Report of the Comptroller and Auditor General of India

for the year ended 31 March 2005

(Civil)

Government of Tamil Nadu

Audit Report (Civil) - Tamil Nadu - 2004-05

Price: **INLAND** : Rs 65.00
FOREIGN : US $ 5

N.T.P supplied by the Office of the Principal Accountant General (Civil Audit)
Printed at Government Central Press, Chennai - 600 079

http://www.cag.gov.in

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PREFACE

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

2. Chapters I and II of this Report respectively contain audit observations on matters arising from examination of the Finance Accounts and the Appropriation Accounts of the State Government for the year ended 31 March 2005.

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

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

5. The cases mentioned in this Report are among those which came to notice in the course of test-audit of accounts during the year 2004-2005 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 2004-2005 have also been included wherever necessary.

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OVERVIEW

OVERVIEW

This Audit Report includes two Chapters containing observations on the Finance and the Appropriation Accounts of the Government of Tamil Nadu for the year 2004-05 and three others comprising five reviews (including one information and technology review) and one long paragraph and 24 paragraphs dealing with the result of performance audit of selected programmes and schemes as well as audit of the financial transactions of the Government.

The audit has been conducted in accordance with the Auditing Standards prescribed for the Indian Audit and Accounts Department. Audit samples have been drawn based on statistical sampling methods as well as on judgement basis. The specific audit methodology adopted for programmes and schemes has been mentioned in the reviews. The audit conclusions have been drawn and the recommendations made taking into consideration the views of the Government, wherever received.

A summary of the financial position of the State and the audit findings is given below.

1 Financial Position of the State Government

The revenue receipts of the State Government during 2004-05 were Rs 28,452 crore, registering an increase of 20 *per cent* over 2003-04. The revenue expenditure during the year was Rs 29,155 crore, an increase of 15 *per cent* over 2003-04. Consequently, the revenue deficit declined to Rs 703 crore during 2004-05 from Rs 1,565 crore in the previous year. This positive development enabled reduction of fiscal deficit as well as primary deficit. However, return on investment of the Government funds in companies, co-operative units etc., was only 0.9 *per cent* during the year while the Government continued to borrow funds from market at a higher rate of interest. The fiscal liabilities of the State Government was almost double its revenue receipts during the year. The percentage of total expenditure to revenue receipts was 122, indicating that only about 82 *per cent* of the State's total expenditure was met from its current revenues, leaving the balance to be financed by borrowings.

(Paragraphs 1.1 to 1.12)

2 Allocative Priorities and Appropriation

During 2004-05, expenditure of Rs 44,683.66 crore was incurred against the total grants and appropriations of Rs 48,661.52 crore, resulting in a saving of Rs 3,977.86 crore. The overall saving was the result of saving of Rs 3,980.68 crore offset by excess of Rs 2.82 crore. This excess requires regularisation under Article 205 of the Constitution of India. Substantial surrenders of Rs 4,494.33 crore representing 85 *per cent* of total provision of Rs 5,285.01

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crore in respect of 148 schemes were made on account of either non-implementation or slow implementation of schemes. Of these, the entire provision of Rs 734.27 crore made for 46 schemes was surrendered. Reappropriation proved excessive or insufficient and resulted in savings/excess over Rs 10 lakh in 467 sub-heads, of which the savings/excess was more than Rs two crore in 62 cases.

(Paragraphs 2.1 to 2.7)

3 Implementation of Acts and Rules relating to Consumer Protection

The Consumer Protection Act, 1986 was enacted by the Parliament for better protection of the interests of the consumers.

Due to non-functioning of District Consumer Information Centres in all the districts of the State, the awareness about the Consumer Protection Act was lacking among the consumers. Out of the Government of India grant of Rs 2.70 crore received during 1995-97 for strengthening the infrastructure facilities for the State Consumer Disputes Redressal Commission and 22 District Consumer Disputes Redressal Forums only Rs 1.05 crore were utilised and building had been constructed for only one District Forum. The State and District Councils did not meet as frequently as prescribed. Failure of the State Government to fill up vacancies in the posts of the President of District Forums resulted in decline of cases disposed of by the District Forums from 5,723 in the year 2000 to 3,185 in 2004 and caused delay in redressal of grievances of consumers.

(Paragraph 3.1)

4 Integrated Audit of Animal Husbandry Department

In the first three years of the Tenth Plan, expenditure was only 39 *per cent* of the proportionate outlay. Due to staff vacancies in Artificial Insemination Centres and steep fall in the number of bulls maintained for production of Frozen Semen Straws, the number of Artificial Inseminations declined from 32.35 lakh in 2000-01 to 29.23 lakh in 2004-05. The cost of Liquid Nitrogen produced Departmentally was higher than that procured from market during 2002-05 and led to excess expenditure of Rs 51.07 lakh. Expenditure of Rs 43.80 lakh on Embryo Transfer Technology remained largely unfruitful and the objective of producing quality bulls in large numbers through this technology suffered. The services rendered by veterinary institutions was over stretched as the average number of cattle units served per institution was 9,939 against the norm of 5,000. Failure of Institute of Veterinary Preventive Medicine, Ranipet to adhere to "Good Manufacturing Practices", a mandatory provision stipulated by the Government of India, led to denial of renewal of its licence for production of vaccines and pharmaceutical products. Per capita availability of milk, the most important livestock product, decreased from 219 grams per day in 2001-02 to 206 grams per day in 2004-05 and was well below the level of 232 grams per day at National level.

(Paragraph 3.2)

5 Computerised Billing and Collection in the Chennai Metropolitan Water Supply and Sewerage Board

The major source of revenue of the Chennai Metropolitan Water Supply and Sewerage Board is Water and Sewerage Tax payable by all the owners of the property and Water/Sewerage Charges payable by those having water/sewerage connection. Incorrect adoption of 'Usage of a Property' (domestic, commercial, etc.) having a bearing on the calculation of Water/Sewerage Charges resulted in short raising of demand of Rs 1.30 crore. Failure to adopt the latest Annual Value of property, which is the basis for demanding Water/Sewerage Tax resulted in short assessment of tax to the tune of Rs 4.97 crore. Loss of interest of Rs 93.67 lakh was suffered on account of short assessments done earlier and corrected at the instance of audit. Lack of controls to ensure complete transfer of updated data from the Corporation of Chennai relating to Annual Value of assessed properties resulted in under-assessment. Due to non-matching of assessee codes between the Corporation and the Board, upward revision of Annual Value of properties relating to the concerned assessees could not be entered into the Board's computer system. Based on the observations of audit, the Board raised additional demands aggregating Rs 22.95 crore after adoption of correct usage and rectification of deficiency of non-adoption of the latest Annual Value.

(Paragraph 3.3)

6 Augmentation of Water Supply to Chennai city from Veeranam tank

Government took up two projects and two contingency schemes to provide drinking water supply to Chennai city with the aim of increasing the storage capacity of Veeranam tank and the transmission of water. The works were implemented by the Public Works Department and the Chennai Metropolitan Water Supply and Sewerage Board (Board).

A Review of the Project revealed that the decision to avail subsequent instalments of a loan without considering the option of other available loans at lower rate of interest resulted in extra liability of Rs 82.43 crore. The Board failed to avail the benefit of Rs 1.68 crore on interest payments offered by the Life Insurance Corporation of India for reducing the rate of interest on payment of compensation. Failure to provide shutters and inadequate height of the concrete structure in foreshore bund resulted in wastage of water; besides, the objective of storage of additional water was not achieved. An extra expenditure of Rs 295.21 crore was incurred under the Project due to (a) delay in finalisation of tenders and commencement of works (Rs 246.25 crore), (b) failure to define the tender specifications without ambiguity (Rs 11.59 crore), (c) failure to consider economical option without affecting the quality of work (Rs 7.95 crore) which also resulted in provision of infrastructure in excess of requirement, (d) failure to ensure the fulfillment of contract conditions (Rs 20.43 crore) and (e) unnecessary sinking of 15 borewells without requirement and pre-project expenditure on a dropped project (Rs 8.99 crore).

(Paragraph 3.4)

7 Sampoorna Grameen Rozgar Yojana

Sampoorna Grameen Rozgar Yojana is being implemented with the primary objective of providing additional wage employment to poor in all rural areas and thereby providing food security.

Programme funds to the tune of Rs 7.22 crore in Coimbatore and The Nilgiris districts were diverted to small savings during 2001-05. The entire wage component of Rs 3.87 crore was paid in the form of rice in Coimbatore and Villupuram districts. In Coimbatore, Salem and Thanjavur districts, 2958.240 MT of rice valuing Rs 3.49 crore was diverted from the programme to Public Distribution System during 2002-05. Expenditure of Rs 52.79 crore was noticed to have been incurred on 5,077 works in all the test checked districts, which were not permitted to be taken under the scheme.

(Paragraph 3.5)

8 Internal Control and Internal Audit in Prison Department

The Internal Control System in Prison Department was not fully effective as indicated by deficiencies in following rules and directives of Government/ Department regarding budget preparation and control over performance of prison industries. Despite ban on filling up vacancies, the Department included provision of salary against vacant posts. The envisaged compensation to victims affected by crimes of the prisoners was not paid despite availability of amount in the fund created for this purpose. Rehabilitation measures undertaken were not adequate. Some prisons in the State were overcrowded and the one at Madurai had excess lodging ranging between 57 and 231 *per cent* during 2002-05. Under-utilisation of capacity in prison industries caused loss of mandays of captive labour and in deprival of wages to prisoners. Entrustment of administrative and internal audit works to the same staff defeated the independence of internal audit. Absence of Internal Audit Manual, delay in finalising the audits and in issuing audit reports indicated that the Internal Audit System was not put to effective use.

(Paragraph 5.1)

9 Audit of Transactions

Besides the above, audit of financial transactions, test checked in various Departments of the Government and their field offices revealed instances of wasteful expenditure and other irregularities involving Rs 86.41 crore as mentioned below:

Wasteful/unfruitful expenditure and excess payments of Rs 21.26 crore was noticed in Public Works (Rs 13.31 crore), Municipal Administration and Water Supply (Rs 5.39 crore), Health and Family Welfare (Rs 1.21 crore), Highways (Rs 0.53 crore), Higher Education (Rs 0.27 crore) Departments, besides the unfruitful expenditure of Rs 0.55 crore due to delay in issue of posting orders in Home, Public and Environment and Forest Departments.

(Paragraphs 4.1.1 to 4.1.7)

Avoidable expenditure of Rs 6.05 crore was noticed in Public Works Department.

(Paragraphs 4.2.1 to 4.2.3)

Idle investments/blocking of funds aggregating Rs 22.55 crore were noticed in Municipal Administration and Water Supply (Rs 16.54 crore), Health and Family Welfare (Rs 4.49 crore), Public Works (Rs 0.86 crore) and Small Industries (Rs 0.66 crore) Departments.

(Paragraphs 4.3.1 to 4.3.5)

Apart from these, there were regularity issues and other points aggregating Rs 36.55 crore in Labour and Employment (Rs 21.83 crore), Finance (Rs 9.75 crore), Backward Classes, Most Backward Classes and Minorities Welfare (Rs 3.02 crore), Municipal Administration and Water Supply (Rs 0.81 crore), Health and Family Welfare (Rs 0.68 crore) and Public Works (Rs 0.46 crore) Departments. Among these, one case relates to purchase of medicines in excess of normative ceiling for Employees' State Insurance dispensaries resulting in extra financial burden of Rs 10.26 crore to the State Government.

(Paragraphs 4.4.1 to 4.4.8)

CHAPTER I

FINANCES OF THE STATE GOVERNMENT

CHAPTER I

FINANCES OF THE STATE GOVERNMENT

Summary

Revenues of the State Government consist mainly of its own tax and non-tax revenue, Central tax transfers and grants-in-aid from the Government of India. With reference to 2003-04, the revenue receipts during 2004-05 increased by 20 *per cent* to Rs 28452 crore and the revenue expenditure increased by 15 *per cent* to Rs 29155 crore. Consequently, the revenue deficit further declined from Rs 1565 crore to Rs 703 crore. This positive development enabled reduction of Fiscal deficit as well as Primary deficit. Moreover, it enabled the State Government to manage its cash balance without resorting to any overdraft from the Reserve Bank of India.

The targets set for 2004-05 under the Medium Term Fiscal Reforms Plan were mostly achieved by the Government. However, the following factors remain to be of concern:

(i) The percentage of total expenditure to revenue receipts was 122.3 indicating that only about 82 *per cent* of the State's total expenditure was met from its current revenues, leaving the balance to be financed by borrowings.

(ii) The fiscal liabilities of the State were almost double its revenue receipts.

(iii) Return on investment of the Government funds in companies, co-operative units, etc. continued to be meagre and fetched only 0.9 *per cent* during 2004-05 while the Government continued to borrow funds from market at a higher rate of interest.

1.1 Introduction

The Finance Accounts of the Government of Tamil Nadu are laid out in nineteen statements, presenting receipts and expenditure, revenue as well as capital, in the Consolidated Fund, Contingency Fund and the Public Account of the State of Tamil Nadu. The layout of the Finance Accounts is depicted in Box 1.1 below:

Box 1.1

Lay-out of Finance Accounts

The Finance Accounts of Tamil Nadu contains 19 statements as depicted below:

Statement No. 1 presents the summary of transactions of the State Government – receipts and expenditure, revenue and capital, public debt receipts and disbursements, etc. in the Consolidated Fund of the State, Contingency Fund and Public Account.

Statement No. 2 contains the summarised statement of capital outlay showing progressive expenditure to the end of 2004-05.

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

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

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

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

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

Statement No. 8 depicts the summary of balances under Consolidated Fund, Contingency Fund and Public Account as on 31 March 2005.

Statement No. 9 shows the revenue and expenditure under different heads for the year 2004-05 as a percentage of total revenue/total expenditure.

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

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

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

Statement No. 13 depicts the detailed capital expenditure incurred during and to the end of 2004-05.

Statement No. 14 shows the details of investments of the State Government in statutory corporations, government companies, other joint stock companies, cooperative banks and societies, etc. up to the end of 2004-05.

Statement No. 15 depicts the capital and other expenditure to the end of 2004-05 and the principal sources from which the funds were provided for that expenditure.

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

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

Statement No. 18 provides the detailed account of loans and advances given by the Government, the amount of loan repaid during the year, the balance as on 31 March 2005 and the amount of interest received during the year.

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

1.2 Trend of Finances with reference to the previous year

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

(Rupees in crore)

2003-04	Sl.No	Major Aggregates	2004-05
23706	1.	**Revenue Receipts**	**28452**
15945	2.	Tax Revenue	19357
2094	3.	Non-Tax Revenue	2209
5667	4.	Other Receipts	6886
575	5.	**Non-Debt Capital Receipts**	**783**
575	6.	Of which Recovery of Loans	**783**
24281	7.	**Total Receipts (1+5)**	**29235**
21506	8.	**Non-Plan Expenditure**	**26384**
20835	9.	On Revenue Account	25251
4700	10.	Of which Interest Payments	4755
671	11.	On Capital Account	1133
550	12.	Of which loans disbursed	849
8366	13.	**Plan Expenditure**	**8421**
4436	14.	On Revenue Account	3904
3930	15.	On Capital Account	4517
461	16.	Of which Loans disbursed	237
29872	17.	**Total Expenditure (8+13)**	**34805**
5591	18.	**Fiscal Deficit (17-1-5)**	**5570**
1565	19.	**Revenue Deficit (9+14-1)**	**703**
891	20.	**Primary Deficit (18-10)**	**365**

1.3 Summary of Receipts and Disbursements

Table 1 summarises the state of Finances of the Government of Tamil Nadu for the year 2004-05 covering revenue receipts and expenditure, capital receipts and expenditure and public account receipts and disbursements made during the year as emerging from Statement-1 of Finance Accounts and other detailed statements.

Table 1: Summary of Receipts and Disbursements for the year 2004-05

(Rupees in crore)

	Receipts				**Disbursements**				
2003-04	**Section-A: Revenue**		**2004-05**	**2003-04**	**Section-A: Revenue**	**Non-Plan**	**Plan**	**Total**	**2004-05**
23705.71	**Revenue receipts -**		**28451.53**	**25270.95**	**Revenue expenditure-**	25251.40	3903.47	29154.87	**29154.87**
15944.97	-Tax revenue	19357.04		10589.11	-General services	12021.58	36.69	12058.27	
2093.79	-Non-tax revenue	2208.35		8597.77	-Social Services	7232.64	2450.11	9682.75	
3544.20	-Share of Union Taxes/Duties	4236.39		4607.40	-Economic Services	4220.45	1233.63	5454.08	
2122.75	-Grants from Government of India	2649.75		1476.67	-Grants-in-aid and Contributions	1776.73	183.04	1959.77	
1565.24	**Revenue deficit carried over to Section B**		**703.34**						
25270.95	**Total**		**29154.87**	**25270.95**	**Total**				**29154.87**

(Rupees in crore)

	Receipts			Disbursements	
	Section-B : Capital and others			**Section-B : Capital and others**	
169.35	Opening Cash balance	684.58	579.63	Opening Overdraft from Reserve Bank of India-	..
			3589.91	Capital Outlay-	4563.96
574.55	Recoveries of Loans and Advances-	783.38	1010.57	Loans and Advances disbursed-	1085.84
9723.32	Public debt receipts-	12136.41	1565.24	Revenue deficit brought down-	703.34
..	Amount transferred to Contingency Fund-	Nil	3948.33	Repayment of Public debt-	7188.09*
28106.63	Public Account receipts-	31863.89	27195.59	Public Account disbursements-	30734.60
..	Closing Overdraft from Reserve Bank of India-	Nil	684.58	Cash Balance at end-	1192.43
38573.85	**Total**	**45468.26**	**38573.85**	**Total**	**45468.26**
63844.80	**Grand Total**	**74623.13**	**63844.80**	**Grand Total**	**74623.13**

* Includes net transactions under ways and means advances: Rs 204.88 crore

1.4 Audit Methodology

Audit observations on the Finance Accounts for the year 2004-05 bring out the trends in the major fiscal aggregates of receipts and expenditure from the statements of the Finance Accounts for the year 2004-05 and wherever else necessary, show these in the light of time series data (**Appendix I**), Abstract of Receipts and Disbursements (**Appendix II**), Sources and Application of Funds (**Appendix III**), Summarised Financial position of the Government of Tamil Nadu (**Appendix IV**) and periodic comparisons. The reporting parameters are depicted in the Box 1.2.

Box 1.2

Reporting Parameters

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

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

For most series, a trend growth during 2000-05 has been indicated. Some of the terms used here are explained in **Appendix V**.

The key indicators adopted for analysing the State finances are (i) Resources by volumes and sources, (ii) Application of resources, (iii) Assets and Liabilities and (iv) Management of deficits. Audit observations have also taken into account the cumulative impact of resource mobilisation efforts, debt servicing and corrective fiscal measures. Overall financial performance of the State Government as a body corporate has been presented by the application of a set of ratios commonly adopted for the relational interpretation of fiscal aggregates.

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

Box 1.3

State Government Funds and the Public Account

Consolidated Fund	**Contingency Fund**
All revenues received by the State Government, all loans raised by issue of treasury bills, internal and external loans and all moneys received by the Government in repayment of loans shall form one consolidated fund entitled 'The Consolidated Fund of State' established under Article 266(1) of the Constitution of India.	Contingency Fund of State established under Article 267(2) of the Constitution is in the nature of an imprest placed at the disposal of the Governor to enable him to make advances to meet urgent unforeseen expenditure, pending authorisation by the Legislature. Approval of the Legislature for such expenditure and for withdrawal of an equivalent amount from the Consolidated Fund is subsequently obtained, whereupon the advances from the Contingency Fund are recouped to the Fund.

Public Account

Besides the normal receipts and expenditure of the Government which relate to the Consolidated Fund, certain other transactions enter Government Accounts, in respect of which the Government acts more as a banker. Transactions relating to provident funds, small savings, other deposits, etc. are a few examples. The public moneys thus received are kept in the Public Account set up under Article 266(2) of the Constitution and the related disbursements are made from it.

State Finances by key indicators

1.5 Resources by volume and sources

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

Table 2 shows the total receipts of the Government of Tamil Nadu (Rs 73235 crore) for the year 2004-05, by volume and source.

Table 2: Resources of Government of Tamil Nadu

(Rupees in crore)

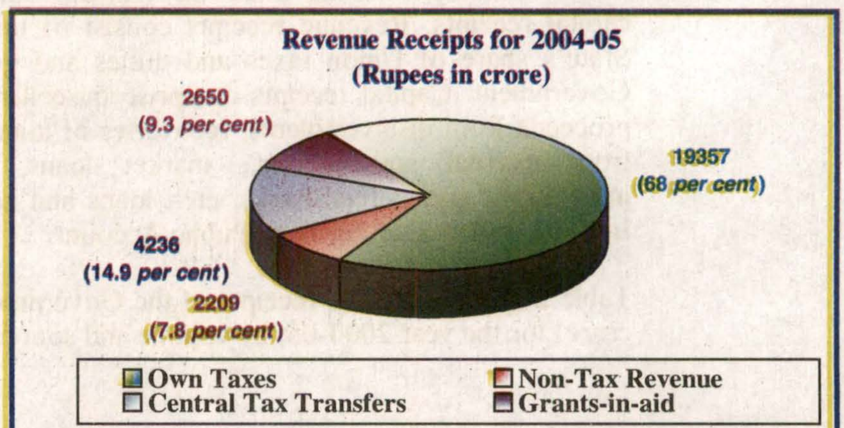
I	**Revenue Receipts**			28452
II	**Capital Receipts**			12919
	a.	Recovery of Loans and Advances	783	
	b.	Debt Receipts	12136	
III	**Public Account Receipts**			31864
	a.	Small Savings and Provident Fund	1982	
	b.	Reserve Funds	2057	
	c.	Deposits and Advances	10076	
	d.	Suspense and Miscellaneous	15461	
	e.	Remittances	2288	
	Total Receipts			**73235**

Revenue Receipts

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

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

	2000-01	2001-02	2002-03	2003-04	2004-05
Revenue Receipts	18317	18818	20837	23706	28452
- Own Taxes	12282	13010	14342	15945	19357
- Non-Tax Revenue	1711	1557	1861	2094	2209
- Central-Tax Transfers	2784	2870	3047	3544	4236
- Grants-in-aid	1540	1381	1587	2123	2650
Rate of growth of					
- Revenue Receipts	12.2	2.7	10.7	13.8	20.0
- Own Taxes	12.5	5.9	10.2	11.2	21.4
GSDP growth	11.6	1.7	8.1	8.6	12.1
Revenue Receipts/GSDP	13.0	13.1	13.4	14.1	15.1
Buoyancy with reference to GSDP of					
- Own Taxes	1.08	3.47	1.26	1.30	1.77
- Revenue	1.05	1.59	1.32	1.60	1.65



1.5.3 Overall revenue receipts of the State increased from Rs 18317 crore in 2000-01 to Rs 28452 crore in 2004-05. The Revenue Receipts rose by 20 *per cent* during 2004-05 mainly due to increased collection towards Sales Tax (Rs 1992 crore), State Excise (Rs 892 crore), Stamps and Registration Fees (Rs 288 crore), Taxes on Goods and Passengers (Rs 153 crore), Taxes on Vehicles (Rs 80 crore) besides increase in grants-in-aid from the Government of India (Rs 527 crore) and share of Union Taxes and Duties (Rs 692 crore).

1.5.4 Overall growth of the four components of Revenue Receipts during 2000-05 had also differed significantly. While the State's own taxes recorded a growth of 57.6 *per cent*, the non-tax revenue recorded a growth of 29.1 *per cent*. The growth of revenue from Central tax transfers and grants-in-aid was 52.2 and 72.1 *per cent* respectively.

1.5.5 While the revenue from the State's own resources (Tax and Non-tax revenue) decreased from 76.4 *per cent* of the total revenue receipts in 2000-01 to 75.8 *per cent* during 2004-05, the contribution of Central tax transfers and grants-in-aid from the Government of India together, increased from 23.6 *per cent* of the total revenue receipts in 2000-01 to 24.2 *per cent* in 2004-05. In absolute terms also, the Central tax transfers and grants-in-aid increased from Rs 2784 crore and Rs 1540 crore to Rs 4236 crore and Rs 2650 crore respectively during 2000-05.

1.5.6 The sources of receipts during the period 2000-01 to 2004-05 are given in Table 4 below.

Table 4: Sources of Receipts – Trends **(Rupees in crore)**

Year	Revenue Receipts	Capital Receipts			Total Receipts	Gross State Domestic Product
		Non-Debt Receipts including Contingency Fund receipts	Debt receipts	Accruals in Public Account		
2000-01	18317	359	4731	21286	44693	141109
2001-02	18818	325	4522	21209	44874	143517
2002-03	20837	433	9396	27156	57822	155099
2003-04	23706	575	9723	28107	62111	168457
2004-05	28452	783	12136	31864	73235	188921

Arrears of revenue

1.5.7 The arrears of revenue which had steadily increased from Rs 8707 crore in 2000-01 to Rs 9424 crore in 2002-03 decreased to Rs 7247 crore during 2003-04. However, the arrears increased to Rs 7728 crore in 2004-05. Outstanding revenue, as a percentage of tax and non-tax revenue decreased from 40.2 *per cent* in 2003-04 to 35.8 *per cent* in 2004-05. Of the arrears of Rs 7728 crore as of March 2005, Rs 1826 crore (24 *per cent*) were outstanding for more than five years. The arrears mainly pertained to Sales Tax (Rs 7106 crore), Mines and Minerals (Rs 256 crore) and Stamp Duty and Registration Fees (Rs 183 crore).

1.6 Application of resources

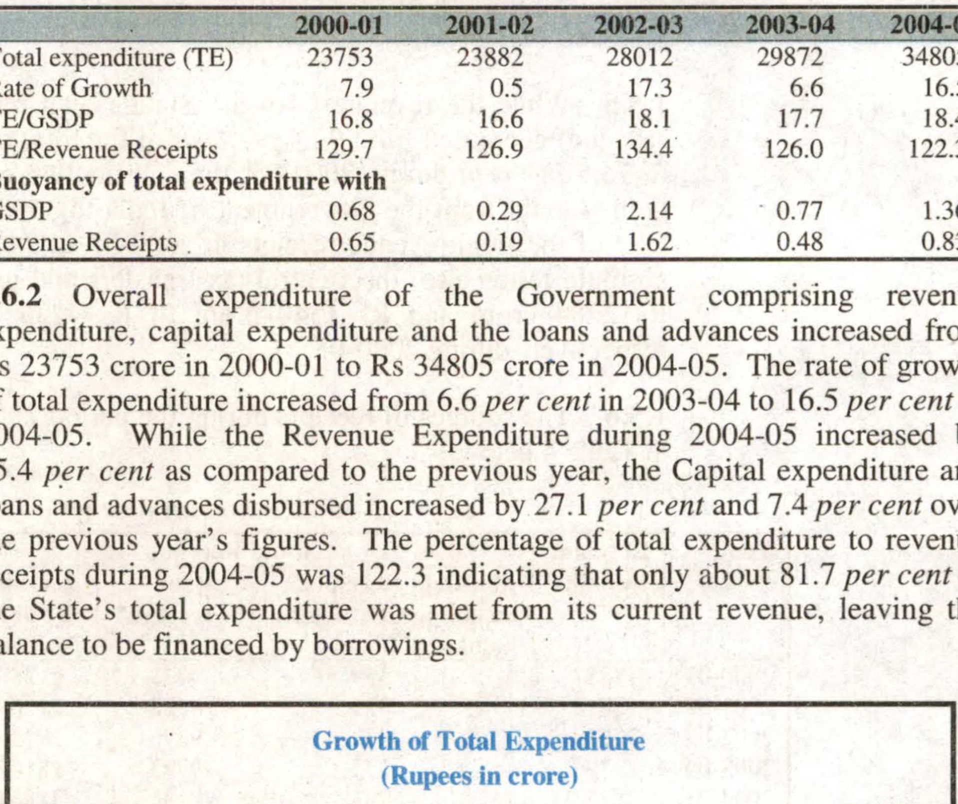
Trend of Growth

1.6.1 Statement 12 of the Finance Accounts gives the details of expenditure by minor heads. Total expenditure of the State, its annual rate of growth, ratio of expenditure to the State's GSDP and revenue receipts and its buoyancy with regard to GSDP and revenue receipts are indicated in Table 5 below:

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

	2000-01	2001-02	2002-03	2003-04	2004-05
Total expenditure (TE)	23753	23882	28012	29872	34805
Rate of Growth	7.9	0.5	17.3	6.6	16.5
TE/GSDP	16.8	16.6	18.1	17.7	18.4
TE/Revenue Receipts	129.7	126.9	134.4	126.0	122.3
Buoyancy of total expenditure with					
GSDP	0.68	0.29	2.14	0.77	1.36
Revenue Receipts	0.65	0.19	1.62	0.48	0.83

1.6.2 Overall expenditure of the Government comprising revenue expenditure, capital expenditure and the loans and advances increased from Rs 23753 crore in 2000-01 to Rs 34805 crore in 2004-05. The rate of growth of total expenditure increased from 6.6 *per cent* in 2003-04 to 16.5 *per cent* in 2004-05. While the Revenue Expenditure during 2004-05 increased by 15.4 *per cent* as compared to the previous year, the Capital expenditure and loans and advances disbursed increased by 27.1 *per cent* and 7.4 *per cent* over the previous year's figures. The percentage of total expenditure to revenue receipts during 2004-05 was 122.3 indicating that only about 81.7 *per cent* of the State's total expenditure was met from its current revenue, leaving the balance to be financed by borrowings.

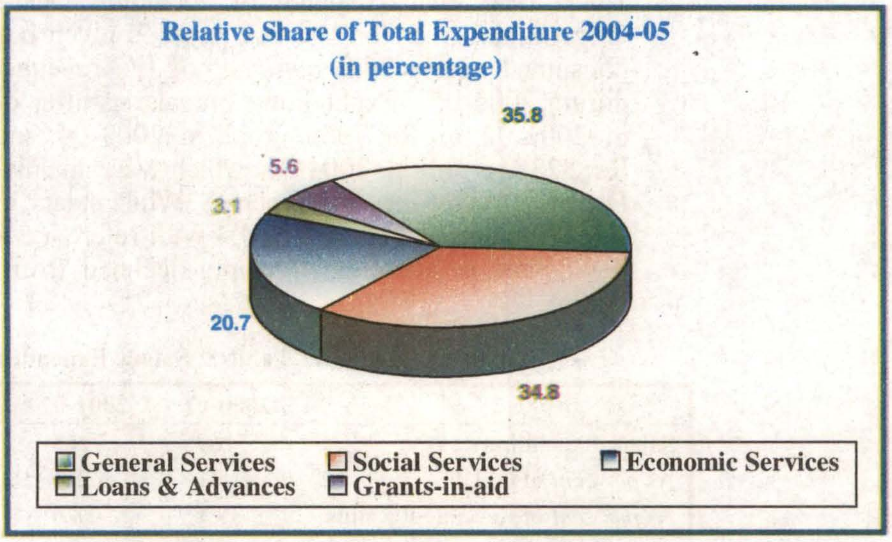


1.6.3 The relative share of different components in total expenditure is indicated in Table 6.

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

	2000-01	2001-02	2002-03	2003-04	2004-05
General Services	22.7	23.3	21.2	20.6	22.1
Interest Payments	13.1	14.7	14.7	15.7	13.7
Social Services	35.5	34.9	30.7	33.9	34.8
Economic Services	22.7	21.8	25.3	21.5	20.7
Loans and Advances	1.9	2.3	2.5	3.4	3.1
Grants-in-aid	4.1	3.0	5.6	4.9	5.6
Total	**100**	**100**	**100**	**100**	**100**

1.6.4 Interest payments and expenditure on General Services considered as non-developmental expenditure together accounted for 35.8 *per cent* of total expenditure in 2004-05. There was a decline in the share of Social Services from 35.5 *per cent* to 34.8 *per cent* during 2000-05. The share of Economic Services also declined from 25.3 *per cent* in 2002-03 to 20.7 *per cent* in 2004-05.



Incidence of Revenue expenditure

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

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

	2000-01	2001-02	2002-03	2003-04	2004-05
Revenue Expenditure (RE)	21753	21557	25688	25271	29155
Rate of Growth	4.9	(-) 0.9	19.2	(-) 1.6	15.4
RE/GSDP	15.4	15.0	16.6	15.0	15.4
RE as *percent* of TE	91.6	90.3	91.7	84.6	83.8
RE as *per cent* to Revenue Receipts	118.8	114.6	123.3	106.6	102.5

1.6.6 Overall revenue expenditure of the Government increased from Rs 21753 crore in 2000-01 to Rs 25688 crore in 2002-03 and after marginally declining to Rs 25271 crore in 2003-04, increased by 15.4 *per cent* to Rs 29155 crore in 2004-05. As a percentage of GSDP, the revenue expenditure ranged between 15.0 and 16.6. Further, the ratio of revenue expenditure to total expenditure was 83.8 in 2004-05; *i.e.*, 83.8 *per cent* of total expenditure of the State was in the nature of expenditure on current consumption. The increase of Rs 3884 crore in Revenue Expenditure over 2003-04 figures was mainly due to increase under Power (Rs 625 crore), Relief on account of Natural Calamities (Rs 598 crore), Compensation and Assignments to Local Bodies and Panchayati Raj Institutions (Rs 483 crore), General Education (Rs 406 crore), Roads and Bridges (Rs 188 crore), Civil Supplies (Rs 162 crore), Medical and Public Health (Rs 113 crore). Police (Rs 111 crore) and Social Security and Welfare (Rs 91 crore) which was partly offset by the decrease under other Rural Development Programmes (Rs 337 crore). The ratio of revenue expenditure to revenue receipts declined from 123.3 *per cent* in 2002-03 to 102.5 *per cent* in 2004-05, indicating decline in State's dependence on borrowing for meeting the current expenditure.

