paid to the contractors. The payment, therefore, was fictitious.

(b) While making payment for the quantity of earth utilised for the strengthening work, the EE added 15 *percent* over the quantity of earth measured on the ground that the earth was compacted by consolidation. Inasmuch as consolidation by power roller was impossible, the addition of 15 *per cent* on the level measured quantity was not in order and the payment of Rs 14.01 lakh made for the quantity of earth added for consolidation (28,128 cu.m.) was also fictitious.

Thus, the EE had made payment of Rs 27.89 lakh to three contractors for works not actually executed. This needs investigation by the Department.

4.1.8.6 Extra expenditure due to excess provision of lead for conveying earth

Failure to use the soil in the water spread area for strengthening the tank bunds led to extra expenditure of Rs 33.20 lakh

In the work of strengthening the tank bunds of Sengulam, Ammachikulam and Appasamudram tanks, the EE provided lead distance of six km for Sengulam and Ammachikulam and two km for Appasamudram for conveying the earth from borrow area. As suitability of soil was not required to be tested for this work and normally such works were executed using the soil in the water spread area of the tank thereby achieving the twin objective of deepening the tank as well as strengthening the bund, allowing a lead distance of more than one km was unwarranted. The works were executed and payments were made allowing the lead distance of two km and six km. The extra expenditure due to this worked out to Rs 33.20 lakh.

4.1.8.7 Wasteful expenditure on the excavation of a feeder channel

Appasamudram tank which was not a beneficiary tank of the project was getting its supply from Nanganjiar river through an existing supply channel in the upstream side of the reservoir. Due to the construction of reservoir, the existing supply channel would be submerged and in order to protect the riparian rights, it was proposed (March 1993 and October 1995) to construct a sluice and a feeder channel for a length of 1500 m at a cost of Rs 13.98 lakh from the waterspread area. The construction of sluice commenced in December 1995 and completed in October 1996 at a cost of Rs 5.20 lakh. The work of excavation of feeder channel commenced in June 1993 and 80 *per cent* of the work was completed (October 1996) at a cost of Rs 7.69 lakh. The work was executed intermittently without constructing culvert to cross a road across the alignment of the channel. However, based on the report of the Enquiry Committee that improvements to Appasamudram tank at a huge cost would not be commensurate with the benefits expected, Government ordered (May 1998) foreclosure of the agreements without making alternative arrangements to protect the riparian rights of the beneficiaries. Thus, the expenditure of Rs 12.89 lakh became wasteful.

4.1.8.8 Other points of interest

(a) According to the provisions of Tamil Nadu Financial Code, purchase of stores from firms listed with Director General of Supplies and Disposals (DGS&D) should be resorted to without calling for tenders, if it was advantageous to the Department. During 1993-94 to 1996-97, RCC hume pipes and collars were purchased locally for Rs 11.81 lakh after obtaining quotations. Based on the DGS&D rate contract for 1996-97, these involved an extra expenditure of Rs 6.39 lakh.

(b) Expenditure of Rs 2.91 lakh incurred on turfing the slopes of earthdam, flood bank and Melakulam tank proved wasteful since they dried out due to non-maintenance

(c) Even though all components of earthwork including consolidation were completed as of December 1995, the Division maintained five road rollers without sufficient work. Allowing for one roller to attend to residual work, the avoidable expenditure on idle labour in respect of 4 road rollers during January 1996 to February 1999 worked out to Rs 8.30 lakh.

(d) RCC hume pipes purchased during 1995-96 at a cost of Rs 2.08 lakh were kept idle.

(e) 54,395 cu.m of hard rock blasted during excavation of foundation for the spillway, canal and distributary was kept in the material-at-site account. No action had been taken to dispose of them profitably or to utilise them gainfully in the project

4.1.9 Benefit cost ratio of the project

The project as sanctioned by the Government in May 1990, was estimated to cost Rs 20.70 crore without escalation and Rs 30.15 crore with escalation and the Benefit cost ratio (without escalation) was worked out as 1.02:1. According to the reappraisal report approved by Government in May 1998, the scheme cost escalated to Rs 37.36 crore. Considering the escalation of the project cost by nearly 100 *per cent*, the benefit cost ratio likely to be achieved would be much less. The EE did not prepare the revised estimate for the project as of March 1999. It was also seen that the EE formed flood banks in the upstream side of the waterspread area. Though this would in no way be beneficial to the ayacuts covered by the project, the owners of these ayacuts would have to pay additional charges by way of betterment levy.

4.1.10 Monitoring

As discussed in earlier paragraphs, the lapses of the EE were not detected, which led to the conclusion that the CE did not monitor the implementation of the scheme effectively. The Enquiry Committee appointed by Government in July 1996 did not throw any light on the various lapses in the execution of the project like the necessity of executing additional works not sanctioned in the original estimate, wrong execution of work of spillway necessitating the revision of design and consequent higher cost and awarding of works to pre-determined contractors.

The above points were referred to Government in May 1999; reply had not been received (January 2000).

SECTION – B
AUDIT PARAGRAPHS

HIGHWAYS DEPARTMENT

4.2 Avoidable payment of interest on premature drawal of loan

The decision of the Government to draw the second instalment of loan even before the completion of preliminary works resulted in an avoidable payment of Rs 3.94 crore as interest. Besides, penalty of Rs 1.35 crore was payable for non-utilisation of funds within six months of drawal of loan.

Government accorded administrative sanction for the construction of 50 high level bridges across the river crossings in Tamil Nadu (October 1997: Rs 260.71 crore) and for the improvement of eight radial roads leading to Chennai City (December 1997: Rs 212.54 crore). The works were to be executed with loan assistance from Housing and Urban Development Corporation Limited (HUDCO). Government nominated Tamil Nadu State Construction Corporation Limited (TNSCC) and Chennai Metropolitan Development Authority (CMDA) respectively as the nodal agencies for obtaining the loan from HUDCO. The Chief Engineer (CE), Highways and Rural Works, Chennai was responsible for execution of the works. The investigation, designing, preparation of estimates and bid documents and evaluation were to be entrusted to consultants.

HUDCO agreed to sanction Rs 217 crore (TNSCC: Rs 70 crore; CMDA: Rs 147 crore) but insisted (January 1998) for a firm commitment for drawal of funds before March 1998. The CE also reported (February 1998) to Government that funds were required immediately to provide mobilisation advances to the consultants and requested Government to draw the I and II instalments of loan from HUDCO. Government made commitments to HUDCO (February 1998) for drawal of Rs 54.30 crore by March 1998 (I and II instalments) and instructed TNSCC and CMDA to draw and deposit the loans in Personal Deposit (PD) account with Government. According to the terms and conditions of loan, interest at 15 *per cent* per annum was to be paid quarterly adopting the reducing balance method and interest at 19 *per cent* per annum was to be paid if the loan was not utilised within a period of six months. As of December 1998, TNSCC and CMDA had paid Rs 2.67 crore and Rs 3.75 crore respectively as interest and interest tax (2 *per cent* on interest) to HUDCO by drawing funds from the.respective PD account.

Following audit comments emerge on the scrutiny of the transaction:

(i) Even though CMDA pointed out to Government (February 1998) that the money was not immediately required by the CE for the road works considering the state of readiness and the anticipated implementation schedule, its views were brushed aside by the Government.

(ii) Tenders for the consultancy in respect of the bridge works were not even finalised by March 1998 and only in January 1999, TNSCC released Rs 1.04 crore to CE (Highways) towards this. CE entrusted the consultancy for road works to four consultants in April and May 1998 and paid Rs 48.31 lakh till July 1999. No mobilisation advance was paid to consultants. Therefore, CE was not correct in his request for immediate release of two instalments (Rs 54.30 crore) by HUDCO.

(iii) The bridge works were under initial stages of execution and expenditure of Rs 5.07 crore was incurred as of July 1999. The road works were entrusted to 10 contractors in May/June 1999 and advance payment of Rs 8.76 crore was made as of July 1999.

Thus, the drawal of loan before March 1998 was premature. Even assuming that the HUDCO insisted on drawal of loan before March 1998, only the first instalment of Rs 20.63 crore should have been drawn. The drawal of II instalment of Rs 33.67 crore (TNSCC : Rs 11.42 crore and CMDA : Rs 22.25 crore) before March 1998 was totally unwarranted and not justified. Thus, payment of interest and interest tax of Rs 3.94 crore on Rs 33.67 crore for the period upto December 1998 was avoidable. Besides, as funds were not utilised within six months of drawal, there was a liability of Rs 1.35 crore towards penal interest (4 *per cent*) and interest tax.

The second instalment of Rs 33.67 crore was parked in PD account (March 1998) in the name of CMDA and TNSCC and it served the purpose of only shoring up the Government of Tamil Nadu balances with RBI.

The matter was referred to Government in April 1999; reply had not been received (January 2000).

4.3 Blocking of Government funds and non-achievement of objective of providing road link to tribal village due to poor planning

Failure to obtain prior concurrence of Government of India for utilising forest land resulted in stoppage of road work and non-achievement of the objective of providing road link to tribal village even after spending Rs 1.79 crore and 5 years after the work commenced.

Under 'Tribal sub-plan scheme' Government sanctioned (December 1991) the construction of 8.67 km road from Karumanthurai to Eachangadu meant for linking Eachangadu, a tribal village in Kalrayan Hills in Salem District, with other villages and towns. The work was awarded to a contractor in December 1994 for completion in 2 years.

When the work was in progress, the District Forest Officer (DFO), Attur asked (January 1996) the Divisional Engineer (DE), National Highways, Villupuram not to carry out the work as a part of the area (km 7 to 7.6) was in forest land for which prior concurrence of Government of India (GOI) was not obtained as required under Forest Conservation Act. The DE, without sending the proposals in the prescribed format, stopped the work in the disputed area (km 7 to 7.6) in March 1996 and continued the work in other portions of the road. However, the works beyond 7 km could not be carried out because the forest officials blocked the traffic (September 1997). In April 1998, the DE sent proposals in the prescribed form to seek permission from GOI. After obtaining GOI approval (December 1998), Government ordered (July 1999) for the transfer of forest land. In the meantime, on the demand of the contractor, the contract was foreclosed in January 1999 by the Superintending Engineer, National Highways. As of August 1999, Rs 1.79 crore had been spent on the work and the estimate for the balance work was pending with Chief Engineer, National Highways for approval.

The records of DFO revealed that a portion of the disputed land was transferred to Forest Department for compensatory afforestation in July 1990 itself and the remaining area of disputed land was notified under section 4 of Tamil Nadu Forest Act in May 1993. The Highways Department, however, relied on the records of Revenue Department which were not updated and commenced the work in forest land without the prior approval of GOI. Even after the Forest Department brought to the notice of the DE the need for obtaining prior permission of GOI, he applied for permission only in April 1998. The delay resulted in stoppage of work after spending Rs 1.79 crore and consequent blocking of Government funds.

Thus, due to lack of planning and prompt action by the DE, the work of construction of the road, which was the only approach to Eachangadu village, remained incomplete. This deprived the tribals of this village of the benefits of modernisation in spite of spending Rs 1.79 crore.

The matter was referred to Government in June 1999; reply had not been received (January 2000).

4.4 Additional liability due to provision of higher specification

The Chief Engineer (Highways and Rural Works) provided, without justification, higher specification for improvement of 12 roads resulting in an additional liability of Rs 80.81 lakh to Ambattur Municipality.

According to the Indian Roads Congress (IRC) specifications, roads having traffic intensity of 150 to 450 commercial vehicles per day should be constructed with 150 mm sub-base, 225 mm base with three layers of Water Bound Macadam (WBM) of 75 mm each and surfacing with premix carpet.

In December 1997, Government ordered the Highways Department to undertake improvement to 18 roads of Ambattur Municipality as a deposit work. The work was approved in February 1998 for Rs 6.38 crore and was entrusted to various contractors in April/May 1998. It was in advanced stage of execution as of May 1999.

Test-check of the records relating to improvement of 12 roads for a total length of 17.14 kilometre in Ambattur (mainly situated in residential colonies) revealed that though the estimates were prepared for roads with 150 to 450 commercial vehicles per day, yet, contrary to the IRC specifications the top portion of the roads were designed on higher specification by the Chief Engineer (Highways and Rural works) with 50 mm of Bituminous Macadam and Semi-dense carpet surfacing instead of 75 mm WBM and surfacing with premix carpet. No justification was given in the estimates for adoption of such higher specification. The provision of higher specification resulted in an additional liability of Rs 80.81 lakh in respect of these 12 roads.

The Chief Engineer stated (July 1999) that Bituminous Macadam was provided as the roads were in industrial belt area and were subjected to heavy loaded vehicles. This contention was not tenable as the roads were only bus routes and interior streets serving residential colonies as seen from the Specification Report accompanying the estimate.

The matter was referred to Government in May 1999; Government concurred (September 1999) with the views of the Chief Engineer.

4.5 Avoidable payment of escalation charges due to imprudent fixation of time limit

Failure of the SE to prescribe the period of completion for road works as per the norms of Indian Roads Congress resulted in avoidable payment of escalation charges of Rs 44.53 lakh.

Government sanctioned (June 1991) Rs 45.28 crore for improvement of 176 rural roads for a total length of 800 kilometre (km) in 19 marketing centres in five districts under the World Bank aided Tamil Nadu Agricultural Development Project. The World Bank approved the execution of the works in packages and the draft bid documents approved by World Bank provided that the contractors were not eligible for price escalation if the period of completion of each package was less than 12 months.

The Superintending Engineer (Highways), Rural Roads Circle, Chengalpattu (SE) invited tenders (May 1992) for package M1 consisting of six roads (length ranging from 3 km to 8.00 km, total length 30.40 km) leading to Madurantagam Marketing Centre. The period of completion was 24 months and the bid document included a price escalation clause. As there was no response even after extending the date of receipt of tender by another 30 days, the package was divided into three slices of two roads each with the approval of World Bank. The total length of each slice ranged between 8.60 km and 11.20 km.

Tenders were called for (August 1992) the slices and the package as a whole providing 24 months as period of completion for each slice as well as for the package with the price escalation clause. There was no response to the call for package. The slices were entrusted to three different contractors in May 1993, November 1993 and August 1993 and completed in March 1995, November 1995 and October 1995 at a cost of Rs 2.94 crore. As the period of completion exceeded 12 months, the contractors were paid an escalation of Rs 44.53 lakh invoking the price escalation clause.

According to the norms of Indian Roads Congress, the work on each of the three slices could have been completed within 12 months. Had the SE prescribed a period of 12 months or less for each slice, price escalation clause would not have been attracted. The SE, however, prescribed 24 months for the whole package as well as for each slice. This led to avoidable payment of escalation charges of Rs 44.53 lakh.

The matter was referred to the Government in May 1999; reply had not been received (January 2000).

4.6 Avoidable extra expenditure due to provision of higher specification while designing slow moving vehicle track

Failure to follow the guidelines issued by the Ministry of Surface Transport resulted in provision of higher specification for slow moving vehicle track and consequent avoidable extra expenditure of Rs 30.72 lakh.

According to the guidelines issued by Ministry of Surface Transport (MOST) in May 1989, separate tracks on either side of main carriageway were to be provided on portions of National Highways located in or near an urbanised area, stretches prone for accident due to lack of paved width for overtaking and passing maneouvers and two lane sections where there was sizeable percentage of slow moving vehicles. The thickness of such tracks should be same as the main carriageway and the construction should be with suitable thickness of granular sub-base, three layers of Water Bound Macadam (WBM) of 75 millimetre (mm) thickness each and surface dressing with premix carpet or semidense bituminous carpet. The wearing surface for the tracks should be different from the main carriageway to ensure contrast between them.

Test-check of the records of Divisional Engineer (DE) (Highways), Tamil Nadu Urban Development Project (TNUDP) division, Coimbatore in April 1997 revealed that the Chief Engineer, TNUDP had approved (October 1992) the provision of tracks for slow moving vehicles in the work of 'Improvements to Coimbatore road from Kilometre (Km) 0/0 – 3/2 at Salem' with the same specification as that for the widened portion of the carriageway. The work was executed during April 1996 to September 1997 with 150 to 650 mm thick sub-base, 225 mm thick WBM, 80 mm thick Dense Bituminous Macadam (DBM) and 40 mm thick Asphaltic Concrete (AC) for slow moving vehicle tracks of an average width of 2.71 metre.

The provision of 80 mm DBM and 40 mm AC as surface dressing was contrary to the guidelines issued by MOST. Had the DBM and AC been substituted with an additional 100 mm thick sub-base and 20 mm thick premix carpet with seal coat, as per the MOST guidelines, an additional expenditure of Rs 30.72 lakh could have been avoided. The DE stated in April 1997 that the higher specification was provided considering the volume of traffic and utilisation of the track by commercial vehicles also. The reply was not tenable as the track was provided only for slow moving vehicles and utilisation of track by commercial vehicles was only incidental. It was also seen that the same Chief Engineer had approved (October 1992) slow moving track for the work of 'Improvements to Trichy road from km 0/0-3/6 at Salem' under TNUDP with the specifications prescribed by MOST viz., 200 mm thick sub-base, 250 mm thick WBM and 20 mm thick premix carpet and that work was also executed by the same division.

The matter was referred to Government in January 1999; reply had not been received (January 2000).

4.7 Unfruitful expenditure on road work due to non-acquisition of land for approach road to the bridge

Rupees 23.92 lakh spent on road work and bridge remained unfruitful due to non-acquisition of land needed for approach road to the bridge.

To enable the villagers of Eraiyur, Nannai and Killiyur of Tiruchirappalli District (now Perambalur District) to transport their agriculture produce to the nearest marketing centre at Perambalur and to transport sugarcane to Perambalur Sugar Factory, Government sanctioned (March 1991) Rs 29.30 lakh to construct and improve the road from Eraiyur to Nannai (via) Killiyur. The Chief Engineer (CE) (Highways), East Coast Road and Rural Roads, Chennai accorded technical sanction for the work in October 1992. The work from Kilometre (km) 8/800 to km 11/200 was commenced in September 1993 and completed by March 1998 except for the approach road from km 10/200 to km 10/550 for the bridge at km 10/600 due to objection by land owners against construction of the road in their lands. As of February 1999, Rs 56.12 lakh had been spent on the work, out of which, Rs 23.92 lakh related to the cost of bridge and cost of the road between km 10/550 and km 11/200.

Scrutiny of the records of the Divisional Engineer (DE) (Highways), Tamil Nadu Agricultural Development Project (TNADP), Pennagaram, Tiruchirappalli revealed that despite October 1992 orders of the CE to take immediate action for the land acquisition, the DE (Highways), Sugarcane Road Development Scheme (SCRD), Tiruchirappalli prepared the land plan schedules only in October 1994 after awarding the work to the contractor and sent the land acquisition proposals to the Revenue Department in December 1994. The Additional Collector, Tiruchirappalli District, returned the proposals in March 1995 to seek some clarification and the proposal was re-submitted by the DE, SCRD in June 1995.

In September 1995, Tiruchirappalli District was bifurcated and the work was transferred to DE, TNADP in 1996-97. When the DE, TNADP took up the matter with Revenue Department (Perambalur District) in February 1998, the Tahsildar, Kunnam informed (September 1998) that the proposal had been lost during the bifurcation of the District. The DE, TNADP sent fresh proposal to District Revenue Officer, Perambalur in November 1998. The notification under section 4(1) of Land Acquisition Act had not been issued as of February 1999.

Thus, due to inordinate delay of over 2 years by DE, SCRD in sending land acquisition proposal and poor co-ordination between Highways and Revenue Departments for over 3 years, the required land could not be acquired as a result of which the approach road could not be laid. Consequently, Rs 23.92 lakh spent on the bridge and the road beyond the bridge remained unfruitful as the villagers of Nannai could not use the bridge.

The matter was referred to Government in April 1999; reply had not been received (January 2000).

4.8 Unfruitful outlay on road work due to poor investigation

The delay of over three years in obtaining sanction for the bridge work in spite of specific direction of the Chief Engineer resulted in non-utilisation of a portion of the road constructed at a cost of Rs 23.71 lakh.

Based on the proposals from a sugar mill* at Pennadam, Cuddalore District, Government sanctioned (February 1993) the formation and strengthening of Pennadam – Vridhachalam road (II phase) between Kilometre (km) 8/600 and 18/900 for Rs 70 lakh from Sugarcane Cess Fund. Though Rs 5 lakh was provided in the administrative sanction of Government for construction of a causeway across Chinna Odai, the estimate for Rs 77 lakh prepared (September 1993) by the Superintending Engineer (SE) (Highways), Sugarcane Road Development, Tiruchirappalli for obtaining technical sanction of Chief Engineer (CE) (Highways), East Coast Road and Rural Roads, Chennai did not provide for the same. With a view to restrict to administrative sanction amount, CE issued (November 1993) technical sanction for the work with instructions to obtain separate sanction for this crossing as per detailed investigation as the purpose of improvement to the road would not be achieved unless this crossing was bridged.

The SE entrusted the work to the Mill in November 1994 for completion in 14 months. The road work was completed (November 1998) except one cross drainage work at km 10/200 due to water flow and as of December 1998, Rs 62.10 lakh was spent.

The Mill pointed out to Commissioner of Sugar in August 1996 that the traffic on the road could be operated only when the bridge across Chinna Odai was constructed. Consequently, sanction for construction of a high level bridge was accorded by Government in March 1997. The work was technically sanctioned by CE (Highways), Designs and Investigation, Chennai in March 1998 and the work was entrusted to a contractor in March 1999.

Thus, the failure of the SE to investigate and obtain the sanction for the high level bridge at the initial stage itself and the delay of over 3 years in obtaining sanction for the bridge work in spite of specific direction of CE in November 1993 resulted in an unfruitful outlay of Rs 23.71 lakh on the road

* Aruna Sugars and Enterprises Limited

between km 13/040 and 18/700. The objective of transportation of sugarcane quickly at economical cost was defeated.

When the matter was reported in March 1999, Government stated (July 1999) that the proposal for the construction of the bridge was not initiated by the Mill at the initial stages and that the improved stretch between km 13/040 – 18/700 was fully utilised for transportation of sugarcane as this stretch was having direct link with Vridhachalam-Tholudur road. The reply was not tenable since the Mill could only identify the road to be formed/improved and it was for the Highways Department to work out the requirement in detail. Further the Mill clearly stated (January 1999) that transportation of cane from Km 13/000 - 18/700 was not possible due to absence of the bridge.

4.9 Excess payment to contractor due to incorrect computation of variation of prices of special materials

Contrary to the contract conditions, the Divisional Engineer (Highways), Tamil Nadu Urban Development Project Division I, Saidapet allowed escalation in the cost of special materials on the basis of market rates prevailing on the date of claim instead of the ex-factory rates prevailing on the date of purchase resulting in excess payment of Rs 14.33 lakh to the contractor.

The work of 'Reconstruction of bridge at Kilometre 7/6 of Madras-Calcutta Road" was awarded in March 1996 for Rs 2.04 crore. The work was in progress as of January 1999.

According to the tender conditions and clause 70(iv) of the agreement, the contractor was eligible for difference between the ex-factory price of special materials like cement, bitumen and steel on the date of purchase made by him and the base price* of such material indicated in the agreement. If there was a decrease in the price on the purchase date, the same was to be adjusted in the next and subsequent bills. Payment/recovery on this account was to be calculated on ex-factory rates excluding sales tax and octroi and was to be based on vouchers produced by the contractor.

It was noticed in audit that for calculating price variation of portland cement, sulphate resistant cement, bitumen and steel, the Divisional Engineer (Highways), Tamil Nadu Urban Development Project Division I, Saidapet had adopted the market rate prevalent on the date of claim by the contractor as against the ex-factory rates prevailing on the date of purchase as stipulated in the agreement. This resulted in excess payment of Rs 14.33 lakh.

The matter was referred to Government in May 1999; reply had not been received (January 2000).

* Base price is the ex-factory price that prevailed on the closing date of tender

4.10 Avoidable extra expenditure due to use of richer concrete mix for service lane

Adoption of higher specification for concrete mix for service lanes of Anna Salai would result in extra expenditure of Rs 13.50 lakh.

Government sanctioned (August 1995) widening of the Anna Salai in Chennai from Kilometre 5/300 to 8/400 at a cost of Rs 2.89 crore. Though the technical sanction of the Chief Engineer (Highways), Designs and Investigation, Chennai and the specification report accompanying the estimate for the work provided for adoption of 1:3:6 concrete mix for the service lanes, the Superintending Engineer Chennai circle, who invited the tender, provided for 1:2:4 concrete mix for this item in the tender document. The bid document provided for departmental supply of cement.

The road work was entrusted to a contractor and the work, commenced in December 1997, was in progress. As of February 1999, Rs 1.63 crore had been spent and the works in the service lanes (estimated quantity 3757 Cubic metre (cu.m)) were executed with 1:2:4 concrete mix. Adoption of higher specification for this item of work would result in excess consumption of cement of 108 kilograms per cu.m. and the extra expenditure would be Rs 13.50 lakh (based on the issue rate of Rs 3,328 per tonne).

When pointed out by Audit (December 1998), the Divisional Engineer (Highways), Saidapet Division, Chennai accepted that there was an apparent mistake in the tender document.

Government stated (September 1999) that 1:2:4 concrete mix was provided as the widened portion was also subjected to heavy vehicular traffic and to withstand the traffic, the cement content in concrete mix should not be less than 150 kg per cu. m. The reply was not tenable since the cement content in 1:3:6 concrete mix was 216 kg per cu. m. which would be more than the requirement.

4.11 Unfruitful expenditure due to poor investigation and planning

Failure to initiate land acquisition proceedings in time led to stoppage of work due to objection raised by the land owners and the expenditure of Rs 10.81 lakh remained unfruitful besides non-achievement of the objective of providing road to transport sugarcane.

The villagers of Sindalavaadampatti in Dindigul District were transporting sugarcane to Ramapattanam Pudur main road by bullock cart and head load through the earthen cart track from Chainage (CH) 1800 metre (m) to 2647 m and CH 3301 m to 5000 m and an *Odai*[*] in between CH 2647 m and 3301 m and CH 5000 to 6000 m. Based on Government sanction for Rs 21.80 lakh, the Chief Engineer (CE) (Highways), East Coast Road and Rural Roads, Chennai accorded (October 1993) technical sanction to improve the existing cart track to Other District Road standard and to form new road parallel to the *Odai* by acquiring agricultural land and wells along the new alignment, to enable the villagers to transport the sugarcane in trucks. Though the CE directed (October 1993) the Superintending Engineer (SE) to take immediate action for acquisition of land required for the work, the SE, without initiating action for land acquisition, called for tenders in October 1993 and awarded the work to a contractor in March 1994 for Rs 23.98 lakh. The work was commenced in September 1994.

When the work was in progress, the Divisional Engineer (DE) (Highways), Tamil Nadu Agricultural Development Project, Tiruchirappalli sent (December 1994) proposals for acquisition of land required for the work to the Revenue Department. The Tahsildar, Palani suggested realignment of the proposed road as the land to be acquired belonged to small farmers (mainly Scheduled Castes) and the acquisition of the nine wells and closing them would affect the food production. In the meantime, as the land owners were not willing to offer their land, the contractor stopped the work in July 1995 after improving the road from CH 1800 m to 2640 m and CH 3300 m to 5000 m. The work was foreclosed in April 1997 as no alternative alignment was possible in the remaining stretches. As of February 1999, Rs 16.13 lakh had been spent on the work. The farmers continued to transport the sugarcane through head loads and bullock carts in CH 2640 m to 3300 m and CH 5000 m to 6000 m.

When the unproductive expenditure of Rs 16.13 lakh was pointed out by Audit, the CE stated (August 1999) that the work in CH 2640 m to 3300 m could not be proceeded with as the land owners filed a suit in District Munsif Court in Palani which was not anticipated and that the work in CH 5000 m to 6000 m was proposed to be abandoned as the land belonged to small land owners of Adi Dravidar Community.

Thus, the failure of the SE to assess the ground realities and obtain consent letters from the land owners in CH 2600 m to 3300 m before taking up the work in CH 3300 to 5000 resulted in non-achievement of objective of providing road to transport sugarcane in trucks. The expenditure of Rs 10.81 lakh incurred on the work in CH 3300 m to 5000 m remained unfruitful for over four years.

The matter was referred to Government in April 1999; reply had not been received (January 2000).

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[*] *Odai* means a small stream

CHAPTER V

STORES AND STOCK

AUDIT PARAGRAPHS

HEALTH, INDIAN MEDICINE AND HOMOEOPATHY AND FAMILY WELFARE DEPARTMENT

5.1 Injudicious purchase of mattresses and pillows

Failure to take into account the quantity receivable from Sports Development Authority of Tamil Nadu resulted in avoidable expenditure of Rs 10.73 lakh towards purchase of mattresses and pillows for use in Government medical institutions.

The Director of Medical and Rural Health Services (Director) received during November 1996 to January 1997, 995 mattresses and 1990 pillows, purchased by the Sports Development Authority of Tamil Nadu (Authority) for the South Asian Federation Games held in December 1995. It was seen in audit that even though he was aware of the impending supply from the Authority, the Director did not take it into account while working out his purchase requirement for 1996-97, on the basis of which the Government allotted him Rs 5 crore for purchase of cots, mattresses, pillows, bedsheets and pillow covers for different medical establishments under him.

The Director could, however, utilise only Rs 50 lakh during 1996-97 and transferred (March 1997) Rs 4.50 crore to the Personal Deposit account of the Tamil Nadu Medical Services Corporation Limited to avoid lapse of the budget allotment. It was seen during audit that the Director had spent during February 1997 to June 1998, Rs 1.79 crore on purchase of 13,360 mattresses and 16,997 pillows and distributed them, among others, to 16 medical institutions under him, which had received the mattresses and pillows from the Authority also. As a result, they were having an excess stock of 772 mattresses and 1407 pillows, valuing Rs 10.73 lakh (April 1999). Audit also revealed that two of the major recipient hospitals at Kancheepuram and Vellore were having an excess stock of 314 mattresses and 531 pillows. In fact, the hospital at Kancheepuram had to discard the existing good mattresses to utilise the stock received from the Authority, in order to avoid public criticism.

Thus, the failure of the Director to exercise due prudence in the purchase resulted in an avoidable expenditure of Rs 10.73 lakh.

The matter was referred to Government (May 1999); Government while admitting (July 1999) the position stated that the excess stock of mattresses and pillows had been transferred to other needy institutions. A verification in 3 such hospitals, however, revealed that the stock so transferred was not utilised there also due to availability of sufficient stock already with them.

HOME DEPARTMENT

5.2 Irregularity in the purchase of teaching aids

Director of Fire Services purchased without following financial rules, teaching aids at the cost of Rs 63.07 lakh. This resulted in teaching aids purchased in March 1997 at a cost of Rs 24.36 lakh not put to intended use for 2 years.

On the recommendations of the X Finance Commission to allocate Rs 4 crore for upgrading the Fire service in Tamil Nadu, Government of India released Rs 1.80 crore (Rs 0.60 crore during 1996-97; and Rs 1.20 crore during 1997-98). Government of Tamil Nadu approved (March 1997) the proposal of the Director of Fire Service (Director) for constructing a 3-storeyed building for establishing the Tamil Nadu Fire Service School at Tambaram at a cost of Rs 1 crore and providing teaching aids and equipment at a cost of Rs 3 crore. The scheme was to be implemented in a phased manner, spread over a period of 4 years during 1996-2000.

Immediately thereafter, without waiting for completion of the building (it was still under construction as of March 1999), the Director made purchases for Rs 24.36 lakh in March 1997 and for Rs 38.71 lakh upto August 1998, of items like fire extinguishers, pumps, ladders, detectors, books and cameras. All the above items were purchased by obtaining quotations through oral/telephonic/telefax inquiries; some of the items were imported from abroad.

The purchases were in gross violation of the Financial Rules which prescribe that open tender system should be followed whenever the value of purchases exceeded Rs 1 lakh, except under certain specified conditions. Since none of the conditions were applied in this case, the purchase made by the Director was an act of serious financial irregularity and deprived the Department of competitive rates through tenders.

The purchases were also in violation of the directions (June 1984) of the Finance Department issued on the recommendations of the Public Accounts Committee (1980-82 and 1984-85) which stressed the need for proper assessment, advance planning and timely completion of infrastructural facilities for effective functioning of the equipment purchased by Government departments. The hasty purchase much before completion of the construction of building for the training school resulted in the teaching aids purchased at a cost of Rs 63.07 lakh being kept in various wings of the Department without putting them to intended use as of March 1999.

When referred, (May 1999) Government stated (January 2000) that only to expend the Budget provision for 1996-97 in full, the open tender system was not followed and that the equipment and teaching aids could be utilised for current training. The reply is not tenable as the equipments were purchased far in advance of requirement only to avoid lapse of budget grant.

CHAPTER VI

FINANCIAL ASSISTANCE TO LOCAL BODIES AND OTHERS

SECTION – A
AUDIT REVIEWS

6.1 Rural Employment Generation Programmes (Rural Development Department)

Highlights

Jawahar Rozgar Yojana and Employment Assurance Scheme are the current Rural Employment Generation Programmes which are under implementation in the State with the aim of alleviating rural poverty by generating employment to rural poor through works.

The percentage of families living below poverty line in rural areas was stated to have decreased by 13.3 per cent in 1997-98, compared to 1991-92. However, a review of the Rural Employment Generation Programmes revealed that the number of mandays of employment generated under the Jawahar Rozgar Yojana averaged between 5 and 16 days only per adult and the funds provided under the Employment Assurance Scheme were adequate to provide employment for 7 days only to all registered persons. Evidently, the Employment Generation Programmes had not played any significant role in the reduction in the number of families below poverty line in rural areas.

There were several shortcomings in the implementation, which affected achievement of optimal results under the programmes. For example, though the programmes envisaged works with at least 60 per cent wage component, works with predominant material component were undertaken; in the process, Rs 4.02 crore, which could have been available for wages, were diverted for material. Similarly, works valuing Rs 11.37 crore were taken up in violation of the guidelines of the programme. Nominal Muster Rolls were not maintained and the number of mandays of employment generated was worked out by dividing the wage component of each work by the prevailing rate of minimum wages. Contractors were engaged though the guidelines prohibited undertaking works through contractors. Some significant findings of audit were as follows:

- **Delays ranging between 9 and 50 days and 8 and 245 days in release of funds under the schemes by the State Government and District Rural Development Agencies respectively were noticed during 1992-98.**

(Paragraph 6.1.4.5)

- **Unutilised funds to the tune of Rs 10.81 crore and Rs 5.16 crore available with the various implementing agencies at the end of the years 1997-98 and 1998-99 respectively were not shown in the progress reports under Jawahar Rozgar Yojana in 5 districts. Cheques amounting to Rs 27.21 crore remaining uncashed on 31 March 1996, 1997 and 1998 in**

Abbreviations used in this review are listed in the Glossary in Appendix LXIV (page 320).

4 districts and Rs 35.37 crore lying with various implementing agencies under Employment Assurance Scheme in 6 districts on 31 March 1997, 1998 and 1999 were wrongly treated as final expenditure resulting in overstatement of expenditure by Rs 62.58 crore.

(Paragraph 6.1.4.6)

- **Perusal of records in 13 blocks of 5 districts covered by test-check revealed that 0.49 lakh persons registered were not provided with the family cards.**

(Paragraph 6.1.5.2)

- **The expenditure on buildings and roads under Jawahar Rozgar Yojana and Employment Assurance Scheme during 1996-97 and 1997-98 was far in excess of the norms of 17.5 *per cent* and 40 *per cent* respectively.**

(Paragraph 6.1.5.4(a))

- **The figures of mandays generated under Jawahar Rozgar Yojana were worked out arithmetically by dividing the total wage component by the prevailing rate of minimum wage in the State. The Nominal Muster Rolls, the main record showing the authenticity of generation of employment, were dispensed with by State Government in September 1990 under Jawahar Rozgar Yojana.**

(Paragraphs 6.1.5.5 and 6.1.5.6(i))

- ***Per capita* mandays generated under Jawahar Rozgar Yojana ranged between 5 and 16 days only when compared with the total targeted group.**

(Paragraph 6.1.5.6(ii))

- **Against the objective of providing assured employment for 100 days, only 7 days of employment per registered person was generated under Employment Assurance Scheme during 1998-99, due to provision of inadequate funds.**

(Paragraph 6.1.5.6(iii))

- **Payment of wages at rates less than the minimum wages payable resulted in short payment of Rs 1.06 crore in 6 test-checked districts during 1997-99.**

(Paragraph 6.1.5.7(ii))

- **Contrary to the instructions of Government of India that the wage component of the works should be at least 60 *per cent*, the wage component was 20 *per cent* or less in 117 works, between 21 and 40 *per cent* in 639 works and between 41 and 59 *per cent* in 319 works. Consequently, the excess expenditure of Rs 4.02 crore on material**

component was met out of scheme funds instead of the State sectoral programme funds.

(Paragraph 6.1.5.8)

- Works valued at Rs 1.89 crore were executed through contractors during 1993-98 in 3 districts test-checked, though the Government of India prohibited the engagement of contractors under the programme.

(Paragraph 6.1.5.9)

- Various works costing Rs 11.37 crore not covered under the guidelines were executed.

(Paragraph 6.1.5.10(ii))

- Programme funds of Rs 35.58 crore were irregularly diverted during 1992-99 to Small Savings Schemes, fixed deposits and schemes like Members of Parliament Local Area Development Programme, Drought Prone Area Programme, etc.

(Paragraph 6.1.5.10(v))

6.1.1 Introduction

6.1.1.1 Jawahar Rozgar Yojana (JRY) was launched in April 1989 by merging the National Rural Employment Programme and Rural Landless Employment Guarantee Programme. Its primary objective was generation of additional employment through productive works which would either be of sustained benefit to the rural poor or contribute to the creation of rural infrastructure. Jawahar Rozgar Yojana was implemented during April 1993 to December 1995 in 3 different streams. Stream I was operated throughout the country; Stream II (Intensified Jawahar Rozgar Yojana) was implemented in identified backward districts upto December 1995 when it was merged with Employment Assurance Scheme; Stream III (Innovative Jawahar Rozgar Yojana) was implemented in certain districts under which specific projects were taken up and was discontinued after December 1995. Two sub - schemes of Jawahar Rozgar Yojana *viz.*, Indira Awaas Yojana and Million Wells Scheme, which were parts of Stream I of Jawahar Rozgar Yojana till December 1995, were delinked and made independent schemes from January 1996.

6.1.1.2 Employment Assurance Scheme (EAS) was introduced with effect from 2 October 1993 in the blocks of rural areas where the Revamped Public Distribution System was in operation. At present, the scheme is in operation in all the rural blocks of the country. The primary objective of Employment Assurance Scheme is to provide gainful employment for 100 days during lean agricultural season in manual work to all able-bodied adults in rural areas, who are in need and desirous of work but cannot find it. The secondary objective is creation of economic infrastructure and community assets for sustained employment and development.

Both Jawahar Rozgar Yojana and Employment Assurance Scheme are open to all rural people below poverty line. Preference is given to members of Scheduled Castes, Scheduled Tribes and freed bonded labourers and at least 30 *per cent* of employment opportunities are to be reserved for women. While works under the programmes (other than Employment Assurance Scheme) could be taken up during any part of the year, they should preferably be started during the lean agricultural season. The works under Employment Assurance Scheme should be taken up during the lean agricultural season only.

6.1.2 Organisational set up

The Secretary, Rural Development Department was overall incharge of implementing the above schemes at Government level. Director of Rural Development, who was the Head of the Department at State level, was responsible for implementing these schemes and was assisted by Additional Directors and Deputy/Assistant Directors. At the district level, a District Rural Development Agency(DRDA), registered under Societies Registration Act, has been formed in 26 Districts under a Project Officer for formulating and monitoring the schemes with the District Collector as the Chairman. In the remaining 2 districts, Dharmapuri and Ramanathapuram, the schemes were implemented by Dharmapuri District Development Corporation and Ramanathapuram District Development Agency. At the block level, all development works of the programmes were executed by the Panchayat Union Councils and Village Panchayats and by the line departments like Agricultural Engineering Department, Public Works Department, Horticultural Department and non-Governmental organisations.

6.1.3(a) Audit Coverage

A review of Jawahar Rozgar Yojana and Employment Assurance Scheme was conducted earlier and included in the Reports of Comptroller and Auditor General of India for the years ended March 1994 and March 1996 respectively. The report of the review of the Jawahar Rozgar Yojana was discussed by the State Public Accounts Committee during August 1998 and recommendations on the same were awaited. The Report on Employment Assurance Scheme had not been taken up by the Public Accounts Committee so far for discussion.

A test-check of records relating to the programmes covering the period from 1992-93 to 1998-99 was conducted between November 1998 and April 1999 in the Rural Development Department of the Secretariat, offices of Director of Rural Development and the Chief Engineer, Agricultural Engineering, 7 District Rural Development Agencies[1], 31 blocks, 2 Public Works Divisions and 7 sub-divisions of Agricultural Engineering.

Important points noticed are discussed in the succeeding paragraphs:

[1] Kancheepuram, Pudukkottai, Sivaganga, The Nilgiris, Tiruvannamalai, Thiruvallur and Villupuram

(b) *Beneficiary Survey*

The services of the ORG Centre for Social Research, a division of the ORG-MARG Research Limited were commissioned by the Comptroller and Auditor General of India with a view to gauge *inter alia* the beneficiary perception of the programme and related matters. The ORG-MARG carried out Survey over a sample, determined on the basis of district development profile, Socio-economic composition, incidence of poverty, etc. Findings of the Survey on matters discussed in the Report have been included in this review at appropriate places.

6.1.4 *Resource allocation*

6.1.4.1 Funding

Government of India share (80 *per cent*) was released directly to District Rural Development Agencies and hence did not form part of State Budget. State Government released its share (20 *per cent*) through Budget.

6.1.4.2 Financial outlay and Expenditure

During 1989-90 to 1998-99, Rs 3111.09 crore were released for the programmes (including interest on Savings Bank Accounts) against which the expenditure was Rs 3104.29 crore. The details, as furnished by Director of Rural Development are in Appendix LV.

6.1.4.3 Discrepancies in the reported financial progress

Difference between expenditure figures reported in the progress reports of District Rural Development Agencies and the expenditure certified by the auditors

There were variations between the figures of expenditure reported in the progress reports sent by State Government to Government of India and the expenditure certified by the auditors of District Rural Development Agencies in respect of 7 districts covered by test-check, as indicated below:

(Rupees in lakh)

Year	Jawahar Rozgar Yojana		Employment Assurance Scheme	
	As per the progress reports	As certified by the auditors	As per progress reports	As certified by the auditors
1993-94	7390.10	7345.88	78.10	54.19
1994-95	10012.15	10322.28	1118.45	1230.20
1995-96	10711.65	10887.64	1830.20	1820.26
1996-97	5459.24	6357.42	5249.87	5683.00
1997-98	6706.98	6890.64	7432.57	7651.24

The discrepancies, not reconciled till date, needed to be reconciled urgently by the State Government as well as the Government of India to ensure correct release of funds to the State Government.

6.1.4.4 Belated release of Government of India share

Release of Government of India share belatedly in February and March of each year during 1994-98 resulted in huge accumulation of funds at the end of each year

Government of India was releasing its share for the programmes directly to the District Rural Development Agencies from 1994-95. Test-check of records of seven districts revealed that Rs 76.73 crore of Government of India share was received by the District Rural Development Agencies belatedly during the months of February and March during 1994-98 as detailed in Appendix LVI. This, in turn, led to the release of funds by District Rural Development Agencies to the implementing agencies at the fag end of the year and blocking of funds with them without utilisation at the end of the year.

6.1.4.5 Delayed release of funds by State Government and District Rural Development Agencies

Delays in release of funds by the State Government and District Rural Development Agencies

(a) Delays ranging from 9 to 50 days were noticed in the release of funds by State Government during 1995-98. Rs 11.82 crore relating to second instalment were released during the period only in February and March when the possibility of utilisation of funds in the same financial year is remote.

(b) Similarly, delays ranging from 8 to 245 days were noticed in the release of funds under Jawahar Rozgar Yojana by five DRDAs to Village Panchayats during the period 1992-98 as against the specified period of 7 days. Rs 17.96 crore were released after a delay of three months or more resulting in blocking of funds at the end of the years with DRDAs without immediate benefit to the scheme.

6.1.4.6 Incorrect reporting of opening/closing balances

Incorrect reporting of closing balances under Jawahar Rozgar Yojana

While indicating the opening balance for a year in the progress reports, the balance available with the DRDAs only was taken into account, without adding the balance available with the various implementing agencies under their control. Such incorrect exhibition of opening balance by Project Officers of 5 District Rural Development Agencies *viz.*, Kancheepuram, Pudukkottai, Sivaganga, Thiruvallur and Villupuram on 1 April 1998 and 1 April 1999 resulted in non-inclusion of Rs 10.81 crore and Rs 5.16 crore respectively in the opening balance for the next year under Jawahar Rozgar Yojana.

(b) Rupees 62.58 crore comprising uncashed cheques of Rs 27.21 crore, issued to implementing agencies for execution of works under the programmes on 31 March 1996, 1997 and 1998 in 4 districts[2] and Rs 35.37 crore lying with various implementing agencies under Employment Assurance Scheme in 6 districts[3] on 31 March 1997, 1998 and 1999 were wrongly treated as final expenditure. Thus, the expenditure was overstated by Rs 62.58 crore.

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2 Kancheepuram, Pudukkottai, Sivaganga and Villupuram

3 Kancheepuram, Pudukkottai, Sivaganga, The Nilgiris, Thiruvallur and Villupuram

6.1.5 Programme Implementation

6.1.5.1 Non-conducting of household survey

As the objective of the programmes was to provide gainful employment to rural people below poverty line, enumeration and updation of the target population through household survey from time to time would be imperative.

According to survey conducted during 1991-92 by the Rural Development Department, 31.46 lakh out of 83.03 lakh rural families (38 *per cent*) were below poverty line.

Non-conducting of household survey after 1991-92 despite the release of funds for the purpose

No such survey was conducted subsequent to 1991-92. Though an amount of Rs 4.05 crore was released under Integrated Rural Development Programme during March 1998 by Government of India for this purpose, action had not been taken for conducting a survey to identify the rural families below poverty line. The Director of Rural Development informed (April 1999) that a proposal to conduct the survey in 1999-2000 was submitted to Government and orders were awaited.

The Beneficiary Survey reported that from economic point of view, selection was possibly not done in the right direction as nearly 20 *per cent* of JRY beneficiaries and 21 *per cent* of EAS beneficiaries reported their annual income to be above Rs 24,000.

6.1.5.2 Registration of workers and issue of family cards

Family cards were not issued to all registered persons under Employment Assurance Scheme

Adult members of the families are to be registered for works under Employment Assurance Scheme and they should be issued a family card in a prescribed format. The family cards were to contain details of family members and the number of days of employment provided to registered persons under Employment Assurance Scheme or under other plan or non-plan schemes.

Number of persons registered under the scheme at the end of each year during the period 1993-99 was as under.

(in lakh)

1993-94	1994-95	1995-96	1996-97	1997-98	1998-99
NIL	2.40	6.47	11.18	64.49	65.69

The reasons for sudden jump in registration from 6.47 lakh in 1995-96 to 11.18 lakh in 1996-97 and to 64.49 lakh in 1997-98 were not made available to Audit.

Against 6.47 lakh persons registered under Employment Assurance Scheme up to March 1996, family cards were issued for 2.22 lakh persons only; the reasons were not made available to Audit. For the period 1996-97 to 1998-99, the information regarding issue of family cards could not be collected, as the same were not included in the revised progress reports. Consolidated information regarding the issue of family cards till date was also not available with the Director of Rural Development. Perusal of records in 13 blocks of 5 test-checked districts revealed that 0.49 lakh persons registered in these blocks were not provided with family cards.

The Beneficiary Survey also revealed that out of 644 EAS beneficiaries interviewed, only 2 *per cent* had registered themselves either with Gram Panchayat or Block office and were issued family cards.

6.1.5.3 Physical progress and incomplete works

While preparing the Annual Action Plan for Jawahar Rozgar Yojana, completion of incomplete works of previous years should be given priority over new works and no work should be taken up by the District Rural Development Agency which cannot be completed within two financial years. Similarly, the guidelines on Employment Assurance Scheme envisaged the implementation of works which can normally be completed within 2 years.

Because of huge pendency of works (1,14,141 works as on 13 May 1996), a survey was conducted in May 1996 to list out long pending works in Rural Development Department under various schemes. The survey revealed that most of these works were pending due to escalation in unit cost and, in a few cases, due to pending advance for execution of work/purchase of material. Government instructed to discontinue the practice of giving cash advance and a drive was launched to complete all these spill-over works quickly and, as a result, 1,13,939 works were got completed. As of 31 March 1999, 202 works were pending of which 117 were due to court cases.

Huge pendency of works at the end of March 1999

Similarly, out of 1,99,846 works taken up during 1996-97 to 1998-99, 15,550 works were pending as of March 1999. Of the 15,550 works pending, 7,825 works were in the 7 districts test-checked.

6.1.5.4 (a) Analysis of achievement

Buildings and road works involving higher material component were given importance under Jawahar Rozgar Yojana and Employment Assurance Scheme

Analysis of achievement under Jawahar Rozgar Yojana and Employment Assurance Scheme as per the annual progress reports sent to Government of India for the years 1996-97 and 1997-98 (Appendix LVII) revealed that more buildings and road works, which involved higher material component, were executed and they constituted 67 and 58 *per cent* of the total expenditure incurred under Jawahar Rozgar Yojana. Under Employment Assurance Scheme, buildings and road works constituted 44 and 50 *per cent* of the expenditure in these two years. The expenditure on buildings and roads was far in excess of the norm laid down by Government of India which was 17.5 *per cent* under Jawahar Rozgar Yojana and 40 *per cent* under Employment Assurance Scheme.

(b) Execution of works in agricultural seasons

Contrary to instructions on Employment Assurance Scheme, works were taken up during agricultural season

The works under Employment Assurance Scheme should be taken up during lean agricultural season, which is to be declared for each district annually by the District Collector. However, it was noticed that wages of Rs 1.56 crore were paid for the works executed during agricultural season in 6 districts *viz*., Kancheepuram, Pudukkottai, Sivaganga, Tiruvannamalai, Thiruvallur and Villupuram during 1996-99.

6.1.5.5 Non-maintenance of Nominal Muster Rolls

Maintenance of nominal muster rolls under Jawahar Rozgar Yojana was dispensed with by State Government

(a) As per the instructions of Government of India, Nominal Muster Rolls have to be maintained for works executed under Jawahar Rozgar Yojana. However, State Government issued orders (September 1990) dispensing with the maintenance of Nominal Muster Rolls under Jawahar Rozgar Yojana without getting approval from Government of India. Instead, Government ordered the maintenance of Attendance Registers for the preparation of bills. As the Attendance Register would only serve the limited purpose of identifying the persons who worked, it was not known how the department ensured the veracity of the quantity and value of work done, the wages paid and the correctness of mandays generated under different categories in the absence of Nominal Muster Rolls.

Test-check of records in 5 districts revealed that 23 blocks[4] had not even maintained Attendance Registers. However, there was no record to show that the wage component drawn was actually disbursed to the labourers engaged. In 1998-99, the wage component of works in 13 blocks (out of 23 blocks) is estimated at Rs 4.54 crore for which there was no record of disbursement.

In this connection, Audit observed in 6 blocks[5], that work orders were being issued to the departmental staff (Road Inspectors/Rural Welfare Officers) and the wage component of a completed work was being worked out by deducting the value of materials used in the work from the total value of work for which the bill was prepared. This wage component was being paid to the department's staff who was given the work order. The correct procedure of paying wages to each worker after getting his acquittance was not followed. Therefore, the wage component was being determined by a totally incorrect method. Further, the possibility of misappropriation by the recipient of the wage component cannot be ruled out.

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4 **Kancheepuram District:** Kancheepuram, Walajabad, Thomasmalai, Kattankolathur, Kundrathur
Pudukkottai District: Pudukkottai, Karambakudi, Thiruvarankulam, Manalmelkudi, Avudaiyar Koil,
Sivaganga District: Thiruppuvanam, Manamadurai, S. Pudur
Thiruvallur District: Villivakkam, Puzhal, Thiruvallur, Kadambathur, Thiruvangadu, Ellapuram, Poondi, Poonamallee
Thiruvannamalai District: Kilpennathur and Vandavasi

5 1. Kancheepuram, 2. Thomasmalai, 3. Manamelkudi, 4. Poonamallee, 5. Kilpennathur and 6. Vandavasi

(b) Though the Nominal Muster Rolls were maintained under Employment Assurance Scheme in all the 7 districts, the Nominal Muster Rolls of Agricultural Engineering Department did not contain the registration numbers of workers in two districts (Kancheepuram and Villupuram).

(c) Beneficiary Survey also stated that muster rolls were not properly maintained for JRY and EAS works as evident from the fact that 85 *per cent* of JRY beneficiaries had not signed on the roll and only 3 *per cent* of EAS beneficiaries had signed on the rolls at the time of receiving payments.

6.1.5.6 Generation of employment

(i) *Mandays generated*

Details of target and achievement under generation of employment under these programmes during 1992-93 to 1998-99 as reported to Government of India by Director of Rural Development were as given in Appendix LVIII.

Number of mandays generated worked out arithmetically by dividing the total wage component by the prevailing rate of minimum wage

Audit observed that District Rural Development Agencies worked out the number of mandays generated arithmetically by dividing the total wage component of each work by the prevailing rate of minimum wage. This was also confirmed by 4 District Rural Development Agencies at Pudukkottai, The Nilgiris, Tiruvannamalai and Thiruvallur. The correct method should be to add up the actual mandays generated for all the works in the month. Thus, the figures of mandays of employment reported monthly by District Rural Development Agencies were unreliable. Incidentally, the nominal muster rolls, the main record showing the authenticity of generation of employment were generally not maintained for the works taken up under Jawahar Rozgar Yojana. Even in respect of Nominal Muster Rolls maintained for the works taken up under Employment Assurance Scheme, there was no indication of generation of employment and categorisation of workers i.e., Scheduled Castes, Scheduled Tribes, Freed Bonded Labourers, women, etc. The progress reports sent by Block Development Officers to the District Rural Development Agencies also did not contain the details of mandays generated and categories of workers. In the absence of all these details, Audit could not ensure the reliability of the reported figures of mandays generated.

(ii) *Insignificant per-capita mandays generation under Jawahar Rozgar Yojana*

***Per capita* mandays generated under Jawahar Rozgar Yojana as compared to the targeted population worked out to 5 to 16 days only**

Though the mandays generated exceeded the annual targets set by the Department, a comparison between the number of adults below poverty line who could be given employment and the figures of total mandays generated under Jawahar Rozgar Yojana annually during the period 1992-93 to 1998-99 revealed that the number of mandays of employment provided per adult in a year ranged between 5 and 16 only.

As per the Beneficiary Survey also, 71.4 *per cent* of JRY beneficiary had reported that the period of employment was insufficient.

(iii) *Non-provision of adequate funds under Employment Assurance Scheme*

The primary objective of Employment Assurance Scheme is to provide assured employment during lean agricultural season to rural poor who are in need of employment but cannot find it either in the farm sector or in allied operations.

Reported mandays of employment generated under Employment Assurance Scheme as compared to the total number of registered persons was only 7 *per cent*

As per the records maintained by Director of Rural Development, 65.69 lakh persons were registered under Employment Assurance Scheme at the end of March 1999 seeking employment. In order to achieve the objective of provision of 100 days of employment under the scheme, 6,569 lakh mandays of employment were to be generated per annum. However, the reported number of mandays of employment generated during 1998-99 was only 457.086 lakh or 7 *per cent*. Against Rs 2102.08 crore required as wages for covering all the registered persons (6569 lakh mandays @ Rs 32 per day, the minimum wages allowed per labourer), the amount spent on wages during 1998-99 to cover 457.086 lakh mandays was only Rs 146.25 crore. Thus, the funds provided were not sufficient to give employment for 100 days for all registered persons, but could cover wages for 7 days only.

It is, thus, observed from the above that the scheme had been resource-driven than demand-oriented. The objective set out for the scheme appeared to be high-pitched compared to the resources made available by Government.

6.1.5.7 *Payment of wages*

(i) *Delay in payment of wages*

Delays ranging from 15 to 357 days were noticed in payment of wages

Under Jawahar Rozgar Yojana, wages should be paid on the fixed date of the week which should preferably be the local market day and the payment of wages should not be delayed for more than a week except at the option of the workers, in which case also it should not be delayed for more than 15 days. Under Employment Assurance Scheme also, the wages should be paid every week. However, particulars collected from the implementing officers of 5 districts *viz*., Kancheepuram, Pudukkottai, Sivaganga, Thiruvallur and Villupuram revealed that there were delays ranging from 15 to 357 days in payment of wages during the period 1997-99. Wages paid belatedly in three of these Districts, for which details are available, amounted to Rs 38.53 lakh[6].

(ii) *Under-payment of wages*

Wages were paid at rates less than the wages notified for the relevant schedule of employment under Minimum Wages Act

The wages payable to an employee should be according to the wages notified for the relevant schedule of employment under the Minimum Wages Act. Test-check of records in 6 districts (Kancheepuram, Pudukkottai, Sivaganga, Tiruvannamalai, Thiruvallur and Villupuram) disclosed that the employees under Jawahar Rozgar Yojana and Employment Assurance Scheme were paid wages at rates less than the rate of Rs 32 from 1 April 1997 payable according

[6] Pudukkottai: Rs 1.73 lakh, Kancheepuram: Rs 14.79 lakh and Thiruvallur: Rs 22.01 lakh

to Minimum Wages Act to unskilled workers. The wages so underpaid during 1997-99 in these 6 districts worked out to Rs 1.06 crore. While the Assistant Executive Engineers (Soil Conservation Scheme) Villupuram and Tiruvannamalai attributed (February-March 1999) the under-payment to the delay in getting orders for enhancement of rates; no reasons were furnished by the other implementing agencies in the sample districts.

The Beneficiary Survey also revealed that only 15.3 *per cent* of Jawahar Rozgar Yojana beneficiaries and 7 *per cent* of Employment Assurance Scheme beneficiaries knew about the daily wage to which they were entitled under the programmes.

(iii) *Payment of wages to non-registered workers*

The Nominal Muster Rolls maintained under the Employment Assurance Scheme did not exhibit the registration numbers of the workers. In the absence of registration number, it could not be verified in Audit whether the wages were paid to the Registered workers only.

6.1.5.8 *Non-adherence to ratio fixed for wages and material components*

The ratio between the wages and material components under Jawahar Rozgar Yojana should be 60:40. Similarly, under Employment Assurance Scheme, only labour intensive works with the proportion of wages being not less than 60 *per cent* should be undertaken. Works requiring larger component of materials like cement and steel should not be sanctioned under Jawahar Rozgar Yojana and Employment Assurance Scheme unless the excess cost on material component is met from State sectoral programme funds.

Specified ratio between the wages and material component was not maintained during 1996-99 under the schemes

Though the Consolidated Progress reports for the last 3 years *viz.*, 1996-97 to 1998-99 sent to Government of India by the State Government indicated that the said ratio was adhered to, scrutiny of information/records in the implementing offices in 7 sample districts disclosed that the ratio was not adhered to in respect of 1075 works executed during 1996-99 under Jawahar Rozgar Yojana and Employment Assurance Scheme. The level of wage component was 20 *per cent* or less in 117 works, between 21 and 40 *per cent* in 639 works and between 41 and 59 *per cent* in the remaining 319 works. Selection and execution of works with more material component under Jawahar Rozgar Yojana and Employment Assurance Scheme was against the basic objective of providing assured wage employment. Also, the excess expenditure on material component, which worked out to Rs 4.02 crore in respect of 1075 works, was an overcharge on the programmes (Rs 0.59 crore under Jawahar Rozgar Yojana and Rs 3.43 crore under Employment Assurance Scheme) contrary to the instructions of Government of India.

From the Beneficiary Survey also, it was noticed that majority of activities carried out under Jawahar Rozgar Yojana was capital intensive and, as a result, the wage to material ratio worked out to 42:58 in 1997-98 as against 60:40 specified in guidelines. For Employment Assurance Scheme, the ratio worked out to 45:55 as per the Survey in 1997-98.

6.1.5.9 Execution of works through contractors

Contrary to the instructions prohibiting engagement of contractors under the schemes, works costing Rs 1.89 crore were executed through contractors

Guidelines on Jawahar Rozgar Yojana and Employment Assurance Scheme prohibit engagement of contractors/middlemen for the execution of works under the programmes, with a view to ensure that full benefits of wages reach the beneficiaries and to reduce the cost of works by avoiding commission/profit element. Contrary to these instructions, works valued at Rs 1.89 crore were executed during 1993-98 in 3 districts *viz.*, Kancheepuram, Pudukkottai and Sivaganga through contractors.

The involvement of middlemen/contractors was also brought out by the Beneficiary Survey. As per the Survey 28.3 *per cent* of Jawahar Rozgar Yojana beneficiaries and 40.8 *per cent* Employment Assurance Scheme beneficiaries confirmed their involvement. Of this, 37.7 *per cent* of Jawahar Rozgar Yojana beneficiaries and 43.2 *per cent* of Employment Assurance Scheme beneficiaries had also reported the involvement of labour contractors in payment of wages.

6.1.5.10 Other financial points

(i) *Retention of Intensified Jawahar Rozgar Yojana funds*

Despite the merger of Intensified Jawahar Rozgar Yojana with Employment Assurance Scheme from 1996-97, Rs 83.25 lakh of the unutilised funds under Intensified Jawahar Rozgar Yojana were retained by 14 blocks under the control of the Project Officers of the District Rural Development Agencies Kancheepuram (Rs 69.25 lakh on 31 March 1998) and Villupuram (Rs 14 lakh on 28 February 1999) in their Savings Bank accounts.

(ii) *Inadmissible expenditure*

Rupees 11.37 crore were spent on works which were ineligible under the schemes or executed in contravention of the guidelines

(a) Material intensive works such as ground level reservoirs, pumprooms, overhead tanks, pipeline extension etc., are not permitted under Jawahar Rozgar Yojana, as these works form part of rural water supply scheme, funded under different programmes. Contrary to these instructions, 54 such works were executed at a cost of Rs 23.15 lakh in 4 districts *viz.*, Kancheepuram, Sivaganga, Tiruvannamalai and Villupuram under Jawahar Rozgar Yojana.

(b) Minor irrigation works such as wells, village tanks/ponds, field channels, watershed projects, water harvesting structures etc., could be taken up under Employment Assurance Scheme provided that these works could be used for irrigation of some areas (hectares). Though an expenditure of Rs 8.18 crore was incurred on repair/renovation of 112 temple tanks, 613 village tanks in Kancheepuram, Sivaganga and Villupuram Districts under Employment Assurance Scheme, these tanks were not used for any irrigation purposes.

(c) Under Jawahar Rozgar Yojana, only works which result in creation of durable community assets could be taken up. However, 570 burial ground roads were constructed under Jawahar Rozgar Yojana and Intensified Jawahar Rozgar Yojana during 1992-93 to 1998-99 at a cost of Rs 1.21 crore in

Kancheepuram District. These roads cannot be considered as durable, as they were only gravel roads.

(d) The works taken up under Jawahar Rozgar Yojana, Employment Assurance Scheme, Million Wells Scheme and Intensified Jawahar Rozgar Yojana should be labour intensive. The Chief Engineer (Agricultural Engineering) stated in August 1996 that the use of bulldozers should be limited to the extent of 10 *per cent* of the total cost on percolation ponds and only wherever necessary. However, bulldozers were used to a large extent for execution of works in 4 districts *viz.*, Kancheepuram, Pudukkottai, Sivaganga and Tiruvannamalai during 1993-94 to 1998-99 and an amount of Rs 1.45 crore was paid towards hire charges. Of these, the Assistant Executive Engineer (Soil Conservation Scheme), Kancheepuram had utilised bulldozers in 413 out of 486 works of water harvesting nature executed during 1993-99. Bulldozers were hired for 18,586 hours in this six year period at a payment of Rs 84.73 lakh. Utilisation of bulldozers in works resulted in denial of employment opportunities to labourers and defeated the very objective of these schemes.

(e) The Collector, Tuticorin released (June 1994) Rs 30 lakh under Intensified Jawahar Rozgar Yojana to the Divisional Engineer (Highways and Rural Works) for the repairs of major district roads damaged due to floods during November 1993, December 1993 and January 1994. Expenditure of Rs 29.53 lakh was incurred during 1994-95. Since the scheme funds were meant for creation of community assets, these were not to be utilised for repairs of roads. The expenditure was, therefore, irregular.

(iii) *Loss of interest*

Due to parking of funds received from Government of India in the common bank account temporarily, there was a loss of interest to the tune of Rs 38.46 lakh

Funds received from Government of India for Jawahar Rozgar Yojana, Employment Assurance Scheme and Million Wells Scheme have to be credited to separate bank accounts by the District Rural Development Agency. However, in 2 districts *viz.*, Kancheepuram and Pudukkottai, the funds were initially credited to the common bank account of the District Rural Development Agencies during 1992-93 to 1998-99 and transferred to separate bank account after a gap of 1 to 8 months. This resulted in loss of interest of Rs 38.46 lakh on the scheme funds.

(iv) *Rush of expenditure during last quarter/last month of the financial year*

Rush of expenditure during the last quarter of each financial year

Perusal of cash books in 5 District Rural Development Agencies[7] revealed that sizeable amounts (16 to 100 *per cent*) were released only during the last quarter especially during March.

The amounts released at the fag end of the year would be utilised by the implementing agencies only in the next year, while the expenditure is booked by District Rural Development Agency as soon as funds were released by them.

7 Kancheepuram, The Nilgiris, Tiruvannamalai, Thiruvarur and Villupuram

(v) *Diversion of funds*

Rupees 35.58 crore were diverted for other schemes not connected with Rural Employment Generation Programmes

Contrary to the instructions issued by Government of India, programme funds to the tune of Rs 35.58 crore were diverted during 1992-99 by 7 District Rural Development Agencies from Jawahar Rozgar Yojana and by 4 District Rural Development Agencies from Employment Assurance Scheme for activities not connected with the objectives of the Programmes, as furnished in Appendix LIX. Of this, Rs 31.09 crore were diverted and kept in Fixed Deposits from time to time. The balance Rs 4.49 crore were diverted to other schemes such as Members of Parliament Local Area Development Programme, Drought Prone Areas Programme, Small Savings Scheme and kept in Personal Deposit Account. Diversion of funds was in violation of the guidelines, as the funds were meant to be utilised in providing employment to rural poor. An estimated 6.86 lakh mandays[8] of employment could not be generated due to transfer of funds amounting to Rs 2.49 crore to other schemes.

(vi) *Outstanding advances*

Rupees 2.63 crore advanced to various executing agencies under Jawahar Rozgar Yojana in 5 districts during 1995-98 were pending adjustment, as detailed in Appendix LX. Of this, an amount of Rs 60.20 lakh, given for the purchase of steel for the works under the programme, was pending with Tamil Nadu Steels Limited, Arakonam which had closed its factory in September 1997. However, the DRDAs concerned had not taken any effective action to get back the balance due from the company.

(vii) *Misappropriation/misutilisation of funds*

Perusal of records in 4 District Rural Development Agencies *viz*., Salem, Sivaganga, Cuddalore and Villupuram revealed that Rs 64.16 lakh were misappropriated/misutilised during 1993-97 (Appendix LXI). These cases were being investigated.

6.1.5.11 *Maintenance of inventory of Assets*

(a) Register of assets

Register of Assets not maintained

Of the 7 districts covered by test-check, the register of assets created was maintained in only one district *viz*., The Nilgiris in respect of works executed under Employment Assurance Scheme. None of the other 6 districts had maintained register of assets created under the two schemes, although the Jawahar Rozgar Yojana Manual requires that complete inventory of assets created must be maintained at district level.

(b) Maintenance of assets

No expenditure incurred on maintenance of assets

No expenditure was incurred on the maintenance of assets during 1996-97 and 1997-98, as observed from the annual progress reports of the schemes, even though Manual provisions (August 1994) provided that a maximum of

8 Worked out at the rate of minimum wages applicable for the period during which the funds were diverted.

10 *per cent* of annual allocation can be used for this. Director of Rural Development stated (December 1998) that since the need for creation of basic infrastructure itself remained unfulfilled to a great extent, top priority was generally given for creation of assets rather than the maintenance of assets which was attended to by the local bodies concerned. But Director of Rural Development, under whose control the local bodies are functioning, could not furnish the details of any expenditure incurred on maintenance of assets by local bodies. During test-check of records, the Project Officer, District Rural Development Agency, Tiruvannamalai stated (February 1999) that it was for the line department to make provision for upkeep and maintenance of assets.

6.1.6 Programme Monitoring and Evaluation

6.1.6.1 Monitoring

(i) The schemes were monitored at different levels. The responsibility for monitoring the programme at the state level rested with the State level co-ordination committee, consisting of Chief Secretary, Secretaries of the Departments of Rural Development, Finance, Planning and Development and Social Welfare along with the Heads of the respective Departments. The Committee had to be convened regularly, at least four times in a year, to review the progress on the general performance and implementation of all rural development schemes. Information regarding the meetings held by the committee revealed that the last meeting was held in February 1996 and no meeting was held subsequently.

A scrutiny of the minutes of the monthly meetings conducted by the Director of Rural Development reviewing the performance of Project Officers of DRDAs revealed that the aspect of generation of employment, which is the prime objective of the schemes, was not at all deliberated and monitored.

The Collectors were reviewing the performance of all the Block Development Officers and the implementing agencies periodically at the district level and Block Development Officers and the Union Engineers were monitoring the schemes at the block level.

(ii) Despite the instructions (September 1993) of Government of India that separate District and block level committees for monitoring Employment Assurance Scheme were to be formed, orders for forming these committees were issued by State Government only in October 1998. Details regarding the formation of such committees from November/December 1998 were received only from three districts *viz*., Kancheepuram, The Nilgiris and Thiruvallur. However, except in The Nilgiris District, no meeting of the committee was held till May 1999 in the other two districts. Information regarding the formation of such district committees in other districts was not made available to Audit (May 1999).

Schedule prescribing the minimum number of field visits for each supervisory level functionary from State to the block level was not drawn up for conducting inspection

(iii) No schedule of field visits for each supervisory level functionary from state level to the block level was drawn up under Jawahar Rozgar Yojana and Employment Assurance Scheme, as required.

(iv) A perusal of the monthly progress reports of the schemes for the year 1997-98 indicated that no critical analysis of the performance had been done at Government level for taking further corrective measures.

6.1.6.2 Evaluation

(i) As per the guidelines on Jawahar Rozgar Yojana and Employment Assurance Scheme, the State should conduct periodical evaluation studies on the implementation of the schemes and copies of such evaluation reports were also to be furnished to Government of India. Apart from this, the State should also entrust evaluation studies to external agencies on issues thrown up by the concurrent evaluation meriting detailed studies. Information regarding conduct of periodical evaluation studies on the implementation of the programme by the State Government was not made available (May 1999) to Audit.

According to the Survey Report of the Directorate of Rural Development (survey conducted during 1991-92), the number of rural families below the poverty line was 38 *per cent* of the total number of rural families. According to Budget Speech of the Chief Minister on State Budget for 1999-2000, the population below the poverty line in rural areas was 24.72 *per cent* in 1997-98. However, as the foregoing discussion shows, only a small part of the decrease of 13.28 *per cent* of the rural population below the poverty line can be attributed to the Rural Employment Generation Programmes.

No continuous feed back in respect of all the on-going schemes was received from the Assistant Project Officers (Monitoring) of the District Rural Development Agencies

(ii) Despite the instructions (January 1994) of the Director of Rural Development for the continuous monitoring and evaluation by the Assistant Project Officers (Monitoring) of the DRDAs of all on-going schemes, no such evaluation was done and report submitted by any of the 7 DRDAs covered by test-check. Thus, for want of such feed back, the actual impact of the scheme could not be assessed in audit.

6.1.7 Recommendation

Nominal Muster Rolls must be maintained so that it can be ensured that wages are paid to the workers actually employed and against their acquittance. This would also ensure determination of the correct number of mandays of employment generated. When reporting the opening balance of funds to Government of India, the District Rural Development Agencies should include the unspent balances lying with all implementing agencies besides their own balance. The wage/material ratio in each work must be maintained at 60:40, as stipulated by Government of India. The excess expenditure on material component beyond 40 *per cent* has to be met by the State Government and not from the programme funds. This needs to be enforced.

The above points were referred to Government in August 1999; reply had not been received (January 2000).

6.2 Decentralised District Planning Scheme (Rural Development Department)

Highlights

Government decided in 1993 to entrust the planning activity in respect of district sectors to the district level agencies for faster flow of benefits of schemes to the local people. A review of the scheme showed that the desired objectives have not been achieved so far. Comprehensive District plans were not prepared after compilation of data, formulation of strategy and assessment of resources for allocation to projects. Belated approval of annual district plans by the District Development Council/District Panchayat and consequent delayed release of funds every year to the Block Development Officers resulted in the eventual delay in commencement of works. Works taken up were spread over 4 to 5 years and so the objective of quick flow of benefits to the local people was not achieved. The following are some significant findings of the review:

- **Belated approval of District Plans after the month of October every year, eventually resulted in delay in commencement and completion of works, thereby postponing the flow of benefits to the people.**

(Paragraph 6.2.4.3)

- **The prescribed ratio of 60:40 in respect of works taken up in rural and urban areas was not maintained in 6 districts test-checked. Against the envisaged 20 *per cent*, the expenditure on roads and bridges sector ranged between 24 to 100 *per cent* of the district allocation in 4 districts during certain years.**

(Paragraph 6.2.4.4 (a) and (b))

- **Seventeen works at a total cost of Rs 74.03 lakh were executed though the cost of each work was more than the prescribed limit of Rs 5 lakh/10 lakh, some by splitting into parts/reaches.**

(Paragraph 6.2.4.4 (c))

- **The entire allocation made under the scheme for each year was drawn from Treasury and released to the District Rural Development Agencies, even when they were having unspent balances of previous year and the amounts were kept outside Government account.**

(Paragraph 6.2.5.3)

Abbreviations used in this review are listed in the Glossary in Appendix LXIV (page 320).

- **In 6 test-checked districts, there were huge variations in the physical and financial achievement reported by the District Rural Development Agencies to the State Planning Commission. These reports did not reflect the correct picture and, therefore, were not reliable.**

(Paragraph 6.2.7.2)

- **In five test-checked districts, 225 works, which were inadmissible, were executed under the scheme at a cost of Rs 2.07 crore.**

(Paragraph 6.2.7.3)

- **Rupees 8.41 crore of scheme funds were diverted during 1995-97 towards the augmentation of small savings, flood relief works, etc.**

(Paragraph 6.2.7.5 (i))

6.2.1 Introduction

District Planning is an area based planning with a detailed assessment of all resources, problems and potentialities of a district so as to evolve suitable investment programmes and welfare oriented schemes well suited to the particular needs of the district. This is restricted to activities and investments involving small outlays for villages, panchayat unions and urban areas located within the district, covering all districts except Chennai. It was in 1993-94 that the Government, as a policy, launched the decentralised district planning. While the ultimate aim of this was entrustment of planning activities in respect of district sectors to the district planning agency, it recognised a phased development of the concept. Implementation of this concept required the preparation of a comprehensive district plan for which detailed guidelines and methodology were laid down. The scheme continued during the subsequent years, albeit not in the fashion contemplated, and during 1997-98 was extended to cover Chennai District also. The expenditure on the scheme was borne by the State Government.

The main objectives of the scheme are to (i) decentralise planning and decision making process at district levels for faster flow of benefits of developmental schemes to the people; (ii) execution of small works by local bodies and line departments which would benefit a particular village or cluster of villages and would cater to the long-felt and urgent needs of local people by way of creating community assets for them and creating employment opportunities at the local level and (iii) provision of basic infrastructure facilities listed by Government for sustainable development in rural as well as urban areas at a specified ratio of coverage between these areas.

6.2.2 Organisational set up

Planning and Development Department in the State Secretariat was responsible for provision of funds and issue of guidelines. The State Planning Commission was responsible for monitoring and evaluation of the scheme at State level. In December 1998, all the above functions were handed over to the Rural Development Department in the State Secretariat and the Director of Rural Development. At the District level, the implementation of the scheme was entrusted to the District Rural Development Agency (DRDA). The Project Officer of the Agency was in charge of formulation of District Plan, implementation, co-ordination, supervision, monitoring and evaluation at District level under the overall supervision of District Collector, who accorded administrative approval for each of the work taken up under the scheme. District Development Council approved the district plan schemes relating to rural areas up to 1996-97. Consequent on the Panchayat elections in 1996-97, the District Panchayats were constituted and they approved the district Plan schemes for rural areas. The urban local bodies select and approve the works to be taken up in the urban areas.

The scheme is implemented by Block Development Officers, Executive Officers of Town Panchayats, Commissioners of Municipalities and Corporations, Kattida Maiyams[1] and other selected non-Governmental organisations besides certain line departments like State Highways, Public Works, Agricultural Engineering and Fisheries Departments and Tamil Nadu Water Supply and Drainage Board.

6.2.3 Audit coverage

The implementation of the scheme for the period 1993-94 to 1998-99 was reviewed during November 1998 to April 1999 through a test-check of records in the State Planning Commission, Planning and Development Department in the State Secretariat, Directorate of Rural Development 6 DRDAs[2] out of 28 DRDAs besides 97 Panchayat Unions, 59 Town Panchayats, 10 Municipalities and 2 Corporations. The findings are discussed in the following paragraphs.

6.2.4 Input/Action Plan

The guidelines issued by Government from time to time for the scheme envisaged that:

(i) District Development Council/District Panchayat was empowered to discuss, finalise and approve the comprehensive District Plan.

(ii) Only small works costing not more than Rs 5 lakh upto 1996-97 and Rs 10 lakh from 1997-98 were to be taken up.

(iii) From 1995-96, the District Plans were to be taken up in rural and urban areas in the ratio of 60:40.

(iv) Only the works specified in the Government orders every year were to be taken up.

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[1] 'Kattida Maiyam' is a building society, registered under Societies Act, functioning as a voluntary organisation.

[2] Kancheepuram, Pudukkottai, Salem, Tirunelveli, Thiruvallur and Villupuram.

(v) Only 20 *per cent* of the total district outlay was to be spent on roads and bridges. Works upto 50 *per cent* of the total district outlay were to be entrusted to the Block Development Officers for execution.