Trend of salary expenditure

1.6.7 The salary expenditure including Dearness Allowance of the State Government over the last five years is given below (Table 8). Salaries alone consumed nearly 28.9 *per cent* of the revenue receipts of the Government during 2004-05. Expenditure on salaries after decreasing from Rs 7265 crore in 2001-02 to Rs 7066 crore in 2003-04, increased by 16.6 *per cent* to Rs 8238 crore in 2004-05 which was mainly due to release of withheld Dearness Allowance instalments. While salary expenditure as a percentage of GSDP increased from 4.2 to 4.4 with reference to previous year, the same as a percentage of Revenue Receipts declined from 29.8 to 28.9 over the same period.

Table 8: Salary Expenditure **(Rupees in crore)**

	2000-01	2001-02	2002-03	2003-04	2004-05
Salary Expenditure	7169	7265	7225	7066	8238
As *per cent* of GSDP	5.1	5.1	4.7	4.2	4.4
As *per cent* of Revenue Receipts	39.1	38.6	34.7	29.8	28.9

Huge expenditure on pension payments

1.6.8 Pension payments consumed 13.7 *per cent* of the revenue receipts of the Government during 2004-05 and increased by 33.3 *per cent* from Rs 2927 crore in 2000-01 to Rs 3902 crore in 2004-05. Significant increase in expenditure on pension during 2004-05 was mainly due to release of withheld Dearness Allowance instalments to pensioners, payment of arrears of commuted value of pension and gratuities and leave encashment at the time of retirement. As a percentage of revenue expenditure, it constituted about 13.4 *per cent* during 2004-05.

Interest payments

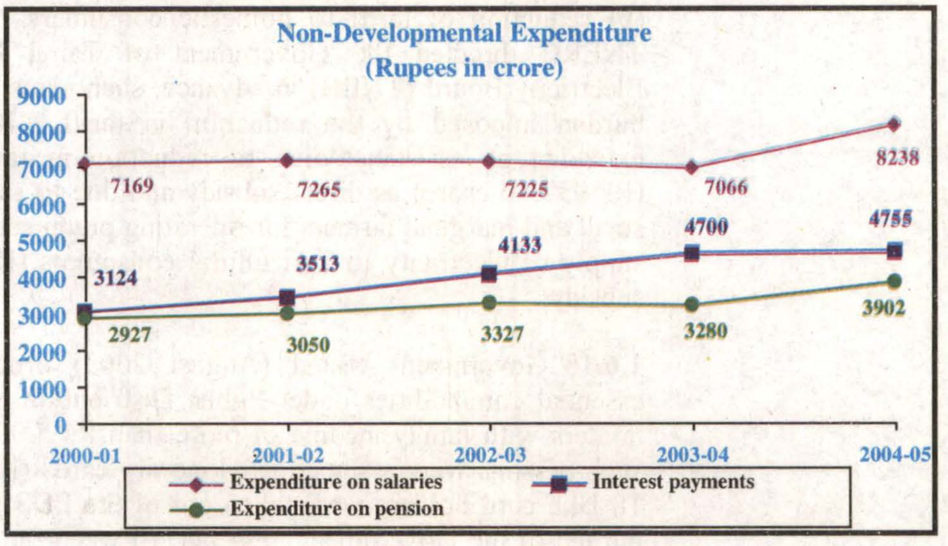
1.6.9 Interest payments made during the period 2000-01 to 2004-05 along with its percentage to Revenue Receipts and Revenue Expenditure are given in Table 9 below:

Table 9: Interest payments

Year	Interest payments (Rupees in crore)	Percentage of Interest payments with	
		Revenue Receipts	Revenue Expenditure
2000-01	3124	17.1	14.4
2001-02	3513	18.7	16.3
2002-03	4133	19.8	16.1
2003-04	4700	19.8	18.6
2004-05	4755	16.7	16.3

Interest payments increased by 52.2 *per cent* from Rs 3124 crore in 2000-01 to Rs 4755 crore in 2004-05 (the average growth rate being 12 *per cent*) primarily due to continued reliance on borrowings to meet the Fiscal Deficit. During 2004-05, the Government raised Rs 2599.36 crore from open market at a weighted average rate of interest of 6.3 *per cent* per annum. It also borrowed Rs 5914.50 crore from National Small Savings Fund at 9.5 *per cent* per annum and Rs 1258.60 crore at 9 *per cent* per annum from the Government of India during the year.

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



Subsidies

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

1.6.12 Direct subsidies as compiled from accounts, increased by Rs 833 crore to Rs 2513 crore in 2004-05 and it constituted 8.6 *per cent* of the Revenue Expenditure (Rs 29155 crore). The position of direct subsidies during the last three years and its percentage to Revenue Expenditure is given below:

(Rupees in crore)

Year	Direct subsidies	Rate of growth	Percentage with Revenue Expenditure
2002-03	1768	(-) 19.9	6.9
2003-04	1680	(-) 5.0	6.6
2004-05	2513	49.6	8.6

1.6.13 Major recipients of subsidies were (a) Tamil Nadu Electricity Board (Rs 1062.50 crore), (b) Tamil Nadu Civil Supplies Corporation-Social cost for Public Distribution System support (Rs 1035 crore), (c) State Transport Corporations towards reimbursement of cost of concessional bus fare for students (Rs 231.39 crore) and (d) Tamil Nadu Handloom Weavers Cooperative Society Limited (Co-optex) towards free distribution of handloom cloth to the people below poverty line (Rs 181.66 crore). The increase in direct subsidies during the year was mainly on account of assistance to Tamil Nadu Electricity Board due to reduction in tariff for domestic consumers (Rs 937.50 crore).

1.6.14 In June 2004, the Government of Tamil Nadu issued a policy directive to the Tamil Nadu Electricity Regulatory Commission (TNERC) regarding (a) extending free supply of electricity to agricultural consumers (except self financing scheme farmers) and hut consumers from 1 April 2004 and (b) reduction of tariff to domestic consumers. While allowing the above, TNERC directed the Government of Tamil Nadu to pay Tamil Nadu Electricity Board (TNEB) in advance, such sums as to compensate TNEB the burden imposed by the reduction in tariff. Rupees 1250.65 crore were extended as assistance due to reduction in tariff to domestic consumers (Rs 937.50 crore) as direct subsidy and due to sanction of income support to small and marginal farmers for operating pump sets, etc consequent to the free supply of electricity to agricultural consumers (Rs 313.15 crore[1]) as indirect subsidy.

1.6.15 Government issued (August 2003) orders for stopping supply of essential commodities under Public Distribution System (PDS) to ration card holders with family income of more than Rs 5,000 per month. The cards of such persons were stamped as Honorary cards (H cards). Accordingly, about 18 lakh card holders were taken out of the PDS thereby reducing the subsidy burden of the Government. Further, to weed out benefits in respect of bogus cards, the Government had earlier introduced (July 2002) Rice coupons for 1.12 crore card holders. This entitled the coupon holders to 20 kilos of rice per month at a price of Rs 3.50 per kg. As a result, the off-take of essential commodities and subsidy thereon declined. Consequently, the subsidy burden on the Government declined from Rs 1240 crore in 2002-03 to Rs 800 crore in 2003-04. However, based on the representations from the public, the Government withdrew (May 2004) the "H" stamping of cards, enabling once again all card holders to draw all essential commodities based on their options

[1]

Payment on behalf of farmers using pump sets	: Rs	302.17 crore
Scheme for improving income of farmers operating pump set irrigated land	: Rs	9.20 crore
Income support to small and marginal farmers for operating pump sets	: Rs	1.78 crore
Total	**Rs**	**313.15 crore**

irrespective of their income. The consumer subsidies had again increased from Rs 800 crore in 2003-04 to Rs 1035 crore in 2004-05.

1.7 Plan, Capital and Development Expenditure

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

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

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

	2000-01	2001-02	2002-03	2003-04	2004-05
Plan expenditure	18.0	17.5	16.4	27.4	24.3
Capital expenditure	6.6	7.6	6.0	12.4	13.5
Development expenditure[2]	63.5	61.1	63.1	62.4	63.1

(Total expenditure does not include loans and advances)

Plan expenditure though increased to 27.4 *per cent* in 2003-04 decreased to 24.3 *per cent* in 2004-05. Capital expenditure which ranged between 6.0 and 7.6 *per cent* of total expenditure during 2000-03, increased to 13.5 *per cent* in 2004-05. The share of development expenditure which showed marginal decrease in 2003-04 has again come to the level of 2002-03 *i.e.* 63.1 *per cent* during the year. The increase in capital expenditure under Plan head during the year was mainly due to adjustment of prior period capital expenditure (Rs 1365 crore) consequent to the State Government taking over (March 2005) the repayment of some borrowings of six of its agencies that were used for projects involving capital expenditure[3]. The other factors for this increase were the increased expenditure under Water Supply and Sanitation (Rs 218 crore), Other Rural Development Programmes (Rs 404 crore) and Housing (Rs 233 crore) partly offset by the decreased expenditure under Roads and Bridges (Rs 388 crore), Urban Development (Rs 274 crore), Power Projects (Rs 115 crore) and Public Works (Rs 51 crore).

1.7.3 The share of revenue and capital expenditure under Plan was 48 and 52 *per cent* respectively. While the major plan expenditure under revenue was under Social Welfare and Nutrition (31.5 *per cent*), Rural Development (10.3

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

[3] Tamil Nadu Water Supply and Drainage Board (Rs 688 crore), Tamil Nadu Rural Housing Infrastructure Development Corporation (Rs 193 crore), Tamil Nadu Police Housing Corporation Limited (Rs 188 crore), Chennai Metropolitan Development Authority (Rs 140 crore), Tamil Nadu Slum Clearance Board (Rs 99 crore) and Tamil Nadu Housing Board (Rs 57 crore).

per cent) and Agriculture and Allied Activities (10.2 *per cent*), the major plan expenditure under capital was under Water Supply and Sanitation (51 *per cent*) and Roads and Bridges (19.7 *per cent*). Of the developmental expenditure, Social Services (Rs 12132 crore) and Economic Services (Rs 7193 crore) accounted for 57 *per cent* and 33.8 *per cent* respectively.

Financial Assistance to local bodies and other institutions

1.7.4 The quantum of assistance provided by way of grants and loans to local bodies etc., during the period of five years ending 2004-05 was as follows:

(Rupees in crore)

	2000-01	2001-02	2002-03	2003-04	2004-05
Universities and Educational Institutions	1676	761	316	325	388
Municipal Corporations and Municipalities	125	505	866	847	919
Panchayati Raj Institutions	915	630	1351	1735	1584
Development Agencies	731	571	186	312	189
Hospitals and other Charitable Institutions	9	2	4	19	9
Other institutions	514	508	3265	1890	2395
Total	3970	2977	5988	5128	5484
Percentage of growth over previous year	(-) 6	(-) 25	101	(-) 14	7
Assistance as a percentage of revenue expenditure	18	14	23	20	19

As seen from the table, the grants-in-aid extended to Panchayati Raj Institutions, Development Agencies and Hospitals and other Charitable Institutions decreased during the year.

Misappropriation, losses, etc.

1.7.5 Cases of misappropriation of the Government money reported to Audit upto March 2005 and on which report on final action *viz.*, write-off or recovery was pending at the end of June 2005 were as under:

	Number of cases	Amount (Rupees in lakh)
Cases reported up to the end of March 2004 and outstanding at the end of June 2004	374	589.67
Cases reported during April 2004 to March 2005	16	81.07
Total	**390**	**670.74**
Cases cleared during July 2004 to June 2005	28	4.36
Cases outstanding at the end of June 2005	362	666.38

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

1.7.6 Further, 249 cases of shortage, theft, damage to property, etc., involving Rs 1.66 crore were reported to audit upto March 2005 by Departments other than Public Works, Highways and Forest Departments. Two thousand eight hundred and nineteen cases involving Rs 16.74 crore were either reported by or noticed during audit of Public Works, Highways and

Forest Departments upto March 2005. Department-wise and year-wise analysis of these cases are contained in **Appendix VII**.

1.8 Assets and Liabilities

1.8.1 Government accounting system does not attempt a comprehensive accounting of the fixed assets, e.g. land owned by the Government. However, the Government accounts do capture the financial liabilities arising from loans taken and the assets created out of expenditure. Statements 16 and 17 of the Finance Accounts show the year-end balances under the Debt, Deposit and Remittance heads from which the liabilities and assets are worked out. **Appendix IV** presents an abstract of such liabilities and the assets as on 31 March 2005, compared with the corresponding position on 31 March 2004.

1.8.2 The liabilities as per **Appendix IV** mainly comprise moneys owed by the Government arising from internal borrowings, loans and advances from the Government of India, receipts from the Public Account and reserve funds. During 2004-05, the liabilities grew by 12.9 *per cent*.

1.8.3 Similarly, assets comprise mainly capital expenditure and loans and advances given by the Government and grew by 27.4 *per cent* during 2004-05.

Financial results of irrigation works

1.8.4 Statement 3 of the Finance Accounts depicts the financial results of five major and 47 medium irrigation projects involving capital expenditure of Rs 2259.37 crore at the end of March 2004. It shows that revenue realised from these projects during 2003-04 was Rs 7.36 crore only and this was not sufficient to cover even the direct working expenses (Rs 94.88 crore). After meeting the working and maintenance expenditure (Rs 98.92 crore) and interest charges (Rs 113.86 crore), the projects suffered a net loss of Rs 209.06 crore[4]. The losses comprised of Rs 135.91 crore on the major irrigation projects and Rs 73.15 crore on the medium irrigation projects.

Incomplete projects

1.8.5 As per information received from the State Government, there were 47 incomplete projects which were scheduled for completion before 31 March 2005 on which Rs 618.80 crore of capital expenditure was incurred. Each of these projects cost more than Rs one crore but were incomplete for reasons such as non-receipt of revised Administrative sanction, pending land acquisition, delay in finalisation of tenders, etc.

Fiscal Liabilities – Public Debt and Guarantees

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

[4] Includes Rs 3.64 crore representing revenue foregone or remission of revenue during 2003-04.

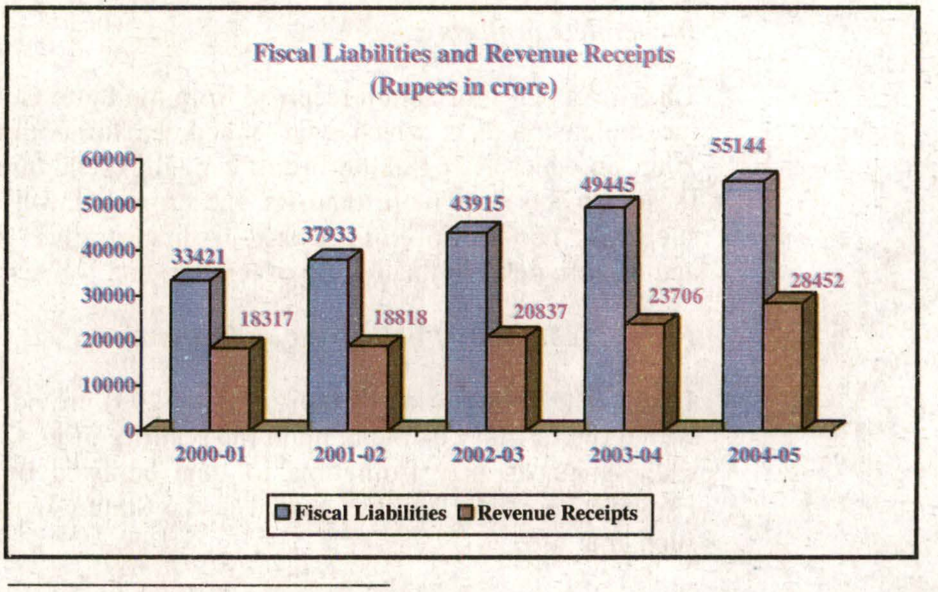
2-31—6

1.8.7 Statement 4 read with Statements 16 and 17 of the Finance Accounts show the year-end balances under Debt, Deposit and Remittance heads from which the liabilities are worked out. Table 11 below gives the fiscal liabilities[5] of the State, its rate of growth, ratio of these liabilities to GSDP, revenue receipts and own resources (Tax and non-Tax receipts) and the buoyancy of these liabilities with respect to these three parameters. It would be observed that the overall fiscal liabilities of the State increased from Rs 33421 crore in 2000-01 to Rs 55144 crore in 2004-05 at an average annual rate of 14.2 *per cent*. These liabilities *vis-à-vis* GSDP increased from 23.7 *per cent* in 2000-01 to 29.2 *per cent* in 2004-05; their ratio to revenue receipts increased from 182.5 *per cent* in 2000-01 to 208.6 *per cent* in 2003-04 and then decreased to 193.8 *per cent* in 2004-05.

1.8.8 At the end of 2004-05, the fiscal liabilities (Rs 55144 crore) were 1.94 times the revenue receipts of the State. The rate of growth of Fiscal Liabilities was arrested during 2003-05, in comparison to the period 2000-03. For each one *per cent* increase in GSDP, Revenue Receipts and Own Resources, the direct fiscal liabilities of the State have gone up by 0.95, 0.58 and 0.59 *per cent* respectively during 2004-05.

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

	2000-01	2001-02	2002-03	2003-04	2004-05
Fiscal Liabilities	33421	37933	43915	49445	55144
Rate of Growth	17.6	13.5	15.8	12.6	11.5
Percentage of Fiscal Liabilities to					
(a) GSDP	23.7	26.4	28.3	29.3	29.2
(b) Revenue Receipts	182.5	201.6	210.8	208.6	193.8
(c) Own Resources	238.8	260.4	271	274.1	255.7
Buoyancy of Fiscal Liabilities to					
(a) GSDP	1.52	7.94	1.95	1.47	0.95
(b) Revenue Receipts	1.44	5	1.48	0.9	0.58
(c) Own Resources	1.26	3.29	1.41	1.1	0.59



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

Total contingent liabilities constituting guarantees given by the Government stood at Rs 8424 crore at the end of 2004-05.

1.8.9 Another important indicator of debt sustainability is net availability of funds after repayment of the principal on account of the earlier contracted liabilities and interest. The net funds available on account of internal debt and loans and advances from the Government of India declined from Rs 3788 crore in 2002-03 to Rs 988 crore in 2004-05. The Table 12 below gives the position of the receipt and repayment of internal debt over the last five years. The net funds available, after providing for the interest and repayments, varied between 3.9 *per cent* and 20.1 *per cent* during 2000-05. There was marked reduction in availing of ways and means advances and overdraft from the Reserve Bank of India. These fell from Rs 10535 crore during 2002-03 to Rs 1337 crore in 2004-05 and contributed to a sharp decline in Receipt and Repayment under Internal Debt.

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

	2000-01	2001-02	2002-03	2003-04	2004-05
Internal Debt[6]					
Receipt	11530	12575	17883	10410	12215[7]
Repayment (Principal + Interest)	8227	10855	11851	5774	7216
Net Fund Available	3303	1720	6032	4636	4999
Net Fund Available (*per cent*)	29	14	34	45	41
Loans and Advances from GOI					
Receipt	66	913	920	1023	1259
Repayment (Principal + Interest)	1953	2108	3164	4608	5270
Net Fund Available	(-) 1887	(-) 1195	(-) 2244	(-) 3585	(-) 4011
Net Fund Available (*per cent*)	..	..	..	..	..
Total Public Debt					
Receipt	11596	13488	18803	11433	13474
Repayment (Principal + Interest)	10180	12963	15015	10382	12486
Net Fund Available	1416	525	3788	1051	988
Net Fund Available (*per cent*)	12.2	3.9	20.1	9.2	7.3

Guarantees issued by the State Government

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

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[6] Includes ways and means advances and overdraft.

[7] Includes Rs 1365 crore relating to prior period capital expenditure as mentioned in paragraph 1.7.2.

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

Outstanding Guarantees

1.8.12 Maximum amount of guarantees as on 31 March 2005 was Rs 17220 crore against which sums outstanding on that date were Rs 8423.99 crore (Principal: Rs 8311.79 crore; Interest: Rs 112.20 crore). The outstanding amount for 2004-05 was 35.5 *per cent* of Revenue Receipts and 50 *per cent* of ten *per cent* of GSDP for the previous year *viz.*, 2003-04. Risk weighted outstanding guarantees as on 31 March 2005 were yet to be compiled by the Finance Department. Year-wise position of outstanding guarantees during the last five years *vis-à-vis* the prescribed ceiling of 100 *per cent* of Total Revenue Receipts and ten *per cent* of GSDP in the respective preceding years is given in the following table.

(Rupees in crore)

Year	Outstanding amount of guarantee at the end of the year	Revenue Receipts of the previous year	Percentage of (2) to (3)	10 *per cent* of GSDP of the previous year	Percentage of (2) to (5)
(1)	(2)	(3)	(4)	(5)	(6)
2000-01	6780	16328	41.5	12645	53.6
2001-02	8570	18317	46.8	14111	60.7
2002-03	8677	18818	46.1	14352	60.5
2003-04	10098	20837	48.5	15510	65.1
2004-05	8424	23706	35.5	16846	50.0

The above table indicates that the trend of faster growth of outstanding guarantees *vis-à-vis* GSDP was arrested during 2004-05.

Guarantee Redemption Fund

1.8.13 Government constituted a Guarantee Redemption Fund (GRF) in March 2003 for discharge of invoked guarantees. An amount of Rs 100 crore was credited to the Fund up to the end of 2004-05 and Rs 93.50 crore were met from the Fund. Of this, Rs 89.99 crore were met from the Fund towards discharge of invoked guarantees during 2004-05 as detailed below.

(Rupees in crore)

1.	Tamil Nadu Film Development Corporation Limited	4.85
2.	Tamil Nadu Khadi and Village Industries Board	0.75
3.	Cooperative Spinning Mills	76.57
4.	Tamil Nadu Steels Limited	5.00
5.	Tamil Nadu Textiles Corporation Limited, Coimbatore	1.12
6.	State Level Bankers' Committee	0.45
7.	Tamil Nadu State Construction Corporation Limited	1.25
	Total	**89.99**

Though the accretions to the Fund were to be invested in specified securities, no investment was made. The Balance at the credit of the Fund as on 31 March 2005 was Rs 6.50 crore.

Guarantee Commission

1.8.14 The institutions availing guarantee from the Government of Tamil Nadu were required to pay a commission to the Government at the rate of half *per cent per annum* on the outstanding balance of guaranteed amount. As per the particulars obtained by audit, while Rs 9.31 crore were collected towards guarantee commission during 2004-05, and Rs 74.44 crore were pending collection from various institutions as on 31 March 2005.

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

1.9 Management of deficits

Fiscal Imbalances

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

1.9.2 The details of Revenue/Fiscal/Primary Deficits during the period 2000-01 to 2004-05 and their ratio to GSDP, along with the ratio of Revenue Deficit (RD) to Fiscal Deficit (FD) during this period are given in Table 13 below:

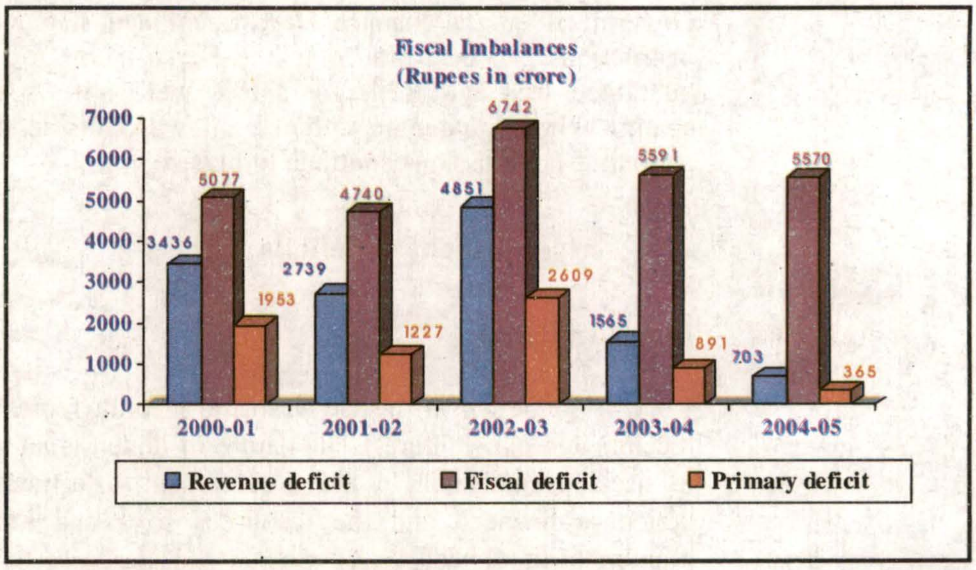
Table 13: Fiscal Imbalances – Basic Parameters
(value in crore of Rupees and others in percentage)

	2000-01	2001-02	2002-03	2003-04	2004-05
Revenue deficit (RD)	3436	2739	4851	1565	703
Fiscal deficit (FD)	5077	4740	6742	5591	5570
Primary deficit (PD)	1953	1227	2609	891	365
RD/GSDP	2.4	1.9	3.1	0.9	0.4
FD/GSDP	3.6	3.3	4.3	3.3	2.9
PD/GSDP	1.4	0.9	1.7	0.5	0.2
RD/FD	67.7	57.8	72.0	28.0	12.6
RD/RR	18.8	14.6	23.3	6.6	2.5
BCR (Rupees in crore)	(-) 2375	(-) 1526	(-) 3010	(+) 1280	(+) 1962

The revenue deficit of the State, which is the excess of its revenue expenditure over revenue receipts (Statement 1 of the Finance Accounts), after increasing from Rs 2739 crore in 2001-02 to Rs 4851 crore in 2002-03 declined sharply to Rs 703 crore in 2004-05. As a percentage of revenue receipts, it increased from 14.6 *per cent* in 2001-02 to 23.3 *per cent* in 2002-03 and then declined sharply to 2.5 *per cent* in 2004-05. The fiscal deficit, which represents the total borrowing of the Government and its total resource gap, after increasing from Rs 4740 crore in 2001-02 to Rs 6742 crore in 2002-03, decreased to

Rs 5570 crore in 2004-05. The primary deficit of the State, after rising from Rs 1227 crore in 2001-02 to Rs 2609 crore in 2002-03, fell sharply to Rs 365 crore in 2004-05. The significant reduction in Revenue Deficit during this year was the cumulative result of 20 *per cent* growth in Revenue Receipts and 15.4 *per cent* growth in Revenue Expenditure. This in turn had a positive impact on fiscal and primary deficits and the RD/FD Ratio.

1.9.3 Though the revenue deficit decreased during 2004-05, its existence indicates that the State Government had still to borrow funds to meet its current obligations. The ratio of revenue deficit to fiscal deficit was 12.6 *per cent* in 2004-05. This indicated that 12.6 *per cent* of the borrowings were applied to revenue expenditure and the debt burden would affect the repayment capacity of the Government. As a proportion to State's GSDP, revenue deficit was 0.4 *per cent* in 2004-05 and fiscal deficit was 2.9 *per cent.*



Medium Term Fiscal Reforms Programme

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

1.9.5 The State Government passed the "Tamil Nadu Fiscal Responsibility Act, 2003" in May 2003 which included the objectives required to be achieved by it under the MTFRP and signed the MoU regarding this with the GOI in September 2003. State Government further amended it in February 2004 through Tamil Nadu Fiscal Responsibility (Amendment) Act, 2004.

1.9.6 The table below depicts the main targets set under the MTFR Plan for 2004-05 and the actual achievements thereagainst. The actual position with the relevant key indicators at the end of 2004-05 was as given below:

Table 14: Position of key indicators

(Rupees in crore)

	Projected in MTFR plan	Projected in Revised Estimate 2004-05	Actuals	Target achieved with reference to Revised Estimate Yes (Y)/ No (N)
Total Revenue Receipts (TRR)	24039	26794	28452	Y
State's Own Revenues (SOR)	18585	20402	21566	Y
State's Own Tax Receipts (SOTR)	17159	18561	19357	Y
Non-Tax Revenue	1426	1841	2209	Y
Central Revenue	5454	6392	6886	Y
(a) Shared taxes	3710	4246	4236	N
(b) Grants-in-aid	1744	2146	2650	Y
Total Revenue Expenditure	27434	28482	29155	N
Capital Outlay	2945	3608	4564	Y
Net lending	424	157	303	N
Salaries	9145	8447	8238	Y
Pension and Retirement benefits	4520	4066	3902	Y
Subsidies	5728	7366	2513	Y
Interest payments	5271	4977	4755	Y
Revenue Deficit	3395	1688	703	Y
Fiscal Deficit	6764	5447	5570	N
Primary Deficit	1493	470	365	Y
GSDP	179309	188162	188921	Y
Rate of growth of GSDP (*per cent*)	8	10.34	12	Y
Percentage of RD to				
(a) TRR	14.12	6.3	2.5	Y
(b) FD	50.19	30.98	12.6	Y
Percentage of Interest payment to TRR	22	19	16.7	Y

The above table indicates that the Government had achieved most of the targets set for 2004-05 under the MTFR Plan.

1.10 Investments and returns

1.10.1 Statement 14 of the Finance Accounts showed that as on 31 March 2005, the Government had invested Rs 2557.71 crore in statutory corporations, rural banks, joint stock companies and cooperatives. As indicated in Table 15 below the Government's return on this investment by way of dividend was not only meagre but also continued to decline till 2004-05 except during 2003-04. The loss making Government companies and cooperatives in which investment aggregated Rs 1371.87 crore had incurred a cumulative loss of Rs 3952.88 crore as of March 2005. While the Government paid interest at the average rate of nine to ten *per cent* on its borrowing during 2000-05, the return on its investment was around one *per cent* during the period.

Table 15: Return on Investment

Year	Investment at the end of the year (Rupees in crore)	Return (Rupees in crore)	Percentage of Return	Average rate of interest on Government borrowing (*per cent*)	Difference between interest rate and percentage of return
2000-01	2954.21	36.53	1.2	10.1	8.9
2001-02	2967.46	33.45	1.1	9.8	8.7
2002-03	3131.26	25.99	0.8	10.1	9.3
2003-04	2464.36	27.20	1.1	10.1	9.0
2004-05	2557.71	24.25	0.9	9.1	8.2

Loans and Advances by State Government

1.10.2 In addition to its investment, the Government has also been providing loans and advances to many of these parastatals. Total outstanding balance of the loans/advances rose steadily from Rs 4125 crore in March 2001 to Rs 5351 crore as on 31 March 2005 (Table 16).

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

(Rupees in crore)

	2000-01	2001-02	2002-03	2003-04	2004-05
Opening Balance	4031	4125	4348	4612	5048
Amount advanced during the year	453	547	697	1011	1086
Amount repaid during the year	359	324	433	575	783
Closing Balance	4125	4348	4612	5048	5351
Net addition	94	223	264	436	303
Interest received	204	271	311	215	175
Average rate of interest earned	5	6.4	6.9	4.5	3.4
Average rate of interest paid	10.1	9.8	10.1	10.1	9.1
Difference between rate of interest received and paid	(-) 5.1	(-) 3.4	(-) 3.2	(-) 5.6	(-) 5.7

The above table indicates that the difference between the average rate of interest paid by the State Government over that earned increased progressively from 3.2 *per cent* in 2002-03 to 5.7 *per cent* in 2004-05.

1.11 Management of cash balances

It is generally desirable that the Government's flow of resources should match its expenditure obligations. However, to take care of any temporary mis-matches in the flow of resources and the expenditure obligations, a mechanism of Ways and Means Advances (WMA) from the Reserve Bank of India has been in place. The WMA availed of during 2003-04 and 2004-05 declined sharply with reference to earlier years as indicated in Table 17. Moreover, no overdraft during the year was availed of, reversing the trend of earlier years.

Table 17: Ways and Means Advances and Interest paid thereon

(Rupees in crore)

	2000-01	2001-02	2002-03	2003-04	2004-05
Ways and means advances					
Taken during the year	5151.63	4855.47	8624.44	1710.13	1337.07
Outstanding on 31 March	241.53	101.63	651.42	596.33	391.45
Interest paid	14.51	21.88	20.46	7.64	1.40
Overdraft					
Taken during the year	1712.93	4110.24	1911.22	Nil	Nil
Outstanding on 31 March	Nil	Nil	579.63	Nil	Nil
Interest paid	1.89	4.72	3.98	0.86	Nil
Number of days of overdraft	76	148	71	2	Nil

1.12 Conclusions

Though the Government reduced the revenue and fiscal deficits during 2004-05, the investments of the Government funds in companies, cooperative units, etc. continued to fetch only a meagre return ranging between 0.8 and 1.2 *per cent* during 2000-05, while the Government continued to borrow funds from market at higher rates of interest. The fiscal liabilities of the State was about twice the revenue receipts. The rate of growth of fiscal liabilities during 2003-05 was less than that of revenue receipts indicating improvement in Government's capacity to sustain this liability. The increase of 52.2 *per cent* in interest payments during 2000-05 showed continued reliance of the Government on borrowings to meet deficit. The percentage of total expenditure to revenue receipts was 122.3 indicating that 82 *per cent* of the State's total expenditure was met from its current revenues, leaving the balance to be financed by borrowings.

CHAPTER II

ALLOCATIVE PRIORITIES AND APPROPRIATION

CHAPTER II

ALLOCATIVE PRIORITIES AND APPROPRIATION

2.1 Introduction

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

2.1.2 Audit of appropriation by the Comptroller and Auditor General of India seeks to ascertain whether the expenditure actually incurred under various grants is within the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution is so charged. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions.