6.2.4.1 Non-establishment of District Planning Cell

Specific District Planning cells for preparation of comprehensive District Plan for the scheme were not formed

The Eighth Five Year Plan and the Annual Plan for 1993-94 contemplated the establishment of a District Planning Cell in each district with a District Planning Officer as its head, for formulation of comprehensive District Plan covering developmental schemes of local importance involving smaller outlays. However, the proposal of the State Planning Commission in March 1992 for the establishment of District Planning Cells was not approved (April 1992) by the State Government in view of the additional staff cost involved. In the absence of specific District Planning Cells, the formulation of District Plan was entrusted to the DRDAs, which were already implementing many rural development schemes. As no separate staff for this purpose were sanctioned for DRDAs, there were deficiencies in the preparation of District Plans as discussed in the succeeding paragraph. In none of the test-checked districts, a comprehensive District Plan was prepared. Government in Rural Development Department reported (November 1999) to Audit that orders were issued in August 1999 for the constitution of a District Planning Cell in each District (except Chennai).

6.2.4.2 Deficiency in preparation of District Plans

Comprehensive District Plans were not prepared after collecting all the required District Key indicators

Under the scheme, the DRDAs were required to prepare, every year, a comprehensive district plan taking into account the following:

(i) Resources of the district, its special problems and potentiality and analysis of the felt need of the population.

(ii) credit plans prepared by Lead banks in the District and District Credit Plan prepared by National Bank for Agriculture and Rural Development.

However, test-check of records in 6 districts revealed that no such exercise was carried out and the works recommended by elected representatives and implementing agencies in piecemeal were compiled and approval of the District Development Council/District Panchayat was taken in piecemeal. Though called District Plans, these were merely compilation of individual schemes included without collecting and collating key district indicators required and establishing any co-relations amongst them. These were far removed from the concept of "comprehensive" plan as envisaged by the State Planning Commission. Government reported (November 1999) to Audit that an approach for drafting an Integrated District Plan is under consideration and the same would give priority for Comprehensive District Plan approach.

6.2.4.3 *Delay in formulation and approval of District Plans*

Belated approval of District Plans during the last two quarters of each year resulted in eventual delay in commencement and completion of works

District Plan was to be prepared and approved well in advance so that all works selected could be taken up and completed within the scheme year itself so that the benefits from these works could percolate to the people immediately. However, in all the six districts covered by test-check, district plans were invariably prepared/approved between October and March of the year concerned, resulting in eventual delay in commencement and completion of works and thereby delaying the flow of benefits to the people. The delay resulted in utilisation of available funds to the extent of 34 to 80 *per cent* during 1993-94 to 1998-99, as seen from the table.

(Rupees in crore)

Year	Opening Balance	Allotment	Total	Expenditure	Closing Balance	Percentage of utilisation
1993-94	Nil	20.00	20.00	11.58	8.42	58
1994-95	8.42	40.00	48.42	27.30	21.12	56
1995-96	21.12	50.00	71.12	29.97	41.15	42
1996-97	41.15	60.00	101.15	33.94	67.21	34
1997-98	67.21	35.00	102.21	64.12	38.09	63
1998-99	38.09	35.00	73.09	58.24	14.85	80
Total		**240.00**		**225.15**		

Government reported (November 1999) that the time consumed for drafting and approving the district plan would be considerably reduced in the event of District Planning Committee being made fully operational.

6.2.4.4 *Violation of scheme guidelines*

Test-check of records revealed that the guidelines were mostly violated as discussed below.

(a) Non-maintenance of rural-urban ratio

Non-maintenance of rural-urban ratio in respect of works taken up under the scheme in certain years

In the 6 districts test-checked, the prescribed ratio of 60:40 in respect of works taken up in rural and urban areas was not maintained during 1995-96 (4 districts)[3], 1996-97 (2 districts)[4] and 1997-98 (1 district)[5]. The ratio ranged from 41:59 to 83:17.

[3] 1995-96: Salem (76:24), Pudukkottai (83:17), Tirunelveli (80:20) and Villupuram (78:22)

[4] 1996-97: Kancheepuram (67:33) and Thiruvallur (50:50)

[5] 1997-98: Salem (41:59)

(b) Higher expenditure on roads and bridges

Expenditure on roads and bridges exceeded the prescribed 20 *per cent*

In four Districts *viz.*, Salem, Kancheepuram, Thiruvallur and Villupuram, expenditure on roads and bridges ranged between 24 and 100 *per cent*[6] of the district allocation, while the limit was 20 *per cent*.

(c) Taking up major works under the scheme

Individual works costing more than Rs 5 lakh/10 lakh were taken up for execution

In 4 districts *viz.*, Kancheepuram, Pudukkottai, Thiruvallur and Villupuram, 17 works (including 9 major works) were taken up and executed at a cost of Rs 74.03 lakh though the cost of each work was more than the prescribed limit of Rs 5 lakh/10 lakh. Of this, three works[7] were found to have been split into parts/reaches to bring the individual cost estimate within the prescribed limit.

Though Government reported (November 1999) that these works were of the nature of meeting long-felt needs of the local people, the scheme contemplated only the execution of small works costing not more than Rupees 5 lakh (upto 1996-97) and Rupees 10 lakh from 1997-98 in order to accommodate more works of lower cost each for ensuring overall faster benefits.

6.2.4.5 Sectoral utilisation

While about 27 local sectors/activities were listed out in the Government orders and guidelines for selection by the local bodies, only three sectors accounted for 66 to 80 *per cent* of the allocation during the period 1993-94 to 1997-98, as shown below:

Name of the Sector	Percentage of allocation made during					
	1993-94	1994-95	1995-96	1996-97	1997-98	Average
Roads and Bridges	45	20	25	37	39	33
School Buildings	24	27	19	15	11	19
Water Supply and Drainage	11	19	23	22	27	20
Total	**80**	**66**	**67**	**74**	**77**	**72**

6.2.5 Resource allocation

6.2.5.1 Funding

The scheme is a State Plan scheme and the expenditure is fully borne by the State Government. Districtwise fund allocations were done by Government every year.

6 Salem: 1994-95 – 31; 1995-96 – 24; 1996-97 – 59
Kancheepuram: 1995-96 – 29; 1996-97 – 100
Thiruvallur: 1995-96 – 29; 1996-97 – 100;
and Villupuram: 1995-96 – 27; 1996-97 - 84

7 Widening and deepening of Manjal Neer Canal, Improvement to Gunagarampakkam-Edayarkuppam road at 0/0 to 2/0 km and Improvement of Vandalur – Kelambakkam - Velacherry Road.

The District Collectors were authorised to draw funds based on the sanction orders issued by Government and disburse them to the Project Officers of DRDAs, who were holding additional charge of the post of Chief Executive Officers of District Panchayats. The funds provided to the DRDA were required to be kept in a Nationalised Bank or in post office savings bank accounts and were to be released, in instalments, to the implementing agencies. Subsequently, from January 1999, the funds were being kept in the specified local fund deposit account kept in Treasuries.

6.2.5.2 *Financial Performance*

The delay in formulation of district plans led to consequent delay in release of funds to implementing agencies, commencement and completion of works. The table below shows that only a portion of funds released during the year was spent in that year and unutilised balances were carried forward to the next year for spill-over works and new works.

(Rupees in crore)

Year	Funds provided	Expenditure during						Total expenditure up to 31 March 1999	Un-spent balance as on 31 March 1999
		1993-94	1994-95	1995-96	1996-97	1997-98	1998-99		
1993-94	20	11.58	7.05	0.98	0.39	-	-	20.00	Nil
1994-95	40	-	20.25	13.29	3.33	2.08	1.05	40.00	Nil
1995-96	50	-	-	15.70	22.30	8.20	3.80	50.00	Nil
1996-97	60	-	-	-	7.92	38.01	11.97	57.90	2.10
1997-98	35	-	-	-	-	15.83	17.11	32.94	2.06
1998-99	35	-	-	-	-	-	24.31	24.31	10.69
Total	**240**	**11.58**	**27.30**	**29.97**	**33.94**	**64.12**	**58.24**	**225.15**	**14.85**

As of March 1999, the DRDAs had a closing balance of Rs 14.85 crore out of Rs 240 crore released during 1993-99. The table above clearly reveals that the funds earmarked for each scheme-year were utilised during the subsequent years.

6.2.5.3 *Unutilised Funds*

Entire allocation under the scheme for each year was drawn and released to the DRDAs even when they had unspent balances of previous years

It was observed that the entire allocation under the scheme for the year was drawn from Treasury and paid to Project Officer, DRDAs, who released the same to implementing officers in instalments. Thus, funds were released even when DRDAs had unspent balances of previous year and kept them outside Government Account. It was only in December 1998 that the Government directed the District Collectors to ensure that the funds were drawn from the treasury only to the extent needed for scheme implementation during the year.

6.2.6 Programme output

6.2.6.1 Physical Progress

The details of works taken up under the scheme and the number of works completed as per the reports rendered by DRDAs to the State Planning Commission were as given below:

Year	Number of works			Percentage of works completed during the year
	taken up	Completed during the year	Carried over to the next year	
1993-94	2171	1389	782	64
1994-95	5546	2736	2810	49
1995-96	4594	1187	3407	26
1996-97	6637	909	5728	14
1997-98	4811	1324	3487	28
1998-99	3298	2412	886	73

Works carried over were completed by the implementing agencies over the next one to three years, as indicated in the table below:

Year	Number of works taken up	Number of works completed during						Total works comple-ted up to 31 March 1999	Incomplete works as on 31 March 1999
		1993-94	1994-95	1995-96	1996-97	1997-98	1998-99		
1993-94	2171	1389	706	56	20	-	-	2171	Nil
1994-95	5546	-	2736	2687	100	23	-	5546	Nil
1995-96	4594	-	-	1187	3195	212	-	4594	Nil
1996-97	6637	-	-	-	909	4834	887	6630	7
1997-98	4811	-	-	-	-	1324	3344	4668	143
1998-99	3298	-	-	-	-	-	2412	2412	886
Total	**27057**	**1389**	**3442**	**3930**	**4224**	**6393**	**6643**	**26021**	**1036**

The execution of works relating to a scheme-year during the succeeding years defeated the main objective of the scheme *viz*., quick flow of benefits to the local people.

As of March 1999, 1036 works were yet to be completed. Of this, 7 works related to the year 1996-97, 143 works to 1997-98 and 886 works to 1998-99.

6.2.7 Micro-analysis in districts covered

6.2.7.1 Financial and Physical progress

Test-check of the connected records in 6 districts covered revealed the following:

(a) The following table shows the details of allocation and expenditure and the targets and achievements for the period 1993-99, as reported by the DRDAs to the Government.

Name of the District (DRDA)	Financial (Rupees in lakh)		Physical (Number of works)	
	Allocation	Expenditure	Target	Achievement
Salem	1247.54	1228.53	1298	1290
Pudukkottai	865.99	826.81	771	764
Tirunelveli	1087.91	1060.37	1122	956
Villupuram	1204.48	956.86	1405	1350
Kancheepuram Thiruvallur	1432.46	1262.64	1591	1550
Total	**5838.38**	**5335.21**	**6187**	**5910**

Thus, as of April 1999, Rs 503.17 lakh were lying unutilised with these 6 DRDAs and 277 works were incomplete.

However, Audit observed discrepancy between the reported number of incomplete works and reported unspent balance, as given in para 6.2.7.2.

6.2.7.2 Incorrect reporting of physical and financial achievement

Discrepancies between the reported physical and financial achievement to State Planning Commission and the actual figures obtained from DRDAs by Audit

There were huge variations in physical and financial achievement reported by the DRDAs to the State Planning Commission (SPC) and the actual achievement as obtained from the records of the DRDAs. Thus, the physical and financial achievement reported to the State Planning Commission was overstated and, therefore, had hardly any reliability as indicated below:

Serial Number	District	Unspent balance on 31 March 1998 (Rupees in lakh)		Number of incomplete works as on 31 March 1998	
		As per progress reports sent to SPC	As per records test-checked	As per progress reports sent to SPC	As per records test-checked
1.	Salem	10.67	151.71	26	119
2.	Kancheepuram	98.07	138.52	146	172
3.	Thiruvallur	68.10	169.24	90	212
4.	Pudukkottai	107.16	84.11	93	128
5.	Tirunelveli	130.41	318.62	158	135
6.	Villupuram	196.18	257.15	372	343
	Total	**610.59**	**1119.35**	**885**	**1109**

This state of affairs was not unknown to the State Government. In fact, Secretary to Government, Rural Development Department had also pointed out (September 1998) to all the District Collectors that works were being shown as completed in progress reports by implementing agencies even before physical completion and the District administration had no reliable data but depended on the information furnished by blocks, which were, many times, unreliable. Matters don't seem to have improved however, and Government should take serious note of such excessive misreporting and take action against defaulting executives.

6.2.7.3 Inadmissible works

Government specified the types of work that could be taken up under the programme in their annual sanction orders and in the guidelines issued on the scheme.

Execution of 225 inadmissible works costing Rs 2.07 crore under the scheme during 1994-98

(a) Test-check of records in 5 districts *viz*., Kancheepuram, Pudukkottai, Tirunelveli, Thiruvallur and Villupuram revealed that 222 works not covered under the scheme guidelines were taken up using the scheme funds during 1994-98 and an expenditure of Rs 1.97 crore was incurred on these works.

Serial Number	Description of work	Number of Works	Expenditure incurred (Rupees in lakh)
1.	Provision of Sodium Vapour lamps	105	67.25
2.	Construction of office buildings, quarters and other allied works	14	18.01
3.	Construction of Guest Houses and buildings for colleges and hospitals	7	20.37
4.	Construction of Public Distribution System outlets (Fair Price Shops)	17	19.43
5.	Construction of shopping complexes	5	15.70
6.	Construction/Improvement to Bus Stands	5	37.94
7.	Other Works	69	18.23
	Total	**222**	**196.93**

Execution of works like construction of office buildings, quarters, guest houses was not for the felt-needs of local people.

(b) Three works of improvement to roads which were not to be taken up under the scheme were taken up and executed during 1994-95 and 1997-98 and an expenditure of Rs 10.05 lakh was incurred on them as detailed below:

Serial Number	Description of work	Work executed by	Expenditure incurred (Rupees in lakh)	Year of execution
1.	Improving the road from Salem - Mettur road	Block Development officer Mecheri	2.50	1994-95
2.	Improving the road to Kovalam	Divisional Engineer, (Highways and Rural Works) (DE (H&RW)), Chengalpattu	1.60	1997-98
3.	Improvement to the NH 45 and NH 45A at Villupuram	DE (H&RW), Villupuram	5.95	1994-95
	Total		**10.05**	

These works should not have been taken up under the scheme for the following reasons: (i) The work of improving road from Salem to Mettur road abruptly ended at a private company *viz*., Southern Iron and Steel Company Limited plant without benefitting any village; (ii) the work of improving the road to Kovalam was actually leading to a private hotel and thus there was no direct benefit to local people; (iii) The entire expenditure on construction, development and maintenance of National Highways (NH) was met by

Government of India. As such, the expenditure on improvement of NH 45 and NH 45 A was not to be borne by the State Government .

6.2.7.4 Repairs and maintenance works

Repairs and maintenance works were executed under the scheme during 1994-98 at a cost of Rs 42.83 lakh, contrary to the guidelines

As per the guidelines issued for the scheme, the works of construction or improvement in nature were alone to be selected and executed under the scheme. Test-check of records in five districts *viz*., Kancheepuram, Salem, Tirunelveli, Thiruvallur and Villupuram revealed that a total expenditure of Rs 42.83 lakh was incurred on repairs to school buildings, noon-meal centres, balwadis, latrines, primary health centres etc., during 1994-95 to 1997-98. Execution of such repair and maintenance works under the scheme was not in order.

6.2.7.5 Other financial points

(i) Diversion of funds

Rupees 3.85 crore of Scheme funds were diverted during December 1995 and December 1996 for augmenting small savings

(a) The scheme funds were originally ordered to be kept in Post Office Savings Bank accounts and consequent on the instructions (August 1995) of State Government, the funds were kept in nationalised banks from 1995-96 onwards. Government, on the request from the Director of Small Savings, instructed (December 1995 and December 1996) the Project Officers of DRDA at Kancheepuram, Pudukkottai and Villupuram to transfer Rs 3.85 crore of the scheme funds to Post Office Savings Bank account so as to augment small savings collection and to avail loan assistance from Government of India at a marginal rate of interest based on such small savings collection. Thus, transfer of huge scheme funds, which were already shown as expenditure under Government accounts to augment small savings collection, which was not connected to the implementation of scheme, was a temporary diversion.

Rupees 4.56 crore of Scheme funds were diverted during 1996-97 in 2 districts for attending to flood relief works, which were to be met from Calamity Relief Fund

(b) Expenditure on relief measures in the event of natural calamities has to be met out of Calamity Relief Fund. However, in Kancheepuram and Villupuram Districts, scheme funds to the tune of Rs 4.56 crore were diverted to flood relief works during 1996-97 on the orders (December 1996) of Government and the scheme works of the current year were kept in abeyance. The amount utilised on such flood relief works was not recouped by Government for taking up the works which were kept under abeyance.

(ii) Blocked Funds

Retention of Scheme funds of Rs 18.01 lakh by BDO, Walajabad for 2 to 4 years without commencement of works

(a) Rupees 19.15 lakh were transferred by the DRDA, Kancheepuram to the Block Development Officer (BDO), Walajabad during 1994-95 to 1996-97 for execution of 28 works and the same were kept in bank accounts. The BDO completed only 3 works at a cost of Rs 1.14 lakh up to November 1997 and thereafter the District Collector cancelled (November 1997) the works. As the BDO refunded the amount only in March 1998, the funds remained blocked for a period of 2 to 4 years. The reasons for non-commencement of works have not been made available to audit by the BDO (March 1999).

(b) Rupees 3.69 lakh were given as advance payment in February 1997 by the DRDA, Salem to Tamil Nadu Steels Limited, Arakonam for supply of 18905 MT of steel rods. The firm had not supplied the steel rods (March 1999). Though the firm had stopped the production of steel during 1996-97 itself, the DRDA did not take any concrete action to get the refund.

(c) Rupees 80.42 lakh were released during 1993-96 by the DRDA, Salem to Kattidaya Maiyam, Salem for execution of 108 works of construction of school buildings and toilets. Despite the report (March 1997 and March 1998) of the Project Engineer of the Maiyam that all works had been completed utilising the advance of Rs 66.90 lakh given to him, a fact finding committee constituted by the District Collector assessed that only 49 works were completed and the value of work done was only Rs 56.74 lakh. The Project Engineer had not yet refunded the balance of Rs 10.16 lakh and the matter was under investigation. The Maiyam had refunded only Rs 3 lakh out of Rs 13.52 lakh due to the Government. Absence of proper monitoring by the Project Officer, DRDA, Salem led to this situation.

(iii) Accumulation of Interest

Accumulated interest of Rs 1.55 crore lying in 6 districts without utilisation

Government directed that the scheme funds be kept in Post Office Savings Bank accounts (up to 1994-95) and in nationalised banks (from 1995-96 to December 1998). Since Government had not issued any specific orders for the utilisation of the interest accrued on these accounts, the DRDAs and the implementing agencies retained the accumulated interest amount in bank accounts.

An amount of Rs 1.55 crore accrued as interest as on 31 March 1998 in 6 test-checked districts *viz.*, Kancheepuram, Pudukkottai, Salem, Thiruvallur, Tirunelveli and Villupuram was lying unutilised in the concerned bank accounts. These amounts could have been ploughed back to the scheme for execution of works.

6.2.7.6 Non-furnishing of Utilisation certificates

Utilisation Certificates and completion reports for completed works during 1993-99 were not sent by any of the six DRDAs to the State Planning Commission

The implementing agencies, on completion of works, were to submit to the DRDA, a completion report, work-wise, along with an utilisation certificate for the amount received by them. Unutilised balance, if any, should also be refunded to the DRDA with interest accrued. Similarly, the agencies were also to submit to the State Planning Commission, completion reports and utilisation certificates in respect of works taken up under the scheme every year.

None of the 6 DRDAs had submitted the Utilisation Certificates along with completion reports in respect of the works executed under the scheme during the period 1993-99, as the same were not received from most of the implementing agencies. As observed in paragraph 6.2.5.2 and paragraph 6.2.7.5 (iii), unutilised scheme funds of Rs 14.85 crore as of March 1999 were available with the implementing agencies along with the interest of Rs 1.55 crore as of March 1998 accrued on funds deposited by DRDAs in Post Office Savings Bank Accounts/nationalised banks.

6.2.7.7 *Non-maintenance of register of works*

Under the scheme, the DRDA had to maintain a register of works for all works taken up for execution in the District, duly indicating details of villages/blocks, date of commencement and completion, cost involved and other relevant information. Such register was not, however, maintained by any of the six DRDAs covered by test-check.

6.2.7.8 *Programme Monitoring and Evaluation*

(i) Monitoring

Absence of proper monitoring

Guidelines envisaged field inspection of works by the officers of Blocks, DRDAs and by the Heads of department of the implementing agencies.

Though the test-checked DRDAs reported that their officers conducted field visits, no statistical details regarding their field inspections and notes issued on the monitoring aspects after field visits were produced to audit. In the absence of these records, the efficacy of monitoring undertaken could not be ensured. As observed in paragraph 6.2.7.2, there were discrepancies between the financial/physical figures reported as achieved by the DRDAs, and the figures obtained by Audit from the records in six districts. Absence of any effective supervision is demonstrated by the fact that these incorrect figures were not detected either by the Project Officers of DRDAs in their visits or by any officer/Heads of Department who undertook monitoring at State level.

(ii) Evaluation

No evaluation studies conducted to assess the impact of the scheme

Even though the scheme was under implementation in the State from 1993-94 onwards, no evaluation of the scheme was conducted so far by any agency or by the department to assess the impact of the scheme and its contribution to the overall development of the districts.

The Director of Rural Development instructed, as early as in January 1994, that the Assistant Project Officers (Monitoring) of the DRDAs were to conduct independent evaluation of all on-going schemes implemented by them and prepare comprehensive evaluation reports highlighting the quality of works, bottlenecks in implementation and the impact of the scheme. However, no such evaluation reports were prepared and sent.

6.2.8 Recommendations

Government should ensure that comprehensive District Plan is prepared as envisaged in the scheme and got approved by the District Panchayats by the due date to be prescribed. The progress reports on utilisation of funds and completion of works must be prepared accurately. It must be ensured through active monitoring that works taken up are within the limit of Rs 10 lakh each and the ratio of outlay on rural-urban works is maintained at 60:40. There should be no diversion towards works not included in the list of approved works.

6.3 Material Management
(Municipal Administration and Water Supply Department)
(Tamil Nadu Water Supply and Drainage Board)

Highlights

The review of the Material Management in Tamil Nadu Water Supply and Drainage Board revealed that the purchases were being made in an uncontrolled manner often resulting in excess purchases and surplus stock. The Board failed to prescribe any checks to enable the Material Management wing to verify whether the indents from the Divisions were realistic. Consequently, purchases were made based on inflated indents received from the Divisions. The Divisions did not work out the issue rates every month resulting in overvaluing/undervaluing of the stores issued to the works. Huge balances were outstanding under suspense accounts due to non-adjustment of value of materials purchased/transferred. Some important findings were as follows:

- **The purchases were being made in excess of requirement. Though the system required purchase of only the immediate requirement, worked out on the basis of quarterly indents, the closing stock in the Divisions was found to be as high as 5 to 14 months' requirement.**

(Paragraph 6.3.3)

- **The Divisions were not disclosing the exact surplus in their Monthly Inventory Reports for effecting transfers. As against the surplus of Rs 4.29 crore reported by the divisions as of March 1999, the actual surplus was Rs 16.31 crore. As a result, purchases were made on the basis of unreliable data.**

(Paragraph 6.3.4 (i) and (ii))

- **Casing pipes and hand pumps worth Rs 77.03 lakh were purchased in anticipation of Government order for drought relief works. They were rendered surplus due to reduction in number of borewells to be constructed during 1996 and non-declaration of drought for the year 1997.**

(Paragraph 6.3.4 (vi))

- **Asbestos cement pipes worth Rs 14.35 lakh remained unutilised as of March 1999 due to excess quantity purchased by the Joint Chief Engineer without considering the transfer of pipes already effected.**

(Paragraph 6.3.4 (vii))

Abbreviations used in this review are listed in the Glossary in Appendix LXIV (page 320).

- **The Board failed to communicate the reduction in rates of Asbestos cement pipes to the divisions in time. As a result, there was an overpayment of Rs 42.84 lakh.**

(Paragraph 6.3.5 (i))

- **Purchase of pipes far in advance of requirement deprived the Board of the price advantage of Rs 2.74 crore, due to cheaper rates obtained in subsequent purchase.**

(Paragraph 6.3.5 (ii) (b))

- **Failure of the Regional Chief Engineer, Madurai to ascertain the availability of pipes in other divisions while entrusting the work on turn-key basis resulted in avoidable additional liability of Rs 71.90 lakh**

(Paragraph 6.3.5 (v))

- **Entrustment of accounting functions to the officer who was entrusted with the purchase of material led to fraudulent activity resulting in a loss of Rs 1.12 crore to the Board.**

(Paragraph 6.3.6 (i))

6.3.1 Introduction

The Tamil Nadu Water Supply and Drainage Board (Board) executes water supply and drainage schemes in urban and rural areas throughout the State (excluding Chennai Metropolitan area) on behalf of the local bodies. The works are executed by 59 (22 urban and 37 rural) Divisions headed by Executive Engineer (EE) and supervised by Superintending Engineer (SE) under the control of four Regional Chief Engineers (CE). The Material Management wing, headed by a Joint Chief Engineer (JCE), is responsible for planning, procurement and monitoring of materials required for various works. In addition to one stores sub-division attached to each division, a central store at Vadakuthu is functioning for keeping reserve stocks of pipes and specials[1]. The system of procurement, custody, issue and accounting of materials for the period 1993-99 was reviewed by Audit during October 1998 to March 1999 in 17 divisional stores, the central stores and in the offices of the 4 Regional CEs and Material Management wing of the Board. The findings are discussed in the following paragraphs.

6.3.2 Funding

The Budget does not have a distinct provision for procurement of materials

The works executed by the Board are in the nature of deposit works on behalf of local bodies. The Board raised loans/received Government grants on behalf of local bodies for executing the works. This was treated as deposits from local bodies and the works were executed by providing funds from the budget of the Board. The funds required for purchase of materials are provided in the budget of the works concerned. The Board's budget does not have a distinct provision for procurement of materials. Consequently, the actual expenditure

[1] Specials means pipe fittings such as joints, couplers, valves

incurred on procurement of materials cannot be ascertained from the Board's accounts. However, since April 1999, the Board has decided to execute works on turn-key basis, thereby doing away with procurement of materials.

6.3.3 Synopsis of Material account

As against 3 months' requirement, the closing stock of the Divisions varied from 5 to 14 months' requirements

A synopsis of the material account showing the value of material received and issued and closing stock held by the divisional and central stores for the period from 1993-94 to 1998-99 as furnished by the Regional CEs is given below.

(Rupees in crore)

Year	Opening stock	Receipts	Issues	Closing stock
1993-94	20.13	27.23	25.64	21.72
1994-95	21.72	24.01	21.74	23.99
1995-96	23.99	63.43	60.17	27.25
1996-97	27.25	99.06	79.51	46.80
1997-98	46.80	155.15	139.33	62.62
1998-99	62.62	128.15	133.97	56.80

The Board fixed Rs 4.00 crore (September 1991) as the reserve stock limit for the central stores and this limit was not exceeded. No reserve stock limit was prescribed for Divisional stores. However, as the indents were received quarterly from them for their immediate requirements, the stock limit for these stores would be a maximum of three months requirement. The closing stock in the Divisions varied from 5 to 14 months' requirement.

The closing stock included materials which were not required for use by the Divisions and declared as surplus. The value of surplus material during 1996-99 as reported by the stores was as under.

Year	Value (Rupees in crore)
1996-97	3.84
1997-98	4.12
1998-99	4.29

The maintenance of huge surplus stock which was due to wrong assessment of requirement resulted in blocking of funds.

6.3.4 Assessment of requirement

According to the instructions issued by the Board in April 1990, the EEs were required to assess the quantity of materials required for the works on the basis of technically sanctioned estimates. They should forward the indents to the Material Management Wing (MM wing) on quarterly basis after taking into account the materials available in their Divisions. The MM wing, in turn, should consolidate the indents and procure the materials after taking into account surplus materials available in any of the Divisions and arranging transfer of the same to needy Divisions. Thus, the purchase should be need-based for the immediate requirement.

In this connection the following observations are made:

(i) For the purpose of monitoring the inventory in the Division, the Board prescribed a monthly 'Inventory Report' wherein the inventory of various items of material, the last issue date, surplus material which were not required for use in the Divisions and obsolete and unserviceable materials were to be furnished by the Divisions. The age-wise analysis of the materials kept idle by the Divisional Stores as of December 1998 compiled by the MM wing revealed the following.

Period during which the materials remained idle from the last issue date	Value of material (Rupees in crore)
Less than 6 months	46.74
6 months to one year	5.75
1 to 2 years	5.25
More than 2 years	2.30

It was, however, observed from the stores records of the 12 test-checked Divisions that the surplus stock of Asbestos Cement (AC), Poly Vinyl Chloride (PVC), Galvanised Iron (GI), Cast Iron (CI) pipes and steel rods held by them from the date of purchase were as follows.

Period during which the material kept in stock	Value of material as per Inventory Report	Value of material as per stores record
	(Rupees in crore)	
1 to 2 years	3.63	8.89
More than 2 years	0.58	0.98

It is apparent from the above that the Divisions were not disclosing the entire surplus stock in their monthly Inventory Reports. As a result, unnecessary procurements were being made by the MM Wing of the Board each quarter.

Discrepancies were noticed between surplus material as per Inventory Report and actual surplus

(ii) The value of surplus material as per the Inventory Report as of March 1999 was Rs 4.29 crore. However, another estimate made by the Board in April 1999, when it decided to execute all works on turn-key basis, put the value of surplus stores at Rs 16.31 crore. This clearly indicated that the surpluses shown in Inventory Reports by the Divisions were unreliable.

(iii) During 1996-99, the MM wing issued 1153 transfer orders for surplus stores to other needy Divisions. Test-check in 6 Divisions conducted in respect of 25 transfer orders issued in October and November 1997 revealed that the surplus materials were lifted by the needy Divisions only in respect of two transfer orders. EEs stated in March 1999 that indenting Divisions had not lifted the stocks in respect of the remaining 23 transfer orders. This indicated that the indents were not based on actual requirement.

Purchase of material far in advance of requirement resulted in unnecessary accumulation of stock

(iv) There was a stock of 88.52 kilometre (km) of AC pipes as of March 1997 in ten urban Divisions. During 1997-98 and 1998-99, pipes of 193.17 km length were purchased, out of which, only 137.87 km were utilised during these years. This resulted in a closing stock of 143.82 Km worth Rs 6.87 crore as of March 1999. In 11 Divisions, it was seen that indents were placed for the entire quantity of materials required for 15 schemes as per the technical estimate instead of the quarterly requirement. Thus, purchase of materials far in advance of requirement resulted in unnecessary accumulation of stock.

Technical estimates were prepared without proper investigation resulting in surplus AC pipes worth Rs 98.89 lakh

(v) Preparation of technical estimates without proper investigation also contributed to the accumulation of stock. In respect of 3 urban schemes, 300 millimetre (mm), 350 mm and 400 mm AC pipes worth Rs 1.45 crore purchased during July 1996 to July 1997 based on the technical estimates sanctioned by Regional CEs, North and South were, however, not utilised as they were found unsuitable to the soil conditions. As the Board decided (October 1997) not to use the AC pipes of 350 mm and 400 mm, they became surplus and Rs 98.89 lakh spent on these pipes remained blocked up.

Casing pipes and hand pumps worth Rs 77.03 lakh purchased in anticipation of Government sanction were rendered surplus

(vi) The Board acted somewhat arbitrarily on at least two occasions by placing supply orders on the basis of anticipatory action by the Government. Thus, during 1995-96, anticipating Government sanction for the construction of 2000 borewells with hand pumps, the Board proposed to purchase (January 1996) casing pipes suitable for different soil conditions. Though Government sanctioned (January 1996) only 1604 borewells, the Board purchased (February 1996) casing pipes for 2000 borewells for a value of Rs 80 lakh. Consequently, casing pipes for a value of Rs 35.31 lakh became surplus. Similarly, in anticipation of declaration of 1997 as drought year by Government, the Board purchased 1000 hand pumps for Rs 41.72 lakh in February 1997. This was also rendered surplus as Government did not declare 1997 as drought year. Further, as Government ordered (June 1997) to provide power pumps to habitations having population of 150 or more, the Board could not use the surplus materials. The Board addressed the Director of Rural Development in November 1998 for taking over of surplus materials since hand pump schemes are executed by Panchayats. The Managing Director, who approved the proposal of such huge purchases on anticipatory action by Government needed to explain the basis.

Unnecessary purchase of AC pipes

(vii) Lack of co-ordination between various authorities of the MM wing in placing indents resulted in excess stock in the divisions. Against the indent of Rural Water Supply (RWS) Division, Erode for 5920 metre (m) of 400 mm AC pipes, received in August 1995, the JCE ordered purchase of 3500 m of pipes in September 1995 and transfer of 1704 m of pipes from another Division at Coimbatore. Without taking into account the transfer, the JCE placed orders (March 1996) for supply of 2420 m of pipes to the Division at Erode. When the EE of the Division pointed out the excess order, the JCE ordered the supplier to deliver 1700 m of pipes to EE, Special Urban Division, Coimbatore, who had not placed any indent for the pipes. Consequently, 1690 m of the pipes worth Rs 14.35 lakh remained unutilised as of March 1999 at the Special Urban Division, Coimbatore.

(viii) Based on the indent received from EE, RWS Division, Coimbatore in November 1997, JCE placed orders in August 1998 for supply of AC pipes and specials required for the work of Combined Water Supply Scheme (CWSS) being executed at Kinathukadavu and Sankaramanallur. In the meantime, the EE completed the work in March 1998 by utilising the surplus material available in Special Urban Division, Coimbatore. Consequently, the material valued at Rs 4.16 lakh received in November 1998 remained unutilised in the RWS Division.

(ix) Procurement of material not required for immediate use also resulted in transfer of material to other Divisions involving avoidable expenditure on transportation. Scrutiny revealed that in 12 Divisions, surplus material worth Rs 5.38 crore were transferred to other Divisions during 1993-94 to 1998-99 by incurring Rs 16.51 lakh towards transportation which could have been avoided had the materials been purchased only for immediate use.

6.3.5 System of Purchase

The materials were classified as listed (Major items like cement, steel, pipes, valves etc., required by all the divisions) and unlisted items and the MM wing placed orders for the procurement of listed items with instructions to deliver the materials to Divisions directly. Payments were being made centrally by MM wing till February 1994 and by the concerned Divisions thereafter. Unlisted items were procured by Divisions locally. Till March 1998, steel, cement and AC pipes were purchased from Tamil Nadu Steels Limited (TNSL) and Tamil Nadu Cements Corporation Limited (TANCEM) directly without inviting tenders at the rates fixed by them and thereafter through open tenders as per the instructions of Government (February 1997). Other materials were purchased from Director General of Supplies and Disposals rate contractors and through rate contracts concluded by the Board and open tenders. Materials like pipes and specials, pumpsets, panel board and cables were subjected to pre-delivery inspection by external agencies appointed by the Board for the purpose. The irregularities noticed in the purchase of material are discussed below:

(i) Overpayment on purchase of AC pipes

Failure to inform the Divisions about reduction in rates in time resulted in overpayment of Rs 42.84 lakh

The agreement concluded with TANCEM during the year 1997-98 for supply of AC pipes contained price-fall clause under which, if, at any time, during the currency of the contract, TANCEM reduced the price of the material supplied to any other person/organisation, the rate applicable to the Board should also be correspondingly reduced from that date. Though TANCEM agreed (May 1998) to reduce their rates from 27 March 1998 to match the lowest tendered rate received for the annual rate contract for 1998-99, the Board failed to inform the Divisions to make payments at the reduced rate for supplies made by TANCEM from 27 March 1998. In July 1998, the Board issued instructions to divisions to make payment at the revised rate for all supplies received from TANCEM after 27 March 1998. It was noticed in 10 test-checked Divisions that overpayment of Rs 42.84 lakh was made to TANCEM on materials received and paid after May 1998. The amount was pending recovery as of March 1999.

(ii) Excess expenditure due to purchase not in accordance with the requirement

(a) As TNSL failed to supply 1400 metric tonne (MT) of steel in time, the Board ordered (August 1997) purchase of the immediate requirement by inviting open tenders. The JCE, without assessing the immediate requirement from the Divisions, purchased 3000 MT of steel (October 1997) with the approval of the Managing Director. This resulted in additional expenditure of Rs 12.55 lakh on 1600 MT of steel, since the price was less in the next quarter.

Purchase of AC pipes and jointing materials in advance of requirement deprived the Board of the price advantage of Rs 2.74 crore

(b) Prior to 1998-99, huge quantities of AC pipes and specials were purchased from TANCEM directly by 11 divisions and the stocks were kept idle for 3 to 36 months before being utilised during 1998-99. Test-check conducted in 6 of these Divisions revealed that the Divisions indented the entire estimated quantity of pipes and specials required for the scheme as against the manual provision of purchase for immediate requirement every quarter. Clearly, the EE was responsible for placing a highly inflated indent which the MM wing executed without any cross check. This was facilitated due to the lacuna in the system which did not prescribe any checks and balances to restrict the indent to quarterly requirements, so that MM Wing could object to anyone going beyond that limit. In February 1997, Government ordered for the purchase of materials under open tender system. Accordingly, the Board concluded annual rate contract for purchase of AC pipes and jointing materials for 1998-99 under which the rates were much cheaper compared to the purchases made prior to April 1998. Had the AC pipes and specials been purchased for the immediate requirement alone, the Board could have got the price advantage of Rs 2.74 crore*.

(c) Without assessing the actual requirement of cement for the first quarter of 1998-99, the JCE called for tenders (April 1998) for 10,000 MT. The actual requirement was assessed at 18,128 MT in June 1998. The JCE placed orders for 12,070 MT with the lowest tenderer (6,070 MT) and TANCEM (6,000 MT) at the rates quoted by the lowest tenderer. The shortfall of 6,000 MT was included in the requirement for the second quarter, purchased at rates higher than the rates for the first quarter. Thus, failure to assess the actual requirement for the first quarter before calling for tender resulted in an extra expenditure of Rs 10 lakh.

Purchase of cement from TANCEM instead of through open tenders resulted in extra expenditure of Rs 19.14 lakh

(d) Though Government ordered, as early as February 1997, to purchase cement through open tenders from 1998-99 onwards, the JCE called for tenders only in April 1998 and issued supply orders in July 1998. Consequently, the requirements for the first quarter were met by the Divisions through purchase from TANCEM at the rates fixed by them, which were higher than the rate finalised for the quarter. Test-check in 17 divisions

* This figure was arrived at as the difference in value of stock as on 1 July 1998 in 11 Divisions at the original rates and at the lower rate contract prices for 1998-99.

revealed that 4,828 MT of cement was purchased during April 1998 to July 1998 incurring an extra expenditure of Rs 19.14 lakh.

(iii) Avoidable expenditure on advertisement

Though the Director General of Supplies and Disposals (DGS & D) rates are known, the MM wing spent Rs 4.24 lakh on advertisements in newspapers for inviting tenders from the DGS&D rate contract firms for the supply of CI/GI pipes. The Board could have obtained the willingness of the firms through enquiry letters and saved Rs 4.24 lakh on advertisements.

(iv) Extra liability on purchase of CI pipes

Use of CI pipes instead of PSC pipes caused extra liability of Rs 1.12 crore

According to the 'Manual of Water Supply and Treatment' published by Government of India, Pre-Stressed Concrete (PSC) pipes are cheaper, ideally suited for water supply main and technically advantageous than CI pipes. The Board issued orders in October 1997 for use of PSC/CI pipes instead of AC pipes of size 350 mm and above. The SE, Special Urban Division, Coimbatore revised (December 1997) the estimate for the work of providing drinking water infrastructure facilities to Coimbatore Corporation by providing CI pipes in place of AC pipes without considering the cost advantage of using PSC pipes. This resulted in avoidable extra liability of Rs 1.12 crore on purchase of CI pipes of 8,411 m.

When this was pointed out (March 1999) the SE stated that CI pipes were purchased as per tender conditions, that manufacturing of PSC pipes would take much time and that it would also be difficult to use PSC pipes in curved portions. The reply was not tenable since the advantage of using PSC pipes was not considered while calling tenders. Incidentally, for 3 similar works, PSC pipes were used by other divisions and the time allowed for execution was 6 to 10 months only.

(v) Entrustment of work on turn-key basis while having surplus materials

Entrustment of work on turn-key basis rendered AC pipes worth Rs 71.90 lakh surplus

The estimate for the work of laying and jointing of pumping main from Nanguneri to South Vijayanagaram including construction of sump and distribution line for CWSS to Nanguneri, Thisayanvilai and wayside habitations sanctioned in December 1997 by the Regional CE, Madurai included requirement of AC pipes after taking into account the surplus quantity available in Urban Division, Tirunelveli. The work was entrusted to a contractor in November 1998 on turn-key basis by the Regional CE. The contract contemplated supply of 11,170 m of various sizes of AC pipes by the contractor. It was noticed that while finalising the contract on turn-key basis, surplus AC pipes of various sizes for a length of 16,437 m available in other divisions (of which 11,050 m could be used on the scheme) were not taken into account. The failure of the Regional CE to ascertain the availability of surplus pipes in other divisions for arriving at the quantity required for the work on turn-key basis resulted in an avoidable additional liability of Rs 71.90 lakh on purchase of those materials through the contractor.

6.3.6 *Receipt, custody, issue and accounting of material*

Material received by the Division were accounted in the Bin Cards (quantity account only) by the stores Sub-Division and in the Material Account and Priced Stores Ledger (PSL) (both quantity and value accounts) by the Division based on the Goods Received Note (GRN). The issue rate, based on weighted average method, was to be arrived at from PSL and communicated to the stores Sub-Division every month for adoption in delivery notes. The delivery notes form the basis for the issues in the Material Account and the PSL. The Divisions were to reconcile the entries in the PSL with that of the Bin Card quarterly. The balance in the Material Account was also to be reconciled with that of the PSL at regular intervals. The stock was to be physically verified once in a year and an Annual Certificate of Balances was to be prepared. Necessary accounting adjustment for the excess/shortages noticed were to be made. In this connection, the following points were noticed.

Improper supervision and non-review of increasing balances under inter-divisional account led to a loss of Rs 1.12 crore due to fraudulent activity

(i) In May 1991, the Board ordered centralised payment for purchase of materials. For purchase of steel, advance payments were made centrally and an Assistant Engineer (AE) was nominated as a nodal person for co-ordinating the activities of purchase. He was responsible for arranging delivery of steel from the supplier to the Divisions concerned and adjusting the value of the material through 'Inter-divisional Account' on receipt of GRN from the Divisions.

Based on a report from one of the suppliers regarding certain fraudulent activities of the AE, the Board conducted a special audit in October 1993. It was found that the AE who had lifted the steel from various suppliers during 1990-93 had not delivered 1,056 MT of steel valuing Rs 1.12 crore to the Divisions. The accounting adjustments regarding advance payment to suppliers through "Inter-Divisional Accounts" were proposed by him without obtaining the GRN for this quantity from the Divisions. The adjustments were approved by the Deputy Chief Engineer without proper checking. The Board initiated criminal action against the persons responsible for the misappropriation of materials and de-centralised the system of payment for purchase of material.

The entrustment of accounting functions to the officer who was entrusted with the purchase of material, improper supervision and non-review of increasing balances under inter-divisional account by the Board resulted in a loss of Rs 1.12 crore to the Board.

Due to ineffective pre-delivery inspection, pipes were found defective during execution

(ii) The quality of the material supplied is to be verified in two stages – first by the appointed agencies before delivery and then by the Board's Engineers at the time of supply. Despite the fact that during 1994-99, the Board paid Rs 1.28 crore as inspection fees to the pre-delivery inspection agencies, there were instances of inadequate quality control, indicating that the system was not functioning well. For example :

(a) In two cases, PVC/AC pipes accepted by the Divisions were found to be sub-standard at the time of utilisation. While in one case, the loss of Rs 75.93 lakh could not be recovered from the supplier due to litigation; in the other case, pipes costing Rs 26.54 lakh had manufacturing defects but were yet to be replaced (March 1999).

(b) In another case, PVC pipes supplied during 1995-96 were found to be of inferior quality while laying them. The MM wing called for report from all the Divisions and on the basis of their reports recovered Rs 26.23 lakh out of Rs 31.60 lakh (October 1997) of pending bills of the firm. It was seen that three other Divisions sent their report belatedly and therefore at least Rs 5.37 lakh out of Rs 15.47 lakh could not be recovered. No responsibility for delayed response by the three Divisions was fixed.

Failure to communicate the issue rate resulted in over/under-valuing of issues

(iii) The Divisions had not communicated the issue rates to the stores sub-divisions every month. Consequently, the stores sub-divisions adopted unrevised issue rates and market rates in the delivery notes. This resulted in under/over-valuing of issues and the balances in the Material Account and PSL. The PSL of the divisions revealed cases of balance quantities with nil/minus value and value without quantities etc. as discussed in Paragraph 6.18 of the Report of the Comptroller and Auditor General of India for the year ended March 1998. Non-adoption of correct issue rates would result in over/ under-statement of expenditure on works. It was seen that the cost of materials purchased for works which were not sanctioned by Government was booked by EE, Special Urban Division, Coimbatore under another work. Subsequently, when these works were sanctioned by Government, the materials were transferred to their account adopting higher rates than that at which purchased. Consequently, there was a minus balance of Rs 80.50 lakh in the accounts of the work in which the cost of materials was initially booked.

Further, minus balances in quantity were also noticed in the PSL indicating that the reconciliation between the Bin Card and the PSL was not carried out periodically.

Reconciliation between Material account and PSL was not carried out

(iv) The Divisions had not carried out reconciliation between Material Account and PSL. As against the value of Rs 9.33 crore in the Material Account of 11 Divisions as of March 1998, the balance in the PSL was Rs 14.47 crore. The reasons for such huge difference was not on record. Non-reconciliation of these two balances would result in excess/short booking of expenditure on works and consequent additional liability to local bodies or loss of interest to the Board.

(v) In four divisions, Annual Certificates of Balances for 1997-98 were not submitted to the Board (March 1999).

(vi) As of March 1999, materials worth Rs 3.26 crore found short during physical verification were either unadjusted or not recovered from the persons responsible. Of this, Rs 2.33 crore related to the period upto 1993.

(vii) As of March 1998, Rs 12.06 crore of advances paid to suppliers were outstanding for adjustment. Test-check revealed that advance payments to suppliers to the extent of Rs 2.17 crore made by 19 Divisions remained unadjusted as of December 1998 as under:

Period	Amount (Rupees in crore)
Upto 1996-97	1.47
1997-98	0.09
1998-99 (Upto December 1998)	0.61
Total	**2.17**

In addition, as against a debit balance of Rs 2.17 crore (as of March 1998) being the advance paid to suppliers as per the accounts of the MM wing (centralised payment), there was a credit balance of Rs 1.56 crore towards materials received from suppliers. The Board had to analyse these balances to pair off the materials received against advance payment. Non-reconciliation of these balances would result in non-recovery of advance payment for which materials were not received.

Rupees 12.80 crore were pending adjustment as of March 1998 under Inter-Divisional Accounts as the beneficiary divisions had not accepted the transfer

(viii) The value of materials transferred and the cost of services rendered to other divisions are accounted under the suspense head, 'Inter-Divisional Account' which would be cleared on acceptance from the beneficiary division. In March 1994, the Board decided to dispense with the system from April 1994 in respect of materials. It was, however, seen that the Divisions continued to operate the suspense head for transfer of materials. As of March 1998, Rs 12.80 crore were pending adjustment under suspense head indicating that the beneficiary Divisions had not accepted the transfer. In ten divisions, the value of materials transferred after March 1994 and kept pending under suspense head was Rs 33.96 lakh. It was seen that one advice transferring materials worth Rs 4.16 lakh raised by RWS Division, Ooty was not even acknowledged by the RWS Division, Coimbatore. The responding Division stated (March 1999) that action was being taken to settle the advice.

Non-adjustment of the amount under suspense head would result in misappropriation of materials, under-statement of the value of works in which the materials were actually used and non-preparation of completion report.

(ix) According to the instructions issued by the Board, storage charges should not be levied for transfer of material from one Division to another. It was, however, seen that the central stores, Vadakuthu had collected storage charges amounting to Rs 25.93 lakh during 1993-98 for the stores transferred to Divisions through transfer notes resulting in increase in cost of the work.

(x) A sum of Rs 3.67 crore was to be recovered from 200 contractors by 22 Divisions towards cost of material issued to them but not returned even after completion of the work/termination of the contract. Of this, Rs 1.44 crore were pending recovery for 1 to 2 years, Rs 0.24 crore for 2 to 3 years and Rs 0.30 crore for more than 3 years.

6.3.7 Surplus and Obsolete stores

(i) The following materials valued Rs 2.71 crore which were purchased for executing urban water supply/drainage schemes were kept in stock without any utility as the works had already been completed/abandoned.

(Rupees in lakh)

Name of division	Description of Material	Number of works	Value of Material
RWS Division, Udhagamandalam	High Density Polyethylene (HDPE), AC, CI pipes and specials	2	110.45
Urban Division, Thanjavur	AC pipes and specials	1	13.75
Special Urban Division, Coimbatore	AC/CI pipes and steel rods	1	22.61
Maintenance Division, Madurai	PVC, CI, AC pipes and specials, casing pipes and steel rods	5	59.69
Urban Division, Salem	Stoneware pipes	1	40.29
Urban Division, Tiruchirappalli	Stoneware pipes	1	7.44
Urban Division, Dindigul.	AC/CI/pipes and specials and steel rods	3	16.48
	Total		**270.71**

Of these, HDPE pipes valuing Rs 51.04 lakh and PVC pipes valuing Rs 11.09 lakh pertaining to Udhagamandalam and Sivakasi water supply schemes were not utilised even though the Committee on Public Undertakings had recommended for their utilisation in other works. The non-utilisation was attributed by EE in December 1997 to inferior quality of HDPE pipes and non-availability of suitable couplers for jointing PVC pipes.

(ii) Electric Resistance Welded Mild Steel casing pipes worth Rs 23.06 lakh meant for 'Rural Water supply' schemes were also kept in stock for more than 7 years as there were no threads for joining the pipes.

Obsolete material worth Rs 51.73 lakh were not disposed off

(iii) The Board formed (August 1993) a regional committee for approving survey reports for obsolete and unserviceable materials to enable the Divisions to dispose of them. The Committee was to meet every month. The committee met only 37 times between August 1993 to March 1999 and on approval of survey reports, the obsolete stores were auctioned and their value was reduced from Rs 73.38 lakh to Rs 51.73 lakh. As of March 1999, stores valuing Rs 1.04 crore were classified as obsolete/unserviceable.

The above points were referred to Government in July 1999; reply had not been received (January 2000).

SECTION – B
AUDIT PARAGRAPHS

6.4 General

Autonomous bodies and authorities are set up to discharge generally non-commercial functions of public utility services. These bodies/authorities receive substantial financial assistance from Government. Government also provides substantial financial assistance to other institutions such as those registered under the respective State Cooperative Societies Act, Companies Act, 1956, etc., to implement certain programmes. The grants are intended essentially for maintenance of educational institutions, hospitals, charitable institutions, construction and maintenance of school and hospital buildings, improvement of roads and other communication facilities under municipalities and local bodies.

During 1998-99, financial assistance of Rs 3766.67 crore was given to various autonomous bodies and other institutions broadly grouped as under:

(Rupees in crore)

Serial Number	Name of Institution	Amount of assistance paid		
		Grant	Loan	Total
1	Universities and Educational Institutions	1525.48	1.83*	1527.31
2	Municipal Corporations and Municipalities	40.48	175.95	216.43
3	Zilla Parishads and Panchayat Raj Institutions	1401.55	..	1401.55
4	Development Agencies	130.63	79.56*	210.19
5	Hospitals and other Charitable Institutions	8.78	..	8.78
6	Other Institutions	260.37	142.04	402.41
	Total	**3367.29**	**399.38**	**3766.67**

The audit observations in respect of these are given in the following paragraphs:

6.5 Delay in furnishing Utilisation Certificates

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

* Figures reported include effect of adjustment made towards rectification of misclassifications made during previous years

Certificates for utilisation of grants were pending in 12027 cases, involving Rs 584.63 crore

Of 12,878 Utilisation Certificates due in respect of grants aggregating Rs 657.45 crore paid during the period from 1981 and earlier years to March 1998, only 851 utilisation certificates for Rs 72.82 crore had been furnished by 30 September 1999 and 12,027 certificates for an aggregate amount of Rs 584.63 crore were in arrears. Department-wise break-up of outstanding utilisation certificates was as given below :

Serial Number	Department	Number of Certificates	Amount (Rupees in lakh)
1.	Adi Dravidar and Tribal Welfare	1091	1173.10
2.	Agriculture	55	4719.42
3.	Animal Husbandry and Fisheries	31	1023.63
4.	Co-operation, Food and Consumer Protection	88	366.75
5.	Finance	2	0.73
6.	Handlooms, Handicrafts, Textiles and Khadi	20	256.60
7.	Health, Indian Medicine and Homoeopathy and Family Welfare	25	62.52
8.	Housing and Urban Development	19	181.00
9.	Municipal Administration and Water Supply	1626	14202.63
10.	Public Works	70	94.95
11.	Revenue	718	3045.09
12.	Rural Development	684	30557.47
13.	School Education	20	2.91
14.	Social Welfare and Nutritious Meal Programme	7578	2775.97
	Total	**12,027**	**58462.77**

(i) Review of records of Municipal Administration and Water Supply Department relating to release of grants through Commissioner of Municipal Administration revealed that out of Rs 32.72 crore released during 1995-96 and 1996-97, only Rs 5.27 crore were spent during the above period.

Between 1991-92 and 1998-99, utilisation certificates for Rs 21.68 crore were not furnished as of September 1999 by the Municipalities.

(ii) In respect of Urban Basic Services for poor, as against the grant of Rs 20.76 crore released for the period from 1990-91 to 1997-98, only Rs 8.73 crore was spent and utilisation certificates were given for only Rs 6.68 crore.

6.6 Information relating to financial assistance given to Institutions not furnished to Audit

Particulars of financial assistance given to each institution not supplied to Audit by Departments

In order to identify institutions which attract audit under Section 14/15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, Government/Heads of Departments are required to furnish to Audit, every year detailed information about financial assistance given to various institutions, the purpose for which assistance was sanctioned and the total expenditure of the institutions. Information for the year 1997-98 called for in January 1999 and April 1999 was awaited as of August 1999 from 35 departments of Government. Of the defaulting Departments, the following had not furnished information for a number of years as indicated below:

Serial Number	Name of the Department	Year from which information had not been furnished
1.	Education, Science and Technology, Educational Institutions and Miscellaneous Institutions	1987-88
2.	Rural Development	1987-88
3.	Municipal Administration and Water Supply	1990-91
4.	Social Welfare and Nutritious Meal Programme	1987-88
5.	Co-operative Institutions	1995-96
6.	Commercial Taxes and Religious Endowments	1997-98
7.	Miscellaneous Institutions	
(i)	Bodies or Authorities which have received Grants exceeding Rs 25 lakh	1997-98
(ii)	Bodies or Authorities from whom Accounts are due but have received Grants less than Rs 25 lakh	1987-88

Particulars regarding Government Companies are featured in the Report of the Comptroller and Auditor General of India (Commercial)- Government of Tamil Nadu every year.

Audit of accounts of the following bodies has been entrusted to the Comptroller and Auditor General of India for the periods detailed below:

Serial Number	Name of Body	Section under which entrusted	Period of entrustment	Date of entrustment
1.	Tamil Nadu State AIDS Control Society, Chennai	20(1)	1994-95 to 1998-99	15 February 1996
2.	Regional Institute of Correctional Administration, Vellore	20(1)	1995-96 to 1999-2000	17 January 1997
3.	Tamil Nadu State Legal Services Authority, Chennai	19(2)	From 1997-98 onwards	03 December 1997
4.	Tamil Nadu Blindness Control Society, Chennai	20(1)	From 1997-98 onwards	23 June 1997
5	State Human Rights Commission	19(2)	From 1997-98 onwards	07 June 1997
6.	State Electricity Regulatory Commission	19(2)	Commission yet to start functioning	17 March 1999
7.	Regional Engineering College, Trichy	20(1) (Super-imposed audit)	1998-99 to 2002-2003	22 December 1998

6.7 Audit arrangement

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

Serial Number	Name of the Institution	Audit covered by
1.	Panchayat Raj Institutions	Director of Local Fund Audit
2.	Educational Institutions	
	(a) Schools	Internal Audit of the Directorate of School Education
	(b) Colleges	Internal Audit of the Directorate of Collegiate Education
	(c) Polytechnics	Chief Internal Auditor and Statutory Boards Audit
	(d) Universities	Director of Local Fund Audit
3.	Co-operative Institutions	Director of Audit of Co-operative Societies
4.	Miscellaneous Institutions	Chartered Accountants

Of the 180 bodies/authorities whose accounts for 1997-98 were received by Audit, 72 bodies/authorities attracted audit under the provisions of section 14 of the Act. Of these, 6 bodies/authorities were audited.

FINANCE
AND
RURAL DEVELOPMENT DEPARTMENTS

TAMIL NADU WATER SUPPLY AND DRAINAGE BOARD

6.8 Deployment of borrowed funds for improving Ways and Means position of the Government

Tamil Nadu Water Supply and Drainage Board had deposited borrowed funds in special personal deposit account under standing orders of Government for improving the Ways and Means position of Government, instead of utilising the same on identified development schemes for which the funds were borrowed. This led to an avoidable interest liability of Rs 2.82 crore to the Board during 1997-99.

Water supply schemes are implemented in Tamil Nadu by the Tamil Nadu Water Supply and Drainage Board (Board) through its various units and divisions with loan from State Government and the Life Insurance Corporation of India (LIC). Repayment of the loans to the LIC was to be guaranteed by the State Government. The Board raised loan of Rs 83.52 crore during 1997-98 and Rs 121.23 crore during 1998-99 from LIC at 13 *per cent* interest for implementing identified water supply schemes.

As per orders of Government (February 1996), the borrowings made by the Board were to be credited to a Special Personal Deposit account (forming part of the public account) bearing 9 *per cent* interest. Scrutiny of records revealed that, on an average, a minimum daily balance of Rs 41.94 crore during 1997-98 and Rs 28.56 crore during 1998-99 was retained in the Special Personal Deposit account of the Board (Appendix LXII) without utilisation on the identified schemes for which the funds were borrowed. This resulted in a minimum loss of Rs.2.82 crore to the Board during 1997-98 and 1998-99 towards payment of interest, worked out on the basis of the difference between the interest rate of 13 *per cent* paid to LIC and 9 *per cent* earned on the balance in the Special Personal Deposit account.

Government (Finance Department) stated (November 1998) that such deposits were made to avoid idling of funds and that it had every right to maintain the financial position of the State in a favourable condition by better financial management. While no one can dispute this statement, facts were that the State Government had, during 1997-98 and up to November 1998 not taken the Ways and Means advance from the Reserve Bank of India even on a single day for maintaining the required minimum daily balance of Rs.1.10 crore. Thus, overlooking the better option of availing Ways and Means advances, Government had utilised the high cost borrowing for improving cash balance with the Reserve Bank of India.

As regards idling of funds, the blame lies on the Government itself which was keen to use the money to increase its cash balance with the Reserve Bank of

India though on paper the loans were borrowed by the Board for augmenting their rural water supply schemes.

Government also stated in August 1999 that the loans taken by the Board are to be serviced by the Government through the budget. Thus, Government was paying interest at 13 *per cent* to LIC and 9 *per cent* to the Board on the borrowed funds.

HEALTH, INDIAN MEDICINE AND HOMOEOPATHY AND FAMILY WELFARE DEPARTMENT

TAMIL NADU STATE AIDS CONTROL SOCIETY

6.9 Incinerators kept idle

Two incinerators purchased for two Government hospitals in Chennai could not be put to use due to delay in getting environmental clearance and delay in civil works

The Tamil Nadu AIDS Control Society (Society) received (December 1995) Rs 15 lakh from the National AIDS Control Organisation (NACO) for installation of an incinerator and an autoclave in the Government General Hospital, Chennai. It also received (May 1996) the sanction of the State Government for installation of an incinerator in the Government Hospital for Women and Children, Chennai.

The Society purchased (June 1996) one incinerator from a Hyderabad based firm at a cost of Rs 6.10 lakh, against which payment of Rs 5.71 lakh (90 *per cent*) was made. However, the incinerator was lying idle as of July 1999, as it had not been installed due to inordinate delay in getting the environmental clearance (received in June 1998) and in completing the civil works. Audit scrutiny revealed that the Government Hospital for Women and Children had requested the Public Works Department to take up the civil works at a cost of Rs 2.40 lakh only in December 1998.

Similarly, the Society had entered into a contract with a Bombay based firm for supply of an oil-fired incinerator (cost: Rs 14.41 lakh plus taxes) and related civil works at a total cost of Rs 21.33 lakh. Though the incinerator had been supplied in parts during July 1996 to June 1997 and payment of Rs 18.88 lakh had been made to the firm, the installation was yet to be done due to incomplete civil works and non-provision of 3-phase electric connection. Audit also revealed that the Government General Hospital had requested the Tamil Nadu Pollution Control Board for environmental clearance only in April 1998, but the same had not been received as of July 1999.

Thus, the failure of the Hospitals in taking efficient and timely action to ensure the installation of the incinerators resulted not only in the expenditure of Rs 26.99 lakh remaining unfruitful but also showed lack of seriousness in addressing the issues of importance to the Public health.

The matter was referred to Government in July 1999; reply had not been received (January 2000).

HIGHER EDUCATION DEPARTMENT

UNIVERSITY OF MADRAS

6.10 Incomplete building work and consequent blocking of funds

Entrustment of the work for construction of hostel building to Tamil Nadu State Construction Corporation without ascertaining its capability resulted in non-completion of the work besides blocking of funds to the tune of Rs 32.53 lakh.

University of Madras entrusted the construction of Men's Hostel building at Taramani Campus to the Tamil Nadu State Construction Corporation (TNSCC), a Government of Tamil Nadu undertaking, at an estimated cost of Rs 65.49 lakh in September 1993 for completion within 18 months. The cost was raised to Rs 69.23 lakh in July 1994. Government and University Grants Commission released Rs 23 lakh to the University in July 1992 and September 1993 for this purpose. Mobilisation advance of Rs 27 lakh was paid to TNSCC between September 1993 and December 1994.

As of March 1995, the original date for completion of work, TNSCC had executed work upto the foundation stage only. In October 1995, TNSCC expressed its inability to continue the work due to its financial constraints and stated that the work would be continued after getting Ways and Means advance from Government.

In December 1995, the University informed the Government (Public Works and Education Departments) that it was constrained to terminate the contract and requested Government to sort out the issue of compensation payable by TNSCC to the University. Government, however, instructed (April 1997) the University to pay an additional advance of Rs 5 lakh to TNSCC to resume the work, which was paid in June 1997. As of January 1999, the TNSCC had executed work upto first floor roof level only (47 *per cent* of the value of work entrusted) at an expenditure of Rs 32.53 lakh.

The work was entrusted to TNSCC only because it was a State Government undertaking. Its financial preparedness or its capability to execute the work was not considered and evaluated by the University before entrusting the work.

The University did not terminate the contract and instead paid Rs 5 lakh more to TNSCC to resume the work. No penal action could be initiated by the University, as the agreement entered into by the parties did not contain any penal clause for delay in execution.

Funds to the tune of Rs 32.53 lakh were blocked in the incomplete building work. The objective of providing hostel facilities to the students was not achieved even after a lapse of more than 5 years.

The matter was referred to Government in February 1999; reply had not been received (January 2000).

HOUSING AND URBAN DEVELOPMENT DEPARTMENT

TAMIL NADU HOUSING BOARD

6.11 Blocking of funds in unsold flats

Construction of flats by Tamil Nadu Housing Board even though the demand was very poor resulted in blocking of Rs 4.60 crore for more than three years.

In January 1993, the Tamil Nadu Housing Board (Board) approved construction of 128 Higher Income Group flats at Madhavaram in Thiruvallur District at a cost of Rs 5.35 crore, including loan of Rs 2.47 crore from Housing and Urban Development Corporation Limited (HUDCO). Before releasing the loan, HUDCO insisted (April 1993) that the Board should ensure that there was adequate demand for the flats. The Board assessed the demand in April 1993 but only 6 applications were received. The Chief Engineer of the Board, however, decided to take up the scheme on the ground that there was generally heavy demand for flats in the city area. After obtaining the loan from HUDCO (between October 1993 and March 1995) the Board commenced the construction (January 1994) and completed it in June 1995 at a cost of Rs 5.51 crore.

Despite advertising in newspapers 8 times (during January 1995 and January 1997) and contacting several departments, banks, companies etc., the Board could allot only 21 flats. The Board attributed the poor demand for the flats to the existence of a burial ground just opposite to the flats. Efforts to shift the burial ground proved futile in view of non-availability of an alternative site.

In March 1997, the Board proposed handing over of 96 flats for allotment to Government servants under Tamil Nadu Government Servants Rental Housing scheme. The matter was under correspondence with Government. As of July 1999, 107 flats (proportionate cost : Rs 4.60 crore) remained vacant for want of demand.

Thus, by ignoring the extremely low initial response to the offer, the Board failed to assess the ground realities before taking up the work which resulted in blocking of Rs 4.60 crore in 107 flats for more than three years. In the meantime, due to capitalisation of the interest, the cost per flat, fixed at Rs 4.98 lakh in March 1995 had been increased to Rs 6.39 lakh in December 1997 which would pass on to the Government, if it decided to take over the flats.

The matter was referred to Government in February 1999; reply had not been received (January 2000).

6.12 Construction of flats in disputed site resulting in blocking of funds

Construction of flats in special and hazardous industrial use zone resulted in litigation and stoppage of work after spending Rs 1.23 crore.

Tamil Nadu Housing Board approved (November 1995) construction of 78 Middle Income Group flats under "Ambattur Neighbourhood Scheme' at an estimated cost of Rs 2.50 crore with loan assistance from Housing and Urban Development Corporation Limited (HUDCO). The Board obtained planning permission from Chennai Metropolitan Development Authority (CMDA) for the scheme in March 1996 and awarded the work to a contractor in November 1996 for Rs 1.74 crore. In spite of objections by a factory located adjacent to the site and 'Small and Tiny Industries Association' (November 1996 and December 1996) pointing out that the land had been classified as 'Special and Hazardous Industrial Use Zone' by CMDA, the Board commenced the construction in December 1996.

The factory filed a writ petition (August 1997) in the High Court, Chennai against the construction. In September 1997, the Tamil Nadu Pollution Control Board ordered stoppage of construction as the site was surrounded by many polluting industries. The High Court, Chennai also issued an interim injunction in September 1997 restraining the construction activities. The Board, on the request made by CMDA to comply with the order of High Court, stopped the construction in February 1998 after incurring an expenditure of Rs 1.23 crore. The High Court ordered demolition of the construction in November 1998 and on appeal by the Board, the order was stayed by the High Court Bench.

It was seen that the factory, as early as in September 1985, had filed a writ petition against acquisition of land for the Neighbourhood Scheme pointing out that the survey number of the land was classified as 'Special and Hazardous Industrial Use Zone' by CMDA in July 1983 and the petition was allowed by the High Court in October 1991. In spite of this, the Board had taken up the construction in the same survey number, which had to be stopped in February 1998 after incurring an expenditure of Rs 1.23 crore. The error on the part of the CMDA in giving approval and that of the Housing Board in going ahead with the construction despite clear indications that they were in the wrong, calls for a full inquiry.

The matter was referred to Government in April 1999; reply had not been received (January 2000).

6.13 Avoidable expenditure on provision of higher specification for road works

Provision of higher specification than that prescribed by Indian Roads Congress resulted in avoidable expenditure of Rs 26.36 lakh on laying service roads of Ambattur Sites and Services Scheme

According to the specifications prescribed by Indian Roads Congress (IRC), roads having traffic intensity upto 150 commercial vehicles per day were to be provided with suitable sub-base course, 150 millimetre (mm) thick Water Bound Macadam (WBM) in two layers of 75 mm each as base course and 20 mm thick Premix Carpet or two coats of Surface Dressing as surface course.

While designing the service roads of Ambattur Sites and Services Scheme under Tamil Nadu Urban Development Project (TNUDP), the Executive Engineer, Ambattur Division of Tamil Nadu Housing Board (Board) assessed the traffic intensity of roads of 12 metre and above width as 45 to 150 commercial vehicles per day. The College of Engineering, Chennai, the consultant engaged for designing roads, recommended (May 1991) 25 mm thick surface dressing as surface course over 150 mm thick WBM for such roads.

Based on the order of the Chief Engineer (CE), the Mugappair Division of the Board prepared (September 1994) an estimate for providing 25 mm thick surface dressing over WBM, adopting the consultant's recommendation. The CE, however, revised his order subsequently and decided (October 1994) to provide 40 mm thick asphaltic concrete for 12 metre and 18 metre width roads. The estimate was, therefore, revised (November 1994) by providing tack coat and asphaltic concrete over WBM and was approved by the CE in June 1995. The works were executed accordingly for both Phase I and II of the scheme during January 1996 to August 1996. The provision of higher specification by the CE, in violation of IRC specification and recommendation of the project consultants led to an avoidable expenditure of Rs 26.36 lakh (60,746 square metres (sq.m) of tack coat at Rs 9 per sq.m and 60,746 sq.m of asphaltic concrete at Rs 66.40 per sq.m was provided instead of surface dressing at Rs 32 per sq.m).

The Superintending Engineer (SE), Chennai circle while admitting (August 1999) that the CE had ordered for provision of asphaltic concrete without assigning any specific reasons, pointed out that the project implementation report of TNUDP, approved by World Bank, provided for laying 'Dense Grade Asphalt' over WBM for roads of 10 metre width and above. This contention is not acceptable as IRC and Ministry of Surface Transport specifications, applicable for road works, provided for laying 'asphaltic concrete' only on bituminous surface and not on WBM. The Highways Research Station while furnishing the design for another sites and services scheme under TNUDP also opined (August 1994) that asphaltic concrete should not be provided over WBM layer.

The matter was referred to Government in April 1999; Government concurred with the views of the Department.

TAMIL NADU SLUM CLEARANCE BOARD

6.14 Blocking of funds due to keeping of tenements meant for rehabilitating slum dwellers vacant for four years

Government transferred the tenements constructed at a cost of Rs 2.18 crore to rehabilitate the slum dwellers, to Tamil Nadu Film Development Corporation which kept them idle for more than four years and then returned to the Board which then sold them to the public and earned a profit of Rs 2.51 crore.

In order to rehabilitate the slum dwellers to be evicted from the alignment of Mass Rapid Transit System (MRTS), the Tamil Nadu Slum Clearance Board constructed 512 tenements at Chennai during October 1990 to March 1993 by obtaining loan of Rs 1.67 crore from Housing and Urban Development Corporation Limited (HUDCO). The land for the tenements (3.16 acres) was given by Government at a nominal cost of Rs 2.87 lakh and the Board spent Rs 2.18 crore for the construction.

In February 1993, Government ordered the transfer of tenements to Tamil Nadu Film Development Corporation (TNFDC) for allotment to its employees falling under Lower Income Group Category. Though there were only 69 employees of that category, TNFDC had taken over the 512 tenements (32 were incomplete) in March 1993 and initiated correspondence with the Board regarding the cost. When the Board demanded (December 1996)

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Rs 5.29 crore, which included Rs 3 crore towards interest, TNFDC retransferred the tenements to the Board in November 1997 with the approval of Government.

In the meantime, as alternative accommodations were provided to the slum dwellers evicted from MRTS alignment, the Board decided, in July 1997, to sell the tenements to public on outright purchase basis and proposed to repay the loan using the sale proceeds. The Board arrived at the sale price of 480 tenements as Rs 7.11 crore which included also the land cost of Rs 1.90 crore based on prevailing guideline value, interest on capital of Rs 1.46 crore, repair expenses of Rs 0.86 crore and profit of Rs 0.64 crore. As of January 1999, 465 flats were sold and Rs 2.23 crore were realised as part payment by the Board.

Thus, Government ordered the transfer of the tenements to TNFDC which did not use them. The unnecessary retention of these tenements by TNFDC for over four years had increased the cost of the tenements by way of capitalisation of interest and repair expenses which was passed on to the public. Besides, in addition to profit on sale of tenements, the Board derived an unintended benefit of Rs 1.87 crore being the difference in land cost (Rs 1.90 crore – Rs 0.03 crore) without the knowledge of the Government. It was also seen that the Board kept the amount realised by sale in cash balance instead of repaying the outstanding loan to HUDCO, which was Rs 1.06 crore as on 31 December 1998. The Board also paid interest of Rs 8.78 lakh to HUDCO during January 1999 to September 1999 which was avoidable.

The matter was referred to Government in May 1999; reply had not been received (January 2000).

6.15 Additional expenditure due to delay in initiating action for acquiring land under Land Acquisition Act

Though the Tamil Nadu Slum Clearance Board took over the Wakf land in October 1973, the proceeding under Land Acquisition Act was initiated only in January 1992 resulting in payment of compensation at the market value of the land in January 1992 and interest on cost of land so determined from October 1973. The avoidable extra expenditure was Rs 75.41 lakh.

In order to provide dwelling units to the slum dwellers who had encroached the land (17,475 Square feet) belonging to Muthavalli of Hajee Syed Ismail Free Burial Ground Wakf under the control of Tamil Nadu Wakf Board, the Tamil Nadu Slum Clearance Board (TNSCB) requested the Wakf Board to hand over the land to it. The Wakf Board directed (May 1972) the Muthavalli of Burial Ground to alienate the land under the Land Acquisition Act (LA Act). Pending acquisition proceedings under LA Act, the Wakf Board agreed (January 1973) to hand over the land to TNSCB. The TNSCB took over the land in October 1973, constructed the tenements during 1974-77 and allotted them to the slum dwellers.

Contrary to the conditions of Wakf Board to acquire the land under LA Act, the TNSCB decided (January 1974) to acquire the land under Tamil Nadu Slum Areas (Improvement and Clearance) Act (TNSA Act), which provided for less compensation than that admissible under LA Act. Based on the proposals of TNSCB, Government issued (July 1979) notification for acquisition but the award was not passed as Government subsequently deferred the acquisition of land under TNSA Act.

As the Wakf Board insisted for early settlement of compensation, the TNSCB decided (November 1982) to approach the Government for fixing the cost of Wakf land at Rs 7,000 per ground*, the rate fixed by the Government in May 1981 for temple land utilised by TNSCB. Based on the proposals of TNSCB, Government fixed the land cost in April 1986. Aggrieved by this order, the Muthavalli of the Burial Ground filed a writ petition in the High Court of Chennai which directed (March 1990) the Government to acquire the land under LA Act. Accordingly the notification under section 4(1) of LA Act was issued in January 1992 and the award for Rs 78.48 lakh was passed in February 1995. The award included Rs 50.66 lakh towards interest on the land cost, which was based on the market value of the land in January 1992, from the date of taking over of the land (October 1973) to February 1995. The TNSCB deposited the amount in Court.

Had the TNSCB taken action to acquire the land under LA Act as desired by the Wakf Board at the time of handing over the land, the notification under section 4 (1) of LA Act would have been issued in July 1979 and the award would have been based on the market value of the land on that date. The compensation including interest upto February 1995 would, in that case, have been only Rs 3.07 lakh based on the market value of Rs 10000 per ground intimated by the Collector to the Government in October 1978. The action of TNSCB to initiate the acquisition proceedings under LA Act, only after the intervention of the High Court, resulted in an additional expenditure of Rs 75 41 lakh to them.

The matter was referred to Government in April 1999; reply had not been received (January 2000).

* 1 Ground = 2400 square feet

6.16 Extra financial burden due to non-enforcement of agreement conditions

Failure of the Board to recover the principal and interest from the Coimbatore Municipal Corporation in time resulted in avoidable extra financial commitment of Rs 52.63 lakh.

In order to provide housing accommodation to the sanitary workers of the Comibatore Municipal Corporation, Government sanctioned (January 1991) construction of 288 tenements in the Corporation Colony at a cost of Rs 92.93 lakh. The work was completed by the Tamil Nadu Slum Clearance Board (Board) in November 1992 at a cost of Rs 98.33 lakh which was met by loan of Rs 78.99 lakh from Housing and Urban Development Corporation Limited (HUDCO) and by Government grant. The loan from HUDCO was payable in 56 quarterly instalments commencing from March 1992 and carried an interest of 12 *per cent* per annum (rebate 0.5 *per cent* for prompt repayment). As of December 1998, the Board had paid Rs 71.74 lakh to HUDCO (Principal Rs 27.75 lakh and interest Rs 43.99 lakh).

It was seen in audit that though the repayment to HUDCO started in March 1992, it was only in February 1994 that the Board entered into an agreement with the Corporation for recovery of the loan and interest from December 1993. While the Corporation had repaid Rs 19.11 lakh towards principal due for the period from December 1993 to December 1998 during March 1996 to January 1999, it had not paid the interest due to the Board. The Executive Engineer (EE) of the Board had not even responded to the request of the Corporation (March 1997) to intimate the interest payable. Also, though the agreement with the Corporation provided for levy of compound interest in case of default in payment, the EE had not raised any such demand as of December 1998.

Thus, the failure of the Board to properly draw the agreement with the Corporation and that of EE in not implementing the provisions of the agreement resulted in non-recovery, from the Corporation, of Rs 52.63 lakh, which the Board had paid to HUDCO from its own funds.

The matter was referred to Government in May 1999; reply had not been received (January 2000).

6.17 Avoidable interest due to belated foreclosing of loan

Failure in prompt repayment of loan from Housing and Urban Development Corporation resulted in avoidable payment of interest of Rs 15.49 lakh.