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure incurred during 2004-05 against 51 grants/appropriations was as follows:

(Rupees in crore)

	Nature of expenditure	Original grant/appropriation	Supplementary grant/appropriation	Total	Actual expenditure*	Saving (-)/ Excess (+)
Voted	I Revenue	23367.66	4051.90	27419.56	25236.41	(-) 2183.15
	II Capital	3347.29	1849.15	5196.44	4582.78	(-) 613.66
	III Loans and Advances	481.91	845.99	1327.90	1085.84	(-) 242.06
Total Voted		**27196.86**	**6747.04**	**33943.90**	**30905.03**	**(-) 3038.87**
Charged	IV Revenue	*5276.88*	*14.47*	*5291.35*	*5253.46*	*(-) 37.89*
	V Capital	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*
	VI Public Debt-Repayment	*3794.81*	*5631.46*	*9426.27*	*8525.17*	*(-) 901.10*
Total Charged		***9071.69***	***5645.93***	***14717.62***	***13778.63***	***(-) 938.99***
Appropriation to Contingency Fund (if any)		..	..	..	..	..
Grand Total		**36268.55**	**12392.97**	**48661.52**	**44683.66****	**(-) 3977.86**

* These are gross figures except in respect of certain suspense heads operated under Grant Nos. 20 and 38.

** The total expenditure includes Rs 1195.54 crore transferred to 8443 - Civil Deposits – 800 Other Deposits in respect of 32 Corporations / Autonomous Bodies but kept unutilised.

2.3 Results of Appropriation Audit

Excess over provision relating to the previous years requiring regularisation

2.3.1 As per Article 205 of the Constitution of India, it is mandatory for the State Government to get the excess over a grant/appropriation regularised by the State Legislature. However, the excess expenditure amounting to Rs 6105.43 crore for the years 1997-2004 was yet to be regularised as detailed in **Appendix VIII**.

Excess over grants/appropriations during 2004-05 requiring regularisation

2.3.2 The excess of Rs 2.34 crore under seven grants and Rs 0.48 crore under five appropriations requires regularisation under Article 205 of the Constitution as detailed below:

(Amount in Rupees)

Sl. No.	Number and title of grant/appropriation		Total grant/ appropriation	Expenditure	Excess
	Voted Grants -				
1.	14	Environment and Forests Department (Revenue)	114,20,54,000	115,60,83,588	1,40,29,588
2.	19	Higher Education Department (Capital)	3,16,96,000	3,60,47,101	43,51,101
3.	20	Highways Department (Loans)	4,38,70,000	4,38,70,440	440
4.	21	Home Department – Police (Loans)	50,01,000	52,17,043	2,16,043
5.	22	Home Department - Fire and Rescue Services (Capital)	1,39,000	1,39,999	999
6.	33	Municipal Administration and Water Supply Department (Revenue)	922,10,00,000	922,20,72,425	10,72,425
7.	36	Prohibition and Excise Department (Revenue)	34,33,77,000	34,71,27,993	37,50,993
	Total Voted		**1078,71,37,000**	**1081,05,58,589**	**2,34,21,589**
	Charged Appropriations -				
8.	1	State Legislature (Revenue)	*28,09,000*	*34,36,437*	*6,27,437*
9.	14	Environment and Forests Department (Revenue)	*11,31,000*	*11,55,757*	*24,757*
10.	37	Public Department (Revenue)	*32,02,000*	*71,44,140*	*39,42,140*
11.	40	Rural Development Department (Revenue)	*73,000*	*73,934*	*934*
12.	48	Pension and Other Retirement Benefits (Revenue)	*10,80,000*	*12,33,707*	*1,53,707*
	Total Charged		***82,95,000***	***1,30,43,975***	***47,48,975***
Grand Total			**1079,54,32,000**	**1082,36,02,564**	**2,81,70,564**

Expenditure incurred without provision

2.3.3 In 63 sub-heads, expenditure of Rs 19.01 crore had been incurred either without budget provision or the entire provision was withdrawn through reappropriation.

Original budget and supplementary provisions

2.3.4 The overall saving of Rs 3977.86 crore was the result of saving of Rs 3980.68 crore in 48 voted grants and 36 charged appropriations (122 cases) offset by excess of Rs 2.82 crore in seven grants and five appropriations (12 cases).

2.3.5 Supplementary provision obtained during the year constituted 34 *per cent* of the original provision as against 9 *per cent* in the previous year.

Unnecessary supplementary provision

2.3.6 Supplementary provision aggregating Rs 377.51 crore obtained in 25 cases, Rs 10 lakh or more in each case, during the year proved unnecessary as the expenditure did not come up to the level of original provision as detailed in **Appendix IX**.

Excessive supplementary provision

2.3.7 In 21 cases, against additional requirement of Rs 9576.68 crore, supplementary grants and appropriation of Rs 10971.10 crore were obtained resulting in saving, in each case exceeding Rs 50 lakh, aggregating Rs 1394.42 crore. Details of these cases are given in **Appendix X**.

Substantial surrenders

2.3.8 Substantial surrenders were made in respect of 148 schemes on account of either non-implementation or slow implementation. Out of the total provision amounting to Rs 5285.01 crore in these schemes, Rs 4494.33 crore (85 *per cent*) were surrendered and hundred *per cent* surrender was made in respect of 46 schemes (Rs 734.27 crore).

Surrender in excess of actual saving

2.3.9 In 10 cases, the amount surrendered was in excess of actual savings indicating inadequate budgetary control. As against savings of Rs 709.87 crore, the amount surrendered was Rs 852.41 crore resulting in excess surrender of Rs 142.54 crore (Rs 50 lakh and more in each case). Details are given in **Appendix XI**.

Substantial savings

2.3.10 In 23 cases, the expenditure fell short by more than Rs one crore in each case and also by 15 *per cent* or more of the total provision as detailed in **Appendix XII**.

Excessive/unnecessary reappropriation of funds

2.3.11 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. Injudicious reappropriation proved excessive or insufficient and resulted in savings/excess in 467 sub-heads of over Rs ten lakh in each case. The excess/saving in 62 cases was more than Rs two crore in each case as detailed in **Appendix XIII**.

Unexplained reappropriations

2.3.12 According to paragraph 151 of Tamil Nadu Budget Manual, Volume I, reasons for the additional expenditure and the savings should be explained in the reappropriation statement and vague expressions such as "based on actuals", "based on progress of expenditure", etc., should be avoided. However, a scrutiny of reappropriation orders issued by the Finance Department revealed that in respect of 3,510 out of 18,304 items (19 *per cent*), reasons given for additional provision/withdrawal of provision were of general nature like "actual requirement" and "based on latest assessment".

2.4 Non-reconciliation of Departmental figures

2.4.1 To enable the Controlling Officers of the Departments to exercise effective control over the expenditure with a view to keep it within the budget grants and to ascertain their accuracy of accounts, the Financial Rules envisaged that expenditure recorded in their books should be reconciled by them at prescribed periodicity every month during the financial year with that recorded in the books of the Accountant General.

2.4.2 Even though non-reconciliation of Departmental figures was persistently being pointed out in Audit Reports, lapses on the part of the Controlling Officers in this regard persisted during 2004-05 also. Six Controlling Officers who did not reconcile their expenditure figure (December 2005) amounting to Rs 16 crore are depicted below:

(Rupees in crore)

Sl. No.	Controlling Officers	Amount not reconciled
1.	Commissioner of Commercial Taxes	7.79
2.	Sales Tax Appellate Tribunal	0.19
3.	Secretary, Finance Department	5.40
4.	Director of Information and Public Relation	0.94
5.	Director of Municipal Administration	0.80
6.	Hills Area Development Program, Udhagai	0.88
	Total	**16.00**

2.5 Rush of expenditure

According to the Tamil Nadu Financial Codal provisions, rush of expenditure in the closing month of the financial year should be avoided. Contrary to this, in respect of 31 sub-heads, expenditure exceeding Rs ten crore and also more than 50 *per cent* of the total expenditure for the year was incurred in March 2005 (**Appendix XIV**). This includes 11 cases, where entire expenditure was incurred during March 2005.

2.6 Unutilised Central Assistance

Government of India (GOI) released Rs 31.58 lakh to the State Government under a scheme "Vocational Training in Tribal Areas" during 1993-99 for establishing four Vocational Training Institutes (VTIs). In August 1998, the GOI modified the scheme to permit running of the VTIs through NGOs. Scrutiny revealed that between December 1999 and January 2005, the Adi Dravidar and Tribal Welfare Department could not forward any viable proposal to the GOI. In February 2005, the GOI directed that the amount of Rs 31.58 lakh be refunded before any fresh proposal can be considered. This amount was yet to be refunded (August 2005). Thus, the Central assistance of Rs 31.58 lakh remained unutilised even after six years.

2.7 Non-closure of Personal Deposit Accounts

Personal Deposit (PD) Accounts are created by debit to the Consolidated Fund of the State and should be closed at the end of the financial year by minus debit to the relevant service heads. There were 1,381 PD Accounts in 29 District Treasuries and five Pay and Accounts Offices in operation with closing balance of Rs 576.61 crore as of March 2005. None of these PD accounts were closed and its balance transferred as on 31 March 2005.

CHAPTER III

PERFORMANCE REVIEWS

CHAPTER III

PERFORMANCE REVIEWS

This chapter presents four Performance Reviews (including one information technology review) and one long paragraph. The Performance Reviews include reviews on the Implementation of Acts and Rules relating to Consumer Protection, Integrated Audit of Animal Husbandry Department and Augmentation of Water Supply to Chennai city from Veeranam tank. The Information technology review is on Computerised Billing and Collection in the Chennai Metropolitan Water Supply and Sewerage Board. The long paragraph is on Sampoorna Grameen Rozgar Yojana.

CO-OPERATION, FOOD AND CONSUMER PROTECTION DEPARTMENT

3.1 Implementation of Acts and Rules relating to Consumer Protection

Highlights

> **Failure of the State Government to fill up vacancies in the posts of President of District Forums resulted in decline of cases disposed of by the District Forums from 5,723 in the year 2000 to 3,185 in 2004 and caused delay in redressal of grievances of consumers.**

(Paragraphs 3.1.16 and 3.1.17)

> **General awareness about the Consumer Protection Act among consumers was lacking as District Consumer Information Centres were not functioning in all the Districts of the State.**

(Paragraph 3.1.20)

> **Out of Government of India grant of Rs 2.70 crore received during 1995-97 for strengthening the infrastructure facilities for State Consumer Disputes Redressal Commission and 22 District Consumer Disputes Redressal Forums only Rs 1.05 crore were utilised and building has been constructed for only one District Forum.**

(Paragraph 3.1.10)

> **The State Government is yet to establish a Consumer Welfare Fund for the State as per Government of India instructions (August 2004), resulting in postponement of receipt of Government of India grant amounting to Rs 3.05 crore and its consequential impact on the implementation of the Act.**

(Paragraph 3.1.18)

3.1.1 Introduction

The Consumer Protection Act, 1986 (CP Act) was enacted by the Parliament in 1986 to provide simple, speedy and inexpensive redressal to consumers' grievances. The provisions of the CP Act give the consumer an additional remedy besides those that may be available under other existing laws. The CP Act is also intended to protect the consumers against marketing of goods and services injurious to life and property. The CP Act came in to effect from 1987[1] after the Government of India (GOI) had framed the Consumer Protection Rules, 1987. The State Government framed the Tamil Nadu Consumer Protection Rules in 1988. The CP Act, applicable to all goods and services, covers all sectors – whether private, public or cooperative – and provides for establishment of three-tier quasi-judicial consumer dispute redressal machinery at National, State and District levels called the Consumer Disputes Redressal Agencies (CDRAs). These Agencies are empowered to give relief of specific nature and award compensation to consumers. They are commonly known as Consumer Courts and at the district levels as district forums. The CP Act was amended in 2002 to discourage adjournments, making provision for the senior most member to preside over the CDRAs in case of absence/vacancy of the President, empowering courts to punish those not obeying orders of the courts in order to facilitate quicker disposal of complaints.

Besides these Acts and Rules, the Prevention of Food Adulteration (PFA) Act, 1954, which deals with prevention of adulteration of food stuff intended for human consumption during the stage of manufacture, storage and sale, is aimed at safeguarding the interest of the consumers.

3.1.2 Organisational set up

The Commissioner of Civil Supplies and Consumer Protection (CCS) is in charge of functions relating to consumer protection under the overall supervision of Principal Secretary, Co-operation, Food and Consumer Protection Department at Government level.

The State Government has established State Consumer Disputes Redressal Commission (State Commission) at Chennai and 30 District Consumer Disputes Redressal Forums (District Forums) in 29 districts (two forums in Chennai District) and Consumer Protection Councils at State/District levels. The pecuniary jurisdiction of District Forum is upto Rs 20 lakh; State Commission above Rs 20 lakh upto Rs 1 crore and National Commission above Rs 1 crore. The State Commission has appellate jurisdiction over the District Forums (DFs) and the National Commission over the State Commissions.

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[1] Chapters I, II and IV of the Act came into force with effect from 15 April 1987 and Chapter III from 1 July 1987.

3.1.3 Audit objectives

The audit review on the implementation of the CP Act and the Rules relating to the Consumer Protection was conducted to assess whether:

- adjudication mechanism had been created as prescribed;
- any documented policy for achieving the intended objectives and strengthening of infrastructure exists;
- rules governing issues of implementation of the Act had been formulated and notified and adequate mechanisms for administering various Acts for consumer protection exist;
- the infrastructure created for disposal of the complaints met the expectation of the consumers and fulfilled the purpose of the enactment of the Act;
- Consumer Protection Councils had been notified and were functioning;
- a uniform plan for staffing and operation had been prescribed and being adhered to in staffing and operation of the District Forums and the State Commission;
- various steps and initiatives including schemes by the GOI/State Government had succeeded in creating awareness amongst the populace;
- adequate system of monitoring of grievances of consumers had been created with a view to ensuring their timely disposal.

3.1.4 Audit coverage

Test check of the records for the period 2000 to 2005 (calendar years) was conducted during June - August 2005 at Co-operation, Food and Consumer Protection Department, Office of the CCS, the State Commission, eight selected DFs[2] out of 30 DFs, five Non-Governmental Organisations[3] (NGOs), State Consumer Protection Council and District Consumer Protection Councils in the eight selected districts. In addition, information regarding implementation of Prevention of Food Adulteration Act, 1954 was also collected from the Directorate of Public Health and Preventive Medicine.

ORG-MARG, an independent agency was also engaged for a nationwide survey and study on the subject and to assess the current levels of awareness of the CP Act among the consumers and to analyse their experience with

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2 (1) Chennai (North), (2) Chennai (South), (3) Coimbatore, (4) Erode, (5) Kancheepuram, (6) Thiruvallur, (7) Tirunelveli and (8) Villupuram.

3 (1) Oliyagam Trust, Madurai, (2) Mari Amman Service Society, Tiruchirappalli, (3) Society for Community Development Project, Salem, (4) Society for Emancipating Non-Social Education, Sivaganga and (5) Nugarvore Urimam Padukappu Kazhagam, Ramanathapuram.

respect to complaints made and their level of satisfaction. The engagement of services of ORG-MARG by Audit was intimated to State Government in July 2005. The survey conducted in seven[4] districts during mid July to mid August 2005, covered 2,518 consumers spread across urban and rural areas, 433 complainants, nine manufacturers/service providers, two NGOs and three laboratories. The important findings of the survey are included in this review at appropriate places. Executive summary of the survey report is annexed (**Appendix XV**).

Inadequacies in creation of adjudication mechanism

3.1.5 Delay in establishment of State Commission and DFs

There was a delay of three years in establishment of State Commission and three years and eight months to seven years and eight months in establishment of DFs.

The State Commission was established in Tamil Nadu in July 1990. Though the CP Act, 1986 came into force in July 1987, 30 DFs in 29 districts (two forums established in Chennai District) were created belatedly between November 1993 and February 2001. The DF was yet to be established (July 2005) for Krishnagiri District, which was created in January 2003 by bifurcation of Dharmapuri District. The delay in establishment of the State Commission was three years while that in establishing DFs ranged from three years and eight months to seven years and eight months (**Appendix XVI**).

3.1.6 Posts of President not created for combined forums

Six DFs were not sanctioned with independent post of Presidents.

Though the State Government established DFs in all the districts (except in newly formed Krishnagiri District), only 24 posts of Presidents were sanctioned with the result six DFs[5] were attached to nearby DFs (**Appendix XVI**). Thus, Presidents of these six DFs attend to the attached districts twice a week and to Headquarters DFs three days in a week. Though the State Commission had sent proposals for the creation of posts of President for these six DFs annually in its Annual Plan from 1999-2000 onwards, these were yet to be sanctioned by the Government (July 2005).

3.1.7 Training not imparted to Presidents and Members of Consumer Courts

The Department of Consumer Affairs of the GOI organises short training programmes for Presidents and Member of Consumer Courts. The training, supervised by National Commission, is intended to impart knowledge of legal requirements to them so that they can function effectively. The training was to be imparted only to such Presidents and Members who had at least three years of tenure left. Out of the 15 Presidents of DFs in position (July 2005) nine had not undergone the training. Of the existing 51 Members of DFs and State

[4] Chennai, Erode, Kancheepuram, Kanniyakumari, Thanjavur, Thiruvarur and Tirunelveli.

[5] (i) Dharmapuri (Salem); (ii) Pudukkottai (Dindigul); (iii) Ramanathapuram (Sivagangai); (iv) Thiruvannamalai (attached to Vellore); (v) Thoothukudi (Tirunelveli) and (vi) Villupuram (Kancheepuram).

Council, ten had not been trained. Of these six Presidents and nine Members were not eligible to undergo the training as their remaining tenure was less than three years.

3.1.8 Strengthening of redressal mechanism

Sitting of Circuit Bench of National Commission not held and three additional Benches of State Commission not created.

The National Consumer Disputes Redressal Commission, New Delhi notified (August 2004) holding of Circuit Benches[6] at eight important cities including Chennai. However, no sitting of the National Commission had been held in Chennai, as the State Government could not find suitable accommodation (July 2005). The CP Act enables the State Commission to hold Circuit Benches at any place in a State. GOI suggested (May 2004) to the State Government to constitute three additional benches of State Commission for reducing the heavy pendency of cases. However, no additional Bench had been created as of July 2005.

How the consumers perceive Government's inaction to increase the capacity of the State Commission to deal with more cases came out in the survey conducted by ORG-MARG. It was reported that almost 72 *per cent* of the consumers responded either that the Government was not doing enough to safeguard the consumer rights or that they were not aware of such efforts by the Government.

Formulation of policy

3.1.9 State Action Plan

Action Plan to strengthen consumer protection functions proposed in October 2004 not yet approved by the State Government.

Consequent to the decision taken in the 50th National Development Council Meeting held on 21 December 2002, the Department of Consumer Affairs, GOI prepared a National Action Plan for Consumer Awareness and Redressal and Enforcement of CP Act, 1986. The State Governments were directed to prepare State Action Plan taking into account the components given in the National Action Plan.

The draft Action Plan aims at strengthening the consumer protection function in the Civil Supplies and Consumer Protection Department, greater involvement of District Administration in enforcing the CP Act, providing legal remedy to the consumers by creating a Consumer Protection wing to identify serious violations of the consumer rights by manufactures, traders or service providers and launching legal action under the CP Act and other related Acts. Preparation of detailed sector-wise guides by the Consumer Production Wing was also envisaged in the State Action Plan. The draft State Action Plan sent to the Government in October 2004 was yet to be approved (July 2005). In absence of approved plan the objectives that were set out to achieve remained unfulfilled.

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6 Circuit Benches: Holding of sittings at different places in the country at different times.

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Creation and strengthening of infrastructure for adjudication mechanisms

3.1.10 Part-utilisation of the GOI grant for creation of infrastructure

One-time grant of the GOI for creation of infrastructure facilities for the State Commission and the DFs was not fully utilised.

To strengthen the infrastructure facilities of consumer courts at the State and District levels, the GOI provided one-time financial assistance of Rs 2.70 crore to the State Government in four instalments between July 1995 and March 1997. The grant was released for construction of premises and provision of infrastructure to the State Commission (Rs 50 lakh) and to 22 DFs (at Rs 10 lakh each). The State Government sanctioned Rs 1.86 crore to the State Commission between March 1996 and April 2002. The State Commission utilised Rs 1.05 crore for provision of furniture, xerox machine, fax machine, computers, law books, construction of building, etc. and the unutilised grant amounting to Rs 1.65 crore was lying with the State Government for the past eight years. As of July 2005, only the building for Kancheepuram DF had been constructed at a cost of Rs 18.45 lakh.

The State Commission stated (December 2004) that the grant could not be utilised fully due to non-availability of land for construction of buildings for the State Commission and most of the DFs.

Sites for construction had been identified and preparation of plans and estimates were in progress for the DFs of Erode, Perambalur, Tiruchirappalli and Virudhunagar districts (August 2005).

As of June 2005, the State Commission and 22 DFs were functioning in rented buildings and paying an aggregate rent of Rs 2.72 lakh per month and seven DFs were accommodated in Government buildings such as District Collectorate and District court campuses (**Appendix XVI**). Absence of infrastructure in terms of proper building makes it more difficult for the consumers in general to become aware of the existence and location of the redressal agency. Findings of the survey by ORG-MARG revealed that only 23 *per cent* reported being aware of the existence of any redressal agency in their respective districts.

Enforcement mechanism

3.1.11 CP Act - Delay in disposal of cases

The age-wise analysis of cases pending disposal with the State Commission and DFs as on 31 March 2005 is tabulated below:

Period of pendency	State Commission		District Forums	
	Number of cases	Percentage	Number of cases	Percentage
Below 90 days	1,321	38	1,456	19
90 days to six months	909	27	1,234	16
Six months to one year	558	16	1,277	17
One to two years	279	8	1,654	22
Over two years	388	11	1,962	26
Total	**3,455**	**100**	**7,583**	**100**

Out of 3,969 cases pending as of March 2005 in the eight test checked districts, 387 cases (10 *per cent*) were pending for five to 10 years while 34 cases (One *per cent*) were pending for more than ten years. The survey also pointed out that the stakeholders complainants perceived that the redressal under the Act, though simple, was not very speedy.

The reasons for the delay in disposal of cases advanced by DFs as compiled by the State Commission were inadequacy of staff, vacancies in the posts of Presidents/Members and supporting staff, frequent adjournments sought by complainants and respondents, lack of infrastructure facilities, irregular attendance of Members, inadequate funds for purchase of service stamps and non-attendance of advocates and consumer associations representing the parties.

3.1.12 Execution of decrees

As per section 25(3) of the CP Act, where any amount is due from any person under an order made by a DF or the State Commission, the person entitled to the amount may make an application to the DF or the State Commission as the case may be and such DF or the State Commission, as the case may be, may issue a certificate for the said amount to the Collector of the District and the Collector shall proceed to recover the amount in the same manner as arrears of land revenue.

In the eight sample districts, 1,990 execution petitions were filed during 2000-05 of which 1,524 were disposed of leaving 466 pending as of March 2005.

As per findings of the ORG-MARG survey, compensation was received after an average period of 18 months. In cases where decrees had been passed but compensation not paid, the repayment was due on an average for 35 months.

3.1.13 Prevention of Food Adulteration Act, 1954

Mention was made in Paragraph 3.3 of the Report of the Comptroller and Auditor General of India – Civil – Tamil Nadu, for the year ended 31 March 2000 regarding some aspects relating to the implementation of PFA Act, 1954. Deficiencies such as non-achievement of targets for lifting of samples, inadequate sampling from manufacturers/wholesalers, non-testing of food articles for pesticide residue, Aflatoxin and heavy metals, under-utilisation of capacity of food analysis laboratories, shortage of Food Inspectors, etc., were commented upon. Information on the aspects covered in this review for the period 2002-05 was collected from the Director of Public Health and Preventive Medicine. This revealed that there was not much improvement in the implementation of PFA Act, 1954 as discussed in succeeding paragraphs.

The number of local bodies implementing the PFA Act, 1954 during 2005 was 481 as was during 1995-2000. The number of local bodies lifting samples increased from 110 during 1995-2000 to 135 during 2002-05. Further, as against the projected requirement of 782 Food Inspectors (FI), the number available during 2005 was 166 as compared to 139 available during 1999-2000.

Number of samples lifted during 2002-05 against the target of 33,096 per annum and analysed by the laboratories is tabulated below:

Year	Samples lifted		Samples analysed	
	Number	Percentage of shortfall	Number	Percentage of shortfall
2002-03	3,485	89	3,332	90
2003-04	4,388	87	4,277	87
2004-05	3,837	88	3,967	88

The shortfall in lifting of samples ranged from 66 to 88 *per cent* during 1995-2000. Hence, there was reduction in lifting of samples during 2002-05. The shortfall in analysing samples during 2002-05 conformed to the shortfall of 88 *per cent* observed during 1999-2000 indicating no improvement in testing of samples.

The target for lifting of samples from manufacturers was one sample per month per FI. The number of FIs available was 100, 104, 142 and 166 during the years 2002, 2003, 2004 and 2005 respectively. Details of target and achievement in respect of samples to be lifted from manufacturers are indicated as under:

Year	Target	Number lifted	Percentage of shortfall
2002	1,200	57	95
2003	1,248	85	93
2004	1,704	82	95
2005 (up to July)	1,162	30	97

It would be seen that the shortfall percentage in lifting of samples during 2002-05 ranged between 93 and 97, thus there was no significant improvement as the shortfall during 1995-98 was also in the range of 98 to 99 *per cent*. Hence the sampling was ineffective.

Functioning of State/District Consumer Protection councils

3.1.14 Deficiencies in the functioning of State Consumer Protection Council

The CP Act provides for setting up of a Central Consumer Protection Council and Consumer Protection Councils in the States. The main object of constituting the councils is to promote and protect the rights of the consumers. The Council provides a platform to the non-official and official representative of various interests relating to consumers to discuss the problems of consumers, particularly relating to availability, quality and prices of goods and services and recommend measures to be taken to protect the interests of consumers by the concerned agencies/sections of the society.

During the period 2000-05 the State Council met only twice as against the requirement of ten times.

The State Government reconstituted the State Consumer Protection Council from time to time. The tenure of each council was fixed as 3 years and it was expected to meet at least twice in a year. The three year term of the last council expired on 21 May 2005 but neither its term had been extended nor a new council appointed. Audit noted that when the term of the previous council expired in November 2001 the new council was constituted in May 2002. It was noticed that during 2000-05 the council had met only on two occasions against stipulated regular interval of 10 meetings during this period.

3.1.15 District Consumer Protection Council

Under the CP Act, as amended in 2002, the State Government has to establish Consumer Protection Council for each District consisting of the District Collector and other official and non-official members. The objectives of the formation of District Council are to promote and protect, within the district, the rights of Consumers. Even before introduction of this Section, the State Government, in November 1993, ordered that District Consumer Protection Council (DCPC) should be constituted in each district with District Collector as Chairman and District Supply Officer (now re-designated as District Consumer Protection Officer) as Member Secretary. In terms of Government order (November 1993), the DCPC was to meet six times in a year and discuss all matters relating to consumer protection and suggest appropriate measures for improving the system.

A test check of records of seven test checked districts for the period January 2003 to June 2005 revealed that the percentage of the targeted meetings held by the councils varied between 44 and 63.

The councils were meant for promoting and protecting the right of consumers by dissemination of information and through consumer education. They were also supposed to ensure that the consumer interests would receive due consideration at appropriate forum.

However, the sources of awareness as brought out by the ORG-MARG survey were mainly electronic media (61 *per cent*) and print media (41 *per cent*). Nearly 70 *per cent* of the complainants resided in urban areas and with a sole exception, all were educated with an average monthly household income of Rs 9,706. This implied that facilities provided by redressal agencies were availed mostly by residents of urban areas and that too by the middle/upper middle strata of the community.

Provision of staff to State Commission/DFs

3.1.16 Vacancies in the posts of President and Members

Each Consumer Court comprises a President and two Members, one of whom is a woman. The number of occasions when the posts of President and Members in State Commission and DFs were vacant during the period commencing from their inception till July 2005 is tabulated below:

(Number of instances)

Sl. No.	Duration of vacancy	President	Male Member	Woman Member
State Commission				
1.	Upto three months	..	1	..
2.	Three months to six months	2 (maximum: five months)	2	1
3.	Six months to one year	..	1 (maximum: eight months)	1
4.	One year to two years	..	..	1 (maximum: 17 months)
District Forums				
1.	Upto three months	2	7	14
2.	Three months to six months	8	14	8
3.	Six months to one year	17	6	5
4.	One year to two years	7 (maximum: 1 ½ years)	12	5
5.	Two years and above	..	5 (maximum: five years and two months)	6 (maximum: five years)

The State Commission remained non-functional during the periods when the post of President was vacant. Similarly, due to absence of any interim arrangement, four district forums (Coimbatore, The Nilgiris, Thiruvannamalai and Vellore Districts) remained non-functional for periods ranging from seven to nine months when the post of President was vacant.

Nine posts of Presidents and eleven posts of members were kept vacant in DFs.

As of July 2005, nine out of 24 posts of President and 11 out of 60 posts of Member of DFs were vacant. The duration of these vacancies ranged from four months to 2 ½ years in respect of the posts of President and eight months to four years in case of Members.

Due to vacancies in the posts of President and Members of DFs, number of cases disposed of by them came down from 5,723 during 2000 (President man months vacant: 20) to 3,185 during 2004 (President man months vacant: 65).

3.1.17 Inadequacy of staff

As against 40 and 480 number of posts recommended by the Committee formed by the National Commission only 18 and 138 posts were sanctioned by the Government to the State Commission and DFs respectively.

The Tamil Nadu Consumer Protection Rules, 1988 prescribe that the Government of Tamil Nadu shall appoint necessary staff to assist the DFs and the State Commission in their work. No norms were prescribed for provision of staff to State Commission and DFs. The State Government has sanctioned 18 posts for State Commission and 138 posts for DFs (**Appendix XVI**). The Committee formed by the National Commission to assess the requirement of minimum staff has recommended (January 2000) a minimum staff of 40 and 16 for State Commission and each of the DFs respectively.

The Government has not sanctioned (May 2005) any additional posts to the Consumer Courts though the State Commission requested (November 2001) for provision of at least ten[7] additional posts.

The working of the Consumer Courts is further impaired due to vacancies in 23 posts out of the 156 posts sanctioned as of May 2005 (**Appendix XVI**).

Awareness and empowerment of consumer

3.1.18 Consumer Welfare Fund

A Consumer Welfare Fund (CWF) was established (November 1992) by GOI, to which the amounts due for refund under Central Excise and Salt Act, 1944, which could not be refunded to the manufacturers were credited.

The activities for generation of consumer awareness such as Jagriti Shivir Yojana, District Consumer Information Centres (DCIC), etc., were funded from CWF. In August 2004, GOI instructed the State Government to establish a CWF for the State. GOI also proposed to sanction seed money of Rs 50 lakh for the State CWF provided the State Government credited an equivalent amount to the Fund. Further, GOI also proposed (November 2004) to release (a) Rs 5 lakh for each DF which had received the one time grant during 1995 and Rs 15 lakh for each new DF and (b) Rs 25 lakh for State Commission. However, as the State Government has not yet established a CWF, resultantly the receipt of the above grants amounting to Rs 3.05 crore[8] also could not be availed (August 2005).

3.1.19 Funding

The expenditure on staff of State Commission and the staff of DFs (Non-Plan) and Assistance for Consumer Education and Protection (Plan) during 2000-05 was as tabulated below.

(Rupees in lakh)

Year	Expenditure			
	Plan		Non-plan	
	Allocation	Actuals	Allocation	Actuals
2000-01	20.00	11.36	205.73	175.36
2001-02	6.04	4.44	214.21	216.49
2002-03	15.01	12.03	227.00	233.94
2003-04	13.50	18.29	248.02	246.98
2004-05	15.01	15.00	251.60	251.94
Total	**69.56**	**61.12**	**1146.56**	**1124.71**

Note: Rupees 0.01 lakh were provided in Supplementary estimates.

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7 Personal Secretary to Honourable President: 1, Personal Assistant: 1, Section Officers: 3, Assistants: 3, Typist: 1 and Driver: 1.

8 Seed money: Rs 50 lakh; Rs 15 lakh for six new and two old DFs for which no building grant was received earlier, Rs 5 lakh for 22 old DFs and Rs 25 lakh for State Commission.

The expenditure on consumer education and protection was insignificant during 2000-05. This indicated that the action taken for generating consumer awareness by the State Government was grossly inadequate.

3.1.20 District Consumer Information Centre

The DCIC was to function as information, resource and guidance centre. DCICs were functioning only in three districts, *viz.,* Ramanathapuram, Salem and Sivaganga. Though the Central Consumer Protection Council advised (November 2000) that Zilla Parishads (District Panchayats) should be actively involved in implementing the scheme, no District Panchayat established a DCIC (August 2005).

The ORG-MARG survey pointed out that 59 *per cent* of consumers at large were not aware of consumer rights and 73 *per cent* were unaware of the CP Act. Only 21 *per cent* of the rural population has heard about the CP Act.

3.1.21 Meeting with Voluntary Consumer Organisations

The State Government directed (1988) all the Secretaries to the Government/Heads of Departments and the Government Undertaking concerned with consumer affairs to organise not less than four meetings in a year with the leading voluntary consumer organisations to hear their grievances/suggestions/recommendations and take up appropriate follow-up action. In due course, the CCS began conducting such meetings on behalf of all the Government Departments and Undertakings. However, it was noticed that between February 2004 and May 2005 no such meetings were held.

3.1.22 Conclusions

Due to non-functioning of DCICs in all the districts of the State, the awareness about the CP Act was lacking among the consumers. Due to vacancies in the posts of Members of DFs and lack of availability of full-time Presidents, the consumers were deprived of the benefit of delivery of speedy redressal to their grievances at their doorsteps. Further, due to delay in preparation of implementation of State Action Plan the strengthening of consumer protection functions is being postponed. The CCS did not hold the quarterly meetings with the voluntary consumer organisations. The objective of providing buildings to DFs and the State Commission was not achieved and GOI grant of Rs 1.65 crore received for the purpose is lying unutilised with the State Government for the past eight years. The State Council and the District councils though formed did not meet as frequently as required, thereby defeating the very purpose of their formation. The failure to provide the minimum staff required and vacancies in posts already sanctioned has resulted in delay in delivery of redressal of grievances of consumers.

3.1.23 Recommendations

The State Government should take immediate steps

- to promote/generate consumer awareness by setting up District Consumer Information Centres in all the districts;

- to fill up the vacancies in the posts of President and Member of the Consumer Courts and also to sanction independent posts of president to the six Combined Forums for speedy redressal of grievances of consumers;

- to gear up the mechanism for conducting the prescribed number of meetings between the Commissioner of Civil Supplies and Consumer Protection and Voluntary Consumer Organisations for providing better protection of the interest of consumers;

- to establish the State Consumer Welfare Fund as advised by GOI, so that GOI grants for seed money and for strengthening of infrastructure of the Consumer courts could be received and utilised.

The above points were referred to the Government in September 2005; reply had not been received (December 2005).

3.2 Integrated Audit of Animal Husbandry Department

Highlights

➢ **In the first three years of the Tenth Plan, expenditure was only 39 *per cent* of the proportionate outlay.**

(Paragraph 3.2.7)

➢ **Due to staff vacancies in Artificial Insemination Centres and steep fall in the number of bulls maintained for production of Frozen Semen Straws, the number of Artificial Inseminations declined from 32.35 lakh in 2000-01 to 29.23 lakh in 2004-05. The cost of Liquid Nitrogen produced departmentally was higher than that procured from market during 2002-05 and led to excess expenditure of Rs 51.07 lakh. Expenditure of Rs 43.80 lakh on Embryo Transfer Technology remained largely unfruitful and the objective of producing quality bulls in large numbers through this technology suffered.**

(Paragraph 3.2.8)

➢ **The service rendered by veterinary institutions was over stretched as the average number of cattle units served per institution was 9,939 against the norm of 5,000.**

(Paragraph 3.2.9)

➢ **Failure of Institute of Veterinary Preventive Medicine, Ranipet to adhere to "Good Manufacturing Practices", a mandatory provision stipulated by Government of India led to denial of renewal of its licence for production of vaccines and pharmaceutical products.**

(Paragraph 3.2.13)

3.2.1 Introduction

The Animal Husbandry Department (AHD) is charged with the twin responsibilities of providing veterinary health care and improving the production potential of livestock through scientific breeding practices. The Department seeks to achieve its objectives through various programmes and schemes with specific targets. The major activities of the Department include providing treatment to livestock and poultry through veterinary institutions, prevention and control of livestock diseases, providing Artificial Insemination (AI) services to cattle and buffaloes, making quality breeds of livestock and poultry available to farmers and dissemination of knowledge on modern livestock rearing practices to farmers.

According to the 17th Livestock and Poultry Census (provisional) conducted in 2004, the total livestock in the State was 249.42 lakh. The livestock population increased marginally by 3.38 *per cent* as compared to the previous census (1997). The estimated value of production of the livestock sector in the State during 1999-2003 increased by only 0.22 *per cent*, as against the increase of 22 *per cent* at National level during the same period. The details for the period 2003-05 were under compilation.

***Per capita* milk availability declined from 219 grams per day in 2001-02 to 206 grams per day during 2004-05 and was below the National average.**

Milk production accounted for nearly 82 *per cent* of the total value of livestock production during 2003-04. The *per capita* availability of 219 grams/day of milk in the State during 2001-02 declined to 206 grams per day during 2004-05 which was below the National level (232 grams per day) and also marginally less than the *per capita* availability standard of 220 grams of milk per day recommended by the Indian Council for Medical Research. The decline in the availability of milk indicated that the Dairy sector in the State was unable to keep pace with the growth in human population. Government stated (December 2005) that the major factor for decline was the non-availability of green fodder due to severe drought in the State during 2002-04.

3.2.2 Organisational set up

The Secretary, Animal Husbandry and Fisheries Department heads AHD at the Government level. The Director of Veterinary Services (DVS) is in-charge of veterinary health care and livestock development and is assisted by 25 Regional Joint Directors (RJD) and 65 Assistant Directors (AD). Surgeons heading Poly Clinics (6), Clinician Centres (22), Veterinary Hospitals (139) and Animal Disease Intelligence Units (15) report to their jurisdictional RJDs. Assistant Surgeons heading Veterinary Dispensaries (1,156) and sub-centres (1,799) report to their jurisdictional ADs. Further, the Institute of Veterinary Preventive Medicine (IVPM), Ranipet and Central Referral Laboratory (CRL), Chennai are also functioning under DVS.

The Director of Animal Husbandry (DAH) administers the Livestock Farms (11), Cattle Breeding and Fodder Development (CBFD) units (20) and Semen Production Stations (4). Further, the Tamil Nadu Veterinary and Animal Sciences University (University), Chennai and the Tamil Nadu Livestock Development Agency (TNLDA), Chennai function directly under the Secretary, AH Department.

3.2.3 Audit objectives

The objectives of audit were mainly to assess:

- the implementation and impact of cattle and buffalo breeding programmes including Artificial Insemination programme,
- the extent of availability and adequacy of the veterinary health care facilities and effectiveness of programmes launched for prevention and control of diseases,

- the implementation of fodder development programmes and
- the adequacy of the available manpower in the Department.

3.2.4 Audit criteria and methodology

Norms and targets fixed by the Government of India (GOI) and the State Government for various activities of the Department, goals set in the Five Year Plans, etc., were taken as Audit criteria. The Audit objectives and Audit criteria were discussed (January 2005) with the DVS and the DAH before taking up the Audit review. On conclusion of the review, the audit findings were discussed with the DVS in August 2005 and his comments have been incorporated in the review at appropriate places.

3.2.5 Audit coverage

Major activities and programmes for: (a) Cattle and Buffalo breeding, (b) Veterinary Health Care, (c) Prevention and Control of Diseases, (d) operation of Livestock farms and (e) effectiveness of Human Resource Management carried out by the DVS and the DAH during 2002-05 were test checked from January 2005 to June 2005 at the Secretariat, Directorate of Veterinary Services, Directorate of Animal Husbandry, University, TNLDA, IVPM and CRL. Some selected field level offices and institutions[1] were also test checked.

Audit findings:

Financial management

3.2.6 Budgetary process

Budgetary provision and expenditure declined during 1999-2005.

Budgetary provision for Animal Husbandry grant declined from 0.62 *per cent* of total provision for all grants in 1999-2000 to 0.34 *per cent* in 2004-05. The expenditure of the AHD declined (18 *per cent*) from Rs 181.77 crore to Rs 148.93 crore during the same period, while the total expenditure of the State had increased by 56 *per cent* during this period.

Persistent under-utilisation of budget provisions during 2000-05.

Apart from such decline in provision, persistent under-utilisation of budget provisions persisted. The position in respect of the last five years was as under:

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1 RJDs (6), ADs (13), Animal Disease Intelligence Units (3), CBFD units (6), Poly - Clinics (4), Clinician Centres (4), Veterinary Hospitals (10), District Livestock Farms (4) and Veterinary Dispensaries (33).

(Rupees in crore)

Year	Final Modified Grant		Actual Expenditure		Savings		Surrender	
	Revenue	Capital	Revenue	Capital	Revenue	Capital	Revenue	Capital
2000-01	176.58	-	152.61	-	23.97 (14)	-	14.41	-
2001-02	165.15	-	148.19	-	16.96 (10)	-	5.09	-
2002-03	167.65	-	146.22	-	21.43 (13)	-	12.52	-
2003-04	177.82	-	153.26	-	24.56 (14)	-	10.33	-
2004-05	166.75	0.17	148.79	0.14	17.96 (11)	0.03 (18)	12.61	-

(Figures in brackets indicate percentage to Final Modified Grant)

The actual surrendered amounts were much lower than the actual savings, indicating inaccurate estimation even at the end of the year.

Savings of more than 10 *per cent* of Budget Estimates (BE) were noticed in 41, 29, 33, 33 and 32 sub-heads during the five years (2000-05) respectively, indicating weaknesses in proper budgeting and expenditure control system. The aforesaid savings were largely due to provision made for vacant posts and release of lesser grants to the University than that was provided (except for 2003-04) in the budget. Government accepted (December 2005) that the savings had occurred mainly under salary and stated that action will be taken to improve accuracy in budgeting.

3.2.7 Performance under Tenth Plan

The main objectives for the Tenth Plan period are to increase the efficiency and coverage of Artificial Insemination so as to increase the production of livestock and its products, to tackle the feed and fodder shortage by developing wasteland to grazing land as well as preserving and improving the grazing land and to provide total protection to entire cattle population in the State against Foot and Mouth disease. However, the Department's failure in achieving these objectives are brought out in the succeeding paragraphs.

Only 39 *per cent* of the proportionate Tenth Plan outlay was utilised during the first three years.

The outlay proposed for the Tenth Plan period for AHD is Rs 161.20 crore. The final provision made and the expenditure incurred during the first three years *viz.*, 2002-03 to 2004-05, revealed that only Rs 41.07 crore (25 *per cent* of Plan outlay) was provided against which expenditure of Rs 38.07 crore was incurred representing 39 *per cent* of the proportionate Plan outlay for the first three years (Rs 96.72 crore). Thus at this pace, the targeted outlay would not be achieved. Component-wise details of final provisions made and expenditure incurred during the first three years (2002-03 to 2004-05) of the Tenth Plan period are detailed in **Appendix XVII**.

Programme Management

The Department implements various schemes to achieve its objectives of increasing the production potential and providing veterinary health care of livestock and poultry. The deficiency in implementation of some of the programmes is discussed below:

3.2.8 Cattle and Buffalo breeding programme

A vast majority of the cattle and buffaloes, native to the State are non-descript with poor milk yield and low lactation period. With a view to improve the productivity of the milch animals and to preserve the indigenous pure breeds, AHD adopts (a) cross breeding of non-descript cattle using exotic Jersey/Holstein Friesian (HF) bulls, (b) breeding cross-breed cows with cross bred bulls, (c) grading local buffaloes with Murrah bulls and (d) selective breeding of indigenous pure breeds in their native tracts.

As of March 2005, four Frozen Semen Production Stations (FSPS), 10 plants for producing Liquid Nitrogen (LN_2), 20 Frozen Semen Banks and 3,176 Artificial Insemination Centres in various veterinary institutions were functioning in the State. Besides, the Government established TNLDA in February 2002 to implement National Project for Cattle and Buffalo Breeding (NPCBB). Some of the major deficiencies noticed under this component are discussed below.

Inadequate Artificial Insemination coverage

Consequent to the decline in the number of AI centres, the number of AIs performed also decreased.

During Tenth Five Year Plan, the focus shifted from stationary AI centres to mobile AI centres and the AI coverage was targeted to be increased from 32 *per cent* at the end of Ninth Five Year Plan to 67 *per cent* at the end of the Tenth Plan *i.e.* an increase of seven *per cent* per annum. However, the number of AI centres declined from 3,572 in March 2002 to 3,176 in March 2005 due to shortage of Livestock Inspectors (LIs) who carry out the AI at the sub-centres. As a result, the number of AIs performed by the Department came down from 32.35 lakh in 2000-01 to 29.23 lakh in 2004-05. As the LIs held charge of more than one sub-centre, the number of days on which AI service available in sub-centres was found to be as low as three per week instead of it being available on daily basis. In six test checked Divisions[2], 35 (18 *per cent)* out of 190 sub-centres test checked did not function during 2004-05 due to non-availability of LIs and 59 sub-centres (31 *per cent*) were functioning but LIs in these were holding additional charge. Government stated (December 2005) that the vacant posts of LIs could not be filled up due to ban on recruitment.

During its 21 day reproductive cycle, a cow is in *oestrum* for about 18 hours and insemination has to be done during this period for a successful conception. As of July 2005, only 1,164 LIs were in position out of 3,090 sanctioned posts; placing LIs in-charge of more than one centre had reduced the availability of AI services with consequent fall in conception rate. According to a study sponsored by the Indian Council of Agricultural Research (ICAR) conducted by the scientists of the University during 2002-03, the annual economic loss sustained by the State due to lower conception rate with

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[2] Coimbatore, Hosur, Madurai, Pollachi, Thanjavur and Thirumangalam.

reference to that achievable worked out to Rs 208.51 crore. Government stated (December 2005) that the field staff and personnel in FSPS were given training during 2004-05 to increase the conception rate and the same is being continued.

NPCBB envisaged establishment of 450 new mobile AI centres during 2003-05 and conversion of 250 stationary centres in 2003-04 into mobile centres. Though NPCBB guidelines envisaged that candidates with school final qualification be given training in performing AI and deployed as private inseminators, AHD decided to train only unemployed veterinary graduates. AHD could thus train 147 candidates only up to March 2005 as against the targeted 450 due to shortage of willing veterinary graduates to provide AI services at the doorstep of farmers. Consequently, against the target of 450 new mobile centres, only 147 were established (March 2005).

The actual achievement in AI coverage was only 36 *per cent* of the breedable cattle and buffalo at the end of 2003-04 as against the proportionate target of 46 *per cent*[3] to be achieved by the end of first two years of Tenth plan.

Shortage of breeding bulls

The estimated annual requirement of Frozen Semen Straws (FSS) to achieve the proposed AI coverage set under NPCBB, the target fixed by the DVS and the actual production of FSS during 2002-05 from the four Semen Production Stations (SPS) was as follows.

(Number in lakh)

Year	Estimated annual requirement	Target and actual production of Frozen Semen Straws										
		Exotic Cattle Breeding Farm (ECBF), Eachenkottai		District Livestock Farm (DLF), Hosur		DLF, Abishekapatti		DLF, Ooty		Total		Shortfall (*per cent*)
		T	A	T	A	T	A	T	A	T	A	
2002-03	54.94	11.00	8.54	15.00	13.30	3.25	2.80	10.00	5.71	39.25	30.35	8.90 (23)
2003-04	67.70	13.00	11.90	20.00	14.19	4.00	2.26	10.00	5.77	47.00	34.12	12.88 (27)
2004-05	80.48	20.00	8.65	20.00	11.46	4.00	1.00	11.00	4.86	55.00	25.97	29.03 (53)

T: Target; A: Actual Production

ecline in production of SS due to the steep fall the bulls maintained.

The sharp decline in production of FSS was mainly due to steep fall in the number of bulls maintained in the semen stations as explained below.

ithdrawal of huge umber of bulls not nforming to MSP.

As on April 2004, 246 bulls were available in the State for semen collection. GOI introduced (May 2004) a 'Minimum Standard Protocol for breeding bulls' (MSP), prescribing the minimum acceptable standards for health and pedigree of breeding bulls. Accordingly, the DVS decided (December 2004) to implement the MSP in all the semen stations leading to withdrawal of 135 breeding bulls. Besides, 37 bulls were also withdrawn through quarterly auctions during April 2004 to December 2004. This caused closure of SPS at DLF, Abishekapatti from January 2005. The other three DLFs had also failed

[3] $32 + (7 \times 2) = 46$ *per cent.*

to maintain an adequate supply of breeding bulls even before the implementation of MSP in December 2004.

Against 172 bulls withdrawn from semen collection in the four stations till March 2005, only eight new bull calves were purchased out of 158 bulls targeted. The Chief Executive Officer (CEO), TNLDA attributed (February 2005) this shortfall to non-availability of quality bulls of desired grade in this State and in the farms of AHD of other States. The withdrawal of large number of bulls from semen collection consequent to the implementation of MSP is indicative of the fact that the Department did not have proper quality standards earlier. Further, none of the 11 cows maintained in the 'bull mother' farm in ECBF, Eachenkottai and none of the 45 Murrah breed she buffaloes maintained in DLF, Abhishekapatti (March 2005) had sufficient milk yield to qualify as 'bull mother' as stipulated[4] in MSP.

Non-availability of Frozen Semen straws

Non-availability of required FSS at AI centres.

In 26 test checked AI centres, the shortfall in production during 2004-05 led to the non-availability of FSS of Exotic breed bulls in four centres from 30 to 60 days, five centres from 61 to 90 days and 12 centres for more than 90 days. Similarly, the FSS of cross bred bulls was not available in three centres from 30 to 60 days, another three centres from 61 to 90 days and for more than 90 days in one centre. Audit noticed that during the period of non-availability of the FSS of cross bred bulls, straws of Exotic bulls were utilised for cross bred cows. Insemination of cross bred animals with exotic breed straws violated the Department's breeding policy, as it would result in higher exotic blood level in the offspring, which would lead to lower disease resistance. Similarly, during the period of non-availability of the FSS of exotic breed, the FSS of cross bred were used to inseminate non-descript animals resulting in lesser exotic blood level in the offspring. Government stated (December 2005) that the above usage was to avoid public outcry but presently FSSs are being procured from other sources to adhere to the breeding policy of Tamil Nadu.

Avoidable purchase of medium straws

Non-utilisation of infrastructure costing Rs 73.47 lakh under mini straw scheme.

All semen stations used French medium empty straws for the FSS production. As MSP stipulated (May 2004) that only French mini straws be used, the DVS decided (December 2004) to switch over to them from 1 January 2005. Despite the impending switchover, the DVS issued (December 2004) purchase order towards the supply of 39.10 lakh French medium straws at a cost of Rs 82.14 lakh, based on the requirements of the SPSs projected prior to the decision of the DVS to withdrawal of bulls that were not conforming to MSP. Due to withdrawal of large numbers of bulls there was decline in production of semen. However, in the meantime orders amounting to Rs 73.47 lakh were also placed specifically for use of French mini straws for FSS production. Considering the declining rate of semen and orders for French medium straws

4 The first lactation and the best lactation milk yield for Jersey cows has to be not less than 3000 kg and 3750 kg respectively and for the buffaloes not to be less than 2400 kg and 3000 kg respectively.

that has been placed, the equipment bought for use of mini straws would continue to remain idle till March 2007 and 32.96 lakh empty French medium straws were already in stock as of March 2005. Government stated (December 2005) that the supplier of the medium straws had in principle agreed to exchange the available empty medium straws with mini straws. Further progress in this regard is awaited.

Avoidable additional expenditure in Liquid Nitrogen (LN_2) production

The Department resorted to purchase of LN_2 from private manufacturers as the quantity of LN_2 produced in the Departmental plants was insufficient. Out of the 10 LN_2 plants, only five were functional (May 2005). Three out of five working plants and all the five not working were of 'PLN' model installed between 1988 and 1996. The remaining two plants were of 'MNP' model and were installed during 1998. While the 'PLN' model required 12 hours for defrosting after every 150 hours of working, the 'MNP' model was capable of functioning without defrosting.

Avoidable additional expenditure due to production of LN_2 through old plants.

The performance of the two models operated by the Department and their cost of production *vis-à-vis* the cost of procurement from private manufacturers is given in **Appendix XVIII**. Thus, the continued dependence of the old 'PLN' model plants resulted in additional expenditure to the tune of Rs 51.07 lakh[5] during 2002-05 when compared with the market price.

Government stated (December 2005) that steps would be taken to improve the operational efficiency of both 'PLN' and 'MNP' models.

Unfruitful expenditure on Embryo Transfer Technology Programme

Embryo Transfer Technology (ETT) enables production of more number of calves by flushing out the embryos from a donor cow having a high milk yield and planting them in other cows. ETT also enables quick multiplication of cattle with desired genetic characteristics.

Infrastructure costing Rs 43.80 lakh under Embryo Transfer Technology programme was rendered idle for over five years for want of critical equipment.

Under National Bull Production Scheme (NBPS), the State Government accorded (November 1995) sanction for the establishment of an ETT unit at DLF, Hosur. Despite having spent Rs 43.40 lakh (building: Rs 12 lakh, equipment: Rs 22 lakh and refrigerated van: Rs 9.40 lakh) during 1996-2000, not a single embryo could be produced and transferred for want of certain equipment required for harvesting the embryo and transfer of trained Veterinary Assistant Surgeons (VASs) working in other units for this purpose. However no tangible action was taken till June 2003. Based on the request (July 2003) of the Deputy Director (DD), DLF, Hosur to sanction funds for the functioning of the laboratory, the DAH, recommended (January 2004) that Rs 9.50 lakh be released by the TNLDA to the DD, DLF, Hosur under NPCBB. While releasing the funds, the TNLDA instructed that all the 38

[5] 2002-03: Rs 17.31 lakh; 2003-04: Rs 23.11 lakh and 2004-05: Rs 10.65 lakh.

items of equipment and materials proposed should be purchased only from the suppliers having rate contract with Director General of Supplies and Disposal (DGS&D). However, even as of May 2005, the DD, DLF, Hosur purchased only one (cost: Rs 0.40 lakh) out of the 38 items of critical equipment necessary for the functioning of ETT laboratory as most of the equipment were reported to be not under DGS&D rate contract. The remaining amount of Rs 9.10 lakh was still lying in Savings Bank account, outside the Government account (August 2005).

In the meantime, the Sabarmati Ashram Gaushala (SAG) of the National Dairy Development Board (NDDB), Gujarat, successfully carried out (May and June 2004) ETT at DLF, Hosur by bringing their own critical equipment and flushed out 66 viable embryos from 15 donor cows. Thus it is evident that objective of producing quality bulls in large numbers through ETT was not achieved although an expenditure of Rs 43.80 lakh had been incurred on construction and equipment.

Government stated (December 2005) that since the required equipment were not available under DGS&D, TNLDA would have to tender for them which would take some more time.

Quality of bulls used in natural service

The quality of bulls used in natural service was not regulated by AHD.

To ensure utilisation of quality bulls for breeding, the Madras Livestock Improvement Act, 1940, stipulates that all bulls used for this purpose should be licensed by the AHD. Despite introduction of AI in the State for nearly 40 years, the practice of breeding through natural service by stud bulls continues. Even as of 2004, 64 *per cent* of the breedable bovines continued to be serviced by breeding bulls. As the Department does not provide bulls for natural service, the major portion of breeding depend on bulls reared by farmers for breeding purpose.

Though the Act enjoins that the breeding bulls should be inspected and certified, the AHD did not carry out its responsibilities under the Act and thereby failed to ensure the quality of major portion of calves born in the State. The DVS stated (July 2005) that the Department could not enforce the Act, due to limited staff but the bull keepers were advised to get their bulls tested. Government stated (December 2005) that the Department has been controlling the problems associated with natural service by castrating bulls with inadequate semen and also those suffering from sexually transmitted diseases.

Veterinary Health Care

3.2.9 Non-establishment of Veterinary Institutions

As of March 2005, Veterinary health care to the livestock, poultry and other animals (Pets and wild animals) were provided by the Department through a wide network of 1,323 institutions comprising six Poly Clinics (PCs), 22

Clinician Centres (CCs), 139 Veterinary Hospitals (VHs) and 1,156 Veterinary Dispensaries (VDs). Apart from these, 55 mobile units were also functioning.

The number of veterinary institutions was much lower than that recommended.

National Commission on Agriculture recommended a norm of one veterinary institution for 5,000 cattle units[6] by the year 2000. However, only 1,323 veterinary institutions of different categories were functional as of March 2005 against normative requirement of 2,629, the shortfall being 50 *per cent* (**Appendix XIX**). While the number of veterinary institutions were more than the normative requirement in four districts (Kanniyakumari, Theni, The Nilgiris and Chennai) there was shortfall ranging between 19 and 69 *per cent* in the remaining 26 districts. As a result of inadequate number of institutions, the average number of livestock served per veterinary institution in Tamil Nadu was 9,939 as against the prescribed norm of 5,000 indicating that the services provided by them were over stretched.

Government stated (December 2005) that additional veterinary dispensaries would be established in a phased manner.

3.2.10 Absence of proper infrastructure in veterinary institutions

Inadequate infrastructure in test checked institutions.

The position regarding the non-availability of prescribed infrastructural facilities in the test checked institutions was as follows:

Type of Institution	Number test checked	No. of institutions which lacked the infrastructure (*Per cent*)
Clinician Centre	4	X-ray: 3 (75), Inpatient shed: 1 (25) and Operation Theatre (OT): 3 (75)
Veterinary hospital	10	OT: 10 (100)
Veterinary dispensary	33	Treatment shed: 11 (34), Water: 8 (24) and Power: 8 (24)

No expenditure was incurred on capital works during 2002-04 and only a meagre sum of Rs 14 lakh was incurred during 2004-05. Even while ordering upgradation of sub-centres to VDs during 2003-05, the Government directed not to incur any expenditure on infrastructure, equipment, medicine and staff for new VDs.

3.2.11 Performance of Poly Clinics

The PCs, being the largest veterinary institution, were provided with a sanctioned strength of up to six veterinarians as against just one veterinarian for a VD/VH/CC. All the six PCs in the State are located within Corporation area of the six major cities[7]. Even though better equipped and well manned, the annual output per veterinarian in three of the test checked PCs (Chennai, Coimbatore and Madurai) in respect of cases treated and AI done was much

6 One cattle unit = one cattle or one buffalo or ten sheep/goat or five pigs or 100 poultry birds.

7 Chennai, Coimbatore, Madurai, Salem, Tiruchirappalli and Tirunelveli.

lesser than the average of the work done in the test checked institutions of lower category (10 VHs and four CCs) as depicted below:

	Year	Average number of cases examined per annum per VH/CC in test checked districts	Number of cases examined per veterinarian per annum in Poly Clinic at		
			Chennai	Madurai	Coimbatore
Artificial Insemination	2002-03	2,118	24	306	220
	2003-04	2,422	17	306	183
	2004-05	2,064	9	311	123
Cases treated	2002-03	17,429	5,780	5,908	4,188
	2003-04	16,055	5,825	5,404	4,423
	2004-05	16,221	5,773	5,587	4,400

Test check also revealed that 61 *per cent* of the cases treated in the three PCs mentioned above were pet animals. Chennai, with a livestock and pet animal population equivalent to 7,453 cattle units was entitled to just one veterinary institution. Against this, the city had three major institutions[8]. In addition, about 200 veterinarians had established practicing veterinary in the city. While, pet animals, accounted for 71 *per cent* of the animals treated in PC at Chennai during 2002-05, the cattle and buffalo accounted for just 16 *per cent* of the total cases treated. Further, Chennai Municipal Corporation had employed two Veterinarians to control Zoonotic[9] diseases. Moreover, a ban on maintenance of cattle within the limits of Chennai Corporation is in existence since 1936. Thus, the volume and nature of work of Poly Clinic, Chennai does not justify its sanctioned staff strength of 31 inclusive of five veterinarians. Government stated that the sanctioned staff strength at Chennai was necessary to provide (a) care to pets of the poor and (b) services of PC round the clock. Government, however, did not explain why PC at Chennai should function on 24-hour basis and why AHD should be burdened with care of pets.

Prevention and Control of Diseases

3.2.12 Lack of Quality Control in vaccination

Absence of a system for monitoring the quality control in vaccination.

Though the AHD administered more than 2.69 crore vaccinations annually during 2002-05 to livestock, no system existed to ensure the quality of vaccinations carried out. After an outbreak of Foot and Mouth Disease (FMD) during December 2002 in vaccinated animals belonging to the Department's Farm at ECBF, Eachenkottai, the Director, CRL, Chennai, collected 11 blood samples from vaccinated (October 2002) but unaffected animals for conducting titre test[10]. The test results established that the vaccination had not caused adequate immunity against FMD. However, no enquiries were conducted to find out the causes for failure of vaccination. The incidence of

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8 PC, Saidapet, a VH at Royapuram (North Chennai) and another VH at Vepery maintained by the Madras Veterinary College.

9 Human diseases spread by diseased animals.

10 Test to assess the level of immunity.

outbreak in vaccinated animals among animals maintained in a farm of the Department indicated the poor effectiveness of vaccination administered and the need to ensure its quality through a properly designed system of monitoring. Such a system exists under the Centrally sponsored Foot and Mouth Disease Control Programme[11] (FMDCP), wherein random blood samples are collected from vaccinated animals prior to and after vaccination to assess the level of immunity developed in them. The Department should have developed a similar inbuilt monitoring system in the vaccination scheme in other districts also to ensure the quality of vaccination. The Director, CRL informed (July 2005) that sufficient number of test kits were not available with the Department to carry out such large scale monitoring. The DVS during discussion (August 2005) accepted the suggestion of audit to undertake random assessment of immunity levels of vaccinated animals.

3.2.13 Functioning of Institute of Veterinary Preventive Medicine

The Institute of Veterinary Preventive Medicine (IVPM), Ranipet, a unit of the AHD, produces and supplies vaccines, Diagnostics[12] and a few pharmaceutical products. The IVPM co-ordinates with the Indian Council for Agricultural Research in conducting investigations on FMD outbreaks and also assists the Department in disease-diagnosis.

The year-wise target fixed by the DVS for production of vaccines, actual quantity indented by field institutions and supplies made by IVPM in respect of the three major bacterial vaccines during 2002-05 was as follows:

(Doses in thousands)

Name of vaccine	2002-03			2003-04			2004-05		
	T	I	S	T	I	S	T	I	S
Black Quarter	2600	2744	1265 (46)	2600	2148	1104 (51)	3240	3218	2491 (77)
Haemorrhagic Septicaemia	2600	2313	1478 (64)	2600	1911	1456 (76)	3600	3387	3021 (89)
Enterotoxaemia	500	616	267 (43)	500	639	229 (36)	300	410	151 (37)

T: Target; I: Indent; S: Supply.

(Figures in bracket represent percentage of supply to that indented).

Insufficient manpower resulted in shortfall in achievement under vaccine production in IVPM, Ranipet.

The Director in-charge, IVPM attributed (June 2005) the shortfall in achievement to insufficient manpower and added that indents from outbreak reported areas were met in full. While 43 out of 80 posts (54 *per cent*) of technical officers and 156 (out of the 313) other categories of posts (50 *per cent*) were vacant (June 2005) for various periods, the post of the Director in-charge (equivalent to the Additional Director of Animal Husbandry) was

11 Implemented within Tamil Nadu in Kanniyakumari District only.

12 Antigens and Reagents.

vacant for 30 months and two posts of Senior Research Officers (equivalent to Joint Directors of Animal Husbandry) were vacant for 12 and 32 months respectively (May 2005).

Essential posts like Assistant Research Officers/Research Officers and Senior Research Officers/Director, for which the candidates were to possess M.V.Sc., and Ph.D., qualifications, could not be filled up as the Government discontinued sponsoring of staff for higher studies (1997). Thus, non-filling up of essential posts affected the normal functioning of IVPM and had contributed to shortfall in vaccine production. Government stated (December 2005) that one post of Senior Research Officer was filled up in August 2005 and action is being taken in filling up other required posts. Government also attributed (December 2005) the shortfall to non-approval/ delayed approval of tender for some raw materials required for producing vaccines by Tamil Nadu Medical Services Corporation.

Non-renewal of licence for production of (a) vaccines (b) diagnostics and pharmaceutical products since December 2000 and December 2002 respectively.

The licence for (a) vaccines and (b) diagnostics and pharmaceutical products of IVPM granted by the Director of Drugs Control of the State Government lapsed in December 2000 and December 2002 respectively. Further renewal was denied by the Director due to non-adherence to 'Good Manufacturing Practices' (GMP) prescribed (December 2001) by the GOI and made effective from 1 January 2004 for all licensed drug manufacturers. Despite absence of a licence, IVPM continued to manufacture and supply vaccines to the AHD. Government stated (December 2005) that the Central and State Drug Control authorities had conducted necessary inspections in August 2004 and May 2005 and orders for renewal of the existing licences are awaited. IVPM also submitted (December 2004) to the DVS a proposal for upgradation of its entire production facilities to GMP standards at a cost of Rs 37.75 crore by obtaining financial assistance from the National Bank for Agriculture and Rural Development (NABARD). The proposal was yet to be finalised (December 2005).

The Staff and Expenditure Reforms Commission (SERC), in its report (2002) observed that in view of the availability of new varieties of vaccines and medicines in the open market and in order to ensure its financial viability, IVPM should expand its activities to produce larger volumes for sale in other States as well as for export and it should consider production of only those items which were not readily available in open market. SERC recommended (2002) that a technical team with certain outside experts and Departmental officers be constituted to study the functioning of Institute and prepare a plan for maximising its productivity and profitability. The recommendations of SERC had not been acted upon and the importance of studying the functioning of the Institute gains importance as expenditure of Rs 37.75 crore had been proposed for upgradation of facilities for adherence to Good Manufacturing Practices as had been prescribed by the GOI.

3.2.14 Animal disease surveillance

Early forecasting of occurrence of different diseases is necessary to initiate timely action for control of diseases. Forecasting outbreaks is done through collection and compilation of data relating to various diseases by 15 Animal Disease Intelligence Units (ADIUs). Though it was proposed to establish 15 new ADIUs at a cost of Rs 13.44 crore during Tenth Five Year Plan at the rate of three per annum, no ADIU was established till July 2005.

Vacancies in posts affected disease surveillance.