In April 1993, Government accorded administrative approval for the construction of a shopping-cum-office complex at South Usman Road, Thiagarayanagar, Chennai at a cost of Rs 96.85 lakh by Tamil Nadu Slum Clearance Board (Board). The Board constructed (June 1995) the complex at a cost of Rs 1.04 crore. To finance the project, the Board took loan of Rs 73.99 lakh from Housing and Urban Development Corporation Limited (HUDCO). The loan was repayable in 14 years at 17 *per cent* interest. The conditions of the loan provided for its foreclosure on payment of 1 *per cent* of the loan outstanding on the date of premature re-payment.

When the construction was in progress, the Board assessed (June 1993) the rent recoverable from the allottees at Rs 17.11 per Square foot (sq.ft.) Since the prevailing market rent was only Rs 10 per sq.ft, the Board, after obtaining Government approval (January 1995), sold the building for Rs 2.70 crore (June-July 1995) on tender-cum-auction basis, in view of the non-viability of the rental scheme. The Board, however, did not take prompt action to foreclose the loan, to avoid payment of interest although it was proposed even in June 1993 that the loan would be repaid immediately from the sale proceeds. It was only in February 1996 that the Board considered the matter and the loan was foreclosed in October 1996.

Since the proposal to sell the building on outright basis was approved by Government in January 1995 itself, the Board should have taken advance action and foreclosed the loan as soon as the sale proceeds were realised. Failure of the Board in not foreclosing the loan in August 1995 itself resulted in avoidable payment of interest of Rs 15.49 lakh.

The Board stated (August 1999) that the loan was not foreclosed immediately as it was proposed to utilise the sale proceeds for meeting the expenses on three 'Urban Renewal schemes' till the loans for these schemes were sanctioned by HUDCO. This contention was not tenable as the Board had realised Rs 2.70 crore as against the loan amount of Rs 73.99 lakh, leaving a balance of Rs 1.96 crore for use in other schemes. It was also noticed in audit that the Board had cash balance ranging from Rs 9.38 crore to Rs 14.88 crore between August 1995 and September 1996. Thus, the Board had sufficient funds to repay the loan and avoid payment of interest.

The matter was referred to Government in April 1999; reply had not been received (January 2000).

HOUSING AND URBAN DEVELOPMENT AND REVENUE DEPARTMENTS

CHENNAI METROPOLITAN DEVELOPMENT AUTHORITY

6.18 Delay in acquisition of land for development of new town

Improper selection of site for development of new town resulted in the project not taking off even after 8 years since its approval, besides unfruitful expenditure of Rs 16.68 lakh on salaries.

Government approved (November 1991) the proposals of Chennai Metropolitan Development Authority (CMDA) for developing a new township on 60 ha of land in Periakuppam Village in Thiruvallur District, at a cost of Rs 5 crore. The outlay for the project during Eighth plan period was kept at Rs 1.50 crore.

The site was rejected in 1992 after incurring an expenditure of Rs 5 lakh, to avoid litigation with land owners in acquiring their wet agricultural land.

An alternative site comprising 22.88 acres of private land and 1.695 acres of Government land was selected. The Special Deputy Collector (Land Acquisition) of CMDA stated (November 1993) in his report that 22.10 acres of the private land was dry land and only 0.78 acre was wet agricultural land. Thereafter, the CMDA finalised the detailed layout and submitted proposals to Government for acquisition of private land, which was approved by Government in March 1995.

On representations from land owners in June 1995, the District Revenue Officer made a site inspection in October 1995 and confirmed their contention that the lands were fertile agricultural lands and were being cultivated. The Collector, Thiruvallur, therefore, suggested to Government (November 1995) to choose another alternative site. The Government, however, over-ruled the objections of the land owners and declaration under Section 6 of Land Acquisition Act was published (April 1996). Some of the land owners obtained a stay order (April 1997) from Chennai High Court against the acquisition of their wet land.

Thus, improper selection of site by CMDA, involving lands which were under cultivation, resulted in the project not taking off even eight years after Government approval. Expenditure of Rs 16.68 lakh incurred during 1992-96 on salaries of 10 special staff of CMDA sanctioned for the project was unfruitful.

The matter was referred to Government in March 1999; Government in its reply stated (July 1999) that site selected was dryland as per revenue records. The fact, however, remained that proper verification of actual utilisation of land was not done at proposal stage.

MUNICIPAL ADMINISTRATION AND WATER SUPPLY DEPARTMENT

TAMIL NADU WATER SUPPLY AND DRAINAGE BOARD

6.19 Avoidable expenditure due to abandonment of pipeline laid in Railway land without verifying the ownership

The Board laid pipes in land belonging to Railways for a length of 1614 metres on the assumption that it belonged to Highways Department. After commissioning the scheme, Railways required the land for gauge conversion work. Consequently, the Board had to abandon the pipes laid in the Railway land and lay new pipes at a cost of Rs 45.71 lakh.

In order to provide water supply to Madras Export Processing Zone at Tambaram, Chennai, Tamil Nadu Water Supply and Drainage Board (Board) proposed (January 1987) to lay pipeline for 20.165 Kilometre (km) from Maraimalai Nagar to Tambaram along the National Highway (NH) 45, mainly in land that belonged to Highways Department, in various stretches. On the request of the Board for permission to execute the works in a length of 18.870 km, the Highways Department gave permission for work in a length of 11.570 km (November 1989, July 1990 and February 1991). The Executive Engineer (EE), Urban Division of the Board, however, laid the pipes in all stretches during 1991-94.

In January 1998, when Southern Railway took up the gauge conversion work in Tambaram-Chengalpattu line, it was found that the Board had laid pipes for a length of 1614 metres on Railway land. Considering the cost of removal and relaying of the pipes, the Board abandoned the pipes laid in Railway land and laid new pipeline in the adjacent land belonging to Highways Department at a cost of Rs 45.71 lakh during May 1998 to August 1998.

The laying of new pipeline was avoidable due to the following reasons:

(i) According to the norms fixed by Government of India, pipe laying works should be permitted only beyond 15 metres (m) from the central line of the carriageway of NH and the Chief Engineer (CE), NH Chennai had powers to relax this norm in respect of urban reaches of NH. In the urban stretch from km 26/350 to km 27/800, the Board proposed to lay the pipeline at a distance of 8.5 m. The CE, however, issued permission (November 1989) to lay the pipeline beyond 15 m though the land beyond 15 m belonged to Railways. The EE, without bringing this to the notice of the CE and seeking relaxation of the norm for this stretch, executed the work on Railway land.

(ii) The EE executed the works in 7.300 km length in 9 stretches between km 27/000 and km 44/300 without obtaining the permission from Highways Department. It was found that pipes for a length of 400 m were laid on Railway land assuming that it belonged to Highways Department.

Thus, the failure of the EE to execute the works on Highways land resulted in an avoidable expenditure of Rs 45.71 lakh on laying a new pipeline.

The matter was referred to Government in April 1999; Government while accepting (October 1999) the position, assured that disciplinary action would be taken against the officers responsible for laying the pipeline in Railway land.

CHAPTER VII

COMMERCIAL ACTIVITIES

AUDIT PARAGRAPH

7 Commercial Activities

As on 31 March 1999, there were four departmentally managed commercial and quasi-commercial undertakings in the State. The results of working of these undertakings are compiled annually by preparing *pro forma* accounts. The extent of arrears in the preparation of the *pro forma* accounts by each of these undertakings as at the end of September 1999 was as follows:

Serial Number.	Name of the Department/Undertaking	Periods for which accounts were in arrears	Remarks
I	**Agriculture Department**		
1	Government Agricultural Engineering Workshop, Chennai	1997-98 and 1998-99	Accounts for the year 1997-98 are yet to be certified
2	Scheme for Purchase and Distribution of Chemical Fertilisers, Chennai	1980-81 to 1998-99	The Scheme was discontinued in 1978. Revised *pro forma* accounts for the year 1980-81 incorporating residuary transactions of the scheme were still awaited (September 1999). Various transactions such as regularisation of shortages, settlement/realisation of dues, etc., had not been completed.
II	**Animal Husbandry and Fisheries Department**		
3	Chank Fisheries, Tuticorin	1994-95 to 1998-99	-
4	Chank Fisheries, Ramanathapuram	1997-98 and 1998-99	-

The matter regarding delay in finalisation of the accounts was referred to the concerned Departments of the Government of Tamil Nadu in August 1999; their replies were awaited (September 1999).

The financial results of these four undertakings for the year up to which the accounts had been compiled and audited showed that loss aggregating to Rs 1.53 crore (after charging interest on capital) had been incurred by these undertakings as per details in Appendix LXIII.

C.V. Avadhani

Chennai
The 23 MAR 2000

(C.V. AVADHANI)
Principal Accountant General (Audit)I
Tamil Nadu and Pondicherry

Countersigned

V. K. Shunglu.

New Delhi
The 28 MAR 2000

(V.K. SHUNGLU)
Comptroller and Auditor General of India

APPENDICES

Appendix I

(Reference: paragraphs 1.1 and 1.11 ; page 1 and 19)

Part A. Government Accounts

I. Structure: The accounts of the State Government are kept in three parts (i) Consolidated Fund (ii) Contingency Fund and (iii) Public Account.

Part I: Consolidated Fund

All receipts of the State Government from revenues, loans and recoveries of loans go into the Consolidated Fund of the State, constituted under Article 266(1) of the Constitution of India. All expenditure of the Government is incurred from this Fund from which no amount can be withdrawn without authorisation from the State Legislature. This part consists of two main divisions, namely, Revenue Account (Revenue Receipts and Revenue Expenditure) and Capital Account (Capital Receipts, Capital Expenditure, Public Debt and Loans, etc.).

Part II: Contingency Fund

The Contingency Fund created under Article 267(2) of the Constitution of India is in the nature of an imprest placed at the disposal of the Governor of the State to meet urgent unforeseen expenditure pending authorisation from the State Legislature. Approval of the State Legislature is subsequently obtained for such expenditure and for transfer of equivalent amount from the Consolidated Fund to Contingency Fund. The corpus of this Fund authorised by the Legislature was Rs 150 crore.

Part III: Public Account

Receipts and disbursements in respect of small savings, provident funds, deposits, reserve funds, suspense, remittances, etc., which do not form part of the Consolidated Fund, are accounted for in Public Account and are not subject to vote by the State Legislature.

II. Form of Annual Accounts

The accounts of the State Government are prepared in two volumes *viz.*, the Finance Accounts and the Appropriation Accounts. The Finance Accounts present the details of all transactions pertaining to both receipts and expenditure under appropriate classification in the Government accounts. The Appropriation Accounts present the details of expenditure by the State Government *vis-a-vis* the amounts authorised by the State Legislature in the budget grants. Any expenditure in excess of the grants requires regularisation by the Legislature.

Appendix I (concld.)

(Reference: paragraphs 1.1 and 1.11; page 1 and 19)

Part B. List of Indices/ratios and basis for their calculation

Indices/ratios		Basis for calculation
Sustainability		
Balance from current revenues	(B C R)	Revenue Receipts minus all Plan grants (under Major Head 1601-02,03,04) and Non-Plan revenue expenditure.
Primary Deficit		Fiscal Deficit minus interest payments
Interest Ratio		$\frac{\text{Interest payment – Interest receipts}}{\text{Total Revenue receipts – Interest receipts}}$
Capital Outlay Vs Capital receipts	Capital Outlay	Capital expenditure as per Statement No. 1 of the Finance Accounts.
	Capital receipts	Internal Loans (net of ways and means advances) + Loans and advances from Government of India + Net receipts from small savings, Provident Funds, etc. + Repayments received from loans advanced by the State Government – Loans advanced by the State Government.
Total tax receipts Vs Gross State Domestic Product (GSDP)	Total tax receipts	State Tax Receipts plus State's share of Union Taxes.
State tax receipts Vs GSDP	State tax receipts	Statement No.1 of Finance Accounts.
	GSDP	As worked out by Government at current prices adopting the new series with base year 1993-94.
Flexibility		
Balance from current revenues	BCR	As above.
Capital repayments Vs Capital borrowings	Capital repayments	Disbursements under Major heads 6003 and 6004 minus repayments on account of Ways and Means Advances/Overdraft under both the major heads and non-plan loans from Government of India.
	Capital borrowings	Addition under Major Heads 6003 and 6004 minus addition on account of Ways and Means advances/overdraft under both the major heads and non-plan loans from Government of India.
Incomplete Projects		Appendix IV of Finance Accounts.
Total Tax Receipts Vs GSDP	Total Tax Receipts	As above.
Debt Vs GSDP	Debt	Borrowings and other obligations at the end of the year (Statement No.4 of the Finance Accounts).
	GSDP	As above.
Vulnerability		
Revenue Deficit		Paragraph 1.9.6 of the Audit Report
Fiscal Deficit		Paragraph 1.9.6 of the Audit Report
Primary Deficit Vs Fiscal Deficit	Primary Deficit	Fiscal Deficit minus interest payments.
Total outstanding guarantees including letters of comfort Vs Total Revenue Receipts of the Government	Outstanding guarantees	Exhibit IV.
	Revenue Receipts	Exhibit II.
Assets Vs Liabilities	Assets and Liabilities	Exhibit I.

Appendix II

(Reference: paragraph 2.3.2;page 27)

Grants/Appropriations where excess requires regularisation

Serial number		Number and title of grant/appropriation	Total grant/ appropriation (Rs)	Expenditure (Rs)	Excess (Rs)
		Voted Grants -			
1.	3	Motor Vehicles Acts – Administration	234860000	237596208	2736208
2.	5	Stamps – Administration	102548000	103660275	1112275
3	6	Registration	452692000	465185462	12493462
4.	17	Education	38008770000	38878271172	869501172
5.	20	Agriculture	11153758000	11663700624	509942624
6.	27	Rural Development	12246270000	12651615648	405345648
7.	30	Welfare of the Scheduled Tribes and Castes, etc.	3500275000	3508873748	8598748
8.	33	Urban Development	129728000	152716201	22988201
9.	35	Irrigation	3668464000	3790455185	121991185
10.	38	Roads and Bridges	3876856000	3980320791	103464791
11.	39	Road Transport Services and Shipping	203330000	206373527	3043527
12.	40	Relief on account of Natural Calamities	1185429000	1213134230	27705230
13.	48	Water Supply	2353498000	2383274230	29776230
14.	50	Tourism	60577000	60630705	53705
15.	52	Capital Outlay on Agriculture	382706000	385816333	3110333
16.	57	Capital Outlay on Road Transport Services and Shipping	2008563000	2008867818	304818
		Charged Appropriations -			
17.		Debt Charges	*21013126000*	*21218337137*	*205211137*
18.	45	Compensation and Assignments	*2556000*	*3626805*	*1070805*
Total		**Voted**	**79568324000**	**81690492157**	**2122168157**
		Charged	***21015682000***	***21221963942***	***206281942***
Grand Total					**2328450099**

Appendix III

(Reference: paragraph 2.3.4(b); page 29)

Grants/Appropriations where Supplementary provisions obtained in March 1999 proved unnecessary

(Rupees in lakh)

Serial Number	Number and title of grant/appropriation		Supplementary grant/appropriation (March 1999)	Final saving
	Voted Grants -			
1	2	State Excise Department	532.07	700.61
2.	8	Elections	0.01	1055.65
3.	9	Head of State, Ministers and Headquarters Staff	616.96	890.55
4.	16	Fire Services	0.01	1227.77
5.	24	Industries	0.02	377.57
6.	28	Labour including Factories	297.92	444.77
7.	34	Civil Supplies	0.12	54368.08
8.	37	Environment	0.02	727.36
9.	42	Miscellaneous	0.17	105076.22
10.	43	Stationery and Printing	0.11	398.20
11.	44	Forest Department	224.40	594.94
12.	47	Rural Industries	0.02	751.77
13.	49	Municipal Administration	0.03	7189.28
14.	51	Tamil Development – Culture	548.79	558.70
15.	54	Capital Outlay on Irrigation	0.10	5148.92
16.	56	Capital Outlay on Roads and Bridges	0.04	23519.56

Appendix III (concld.)

(Rupees in lakh)

Serial number	Number and title of grant/appropriation		Total Supplementary grant/appropriation (March 1999)	Final saving
17.	58	Capital Outlay on Forests	0.10	283.19
18.	61	Loans and Advances by the State Government	0.30	1555.72
	Total		**2221.19**	**204868.86**
	Charged Appropriations -			
1.	11	District Administration	*0.65*	*0.67*
2.	16	Fire Services	*4.10*	*4.11*
3.	18	Medical	*0.78*	*0.82*
4.	19	Public Health	*0.52*	*0.53*
5.	20	Agriculture	*46.06*	*46.08*
6.	28	Labour including Factories	*0.02*	*0.03*
7.	29	Social Welfare	*0.99*	*1.00*
8.	30	Welfare of the Scheduled Tribes and Castes, etc.	*49.59*	*449.10*
9.	36	Public Works – Buildings	*3.19*	*6.21*
10.	38	Roads and Bridges	*0.25*	*0.27*
11.		Public Debt – Repayment	*0.09*	*88341.76*
	Total		***106.24***	***88850.58***
Grand Total			**2327.43**	

Appendix IV

(Reference: paragraph 2.3.4 (c); page 30)

Grants where Supplementary provisions obtained during 1998-99 proved insufficient by more than Rs 50 lakh each

(Rupees in lakh)

Serial number	Number and title of grant/appropriation		Total Supplementary Grant	Final excess
	Voted Grants -			
1.	6	Registration	411.21	124.93
2.	17	Education	19980.00	8695.01
3.	20	Agriculture	37637.40	5099.43
4	27	Rural Development	3900.18	4053.46
5.	30	Welfare of the Scheduled Tribes and Castes, etc.	4547.98	85.99
6.	35	Irrigation	1954.23	1219.91
7.	38	Roads and Bridges	743.80	1034.65
8.	40	Relief on account of Natural Calamities	4852.21	277.05
9.	48	Water Supply	2777.50	297.76
	Charged Appropriation -			
10.		Debt Charges	*8575.25*	*2052.11*
Total		**Voted**	**76804.51**	**20888.19**
		Charged	***8575.25***	***2052.11***
Grand Total				**22940.30**

Appendix V

(Reference: paragraph 2.3.5 (a); page 30)

Statement showing persistent excess during 1996-97 to 1998-99

(Rupees in crore)

Serial number	Number and title of grant/appropriation	1996-97		1997-98		1998-99	
		Amount	Percentage	Amount	Percentage	Amount	Percentage
	Voted Grants -						
1.	20 Agriculture	28.78	3	84.07	9	50.99	5
2.	35 Irrigation	17.95	8	124.49	44	12.20	3
	Charged Appropriation -						
3.	45 Compensation and Assignments	*0.05*	23	*0.12*	53	*0.11*	42

Appendix VI

(Reference: paragraph 2.3.5 (b);page 30)

Audit of Monthly Appropriation

Number and Title of Grant	Head of Account		FMG	Actual	Excess (+)/ Savings (-)
			(Rs)	(Rs)	(Rs)
8 Elections	2015.00.105.I.AB Election to Lok Sabha				
	O	14,000			
	R	3,08,12,000	3,08,26,000	365,92,002	(+) 57,66,002
	O	14,000		96,07,896 (upto August 1998)	(+) 95,93,896
9 Head of State, Ministers and Headquarters Staff	3454.02.110.III.SF Economic Census and Surveys				
	O	1,000			
	S	20,40,000			
	R	1,48,50,000	1,68,91,000	1,73,26,776	(+) 4,35,776
	O	1,000		24,27,000 (upto June 1998)	(+) 24,26,000
11 District Administration	2053.00.094.I.AN Establishment for Acquisition of lands for Growth Centre by Small Industries Promotion Corporation of Tamil Nadu Limited				
	O	67,16,000			
	S	30,10,000			
	R	66,70,000	1,63,96,000	6,36,61,916	(+) 4,72,65,916
	O	67,16,000		1,34,13,000 (upto August 1998)	(+)66,97,000
22 Animal Husbandry	2551.60.105.II.JB Lumpsum provision for New Schemes under HADP				
	O	1,84,000			
	R	8,000	1,92,000	37,23,779	(+) 35,31,779
	O	1,84,000		33,37,057 (upto August 1998)	(+)31,53,057

FMG: Final Modified Grant; O: Original; R: Reappropriation and S: Supplementary

Appendix VII

(Reference: paragraph 2.3.6; page 30)

Statement showing persistent savings during 1996-97 to 1998-99

(Rupees in crore)

Serial number	Number and title of grant/appropriation	1996-97		1997-98		1998-99	
		Amount	Percentage	Amount	Percentage	Amount	Percentage
	Voted Grants -						
1.	2 State Excise Department	1.18	9	1.69	12	7.01	31
		(Saving of 12 *per cent* occurred during 1995-96 also)					
2.	9 Head of State, Ministers and Headquarters Staff	12.83	12	15.70	12	8.91	6
3.	42 Miscellaneous	34.37	20	471.35	73	1050.76	84
4.	43 Stationery and Printing	2.23	5	4.80	10	3.98	7
5.	44 Forest Department	7.34	11	15.46	18	5.95	6
6.	51 Tamil Development – Culture	1.07	6	2.60	11	5.59	19
		(Saving occurred in the preceding 5 years, the percentage of saving ranging from 7 to 15)					
7.	54 Capital Outlay on Irrigation	195.79	83	172.24	69	51.49	19
		(Saving occurred in the preceding 20 years, the percentage of saving ranging from 10 to 45)					
	Charged Appropriations -						
8.	7 State Legislature	*0.03*	10	*0.04*	16	*0.04*	13
9.	13 Administration of Justice	*0.85*	8	*1.68*	11	*1.13*	6
		(Saving of 5, 9 and 11 *per cent* occurred during 1993-94, 1994-95 and 1995-96 respectively)					
10.	30 Welfare of the Scheduled Tribes and Castes, etc.	*7.93*	99	*5.78*	100	*4.49*	100
		(Saving of 73, 89, 49 and 94 *per cent* occurred during 1992-93, 1993-94, 1994-95 and 1995-96 respectively)					
11.	36 Public Works – Buildings	*0.01*	6	*0.16*	55	*0.06*	22
12.	41 Pensions and Other Retirement Benefits	*0.35*	77	*0.24*	51	*1.36*	100
13.	55 Capital Outlay on Public Works - Buildings	*0.65*	100	*1.08*	55	*0.25*	23
		(Saving occurred in preceding 5 years, the percentage of saving ranging from 16 to 100)					
14.	Public Debt-Repayment	*1485.98*	81	*1427.89*	78	*883.42*	41
		(Saving occurred in preceding 6 years, the percentage of saving ranging from 15 to 82)					

Appendix VIII

(Reference: paragraph 2.3.7; page 30)

Statement showing cases where expenditure fell short by more than Rs 1 crore each and also by 10 *per cent* or more of the total provision

Serial Number	Number and title of grant/appropriation		Amount of saving (Rupees in crore) (Percentage of provision)	Main reasons for saving
(1)	(2)		(3)	(4)
	Voted Grants -			
1.	2	State Excise Department	7.01 (31)	Saving mainly occurred under Headquarters Establishment-Commissioner of Prohibition and Excise Department (Rs 6.56 crore) which was mainly due to non-passing of bills as the supplies were received belatedly.
2.	7	State Legislature	1.17 (11)	Saving mainly occurred under 'Pay and Allowances of Members other than Speaker, Deputy Speaker and Ministers', specific reasons for which have not been communicated (September 1999).
3.	8	Elections	10.56 (36)	Saving occurred under 'Scheme of Issue of Photo Identity Cards to voters" (Rs 14.08 crore) mainly due to non-completion of work of printing of photo identity cards entrusted to Electronics Corporation of Tamil Nadu. Saving was partly offset by excess under 2015.105.I.AB Election to Lok Sabha (Rs 3.66 crore), specific reasons for which have not been communicated (September 1999). The saving was counterbalanced by excess under other items detailed in Appropriation Accounts.
4.	16	Fire Services	12.28 (20)	Saving mainly occurred under (a) Fire Protection and Control – Fire Stations including workshops and mobile repair squads (Rs 9.12 crore) and (b) Direction and Administration (Rs 2.76 crore) specific reasons for which have not been communicated (September 1999).

(1)		(2)	(3)	(4)
5.	24	Industries	3.78 (12)	Saving occurred under 'Assistance to State Industries Promotion Corporation of Tamil Nadu Limited (SIPCOT) towards Capital Subsidy for setting up of industries in backward areas' (Rs 5 crore) which was due to some resources-based industries becoming ineligible to avail subsidy. Saving was partly offset by excess under 3453.190.III.SA (Rs 0.99 crore) in order to meet the expenditure by State Industries Promotion Corporation of Tamil Nadu Limited for provision of infrastructural facilities in the Export Promotion Industrial Park at Gummidipoondi. The saving was offset by excess under other items detailed in the Appropriation Accounts.
6.	34	Civil Supplies	543.68 (47)	Saving occurred mainly under (a) Reimbursement of losses incurred by Tamil Nadu Civil Supplies Corporation Limited for procurement and supply of food articles under 'Public Distribution System' (Rs 500 crore) due to decrease in provision made for the subsidies (b) Feeding of children in the age group 5-9 under Puratchi Thalaivar MGR Noon Meal Programme –payment of cost to Tamil Nadu Civil Supplies Corporation Limited for supply of food articles (Rs 46 crore) due to observance of strict economy in expenditure. Saving was partly offset by excess under 'Headquarters' (Rs 5.37 crore) mainly due to revision of pay and payment of Pay Commission arrears and due to excess in call charges and other contingencies made in connection with issue of new family cards. The overall net saving was due to savings distributed under various other sub-heads.

(1)		(2)	(3)	(4)
7.	37	Environment	7.27 (45)	Saving mainly occurred under 'Assistance to Local Bodies for Environmental improvement to River Cauvery under NRAP' (Rs 8 crore), specific reasons for which have not been communicated (September 1999). The saving was offset by significant excess under 'Establishment of Project Management Cell for the Cauvery Action Programme' (Rs 1.90 crore), specific reasons for which have not been communicated (September 1999).
8.	41	Pensions and Other Retirement Benefits	206.76 (11)	Saving occurred under (a) 'Dearness Allowance to Pensioners' (Rs 153.02 crore), (b) 'Dearness Allowance to Teacher Pensioners of Aided Schools, colleges and Local Bodies' (Rs 98.51 crore). While part of the saving (Rs 24.00 crore) was attributed to percentage of Dearness Allowance being lesser than anticipated, specific reasons for the balance saving have not been communicated (September 1999). The saving was counterbalanced by excess under other items detailed in the Appropriation Accounts.
9.	42	Miscellaneous	1050.76 (84)	Net saving exhibited under the Grant was mainly due to withdrawal of provision under 'Expenditure towards increase in salaries consequent on implementation of Pay Commission' (Rs 1100.23 crore) for re-distribution of funds under the respective sub-heads. The saving was counter-balanced by excess under other items detailed in the Appropriation Accounts.
10.	49	Municipal Administration	71.89 (14)	Saving mainly occurred under 'Lumpsum provision for assignment to be made to Urban Local Bodies as per the recommendation of the State Finance Commission – controlled by the Director of Municipal Administration' (Rs 71.83 crore) which was due to the actual assignment based on Finance Commission's recommendation being lesser.

(1)		(2)	(3)	(4)
11.	51	Tamil Development – Culture	5.59 (19)	Saving mainly occurred under (a) "Pension to persons who have rendered meritorious service for the preservation and promotion of Tamil Language, Literature and Culture" (Rs 2.45 crore), (b) "Encouragement of Artists and men of letters" (Rs 1.19 crore), (c) Tamil University, Thanjavur (Rs 0.37 crore), (d) Directorate of Tamil Development (Rs 0.26 crore), (e) Colleges of Arts and Craft (Rs 0.27 crore) and (f) Buildings (Rs 0.27 crore). Saving under (b) was attributed to non-distribution of grants to certain recipients who have been sanctioned financial assistance. Saving under (d) and (e) was mainly due to non-filling up of vacant posts and under (f) to non-execution of the work. Specific reasons for saving under (a) and (c) have not been communicated (September 1999).
12.	54	Capital Outlay on Irrigation	51.49 (19)	Saving mainly occurred under (a) "Add - percentage charges for establishment transferred from Major Head '2059.Public Works' (Rs 19.76 crore), (b) 'Dam and Appurtenant Works' (Rs 6.97 crore), (c) "Equipment for operation and maintenance under Water Resources Consolidation Project" (Rs 6.89 crore), (d) Modernisation and Rehabilitation of Kodaganar System under Water Resources Consolidation Project – Stage II (Rs 6.12 crore), (e) Canals (Rs 6.56 crore) and (f) Dam and Appurtenant Works (Rs 5.90 crore). Saving under (b) to (e) was attributed mainly to non-finalisation of bid and delay in land acquisition work and non-taking up of works under Water Resources Consolidation Project. Specific reasons for saving under (a) and (f) have not been communicated (September 1999).

(1)		(2)	(3)	(4)
13.	56	Capital Outlay on Roads and Bridges	235.20 (49)	Saving mainly occurred under (a) Improvements to District and Other Roads with loan assistance from National Bank for Agriculture and Rural Development (NABARD) (Rs 63.30 crore), (b) Tamil Nadu State Highways Project (Rs 60.16 crore), (c) Improvement to Rural roads with loan assistance from NABARD (Rs 15.96 crore), (d) Margin money to Tamil Nadu State Construction Corporation Limited for construction of bridges with HUDCO loan assistance (Rs 33.14 crore), (e) Margin money to Chennai Metropolitan Development Authority for improvement to Radial roads with HUDCO loan assistance (Rs 31.57 crore), (f) Improvement to Rural roads with loan assistance from NABARD under Special Component Plan (Rs 6.34 crore), (g) City Traffic improvement works controlled by the Chief Engineer (Highways and Rural Works) (Rs 5.70 crore), (h) Improvement to Bus routes with loan assistance from NABARD (Rs 3.21 crore), (i) Rural roads in Marketing Centre (Rs 2.41 crore), (j) Improvements to Rural roads with loan assistance from NABARD for works outside rural roads norms (Rs1.49 crore), (k) construction of underbridge at the junction of Pondy Krishnagiri road under Economic Inter-State importance (Rs 1.22 crore) and (l) Construction of over and under bridges in lieu of existing level crossings (Rs 4.58 crore). Specific reasons for saving under (a) to (c) have not been communicated (September 1999). Saving under (d) was due to belated settlement of tenders for 17 packages for 106 bridges under fast track scheme and under (e) was due to non-finalisation of tenders for Chennai radial roads till March 1999. Specific reasons for saving under items (f) to (l) have not been communicated (September 1999).

(1)		(2)	(3)	(4)
		Charged Appropriations -		
1	30	Welfare of the Scheduled Tribes and Castes, etc	*4.49* (100)	Saving mainly occurred under 'House sites for Adi Dravidars' (Rs 4.49 crore) specific reasons for which have not been communicated(September 1999).
2.	41	Pensions and Other Retirement Benefits	*1.36* (100)	Saving mainly occurred under (a) 'Superannuation and other retirement pensions' (Rs 0.84 crore) and (b) Payments to other Governments (Rs 0.37 crore) specific reasons for which have not been communicated (September 1999).
3.		Public Debt - Repayment	*883.42* (41)	Saving mainly occurred under (a) Ways and Means Advances from the Reserve Bank of India (Rs 507.66 crore) and (b) overdraft from the Reserve Bank of India (Rs 400 crore) which was attributed to non-availing of Ways and Means Advance and overdraft to the maximum possible extent. Saving was partly offset by excess under 'Block Loans' (Rs 24.10 crore) due to repayment of loan to Government of India. The overall net saving was due to savings distributed under various other sub-heads.

Appendix IX

(Reference: paragraph 2.3.8; page 30)

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)	(2)	(3)	(4)	(5)
1.	15 Police	Upgradation of standards of administration – recommended by 10th Finance Commission – Training to Police Personnel (2055.003.II.JA)	110.88	100
Provision was made for the formation of Police Academy at Veerapuram. The location was subsequently shifted to Vandalur due to the objection raised by Chennai Metropolitan Water Supply and Sewerage Board. Government accorded (January 1999) sanction for the establishment of academy at the new site at Vandalur. The plans and estimates for Rs 10.19 crore was sent (June 1998) by Tamil Nadu Police Housing Corporation, which were not sanctioned by Government and the amount was surrendered. Thus, provision of funds in the budget even before selection of suitable site and non-obtaining approval of plans and estimates resulted in the surrender of entire funds. Similarly, the entire provision of Rs 73.92 lakh made in 1996-97 and Rs 92.41 lakh provided in 1997-98 were surrendered for the same reasons.				
2.	17 Education	Provision of Computers in Higher Secondary Schools (2202.02.109.II.JX)	352.08	100
Government sanctioned (June 1998) a sum of Rs 352.08 lakh for the introduction of Computer Education in fifty Higher Secondary Schools. Subsequently, Government have decided (July 1998) to implement the schemes through Electronics Corporation of Tamil Nadu (ELCOT). The Director of School Education had addressed (October 1998) the Government to clarify whether expenditure could be incurred from the Budget Provision as and when ELCOT furnish the bill for expenditure. However, no decision was given by the Government till March 1999. Hence, the entire amount was surrendered.				
3.		Vocationalisation of Higher Secondary Education (2202.02.109.III.SB)	300.00	100
Provision was made towards purchase of equipment for vocational courses in the higher secondary schools. The tender committee meeting to finalise the tenders was convened in June 1999, which resulted in the surrender.				
4.		Development of Library facilities (2202.02.109.II.JB)	50.00	100
Provision was made for supply of library books to high/higher secondary schools. Additional funds were also obtained for the above purchase. The selection of books for the high/higher secondary schools was completed in October 1998 and November 1998. The list of books to be purchased was placed before the tender committee in February 1999. The Director of School Education placed supply orders in March 1999. The last date for completion of supply fixed as 31 March 1999 was, however, revised as 30 April 1999. As the supplies were not made before the close of the year, entire funds were surrendered.				

(1)	(2)	(3)	(4)	(5)
5.	17 Education	Provision of Sports materials for schools (2202.01.101.II.JC)	100.00	100
Provision was made towards supply of Sports materials etc., for Primary Schools. The Director of Elementary Education submitted the proposal (May 1998) to the Government for the supply of sports materials to Panchayat Union Elementary Schools through Tamil Nadu Sports Development Authority. As the approval of Government was not received, the entire funds were surrendered.				
6.	27 Rural Development	Implementation of Integrated Rural Sanitation and Water Supply Project with the assistance of DANIDA at Marakkanam Block in Cuddalore District and Parangipettai Block in Villupuram District (2215.01.102.II.PC)	1010.33	72
Provision was made for the continued implementation of the scheme with the external assistance of DANIDA. However, due to difficulties in getting the involvement of public and collecting public matching fund, the Project Director, DANIDA restricted the requirement of funds to Rs 383 lakh resulting in huge surrender.				
7.	29 Social Welfare	Tamil Nadu Women's Development Project with financial assistance from International Fund for Agriculture Development (2235.02.103.II.PA)	694.00	100
Provision was made in the budget towards meeting expenditure for the Project Management Unit of Tamil Nadu Women's Development Project. The Tamil Nadu Women Development Corporation requested (August 1998) for reallotment of Rs 6.94 crore to other schemes since there was an accumulated balance of funds available with the Corporation for implementation of the scheme. Thus, provision of funds in the budget estimates without ascertaining the requirement of funds by Tamil Nadu Women Development Corporation resulted in the surrender of entire provision of funds.				
8.	31 Welfare of the Backward Classes, Most Backward Classes and Denotified Communities	House sites for forward communities who live in the village below poverty line under the control of Director of Backward Classes and Minorities Welfare (2235.60.200.II.JM)	248.38	83
Out of the Budget provision of Rs 300 lakh, Rs 245.45 lakh was diverted to Tamil Nadu Backward Classes and Minorities Economic Development Corporation towards additional share capital contribution of Government for revival of the Corporation. Only Rs 51.64 lakh was spent for providing house sites to 422 beneficiaries resulting in substantial surrender of funds.				
9.	49 Municipal Administration	Urban Self Employment Programme (3475.108.VI.UA)	400	100
Provision was made for implementing Urban Self Employment Programme (USEP) and Development of Women and Children in Urban Areas. Government, while sanctioning (January 1999) 25 *per cent* of the State's share on the scheme, ordered to debit the expenditure under a new sub-head "3475.00.108.II.JA The Urban Self Employment Programme". Due to reclassification of head of account, the entire provision made under the above sub-head was surrendered.				
10.	54 Capital Outlay on Irrigation	Construction of Dam for storage of Krishna River Water (4215.01.101.II.JB)	499.26	52
Due to non-receipt of materials, the work could not be taken up resulting in surrender.				

(1)	(2)	(3)	(4)	(5)
11.	54 Capital Outlay on Irrigation	Canals (4701.03.255.II.PA)	674.20	96
Due to non-finalisation of tenders for the canal works, the amount was surrendered.				
12.		Cheyyar Anicut System (4701.03.269.II.PA)	247.70	76
Surrender was due to non-settlement of Agencies for taking up the work.				
13.		Modernisation and Rehabilitation of Kodaganar System under Water Resources Consolidation Project – Stage II (4701.03.285.II.PA)	694.63	85
Surrender was due to non-finalisation of tenders.				
14.		Equipment for operation and maintenance under Water Resources Consolidation Project (4701.80.800.II.PE)	688.27	97
Surrender was due to the deferment of purchase of modern equipment by the Contract Award Committee.				
15.		Dam and Appurtenant works (4701.03.217.II.PA)	396.60	99
Surrender was due to non-acquisition of land.				
16.		Modernisation and Rehabilitation of Cumbum System under Water Resources Consolidation Project - Stage II (4701.03.284.II.PA)	135.00	73
17.		Modernisation and Rehabilitation of Thamaraparani System under Water Resources Consolidation Project - Stage II (4701.03.288.II.PA)	224.74	43
Surrender was due to non-taking up of works, as the agencies had not been settled and tenders had not been finalised.				
18.	55 Capital Outlay on Public Works - Buildings	Land Revenue (4059.01.051.II.JC)	837.67	57
Surrender was due to delay in settling the agency for taking up the work.				
19.	56 Capital Outlay on Roads and Bridges	Margin money to Tamil Nadu State Construction Corporation Limited for construction of bridges with Housing and Urban Development Corporation (HUDCO) loan assistance (5054.04.101.II.JC)	3314.00	100
Surrender was due to belated conclusion of contracts.				

(1)	(2)	(3)	(4)	(5)
20	56 Capital Outlay on Roads and Bridges	Margin money to Chennai Metropolitan Development Authority for improvement to radial roads with Housing and Urban Development Corporation (HUDCO) loan assistance (5054.04.337.II.JP)	3157.00	100
Surrender was due to non-taking up of work as the (i) contract was executed belatedly and (ii) tenders had not been settled.				
21.		Special Bridges Schemes (5054.04.800.II.JL)	100.59	100
Surrender was due to non-finalisation of tenders.				
22.		Tamil Nadu State Highways Project (5054.80.800.II.PB)	5800.00	83
Surrender was due to delay in approval of World Bank sponsored works, delay in completion of project preparation through the consultants and belated conclusion of agreement.				
23.	58 Capital Outlay on Forests	Afforestation works under Tamil Nadu Agricultural Development Project - Phase II (4406.01.102.II.PB)	209.18	91
The Department attributed the reasons for surrender to the closure of Tamil Nadu Agricultural Development Project in September 1998.				