The ADs and VASs of ADIUs have to undertake extensive tour of their districts to visit veterinary institutions, examine animals and collect samples. Test check of two ADIUs (Thanjavur and Madurai) disclosed that as against the target of 240 days and 180 days of field visits by the ADs and the VASs respectively, the average number of days of visits by the ADs and the VASs of ADIU, Thanjavur was only 118 (49 *per cent*) and 152 (85 *per cent*) respectively. AD, ADIU, Thanjavur stated that the poor achievement in respect of field visits was mainly due to non-availability of vehicles. However, test check disclosed that all the seven posts of Laboratory Assistants and Laboratory Attenders in the two test checked ADIUs were vacant for periods ranging from four to seven years and ADIUs were not equipped to diagnose viral diseases which accounted for about 73 *per cent* of total out breaks. As a result samples were sent to the Central Referral Laboratory (CRL), Chennai for diagnosis. The AD, ADIU, Madurai informed (March 2005) that diagnostic kits for Blue Tongue/Pesta Des Petits Ruminants (PPR) and other viral diseases and 'ELISA kits & Readers' would be necessary to confirm their outbreaks. Even though screening of animals for Tuberculosis and Jhonin disease were one among the duties of ADIUs, no screening was done by the ADIUs during 2002-05 except ADIU, Madurai, who had screened nine samples in 2002-03. Government stated (December 2005) that due to fuel ceiling restriction the required number of field visits could not be undertaken and action is being initiated for getting extra allotment of fuel to ADIUs. Government further stated that due to ban on recruitment for entry level posts, Laboratory Assistants and Laboratory Attenders could not be recruited.

Fodder Development

The economic viability of livestock rearing depends on availability of feed and fodder, as feeding constitutes 65 to 70 *per cent* of the total cost of livestock farming. During 2004-05, the total requirement of dry fodder and green fodder for the bovine population of the State was 172.10 lakh MT and 645.38 lakh MT per annum respectively and the gap between the availability and normative requirement was 27 and 80 *per cent* respectively.

3.2.15 Defects in regulation of conversion of grazing land

The green fodder for livestock are mainly derived from grazing lands and pastures whose area in the State shrunk from 1.26 lakh hectare to 1.18 lakh hectare between 1990 and 2003. With a view to prevent this declining trend, the Government ordered (December 2001) that such lands should not be transferred to other Departments, without the approval of the AHD. In cases of necessity, the District Collector should identify an equivalent area of land for conversion as grazing land and the user Department should pay Rs 15,000 per hectare as cost for development of alternative grazing land, which has to be deposited by the user Department in the Local Fund Deposit account of the Panchayat Union concerned. Government, however, did not specify how and by whom the amount collected would be utilised to develop grazing land. Even after the issue of the order, the area of grazing land continued to decline. Proper procedures had not been evolved pursuant to the directions of the Government for converting of grazing land as a result of which though grazing land has declined to the extent of 150 hectares during 2001-03, the revenue actually collected was Rs 30,375 from 2.025 hectares of grazing land upto August 2005.

3.2.16 Deficiency in implementation of fodder development works under drought relief

Mention was made in paragraph 3.7 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2004 - Civil regarding diversion of Rs 10 crore provided by the GOI for calamity relief measures for development of fodder. Test check of records of ECBF, Eachenkottai revealed the following.

Despite the emergency in tackling the drought, the relief works in ECBF which included land levelling, bore wells, pipelines, electrification, etc. were completed belatedly in April 2004 and then the fodder cultivation started. The harvesting of fodder began in June 2004, *i.e.*, almost 18 months after sanction of funds for drought relief. The production of fodder was only 2,268 MT during 2004-05 against the envisaged quantity of 7,620 MT per annum and sale/supply was only 342 MT including free supply of 140 MT to Tsunami affected areas of the State. The fodder produced could not be sold as there was no demand for fodder from farmers due to sufficient rainfall by then. Also sufficient manpower was not available for cultivating the entire land developed (155 acres), the area for subsequent cultivation was reduced to 86 acres. Due to lack of buyers, the green fodder produced in the Farm was converted into dry fodder and stored for feeding Farm animals. The efforts of the AHD to sell the fodder had not been successful, despite reduction in price as drought situation no longer exist. Accepting the fact of delay in production of green fodder, the Government stated (December 2005) that for want of manpower, the entire area could not be used for cultivation of fodder.

Human Resource Management

3.2.17 Large vacancies at higher level posts

Higher level posts are vacant despite availability of qualified persons.

The sanctioned strength, men in position and vacancies in the higher cadres (as of July 2005) was as follows:

Post	Sanctioned	Existing	Vacancy (Percentage)
Additional Director	3	2	1 (33)
Joint Director	25	2	23 (92)
Deputy Director	32	16	16 (50)
Assistant Director	121	101	20 (17)

The DVS informed (July 2005) audit that promotion panels in respect of all these cadres were pending with the Government. Thus large number of vacancies at higher levels, despite availability of sufficient number of qualified candidates, mainly due to procedural delays, had adverse impact on functioning of the Department.

As of July 2005, 22 out of 25 posts of RJDs were held by DDs (12) and ADs (10) on additional charge basis, affecting the hierarchy and resulting in such subordinate officers (DDs and ADs) functioning as their own controlling officers. This had made the system of supervision and control ineffective. Government stated (December 2005) that two posts of Additional Directors, 17 posts of RJDs and eight posts of DDs had since been filled up.

Insufficient Manpower in Veterinary Institutions

Against the total sanctioned strength of 1,606 veterinarians (VAS& Veterinary Surgeon (VS)), as of July 2005 in the State, 252 posts (16 *per cent*) were vacant. In the cadre of LIs and Animal Husbandry Assistants (AHAs), the vacancies were 62 *per cent* and 48 *per cent* respectively. The vacancy of VAS posts resulted in availability of inadequate veterinary services. Government stated (December 2005) that sanction for filling up 250 posts of VAS through recruitment had been issued.

Test check in three VDs[13] of Thanjavur District, however, revealed that when a VAS proceeded on leave, a LI held that charge in 77 *per cent* of the occasions and a VAS from the nearby VD held charge only on 23 *per cent* of such occasions. Placing the LIs having only a school final certificate to hold charge of the VDs that require to be manned by qualified veterinarians reflected adversely on the quality of veterinary services rendered by the Department.

Government stated (December 2005) that instructions would be issued to the effect that when a VAS proceeds on leave, the charge would be looked after by a VAS and LI would only carry out duties with respect to first aid and AI services.

3.2.18 Monitoring

Shortfall in inspection of subordinate offices by higher officials.

Test check revealed that the RJDs at Kancheepuram and Madurai could complete only 26 *per cent* and 17 *per cent* respectively of their prescribed inspections during 2002-04. This shortfall was attributed to vacancies at RJD level as already pointed out above.

Computerised monitoring of AI services not commenced.

Under NPCBB, the GOI released (March 2003) Rs 30 lakh for computerised monitoring of AI services. The provision covered computers and specialised software (Semen Station Monitoring System and AI Monitoring System) for capturing and analysing data on bull-wise semen collection, FSS production, storage, distribution and insemination. Though the TNLDA procured

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13 Melamathur, Poothathur and Sivarakkottai.

(September 2003), 25 computers and peripherals at a cost of Rs 15.41 lakh and supplied them to four SPSs, 20 FSBs and one for the TNLDA office, the software for use in FSBs for AI monitoring were not procured and supplied (July 2005) resulting in non-commencement of the envisaged monitoring. On being pointed out in audit, CEO, TNLDA stated (July 2005) that procurement of the software from the NDDB would be completed within two months.

Government stated (December 2005) that software would be installed shortly.

3.2.19 Conclusions

The overall objective of providing health care services suffered due to reduction in number of AI centres and consequently inadequate AI coverage, shortage of LIs, short supply of FSS and shortage of bulls conforming to MSP. New technology like Embryo Transfer Technology had not received much attention, resulting in the created infrastructure lying idle. Shortage of technical manpower had an impact on the production of three major vaccines in IVPM, Ranipet. Licence for production of vaccines, diagnostics and pharmaceutical products were not renewed in IVPM, Ranipet since December 2000 and December 2002 respectively due to non-adherence of Good Manufacturing Practices, a mandatory provision stipulated by the GOI.

3.2.20 Recommendations

- Government should accord greater importance to Embryo Transfer Technology to produce higher milk yielding cows.

- The staff strength at Poly Clinics in the six major cities may be reviewed and surplus veterinarians therein posted to man vacancies in rural veterinary institutions.

- To check the efficacy of vaccination, monitoring of vaccinated animals should be introduced.

- To implement the recommendations of SERC regarding improving the economics of production by IVPM, a study by a team of experts may be commissioned.

- Government should prescribe the procedure to be followed for depositing the mandatory Rs 15,000 per hectare whenever grazing land is put to alternative use.

MUNICIPAL ADMINISTRATION AND WATER SUPPLY DEPARTMENT

CHENNAI METROPOLITAN WATER SUPPLY AND SEWERAGE BOARD

3.3 Computerised Billing and Collection in the Chennai Metropolitan Water Supply and Sewerage Board

Highlights

➢ **Incorrect adoption of 'Usage of a Property' (domestic, commercial, etc.) having a bearing on the calculation of Water/Sewerage Charges resulted in short raising of demand of Rs 1.30 crore.**

(Paragraph 3.3.6)

➢ **Failure to adopt the latest Annual Value of property, which is the basis for demanding Water/Sewerage Tax resulted in short assessment of Tax to the tune of Rs 4.97 crore.**

(Paragraphs 3.3.7 and 3.3.8)

➢ **Assigning of more than one Identification Code to the same assessee resulted in raising of demands against both codes and artificially boosting the accrued income of the Board.**

(Paragraph 3.3.9)

➢ **Incorrect posting of collections, non-withdrawal of credits posted for cheques that were subsequently dishonoured, etc., resulted in overstatement of the demands raised by an amount of Rs 3.78 crore.**

(Paragraph 3.3.10)

➢ **Lack of controls to ensure complete transfer of updated data from the Corporation relating to Annual Value of assessed properties resulted in under assessment.**

(Paragraphs 3.3.11 and 3.3.12)

➢ **Due to non-matching of assessee codes between the Corporation and the Board, upward revision of annual value of properties could not be entered into the Board's computer system.**

(Paragraph 3.3.13)

➢ **The Board raised demands on eligible assesses not in the assessee list aggregating Rs 2.91 crore at the instance of audit.**

(Paragraph 3.3.14)

➢ **Based on the observations of audit, the Board has raised additiona demands aggregating Rs 22.95 crore after adoption of correct usage anc rectification of deficiency of non-adoption of the latest Annual Value.**

(Paragraph 3.3.19

3.3.1 Introduction

Chennai Metropolitan Water Supply and Sewerage Board (Board) wa established in 1978 for the maintenance of water supply and sewerage system in the entire city of Chennai. The major source of revenue of the Board i Water and Sewerage Tax payable by all the owners of property in Chennai anc Water/Sewerage Charges payable by only those having water/sewerag connection. As of September 2003, there were 5.17 lakh assessees fo Water/Sewerage Tax and 3.94 lakh consumers for Water/Sewerage Charges For administrative purposes, the entire area under the control of the Board is divided into 10 Areas each headed by an Area Engineer. Water/Sewerage Tax is payable in respect of all properties in the city of Chennai at 3.5 *per cent* o its Annual Value (AV) for each half year as assessed by Corporation o Chennai (Corporation) and Water/Sewerage Charges are levied at varying rates depending on the usage.

3.3.2 Computerisation

Data processing in the Board is done in COBOL[1] on UNIX[2] operating system since 1990. Raising of annual demands that ranged between Rs 179 crore and Rs 192 crore during 1999-2004 and recording collections therefrom are done through the computer system. The related software had been developed in-house. The data assumes criticality as it involves a billing and collection function with no parallel manual system. Errors in data would invariably have financial implications. The Board's Central Office has the prerogative of making policy decisions on the Billing and Collection functions, deciding the rates and making changes in the computer programme accordingly. A new Oracle based system, adopting Relational Database Management System (RDBMS) technology is being implemented on a pilot basis and was under trial run in one out of 10 Areas (July 2005).

3.3.3 Audit coverage

A review on water tax collection system in the Board was conducted in October 1996 and focused mainly on the hardware and application software. The review was included in the Report of the Comptroller and Auditor General of India – Civil - Government of Tamil Nadu for the year ended 31 March 1997 (Para 6.15) and was discussed by the Committee on Public Undertakings (COPU) during October 2003. The recommendations of the COPU on this review were presented to the Assembly in July 2004[3]. On

[1] Common Business Oriented Language.
[2] Uniplexed Information Computing System (UNICS), later known as UNIX.
[3] 148th Report of COPU (XII Assembly).

receipt of the Report on Action Taken by the Government (February 2005) on these recommendations, the COPU presented its Report[4] thereon to the Assembly in April 2005. The issues dealt within these Reports, including recommendation of the COPU wherever relevant to the present review, have been mentioned in the appropriate paragraphs.

The current audit carried out during December 2003 and updated in January 2005 focuses on timeliness and accuracy of data obtained from the Corporation and Municipality of Ambattur and its implication on billing and collection. For this purpose, computer data relating to Areas 5 and 7 for the eighteen-month period from April 2002 to September 2003 were downloaded and examined. These two Areas were selected because Area 5 had the maximum number of assessees (21 *per cent*) and Area 7 had the maximum collection of Water/Sewerage Tax (18 *per cent*).

3.3.4 Results of Data Analysis

As there was no parallel manual system, the Board depended totally on its computer data for the raising of demands, collection and accountal thereof. For this purpose, it was essential that the Board should have data free of errors and inaccuracies. Despite this, scrutiny of the data files disclosed deficiencies in the database as brought out in the following paragraphs.

Lack of General Controls

3.3.5 Non-adoption of information available with civic bodies resulting in short assessment of tax/charges

The Corporation and the Municipality of Ambattur are the agencies from which the Board obtains the AV of each property. Information is also available with these agencies on the usage of the property like commercial, domestic, etc. Failure of the Board to take cognisance of the current AV and the usage details made available by these agencies resulted in short assessment of Rs 6.27 crore as brought out in paragraphs 3.3.6, 3.3.7 and 3.3.8 mentioned below. Even if the short collection is made good by raising fresh demands with retrospective effect, a minimum loss of interest of Rs 93.67 lakh would be irrecoverable.

3.3.6 Short levy of Water/Sewerage Charges at flat rate due to incorrect adoption of usage

The rate of charges for water supply to a property depends on type of usage like domestic, fully or partly commercial, industrial, etc. Incorrect adoption of usage thus has a direct financial implication. While the Corporation also had data on the usage a property was put to, the Board had its own mechanism to assess the usage independently.

4 184th Report of COPU (XII Assembly).

A comparison of the usage adopted by the Corporation with that adopted by the Board for the selected Areas disclosed that in several instances, properties which the Corporation had classified as fully or partly commercial were classified as fully domestic by the Board and was levying water/sewerage charges accordingly. On being pointed out in audit, the Board conducted site inspection and revised their classification as reflected in the table below.

Classification previously adopted by the Board	Half yearly charges for the previous classification (Rupees)	Revised classification by the Board	Half yearly charges for the revised classification (Rupees)	Number of cases
Water Charges - Domestic (Unmetered)	300	Water Charges - Partly Commercial (Unmetered)	900	1,260
- do -	300	Water Charges - Commercial (water non-intensive)	1,200 upto 12/2002 2,400 from 01/2003	703
- do -	300	Water Charges - Commercial (water intensive)	2,400 upto 12/2002 3,900 from 01/2003	29
- do -	300	Sewerage charges - Partly commercial	450 upto 12/2002 900 from 01/2003	84

Failure of the Board to adopt the correct usage of the properties resulted in short assessment of water charges of Rs 1.30 crore.

The overall minimum short assessment in respect of such incorrect adoption of usage during the period October 1998 (the date of last general revision of property tax) to September 2003 made available to audit by the Board worked out to Rs 1.30 crore for the two selected Areas alone and the short assessment continued. The Board is, however, required to ascertain the exact dates from which the properties were under the incorrect usage and effect the recovery of the short assessment. If there was a system in place to conduct a site inspection whenever the usage of a property as per the Board differed with that of the Corporation, the errors as depicted above would not have occurred.

On being pointed out in audit, the Managing Director (MD) of the Board stated (June 2004) that revised demands for Water Charges aggregating Rs 5.47 crore had been raised in respect of 8,756 cases in all the 10 Areas. On further observation by the audit, the Board stated (January 2005) that demands were raised for the post October 1998 period only due to practical difficulties. As such the action taken by the Board remained incomplete.

Even if the Board recovers the entire amount demanded, the loss of interest due to such belated recovery will be approximately Rs 20.65 lakh calculated at an interest rate of six *per cent* per annum. This loss is irrecoverable.

3.3.7 Short levy of water tax due to non-adoption of the latest AV of the property

According to the Chennai Metropolitan Water Supply and Sewerage Act, 1978, the AV of all properties shall be assessed by the Corporation. Despite this, no system had been evolved with the Corporation to furnish to the Board all changes in AV, in any definite mode or periodicity. Conventionally, officials of the Board visit the Corporation at intervals of around two months and obtain changes in AV that had occurred since their last visit. There is no system or control to ensure that all changes made in the AV of properties by the Corporation had been duly obtained and incorporated in the Board's computer system. The Corporation is free to change the AV in respect of any property from any date and the Board had no alternative but to obtain and adopt the updated AV from the Corporation and alter the Water Tax accordingly.

Failure of the Board to adopt the updated Annual Values as assessed by the Corporation, resulted in short assessment of Water Tax of Rs 13.90 crore.

A comparison of the AV adopted by the Board with that in the Corporation (as in March 2003) in respect of two selected Areas disclosed that in 8,991 cases, the AV adopted by the Board was less than the AV in the data at the Corporation, resulting in a short assessment of Water Tax to the tune of Rs 4.73 crore for the period October 1998 to September 2003. The aggregate percentage of short assessment was 39.77 and the number of short assessments falling in different ranges was as below:

Percentage of short assessment	Number of cases
Less than 20	1,668
Between 20 and less than 40	2,005
Between 40 and less than 60	2,493
Between 60 and less than 80	1,807
More than 80	1,018
Total	**8,991**

The Board stated (January 2005) that, at the instance of audit, additional demands have been raised in respect of 37,099 cases involving an amount of Rs 13.90 crore for all the 10 Areas. Even if the Board recovers the entire amount, the loss of interest due to belated recovery will be Rs 73.02 lakh calculated at the interest rate of six *per cent* per annum. This loss is irrecoverable.

3.3.8 Absence of system for updation of AVs resulting in short collection

Absence of a system to update the AV of the properties in Board's data to conform with that in Ambattur Municipality resulted in short assessment of water tax amounting to Rs 24.21 lakh.

The Board supplies water to a part (18,623 assessees) of the Municipality of Ambattur adjoining the City and is dependent on the Municipality for the data of the AVs of the properties for the calculation of Water Tax. The AV of these assessees incorporated in the Board's computer records at the time of their inclusion as assessees had remained unchanged for more than two decades. There was no system for keeping track of changes in the AV at the Municipality and inclusion of new assessees by them resulting in huge financial loss to the Board. Further, General Revision Survey (GRS) carried out by the Ambattur Municipality in October 1998, which brought about a minimum increase of 20 *per cent* on the prevailing AV had also not been taken into account in respect of 11,459 assessees resulting in a minimum short assessment of Rs 24.21 lakh to the Board computed for the period between October 1998 and September 2003. The data at the Board should have been compared with that at the Municipality and the AVs updated to avoid further loss to the Board.

The MD of the Board stated (July 2004) that it had raised additional demands of Rs 66.81 lakh in respect of 7,983 assessees of this Municipality. However, audit noted (January 2005) that the action was confined to the post October 1998 period and was thus incomplete. Demands should have been raised in respect of all properties that existed prior to October 1998.

Errors and inaccuracies in data

3.3.9 Assigning of more than one code to the same assessee and duplications in master file

The master file with one record per assessee contains assessee code, name, address, AV, etc. Examination of this file disclosed several instances where a customer had more than one record each having different codes with the same or different Annual values. All such duplications in the master file could not be detected through any programme or query.

As a result of such duplications it is observed that

Duplications had arisen in master file due to assignment of more than one code to the same assessee. Demands were raised against both the codes, overstating the accrued income of the Board.

- the master file depicted more number of assessees than the actual;
- demands were raised in respect of the original and the duplicate codes in all such duplication cases;
- while assessees continued to pay demands raised against one of these codes only, the demands raised against their duplicate codes continue to remain outstanding; and
- the duplication in codification had the effect of raising fictitious demands. This resulted in boosting the figures under the heads 'Income from Water and Sewerage Tax' and 'Sundry Debtors'.

In response to the audit observations, the MD of the Board stated (June 2004) that 1,113 duplicate codes in all the Areas had been eliminated.

3.3.10 Wrong/Excess credits posted to the accounts of assessees and high percentage of error in data

The Demand files of the sample Areas 5 and 7 (as of October 2003) containing complete record of all demands and collections from the inception of the system disclosed excess collection of Rs 3.78 crore over the demands raised in respect of 20,538 assessees. The reasons, as advanced by the Board, for such wrong/excess credits and action to be taken for their rectification is tabulated below.

Incorrect postings of collections resulted in excess posting of credits, affecting the integrity of data. Collections were overstated by Rs 3.78 crore.

Sl. No.	Reasons	Action to be taken
1.	Incorrect postings of amounts relating to other assessees[5].	These amounts should be removed and posted to the accounts of correct assessee or placed under a suspense account.
2.	Non-withdrawal of credits posted from cheques that were later dishonoured.	Computer system should be modified to keep track of the actual collection of the cheques and treat the receipt as final only after its realisation as in the existing system the cheques that are received are accounted towards income that has accrued.
3.	Subsequent reduction in demand for some reasons in cases where original higher demand was paid in full.	The module for reduction of Annual Value and consequently the demands should be provided with facility for adjusting the excess credits against future demands.

As a result of such faulty/incorrect posting of collections, in case of 20,538 assessees (out of 1,40,915) in Areas 5 and 7, the collection exceeded the demand raised. The error level of 14.57 *per cent* adversely affected the integrity of the data. Government stated (July 2005) that (a) 3,059 cases involving Rs 1.15 crore had been rectified and remaining cases were being attended to and (b) software had been modified to guard against such errors.

3.3.11 Lack of General Controls and lacunae in transfer of data from the Corporation

The quantum of Water/Sewerage Tax payable by each assessee per half year is 3.5 *per cent* of the AV of the property. The AV in turn is determined by the Corporation for its taxation purpose and adopted by the Board as well. The Board adopts the assessee code assigned by the Corporation as key for the purpose of such transfer of data.

As the assessee codes in the Corporation and that in the Board did not match with each other, smooth flow of essential information from the Corporation to the Board was not possible which had caused losses to the Board.

Scrutiny of data in respect of the sample Areas disclosed (December 2003) that there were 6,037 codes in the Board that were not available in the Corporation and 302 codes *vice versa*. In respect of all these cases, the flow of data from the Corporation to the Board will not be possible and periodical changes in the AV made by the Corporation will not get reflected in the accounts of the Board resulting in under-assessment as detailed in the succeeding paragraphs.

3.3.12 Assignment of temporary codes in the Board

There were instances where water connection was given to a property even before the Corporation assessed it for tax and assigned a code to it. For collection and accounting of the Water Charges due, the consumer is assigned a temporary code by the Board incorporating a "T" as part of its 13-digit code. This temporary code was to be replaced with the permanent code when assigned by the Corporation.

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[5] This observation was also made in the earlier Audit review (Paragraph 6.15.4 (a) (iv)) and the COPU has sought further details in its 184th Report (XII Assembly).

In Area 5, it was observed (June 2004) in audit that in 86 cases temporary codes were in operation despite the AV of the property being available. It is apparent that the Corporation had already assigned their regular assessee codes which the Board failed to adopt. Consequently, the Board will not be able to adopt any further changes in their AV made by the Corporation which would result in under-assessment in future.

The MD of the Board stated (June 2004) that (a) in Area 5 regular codes had been allotted in respect of 44 cases, (b) action was being taken in the remaining cases and (c) instructions had been issued to other areas to take corrective action. Government reiterated the same reply in July 2005.

3.3.13 Differences in assessee codes between the Corporation and the Board

In the sample Areas, there were 6,037 codes of assessees in the Board, which were not available in the Corporation. The assessees existed in the Corporation's database also, but with different codes. In these circumstances, any upward revision of the AV relating to these assessees could not have reached the computerised accounts at the Board. However, the total actual under-assessment on this account could not be quantified.

The MD of the Board stated (June 2004) that (a) 2,428 incorrect cases were removed, (b) corrective action had been taken in respect of 1,769 cases and (c) 619 cases relating to vacant lands, educational institutions etc., suffered no General Revision of Survey (GRS). However, the Board was yet to act on the remaining 1,221 cases (July 2005) and similar exercise was due in respect of remaining eight Areas as well.

3.3.14 Eligible assessees not brought under Assessee List

Properties assessed by the Corporation not brought under the assessee list of the Board resulting in loss of Rs 10.90 lakh.

A comparison of the assessee list available in the Corporation with that in the Board disclosed that in respect of 302 cases in the two selected Areas, properties assessed for tax by the Corporation were not brought under the assessee list of the Board. Such cases of omission dated back to more than eight months resulting in under-assessment of Rs 10.90 lakh by the end of 30 September 2003 and loss on this account would also be recurring. Government reiterated (July 2005) the reply of the MD of the Board (June 2004) that 2,128 cases had been identified in all the Areas and included afresh in the accounts and demands aggregating Rs 2.91 crore raised pertaining to the period October 1998 to September 2004. It is seen that the inclusion of assessees was from periods after October 1998 only. A verification of the Corporation data disclosed that there were cases relating to periods prior to October 1998 also and hence the corrective action taken so far was incomplete.

3.3.15 Lack of General Controls leading to incorrect calculation of surcharge

The Board introduced (October 1997) surcharge on all belated payments at the annual rate of 24 *per cent* on Water Tax, 18 *per cent* on Water Charges for domestic consumers and 24 *per cent* for both Tax and Charges for commercial consumers. The rate of surcharge was reduced to 15 *per cent* per annum for all class of assessees with effect from April 2003. Surcharge was payable from the first day of a half year for payments relating to the previous half year and from the 31st day of serving a notice in respect of any increase in the amounts due. In case of increases in Tax due to the GRS carried out in October 1998, the related surcharge was applicable only from April 2002. During 2002-03, collection of surcharge on belated payments fetched an income of Rs 16.88 crore to the Board. Despite this, there were deficiencies in the calculation of surcharge and the mode of its collection as brought out in the succeeding paragraphs.

3.3.16 Excess calculation of Surcharge by computer system

The computer system calculated the surcharge in excess ignoring the effective due dates and time allowed for payment. This resulted in a manual recalculation in over 18,000 cases.

A provision was made in the software to calculate the surcharge payable by assessees. However, in respect of all increases in tax with retrospective effect and tax increases due to general revision, etc., the computer system calculated the surcharge from the date of effect of the increase, ignoring the date of intimation of the increase and time allowed for payment. In all these cases, the surcharge had to be recalculated manually at the collection point. As a result, surcharge of Rs 1.52 crore was calculated manually and collected in 18,804 cases in the selected Areas alone wherein the surcharge calculated by the computer was Rs 3.91 crore. A test check revealed that in 44 cases, involving Rs 1,014, the manually calculated surcharge was incorrect. Similarly, in 884 cases the computer calculated surcharge was collected despite the same being in excess of the actual surcharge. Such manual recalculation of surcharge is undertaken only in the Area offices and not at other collection points, that too when expressly asked for by the assessees. Thus inaccuracies and arbitrariness existed in the manual recalculation of surcharge. Though the collection of dues was done at the Head Office, the Area offices, the Depots and selected Bank branches, only the Area offices were authorised to recalculate the computer calculated surcharge. In all other collection points, surcharge as calculated by the computer system was collected, ignoring inaccuracies, if any, therein. Even in the Area offices the amount of surcharge incorrectly calculated by the computer was not corrected in all the cases that required correction.

Thus, on account of the computer system providing an inaccurate figure for surcharge, wide ranging practices were followed at the Area offices by the collecting officials, while correcting figures that had been calculated by the computer system. Government in its reply (July 2005) stated that in the new Oracle system under implementation, the surcharge would be calculated from the date of intimation of revision of tax demand and the other deficiencies pointed out will also be taken care of.

Excess Surcharge as calculated by the computer system was collected from a majority of the assessees.

Revision of the AV is normally done by the Corporation with retrospective effect of a few months to a few years leading to a corresponding revision of Water Tax from the same earlier date. The computer programme, due to deficiency, instead of calculating the surcharge from the date on which intimation with regard to revision was made after allowing for grace period admissible for making payment, incorrectly computed the revised water tax from the date from which the AV of the property had been retrospectively revised. Resultantly, due to incorrect computation the amount levied as surcharge was higher and in a test check audit noticed that this incorrect computation not only caused excess billing but this billed amount was also collected from the assesses. Though the Government stated (July 2005) that the excess amount collected from the assesses are refunded/adjusted against the future demand no specific details were furnished regarding the number of cases and the quantum of refunds/adjustment made, etc. Government had been addressed (August 2005) to furnish specific details regarding refunds/adjustments made.

3.3.17 Updation of software in calculation of surcharge

Though it was within the scope and feasibility of the computer system, it was not programmed to project the exact amount of surcharge due from an assessee. Several of the deficiencies discussed in paragraph 3.3.16 were directly attributable to this deficiency. The only additional data required for the purpose is the date of serving of notice on any increase in tax to the assessee. Calculation of surcharge by the computer system without vouching for its correctness was the root cause of several inconsistencies seen in the calculation and collection of surcharge by the Board. Government stated (July 2005) that the inconsistency has been taken care of in the new system planned to be fully implemented by March 2006.

3.3.18 Inadequacy of Internal Audit

Failure of Internal Audit to point out the short assessments resulted in loss of interest Rs 93.67 lakh.

Internal audit at the Board is not technically equipped to examine the totally computerised billing and collection functions. While policy decisions were made at the Central Office and computer programmes were developed by them, there was no effective mechanism to monitor the correctness of the implementation thereof at the Area offices. Due to this, short assessments and incorrect procedures followed at the Area offices remained undetected. The loss of interest of Rs 93.67 lakh could have been avoided if Internal Audit had pointed out such short collections in time.

Government stated (July 2005) that Internal Audit would take up the verification of records of taxes and charges in each Area and that the Board proposes to engage Chartered Accountants for this purpose.

3.3.19 Conclusions

Though the application software used by the Board was generally dependable, the database for computation was not free from deficiency. The programme was not designed properly so as to compute the correct amount of surcharge that has to be levied and therefore, for computation of surcharge manual calculation was also resorted to, which caused non-uniformity of procedures in computation. Despite the Board having depended entirely on the Corporation for the AV of properties, no definite and regular arrangement was in place for obtaining the same from the Corporation at prescribed periodicity. As a direct consequence thereof, there was an under-assessment of Rs 4.73 crore towards Water/Sewerage Tax and Rs 1.30 crore towards Water Charges apart from loss of interest of Rs 93.67 lakh in respect of the two selected Areas alone. No system had been formulated for updation of data relating to assessees in the Ambattur Municipality resulting in considerable recurring loss to the Board. The overall quantifiable short collection incurred by the Board in respect of the selected two Areas alone was Rs 6.27 crore. The Board accepted most of the audit findings and had also initiated corrective action in terms of rectification in the programme or in system of conversion of data. Further, while the audit findings were limited to only two areas out of ten in the city, the Board in raising of additional demands, pursuant to audit findings, also covered the balance areas. Thus, at the instance of audit, total additional demands in all the areas that has been raised aggregates to Rs 22.95 crore uptill July 2005.

3.3.20 Recommendations

- Validation controls should be introduced at the data input stage so as to guard against duplicate entries by validating earlier recorded assessee name/ door number/ street name, etc.

- Proper system for periodic updation and reconciliation of data should be evolved so as to ensure that property records as are maintained by the Corporation and those that are entered in the database of the Board match.

- A methodology should be evolved out whereby the Board should periodically countercheck the classification that has adopted by the Corporation.

- Provision should be made for the calculation of the exact amount of surcharge on belated payment of dues, taking into account all parameters.

- The Internal Audit System should be equipped to examine computer data and ensure the correctness of the assessments and collections periodically to avoid time-barred assessments and resultant loss of interest.

MUNICIPAL ADMINISTRATION AND WATER SUPPLY AND PUBLIC WORKS DEPARTMENTS

CHENNAI METROPOLITAN WATER SUPPLY AND SEWERAGE BOARD

3.4 Augmentation of Water Supply to Chennai city from Veeranam tank

Highlights

➢ **Decision to avail subsequent instalments of a loan without considering the option of other available loans at lower rate of interest resulted in extra liability of Rs 82.43 crore.**

(Paragraph 3.4.8)

➢ **The Chennai Metropolitan Water Supply and Sewerage Board failed to avail the net benefit of Rs 1.68 crore on interest payments offered by Life Insurance Corporation of India for reducing the rate of interest on payment of compensation.**

(Paragraph 3.4.9)

➢ **Failure to provide shutters and inadequate height of the concrete structure in foreshore bund resulted in wastage of water; besides, the objective of storage of additional water was not achieved.**

(Paragraphs 3.4.11 and 3.4.12)

➢ **Delay in finalisation of tenders, commencement of work and failure to define the tender specifications without ambiguity resulted in extra expenditure of Rs 246.25 crore and Rs 11.59 crore respectively.**

(Paragraphs 3.4.17 to 3.4.19)

➢ **Failure of the Chennai Metropolitan Water Supply and Sewerage Board to consider the economical option without affecting the quality of work resulted in excess infrastructure and extra expenditure of Rs 7.95 crore.**

(Paragraphs 3.4.20 to 3.4.23)

➢ **Failure to ensure the fulfilment of contract conditions resulted in extra expenditure of Rs 20.43 crore.**

(Paragraph 3.4.24)

➢ **Unnecessary sinking of 15 borewells without requirement and pre-project expenditure on a new Project which was dropped resulted in extra expenditure of Rs 8.99 crore.**

(Paragraphs 3.4.25 and 3.4.26)

3.4.1 Introduction

The Telugu Ganga Project taken up by the Government of Andhra Pradesh for supplying 12 thousand million cubic feet of water every year from the Krishna river to Chennai city scheduled to be completed by 1989, was nowhere close to completion even by 1992. In order to make good the shortfall, the Government of Tamil Nadu sanctioned (August 1993) New Veeranam Project (NVP) to supply 180 million litres per day (mld) of water to Chennai city from the Veeranam tank situated 227 km away at Cuddalore District without affecting the existing irrigation needs met by the tank.

The NVP envisaged increasing the capacity of the tank (source development works) and laying transmission line to transport the water to Chennai city. However, anticipating receipt of water from the Krishna river to Chennai city, the Government decided (August 1996) to drop the transmission component of the NVP but continued the source development works. As the expected supply of water from the Krishna river was not received even by 2001, the Government ordered (August 2001) revival of transmission component of NVP in the name of Chennai Water Supply Augmentation Project (CWSAP). The works, commenced in February 2003, were completed in September 2004 and water supply started from October 2004.

Government sanctioned two contingent schemes to supplement water from Veeranam tank in times of drought. The scheme to bring 60 mld of water from Neyveli aquifer to Chennai city was taken up in April 2003 and completed in April 2004. Another scheme called 'New Veeranam Extension Project' (NVEP), sanctioned in January 2005 to bring 150 mld sub-surface water from river Coleroon to Veeranam tank was dropped (April 2005) due to agitation by the affected farmers.

3.4.2 Implementing agencies

The source development works under NVP were executed by NVP divisions I and II of Public Works Department (PWD) supervised by one Superintending Engineer (SE-NVP) and monitored by the Chief Engineer, Chennai region (CE) under the administrative control of the Engineer-in- Chief (E-in-C).

The works under CWSAP and the two contingent schemes were implemented by the Chennai Metropolitan Water Supply and Sewerage Board (Board). The functions of the Board are guided and monitored by a Board of Directors consisting of officers functioning under the administrative control of Municipal Administration and Water Supply Department (MA&WS). The Managing Director (MD) is the executive head of the Board.

3.4.3 Audit objectives

The Performance Audit of (a) source development works under NVP, (b) CWSAP, (c) contingent scheme to tap water from Neyveli aquifer and (d) NVEP was conducted with a view to assess whether

- the Veeranam tank source is dependable to supply 180 mld of water to Chennai city

- the Board raised finance at cheaper cost to implement CWSAP
- appropriate procedure was adopted for awarding the work and the works were executed economically and efficiently and
- the infrastructure was created for optimum requirements using latest standards and specifications and at economical cost.

3.4.4 Audit criteria and methodology

The basic criteria used for assessment of the formulation and the execution of the projects for achieving their objectives in an economical and efficient manner was the extent of adherence to the norms and specifications laid down in the Manual of Central Public Health and Environmental Engineering Organisation (CPHEEO) and publications of Indian Standards (IS) applicable to water supply schemes. The specific criteria followed were whether

- project finances were managed economically and efficiently
- storage and transmission of water as contemplated was achieved
- Government guidelines and other specifications were adhered to in the works
- prescribed tender procedure was followed and tender specifications were clear and adhered to in execution and
- economy in expenditure was considered in selection of items and execution of works. The methodology adopted was preparation of Audit guidelines specifying Audit objectives, Audit criteria, nature and source of evidence and data analysis methods.

The methodology followed were (i) gathering data on storage position of Veeranam tank, (ii) studying the requirements of infrastructure and their utility, (iii) undertaking site inspection of various components of source development works of NVP and of CWSAP and (iv) holding discussions with officials of the Board and PWD. The replies received from the MD of the Board (November 2005), which were also endorsed by the Government have been considered.

Audit Findings:

3.4.5 Financial management

While the source development works under NVP, estimated at Rs 110.95 crore, were financed fully out of the State funds, the Board financed the Project cost of Rs 720 crore for CWSAP and the expenditure on the two contingent schemes from own funds, the Government grant and loans. While PWD spent Rs 74.48 crore (July 2005) under NVP, the Board spent Rs 719.97 crore on (a) CWSAP (Rs 694.57 crore), (b) Neyveli aquifer (Rs 24.61 crore) and (c) NVEP (Rs 0.79 crore) as of July 2005.

The audit of efficiency of financial management by the PWD and the Board revealed the following:

3.4.6 Inadequate Budget provision for improvement of Veeranam tank under NVP

The details of budget provisions and the actual expenditure incurred there against during 1998-2005 are given in **Appendix XX**. It could be seen that against the budget provision of Rs 66.85 crore, the Department spent Rs 72.34 crore during the period 1998-2005. The excess of Rs 5.49 crore was met by the Department by diverting the funds allotted to other works. Release of meagre funds every year retarded the progress of work and the essential work of raising the level of surplus weir to store additional water required for CWSAP was delayed due to want of funds. The lining of irrigation channels of (a) Veeranam tank and (b) Vadavar channel contemplated under NVP to save water through arrest of seepage had not been taken up (May 2005).

3.4.7 High cost borrowing for Chennai Water Supply Augmentation Project

The completion cost of Rs 694.57 crore of the Project was financed by the Government grant of Rs 239.36 crore, issue of bonds (Rs 42 crore), own funds (Rs 31.04 crore) and loans from (a) Life Insurance Corporation of India (LIC) (Rs 182.17 crore), (b) Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited (TUFIDCO) (Rs 150 crore) and (c) Canara Bank (Rs 50 crore). The details of drawal of loans and the rates of interest are given below:

(Rupees in crore)

Source of finance	Details of sanction			Details of drawal		
	Amount	Month of sanction	Rate of interest (In *per cent*)	Instalment received	Month of drawal	Rate of interest (In *per cent*)
LIC	182.17	April 2002	11.5	20.00	August 2002	11.5
				85.00	October 2003	9.5*
				40.00	December 2003	9.5*
				37.17	March 2005	9.5*
TUFIDCO	100.00	November 2002	10	100.00	July 2003	6
	50.00	September 2003	8.5	50.00	September 2003	8.5
Canara Bank	50.00	October 2002	11	50.00	January 2004	8.25
Total	**382.17**					

* 0.5 *per cent* rebate given for prompt repayment of instalment within the due date

The Board obtained loan from TUFIDCO for all their projects under 'Mega City Plan', which is financed by the Government of India (GOI) grant and carried lesser interest rate than that offered by any other financial institution. However, as the Government assured budgetary support for repayment of loan raised from LIC, the Board filed an application for loan from LIC in February 2002. When the Government withdrew (April 2002) the offer of budgetary support, the Board obtained offers from other financial institutions (excluding TUFIDCO) which offered lesser rate of interest than that offered by LIC. Considering the longer repayment terms offered by LIC, the Board opted for loan from LIC. This decision proved injudicious for reasons given in the succeeding paragraphs.

Availing loan far in advance of requirement.

Though funds were not immediately required, the Board drew (August 2002) the first instalment of Rs 20 crore from LIC to avoid lapse of sanction and kept it in bank deposit from 1 August 2002 to 9 June 2003. As against the interest of Rs 1.01 crore earned on this amount, the Board paid Rs 1.94 crore as interest to LIC during this period thereby incurring an additional expenditure of Rs 93 lakh.

3.4.8 Failure in availment of low cost borrowing

Omission to consider low cost borrowing.

In April 2002, the Board approached TUFIDCO for a loan of Rs 50 crore under the 'Mega City Plan' for this Project and after further correspondence, TUFIDCO sanctioned Rs 100 crore (November 2002) at 10 *per cent* interest. When the Board again approached TUFIDCO to sanction an additional loan of Rs 200 crore, TUFIDCO agreed (December 2002) to provide funds for the Project at 10.5 *per cent* interest from their Infrastructure Scheme and assured to reduce the rate of interest as and when they are able to mobilise funds through public deposits. However, the Board, after much correspondence, obtained a loan (September 2003) of Rs 50 crore only from TUFIDCO under Infrastructure Scheme at 8.5 *per cent* interest and drew further instalments of loan from LIC at 9.5 *per cent* from October 2003. As the agreement with LIC did not stipulate the drawal of entire amount sanctioned, the Board should have availed the offer of TUFIDCO and stopped the drawal of loan from LIC especially since this did not attract any penalty. Injudicious drawal of further three instalments of loan aggregating Rs 162.17 crore from LIC between October 2003 and March 2005 resulted in an extra liability of Rs 82.43 crore on interest (0.5 *per cent* rebate for prompt repayment considered).

3.4.9 Rejection of offer for availment of loan at lower rate of interest

Offer of reduction of interest rejected on untenable grounds.

LIC reduced the interest rate from 11.5 *per cent* to 9.5 *per cent* only for the second and subsequent instalments. On the Board approaching (October 2003) LIC for reduction of the interest rate of 11.5 *per cent* on the Rs 20 crore drawn in August 2002, LIC agreed (February 2004) to reduce the rate to 9.5 *per cent* provided the Board paid it Rs 1.68 crore as compensation representing half of the Net Present Value (NPV) of the loss of interest that the LIC would suffer. Though there would have been a net saving of Rs 4.44 crore on interest (Rs 1.68 crore based on NPV), the Board rejected the offer (March 2004) on the ground that it may make premature repayment of entire loan in the context of falling rates of interest. The agreement with LIC however, precluded pre-closure of loan without the consent of LIC and no steps were taken by the Board to obtain permission from LIC to pay off its entire loan. On being pointed in audit (February 2005), the Board requested LIC (March 2005) to permit the prepayment of the loan of Rs 20 crore but the permission had not been received (August 2005). Thus, failure of the Board to obtain LIC's consent for prepayment of loan before rejecting their offer may result in loss of the benefit of savings on interest payable. Meanwhile, the Board paid additional interest of Rs 75 lakh[1] on Rs 20 crore during April 2004 to September 2005.

The MD stated (November 2005) that loan from LIC was preferred considering the longer period of loan repayment (22 years). Further, the first instalment of Rs 20 crore had to be kept in bank deposit due to delay in commencement of work. The MD also contended that favourable reply from LIC for foreclosure of loan was expected. This contention was not tenable as the Government, as early as in January 2002, instructed all its Statutory Boards that they should substitute high cost borrowing with low cost loans in view of the declining trend of interest rates in the financial market but the Board, in spite of the disadvantageous condition regarding pre-closure opted for high cost loan from LIC. Besides, the decision to pre-close LIC loan defeated the objective of raising long term loan.

Project implementation

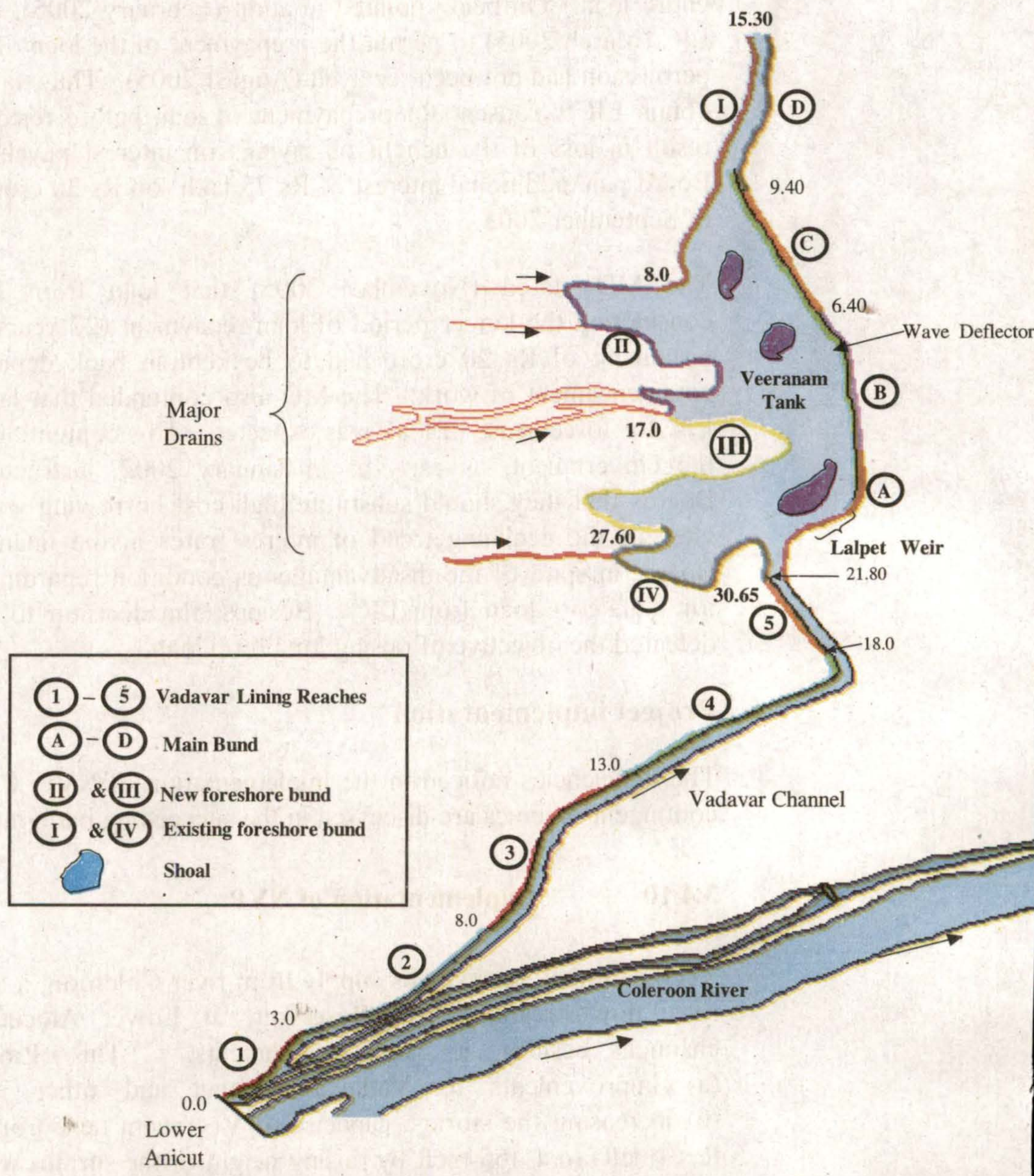
The deficiencies noticed in the implementation of NVP, CWSAP and the two contingent schemes are discussed in the succeeding paragraphs.

3.4.10 Implementation of NVP

Veeranam tank receives its supply from river Coleroon, a tributary of Cauvery river downstream Mettur Reservoir, at Lower Anicut through Vadavar channel, besides its own catchments. This Project contemplated (a) improvements to Vadavar channel and other irrigation channels, (b) increasing the storage capacity of Veeranam tank from 930 million cubic feet (mcft) to 1,465 mcft by raising height of the surplus weir in the main tank bund, (c) strengthening of the existing foreshore bund of 11.05 km in the water spread area, (d) forming of new foreshore bund for a length of 19.6 km and (e) provision of inlet arrangements in foreshore bund for allowing flood water from catchment area to the tank. With these storage development works, the Project proposed to draw 190 mld of water from the tank and after treatment supply 180 mld to Chennai city.

[1] Differential interest rate of 2.5 *per cent* inclusive of 0.5 *per cent* rebate was adopted.

Figure 1: Map of Veeranam tank and its sources



The Department carried out feasibility study during 1993-95 through a consultant and executed various items of work by preparing designs and estimates based on the feasibility study. The records relating to the execution of this Project disclosed the following deficiencies:

3.4.11 Improper water storage facility

Delay in provision of shutters to surplus weir.

The Project contemplated increasing the crest level of vent at the surplus weir at Lalpet from 46.75 feet to 48.75 feet to enable water to be stored to the revised Full Tank Level (FTL) of 47.5 feet. Though the work of fabrication and erection of shutters for increasing the FTL was entrusted to the PWD workshop in December 2002, the manufacture of shutters were completed only by December 2004 due to belated payment of advance to the workshop, for want of funds. The delay in fabrication resulted in increase of the estimated cost of the work by Rs 83 lakh. Moreover, the shutters were yet to be installed (July 2005) due to storage of water in the tank.

Wastage of water due to non-provision of shutters.

As the Board proposed to supply water to Chennai by September 2004, the Department made temporary arrangements to increase the storage level by providing a skin plate on the existing shutter (Figure 2). During the flood in October/November 2004, the Department could store only 1,300 mcft of water against the envisaged capacity of 1,465 mcft and a quantity of 1,985 mcft of water was surplussed over the weir during 24 October 2004 to 3 November 2004 due to lower height. Thus, the inadequate provision of funds and failure to fix shutters of required height resulted in wastage of 165 mcft of water that could have been saved and used for providing drinking water supply to Chennai city for 24 days[2].

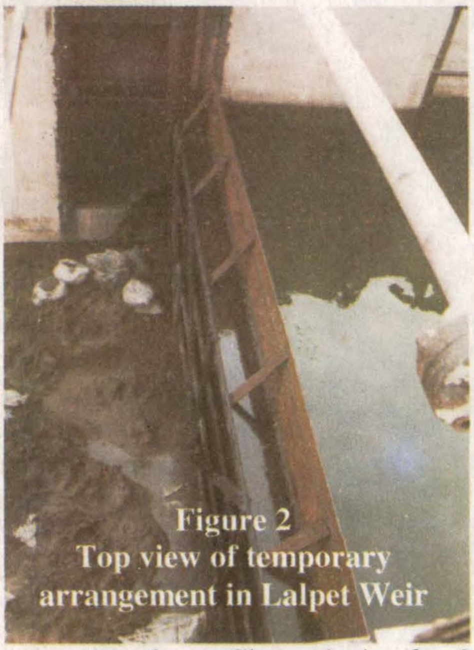


Figure 2
Top view of temporary arrangement in Lalpet Weir

The CE contended (June 2005) that the operational rules provide for maintenance of water level at one foot below the full water level during floods and the wastage of water was inevitable. This contention was not correct as the water level recordings indicated release of water through the weir even when the water reached the level of 45.5 feet indicating that the revised FTL after the provision of temporary measure was only 46.5 feet and not 47.5 feet. Thus, the installation of skin plate did not yield the expected increase in FTL.

3.4.12 Objective of forming foreshore bund not achieved

The Project contemplated the formation of foreshore bund on the outer peripheries of water spread area to store the additional water required for Chennai city, without increasing the water spread area, thereby preventing submersion of patta lands. In order to allow water from catchment area to flow into the tank during monsoon and also to prevent the stored water in the tank from flowing out to the fields, inlet arrangements with shutters opening inside only were provided. The works were taken up in February 1998 and completed in February 2003.

2

1 cft	=	28.32 litres
Drawal per day	=	190 mld
Loss	=	$\frac{165 \times 10^6 \times 28.32}{190 \times 10^6} = 24$ days.

Loss of water due to poor maintenance during project period.

When water from Lower Anicut was released into Coleroon river in January 2005, the Department increased the height of the surplus weir at Lalpet by providing sand bags over the existing shutters and skin plate (Figure 3) and stored water up to the revised FTL of 47.5 feet (January 2005). However, the water flowed out of the tank through the inlet arrangements provided in the foreshore bund and inundated approximately 100 acres of cultivable land. On being pointed out in audit, the Department contended that 81 out of 90 shutters provided in the inlets were removed by the farmers to drain the water from their field into the tank. The Department also contended that the water that flowed out would eventually recede into the tank when the water level in the tank goes down. These contentions were not tenable as (i) the shutters were provided only to prevent water from the tank inundating the field, (ii) there was no rain in January 2005, the shutters must have been removed by farmers during preceding monsoon in October - November 2004 but the Department failed to take note of the missing shutters during maintenance and (iii) the water storage level was more than 45.5 feet (old FTL) till the end of February 2005 and the opening of inlets were shut using sand bags, the water from the fields cannot flow back into the tank (Figure 4).

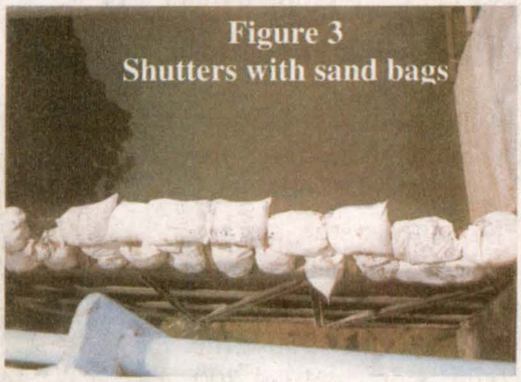


Figure 3
Shutters with sand bags

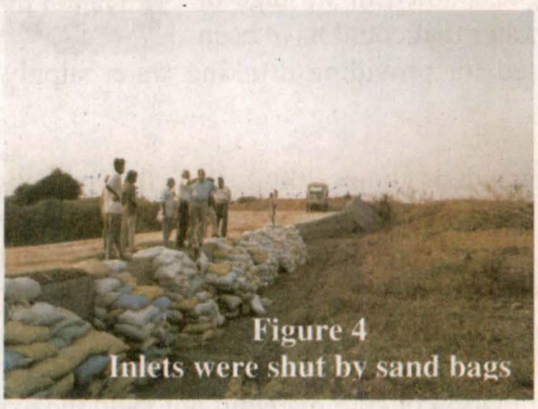


Figure 4
Inlets were shut by sand bags

Thus, the water, released from Lower Anicut mainly for irrigation and water supply to Chennai city, was wasted by inaction of the Department.

While the crest level of the foreshore bund was raised up to 48.5 feet allowing one foot above the revised FTL for free board and wave action, the crest level of the concrete structures in the foreshore bund constructed for providing inlets were kept at 47.5 feet. As no provision was made for free board and wave action at these locations, loss of water by spill over will not be prevented. Thus, the objective of storing water continuously at FTL during non-irrigation period would not be possible.

Unnecessary expenditure during execution

The Department failed to adopt correct specifications and economical design and spent Rs 2.50 crore unnecessarily as discussed in the succeeding paragraphs:

3.4.13 Excess use of cement

Use of excess cement for Plain Cement Concrete.

The agreement relating to lining the sides of Vadavar channel with Plain Cement Concrete provided for following IS specifications issued in 1963 and 1964 which resulted in cement content of 324 kg per cubic metre (cum) of Cement Concrete as against 250 kg provided in IS specifications of 1978. As the works were entrusted during July 1997 to March 1999, the failure to adopt IS specifications of 1978 resulted in an extra expenditure of Rs 48 lakh.

On being pointed out in audit, the CE stated (June 2005) that the works were executed by following Tamil Nadu Building Practice (TNBP). The reply was not tenable as TNBP which is only a compendium of IS specifications includes the 1978 revision. Further, in the lining works executed in the Tamil Nadu Water Resources Consolidation Project, during the same period by the Department, the mix, as per the latest IS specifications were followed.

3.4.14 Economical design not adopted

As against wave deflector of 0.65 m in Plain Cement Concrete recommended by the Dam Safety Review Panel (DSRP) which examined the feasibility report of the consultant, the CE constructed wave deflector of 0.75 m in Reinforced Cement Concrete in the main bund resulting in avoidable extra expenditure of Rs 1.02 crore (Figure 5). The CE contended (June 2005) that the consultant had recommended provision of solid parapet wall with or without wave deflector and the Department opted for construction of wave deflector. The CE's reply was not tenable as audit has not questioned the necessity of wave deflector but only the use of costlier Reinforced Cement Concrete.

Figure 5
Wave deflector

3.4.15 Unnecessary provision of extra width for jeep track and vents

Higher width bund formed without requirement.

Though the existing foreshore bund had a width of four metre, the CE formed new foreshore bund in continuation of existing ones with nine metre width. This had increased the cost of construction from Rs 1.23 crore to Rs 2.23 crore. The CE contended (June 2005) that nine metre width was adopted to accommodate maximum quantity of earth from shoal[3] inside the tank, which was otherwise to be removed. This contention was not tenable as the new foreshore bund is located one to five km from the shoal whereas earth could have been dumped in the open space available in the PWD campus at Lalpet which was within one km from the shoal. Incidentally, the Department had removed another part of the shoal during April 2003 to March 2004 and dumped the earth within the PWD campus. The unnecessary transportation of

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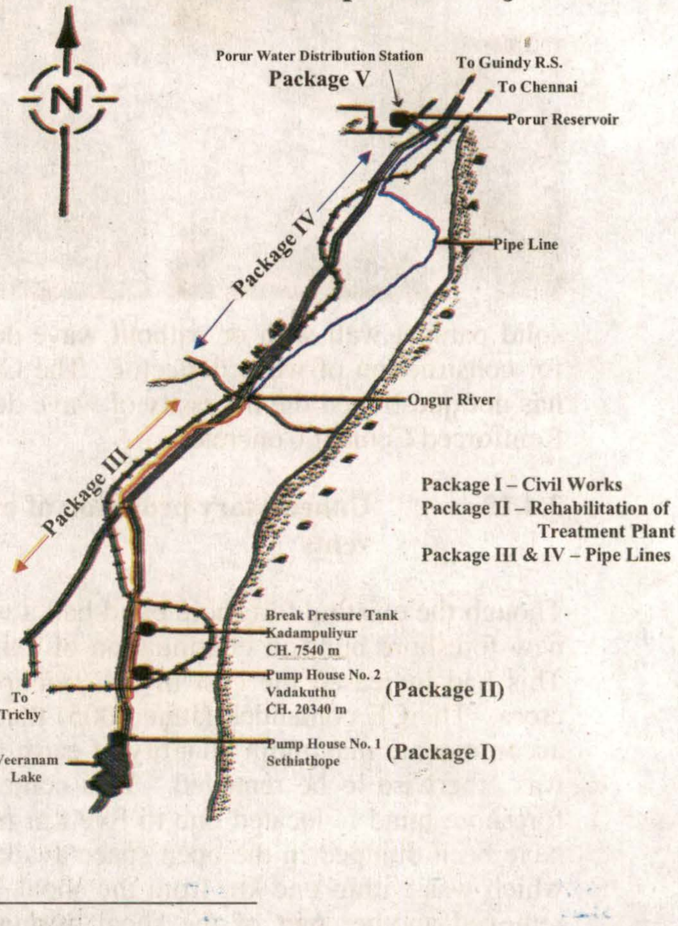
[3] An earthen mound.

earth for a longer lead and compaction for forming a bund with excess five metre width led to an avoidable expenditure of Rs one crore.

3.4.16 Implementation of CWSAP

The Tamil Nadu Water Supply and Drainage Board (TWAD) which was entrusted with the implementation of the transmission component of NVP engaged (February 1995) Shah Technical Consultants to review the feasibility report prepared by another consultant and carry out the design and engineering for transmission, treatment and pumping. The design and bid documents furnished by the consultant in April 1996 were not scrutinised by TWAD as transmission component of NVP was abandoned by the Government soon thereafter (August 1996). When the Government ordered revival of the Project in the name of CWSAP in August 2001, the Board, the new implementing agency, updated the estimates by obtaining rates from contractors and invited tenders splitting the work into five packages[4]. The management and supervision of the Project was entrusted to MECON Limited. A sketch map (Figure 6) showing the location and activities under the Project is depicted below:

Figure 6
Sketch map of the Project



4 Construction of raw water intake pump house (Package I), rehabilitation of existing water treatment plant at Vadakuthu (Package II), transmission of raw water to treatment plant and clear water to water distribution station at Porur for a length of 227 km (Packages III and IV) and construction of water distribution station at Porur (Package V).

The records relating to the execution of the Project disclosed delay in evaluation and finalisation of tenders resulting in extra expenditure of Rs 292.57 crore as discussed below:

3.4.17 Delay in award and commencement of work

The schedule for completion of the CWSAP given by the Monitoring and Empowered Committee of the Government and the actual time taken are given below:

	Scheduled date for Packages I to IV	Actual date				Scheduled date for Package V	Actual date for Package V
		Package I	Package II	Package III	Package IV		
Publication of NIT[@]	19.12.01	19.12.01	19.12.01	19.12.01	19.12.01	06.02.02	--
Receipt of tender	31.01.02	31.01.02	31.01.02	31.01.02	31.01.02	25.03.02	04.04.02
Completion of evaluation of tender							
(a) Technical	06.03.02	27.03.02	27.03.02	26.07.02	26.07.02 28.10.02*	19.04.02	23.01.03**
(b) Financial	06.03.02	20.07.02	20.07.02	28.10.02	26.07.02 28.10.02	19.04.02	10.02.03
Award of contract	15.03.02	26.07.02	26.07.02	31.10.02	26.07.02 31.10.02*	30.04.02	20.02.03
Date of completion	15.09.03	September 2004				15.09.03	September 2004

@ NIT: Notice Inviting Tender

* Delay was due to withdrawal of offer by the lowest tenderer; ** Alternative design.

Non-adherence of prescribed time schedule resulted in extra expenditure of Rs 163.82 crore.

The delay of seven to 11 months in award of contract of Packages III to V were mainly due to belated appointment of Tender Evaluation Committee, abnormal time taken to evaluate the tenders and alternative design and negotiation conducted with the tenderers. Even after awarding the contracts during July 2002 to October 2002, Packages I to IV were taken up for execution only in February 2003 and payments were made from March 2003. The delay in commencement of work postponed the completion of the Project equivalently. The delays were avoidable. Had the works commenced in April 2002 as scheduled, the Project would have been completed by December 2003[5] and water would have been supplied to Chennai from Veeranam tank from January 2004. Due to delay in completion, the Board spent Rs 163.82 crore on transporting water through tanker/lorries from distant sources during May to October 2004.

When pointed out in audit, the MD contended (November 2005) that the contracts were finalised within the validity period of 180 days specified in the tenders but did not furnish any specific reasons for not adhering to the time schedule given by the Monitoring and Empowered Committee. The MD also contended that the Veeranam tank started receiving water only during June 2004 and as considerable flow was received only during October 2004, the expenditure incurred on transportation of water through tanker/lorries were inevitable. This contention was not tenable as the storage position of Veeranam tank revealed availability of water during January 2004 and from May 2004 to October 2004. Besides, the operating rules framed in October 1994 provide for special drawal of water from Mettur dam for

5 Three months allowed to meet any unavoidable delay and trial runs.

Chennai Water Supply and such drawal was resorted to during January 2005. Even if the special drawal was not resorted to, water from Veeranam tank could have been supplied from May 2004 thereby saving Rs 163.82 crore on transportation of water from distant sources.

3.4.18 Delay in finalisation of tender

Lowest bidder withdrew due to delay in finalisation of tender.

Though the tenders for Package IV, adopting two cover system (qualification criteria and price bid) with a validity period of 180 days, were called for as scheduled and the Tender Committee was constituted in January 2002, the Board constituted the Tender Bid Evaluation Committee only on 19 February 2002. The Tender Committee considered the evaluation report and short listed (April 2002) three technical bids. The Board of Directors, however, resolved to open the price bid of these bidders only in June 2002. The price bids were evaluated by the Tender Committee and the Board of Directors accepted the recommendations in July 2002. When work orders were issued on 26 July 2002, after 177 days from the date of receipt of tenders, the successful bidder who had quoted Rs 225.16 crore demanded (August 2002) an additional amount of Rs 152 crore in view of steep increase in cost of steel. The Board cancelled (September 2002) the work order with forfeiture of earnest money deposit (EMD) of Rs 1.52 crore. Thereafter, it negotiated with the other two tenderers and approved (October 2002) the negotiated bid of third lowest bidder for Rs 335.69 crore. The work order was issued on 31 October 2002.

It was seen that the bid documents did not provide for escalation clause and the steel prices increased substantially from July 2002 onwards. Had the Board finalised the contract by 15 March 2002 as scheduled, the successful tenderer would not have had any reason to withdraw his bid. Thus, the delay in evaluating the bids resulted in avoidable extra expenditure of Rs 110.53 crore. Considering the Central Excise benefit that accrued due to exemption granted by the GOI[6] (Rs 26.58 crore) in September 2002, and the EMD forfeited (Rs 1.52 crore), the net extra expenditure was Rs 82.43 crore.

The MD contended (November 2005) that the tender validity was fixed at 180 days considering the estimated value of work and nature of work and the tender was finalised within the validity period. This contention was not tenable as the Monitoring and Empowered Committee allowed only 43 days for finalising the tender in view of urgency of work and there were avoidable delays in appointment of Bid Evaluation Committee and taking decision on Tender Committee recommendations by the Board of Directors.

Ambiguity in tender specifications

The designs and estimates furnished by Shah Technical Consultants in April 1996 were not scrutinised by TWAD as well as the Board. Consequently, the agreement entered by the Board with contractors for Packages III and IV contained some ambiguities resulting in extra expenditure of Rs 11.59 crore as discussed below:

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[6] Discussed separately in Paragraph 3.4.24.

3.4.19 Expenditure on filling of the trenches

Rate for imported earth was paid even for excavated earth.

Though the estimate rates for three items *viz.*, (a) providing bedding, (b) side filling and (c) back filling trenches contemplated usage of excavated earth only (Rs 20 to Rs 40 per cum for each item), the description for these three items were given as using both excavated and imported earth. This was contrary to practice in PWD and TWAD where separate rates are obtained in respect of excavated and imported earth. Consequently, the contractors quoted Rs 45 to Rs 272.47 per cum for each of these items which included the cost of imported earth. The entire works were actually executed with excavated earth. The rate for refilling the trenches with excavated soil and watering and consolidation as per 2001-02 PWD schedule of rates was much less than the market rate obtained for preparation of estimate. Even after taking into consideration the tender excesses over the estimated rates, the extra payment made to the contractors worked out to Rs 11.59 crore as detailed below:

	Package III		Package IV			
	Bedding	Back filling	Bedding	Side filling[7] Type I	Side filling[7] Type II	Back filling
Rate per cum quoted by the contractor (in Rupees)	272.47	106.70	100.00	80.00	120.00	45.00
Estimated rate per cum (in Rupees)	40.00	20.00	40.00	30.00	30.00	20.00
Estimated rate increased by tender excess per cum (in Rupees)	42.52	21.26	45.39	34.04	34.04	22.69
Excess rate quoted by contractor (in Rupees)	229.95	85.44	54.61	45.96	85.96	22.31
Quantity actually executed (in lakh cum)	0.93	7.46	0.76	3.24	0.29	4.14
Excess cost (Rupees in lakh)	213.85	637.38	41.50	148.91	24.93	92.36

The MD stated (November 2005) that soil had to be imported since rock and stone material were encountered in certain reaches and furnished copies of permission obtained from District Collector, Villupuram for transporting earth for this work. This contention was not tenable as the total quantity of backfilling work executed was 11.60 lakh cum whereas permission was obtained only for 10,000 cum of earth from the Collector on 28 April 2004. Besides, the pipe laying works had been completed before this date and only rectification works were carried out during May 2004.