Appendix X

(Reference: paragraph 2.3.9; page 31)

Excess/Unnecessary/Insufficient Reappropriation of funds

(Rupees in lakh)

Serial number	Grant Number and title of Grant/Appropriation	Head of Account	Reappropriation	Final Excess (+)/ Saving (-)
1.	6 Registration	2030.03.001.I.AB	(-) 60.20	(+) 251.89
2.	Debt Charges (Charged)	2049.01.101.I.BF	*(+) 49.70*	*(-) 241.69*
3.		2049.01.101.I.BW	*(+) 1125.00*	*(-) 761.17*
4.		2049.03.104.I.AC	*(+) 92.71*	*(-) 140.10*
5		2049.03.104.I.AJ	*(+) 95.00*	*(-) 102.97*
6.		2049.04.101.I.AA	*(-) 1582.83*	*(-) 1736.00*
7.		2049.04.108.I.AA	*(+) 41.60*	*(-) 1735.59*
8.	8 Elections	2015.108.I.AA	(-) 1264.55	(-) 143.88
9.	9 Head of State, Ministers and Headquarters Staff	2251.090.I.AM	(+) 81.32	(-) 100.44
10.		2251.090.I.AU	(-) 136.10	(+) 115.74
11.	11 District Administration	2053.094.I.AB	(-) 112.74	(+) 410.00
12.		2053.094.I.AC	(+) 1174.84	(+) 257.17
13.		2053.094.I.AN	(+) 66.70	(+) 472.66
14.	13 Administration and Justice	2014.105.I.AB	(-) 868.44	(-) 110.54
15.	14 Jails	2056.101.I.AA	(-) 80.09	(+) 107.34
16.		2056.101.II.JA	(-) 7.28	(+) 145.15
17.	15 Police	2055.108.I.AA	(+) 16.93	(+) 140.40
18.	17 Education	2202.01.101.I.AA	(-) 702.06	(-) 165.75
19.		2202.01.101.I.AB	(-) 336.91	(-) 592.85
20.		2202.01.101.I.AC	(-) 1403.26	(+) 4417.35
21.		2202.01.102.I.AD	(-) 1025.34	(+) 10004.90
22.		2202.01.104.I.AA	(-) 403.91	(-) 1102.68
23.		2202.02.101.I.AA	(+) 348.95	(+) 498.78
24.		2202.02.109.I.AA	(+) 10560.41	(-) 5149.19
25.		2202.02.109.I.AB	(+) 453.37	(-) 928.38
26.		2202.02.110.I.AA	(+) 1801.89	(+) 4269.65
27.		2202.02.110.II.JC	(-) 80.25	(-) 339.94
28.		2202.02.800.VI.UA	(-) 2058.83	(+) 1894.73

(Rupees in lakh)

Serial number	Grant Number and title of Grant/Appropriation	Head of Account	Reappropriation	Final Excess (+)/ Saving (-)
29	17 Education	2202.03.104.I.AA	(-) 637.75	(-) 526.04
30.		2225.01.789.II.JA	(+) 325.00	(-) 387.43
31.		2225.01.789.II.JB	(-) 12.00	(-) 930.47
32.	18 Medical	2059.01.053.I.AU	(+) 45.29	(+) 209.18
33.		2210.01.102.I.AG	(-) 360.89	(-) 144.37
34.		2210.01.110.I.AJ	(-) 261.11	(+) 220.50
35.		2210.01.110.I.AK	(-) 58.60	(+) 161.22
36.		2210.01.110.I.AW	(-) 360.56	(+) 407.61
37.		2210.05.105.I.AL	(+) 118.42	(+) 233.03
38.	19 Public Health	2210.03.103.I.BI	(-) 2996.85	(+) 223.62
39.		2210.06.101.I.CA	(-) 335.38	(+) 648.03
40.		2210.06.101.VI.UA	(+) 188.68	(+) 302.27
41.		2211.200.III.TJ	(-) 264.78	(+) 256.48
42.	20 Agriculture	2401.103.I.AN	(+) 256.47	(+) 153.99
43.		2401.109.I.AK	(+) 550.57	(+) 130.37
44.		2402.102.II.JA	(+) 92.91	(-) 447.46
45.		2402.102.III.SE	(-) 15.82	(-) 195.78
46.		2501.02.800.II.JA	(+) 352.54	(-) 273.65
47.		2501.02.800.VI.UB	(-) 642.70	(+) 131.10
48.		2705.101.VI.UA	(+) 24.82	(-) 188.20
49.		2705.102.VI.UA	(+) 5.97	(-) 359.45
50.		2705.103.VI.UA	(-) 76.31	(-) 115.79
51.		2705.108.VI.UA	(+) 45.96	(-) 111.33
52.	21 Fisheries	2405.109.I.AA	(+) 13.35	(+) 124.11
53.	23 Co-operation	2425.001.I.AC	(-) 416.66	(+) 221.98
54.	25 Handlooms and Textiles	2851.103.VI.UF	(+) 377.01	(-) 128.75
55.	27 Rural Development	2215.02.105.VI.UA	(+) 299.18	(-) 343.26
56.		2236.02.102.I.AF	(+) 2521.37	(-) 263.76
57.		2501.01.789.II.JB	(-) 57.76	(-) 1291.63
58.		2501.01.800.II.JA	(+) 124.35	(+) 256.22
59.		2501.01.800.II.JB	(+) 15.24	(+) 2973.16
60.		3604.101.I.AA	(-) 0.01	(+) 526.41
61.		3604.200.I.BB	(-) 1422.21	(+) 4530.02
62.	28 Labour including Factories	2230.01.103.I.AG	(-) 604.23	(+) 171.93

(Rupees in lakh)

Serial number	Grant Number and title of Grant/Appropri-ation	Head of Account	Reappropriation	Final Excess (+)/ Saving (-)
63.	29 Social Welfare	2235.60.102.I.AC	(-) 0.79	(-) 306.96
64.		2235.60.102.I.AE	(-) 21.81	(+) 149.68
65.		2235.02.200.I.BK	(-) 77.01	(-) 178.29
66		2236.02.101.III.SA	(+) 336.07	(+) 143.40
67		2236.02.102.I.AZ	(-) 226.54	(-) 136.92
68.		2236.02.102.II.PA	(-) 48.94	(+) 134.32
69.	30 Welfare of the Scheduled Tribes and Castes etc.	2225.01.277.I.AA	(+) 580.48	(+) 110.50
70.		2225.01.277.I.AE	(-) 387.13	(+) 136.39
71.		2225.01.277.III.SA	(-) 56.12	(+) 1104.28
72.		2225.01.283.II.JA (Charged)	(-) 86.18	(-) 362.75
73.		2225.01.283.II.JA	(+)51.87	(+) 469.69
74.		2225.01.800.I.BI	(-) 244.44	(-) 216.40
75.		2225.02.277.I.AA	(-) 450.80	(-) 111.89
76.		2225.80.800.II.JC	(+) 3.11	(+) 106.60
77.		2225.80.800.II.JF	(+) 86.34	(-) 149.62
78.	34 Civil Supplies	2236.02.102.I.AE	(-) 4767.52	(+) 167.16
79.	35 Irrigation	2059.80.105.I.AD	(+) 96.03	(+) 204.85
80.		2701.80.001.I.AF	(+) 244.88	(-) 322.21
81.		2701.80.001.II.JC	(+) 28.50	(-) 169.17
82.		2701.80.001.II.JH	(-) 178.92	(+) 140.56
83.		2702.01.101.II.JH	(+) 55.70	(-) 142.34
84.	36 Public Works - Buildings	2059.80.001.I.BH	(-) 450.36	(-) 316.67
85.	37 Environment	3435.04.103.VI.UA	(-) 600.00	(-) 200.00
86.		3435.04.103.VI.UB	(-) 8.45	(+) 198.52
87.	38 Roads and Bridges	3054.01.001.I.AA	(-) 40.47	(+) 139.04
88.		3054.80.001.I.AA	(+) 82.98	(-) 126.37
89.		3054.80.001.I.AE	(-) 15.55	(+) 143.17
90.	40 Relief on account of Natural Calamities	2245.02.122.I.AA	(-) 18.77	(-) 190.11
91.		2245.02.193.I.AN	(-) 30.22	(-) 188.94
92.		2245.02.800.I.AA	(-) 0.01	(+) 120.82

(Rupees in lakh)

Serial number	Grant Number and title of Grant/Appropriation	Head of Account	Reappropriation	Final Excess (+)/ Saving (-)
93.	40 Relief on account of Natural Calamities	2245.02.800.I.BB	(-) 218.02	(+) 380.75
94.	41 Pensions and Other Retirement Benefits	2071.01.101.I.AA	(-) 11368.44	(+) 20516.56
95.		2071.01.101.I.AC	(-) 13857.44	(-) 1444.82
96.		2071.01.101.I.AD	(-) 1581.78	(+) 116.44
97.		2071.01.101.I.AF	(-) 218.76	(+) 145.36
98.		2071.01.101.I.AI	(+) 604.02	(-) 251.96
99.		2071.01.102.I.AA	(-) 5696.58	(+) 10347.72
100.		2071.01.104.I.AB	(-) 6755.56	(+) 6974.12
101.		2071.01.105.I.AA	(-) 5754.33	(+) 5972.39
102.		2071.01.105.I.AC	(-) 2842.90	(-) 883.97
103.		2071.01.109.I.AA	(-) 8895.68	(-) 955.38
104.		2071.01.109.I.AB	(+) 2120.19	(+) 6961.88
105.		2071.01.109.I.AC	(-) 2238.90	(+) 360.60
106.		2071.01.109.I.AD	(-) 1089.27	(+) 1344.58
107.		2071.01.109.I.AF	(-) 946.78	(+) 940.07
108.		2071.01.111.I.AA	(+) 52.10	(-) 243.25
109.	42 Miscellaneous	2047.103.I.AI	(+) 774.98	(+) 137.94
110.		2235.60.200.I.AY	(+) 439.26	(+) 104.22
111.		2235.60.200.I.CS	(+) 338.40	(-) 139.00
112.	44 Forest Department	2406.01.001.I.AB	(+) 265.73	(+) 164.14
113.	45 Compensation and Assignments	3604.103.I.AA	(-) 3672.02	(+) 931.95
114.		3604.200.I.AA	(-) 0.03	(+) 854.75
115.		3604.200.I.AD	(-) 0.17	(+) 125.91
116.	48 Water supply	2215.01.102.II.PB	(-) 75.98	(+) 255.76
117.	49 Municipal Administration	3475.108.II.JA	(+) 449.82	(-) 339.27
118.		3475.108.II.JB	(+) 266.51	(-) 266.51
119.		3475.108.II.JC	(+) 43.21	(+) 109.96
120.		3475.108.VI.UB	(-) 326.24	(+) 311.00
121.		3475.108.VI.UC	(+) 50.03	(+) 183.30
122.		3604.200.I.BA	(-) 433.37	(-) 134.60

(Rupees in lakh)

Serial number	Grant Number and title of Grant/Appropriation	Head of Account	Reappropriation	Final Excess (+)/ Saving (-)
123.	49 Municipal Administration	3604.200.I.BC	(-) 707.07	(-) 6476.38
124.	52 Capital Outlay on Agriculture	4401.119.II.PB	(+) 2.51	(-) 212.79
125.	54 Capital Outlay on Irrigation	4701.03.241.II.PE	(-) 289.92	(-) 151.93
126.		4701.03.258.II.PC	(-) 430.92	(-) 266.44
127.		4701.03.267.II.PC	(+) 55.18	(-) 103.42
128.		4701.03.271.II.PA	(+) 614.13	(+) 434.35
129.		4701.03.276.II.PB	(+) 42.25	(-) 167.78
130		4701.03.277.II.JA	(+) 265.74	(+) 169.08
131.		4701.03.288.II.PA	(-) 224.74	(-) 120.04
132.		4701.03.299.II.JB	(+) 100.87	(-) 135.22
133.		4701.03.300.II.JA	(-) 0.01	(+) 135.16
134.		4701.03.300.II.JB	(+) 144.62	(-) 144.80
135.		4701.80.800.II.PI	(+) 535.97	(+) 177.00
136.		4711.01.103.II.KK	(+) 89.99	(+) 105.08
137.	55 Capital Outlay on Public Works - Buildings	4059.60.051.II.JA	(+) 117.41	(-) 175.95
138.		4202.01.202.II.JA	(-) 219.73	(-) 443.64
139.		4202.01.202.II.JE	(-) 116.72	(-) 223.69
140.		4210.01.110.II.JA	(-) 192.77	(-) 241.75
141.		4210.02.103.II.JA	(+) 71.69	(-) 513.44
142.		4220.60.101.I.AC	(+) 108.27	(+) 309.78
143.	56 Capital Outlay on Roads and Bridges	4551.60.131.II.JA	(-) 4.00	(+) 100.40
144.		5054.04.337.II.JI	(-) 1116.85	(-) 479.38
145.		5054.04.337.II.JJ	(-) 80.05	(-) 240.78
146.		5054.04.337.II.JK	(-) 4807.48	(-) 1522.88
147.		5054.80.800.II.JJ	(-) 330.33	(-) 127.20
148.		5054.80.800.II.PB	(-) 5800.00	(-) 215.55
149.	58 Capital Outlay on Forests	4551.01.106.II.JB	(+) 203.12	(-) 177.66
150.		4551.01.106.III.SN	(-) 187.00	(+) 186.77
151.	60 Miscellaneous Capital Outlay	4217.01.190.II.JA	(+) 185.38	(-) 185.39
152.		4220.60.101.I.AC	(-) 41.43	(-) 344.57

(Rupees in lakh)

Serial number	Grant Number and title of Grant/Appropriation	Head of Account	Reappropriation	Final Excess (+)/ Saving (-)
153.	60 Miscellaneous Capital Outlay	4225.01.277.II.JA	(-) 33.61	(+) 667.91
154.		4225.80.800.II.JB	(-) 11.34	(-) 588.66
155.		4711.01.103.II.KL	(+) 24.12	(-) 102.22
156.		4801.80.101.I.AB	(-) 737.00	(+) 737.00
157		5465.01.190.II.JA	(-) 0.01	(+) 160.00
158.	61 Loans and Advances by the State Government	6202.02.104.II.PA	(+) 254.99	(-) 107.55
159.		6401.190.V.ZA	(+) 154.90	(-) 154.91
160.		6705.800.VI.UA	(+) 253.94	(-) 374.67
161.		6860.04.101.I.AA	(+) 54.90	(+) 3691.76
162.		7610.201.II.JA	(+) 232.97	(+) 269.16
163.		7610.202.I.AA.01	(+) 95.17	(-) 395.18
164.		7610.201.I.AA.03	(+) 196.61	(-) 2222.29
165.		7610.201.I.AA.05	(-) 20.38	(+) 2831.63
166.		7610.800.I.AB.40	(-) 225.00	(+) 109.57
167.		7610.800.I.AC	(-) 68.94	(-) 381.06
168.	Public Debt – Repayment (Charged)	6003.101.AA	*(-) 4.95*	*(-) 110.05*
169.		6003.110.AA	*(-) 46856.00*	*(-) 3910.00*

Appendix XI

(Reference: paragraph 2.4.2; page 32)

Rush of Expenditure

(Rupees in lakh)

Serial number	Head of account	Total Expenditure	Expenditure incurred in March 1999	Percentage of Expenditure in March 1999 to total Expenditure
1.	2245.02.800.I.BB	1269.82	1232.74	97
2.	2203.112.I.AC	291.50	209.00	72
3.	2204.104.II.JL	660.41	521.27	79
4.	2202.01.103.I.AA	1468.41	882.62	60
5.	2215.01.102.III.SB	528.71	500.00	95
6.	2401.102.VI.UA	541.31	271.96	50
7.	2401.108.III.SS	172.72	104.07	60
8.	2401.108.VI.UC	211.58	170.34	81
9.	2401.112.VI.UA	164.71	115.39	70
10.	2401.114.VI.UE	126.75	104.94	83
11.	2401.119.VI.UC	698.44	395.88	57
12.	2401.789.II.JA	406.89	209.35	51
13.	2401.789.VI.UA	223.30	115.45	52
14.	2506.103.III.SA	135.98	122.21	90
15.	2405.101.II.JD	158.00	158.00	100
16.	2405.109.I.AA	233.16	126.80	54
17.	2405.800.II.JK	595.00	595.00	100
18.	4405.103.III.SA	202.35	202.35	100
19.	2210.01.110.II.JA	177.86	142.18	80
20.	2211.103.III.SE	125.14	125.14	100
21.	2211.103.III.SF	157.92	157.92	100
22.	2211.108.III.SB	442.54	355.07	80
23.	2211.200.III.TF	388.25	364.25	94
24.	2211.200.III.TJ	271.55	255.00	94
25.	2851.103.I.AW	288.23	257.09	89
26.	2851.103.III.SG	180.00	150.00	83
27.	2851.103.VI.UA	255.00	255.00	100
28.	2851.103.VI.UG	721.42	416.21	58
29.	2851.105.I.AA	1206.38	831.38	69
30.	2851.105.I.AB	266.00	266.00	100
31.	2852.08.204.II.JA	385.28	263.51	68

(Rupees in lakh)

Serial number	Head of account	Total Expenditure	Expenditure incurred in March 1999	Percentage of Expenditure in March 1999 to total Expenditure
32.	2852.80.001.I.AC	861.95	831.56	96
33.	3475.108.II.JA	110.56	110.56	100
34.	3475.108.II.JC	153.18	153.18	100
35.	2040.800.I.AH	102.11	102.11	100
36.	4406.02.110.II.PA	214.81	131.29	61
37.	2075.00.103.I.AA	143.05	123.18	86
38.	2070.00.103.I.AC	2414.91	1404.58	58
39.	2075.00.103.I.AD	671.65	411.06	61
40.	2055.001.I.AA	1999.72	1013.26	51
41.	2055.113.I.AE	399.89	216.24	54
42.	2055.115.I.AA	476.55	291.89	61
43.	2055.800.I.AE	977.68	904.17	92
44.	4055.210.I.AA	360.00	180.00	50
45.	2202.03.102.I.AA	234.42	219.46	94
46.	2202.03.102.I.AB	353.40	299.74	85
47.	2202.03.102.I.AC	189.27	124.47	66
48.	2202.03.102.I.AF	105.43	102.63	97
49.	2202.03.102.I.AM	159.08	109.08	69
50.	2425.108.I.AH	800.00	800.00	100
51	4425.107.II.JD	178.51	178.51	100
52.	4425.107.II.JE	1218.03	1218.03	100
53.	2235.02.102.II.KB	474.60	474.40	100
54.	2235.02.103.I.AZ	459.14	256.61	56
55.	2235.60.200.I.AS	936.26	497.83	53
56.	2235.60.200.I.BK	1410.45	736.96	52
57.	2235.60.200.I.BL	299.09	212.21	71
58.	4235.02.106.II.JU	142.99	78.58	55
59.	2501.01.003.II.JA	310.62	177.44	57
60.	2501.01.800.II.JB	9661.54	5354.78	55
61.	2501.01.800.II.JA	966.80	629.30	65
62.	2501.01.702.II.JB	5036.72	4680.39	93
63.	2501.01.702.II.JE	2008.16	1777.16	88
64.	2515.00.800.II.JX	8560.00	5353.33	63
65.	2225.80.800.II.JF	1693.65	941.58	56

Appendix XII

(Reference: paragraph 2.5; page 33)

Details of Central assistance received only during the last quarter of the year 1998-99

Name of the Department		Name of the Scheme	Amount (Rs)
(1)		(2)	(3)
Handlooms and Textiles	(1)	Grants for setting up enforcement machinery	1500000
	(2)	Assistance to Handloom Weavers under Welfare Package Scheme	25940400
	(3)	Grants for workshed-cum-Housing Scheme for Handloom Weavers	24872000
Revenue	(4)	Computerisation of Land Records	3098000
Environment and Forests	(5)	Environmental Research and Ecological Conservation Programme	1650000
	(6)	Introduction of Modern Forest fire control method in India	1560300
Health, Indian Medicine and Homoeopathy and Family Welfare	(7)	Prevention and Control of Blindness	4155741
	(8)	Rural Malaria Eradication Programme	16081061
	(9)	Filaria Eradication Programme	2243733
	(10)	National TB Control Programme	15961000
	(11)	STD Control Programme	800000
Energy	(12)	National Programme for Biogas Development	1500000
Agriculture	(13)	Special Component Plan for SC/ST	1000000
Municipal Administration and Water supply	(14)	Accelerated Rural Water Supply Programme	50000000
Animal Husbandry and Fisheries	(15)	Development of Marine Fisheries	6200000
School Education	(16)	Integrated Education for disabled children	653000
Industries	(17)	Assistance for Export Promotion and Market Development - Export Promotion Industrial Park Scheme	47500000
Total			**20,47,15,235**

Appendix XIII

(Reference: paragraph 2.5; page 33)

Amount of Central assistance remained unutilised as on 31 March 1999

(Rupees in lakh)

Serial Number	Name of the implementing officer	Number of schemes	Opening balance on 1 April 1998	Receipt during 1998-99	Expenditure during 1998-99	Closing balance on 31 March 1999
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Director of Town Panchayat	2	Nil	5206.05	5130.54	75.51
2	Director of Tourism	13	Nil	136.50	116.50	20.00
3	Director of Horticulture	10	105.18	552.24	646.20	11.22
4	Commissioner of Civil Supplies	1	Nil	1.35	Nil	1.35
	Total					**108.08**

Appendix XIV

(Reference: paragraph 2.6 (a); page 33)

Statement showing grant-wise details of expenditure incurred on schemes which constituted New Service/New Instrument of Service met by token provision and through reappropriation

(Rupees in lakh)

Serial number	Grant/ Appropriation	Head of account Scheme/ Service	Budget provision	Reappropriation	Expenditure
1.	12	2250.800.I.AD Other grants to Religious Institutions	0.01	(-) 0.01	30.12
2.	27	3604.101.I.AA Local Cess Surcharge matching grant	0.01	(-) 0.01	526.41
3.		3604.200.I.AO House Tax matching grant controlled by the Director of Rural Development	0.01	(-)0.01	23.91
4.	47	2851.004.I.AA Establishment of Training – cum-Research and Development of Synthetic Diamond Industries	0.01	50.74	50.75
5.	54	4701.80.800.II.PD Land Acquisition and Economic Rehabilitation under Water Resources Consolidation Project	0.01	59.44	59.86
6.		4701.03.257.II.JA Canals	0.01	27.51	28.13
7.		4711.01.103.II.KD Construction of Groynes 4 Numbers in Right Bank of Vellar River near Sakkemgudi Village in South Arcot District	0.01	15.39	12.59
8.	55	4202.02.105.I.AA Buildings	0.01	37.56	37.57
9.		4551.60.114.II.JA Construction of Buildings in Panchayat Union Schools in Nilgiris District under Hill Area Development Programme	0.01	71.49	71.50
10.	56	5054.03.337.II.JD City Traffic Improvement Works controlled by Chief Engineer(Highways and Rural works)	0.01	79.99	79.90
11.	60	4405.800.II.JG Provision of Link Roads and Bridges to Fishermen Habitation	0.01	15.58	13.11
		Total			**933.85**

Appendix XV

(Reference: paragraph 2.6 (a); page 33)

Statement showing grant-wise details of expenditure incurred on schemes which constituted New Service/New Instrument of Service

(Rupees in lakh)

Serial Number	Grant/ Appropriation	Head of account Scheme/Service	Budget provision	Reappropriation	Expenditure
1.	9	2251.090.I.AB Education Department	-	-	16.58
2.	11	2053.094.I.CT Establishment for acquisition of Land to set up a foundry grade pig Iron Project	-	-	70.19
3.	15	2055.102.I.AA Central Reserve Police Force–Reimbursement of cost of Central Reserve Police Force deployed, adjusted against grants towards Administrative Service	-	-	44.00
4.		2235.02.105.I.AA Headquarters Establishments–Deputy Inspector General of Police (Prohibition)	-	-	14.75
5.	17	2202.05.001.II.JE Grants, prizes, etc., for Tamil Development	-	-	65.45
6.		2202.03.102.I.AL Grants to Indian Academy of Science, Bangalore	-	-	51.30
7.		2202.03.104.II.JA Grants to private colleges	-	-	33.55
8.		2202.03.103.II.JE Strengthening of facilities in the existing colleges	-	-	30.74
9.		2202.02.105.II.JA Tamil Nadu English Language Teaching Campaign	-	-	26.09
10	20	2551.01.103.III.TH Construction of ponds for Irrigation facilities under Western Ghat Development Programme	-	-	63.14
11.		2501.05.101.II.JA Scheme for the Implementation of poverty alleviation programme	-	-	30.56

(Rupees in lakh)

Serial number	Grant/ Appropriation	Head of account Scheme/Service	Budget provision	Reappropriation	Expenditure
12.	20	2401.114.VI.UC Special Component plan for Scheduled Castes – Intensive cultivation of Groundnut, sunflower and Gingelly under National Oil Seed Development project	-	-	14.26
13.	25	2851.103.III.SO Implementation of Integrated Handloom Village Development Programme	-	-	33.08
14.		2851.103.II.JA Schemes for Relief to Handloom Weavers	-	-	15.06
15.	27	2515.800.II.JA Sammelans	-	-	953.54
16.		2505.01.789.II.JB Employment Assurance Scheme in the Revamped Public Distribution System under special component plan	-	-	448.50
17.		2215.02.105.III.SD Sanitary facilities under Social Inputs Programme	-	-	339.78
18.		2515.800.II.JO Integrated Development of Adi Dravidar Habitations	-	-	323.24
19.		2505.01.702.I.AA Programme for special Employment-Road Schemes	-	-	15.41
20.	29	2236.02.789.II.JB Supplementary Nutrition - Integrated Child Development Service Scheme	-	-	83.80
21		2236.02.101.I.AF Nutrition Delivery Services	-	-	81.20
22.		2235.02.102.I.AA Care of pre-school children in the age of 2 to 5 years	-	-	40.02
23.		2236.02.102.II.JN Supplementary Nutrition in Integrated Child Development Service Scheme	-	-	36.16

(Rupees in lakh)

Serial number	Grant/ Appropriation	Head of account Scheme/Service	Budget provision	Reappropriation	Expenditure
24.	29	2235.60.200.I.CA Assistance to All India Deaf and Dumb Society	-	-	29.66
25.		2236.02.800.II.PB Tamil Nadu Integrated Nutrition Project – Nutrition District Staff	-	-	25.86
26.		2235.02.103.I.AX Starting of the Higher Secondary Course in Service Home, Tambaram	-	-	24.10
27.		2236.02.102.I.AC Payment of cost to Tamil Nadu Civil Supplies Corporation towards difference in cost of food articles supplied under Puratchi Thalaivar MGR Nutritious Meal Programme	-	-	19.84
28.		2235.02.101.II.JQ Unemployment allowance to unemployed blind – registered in employment exchanges	-	-	17.53
29.		2236.02.102.I.AH Puratchi Thalaivar MGR Nutritious Meal Programme plan expenditure at high/higher secondary schools	-	-	13.55
30.	30	2225.01.793.II.JA Supply of Text books	-	-	388.26
31.		2225.02.800.I.AA Payment for funeral rites	-	-	180.25
32.		2225.02.277.I.AH Opening and maintenance of Tribal Residential Schools	-	-	107.38
33.		2225.01.800.I.AA Electrification of Adi-Dravidar colonies	-	-	70.57
34.		2225.01.800.II.JD Schemes for coaching of Scheduled Castes and Scheduled Tribes students studying in colleges under Special Component Plan	-	-	68.31

(Rupees in lakh)

Serial number	Grant/ Appropriation	Head of account Scheme/Service	Budget provision	Reappropriation	Expenditure
35.	30	2225.80.800.I.AA Provision for the purchase of motor vehicles in the place of condemned vehicles	-	-	36.69
36.		2225.01.800.II.JF Electrification of Adi-Dravidar Colonies	-	-	36.62
37		2225.02.796.II.JG Opening and maintenance of Tribal Residential Schools	-	-	32.56
38.		2225.02.277.I.AE Maintenance of Tribal Schools	-	-	14.37
39.	31	2225.03.283.II.JA Houses for Denotified Tribes School Teachers	-	-	19.60
40.	33	2217.01.191.II.JH Guided Development Scheme to be executed by Chennai Metropolitan Development Authority	-	-	30.00
41.	35	2701.80.001.II.JD Setting up of an Irrigation Commission	-	-	40.99
42.		2701.01.101.I.AB Accelerated Repair Programme	-	-	22.26
43.		2702.01.800.I.AA Special Maintenance - Flood maintenance works	-	-	21.32
44.		2701.03.180.I.AA Rehabilitation of existing works under Water Resources Consolidation Project	-	-	14.22
45.		2701.80.001.I.AH Executive Establishment (Special) Divisions under Water Resources Organisation	-	-	12.53
46.	40	2245.02.193.I.AL Assistance to Tamil Nadu Salt Corporation for repairing damaged huts	-	-	86.02
47.		2245.02.193.I.AW Assistance to Local Bodies for repairs and restoration of roads, buildings, street lights	-	-	13.65

(Rupees in lakh)

Serial number	Grant/ Appropriation	Head of account Scheme/Service	Budget provision	Reappropriation	Expenditure)
48.	42	2235.01.105.I.AB Assistance for Educational purposes	-	-	12.83
49.	43	2058.103.I.AB Government Branch Press, Choolai	-	-	13.74
50.	44	2551.01.106.III.SO Afforestation for eco-development etc., in Tirunelveli, Coimbatore, Madurai and Kanyakumari Districts	-	-	14.38
51.		2551.01.106.III.SN Cultivation of Agave in Western Ghat Region	-	-	12.55
52.	45	3604.200.I.AB Payments to Inamdars and other Guarantee	-	-	682.87
53.		3604.200.I.AN Local Roads	-	-	15.08
54.	47	2885.01.101.II.JA Assistance to Tamil Nadu Industrial Investment Corporation for Venture Capital Fund	-	-	86.47
55.	48	2215.01.101.II.JA Grants to Tamil Nadu Water Supply and Drainage Board	-	-	25.00
56.	49	3604.101.I.AB Matching grant to Town Panchayats on account of tax on Agricultural Land	-	-	320.83
57.		3604.200.I.AU Compensation grant in lieu of surcharge on sales tax to Village Panchayats	-	-	54.47
58.		3604.200.I.AT Compensation grant in lieu of surcharge on sales tax to Corporations, Municipalities, Town Panchayats and Village Panchayats	-	-	40.68
59.		3604.200.I.AS House Tax Matching grant controlled by the Director of Town Panchayats	-	-	23.93
60.	54	4701.03.246.II.PA Dam and Appurtenant Works	-	-	102.65

(Rupees in lakh)

Serial number	Grant/ Appropriation	Head of account Scheme/Service	Budget provision	Reappropriation	Expenditure
61.	54	4701.03.255.II.PH Direction and Administration	-	-	76.88
62.		4701.03.261.II.PA Dam and Appurtenant works	-	-	65.23
63.		4701.03.241.II.PA Direction and Administration	-	-	52.95
64.		4702.101.II.JC Standardisation of Irrigation Tanks	-	-	33.41
65.		4701.03.215.II.JA Canals	-	-	20.59
66.		4701.03.261.II.PE Direction and Administration	-	-	15.16
67.		4701.03.261.II.PC Main canals	-	-	14.46
68.		4711.01.103.II.JJ Improvements to Right side Flood Bank of Cooum River Embankment	-	-	14.04
69.		4701.03.257.II.JB Direction and Administration	-	-	13.99
70.		4701.03.275.II.PA Lumpsum provision for modernisation and Rehabilitation works - Schemes for Stage II	-	-	13.37
71.	55	4202.01.202.II.JB Buildings-Construction of Buildings for 'B' wing schools against the amount credited to State Funds from Secondary Education	-	-	42.56
72.	56	5054.80.800.II.PA Lumpsum provision for Road works under Tamil Nadu Urban Development Project	-	-	29.54
73.	58	4551.01.106.III.SM Cultivation of Agave in Western Ghat Region	-	-	23.84
74.	60	4711.02.103.II.JD Construction of wall along Arabian Sea in Kanyakumari District	-	-	76.35

(Rupees in lakh)

Serial number	Grant/ Appropriation	Head of account Scheme/Service	Budget provision	Reappropriation	Expenditure)
75.	61	7610.800.I.AB.12 Loans for marriages	-	-	373.21
76.		6401.190.II.JA Loans for setting up of Pesticide plants – controlled by the Director of Agriculture	-	-	154.91
77.		6217.01.191.I.AA Loans to Municipal Corporations and Municipalities – Municipal Corporation (Chennai)	-	-	104.46
78.		6851.103.II.JA Loans to other parties – controlled by the Director of Handlooms and Textiles	-	-	49.97
		Total			**6736.94**

Appendix XVI

(Reference: paragraph 2.6 (a); page 33)

Statement showing grant-wise details of expenditure incurred on schemes which constituted New Service/New Instrument of Service met by reappropriation

(Rupees in lakh)

Serial number	Grant/ Appropriation	Head of account Scheme/Service	Budget provision	Reappropriation	Expenditure
1.	Debt Charges	2049.01.101.I.BC Tamil Nadu Government 7.50 *per cent* Loan. 1997	-	4.67	18.55
2.	9	2052.092.I.AT Tribunal for Disciplinary proceedings. Salem	-	17.26	16.48
3.		2052.092.I.AR Tribunal for Disciplinary proceedings. Nagercoil	-	11.16	13.38
4.	40	2245.02.113.I.AA Reconstruction of houses	-	19.55	83.16
5.		2245.02.101.I.AH Cash doles to persons affected in floods	-	7.52	38.08
6.	49	3475.108.VI.UC Support for setting up of Urban Self Employment and Urban Wage Employment Programme	-	50.03	233.33
7.	54	4701.03.219.II.JA Dam and Appurtenant Works	-	285.34	311.70
8.		4701.03.204.II.JA Canals	-	51.66	55.04
9.		4701.03.257.II.JC Reservoirs	-	58.50	61.99
10.		4701.03.258.II.PA Direction and Administration	-	28.80	54.25
11.		4701.01.259.II.JA Canals	-	37.62	27.21
12.		4711.01.103.II.KH Construction of a surplus weir in the breached site of Coleroon left bank Udayarpalayam, Tiruchirappalli District	-	25.00	23.97
13.		4701.03.257.II.JI Distributaries	-	17.38	19.99

(Rupees in lakh)

Serial number	Grant/ Appropriation	Head of account Scheme/Service	Budget provision	Reappropriation	Expenditure
14.	54	4701.03.249.II.PC Canals	-	156.20	93.91
15.	55	4059.01.051.VI.UB Strengthening of Revenue Administration and updating of land records	-	2.63	50.81
16.	56	5054.04.800.II.JM Improvement to Roads in Hill Areas	-	74.42	31.73
17.	60	4425.107.II.JD Assistance to Primary Land Development Banks for strengthening the Share Capital Structure	-	181.22	181.22
		Total			**1314.80**

Appendix XVII

(Reference: paragraph 2.6 (b); page 33)

Statement showing the grant-wise details of schemes assisted by Central Government, where only token provision was made in the Budget Estimates

(Rupees in lakh)

Serial number	Grant/ Appropriation	Head of account Scheme/Service	Budget provision	Reappropriation	Expenditure
1.	40	2245.02.101.I.AE Cash doles to persons affected in floods	0.02	144.52	158.86
2.		2245.02.111.I.AA Ex-gratia payment to bereaved families in flood affected areas	0.01	8.10	22.65
3.		2245.02.101.I.AF Supply of food and clothing in flood affected areas	0.02	6.89	26.08
4.		2245.02.800.I.AA Repairs and restoration of damaged Government Panchayat Union Roads due to floods	0.01	(-) 0.01	120.82
		Total			**328.41**

Appendix XVIII

(Reference: paragraph 2.8; page 34)

Shortfall/Excess in recoveries exceeding Rs 1 crore

(Rupees in crore)

Serial number	Number and title of grant	Estimated recovery	Amount of excess (+) shortfall (-) as compared to estimates	Main reasons for the excess/shortfall
1.	11 District Administration	6.45	(+) 6.15	Mainly due to more recovery under the head of account relating to Establishment for Acquisition of Land for the (i) Tamil Nadu Housing Board. (ii) Growth Centre by Small Industries Promotion Corporation of Tamil Nadu Limited, (iii) Defence Department and for the Tamil Nadu Corporation for Industrial Infrastructural Development Limited.
2.	12 Administration of the Tamil Nadu Hindu Religious and Charitable Endowments Act, 1959	15.92	(-) 15.72	Mainly due to non-adjustment under Tamil Nadu Hindu Religious and Charitable Endowments Fund.
3.	15 Police	7.91	(+) 2.72	Mainly due to more recovery under the head of account 2055.108.I. AB Law and Order and 2055.109.I.AA District Police.
4.	17 Education	34.63	(+) 6.52	Mainly due to more recovery made under the heads of account "2202.01.101.I.AC Salaries to Panchayat Union Elementary School Teachers" and "2202.02.108.I.AA Examinations by the Director of Government Examinations".
5.	18 Medical	4.74	(+) 1.23	Mainly due to more recovery under the head of account relating to 'Improvement to Teaching Hospitals', 'Improvement to Medical College', 'District Headquarters hospitals', and 'Taluk Headquarters hospitals'.
6.	21 Fisheries	0.18	(+) 1.02	Mainly due to recovery made under the heads of account "2405.110.II.JA Construction of Mechanised fishing boats".

(Rupees in crore)

Serial number	Number and title of grant	Estimated recovery	Amount of excess (+) shortfall (-) as compared to estimates	Main reasons for the excess/shortfall
7.	27 Rural Development	1.55	(+) 3.40	Mainly due to more recovery under the head of account 2505.01.702.II.JA Jawahar Velai Vaippu Thittam
8.	28 Labour including factories	0.72	(+) 3.14	Mainly due to more recovery under the head of account "2230.01.103.I.AG Social security scheme for unorganised Labourers below poverty line".
9.	29 Social Welfare	0.79	(+) 7.03	Mainly due to more recovery under the heads of account "2235.60.102.I.AA Old age Pension" and "2235.60.800.I.AH Lumpsum provision on adhoc bonus".
10.	30 Welfare of the Scheduled Tribes and Castes, etc.	2.90	(+) 12.44	Mainly due to more recovery under the heads of account 2225.01.277.III.SA Educational Concessions and 2225.01.793.II.JB Special component plan - Scheduled Castes - Supply of uniforms to Pupils".
11.	35 Irrigation	24.48	(-) 3.50	Mainly due to less adjustment of Establishment charges transferred on percentage basis to various Capital Major heads under 2701.80.800.I.AK and less recovery under the head of account "2701.80.001.I.AG Executive Establishment (functional) Divisions under Water Resources Organisation".
12.	36 Public Works – Buildings	27.40	(+) 32.42	Mainly due to more adjustment of Establishment charges transferred on percentage basis to capital major heads.
13.	38 Roads and Bridges	74.57	(-) 19.78	Mainly due to (i) Less recovery of Establishment and Machinery and Equipment Charges transferred on percentage basis to capital Major heads and (ii) less adjustment under 'Central Road Fund'
14.	40 Relief on account of Natural Calamities	4.19	(+) 61.64	Due to more adjustment under Calamity Relief Fund.