Failure in not ensuring economy in expenditure

Government directed (August 2001) the Board to follow measures of economy in execution of the Project without prejudice to quality of work. The following paragraphs illustrate the failure of the Board in enforcing the economy resulting in avoidable extra expenditure of Rs 7.95 crore in Packages I to IV.

[7] Type I – compaction : 85 *per cent*; Type II – compaction : 95 *per cent*.

3.4.20 Unnecessary provision of Gabion

Provision of 'gabion mattress' instead of protective stone work.

Shah Technical Consultants who prepared the detailed designs and bid documents provided for 'protective stone work' to resist erosion of ground surface from fast flow of water arising from storm run-off. The work involved filling boulders for a thickness of 30 cm without leaving cavities and covering the top with turf. However, this work in the tender schedule for Package III was described as 'gabion mattress' which involves formation of rectangular boxes with wire mesh, filling it with stones and covering with the wire mesh and tying its edges tightly (Figure 7). Against the estimated rate of Rs 450 per cum, the successful tenderer quoted Rs 7,773.87 per cum. The Board, while evaluating the tender, failed to notice the abnormal variation in rates. The contractor used wire mesh for this 'protective stone work' and was paid Rs 4.42 crore. Cost of the work as per the design evolved by the consultants was Rs 27 lakh only. The MD contended (November 2005) that 'gabion mattress' was provided as per the design evolved by the consultants. The consultant had only recommended provision for 'protective stone work' involving filling with boulders and covering the same at the top with turf. However, the tenders were floated involving a different design and composition for the work resulting in extra expenditure of Rs 4.15 crore after deducting the estimated rate for the work that had been evolved by the consultant in his design.

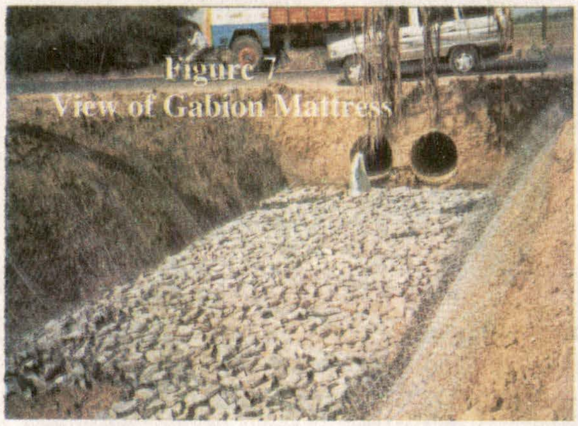

Figure 7
View of Gabion Mattress

3.4.21 Excess use of cement

Use of higher quantum of cement than specified in Indian Standards for concrete works.

The bid documents of Packages I to IV prepared in August 1996 stipulated that IS 456 should be followed for concrete works. The IS 456 of 1978 then prevalent stipulated the minimum cement content for various grades of cement concrete. However, the bid documents provided for higher 'minimum cement content'. The IS 456 was revised in 2000 giving specific requirement of cement for various grades of concrete which was much lower than that provided for in the contract. The Board failed to revise the quantum of cement as per latest IS specifications. This resulted in excess use of cement costing Rs 1.31 crore in the works. The MD admitted that IS 456 was to be followed, but contended that the cement content prescribed in IS 456 of 2000 was to achieve the required grade of concrete and not the intended durability. The MD also contended (November 2005) that the design mix approved by institutions like Anna University had been adopted in the work. These contentions were not tenable as (a) the IS specifications had considered durability while deciding the grade of concrete and (b) the compressive strength of the concrete mix recommended by Anna University was much more than the strength prescribed for the designed grade indicating higher proportion of cement in the mix.

3.4.22 Use of costlier pipes for encasing

Use of costlier MS casing pipes instead of RCC casing pipes for crossings beneath National Highways.

Though the alignment of the pipelines crossed the National Highways at seven locations, the Board failed to seek permission from National Highways Authority of India (NHAI) immediately after awarding the contracts in October 2002. When permission was sought for in July 2003, NHAI stipulated (January 2004) that pipeline should be laid using trenchless technology without cutting the road. Considering the time of 180 days required for providing RCC casing pipes, the work in five locations had to be executed with costlier MS casing pipes. The MD accepted (November 2005) that the economical RCC casing pipes could not be provided due to time constraint. Had permission been sought for in time, the constraint faced in manufacture of RCC casing pipes would not have arisen and extra expenditure of Rs 1.97 crore would have been avoided.

3.4.23 Failure to sell excavated hard rock

The contract for Packages III and IV provided for dumping of 1.15 lakh cum of hard rock excavated for laying pipeline in low-lying areas. The contractors excavated 94,888 cum of hard rock. As these stones are valuable and could be used in road, irrigation and other works, these should have been stored in convenient places and auctioned. By adopting the schedule of rates for the year 2003–04 of PWD (Rs 55 per cum), the total value of hard rock excavated and not sold worked out to Rs 52 lakh. The MD stated (November 2005) that stacking of excavated rock was not provided in the estimate prepared by the consultant. This failure resulted in a revenue loss of Rs 52 lakh to the Board.

Fulfilment of contract conditions

Failure to ensure fulfilment of contract conditions led to extra expenditure of Rs 20.43 crore as discussed below:

3.4.24 Lesser recovery of benefit accrued on Central Excise exemption

Central Excise benefit was not passed on by the contractors in full.

As the GOI exempted the payment of Excise Duty (September 2002) on all items of machinery required for setting up water treatment plant and pipes needed for delivering raw water to the plant and clear water to the storage point, the Board, while issuing the work order (October 2002) for Packages III and IV, incorporated a specific condition that the benefit accruing to the contractors on account of exemption of Central Excise Duty would be passed to it.

Scrutiny of Central Excise records of the sub-contractor who converted the hot rolled (HR) coil purchased by the contractors into pipes and lined them, revealed that the total assessable value of pipes manufactured from HR coils was Rs 316.48 crore and the contractors were liable for paying Rs 50.64 crore (16 *per cent*) as Central Excise Duty but for the exemption. After reversing a credit of Rs 25.32 crore (eight *per cent*) towards duty paid on HR coils (CENVAT), the contractors availed a net benefit of Rs 25.32 crore on account of the exemption. However, the Board recovered only Rs 6.15 crore from the bills based on the workings furnished by the contractors resulting in extra expenditure of Rs 19.17 crore.

Apart from conversion of HR coils into pipes, the contractor for Package IV had also purchased MS pipes from Steel Authority of India Limited (SAIL) and lined them through a sub-contractor. Though the pipes were purchased from SAIL without paying Central Excise Duty of Rs 1.26 crore, this amount was not recovered by the Board.

The MD contended (November 2005) that proper procedure was followed in obtaining the excise duty exemption for the pipes supplied. This contention was not tenable as the Board had not verified the excise records of the manufacturers of pipes to ascertain the actual duty exemption availed and amount actually recoverable from the contractors.

Expenditure on contingent schemes

The feasibility study conducted in February 1994 disclosed that the reliability of Veeranam source to supply water to Chennai city could be increased from 81 *per cent* to 95 *per cent* by releasing about 353 mcft of water annually from Mettur reservoir. As the minimum monthly storage available in Mettur reservoir was not adequate even to meet the requirement for irrigation, the Board examined the possibility of (a) drawing 60 mld of water from Neyveli aquifer and (b) drawing 150 mld of sub-surface water from river Coleroon near Lower Anicut. The deficiencies noticed in taking up these two contingent schemes are discussed below:

3.4.25 Avoidable expenditure on standby borewells

Unnecessary sinking of 15 borewells costing Rs 8.20 crore.

The Board entrusted (April 2003) the work of conducting the feasibility study to assess ground water potential in Neyveli aquifer to PWD but even before the receipt of the report, it decided (December 2003) to sink 45 deep borewells in Neyveli aquifer along the alignment of CWSAP to draw 60 mld of water from 30 borewells keeping 15 borewells as standby. The work commenced in February 2004 and was completed in April 2004 at a cost of Rs 24.61 crore. The feasibility report received in March 2004 recommended drawal of 60 mld at the rate of two mld per borewell from 30 borewells. As the yield in the aquifer ranged between 3.6 mld and 4.32 mld per borewell, sinking of 15 borewells at a cost of Rs 8.20 crore as standby was avoidable.

On being pointed out in audit, the MD stated (November 2005) that the additional borewells were necessary to ensure supply of at least 60 mld of water during the times when Veeranam tank had no storage and these additional borewells were used to supply 70 mld to 90 mld of water for shorter duration to tackle the drought situation. This contention was not tenable as PWD cautioned against drawal of more than 60 mld of water and not to exceed prescribed drawal of two mld per well.

3.4.26 Wasteful expenditure on NVEP

Avoidable pre-project expenditure.

The proposal for drawing 150 mld sub-surface water from river Coleroon by extracting 6.5 *per cent* of the total potential sub-surface water was met with protests from the farmers of Cauvery basin. However, without convincing them, the Government sanctioned (January 2005) NVEP for Rs 300 crore. The Board also spent Rs 78.72 lakh on inauguration of the scheme (Rs 41.71 lakh) and on advertisement charges, engaging revenue officials, fees to advocates etc., (Rs 37.01 lakh). The High Court dismissed (April 2005) a writ petition filed by farmers against NVEP but directed the Government to send experts to the district to allay the apprehensions of the farmers. As the Board could not convince the farmers, the Project was cancelled in April 2005.

Thus, the expenditure of Rs 78.72 lakh incurred even before convincing the farmers that their irrigation rights would be protected became wasteful. The MD contended (November 2005) that the preliminary expenditure may still be regarded as useful as the water potential of the scheme may perhaps be considered for use in later years for other nearby areas/towns. However, the expenditure incurred was in the nature of 'consumption' expenditure and cannot be termed as 'preliminary expenditure' of the scheme.

3.4.27 Supervision and monitoring

Correctness of the volume of work not checked.

Though the Monitoring and Empowered Committee was constituted for monitoring the implementation of CWSAP, the Government did not fix any time limit for completion of source improvement works under NVP. Consequently, the completion of NVP within the time schedule prescribed for CWSAP was not ensured. No supervision by the Board was envisaged for implementing CWSAP and the payments were made based on the measurements taken and certified by MECON Limited. No check measurements was made by engineers of the Board to verify the correctness of the volume of works certified by the consultant and the payments were based on blind faith on the consultant.

The MD contended (November 2005) that the engineers of the Board recorded independent measurements as per the usual procedure. This contention is contrary to the reply given to audit by the engineers of the Board that the measurements were recorded by them based on the certification by the consultant 'MECON Limited'.

3.4.28 Conclusions

While the transmission component of the Project (CWSAP) had been completed, the source development works (NVP) were incomplete and the storage of water to the expected level could be made only with temporary make shift arrangements at Lalpet weir. As the shutters can be fixed only when there is no water in the tank, the completion of the work in the immediate future is not possible. Further, the effectiveness of the temporary arrangements to store water for long period at the FTL is doubtful. The execution of CWSAP by the Board based on consultant's design and estimate without detailed scrutiny resulted in avoidable wasteful expenditure.

3.4.29 Recommendations

- Efforts should be made to adhere to the time schedule to avoid cost overrun.

➢ The reports and estimate of consultants should be reviewed critically to achieve economy in expenditure.

➢ The volume of work executed has to be checked by the Board independently to ascertain the correctness of the claims by contractor.

The above points were referred to the Government in August 2005; reply had not been received from the Public Works Department (December 2005).

RURAL DEVELOPMENT DEPARTMENT

3.5 Sampoorna Grameen Rozgar Yojana

3.5.1 Introduction

The Sampoorna Grameen Rozgar Yojana (SGRY) was launched by the Government of India (GOI) in September 2001 with the primary objective of providing additional wage employment to poor in all rural areas and thereby providing food security and improvement in nutritional levels. The secondary objective was creation of durable community and social and economic assets for infrastructural development in rural areas. Preference in employment was to be given to agricultural wage earners, non-agricultural unskilled wage earners, marginal farmers, women, members of Scheduled Castes/Scheduled Tribes (SC/ST), etc. The wages were to be paid partly in food grains at five kg per manday and partly in cash. The entire food grain component was provided by the GOI free of cost. The cash component of the scheme was shared between the GOI and the State Government in the ratio of 75:25 respectively.

SGRY consists of two streams. While Stream I[1] is implemented by District Panchayat and Block Panchayats, Stream II[1] is implemented by Village Panchayats. The two streams were merged in April 2004 and Unified SGRY Scheme was implemented from 2004-05. SGRY permits creation of a special component (SGRY-SPL) for districts affected by natural calamity. Under this component, the GOI releases only food grains for generating wage employment and their distribution can be dovetailed with any Central/State Schemes provided the cash portion of wages and material are met from the respective schemes.

Funds for the implementation of SGRY were released by the GOI and the State Government to District Rural Development Agencies (DRDAs). These in turn released funds under Stream I and Stream II to the respective implementing agencies.

3.5.2 Organisational set up

The scheme is implemented by the Rural Development Department, headed by a Secretary to the Government with the assistance of the Director of Rural Development (DRD). At the District level, the Scheme is implemented and monitored by the Project Officer, DRDA, under the chairmanship of the District Collector. The scheme works were executed through Block Development Officer (BDO) (Regular) and Block Development Officer (BDO) (Village Panchayats) in respect of Streams I and II respectively.

The SGRY-SPL was implemented by the Special Commissioner and Commissioner of Revenue Administration, Disaster Management and Mitigation (SC&CRA) at State level and the Collector at District level through DRDAs. In addition to Blocks, line departments were also entrusted with the

1 Stream I covered activities of erstwhile Employment Assurance Scheme (EAS) while Stream II covered the activities of erstwhile Jawahar Gram Samridhi Yojana (JGSY).

implementation of the SGRY-SPL by dovetailing with various schemes implemented by them.

Records relating to the implementation of SGRY for the years 2001-05 were reviewed between April 2005 and July 2005 in the Secretariat and offices of Heads of Department of Rural Development, Revenue and Public Works. Records of the DRDAs, Blocks and Village Panchayats of six districts[2] out of 30 districts selected for detailed check using stratified sampling method were also reviewed. Information was also obtained from the line departments who had implemented the SGRY programme in these districts. Records of Tamil Nadu Civil Supplies Corporation (TNCSC) were also called for and checked during the review. The audit review included an 'Entry conference' with DRD in June 2005 and concluded with an 'Exit conference' with him in August 2005.

Audit findings:

Financial performance

3.5.3 Accounting of SGRY funds

The table below depicts the position of receipts and expenditure during 2001-05 of the DRDAs and the balance available with them at the end of March 2005 as per the records of the DRD:

(Rupees in crore)

Year	Opening balance	Receipts			Total	Expenditure as reported by DRD to GOI	Closing balance
		Central	State	Misc.*			
2001-02							
EAS	3.53	88.00	29.33	1.45	122.31	119.92	2.39
JGSY	1.94	87.73	28.09	5.28	123.04	120.51	2.53
2002-03							
Stream I	2.39	103.56	34.52	2.01	142.48	139.48	3.00
Stream II	2.53	100.46	34.64	2.20	139.83	136.99	2.84
2003-04							
Stream I	3.00	133.49	38.57	2.69	177.75	171.07	6.68
Stream II	2.84	131.22	36.37	1.59	172.02	164.91	7.11
2004-05							
Unified	13.79	216.55	82.21	8.70	321.25	309.61	11.64
Total		**861.01**	**283.73**	**23.92**		**1162.49**	

* Miscellaneous receipts comprised refunds, etc., that should have been booked as minus expenditure.

2 Coimbatore, Dharmapuri, Salem, Thanjavur, The Nilgiris and Villupuram. Krishnagiri a district carved out of Dharmapuri in November 2003 was also included in this sample.

3.5.4 Funds lying with executing agencies

Audit noted that the funds released by the DRDAs to the implementing agencies were booked as expenditure in the books of DRDAs. Test check in five districts[3] revealed substantial unutilised cash balances under Stream I with the Blocks Panchayats[4] during 2001-04 as tabulated below:

(Rupees in crore)

Year	Opening balance (1 April)	Receipts	Total	Expenditure reported by DRDA	Closing balance with DRDAs (31 March)	Balance with Block Panchayats
2001-02	0.98	24.54	25.52	24.41	1.11	12.67
2002-03	1.11	29.36	30.47	29.68	0.79	14.10
2003-04	0.79	32.95	33.74	32.77	0.97	14.38

Thus out of total expenditure of Rs 86.86 crore reported during 2001-04, an amount of Rs 14.38 crore was lying with the Block Panchayats and Rs 97 lakh with the DRDAs.

Government stated (November 2005) that the unspent balance with implementing agencies will be monitored and developmental works would be undertaken to utilise it.

Diversion of funds

Rupees 7.22 crore of SGRY funds were diverted for deposit in Small Savings Account during 2001-05.

Three Blocks and 16 Village Panchayats of The Nilgiris District transferred SGRY funds amounting to Rs 6.31 crore[5] during 2002-05 to Post Office account under Small Savings Scheme during March of each financial year on the orders of District Collector to show achievement under small savings. Similarly in 5 blocks[6] of Coimbatore District, Rs 90.50 lakh[7] were diverted to the Small Savings Scheme during 2001-04. The amounts were received back during April/May of the subsequent year. The expenditure reported to the GOI as of 31 March of each year was inflated to this extent.

Due to inadequate release of funds by the State Government towards cash component of SGRY-SPL, DRDA, Coimbatore diverted Rs 86.57 lakh during 2004-05 from SGRY Stream II funds to SGRY-SPL. This diversion resulted in mismatch between funds and food grain for the works to be carried out under SGRY Stream II. Consequently, village panchayats, the implementing agencies for Stream II, were deprived of their share. Further, this also resulted

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3 Coimbatore, Dharmapuri, Salem, Thanjavur and The Nilgiris.

4 District Panchayats did not have any cash balance as they transferred the funds received from DRDAs to Block Panchayats, immediately.

5 Stream I - 2002-03: Rs 10 lakh, 2003-04: Rs 1.90 crore, Stream II - 2003-04: Rs 3.80 crore and 2004-05: Rs 51 lakh.

6 Anaimalai, Madukkarai, Palladam, Sulur and Udumalpet.

7 2001-02: Rs 25.50 lakh, 2002-03: Rs 21 lakh and 2003-04: Rs 44 lakh.

in diversion of Rs 64.93 lakh (75 *per cent* of Rs 86.57 lakh) of the GOI funds for SGRY-SPL though the GOI guidelines had specifically prohibited the GOI funds released for SGRY-SPL.

Donations/contributions not reported to the GOI

Donations/contributions were received from Members of Legislative Assembly/Panchayat Presidents/ Councillors/Public, etc., for execution of SGRY works, as additional resources by the DRDA, Coimbatore. Contrary to Scheme guidelines these funds were not pooled with SGRY funds but were kept in three separate bank accounts called "SGRY Public Contribution Account". Rupees 10.01 crore were collected under this account between October 2002 and March 2004. Though the amounts were utilised for purchase of materials/execution of specific works under SGRY, the receipt and utilisation was not reported to the GOI through the periodical reports. This resulted in incorrect exhibition of SGRY resources. As of August 2005, Rs 1.49 crore were lying in these saving accounts.

3.5.5 Physical diversion of food grains

Under SGRY, TNCSC receives authorisation for the quantity of rice allotted to the districts from the District Collectors concerned and moves the quantity from Food Corporation of India (FCI) depots and stores it in its taluk godowns for the distribution.

In The Nilgiris District, TNCSC lifted 54,116.574 MT of rice from FCI during 2001-05 and distributed 43,716.850 MT for the scheme. Though the closing stock of SGRY rice as on 31 March 2005 should have been 10,399.724 MT, the physical quantity including the quantity of rice pertaining to all other schemes available was only 3,870.589 MT of which 216.449 MT was exhibited as the stock of SGRY rice. This indicated that 10,183.275 MT of SGRY rice was diverted for other schemes.

Government admitted (November 2005) the diversion and attributed it to the shortage of storage capacity in TNCSC godowns and the limitation of storing raw rice for a long period. This reply is not tenable, as prolonged storage of rice can be avoided by proper indenting.

3.5.6 Diversion of SGRY Rice to Public Distribution System

During 2002-05, 2,958.240 MT of SGRY rice was irregularly diverted to PDS.

The channel for distribution of rice under SGRY Scheme is Public Distribution System (PDS) outlets. The rice received under SGRY Scheme issued by the GOI free of cost is valued at Rs 5.65 per kg (price assumed by the State Government for purpose of calculation of daily wage rate). However, rice issued through regular PDS is valued at Rs 3.50 per kg. During 2002-05, in three districts the SGRY rice valued at Rs 3.49 crore was diverted to PDS as detailed below and distributed as such at Rs 3.50 per kg.

(Rupees in lakh)

District	Year	Quantity in MT	Value at Rs 11,800/MT	Authority ordering diversion
Coimbatore	2003-04	56.602	6.68	District Collector, Coimbatore.
	2004-05	259.922	30.67	Project Officer, DRDA, Coimbatore.
Salem	2002-03	458.186	54.06	Based on the request of Joint Registrar, Co-operatives.
Thanjavur	2002-03	818.354	96.57	Not furnished.
	2003-04	1,365.176	161.09	Not furnished.
		2,958.240	349.07	

While Government did not offer any remarks on diversion of rice in respect of Coimbatore and Salem districts, it endorsed (November 2005) the reply of DRDA, Thanjavur that SGRY rice could not have been diverted as under the SGRY scheme rice is distributed to labourers through PDS outlets only. This reply is not tenable as the Assistant Quality Inspectors of Kumbakonam, Papanasam and Pattukottai Taluk Godowns of TNCSC had stated (June 2005) that food grains were diverted to regular PDS account.

3.5.7 Non-submission of coupons and sale of rice at lower rates

Between September 2001 and July 2002, TNCSC distributed rice intended for implementation of SGRY Scheme to co-operative societies against payment of Rs 3,050/MT. The cost of rice so collected by TNCSC was to be refunded on production of coupons as proof of supply to beneficiaries. However, even three years after issue, the coupons were not received from the co-operative societies for 1,596.268 MT of rice supplied by TNCSC at a cost of Rs 48.69 lakh at Rs 3,050/MT. In absence of receipt of stipulated coupons it remains doubtful that the rice which was otherwise costing Rs 1.88 crore[8] was actually supplied to the beneficiaries.

3.5.8 Coupons issued for bulk quantities

In four[9] of the six test checked districts, bulk quantities of rice were released for entire work executed under Streams I and II to village committee, self help groups, road inspectors, village panchayat assistants, etc., to whom the works were entrusted in one or two coupons extending upto 10,000 kg instead of releasing rice through coupons to each worker during 2001-05. Issue of such coupons for bulk release of rice was not permitted under the scheme. Moreover, the BDOs did not have any records to show that such food grains were actually distributed to the individual workers concerned. Violation of prescribed procedure for release of food grains enhances risk of leakage in its distribution and indicates possible involvement of contractor/middlemen in execution of works.

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8 Rs 11,800 per MT as the price fixed by GOI for payment to FCI during 2002-03 multiplied by quantity of 1,596.268 MT.

9 Dharmapuri, Krishnagiri, Thanjavur and The Nilgiris.

While the Government did not offer any remarks in respect of Krishnagiri and The Nilgiris districts, it endorsed (November 2005) the replies of DRDAs, Thanjavur and Dharmapuri that issue of bulk quantity of rice would be avoided in future.

3.5.9 Non-payment of wages as per SGRY guidelines

Labourers were to be paid wages (in the form of rice and cash) weekly based on the muster roll maintained for each work. In all the test checked districts it was noticed that rice was distributed either weekly or bi-weekly to the labourers but contrary to the guidelines the cash portion of wages was disbursed only on completion of work. Test check of vouchers for payment of wages in respect of 267 works revealed substantial delay in payment of cash portion of wages in respect of 248 works as tabulated below:

Delay in payment	Number of works	Mandays generated	Wages paid (Rupees in lakh)
Between one month and six months	187	2,41,067	62.07
Between six months and one year	52	95,133	24.50
More than one year	9	31,784	8.18
Total	248	3,67,984	94.75

Government, while generally accepting the delay in payment, endorsed (November 2005) the replies of the test checked DRDAs that necessary instructions would be issued to the implementing agencies to issue rice/pay cash on a weekly basis.

Cash component of wages was not paid in respect of 473 works involving wages of Rs 3.87 crore.

As per guidelines at least 25 *per cent* of the wages should be paid in cash to the workers engaged under SGRY. In Coimbatore, 340 works which included construction of buildings, check-dams and other water conservation works costing Rs 6.87 crore were taken up during 2003-04 and executed by 19 BDOs and three divisions of Public Works Department under SGRY-SPL. The entire wage component of Rs 3.19 crore was paid in the form of rice. Thus, the expenditure of Rs 79.75 lakh that should have been met by State Government was effectively borne by the GOI. Similarly, in Villupuram District, the entire wage component of Rs 67.62 lakh was paid in the form of rice for 133 works at 9.5 kg per manday[10].

In respect of construction of a water harvesting structure at Kangeyampalayam (Coimbatore District) taken up (December 2002) by Agricultural Engineering Department at an estimated cost of Rs 25 lakh, payment to workers comprised an average of 10.48 kg of rice per manday and the cash portion of wages was upto a maximum of Rs 5.97 per manday only. Thus the norm of minimum of 25 *per cent* cash wages was not maintained.

Government stated (November 2005) that observations of Audit were noted for guidance and strict adherence in future.

[10] 9.5 kg x Rs 5.65/kg = Rs 54 per manday.

3.5.10 Employment Register

Employment registers were not maintained by the executing agencies.

As per scheme guidelines, each Panchayat Union had to maintain an Employment Register for works implemented under its own component (Block Panchayat share of Stream I), which would contain the details of number of persons employed including the number of SC/STs, gender of the workers and number of mandays generated for each work under SGRY. DRDA had also to maintain a similar Register for the entire district in respect of works done under its own component (District Panchayat share of Stream I).

Neither the Panchayat Unions nor the DRDAs maintained the said Registers in Coimbatore and The Nilgiris districts. Due to non-maintenance of the Employment Register, the accuracy of mandays generated, number and category of people employed (especially target groups like SC/ST, women labourers, etc.) could not be ensured in audit.

Government stated (November 2005) that instructions have been issued to the executing authorities to maintain Employment Register.

3.5.11 Ineligible works

The following ineligible works were undertaken under SGRY Scheme.

Sl. No.	Year	District	Number of works	Amount (Rs in crore)	Brief nature of irregularity
1.	2002-05	The Nilgiris	633	18.04	Black topping of roads taken up contrary to the SGRY guidelines.
2.	2002-04	Dharmapuri	14	0.54	
3.	2003-04	Villupuram	6	0.07	
4.	2001-03	Thanjavur	15	0.29	
5.	2001-05	Coimbatore	79	1.45	
6.	2003-05	Coimbatore	177	4.09	Gravel roads were laid contrary to DRD's instruction to execute road work upto the level of water bound macadam.
7.	2002-04	Thanjavur	107	0.71	
8.	2002-05	Villupuram	948	5.86	
9.	2002-05	Coimbatore	2,379	15.28	Cement concrete roads which are material intensive were executed contrary to the GOI guidelines that labour oriented works only be undertaken.
10.	2002-05	Dharmapuri/ Krishnagiri	178	0.99	
11.	2002-05	Salem	438	2.41	
12.	2002-04	Coimbatore	8	0.30	Though prohibited under SGRY scheme, building works were taken up in seven higher secondary schools and in one college.
13.	2003-05	Coimbatore	33	0.52	Works were executed in urban areas instead of in rural areas.
14.	2003-05	Coimbatore	30	0.78	Works were awarded to Kattidamaiyam[11] which was prohibited as it charges 7.5 *per cent* centage charges for executing civil works.
15.	2003-04	Krishnagiri	8	0.85	
16.	2003-04	The Nilgiris	24	0.61	
		Total	**5,077**	**52.79**	

[11] Kattidamaiyam: An agency formed for execution of civil works by the Collector in each district which charges 7.5 *per cent* service charges on the value of work executed.

Government stated (November 2005) that such ineligible works would not be taken up in future.

3.5.12 Conclusions

Primary objective of the scheme was to provide additional wage employment to the poor. In absence of the proper maintenance of basic records such as Employment Register, the accuracy of mandays generated and specifically employment that was provided from this scheme to targeted groups such as SC, ST, Women group, etc., could not be ensured in audit. There was no effective monitoring of unspent balances lying with Block/Panchayat and line Departments. Implementation of the scheme also revealed inordinate delay in payment of wages to labourers, non-creation of durable community assets, taking up of ineligible and prohibited works.. There were cases of diversions of scheme funds of Rs 7.22 crore to Small Savings Scheme and Rs 86.57 lakh to SGRY Stream II despite GOI guidelines. Instances of works aggregating Rs 52.79 crore that were ineligible or prohibited or executed through contractors came to notice; this adversely affected the implementation of the scheme.

3.5.13 Recommendations

- Employment registers should be maintained in Blocks.

- Unspent balances with the implementing agencies should be monitored regularly to ensure funds are utilised optimally in achievement of objectives.

- Delay in payment of wages should be avoided.

- Diversion of funds and execution of works through contractors and ineligible works should be stopped, so that beneficiaries get the full benefit of the scheme funds.

CHAPTER IV

AUDIT OF TRANSACTIONS

CHAPTER IV

AUDIT OF TRANSACTIONS

Audit of transactions of the Departments of the Government, their field formations as well as that of the autonomous bodies brought out several instances of lapses in management of resources and failures in the observance of the norms of regularity, propriety and economy. These have been presented in the succeeding paragraphs.

4.1 Wasteful/unfruitful expenditure and excess payment

PUBLIC WORKS DEPARTMENT

4.1.1 Unfruitful expenditure on excavation of branch canals

Excavation of branch canals to irrigate 4,191 acres of new ayacut, even when there was insufficient water to irrigate the existing ayacut resulted in expenditure of Rs 12.45 crore remaining unfruitful.

Water losses up to 10 *per cent* occurred when water for irrigating the ayacut of Periyar System[1] was carried through Vaigai river between Vaigai dam and Peranai regulator (32.4 km). To reduce this transmission loss, a lined link canal from Vaigai dam to Peranai regulator was constructed (August 1995) at a cost of Rs 35.12 crore. To utilise the water thus saved, excavation of 12 unlined branch canals from the link canal to irrigate 4,191 acres of land was proposed (March 1996) under the World Bank aided Tamil Nadu Water Resources Consolidation Project. The new ayacut was to get last priority for irrigation after supply to the original and extended ayacuts of the Periyar System.

The work was split into two packages and awarded to the contractors in May and June 1999. While 10 branch canals were completed by November 2002 and another in March 2003, the last canal was not completed (March 2005) due to non-acquisition of land over some portion. A total expenditure of Rs 12.45 crore was incurred by July 2005.

As mentioned in paragraph 4.1.7.3(i) of the Report of the Comptroller and Auditor General of India (Civil) for the year ended 31 March 2001[2], only 14 to 58 *per cent* of water realised in Periyar System at Vaigai dam during 1995-99 was diverted through the link canal thereby defeating the objective of forming the link canal. Besides, only 0.32 to 12 *per cent* of the extended ayacut of Periyar System were provided with water during 1993-99 (no water was supplied during 1996-97).

Though there was neither any savings in the water due to diversion through link canal as expected nor excess water in the Periyar System after irrigating the extended ayacut, the Department had not considered these facts before taking up the work of the branch canals in 1999. Even after excavating 11

1 Water realised from Mullai Periyar Dam.

2 Awaiting discussion in the Public Accounts Committee (July 2005).

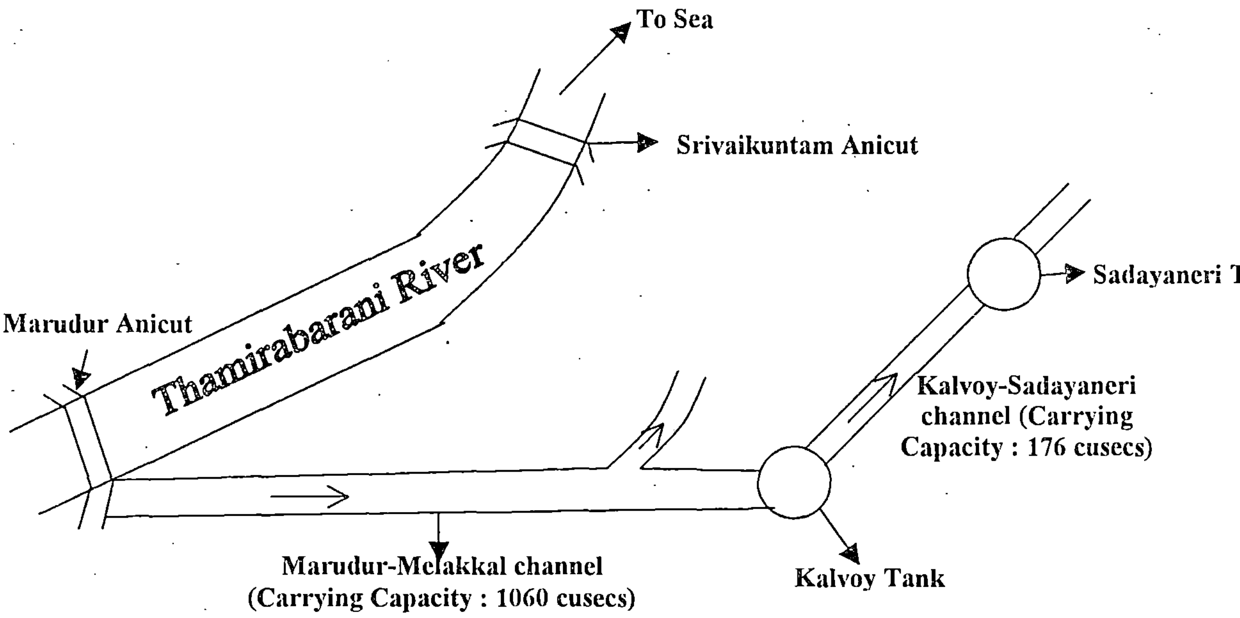
branch canals in the link canal, no water was released through these canals during 2002-05. Thus, poor planning without considering the ground realities, resulted in the expenditure of Rs 12.45 crore incurred on excavating branch canals remaining unfruitful.