(Rupees in crore)

Serial number	Number and title of grant	Estimated recovery	Amount of excess (+) shortfall (-) as compared to estimates	Main reasons for the excess/shortfall
15.	41 Pensions and Other Retirement Benefits	..	(+) 38.88	Due to more recovery made under the heads of account "2071.01.101.I..AA Payments to Tamil Nadu Government Pensioners", "2071.01.105.I.AA Family Pension to Tamil Nadu Government Pensioners" and "2071.01.109.I.AB Pension to Teachers of aided schools, schools of Local Bodies, aided Colleges and Non-teaching Staff of aided schools".
16.	42 Miscellaneous	0.14	(+) 3.53	Mainly due to more recovery made under the head of account "2047.103.I.AI Investors' Incentive Schemes"
17.	47 Rural Industries	0.42	(+) 2.06	Mainly due to more recovery made under the head "2851.101.II.JE Assistance to Tamil Nadu Small Industries Development Corporation for setting up of technology facilities".
18.	48 Water Supply	0.02	(+) 3.58	Mainly due to more recovery made under "2215.01.102.II.PB Tamil Nadu Agricultural Development Project - Water Supply Component".
19.	52 Capital Outlay on Agriculture	4.13	(-) 1.54	Due to less adjustment under Sugarcane Cess Fund under the head of account "5054.80.902.II.JA"
20.	53 Capital Outlay on Industrial Development	*	(+) 13.17	Due to recoveries of share capital from Industrial Cooperatives under the head of account "4860.60.600.I.AA".
21.	54 Capital Outlay on Irrigation	0.17	(+) 1.01	Mainly due to recovery made under Improvements to Periyar System – Phase II, Shanmughanadhi Reservoir Scheme and under formation of the Reservoir across Andiyappam Odai without estimation of the recovery.
22.	60 Miscellaneous Capital Outlay	3.21	(+) 315.06	Mainly due to adjustment pertaining to conversion of Equity share as Tariff Compensation and subsidy in respect of Tamil Nadu Electricity Board.

* **Token provision of Rs 1000 was made.**

Appendix XIX

(Reference: paragraph 3.1.1.1; page 39)

Scales of issue of commodities

(i) Scale prescribed for distribution of commodities under PDS

Commodity	Period	Scale of Issue
Rice	1993-94	12 kg to all and 3 kg additional was issued for Pongal 1994
	1994-95	12 kg per card per month
	1995-96	Maximum of 12 kg per card per month subject to eligibility (+) 8 kg for all cardholders (with effect from 1 January 1996)
	1996-97 1997-98	4 kg per adult and 2 kg per child per month subject to an overall ceiling of 20 kg/month
Wheat	1993-98	10 kg per card in Chennai City and District Head-quarters and in other areas 5 kg per card/per month
Sugar		500 gm, per head per month maximum 2 kg per card per month
Palmolein Oil		Since Government of India allotment varies largely from month to month, scale of supply is decided according to the availability
Suji		Maximum 2 kg per card/per month
Maida		Maximum 5 kg per card/per month

(ii) Scale of supply of kerosene from 1 October 1993

Place	Cardholders without LPG Lts	Cardholders with single LPG Lts	Cardholders with Double LPG Lts
Chennai City and District Headquarters	10	5	3
Other Municipalities	6	5	3
Township and Town Panchayats	5	5	3
Rural Areas	3	3	3
The Nilgiris District			
Headquarters/Municipalities	15	10	8
Town Panchayats	10	5	3
Village Panchayats	5	5	5
Kodaikanal and Yercaud taluks			
Town Panchayats and Townships	10	5	3
Village Panchayats	5	5	5
Special Municipal Areas	10	5	3

LPG: Liquid Petroleum Gas; Lts: Litres

Appendix XX

(Reference : paragraph 3.1.1.2; page 40)

Sample check

		Population	Number of Household	Number of BPL household	Number of Ration Cards issued	Number of Fair Price Shops		
						Rural	Urban	Total
				(in lakh)				
	State (29 districts)	**606.95**	**137.89**	**50.78***	**158.49**	**16552**	**5809**	**22361**
1.	Coimbatore	37.94	8.89	2.22	12.23	629	594	1223
2.	Dharmpauri	27.34	6.03	2.81	6.76	797	94	891
3.	Madurai	26.17	5.74	2.52	6.76	562	332	894
4.	Nilgiris	7.58	1.86	0.39	2.06	62	183	245
5.	Thanjavur	21.76	4.52	2.30	5.39	639	198	837
6	Tirunelveli	26.68	6.80	0.21	7.04	610	259	869
7.	Vellore	32.74	7.10	2.73	7.58	908	265	1173
8.	Villupuram	29.94	6.78	2.63	7.52	1500	69	1569
	Total	210.15	47.72	15.81	55.34	5707	1994	7701
	Percentage test-checked	35	35	31	35	34	34	34

* **As per Commissioner of Civil Supplies Statement**

Appendix XXI

(Reference : paragraph 3.1.2.2; page 41)

Details of dues to be collected by Tamil Nadu Civil Supplies Corporation (TNCSC) as of March 1999

Serial Number	Amount due (Rupees in lakh)	Year	Details
I	Dues from FCI		
	25.68	March and April 1996	Hulling charges to be reimbursed at Rs 9 per quintal for 28,529 MTs of paddy converted into rice not paid due to dispute in number of gunnies returned.
	55.00	June 1997	Pertains to differential cost of stock in the pipeline, paid by TNCSC not yet adjusted though Government of India exempted in April 1998 the payment of differential cost.
	10.00	December 1997	Pertains to excess amount paid to FCI not refunded consequent on the revision in the Central Pool price in December 1997 and re-categorisation of the grade of rice after making payment.
	76.12	December 1995	Pertains to amount of non-refund on the stock of 865.264 MTs of sugar not lifted but paid for by Regional Manager, Chennai due to dispute over quality of the stock.
II	Dues from field staff		
	91.01	1989-90 to 1997-98	Refers to movement advances sanctioned to the staff for moving food grains. Pendency relates to significant amounts remaining unadjusted from 1989-90 out of Rs 1.51 crore pending from 1975-76.
	74.92	1989-90 to 1998-99	Pertains to monetary cut imposed for procurement of sub-standard paddy (with excess moisture) by the seasonal staff of Direct Purchase Centres.
			Rs 69.29 lakh : recovery pending in four test-checked regions (Nagapattinam, Pudukkottai, Thanjavur and Thiruvarur) from 1989-90 to 1997-98
			Rs 5.63 lakh : Recovery imposed by quality inspection team during Kuruvai 1998 and Samba 1999 - 3 test-checked regions (Nagapattinam, Thanjavur and Thiruvarur).
Total	**Rs 332.73 lakh or Rs 3.33 crore**		

Appendix XXII

(Reference : paragraph 3.1.2.3; page 41)

Details of requirement and procurement of rice

(Quantity in lakh MT)

Year	Average of previous 3 years off-take	Requirement of current year (Average + Buffer stock)	Central pool allotment	Procurement			Total (4 + 5 + 6 + 7)
				Direct Procurement Centres	Traders' levy	Open market	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1992	14.74	17.38	8.29	12.44	0.03	-	20.76
1993	14.62	17.26	8.50	10.53	-	-	19.03
1994	15.28	17.92	11.42	4.34	-	-	15.76
1995	13.78	16.42	14.55	2.31	-	-	16.86
1996	14.05	18.85	18.14	1.67	-	3.73	23.54
1997	17.33	22.13	14.40	11.41	-	4.63	30.44
1998	20.45	25.25	12.81	8.03	-	-	20.84

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Appendix XXIII

(Reference : paragraph 3.1.3.2; page 42)

Distribution of commodities

Commodity Allotment (A), Off-take (O) and Shortfall (S) in percentage												
Year	Rice (Lakh MTs)			Wheat (Lakh MTs)			Sugar (Lakh MTs)			Kerosene (Lakh kilolitres)		
	A	O	S	A	O	S	A	O	S	A	O	S
1992-93	17.49	14.58	17	2.62	1.84	30	3.12	2.77	11	8.38	8.06	4
1993-94	17.79	13.84	22	2.15	1.49	31	3.25	3.04	6	8.45	8.24	2
1994-95	20.32	13.05	36	1.65	0.99	40	2.85	2.82	1	8.52	8.36	2
1995-96	23.88	17.51	27	1.95	1.30	33	2.93	2.83	3	8.67	8.41	3
1996-97	33.90	23.65	30	1.72	1.28	26	3.02	2.95	2	8.91	8.62	3
1997-98	33.41	22.38	33	1.37	0.91	34	3.15	2.98	5	8.84	8.59	3
1998-99	34.55	21.20	39	2.21	1.63	26	3.28	3.11	5	9.12	8.86	3

Appendix XXIV

(Reference : paragraph 3.1.4.2; page 45)

Variation between transportation rates finalised by Tamil Nadu Civil Supplies Corporation (TNCSC) and Cooperatives

(Rupees per MT)

Region	Minimum distance range km	1997-98			1998-99		
		Rates Finalised by TNCSC		Rate adopted by Co-operative Societies	Rates finalised by TNCSC		Rates adopted by Co-operative Societies
		For movement from Food Corporation of India godown	For internal movement		For movement from Food Corporation of India godown	For internal movement	
Coimbatore	0 to 10	86.50	56.55	55.00	84.00	56.23	48.00
Cuddalore	0 to 5	66.97	37.68	25.00	69.15	41.07	24.40
Dharmapuri	0 to 30	NA	85.00	67.40	NA	79.00	77.70
Kanchipuram	0 to 15	69.56	51.10	47.50	NA	56.21	55.00
Madurai	0 to 10	39.00	44.00	23.40	40.00	45.80	23.40
Nagapattinam	0 to 5	70.00	48.00	40.00	76.00	51.00	40.00
Pudukkottai	0 to 5	68.16	47.70	37.50	72.10	50.50	37.50
Thanjavur	0 to 10	39.00	48.00	30.00	42.50	51.50	33.00
Tirunelveli	0 to 5	55.08	57.00	35.00	59.40	60.00	35.00
Tiruvannamalai	0 to 5	83.57	34.43	46.00	80.10	29.68	25.50
Thiruvellore	0 to 15	59.00	51.10	37.60	60.00	51.10	37.50
Thiruvarur	0 to 5	73.30	48.00	37.00	79.60	NA	39.50
Tiruchirappalli	0 to 10	60.20	54.10	31.50	54.40	57.00	43.50
Vellore	0 to 5	49.00	49.00	32.50	52.90	52.90	32.50
Villupuram	0 to 15	56.95	49.45	37.00	59.80	53.55	37.00

NA: Not Available
MT: Metric Tonne

Appendix XXV

(Reference : paragraph 3.1.5.2; page 47)

Details of excess release of subsidy to Fair Price Shops

Serial number	Year	Excess subsidy released (Rupees in lakh)	Remarks
1	1993-94	1.93	(i) Against Rs 8.32 crore sought by Registrar of Co-operative Societies (April 1994) for 13,788 non-viable shops identified, Government released Rs 6.94 crore only (Rs 2.50 crore in March 1994 as advance and Rs 4.44 crore in February 1996). While the advance subsidy of Rs 2.50 crore was distributed to 13,788 shops as proposed, the balance subsidy was distributed to 13,875 shops based on revision in category of shops identified in February 1996 instead of those proposed in April 1994. This resulted in the release of excess subsidy of Rs 1.93 lakh to 146 shops and short-release of Rs 1.96 lakh to 59 shops.
2	1994-95	20.42	(ii) Registrar of Co-operative Societies sought (November 1994) a sum of Rs 7.13 crore as subsidy for 10,881 shops based on the categorisation available on 31 December 1993. The above amount was sanctioned by Government in March and August 1995. However, the amount of subsidy released to 10,682 shops, based on the categorisation made on 1 April 1994, was in excess of that recommended by working committee. This release of subsidy resulted in excess payment of Rs 20.42 lakh.
3	1995-96	358.00	(iii) In January 1996, Registrar of Co-operative Societies sought Rs 11.08 crore as subsidy to 15,472 shops. The above amount was proposed based on the subsidy reworked for the year by adopting the average off-take during 1994-95. Funds sanctioned by Government in September 1996 were distributed to the shops in January 1997. The increase in the scale of rice provided to beneficiaries under Public Distribution System from 12 kg per card to 20 kg per card from 1 January 1996 was not taken into account and the subsidy was not reworked. Failure to adopt the average off-take after the revision of scales and rework the subsidy resulted in release of excess subsidy of Rs 3.58 crore.
4	1996-97	409.00	(iv) Subsidy of Rs 11.12 crore was distributed (October 1997) to the shops based on the proposals worked out adopting the off-take from the shops in 1995-96. Failure to rework the rate of subsidy based on the actual off-take for 1996-97 resulted in excess release of subsidy amounting to Rs 4.09 crore.
Total		**Rs 789.35 lakh** *i.e. Rs 7.89 crore*	

Appendix XXVI

(Reference : paragraph 3.1.5.3; page 47)

Shortfall in inspection of Fair Price Shops

	Percentage of shortfall in number of inspections undertaken against the prescribed level		
	1996-97	**1997-98**	**1998-99**
Collector	40 to 100	37 to 99	40 to 100
District Revenue Officer	54 to 98	6 to 100	45 to 100
District Supply Officer	Nil to 76	Nil to 65	13 to 79
Taluk Supply Officer	Nil to 19	Nil to 42	14 to 59
Special Revenue Inspector	31 to 92	42 to 98	63 to 97
Joint Registrar of Co-operative Societies	Nil to 59	Nil to 20	Nil to 17
Deputy Registrar (Public Distribution System)	3 to 78	Nil to 55	Nil to 81
Co-operative Society Registrar	Nil to 26	Nil to 39	Nil to 30

Of the eight test-checked districts, a periodical checking of all shops by rotation was watched through a rotation register only in Madurai.

Appendix XXVII

(Reference : paragraph 3.1.5.4(ii); page 48)

Discrepancy between the closing balance reported in the progress reports (A) and the closing balance worked out with reference to receipts and off-take of that year (B)

(Quantity in MTs)

		(A-B)	(A-B)	(A-B)
District	**Commodity**	**1996-97**	**1997-98**	**1998-99**
Coimbatore	Rice	(-) 1234.049	(+) 623.095	-
	Sugar	(-) 198.925	(+) 89.471	-
	Wheat	(-) 890.410	(-) 49.941	-
Dharmapuri	Rice	-	-	-
	Sugar	(+) 97.999	(+) 128.170	(+) 184.605
	Wheat	(-) 49.274	(-) 170.454	(-) 17.454
Madurai	Rice	(-) 163.400	-	-
	Sugar	(-) 30.100	-	-
	Wheat	(-) 19.100	-	-
The Nilgiris	Rice	(-) 403.154	(+) 43.498	(+) 15.181
	Sugar	(-) 8.433	(-) 33.600	(+) 1.733
	Wheat	(+) 78.993	(-) 47.933	(-) 0.069
Thanjavur	Rice	(+) 465.965	-	-
	Sugar	(-) 2616.894	(-) 251.752	-
	Wheat	(+) 744.512	(+) 4.310	-
Vellore	Rice	(+) 299.214	(+) 0.360	-
	Sugar	(+) 139.638	(-) 38.140	(+) 27.101
	Wheat	(+) 761.152	(+) 137.075	-
Villupuram	Rice	(-) 5998.561	(+) 4.241	(+) 4.241
	Sugar	(+) 11.149	(+) 11.149	(-) 56.000
	Wheat	(+) 57.724	(+) 56.319	(+) 55.952

Appendix XXVIII

(Reference: paragraph 3.1.6.2(iii); page 51)

Kerosene price fixation statement for Chennai City and belt areas (as worked out by Audit) for the period 01.9.1993 to 31.10.1997 based on Government of India guidelines

	With effect from 01.09.1993		With effect from 16.08.1994		With effect from 01.01.1996	
	Government of Tamil Nadu Rs.	Government of India Rs.	Government of Tamil Nadu Rs.	Government of India Rs.	Government of Tamil Nadu Rs.	Government of India Rs.
Ex-Depot rate (including tax)	**2376.12**	**2376.12**	**2376.12**	**2376.12**	**2376.12**	**2376.12**
Transport margin/ KL	33.00	33.00	40.00	40.00	44.00	44.00
Whole saler margin/KL	55.76	52.70	55.76	52.70	55.76	52.70
Whole saler issue price / KL	2464.88	2461.82	2471.88	2468.82	2475.88	2472.82
Retailers margin/ KL	335.10	69.00	328.10	69.00	324.10	69.00
Retail issue Price/ KL	2799.98	2530.82	2799.98	2537.82	2799.98	2541.82
Issue price per litre	**2.80**	**2.53 or 2.55**	**2.80**	**2.54 or 2.55**	**2.80**	**2.54 or 2.55**

	With effect from 22.7.1996		With effect from 15.05.1997	
	As per Government of Tamil Nadu Rs.	As per Government of India Rs.	As per Government of Tamil Nadu Rs.	As per Government of India Rs.
Ex-Depot rate (including tax)	**2385.29**	**2385.29**	**2385.29**	**2385.29**
Transport margin / KL	44.00	44.00	46.50	46.50
Whole saler margin / KL	55.85	52.70	55.85	52.70
Whole saler issue price / KL	2485.14	2481.99	2487.64	2484.49
Retailers margin / KL	314.85	69.00	312.35	69.00
Retailer issue price / KL	2799.99	2550.99	2799.99	2553.49
Issue price per litre	**2.80**	**2.55**	**2.80**	**2.55**

	Chennai and belt area		District
	Government of India Rs/KL	Government of Tamil Nadu Rs/KL	Government of Tamil Nadu Rs/KL
Wholesale	52.70	55.76	59.26
Retail	69.00	335.10	210.00

KL: Kilolitre

Appendix XXIX

(Reference: paragraph 3.1.6.3; page 52)

Differential cost to be remitted back to Government of India towards wheat products retained by the millers

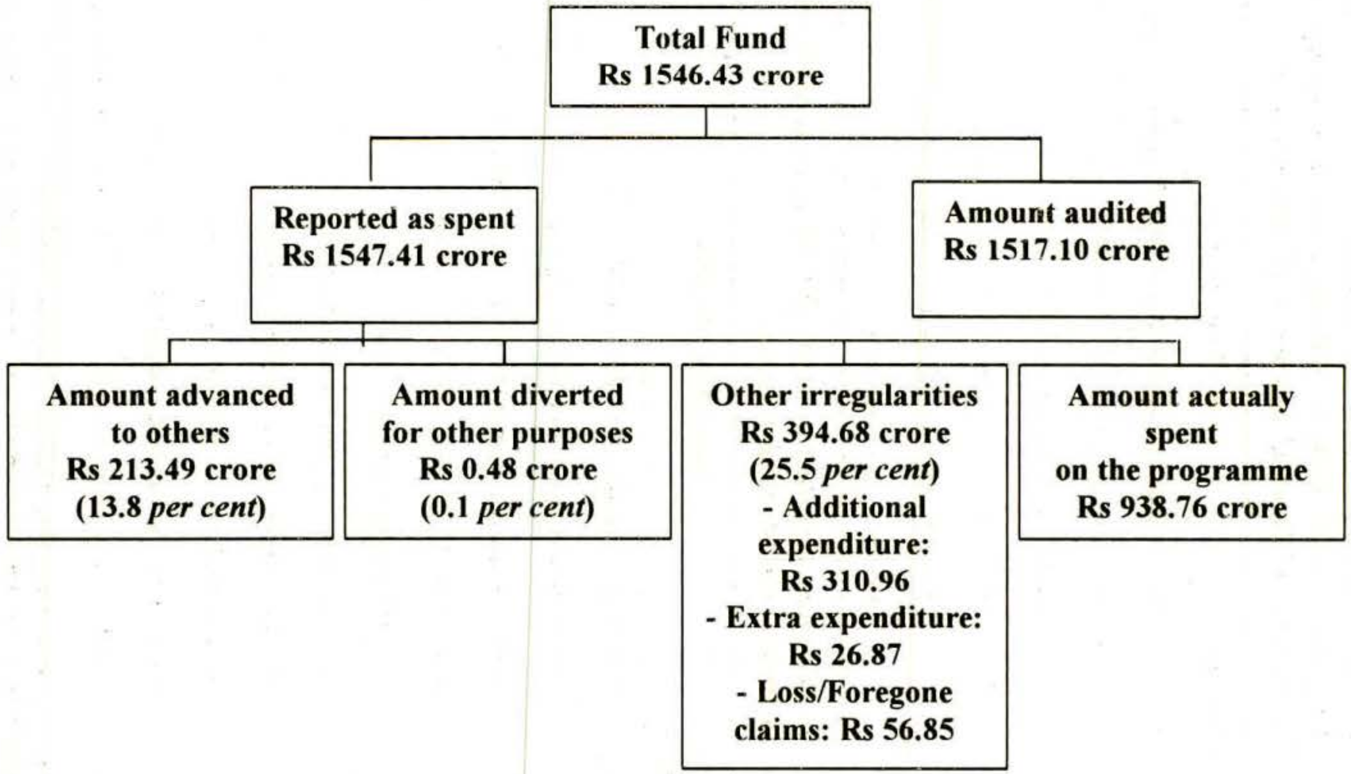
Period	Total quantity retained by miller the cost of which to be recovered (In MT)	Value collected by TNCSC from millers at the rate fixed by CCS (Rupees in lakh)	Value worked out at PDS rate (Rupees in lakh)	Differential cost to be remitted back to GOI (Rupees in lakh)
July 1993 to March 1994	28,897.120	1484.39	1119.05	365.34
April 1994 to March 1995	1,08,084.380	5555.55	4185.57	1369.98
April 1995 to March 1996	1,53,528.280	8256.12	5945.39	2310.73
April 1996 to May 1997 (except November 1996)	1,03,381.400	6232.30	4003.43	2228.87
Total	**3,93,891.180**	**21528.36**	**15253.44**	**6274.92**

MT: Metric Tonne

Appendix XXX

(Reference: paragraph 3.1.3.1; page 42)

Expenditure Analysis – Public Distribution System
(for test-checked districts: Period 1992-98)[@ b]



@ Test-checked Districts: Coimbatore, Dharmapuri, Madurai, The Nilgiris, Thanjavur, Tirunelveli, Vellore and Villupuram

b The figures under various headings have been derived from the total applicable to the State as a whole as projected in the respective paras of the Review

Appendix XXXI

(Reference: paragraph 3.2.3; page 58)

Details of hospitals/offices test-checked

(A) 6 District Headquarters Hospitals and connected Taluk and non-taluk Hospitals out of 26 District Headquarters Hospitals under the control of Director of Medical and Rural Health Services

Serial Number	Name of the Hospital
1	District Headquarters Hospital, Kancheepuram
2	District Headquarters Hospital, Pudukkottai
3	District Headquarters Hospital, Thanjavur
4	District Headquarters Hospital, Tiruvannamalai
5	District Headquarters Hospital, Vellore
6	District Headquarters Hospital, Villupuram

(B) 11 Hospitals attached to Medical Colleges out of 29 under the control of Director of Medical Education

Serial Number	Name of the Hospital
1	Chengalpattu Medical College Hospital, Chengalpattu
2	Government Hospital for Children, Chennai
3	Kasthurba Gandhi Hospital for Women and Children, Chennai
4	Kilpauk Medical College Hospital, Chennai
5	Government Ophthalmic Hospital, Chennai
6	Government Royapettah Hospital, Chennai
7	Stanley Medical College Hospital, Chennai
8	Thanjavur Medical College Hospital, Thanjavur
9	Government Women and Children Hospital, Chennai
10	K.A.P. Viswanathan Government Medical College Hospital, Tiruchirappalli
11	Government Raja Mirasdar Hospital, Thanjavur

Appendix XXXI (concld.)
(Reference: paragraph 3.2.3; page 58)

(C) Offices of Deputy Directors of Health Services in 11 Health Unit Districts (HUDs) out of 42 HUDs and connected Primary Health Centres under the control of Director of Public Health and Preventive Medicine.

Serial number	Health Unit Districts
1.	Kancheepuram
2.	Pudukkottai
3.	Aranthangi
4.	Tiruchirappalli
5.	Thanjavur
6	Tiruvannamalai
7	Cheyyar
8.	Vellore
9.	Tiruppattur
10.	Villupuram
11.	Kallakurichi

Appendix XXXII

(Reference: paragraph 3.2.5; page 59)

Category-wise details of establishment in Health Department

	Department	Permanent	Temporary	Total
a)	Directorate of Public Health and Preventive Medicine (including Primary Health Centres)	9944	23442	33386
b)	Directorate of Medical Education	16806	5773	22579
c)	Directorate of Medical and Rural Health Services	9819	7996	17815
d)	Family Welfare Department	-	4978	4978
e)	Indian Medicine and Homoeopathy Department	73	2893	2966
f)	Drug Control Administration	178	186	364
g)	Danish International Development Agency Project	-	166	166
h)	State Health Transport	226	430	656
i)	Directorate of Medical Services (Employees State Insurance)	@	@	5116
j)	Secretariat	187	24	211
	Total	**37233**	**45888**	**88237**

@ **Break-up details not available.**

Appendix XXXIII

(Reference: paragraph 3.2.6.2; page 59)

Shortage of Assistant Surgeons, Nurses and Pharmacists in six District Headquarters Hospitals

Serial number	Name of the Hospital	Requirement as per norms			Actual sanctioned strength			Men in position			Percentage of shortage with reference to norms		
		AS	N	Ph	AS	N	Ph	AS	N	Ph	AS	N	Ph
1	District Headquarters Hospital, Kancheepuram	29	97	20	22	50	13	22	41	10	24	58	50
2	District Headquarters Hospital, Pudukkottai	27	91	13	28	63	13	21	58	13	22	36	-
3	District Headquarters Hospital, Kumbakonam	30	76	17	21	45	10	18	45	10	40	41	41
4	District Headquarters Hospital, Vellore	37	140	15	37	89	12	28	89	11	24	36	27
5	District Headquarters Hospital, Villupuram	14	47	9	11	18	3	9	18	3	36	62	67
6	District Headquarters Hospital, Tiruvannamalai	21	45	12	20	33	7	17	33	7	19	27	42

AS: Assistant Surgeons; N: Nurses; Ph : Pharmacists

Appendix XXXIV

(Reference: paragraph 3.2.6.3; page 59)

Shortage/Excess of Nurses and Pharmacists in 10 hospitals attached to Medical Colleges

Serial Number	Name of the Hospital	Requirement as per norms		Actual sanctioned strength		Men in position		Percentage of Shortage (-)/ Excess (+) with reference to norms	
		N	Ph	N	Ph	N	Ph	N	Ph
1	Chengalpattu Medical College Hospital, Chengalpattu	124	17	117	20	102	17	(-) 18	-
2	Government Hospital for Children, Chennai	294	18	160	34	150	32	(-) 49	(+) 78
3	Kasthurba Gandhi Hospital for Women and Children, Chennai	197	13	133	17	115	17	(-) 42	(+) 31
4	Kilpauk Medical College Hospital, Chennai	165	26	158	15	147	12	(-) 11	(-) 54
5	Government Ophthalmic Hospital, Chennai	86	6	69	10	69	10	(-) 20	(+) 67
6	Government Royapettah Hospital, Chennai	175	17	151	22	147	22	(-) 16	(+) 29
7	Thanjavur Medical College Hospital, Thanjavur	131	12	120	15	118	15	(-) 10	(+) 25
8	Government Women and Children Hospital, Chennai	186	13	143	15	128	14	(-) 31	(+) 7
9	K.A.P. Viswanathan Government Medical College Hospital, Tiruchirappalli	137	24	107	20	107	20	(-) 22	(-) 17
10	Government Raja Mirasdar Hospital, Thanjavur	139	26	133	19	132	19	(-) 5	(-) 27

N: Nurses; Ph: Pharmacists

Appendix XXXV

(Reference: paragraph 3.2.6.5; page 60)

Excess sanction of Medical Officers in Directorate of Public Health and Preventive Medicine

Serial Number		Actual Requirement	Requirement as per proposal sent by Director of Public Health and Preventive Medicine
1	Total number of PHCs functioning in the State as on 31 March 1997	1420	1420
2	Number of Medical Officers required for 24 hours PHCs at the rate of 5 per Primary Health Centre	1250 (5 x 250)	2100 (5 x 420)
3	Number of Medical Officers required for remaining PHCs at the rate of 1 Medical Officer per Primary Health Centre	1170 (1420-250)	1000 (1420-420)
4	Additional post of Medical Officers required in 120 non-24 hour PHCs where Out-Patient strength was more than 100 per day requiring 2 Medical Officers	120	120
5	Total number of Medical Officers required	2540 (2 + 3 + 4)	3220 (2 + 3 + 4)
6	Existing Strength	2702	2702
7	Number of posts of Medical Officers in excess/shortage	+ 162	- 518

PHCs: Primary Health Centres

Appendix XXXVI

(Reference : paragraph 3.3.4.2; page 68)

Expenditure Analysis – Integrated Child Development Services

(Rupees in crore)

Year	Grants released by Government of India*	Budget provision	Expenditure incurred
1992-93	15.66	14.83	15.13
1993-94	21.21	15.73	17.38
1994-95	14.33	18.14	18.32
1995-96	30.07	19.51	20.24
1996-97	11.56	20.24	21.90
1997-98	25.28	24.70	26.71
1998-99	76.10	35.99	38.04
Total	**194.21**	**149.14**	**157.72**

* **Includes Rs 0.79 crore released towards Indira Mahila Yojana and Rs 1.52 crore being the value of medicine kits**

Appendix XXXVII

(Reference : paragraph 3.3.5.2 (i) ; page 70)

Coverage of children for supplementary nutrition

Year	Total child Population under Integrated Child Development Services	Enrolled	Fed	Total fed as a percentage of enrolled (Column 4 to Column 3)
(1)	(2)	(3)	(4)	(5)
1992-93	13,60,816	10,19,801	5,09,211	49.9
1993-94	13,61,105	8,34,039	5,33,626	64.0
1994-95	14,05,026	6,58,403	5,71,652	86.8
1995-96	13,17,333	6,79,896	5,67,039	83.4
1996-97	14,23,721	6,37,681	5,07,422	79.6
1997-98	14,59,509	6,10,299	5,17,874	84.9
1998-99	14,91,643	5,61,918	4,76,108	84.7

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Appendix XXXVIII

(Reference : paragraph 3.3.5.2 (i) ; page 70)

Identification and coverage of children for Supplementary Nutrition along with percentage of coverage

		1992-93			1993-94			1994-95			1995-96			1996-97			1997-98			1998-99		
		I	C	%	I	C	%	I	C	%	I	C	%	I	C	%	I	C	%	I	C	%
Supple-mentary	R	36640	25417	69.37	36695	27629	75.29	39779	32663	82.11	44009	33565	76.27	46495	31660	68.09	44141	29186	66.12	34133	19890	58.27
Nutrition	U	22062	10943	49.60	20804	12292	59.08	19368	12999	67.12	19265	13849	71.89	18931	10083	53.26	18776	9934	52.91	16314	8280	50.75
6m-2y	T	58702	36360	61.94	57499	39921	69.43	59147	45662	77.20	63274	47414	74.93	65426	41743	63.80	62917	39120	62.18	50447	28170	55.84
Pre-	R	65956	47743	72.39	65945	46705	70.82	70902	54134	76.35	77944	54245	69.59	79534	54811	68.92	77162	52000	67.39	61188	39285	64.20
school	U	41460	19788	47.73	40727	18476	45.37	37839	18890	49.92	38677	17785	45.98	35358	18082	51.14	35785	18214	50.90	32206	15910	49.40
2y-5y	T	107416	67531	62.87	106672	65181	61.10	108741	73024	67.15	116621	72030	61.76	114892	72893	63.44	112947	70214	62.17	93394	55195	59.10
Grand	R	102596	73160	71.31	102640	74334	72.42	110681	86797	78.42	121953	87810	72.00	126029	86471	68.61	121303	81186	66.93	95321	59175	62.08
Total	U	63522	30731	48.38	61531	30768	50.00	57207	31889	55.74	57942	31634	54.60	54289	28165	51.88	54561	28148	51.59	48520	24190	49.85
6m-5y	T	166118	103891	62.54	164171	105102	64.02	167888	118686	70.69	179895	119444	66.40	180318	114636	63.57	175864	109334	62.17	143841	83365	57.96

Total Projects: 21 (Rural: 14 and Urban: 7)

R: Rural U: Urban T: Total

I: Identified C: Covered %: Percentage of coverage

m: Months y: years

Appendix XXXIX

(Reference: paragraph 3.3.5.2(iii) (c); page 72)

Non-provision of 'sundal' during the period from 1996 to 1998

Name of the project		Number of Anganwadi Centres test-checked			Average number of days during which Sundal was not provided in		
		1996	1997	1998	1996	1997	1998
Swedish International Development Authority areas	Thiruvallur	5	16	15	48	143	82
	Thiruvottiyur	18	23	19	65	100	59
	Poondi	14	13	13	87	168	141
	Poonamallee	16	16	16	124	178	128
	Kundrathur	10	12	9	117	135	111
	Kattankulathur	11	11	10	44	132	123
	Villivakkam	-	6	6	-	129	139
	Kancheepuram (Rural)	26	26	24	144	168	188
	Total	**100**	**123**	**112**			

Appendix XL

(Reference : paragraph 3.3.5.2(iii) (f); page 72)

Malnourished Children as a percentage of number enrolled

Year	1995		1996		1997		1998	
Grade	**II**	**III and IV**	**II**	**III and IV**	**II**	**III and IV**	**II**	**III and IV**
Non-Swedish International Development Authority areas 6m –2y	14.8	0.3	16.9	0.3	15.9	0.5	15.6	0.5
Pre-school 2y-5y	18.3	0.4	18.4	0.4	17.0	0.4	17.0	0.5
Swedish International Development Authority areas 6m-2y	21.7	0.7	22.0	0.3	20.6	0.2	17.6	0.4
Pre-School 2y-5y	23.4	0.6	20.6	0.5	20.8	0.3	19.3	0.4

m: **Months**
y: **Years**

Appendix XLI

(Reference : paragraph 3.3.5.2(iii) (g); page 73)

Non-availing of Supplementary Nutrition by children (in percentage to total malnourished infants)

Year	1995		1996		1997		1998	
Grade	**II**	**III and IV**	**II**	**III and IV**	**II**	**III and IV**	**II**	**III and IV**
Non-Swedish International Development Authority 6m-2y	33.2	0	34.5	40	37.3	46.7	48.2	36.7
Pre-school 2y-5y	56.8	41.7	48.6	38.3	46.7	18.6	47.4	37.5
Swedish International Development Authority 6m – 2y	35.6	17.5	41.1	37.5	46.1	27.3	60.3	38.9
Pre-School 2y-5y	65.6	47.6	64.5	68.5	65.4	51.7	62.9	59.5

m: Months
y: Years

Appendix XLII

(Reference: paragraph 3.3.5.3; page 73)

Coverage of Immunisation (24 projects)

Year	Ante-Natal Care				0-1 Year						6 months to 6 years		
	Identified	TT I dose	TT II dose	FST	Identified	O'Polio	BCG	DPT	OPV	Measles	Identified	Vitamin A	De-worming
1992-93	35060	24921 (71.1%)	25515 (72.8%)	22510	38100	21551 (56.6%)	31066 (81.5%)	32419 (85 1%)	26989 (70.8%)	27899 (73.2%)	170396	101143 (59.4%)	60463
1993-94	31575	23913 (75.7%)	24968 (79.1%)	37967	38380	24341 (63.4%)	32294 (84.1%)	36772 (95.8%)	33045 (86.1%)	34398 (89.6%)	166024	111409 (67 1%)	111142
1994-95	32898	29905 (90.9%)	29704 (90.2%)	68939	38716	27455 (70.9%)	32730 (84 5%)	34385 (88.8%)	32456 (83.8%)	34996 (90.4%)	165018	109968 (66.6%)	105791
1995-96	31546	27785 (88.1%)	27573 (87.4%)	134991	39996	23437 (58.6%)	36086 (90.2%)	37047 (92.6%)	36803 (92.0%)	35658 (89.2%)	163754	135893 (83.0%)	119582
1996-97	33041	29435 (89.1%)	28043 (84.9%)	98784	45227	33325 (73.7%)	42897 (94.8%)	42578 (94 1%)	37357 (82.6%)	41222 (91.1%)	195215	110493 (56.6%)	117368
1997-98	50828	30563 (60.1%)	28811 (56.7%)	62255	44049	39493 (89.7%)	41108 (93.3%)	40956 (93.0%)	37622 (85.4%)	41257 (93.7%)	182322	105041 (57.6%)	119193
1998-99	27671	25318 (91.5%)	23008 (83.1%)	51278	37958	26858 (70.8%)	32223 (84.9%)	32689 (86.1%)	30096 (79.3%)	32285 (85.3%)	158319	87802 (55.5%)	59426

Figures in brackets show percentage to total identified beneficiaries

TT: Tetanus Taxoid; FST: Ferrous Sulphate Tablets; O' Polio: Oral Polio

BCG: Bacillus of Calmette and Gueris; DPT: Diphtheria, Pertussis, Tetanus; OPV: Oral Polio Vaccine

Appendix XLIII

(Reference: paragraph 3.3.5.6(ii); page 75)

Construction of Anganwadis – Amount remaining unutilised

(Rupees in lakh)

Purpose of sanction	Amount drawn (Month of drawal)	Remitted to	Expenditure	Work in Progress/ Yet to be adjusted	Unutilised amount	Remarks
Construction of 250 Anganwadi Centres and repairs to 612 Anganwadi Centres at Chengalpattu District	288.33 (March 1992)	DRDA Kancheepuram	276.54	-	-	Rupees 11.79 lakh were remitted to Government. 216 Anganwadi Centres were constructed. Repair done in 595 Anganwadi Centres. Reasons for non-construction of 34 Anganwadi Centres were not available.
Construction of 68 Anganwadi Centres in Chengalpattu District	67.38 (February 1993)	DRDA Kancheepuram	NA	67.38	-	No progress report was made available
Construction of 80 Anganwadi Centres in Pudukkottai and 60 Anganwadi Centres in The Nilgiris District and repairs to 542 Anganwadi Centres in Pudukkottai, Chengalpattu and Thiruvallur Districts	240.00 (March 1997)	PWD	101.89	51.11	87.00	No work was taken up in The Nilgiris District.
Construction of 20 office-*cum*-godowns	50.00 (March 1996)	CDPO	12.50	5.00	32.50	Construction work of 5 godowns completed. 2 works in progress. 8 works were not taken up due to non-identification of land.
Construction of 61 Anganwadi Centres	42.70 (November 1995)	CDPO	16.10	4.90	21.70	Construction work not taken up in 31 Anganwadi Centres due to non-availability of land. Construction in 23 Anganwadi Centres was completed. Work was in progress in 7 Anganwadi Centres.
Total	**688.41**		**407.03**	**128.39**	**141.20**	

NA: Not Available; DRDA: District Rural Development Agency; PWD: Public Works Department; CDPO: Child Development Project Officer

Appendix XLIV

(Reference: paragraph 3.4.5; page 88)

Details of various schemes implemented by the Department

Women Welfare

Year	Financial Assistance for the marriage of poor Girls				Financial Assistance to Pregnant Women				Supply of sewing machines to destitute women			
	Physical		Financial		Physical		Financial		Physical		Financial	
	Target	Achievement	Target	Achievement	Target	Achievement	Target	Achievement	Target	Achievement	Target	Achievement
	(in numbers)		(Rupees in lakh)		(in numbers)		(Rupees in lakh)		(in numbers)		(Rupees in lakh)	
1995-96	10,000	10,000	500.00	500.00	2,00,000	1,95,883	600.00	587.65	6300	4597	93.05	93.05
1996-97	10,000	10,000	1000.00	1000.00	2,90,500	2,00,842	580.00	401.68	2075	1425	38.00	26.08
1997-98	15,000	58,156	1500.00	5815.60	2,90,500	2,03,930	581.00	598.25	3000	3650	14.29	65.89
1998-99	60,000	70,069	6000.00	7006.90	2,90,500	NA	610.05	522.01	4000	Nil	75.60	Nil

NA : Not Available

Child Welfare

Puratchi Thalaivar MGR Nutritious Meal Programme

Year	Physical				Financial	
	Target		Achievement		Target	Achievement
	Number of centres	Strength	Number of centres	Strength	(Rupees in lakh)	
1995-96	30,000	11,00,000	29,027	12,59,846	2703.60	3115.25
1996-97	30,000	11,00,000	29,086	10,87,950	3212.34	2325.53
1997-98	30,000	11,00,000	30,000	11,00,000	3520.11	4382.83
1998-99	30,000	11,07,107	29,723	9,24,613	4836.58	6025.61

Appendix XLIV (contd..)

Integrated Child Development Services Scheme

Physical

Year	Target		Number of beneficiaries covered	Achievement	
	Number of Projects	Number of Centres		Number of Projects	Number of Centres
1995-96	130	12,800	7,43,451	111	10,044
1996-97	130	12,800	7,43,451	111	10,091
1997-98	130	12,800	6,48,972	113	10,270
1998-99	130	12,800	5,96,739	113	10,477

Child Welfare

Integrated Child Development Services Scheme

Financial

(Rupees in lakh)

Year	Target		Achievement	
	Government of India Share	Government of Tamil Nadu Share	Government of India share	Government of Tamil Nadu share
1995-96	1215.09	1481.56	1139.65	1487.84
(SIDA)	680.73	1043.34	778.98	818.32
1996-97	1234.07	1488.51	1094.80	782.06.
(SIDA)	874.33	1184.01	727.05	282.81
1997-98	1351.73	1490.04	1466.29	1633.36
(SIDA)	903.17	900.40	1034.34	780.12
1998-99	1666.24	1835.10	2109.55	1608.58
(SIDA)	1102.67	485.02	1453.42	588.87

Appendix XLIV (concld.)

Rehabilitation of the disabled

Twenty three number of Government special schools for Blind/Deaf/Orthopaedically and Mentally Retarded Children

Year	Physical		Financial	
	Target	Achievement	Target	Achievement
	(for twenty three schools)		(Rupees in lakh)	
1995-96	1988	2250	211.64	202.62
1996-97	2250	2270	211.64	202.62
1997-98	2250	2200	451.76	414.78
1998-99	2250	2250	523.91	561.78

Appendix XLV

(Reference: paragraph 3.4.7.3(ii); page 95)

Details of number of Public Accounts Committee (PAC) recommendations pending settlement

Year	Number of PAC Reports	Number of recommendations
1981-82	1	15
1982-83 and 1983-84	1	1
1986-87	1	4
1987-88	2	14
1988-89	1	19
1989-90	1	19
Total	**7**	**72**

Appendix XLVI

(Reference: paragraph 3.4.7.3(iii); page 95)

Year-wise details of pending Inspection Reports for settlement

Year	Directorate of Social Welfare and Nutritious Meal Programme		Directorate of Social Defence		Directorate for the Rehabilitation of the Disabled	
	Number of IRs pending	Number of Paragraphs pending	Number of IRs pending	Number of Paragraphs pending	Number of IRs pending	Number of Paragraphs pending
Upto 1989-90	9	23	1	1	-	-
1990-91	16	16	1	2	-	-
1991-92	11	25	1	1	-	-
1992-93	9	49	2	2	-	-
1993-94	18	29	-	-	-	-
1994-95	3	9	1	1	1	4
1995-96	11	28	1	2	-	-
1996-97	39	180	2	9	-	-
1997-98	24	97	5	8	-	-
1998-99	11	87	1	3	-	-
Total	**151**	**543**	**15**	**29**	**1**	**4**

IRs: Inspection Reports

Appendix XLVII

(Reference: paragraph 3.4.7.3(iv); page 95)

Details of number of paragraphs for which departmental replies are pending

Year	First reply not received	
	Number of IRs	Number of Paragraphs
1991-92	1	2
1992-93	2	35
1993-94	1	6
1995-96	3	14
1996-97	7	60
1997-98	11	58
1998-99	11	87
Total	**36**	**262**

IRs: Inspection Reports

Appendix XLVIII

(Reference: paragraph 3.8.7.2(B)(b)(ii); page 105)

Statement showing total number of heads and sub-accounts involving manual corrections

Serial Number	Treasury	Phase	Total number of heads involving corrections	Total number of corrections made in the Sub-Account printouts
1	TO, Thiruvellore	I	34	142
2	PAO (North)	II	18	44
3	PAO (South)	II	18	20
4	PAO (East)	II	4	15
5	PAO (Secretariat)	II	5	5
6.	PAO (Madurai)	II	8	11
7	TO, Chennai	II	Nil	Nil
8	TO, Kancheepuram	II	149	434
9	TO, Madurai	II	12	40
10	TO, Nagapattinam	II	48	127
11	TO, Vellore	II	25	71
12	PPO, Chennai	III	1	1
13	TO, Cuddalore	III	88	260
14	TO, Coimbatore	III	66	124
15	TO, Dharmapuri	III	36	50
16	TO, Erode	III	6	29
17	TO, Salem	III	91	202
18	TO, Tiruchirappalli	III	17	62
19	TO, Tiruvannamalai	III	2	3
20	TO, Villupuram	III	62	567
21	TO, Udhagamandalam	III	NA	NA

TO : Treasury Officer
PAO : Pay and Accounts Officer
PPO : Pension Pay Office
NA : Not Available

Appendix XLIX

(Reference: paragraph 3.11.3; page 113)

Details of balances as on 31 March 1999 in "8443 Civil Deposits – 800 Other Deposits"

(Rupees in lakh)

Serial Number	Name of the Government Undertaking/ Corporation	Opening Balance as on 1 April 1998	Receipts during 1998-99	Withdrawals during 1998-99	Closing Balance as on 31 March 1999
1.	Sports Development Authority of Tamil Nadu	461.08	947.61	861.50	547.19
2.	Tamil Nadu Agro-Engineering and Service Cooperative Federation Limited	2.00	445.46	292.55	154.91
3.	Tamil Nadu Maritime Board	134.79	148.50	134.79	148.50
4.	Tamil Nadu Cooperative Housing Federation Limited	705.65	694.85	1194.90	205.60
5.	Tamil Nadu State Blindness Control Society	53.44	8.00	40.81	20.63
6.	Tamil Nadu Primary Weavers' Cooperative Societies at Director of Handlooms and Textiles. Chennai- 108	251.58	9152.50	9135.99	268.09
7.	Tamil Nadu Khadi and Village Industries Board	979.66	2588.01	2495.00	1072.67
8.	Tamil Nadu Water Supply and Drainage Board	2656.17	24219.13	26350.00	525.30
9.	Tamil Nadu Institute of Information Technology	500.00	500.00	300.00	700.00
10.	Science City	91.00	NIL	11.36	79.64
11.	Electronics Corporation of Tamil Nadu	218.00	401.50	250.00	369.50
12.	Tamil Nadu Housing Board	1703.49	1905.40	2200.00	1408.89
13.	Tamil Nadu Slum Clearance Board	417.96	5175.67	4806.58	787.05
14.	Tamil Nadu Energy Development Agency	86.79	206.87	105.29	188.37
15.	Chennai Metropolitan Development Authority	13014.35	5357.27	10565.45	7806.17
16.	Chennai Metropolitan Water Supply and Sewerage Board	1914.45	2819.45	3167.21	1566.69
17.	Tamil Nadu Backward Classes and Minorities Economic Development Corporation	3.59	NIL	NIL	3.59

Serial Number	Name of the Government Undertaking/ Corporation	Opening Balance as on 1 April 1998	Receipts during 1998-99	Withdrawals during 1998-99	Closing Balance as on 31 March 1999
18.	Tamil Nadu Agricultural Industries Corporation	109.24	530.88	466.08	174.04
19.	Tamil Nadu Minerals Limited	NIL	180.00	50.00	130.00
20.	Tamil Nadu Tourism Development Corporation	10.80	NIL	NIL	10.80
21.	Tamil Nadu Adi-Dravidar Housing and Development Corporation Limited	4624.65	5829.77	3341.00	7113.42
22.	Tamil Nadu Medical Services Corporation	5755.56	8599.04	8400.00	5954.60
23.	Tamil Nadu State Aids Control Society	905.29	1100.00	1425.00	580.29
24.	Tamil Nadu Labour Welfare Board	14.54	40.29	36.54	18.29
25.	Tamil Nadu Civil Supplies Corporation Limited	11000.00	50686.13	58000.00	3686.13
26.	Tamil Nadu Text Book Corporation	1314.90	2500.00	1308.11	2506.79
27.	Tamil Nadu Police Housing Corporation	4438.00	9510.47	7100.00	6848.47
28.	Tamil Nadu State Illness Assistance Society	1000.00	NIL	NIL	1000.00
29.	Tamil Nadu Medicinal Plant Farms and Herbal Medicine Corporation Limited	0.05	NIL	NIL	0.05
30.	Queen Mary's College	6.67	23.43	12.88	17.22
31.	Tamil Nadu Fisheries Development Corporation	545.81	60.00	321.55	284.26
32	Tamil Nadu Electricity Board	NIL	29934.91	18799.91	11135.00
33.	Tamil Nadu Wakf Board	30.00	45.00	45.00	30.00
	Total	**52949.51**	**163610.14**	**161217.50**	**55342.15**

Appendix L

(Reference: paragraph 3.25; page 132)

Cases of misappropriation pending finalisation as on 30 June 1999

(i) Department-wise analysis

(Rupees in lakh)

Serial number	Department	Number of cases	Amount
1.	Agriculture	37	41.63
2.	Commercial Taxes and Religious Endowments	7	3.78
3.	Co-operation, Food and Consumer Protection	1	0.14
4.	Education	27	18.04
5.	Environment and Forests	2	0.41
6.	Finance	8	7.16
7.	Handlooms, Handicrafts, Textiles and Khadi	4	1.17
8.	Health, Indian Medicine and Homoeopathy and Family Welfare	29	33.47
9.	Home	3	1.51
10.	Information and Tourism	1	0.77
11.	Labour and Employment	3	0.19
12.	Personnel and Administrative Reforms	1	1.92
13.	Prohibition and Excise	1	6.62
14.	Revenue	329	51.04
15.	Rural Development	10	11.42
16.	Social Welfare and Nutritious Meal Programme	7	2.76
17.	Transport	1	0.03
	Total	**471**	**182.06**

(ii) Year-wise analysis

(Rupees in lakh)

Year	Number of cases	Amount
Upto 1994-95	385	135.91
1995-96	15	0.74
1996-97	18	2.82
1997-98	34	31.85
1998-99	19	10.74
Total	**471**	**182.06**

Appendix LI

(Reference : paragraph 3.25; page 132)

Cases of shortages, etc., pending finalisation as on 30 June 1999

(i) Department-wise analysis

(Rupees in lakh)

Serial number	Department	Number of cases	Amount
1.	Agriculture	223	72.07
2.	Animal Husbandry and Fisheries	42	5.23
3.	Backward Classes	1	0.02
4.	Education	26	4.17
5.	Environment and Forests	10	5.72
6.	Finance	7	6.17
7.	Handlooms, Handicrafts, Textiles and Khadi	4	1.29
8.	Health, Indian Medicine and Homoeopathy and Family Welfare	31	24.08
9.	Home	2	1.23
10.	Labour and Employment	8	3.15
11.	Public	1	0.03
12.	Public Works	6,941	2,668.16
13.	Revenue	11	1.75
14.	Rural Development	11	6.13
	Total	**7,318**	**2,799.20**

(ii) Year-wise analysis

(Rupees in lakh)

Year	Number of cases	Amount
Upto 1994-95	1,599	123.17
1995-96	541	154.86
1996-97	2,738	1,404.24
1997-98	1,967	645.13
1998-99	473	471.80
Total	**7,318**	**2,799.20**

Appendix LII

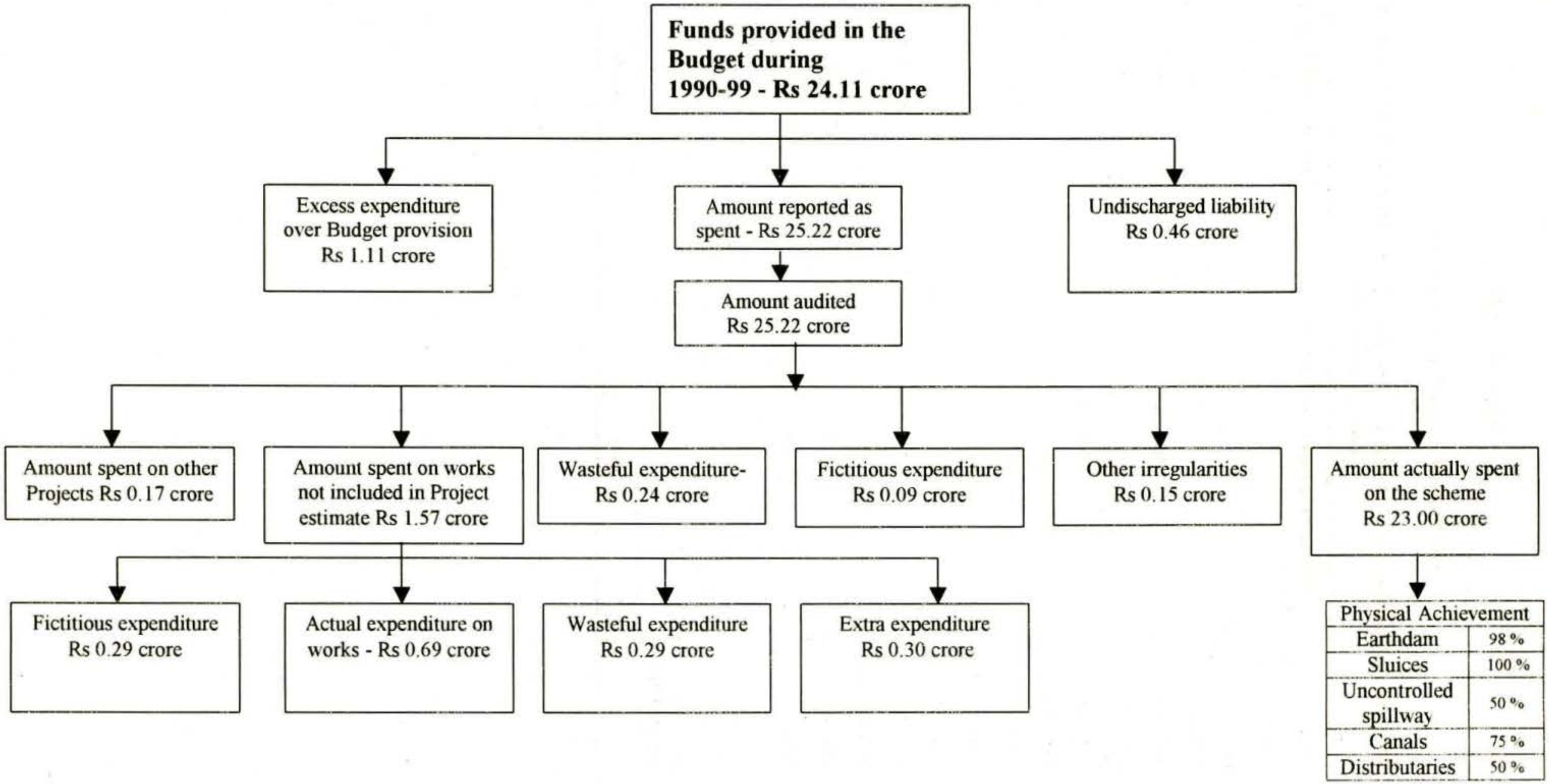
(Reference: paragraph 3.27; page 134)

Inspection Reports issued to various offices upto December 1998 and pending as at the end of June 1999

Year	Number of Inspection Reports	Number of Paragraphs
1982-83	4	9
1983-84	6	49
1984-85	15	62
1985-86	26	81
1986-87	69	166
1987-88	155	295
1988-89	137	314
1989-90	267	590
1990-91	401	896
1991-92	431	940
1992-93	654	2105
1993-94	678	1846
1994-95	1140	3258
1995-96	1148	3756
1996-97	1298	4981
1997-98	1387	6693
1998-99 (upto December 1998)	824	5314
	8640	**31355**

Appendix LIII
(Reference: paragraph 4.1; page 138)

Expenditure Analysis – Nanganjiar Reservoir Project



Appendix LIV

(Reference: paragraph 4.1.8.1; page 144)

Works awarded during 1993-94 and 1994-95

(Value in Rs)

Serial Number	Name of the Component	No. of reaches	Total contract value	Period of execution	A. Logirajan		A. Maharajan		T. Thanikodi		Other contractors		
					No. of reaches	Agreement Value	No. of reaches	Agreement Value	No.of reaches	Agreement Value	No.of reaches	Agreement Value	No of contractors
1.	Strengthening Sengulam tank bund	15	60,40,994	Feb 1994	9	36,10,234	6	24,30,760	--	--	--	--	--
2.	Strengthening Ammachikulam tank bund	9	36,38,987	Feb 1994	5	20,21,609	4	16,17,378	--	--	--	--	--
3.	Strengthening Appasamudram tank bund	18	34,68,502	June 1994	9	17,51,486	1	1,95,505	8	15,21,511	--	--	--
4.	Formation of Protection Bund (500 m)	13	25,55,584	June 1994	7	13,78,153	6	11,77,431	--	--	--	--	--
5.	Formation of Left side flood bank (0.785 m)	18	69,27,019	July 1994	9	34,87,639	9	34,39,380	--	--	--	--	--
6.	Formation of Right side flood bank (1225-2285 m)	14	56,12,901	July 1994	7	27,86,900	7	28,26,001	--	--	--	--	--
7.	Construction of uncontrolled Spillway	18	6,24,19,370	May 1994	9	3,36,33,368	6	1,92,80,124	3	95,05,878	--	--	--
8.	Formation of left side low level canal (0-9675 m)	78	1,71,51,460	Apr 1994 to July 1994	17	31,76,886	19	39,78,557	18	34,41,342	24	65,54,675	9

Serial Number	Name of the Component	No. of reaches	Total contract value	Period of execution	A. Logirajan		A. Maharajan		T. Thanikodi		Other contractors		
					No. of reaches	Agreement Value	No. of reaches	Agreement Value	No.of reaches	Agreement Value	No.of reaches	Agreement Value	No of contractors
9.	Formation of left side high level canal (0-9950 m)	26	81,20,447	Apr 1994 to July 1994	4	8,41,092	2	3,79,645	4	7,68,467	16	61,31,243	10
10.	Formation of right side low level canal (0 – 8725 m)	23	68,99,293	June 1993 to Aug 1994	3	8,48,198	1	3,21,240	--	--	19	57,29,855	14
11.	Formation of right side high level canal (0-9850 m)	30	1,16,31,922	June 1993 to Sep 1994	2	8,42,412	3	11,02,470	--	--	25	96,87,040	11
	TOTAL	**262**	**13,44,66,479**		**81**	**5,43,77,977**	**64**	**3,67,48,491**	**33**	**1,52,37,198**	**84**	**2,81,02,81**	**44***

*** Same contractor executed more than one work. In total, only 31 contractors executed these 84 works**

Appendix LV

(Reference: paragraph 6.1.4.2; page 165)

Details of Allocation, Receipts and Expenditure under Rural Employment Generation Programmes

(Rupees in crore)

Name of the programme	Year	Allocation	Opening Balance	Receipts	Expenditure	Closing Balance
Jawahar Rozgar Yojana	1989-90	176.60	16.41	198.45	201.63	13.23
	1990-91	172.24	13.23	204.26	196.58	20.91
	1991-92	172.24	20.91	213.29	211.28	22.92
	1992-93	205.21	22.92	194.90	200.94	16.88
	1993-94	215.28	16.88	264.40	265.22	16.06
	1994-95	244.98	16.06	312.05	296.35	31.76
	1995-96	284.00	31.76	381.94	363.76	49.94[b]
	1996-97	157.05	29.87[b]	166.70	180.40	16.17
	1997-98	175.47	16.17	201.29	207.00	10.46
	1998-99	129.36[#]	10.46	141.94	149.75	2.65
Total		**1932.430**		**2279.22**	**2272.91**	
Employment Assurance Scheme	1993-94	*	Nil	3.50	3.19	0.31
	1994-95	*	0.31	58.96	44.10	15.17
	1995-96	*	15.17	99.03	75.81	38.39[Z]
	1996-97	*	39.81[Z]	155.34[@]	170.14	25.01
	1997-98	*	25.01	275.89[@]	293.64	7.26[Z]
	1998-99	*	7.56[Z]	239.15[@]	244.50	2.21
Total				**831.87**	**831.38**	
Grand Total				**3111.09**	**3104.29**	

b **the difference is due to transfer of portion of balance to Indira Awaas Yojana and to Million Wells Scheme.**

\# **Revised allocation.**

* **No annual allocation was specified by Government of India for Employment Assurance Scheme.**

Z **Difference is under reconciliation.**

@ **including miscellaneous receipts of Rs 44.76 lakh in 1996-97 in 3districts and Rs 568.70 lakh in 1997-98 in 15 districts and Rs 510.31 lakh in 1998-99 in 22 districts.**

Allocation for Jawahar Rozgar Yojana for 1998-99 was reduced in July 1998 from Rs 175.47 crore to Rs 129.36 crore (Government of India share: Rs 103.49 crore and State share: Rs 25.87 crore).

Appendix LV (concld.)

(Rupees in crore)

Name of the programme	Year	Allocation	Opening Balance	Receipts	Expenditure	Closing Balance
Million Wells Scheme**	1996-97	39.25	Nil	47.01	43.41	3.60
	1997-98	39.25	3.60	40.28	42.05	1.83
	1998-99	27.99	1.83	31.48	31.94	1.37

** **delinked from Jawahar Rozgar Yojana from 1996-97 onwards.**

Details of financial allocation and expenditure for Intensified Jawahar Rozgar Yojana were not furnished by Director of Rural Development (May 1999).

Appendix LVI

(Reference: paragraph 6.1.4.4; page 166)

Belated release of Government of India share

(Rupees in lakh)

Name of the District Rural Development Agency	Employment Assurance Scheme			Jawahar Rozgar Yojana			Other programmes			
	Year	Amount	Released in	Year	Amount	Released in	Programme	Year	Amount	Released in
Kancheepuram	1995-96	270.00	March 1996	1995-96	1046.01	March 1996				
	1996-97	760.00	March 1997	1996-97	396.58	March 1997				
				1997-98	23.52	March 1998				
		1030.00			**1466.11**					
Pudukkottai	1994-95	80.00	March 1995	1994-95	230.33	March 1995	Million Wells Scheme	1996-97	115.49	February 1997
	1995-96	120.00	March 1996	1995-96	62.06	March 1996			6.87	February 1997
	1996-97	180.00	February 1997	1996-97	103.06	February 1997				
		120.00	March 1997	1997-98	18.17	March 1998				
		500.00			**413.62**				**122.36**	
The Nilgiris	1994-95	80.00	March 1995	1993-94	980.42	March 1994				
	1995-96	110.00	March 1996	1996-97	359.65	March 1997				
	1996-97	80.00	March 1997	1997-98	31.21	March 1998				
		270.00			**1371.28**					

Appendix LVI (concld.)

(Rupees in lakh)

Name of the District Rural Development Agency	Employment Assurance Scheme			Jawahar Rozgar Yojana			Other programmes			
	Year	Amount	Released in	Year	Amount	Released in	Programme	Year	Amount	Released in
Tiruvannamalai	1994-95	50.00	March 1995	1994-95	234.10	March 1995				
				1995-96	586.55	February 1996				
					51.95	March 1996				
					101.04					
	1996-97	290.00	March 1997	1996-97	254.27	March 1997				
	1997-98	0.83	February 1998	1997-98	28.56	March 1998				
		340.83			**1256.47**					
Thiruvallur				1997-98	20.52	March 1998				
					20.52					
Villupuram	1994-95	20.00	March 1995				Million Wells Scheme	1995-96	143.96	March 1996
	1995-96	52.50	March 1996							
	1996-97	650.00	March 1997							
		722.50								
Sivaganga				1997-98	14.95	March 1998				
Total		**2863.33**			**4542.95**				**266.32**	
								Grand Total	**7672.60**	

Appendix LVII

(Reference: paragraph 6.1.5.4(a); page 168)

Component-wise physical and financial achievement

Name of the Programme		Physical (in numbers)		Financial (Rupees in crore)	
		1996-97	1997-98	1996-97	1997-98
Jawahar Rozgar Yojana	Minor Irrigation	Nil	Nil	Nil	Nil
	Roads	778 (2)	5927 (16)	65.34 (37)	93.37 (45)
	Culverts	2604 (7)	6552 (17)		
	Drinking water schemes	Nil	Nil	Nil	Nil
	Sanitary latrines	Nil	Nil	Nil	Nil
	Land Development	2292 (6)	5170 (14)	9.00 (5)	22.48 (11)
	Buildings	20486 (55)	7706 (21)	52.05 (30)	26.91 (13)
	Social Forestry	293 (1)	Nil	2.09 (1)	Nil
	Others	10828 (29)	11976 (32)	47.42 (27)	63.07 (31)
		37281 (100)	**37331 (100)**	**175.90 (100)**	**205.83 (100)**
Employment Assurance Scheme	Minor Irrigation	4396 (18)	8650 (49)	39.40 (23)	116.75 (40)
	Roads	1865 (8)	2975 (17)	49.20 (29)	84.60 (29)
	Culverts	Nil	283 (2)	Nil	1.83 (1)
	Land Development	12491 (52)	1446 (8)	34.91 (21)	24.35 (9)
	Buildings	1077 (5)	4198 (24)	24.46 (15)	60.53 (21)
	Horticulture works	Nil	1 (Nil)	Nil	0.71 (Nil)
	Social/Farm forestry	Nil	36 (Nil)	Nil	0.32 (Nil)
	Other works	4141 (17)	Nil	19.62 (12)	Nil
		23970 (100)	**17589 (100)**	**167.59 (100)**	**289.09 (100)**

(Figures in brackets indicate the percentage of achievement)

Appendix LVIII

(Reference: paragraph 6.1.5.6(i); page 170)

Details of mandays generated

(Number in lakh)

Name of the programme	Year	Targeted mandays	Mandays generated			
			Total	SC	ST	Others
Jawahar Rozgar Yojana	1992-93	671.940	767.873	378.480	13.620	375.773
	1993-94	853.618	853.018	428.498	13.908	410.612
	1994-95	727.580	897.365	426.857	27.646	442.862
	1995-96	809.390	983.746	513.904	31.296	438.546
	1996-97	406.900	488.596	260.578	15.408	212.610
	1997-98	312.560	388.813	191.168	8.922	188.723
	1998-99	237.700	280.972	137.175	6.399	137.398
Total		**4019.688**	**4660.383**	**2336.660**	**117.199**	**2206.524**
Employment Assurance Scheme	1993-94	*	10.957	5.038	1.022	4.897
	1994-95	*	141.287	53.319	21.587	66.381
	1995-96	*	211.353	95.083	21.494	94.776
	1996-97	*	468.424	212.999	25.464	229.961
	1997-98	*	558.285	243.584	24.381	290.320
	1998-99	*	457.086	202.097	17.177	237.812
Total			**1847.392**	**812.120**	**111.125**	**924.147**

* **No target fixed by Government of India. However, State Government fixed the following targets for monitoring purposes**

Year	Target (in lakh mandays)
1993-94	10.50
1994-95	137.40
1995-96	203.523
1996-97	532.222

Appendix LIX

(Reference: paragraph 6.1.5.10(v); page 175)

Diversion of Funds

Name of the Programme	Name of the District Rural Development Agency	Date/year	Amount diverted (Rupees in lakh)	Remarks
Jawahar Rozgar Yojana	Kancheepuram	13.10.1992	17.93	To Small Savings Incentive Account
		9.2.1993	4.52	In connection with the visits of Chief Minister and Governor
		25.7.1994	10.28	For the purchase of colour TV sets and boosters
		28.9.1995	445.00	To fixed deposit
		26.3.1996	4.94	To fixed deposit
		29.3.1996	20.00	To fixed deposit
		19.9.1996	600.00	To fixed deposit
	Pudukkottai	1996-97	1.00	To District Panchayat
			3.00	To District Panchayat
			24.36	For execution of Jeevan Dhara Wells
		1997-98	2.00	To District Panchayat
	The Nilgiris	1994-95	1180.00	To fixed deposit
		1995-96	550.00	To fixed deposit
	Tiruvannamalai	1993-94	20.00	To fixed deposit
			60.00	To fixed deposit
		1992-93	200.00	To personal deposit account
		1995-96	59.82	For Central Rural Sanitation Project
			8.00	For Members of Parliament Local Area Development (MPLAD) programme
			0.50	For MPLAD programme
			17.50	For MPLAD programme
	Villupuram (Intensified Jawahar Rozgar Yojana)	30.3.1996	19.24	To District Panchayat
	Sivaganga	1992-93	2.70	To Integrated Rural Development Programme
		1994-95	33.92	To MPLAD Scheme
	Thiruvallur	1997-98	7.81	To Fixed Deposit
		1998-99	51.59	To Fixed Deposit
			5.00	To Small Savings Scheme

Appendix LIX(concld.)

Name of the Programme	Name of the District Rural Development Agency	Date/year	Amount diverted (Rupees in lakh)	Remarks
Employment Assurance Scheme	Kancheepuram	31.3.1997	10.00	To Fixed Deposit
	Sivaganga	1994-95	17.63	To Drought Prone Area Programme
		1997-98	125.00	Fixed Deposit
		1998-99	16.45	To Namakku Name Scheme
	The Nilgiris	1995-96	25.00	To Fixed Deposit
	Thiruvallur	1997-98	10.00	To short term Deposit
		1998-99	5.00	To Small Savings Scheme
	Total		**3558.19**	

Appendix LX

(Reference: paragraph 6.1.5.10(vi); page 175)

Outstanding Advances

Name of the District Rural Development Agency	Year of release	Details of release		Amount pending adjustment as on 31 March 1998	Remarks
		Amount (Rupees in lakh)	For		
Kancheepuram	1995-96	71.39	Supply of name boards	44.58	Amounts paid to Dharapuram Carpentry and Blacksmithy Workers Cooperative Society, Dharapuram, Erode for supply of name Boards and centering sheets. Matter is under investigation by Deputy Superintendent of Police, Chennai – 90. The concerned files were handed over to CBI, Chennai for investigation.
		50.00	Supply of centering sheets	50.00	
	1993-94 to 1995-96	172.50	Erection of cremation sheds	108.71	Amounts paid to 3 Industrial Cooperative Societies. The connected files were handed over to Superintendent of Police CBI, Chennai on 12.8.1996.
Dindigul	1996-97	98.56	Supply of steel	10.99	Amount due from Tamil Nadu Steels Limited, Arakonam.
Tiruvannamalai	1996-97	127.64	Supply of steel	19.85	Steel was not supplied as of February 1999 by Tamil Nadu Steels Limited, Arakonam
	1997-98	30.74	Supply of steel	6.68	
Villupuram	1995-96	375.00	Supply of steel	19.04	Amount due from Tamil Nadu Steels Limited, Arakonam.
Sivaganga	1993-94 to 1996-97	182.02	Supply of steel	3.64	
Total				**263.49**	

Appendix LXI

(Reference: paragraph 6.1.5.10(vii); page 175)

Misappropriation of Funds

Serial Number	District	Year	Amount (Rupees in lakh)	Remarks
1.	Salem	1993-94 to 1996-97	51.11	Funds released to Project Manager, Kattida Maiyam, Salem for civil works, fabrication of doors, windows According to report dated 29.9.1998 of the Project Officer, District Rural Development Agency, Salem, the Project Manager claimed release of funds by falsely representing completion of works. This was unearthed by Project Officer, District Rural Development Agency, through detailed survey of works. A criminal case has been lodged with police, who are investigating the same.
2.	Sivaganga	1993-94	2.24	Amount misappropriated by Extension Officer, Social Forestry, by giving fictitious vouchers and records in respect of works executed (Sapling plantation, live fencing, watering). The misappropriation was detected by Project Officer/ Assistant Project Officer, District Rural Development Agency, Sivaganga during inspection on 8.2.1994.
3.	Cuddalore (Nallur Panchayat Union)	1993-94 1994-95 1995-96	3.56 4.53 0.40	According to Letter RC.No.B2/948/96 dated 14.2.1996 of the Project Officer, District Rural Development Agency, Cuddalore addressed to the Director of Rural Development with copy to the State Government, these were cases of defalcation under Jawahar Rozgar Yojana. According to the Project Officer's report, 2 Assistant Block Development Officers, 3 Extension Officers and 1 Accountant were placed under suspension by the District Collector on 12.1.1995; the case is reported to be under investigation by Superintendent of Police, Cuddalore. Information regarding (a) final action taken by the Superintendent of Police, Cuddalore and (b) result of charge sheet issued against the officials etc., sought for by Audit (December 1998) from Government, was awaited (April 1999).

Serial Number	District	Year	Amount (Rupees in lakh)	Remarks
4	Villupuram	1995-96	2.32	Out of Rs 9.82 lakh paid by the District Rural Development Agency, Villupuram on 16.8.1995 to Special Officer, Multipurpose Cooperative Village Industrial Society Limited, Rs 7.50 lakh was due for recovery from the Society, after adjusting the Bank Guarantee as the supply order was cancelled due to non-supply in time. It was intimated by Assistant Director, Khadi and Village Industries Board Salem, in his letter dated 30.11.1998 to Project Officer, District Rural Development Agency that the Special Officer (who was under suspension) has been held responsible for repayment of the balance advance since the Head Office/branch office of the Tamil Nadu Khadi and Village Industries Board had no knowledge of the said transaction and the recovery of the balance amount had to be made from the Special Officer. The amount had not been recovered (April 1999).
	Total		**64.16**	

Appendix LXII

(Reference: paragraph 6.8; page 207)

Details of least amount kept in Special Personal Deposit Account

(Rupees in crore)

Month	1997-98			1998-99		
	Number of days	Minimum balance amount	Total	Number of days	Minimum balance amount	Total
April	30	60.13	1803.90		49.38	1481.40
May	31	60.85	1886.35		20.20	626.20
June	25	61.97	1549.25		21.77	653.10
	5	73.92	369.60			
July	4	77.88	311.52			
	18	54.97	989.46		21.77	674.87
	9	77.97	701.73			
August	31	67.99	2107.07		22.77	705.87
September				15	9.77	146.55
	30	72.60	2178.00	14	8.52	119.28
				1	4.77	4.77
October	31	39.36	1220.16	15	4.77	71.55
				16	27.52	440.32
November	30	19.45	583.50		27.99	839.70
December	16	19.45	311.20		10.24	317.44
	15	4.45	66.75			
January	13	0.19	2.47		64.48	1998.88
	18	0.04	0.72			
February	18	0.04	0.72		54.50	1526.00
	10	35.25	352.50			
March	31	28.19	873.89		26.43	819.33
Total			**15308.79**			**10425.26**
Daily Average			**41.94**			**28.56**

Appendix LXIII

(Reference: paragraph 7; page 222)

Summarised financial position of the Government Commercial/Quasi –Commercial undertakings.

(Rupees in lakh)

Sl. No.	Name of the Department	Year of Commencement	Period of accounts	Capital at close	Net block of assets	Cumulative depreciation	Turnover	Net Profit (+) Net Loss(-)		Mean capital	Percentage of return on Mean Capital		Remarks
								Before charging interest on capital	After charging interest on capital		Before charging interest on capital	After charging interest on capital	
I	**Agriculture Department**												
1	Government Agricultural Engineering Workshop, Chennai	1952	1996-97	453.94	10.72	11.36	21.47	(-)55.44	(-)68.14	422.04	-	-	-
2	Scheme for Purchase and Distribution of Chemical Fertilisers, Chennai	1954	1980-81	445.96	--	--	7.32	(-)14.26	(-)47.92	440.96			Provisional
II	**Animal Husbandry and Fisheries Department**												
3	Chank Fisheries, Tuticorin	1909	1993-94	159.71	3.34	6.74	0.72	(-)11.38	(-)12.31	154.39	--	--	--
4	Chank Fisheries, Ramanathapuram	1978	1996-97	130.67	0.27	0.66	--	(-)10.21	(-)24.90	117.92	--	--	--
								Total	**(-)153.27**				

Appendix LXIV

Glossary of abbreviations

AC	:	Asbestos Cement
AE	:	Assistant Engineer
ANC	:	Ante-Natal Care
ANM	:	Auxiliary Nurse Mid wife
APL	:	Above Poverty Line
AS	:	Assistant Surgeon
BDO	:	Block Development Officer
BPL	:	Below Poverty Line
CCS	:	Commissioner of Civil Supplies and Consumer Protection
CDPO	:	Child Development Project Officer
CE	:	Chief Engineer (Irrigation)
CI	:	Cast Iron
CR	:	Coursed Rubble
CWSS	:	Combined Water Supply Scheme
DANIDA	:	Danish International Development Agency
DDO	:	Drawing and Disbursing Officer
DGS & D	:	Director General of Supplies and Disposals
DME	:	Directorate of Medical Education
DMRHS	:	Directorate of Medical and Rural Health Services
DPHPM	:	Directorate of Public Health and Preventive Medicine
DRCS (PDS)	:	Deputy Registrar of Cooperative Societies (Public Distribution System)
DRDA	:	District Rural Development Agency

DSO	:	District Supply Officer
DSW	:	Director of Social Welfare
EE	:	Executive Engineer
FCI	:	Food Corporation of India
GI	:	Galvanised Iron
GOI	:	Government of India
GRN	:	Goods Received Note
HDPE	:	High Density Poly Ethylene
ICDS	:	Integrated Child Development Services
JCE	:	Joint Chief Engineer
MM Wing	:	Material Management Wing
MO	:	Medical Officer
MT	:	Metric Tonnes
NH	:	National Highways
PAC	:	Public Accounts Committee
PHC	:	Primary Health Centre
PSC	:	Pre-stressed Concrete
PSL	:	Priced Storage Ledger
PVC	:	Poly Vinyl Chloride
RCC	:	Reinforced Cement Concrete
RCS	:	Registrar of Cooperative Societies
RDO	:	Revenue Divisional Officer
RPDS	:	Revamped Public Distribution System
RWS	:	Rural Water Supply
SE	:	Superintending Engineer

SIDA	:	Swedish International Development Authority
SPC	:	State Planning Commission
TANCEM	:	Tamil Nadu Cements Corporation Limited
TINP	:	Tamil Nadu Integrated Nutrition Project
TNCSC	:	Tamil Nadu Civil Supplies Corporation Limited
TNMSC	:	Tamil Nadu Medical Services Corporation
TNSL	:	Tamil Nadu Steels Limited
TT	:	Tetanus Taxoid
UNICEF	:	United Nations Children's Fund