Government stated (November 2005) that water could not be supplied through the branch canals due to reduction in storage level of Periyar dam from 152 to 136 feet and erratic monsoon. This reply was not tenable because the World Bank had suggested in December 1991 that distribution network for link canal be taken up only after observing the performance of the system for a few years. As the system performed poorly during 1993 to 1999 and only a quantity of 14 to 58 *per cent* was diverted through link canal during 1995-99, excavation of branch canals was not justified. Moreover, the reduction of storage level of Periyar dam was known to the Department in 1992 itself.

4.1.2 Wasteful expenditure due to improper planning

Lining of a channel without considering the necessity of increasing its carrying capacity due to augmentation of its downstream channel resulted in estimated wasteful expenditure of Rs 85.81 lakh.

The original carrying capacity of Marudur - Melakkal (MM) channel which receives water from Thamirabarani river was 1,060 cubic feet per second (cusecs) and Kalvoy - Sadayaneri (KS) channel, which receives water from MM channel, had a carrying capacity of 176 cusecs. Both these channels were proposed (March 1995) for rehabilitation and restoration to their original capacity. The alignment of the channels are depicted below:



Before taking up the two works, the Chief Engineer, Madurai region (CE) proposed (June 1997) increasing the carrying capacity of KS channel to 500 cusecs so as to utilise flood water of Thamirabarani river otherwise discharged into sea from Srivaikuntam Anicut and obtained sanction from the Government in October 1997. Though KS channel could receive additional water only if the carrying capacity of MM channel was correspondingly increased, the CE omitted to make such a proposal. The rehabilitation works of MM channel included lining its bed and sides with cement concrete. The works of MM channel and KS channel were taken up in November 1999 and December 1999 and completed in June 2002 and March 2004 respectively.

Considering the insufficient capacity of MM channel to feed 500 cusecs of water to KS channel, the CE belatedly proposed (December 2003) increasing its capacity to 1,560 cusecs. The work sanctioned by the Government in June 2004 included an estimate of Rs 2.07 lakh for dismantling the lining already laid at a cost of Rs 83.74 lakh. This work commenced in March 2005 and was in progress (July 2005).

Thus, the negligent action of the CE in lining the MM channel without considering its widening necessitated by the additional requirement of KS channel resulted in wasteful expenditure of Rs 85.81 lakh.

Government stated (November 2005) that the necessity of increasing the capacity of MM channel became clear only during the floods caused by North East monsoon of 2004. This reply is not factually correct as the proposal to increase the capacity of MM channel to 1,560 cusecs was made in December 2003 itself.

MUNICIPAL ADMINISTRATION AND WATER SUPPLY DEPARTMENT

TAMIL NADU WATER SUPPLY AND DRAINAGE BOARD

4.1.3 Lapses in construction of a sewage treatment plant

Defective design resulted in failure to achieve the benefits of a sewage treatment plant constructed at a cost of Rs 5.22 crore. Besides, the Board failed to recover Rs 17.05 lakh from the contractor towards cost of rubble.

The scheme of interception and diversion of sewage and construction of a new sewage treatment plant (STP) at Erode was taken up by the Tamil Nadu Water Supply and Drainage Board (Board) under National River Action Plan (NRAP) in April 1997. The various components of the scheme were entrusted to different contractors between February 1998 and June 2002 and completed in August 2003 at a cost of Rs 4.17 crore. Scrutiny of the records (November 2004 - March 2005) relating to execution of these works in NRAP Division, Erode revealed the following:

Before taking up the work of construction of STP in June 2002, the Board had a soil test conducted (December 2001). As the test indicated that the permeability of the soil was high, the Chief Engineer, Western Region, Coimbatore (CE) approved construction of a Random Rubble (RR) masonry wall around the waste stabilisation pond (WSP) instead of forming a bund with excavated earth. Though the location of WSP was at elevated level and the permeability of soil at its bed surface was high, the CE did not provide works like cement mortar or plastic membrane or low permeable soil of adequate thickness to prevent seepage through the bed. On completion (August 2003), sewage was found leaking through the bed of WSP. Based on the advice of a technical consultant (March 2004), the Board laid a layer of Low Density Polyethylene (LDPE) membrane on the tank bed and Controlled Low Strength Material (CLSM) mixture over it at a cost of Rs 92.09 lakh (February 2005). Even then, seepage continued to occur. To stop this, the Principal, Government College of Technology, Coimbatore (Principal) advised (March 2005) that the LDPE layer be extended into the RR masonry wall.

The agreement for the construction of RR masonry wall for the WSP covered a guarantee for 24 months during which any leakage was required to be repaired by the contractor at his own cost. On storing sewage after completion of the work, seepage occurred through the wall (October 2003). Instead of invoking the contractual guarantee, the Division spent Rs 12.62 lakh for arresting the seepage. Even after this, cracks appeared in the wall (March 2005) and the Principal suggested grouting work in seepage points.

The Executive Engineer informed (August 2005) that additional works for preventing the seepage through bottom and side wall had been completed and trial run was in progress. Thus, wrong selection of site and approval of a defective design at the initial stage resulted in the objective of the scheme not being achieved and Rs 4.17 crore spent on the scheme remained unproductive from August 2003 onwards.

Government stated (October 2005) that (a) low permeability soil was not provided at the bottom of WSP in view of its high cost and (b) the rectification work in the RR masonry wall was carried by the Department as the leakages occurred only after completion of the work by the contractor. These contentions were not tenable as (a) the Department should have designed the WSP to prevent seepage at the bed and (b) the leakage from the side wall occurred during the guarantee period and should have been rectified at the cost of the contractor.

It was also observed in audit that the general conditions of contract stipulated that (i) the contractor should make his own arrangement in connection with the access to the site and (ii) blasted rubble, etc. shall be deposited in departmental land as directed by the Engineer-in-charge. However, 9,470 cubic metre of blasted rubble removed from the site was utilised by the contractor for forming approach road. This resulted in non-recovery of Rs 17.05 lakh[3] representing the cost of the rubble.

Government stated (October 2005) that the value of blasted rubble would be arrived at and recovered from the final bill of the contractor.

3 Worked out based on the PWD Schedule of Rates (2001-02) of Rs 180 per cubic metre.

HEALTH AND FAMILY WELFARE DEPARTMENT

4.1.4 Non-fulfilment of achievement due to non-utilisation of Accident and Emergency Wards

Despite Public Accounts Committee's recommendation the Government failed to ensure coordinated action for providing equipment and staff while approving construction of three Accident and Emergency wards. As a result expenditure of Rs 1.21 crore on construction of these wards failed to fulfil the desired objectives.

Public Accounts Committee had from time to time[4], expressed serious concern over delay in creation of medical facilities in hospitals after completion of civil works and stressed that proposals submitted to the Government for sanction should cover all requirements *viz.* buildings, staff and equipment. Government assured[5] as early as in September 1985 that the Committee's recommendation for simultaneous coordinated action for commissioning medical facilities without loss of time would be followed in future.

For extending Accident and Emergency (A&E) services, the Government sanctioned (June 1998 and June 1999) construction of 10 bedded A&E wards at three hospitals. While sanctioning the construction, the Government directed the Director of Medical and Rural Health Services (Director) to propose sufficiently in advance of completion of construction, sanction of staff after identifying posts for redeployment or surrender.

The A&E ward at Jayamkondam, Perambalur District was constructed at a cost of Rs 28.40 lakh in February 2001. Though the Joint Director of Health Services sought (August 2000) sanction of 14 posts, which was revised to 24 posts in July 2004, no posts were sanctioned till September 2005. No equipment was supplied to the ward though proposal for these was submitted in November 2001.

The A&E ward at Kangeyam, Karur District was constructed at a cost of Rs 43.53 lakh in April 2001. Director sent proposals (August 2001) to the Government for sanction of 17 posts. Despite repeated reminders, no sanction had been issued by the Government and no equipment was also supplied to the A&E ward (September 2005).

The A&E ward at Paramakudi, Ramanathapuram District was constructed at a cost of Rs 49 lakh in May 2000. Director sent proposal to the Government in August 2001 for sanction of 11 new posts. Despite protracted correspondence with the Government, sanction of the Government was awaited (September 2005). No equipment was supplied till September 2005.

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4 Para 10.2.3, 33rd Report (VII Assembly) - 1984-85; Para 6.4, 50th Report (X Assembly) - 1991-92; Para 8.1.5, 60th Report (X Assembly) - 1991-92; Para 4.4, 230th Report (X Assembly) - 1995-96; Para 6.4, 322nd Report (XI Assembly) - 2000-01; Para 3.9, 324th Report (XI Assembly) - 2000-01 and Para 4.9, 141st Report (XII Assembly) - 2002-03.

5 Serial Number 2 of 69th Report (X Assembly) – 1991-92 presented to the Legislature on 28 April 1992.

Audit scrutiny (November 2004 to January 2005) revealed that 7,017 accidents and emergency cases between May 2000 and December 2004 had been referred by the aforesaid three hospitals to other hospitals evidently because of lack of specialists and requisite equipment.

Audit noted that new posts for the wards were not created due to ban on recruitment since May 1991. In the face of the ban, the proposals for the aforesaid A&E wards should have either identified the specific posts that would be transferred for them or relaxation of ban orders obtained at the proposal stage itself. If neither of this was possible, the proposal for construction of A&E wards should not have been approved *ab initio* instead of relegating deployment of staff to the stage of completion of construction. In August 2000, the Director apprised the Government that it was not possible to identify/surrender posts for redeployment and stressed the need for creation of new posts. However, no relaxation was accorded in these cases.

Thus inappropriate planning despite incurring of expenditure Rs 1.21 crore on construction of three A&E wards did not achieve the intended objective of providing prompt and effective treatment for accident victims was defeated.

These points were referred to the Government in August 2005; reply had not been received (December 2005).

HOME, PUBLIC AND ENVIRONMENT AND FORESTS DEPARTMENTS

4.1.5 Unfruitful expenditure due to delay in issue of posting orders

Delay of more than a month in issue of orders of posting to officials in 64 instances resulted in unfruitful expenditure of Rs 55.36 lakh.

According to Ruling (3) under Rule 9 (6) (b) of Fundamental Rules of the State Government, the period during which a Government servant has compulsorily to wait for orders of posting is treated as duty. Accordingly, he draws his entitled pay and allowances during such period.

The Committee on Public Accounts, had recommended (12 February 1981 – Sixth Report) that the Government should make concerted efforts and take effective steps to keep the delays in the issue of posting orders to the minimum. In this context, the Government in Personnel and Administrative Reforms (P&AR) Department issued instructions (20 February 1981) to all the Secretaries to avoid compulsory wait.

Despite the above instructions, a review of Audit Register maintained by Office of the Accountant General (Accounts and Entitlements) and test check of records at Pay and Accounts Office (PAO) (Secretariat) revealed 64 cases of compulsory wait of more than 30 days during 1999-2005 in three departments as tabulated below:

Period of compulsory wait (days)	Environment and Forests Department		Home Department		Public Department	
	Number of instances	Salary paid (Rs in lakh)	Number of instances	Salary paid (Rs in lakh)	Number of instances	Salary paid (Rs in lakh)
31-60	5	1.92	8	2.81	18	6.94
61-90	-	-	2	1.96	7	3.96
91-180	4	5.40	3	3.78	14	19.26
181-365	-	-	1	1.95	1	1.96
More than 365	-	-	-	-	1	5.42
Total	9	7.32	14	10.50	41	37.54

Thus, delay in issue of posting orders resulted in unfruitful expenditure of Rs 55.36 lakh. The aforesaid 64 cases included 29 IAS officers, 13 IPS officers and nine IFS officers.

Government in Personnel and Administrative Reforms and Public departments stated (July and September 2005) that (a) necessary instructions had been issued in August 1994 and August 1995 to avoid delay in giving postings to officials, (b) most of the officers were on compulsory wait due to non-availability of suitable posts in the respective grades, (c) some posts are sensitive in nature and require suitable officers and (d) every effort is taken to minimise the period of giving postings to the officers.

The reply of the Government was not tenable because (a) a large number of officers were on compulsory wait for more than three months and (b) advance planning regarding posting of officers on repatriation could have reduced period of compulsory wait especially since their dates of joining were known well in advance.

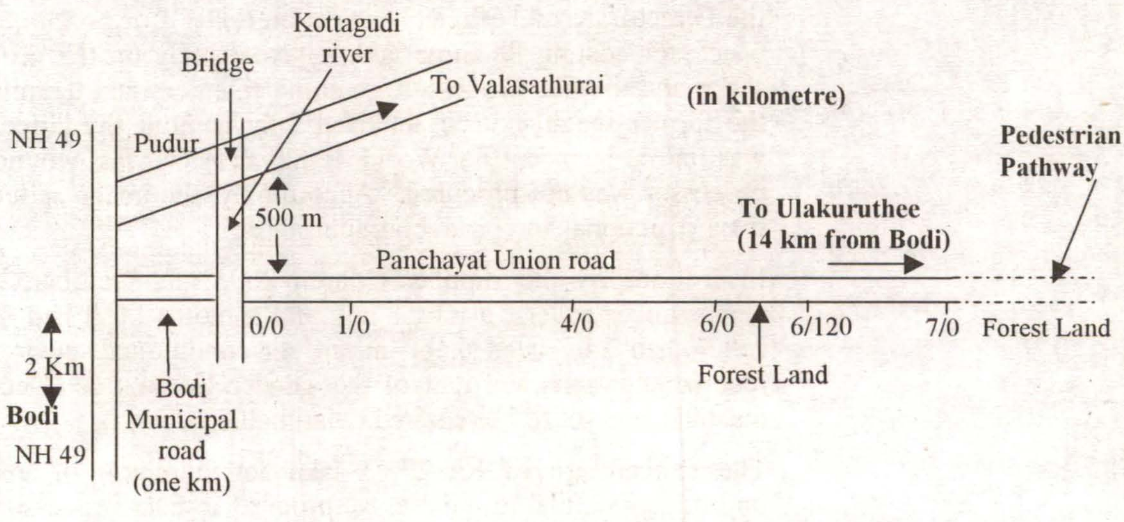
HIGHWAYS DEPARTMENT

4.1.6 Unfruitful expenditure on improvement of a road

Rupees 53.14 lakh were spent on improving an unconnected and isolated rural road in an uninhabitated area.

With a view to provide connectivity to the remote village of Ulakuruthee with the marketing centre at Bodi, the Chief Engineer, Rural Roads, Chennai (CE) improved six out of 11.5 kilometre (km) of the Panchayat Union (PU) road from Bodi municipal limit to Ulakuruthee in three phases commencing from January 1998, February 2000 and August 2004 and spent Rs 53.14 lakh till October 2004.

The PU road lies on one side of the river on which there is no bridge to link with the Bodi Municipal road on the opposite bank. Though the Pudur - Valasathurai road, located just 500 metre away to the PU road had a bridge to connect Bodi, they were not linked. A pictorial presentation of the layout is given below:



A proposal to construct a bridge to connect the PU road with the Bodi Municipal road forwarded by the Divisional Engineer, Madurai (DE) in August 2001, was not approved by the CE on considerations of cost and existence of a bridge on the nearby road. However, the DE did not initiate a proposal to lay the link road. Thus, the PU road was not connected to Bodi marketing centre.

Further, the improvement of the road between km 4/0 and km 7/0, taken up in February 2000 was foreclosed in October 2004 due to existence of forest land for 120 metre. The DE sought permission for work on this portion belatedly in September 2002 which the Forest Department refused in March 2004. Consequently, the road improvement was limited to km 0/0 to 6/0 only. As Forest Department refused permission to form the road beyond km 7/0, the road was not connected to Ulakuruthee village.

The CE stated (20 July 2005) that the improved road would be beneficial for transporting the agricultural produce from fields lying on both sides of the road. This reply was not tenable as there was no habitation adjoining the improved stretch. Nevertheless, the CE simultaneously requested (20 July 2005) the Director, Rural Development Department to form the link road to provide connectivity to Bodi. Thus, the expenditure of Rs 53.14 lakh incurred remained unfruitful as the improved stretch of the road remained unconnected to Bodi marketing centre and Ulakuruthee village defeating the objective.

The matter was referred to the Government in August 2005; reply had not been received (December 2005).

HIGHER EDUCATION DEPARTMENT

4.1.7 Unproductive expenditure in procurement of an image setter

Due to non-purchase of a film processor, an image setter costing Rs 27.43 lakh remained unused.

An image setter along with accessories costing Rs 27.43 lakh was procured and installed (May 1999) in the Institute of Printing Technology (IPT), Chennai under World Bank Assisted Second Technician Education Project for imparting training to its students. However, the equipment had not been used as of January 2005. A scrutiny of the records of IPT revealed the following:

Before installation of the equipment, the Principal, IPT, requested (May 1999) the Directorate of Technical Education (DTE) for procurement of an auto film processor costing Rs three lakh approximately on the ground that the image setter and the film processor are complementary and the purpose of purchasing the former would not be achieved fully without the latter. While the matter was in pursuance, the World Bank Project was wound up and the film processor was not procured. Accordingly, the image setter could not be used for instructional and production purposes.

Inspections by the supplier (March 2003 and October 2004) revealed that some rubber rollers, a motor belt and a motor bush had melted as the image setter had not been kept in an air-conditioned environment despite his recommendations and that of the Tender Committee (December 1997). The machine was yet to be repaired (March 2005).

The expenditure of Rs 27.43 lakh for purchase of image setter became unproductive due to failure to procure a film processor besides improper maintenance and non-repair of defects of the image setter.

The matter was referred to the Government in April 2005. Government stated (November 2005) that the affected components of the image setter had since been handed over to the supplier for repair at the cost of supplier. However, Government reply was silent on procurement of film processor.

4.2 Avoidable/excess expenditure

PUBLIC WORKS DEPARTMENT

4.2.1 Extra expenditure due to defective agreements

Failure to unambiguously state in four contracts that the losses due to natural calamities be at the risk of the contractor resulted in avoidable extra payment of Rs 3.67 crore.

Till April 1988, the General Conditions of Contract (GCC) used in the Department stipulated that the contractor was not liable for any loss or damage on account of natural calamities. Based on a suggestion from the Government, the Chief Engineer (General) (CE) issued instruction (April 1988) that the GCC be amended to the effect that the contractor would meet the loss, if any, on account of natural calamities during the period of contract and the option to take insurance be left to his discretion. This amendment had to be built into all contracts entered thereafter.

Audit scrutiny of seven agreements concluded by the Superintending Engineer, Thamirabarani Basin Circle, Tirunelveli (SE) during July 2003 to September 2003 for construction of groynes to protect the coastal villages in Kanniyakumari district against sea erosion disclosed (April 2005) that only three agreements contained the amended clause. Nevertheless, these three agreements, like the other four, contained a contradictory clause in the Special Specifications to the contract providing that any damage by natural causes would have to be brought up to standard profile as extra work at the accepted contract rates.

While the seven works were in progress, a cyclonic storm hit the coastline during May 2004 causing damages to four groynes. The agreements of three of the four affected groynes contained the amended clause in the GCC. The contractors restored the damaged portions and citing the Special Specifications, informed the Executive Engineer, Anti Sea Erosion Division, Nagercoil (EE), that this has to be treated as an extra work. Initially, the EE cited the clause in the GCC against making the payment but subsequently paid Rs 3.67 crore to the contractors treating it as extra work. Though the payment was necessitated by non-inclusion of the amended version of GCC in one work and inclusion of a contradictory clause in the agreements of all the four affected groyne works, the Department did not disclose it in the proposal sent (January 2005) to the Government for sanction of additional quantities and items necessitated by the cyclone. Accordingly, the Government ratified (March 2005) the payment. To prevent such unintended payment in future, the SE deleted the contradictory clause in Special Specifications of an agreement for another groyne work entered into in October 2004.

Thus, the execution of faulty contracts by the SE resulted in an avoidable extra expenditure of Rs 3.67 crore.

The matter was referred to the Government in June 2005; reply had not been received (December 2005).

4.2.2 Additional expenditure due to provision of higher thickness of cement concrete

Provision of higher thickness of cement concrete lining of side walls of field channels resulted in additional expenditure/liability of Rs 1.37 crore.

The Code of Practice for lining of field channels published by the Bureau of Indian Standards, New Delhi (BIS) prescribes lining of side walls of field channels with cement concrete or stones or bricks. The prescribed thickness of lining in the first two cases is 75 millimetre (mm) and 150 mm respectively.

Test check of the approved estimates of 31 works taken up by the four divisions[6] disclosed (March and August 2005) that the thickness of the cement concrete lining on the side walls of field channels (total length 50.5 km) was 200 mm or 230 mm instead of 75 mm. The works were contracted out for execution during December 2004 to April 2005. At the end of August 2005, all the 31 works were under execution and lining of side walls had commenced in 22 of them. The provision of additional thickness of lining in these 22 works resulted in additional expenditure of Rs 98.40 lakh; besides, additional liability of Rs 38.13 lakh accrued in respect of works pending execution.

On being pointed out in audit, the Government stated (September 2005) that higher thickness was adopted to prevent damage to the field channels due to crossing of tractors and other farm equipment. Government added that despite the higher thickness adopted, the cost incurred was less than the option of lining with stones (random rubble masonry) according to BIS.

Government's contention regarding damage to field channel was not tenable as the Department could have strengthened only the portions of channels where movement of tractors, etc. occurs and not the entire length of channels aggregating 50.5 km. The other argument regarding cost was untenable as the Department had to, subject to fulfilment of technical requirement, choose the least cost option.

4.2.3 Avoidable expenditure on procurement of Digital Water Level Recorders

In spite of large scale failures of imported Digital Water Level Recorders supplied by a firm, the Chief Engineer procured additional quantities at a cost of Rs 1.01 crore. Seventy five *per cent* of such Recorders supplied by this firm failed and could not be repaired.

The Hydrology Project, aided by the World Bank in seven States, included installation of Automatic Water Level Recorders (AWLRs) in major reservoirs/tanks and also in the borewells/tubewells to strengthen the institutional capability of the State to measure, collect, transmit, analyse,

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6 Upper Vaippar Basin Division, Rajapalayam, Vaippar Basin Division, Virudhunagar, Nanganjiyar Basin Division, Palani, Vaigai Special Division, Manamadurai.

disseminate and use surface and ground water data for hydrology design and river basin planning. In a technical meeting, the Commissioner, Water Management and Minor Irrigation, the Government of India (GOI) had cautioned (May 1997) the Chief Engineer, State Ground and Surface Water Resources Centre (CE) that Digital Water Level Recorders (DWLRs), the most sophisticated of AWLRs, are difficult to repair and may require replacement in case of failure. In spite of this warning, the CE decided to purchase DWLRs; as these were not manufactured indigenously, the bids were invited from foreign suppliers.

Out of 98 DWLRs procured from two foreign firms between October 1997 and May 1998, data could not be retrieved from all the 48 DWLRs supplied by one firm. As these 48 DWLRs could not be rectified, the supplier firm replaced them in May 2002. In the meantime, orders for supply of 515 DWLRs at a cost of Rs 1.88 crore were placed on a third firm (firm 'A') between April 1998 and April 1999 and installed between September 1999 and May 2000.

Test check of performance of 149 DWLRs supplied up to January 2000 by firm 'A' in ten divisions revealed that 102 DWLRs failed between December 1999 and May 2001. Nevertheless, the CE placed two further orders for supply of 235 DWLRs at a cost of Rs 1.01 crore with firm 'A' in January 2001 and March 2001, which were received during June and July 2001. Out of total 750 DWLRs supplied by firm 'A', 229 failed by 2001 and another 219 failed between 2002 and 2004. By March 2005, 563 out of 750 (75 *per cent*) DWLRs were not functioning. DWLRs could not be repaired by local agencies as the circuit diagram had not been provided by the supplier.

Further, though maintenance of DWLRs for four years was one of the tender conditions, the firm had not entered into maintenance contract in respect of the 430 DWLRs and had not performed the contractual obligations of repairing the instrument within 72 hours in respect of the remaining 320 DWLRs. In December 2002, the management of the firm changed and the CE could not get the DWLRs repaired.

On being pointed out in audit, the Government contended (October 2005) that (a) at the time of placing orders for 235 DWLRs, all DWLRs in field received earlier from firm 'A' were functioning satisfactorily, (b) minor defects that were noticed were attended to by the firm 'A' and (c) the DWLRs could not be repaired by firm 'A' as it was taken over by a new firm in December 2002 and the new firm did not fulfil the contractual obligations of firm 'A'.

These contentions were not tenable as (a) the working condition of DWLRs were not monitored by the CE and the field records indicated that none of the DWLRs which failed till May 2001 were repaired, (b) firm 'A' had not fulfilled the contractual obligation even before December 2002 and maintenance contract was signed only for 320 out of 750 DWLRs and (c) in August 2001, the CE had informed the GOI that all the DWLRs purchased were working satisfactorily whereas all the 149 DWLRs in the ten divisions test checked by Audit had failed by that time. This indicates that the CE compounded his bad judgment of further procurement by presenting a factually incorrect picture of the performance of DWLRs.

Thus, the action of the CE in procuring 235 DWLRs in 2001 at a cost of Rs 1.01 crore even after large scale failures were noticed from previous supplies was injudicious.

4.3 Idle investment/blockage of funds

MUNICIPAL ADMINISTRATION AND WATER SUPPLY DEPARTMENT

TAMIL NADU WATER SUPPLY AND DRAINAGE BOARD

4.3.1 Blockage of funds due to creation of assets far ahead of requirements

Deviation from the prescribed norms in the design of pumping mains, pumps, motors and reservoirs resulted in blockage of funds to the tune of Rs 16.54 crore.

Scrutiny of records relating to execution of 22 Comprehensive /Combined Water Supply Schemes (CWSSs) and six Water Supply Schemes (WSSs) (**Appendix XXI**) by the Tamil Nadu Water Supply and Drainage Board (Board) during 2000-05 revealed the following deficiencies:

(i) Central Public Health and Environmental Engineering Organisation (CPHEEO) Manual prescribed design period of 15 years for electric motors and pumps to conform to their expected life. However, pumping mains were provided with motors and pumps required for the ultimate requirement of 30 years in three CWSSs[7] by the Chief Engineer (CE), Coimbatore. Consequently, the additional expenditure of Rs 1.45 crore incurred on erecting pumps and motors for ultimate stage (30 years) was avoidable.

Government stated (December 2004) that the conditions stipulated in the CPHEEO Manual were followed only in urban schemes and not in rural schemes. This contention was not tenable as the other three regions followed the manual in all CWSSs and even in Coimbatore region, motors and pumps were designed for 15 years in three other CWSSs[8].

(ii) As per the CPHEEO Manual, the storage capacity of the service reservoirs has to be designed for intermediate stage only. According to the instructions of Public Works Department issued in 1971 and of the Board issued in December 1982, the capacity of service reservoir should be one third of a day's supply in urban areas and half of the day's supply in rural areas of CWSSs. Instead of constructing the service reservoirs at one third and one half of requirement for intermediate stage, the CE constructed service reservoirs for the full day's capacity required for ultimate stage in respect of 18 CWSSs/Urban WSSs[9]. This resulted in construction of service reservoir of higher capacity resulting in extra cost of Rs 6.27 crore.

The Government however did not give any reply to the contention of the Audit that the norms of capacity of half and one-third of service reservoirs had not been followed and instead stated (December 2004) that the service reservoirs

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7 Serial numbers 1, 2 and 5 of Appendix XXI.

8 Serial numbers 3, 4 and 6 of Appendix XXI.

9 Serial numbers 1 to 7, 9, 10, 13, 14, 16 to 19, 21, 24 and 27 of Appendix XXI.

were designed for ultimate capacity in all WSSs as construction of additional structures for the additional quantity after 15 years would cost more. Besides, problems of site and redesigning components like pumping main and distribution system could be avoided. The issue here is not of designing for 15 years but disregarding norms for the capacity for construction as have been laid down.

(iii) CPHEEO Manual stipulated that the pumping main should be designed for 23 hours of pumping considering loss of one hour due to minor interruptions. However, in five CWSSs[10] having river source and provided with uninterrupted power supply with separate feeder line, the pumping mains, pump sets, motors and treatment plants were designed for 16 hours of pumping instead of 23 hours resulting in estimated extra cost of Rs 8.82 crore on these components.

On being pointed out in audit, the Government stated (December 2004) that lesser hours of pumping was adopted to provide time for recuperation of water in infiltration wells and minor repairs and to provide water to additional habitations by increasing the pumping hours. These contentions were not tenable as

(a) the sources for four CWSSs[11] mentioned in the audit observation were not infiltration wells but intake wells. Even in one CWSS[12] where there was infiltration well, drawal of water for 23 hours would reduce the quantum of water to be drawn per minute thereby providing time for recuperation,

(b) standby pumps and motors were provided under the schemes for attending to repairs and

(c) no details of meeting future requirement of additional habitations was also forwarded.

HEALTH AND FAMILY WELFARE DEPARTMENT

4.3.2 Operation theatres lying idle

The completion of a new surgical block at a Government College was delayed by two years due to delay in completion of electrical works. Moreover, it has not been functioning optimally due to non-sanction of staff and delay in procurement of essential equipment.

State Government sanctioned (July 1999) the construction of a new surgical block at the Government Mohan Kumaramangalam Medical College Hospital, Salem at an estimated cost of Rs four crore comprising Rs three crore for civil works (including electrical works) for which public donation of Rs one crore was to be used and Rs one crore for equipment and furniture.

The District Collector, Salem deposited (August 1999) Rs one crore of public contribution with the Executive Engineer, Public Works Department (PWD), Buildings (Construction and Maintenance) Division, Salem. Though the civil

10 Serial numbers 5, 21, 22, 26 and 28 of Appendix XXI.
11 Serial numbers 5, 21, 22 and 26 of Appendix XXI.
12 Serial number 28 of Appendix XXI.

works were completed in all respects at a cost of Rs 2.50 crore by November 2001, the building was not taken over by the Hospital due to non-completion of electrical works, for want of Letter of Credit (LOC). The electrical works were completed in June 2003 at a cost of Rs 44.15 lakh and the building was taken over in November 2003. Thus, there was delay of two years in handing over the building due to non-completion of electrical works.

Further, the Government sanctioned (July 2002) Rs one crore towards the purchase of equipment (Rs 92.47 lakh) and furniture (Rs 7.53 lakh) and subsequently directed (November 2003) that the purchase of equipment should be through the Tamil Nadu Medical Services Corporation (Corporation) Limited, Chennai. Accordingly, the Director of Medical Education (DME) drew Rs one crore and credited (March 2004) the amount into the Deposit account of the Corporation. However, the Dean, in consultation with DME, revised the requirement of equipment frequently. The final requirement of equipment valuing Rs 92 lakh was submitted to the DME in October/ November 2004 by the Dean. The Corporation supplied (November 2004) 60 items of equipment costing Rs 32.06 lakh and was yet to supply the remaining 117 items (June 2005) including essential items such as (a) generator and (b) Centralised Oxygen System. The Dean of the hospital also procured (June 2005) equipment costing Rs 26.35 lakh and furniture costing Rs 5.46 lakh.

Meanwhile, the Dean of the College had requested for 72 additional staff for the new surgery block (November 2001 and October 2002). Despite protracted correspondence no additional posts specifically for manning the new surgical block had been sanctioned (June 2005). Even the Government approval for manning 23 posts through recruitment rather than redeployment that were sanctioned (June 2002) by the Government consequent to enhancing the intake of the college from 75 to 150 students had not been issued (June 2005).

It was observed in Audit that though the new surgical block was functioning from January 2004, only minor surgeries were performed in its Minor Surgery Operation Theatre (OT) due to shortage of staff and essential equipment. The three other OTs in the new block for major surgeries had remained unused since inception (June 2005).

Thus, due to failure in providing essential equipment and additional staff, the new surgical block established at a cost of Rs 3.57 crore had not been put to optimal use (June 2005).

In its reply, the Government generally accepted (November 2005) the facts and stated that no additional posts were sanctioned by the Government due to the ban on creation of new posts. It further stated that major surgeries would be performed in the new surgical block after the installation of generator and Centralised Oxygen System, orders for which had been placed.

4.3.3 Unused building

Despite expenditure of Rs 91.61 lakh, the objective of providing better health facilities by upgrading a Primary Health Centre was not achieved due to non-provision of required equipment and posting of medical staff.

In response to a demand from the people of Velayuthampalyam (Karur District), who donated Rs 40 lakh and 2.5 acres of land in September 1999 for upgrading the Primary Health Centre (PHC) there, the Government sanctioned

(March 2001) construction of new buildings for a non-taluk Government Hospital (Hospital). Public Works Department completed these buildings at a cost of Rs 91.61 lakh and handed them over to the Medical Officer, PHC, Velayuthampalyam between November 2003 and February 2004.

The Joint Director of Health Service (JDHS), Karur sent a proposal for supply of equipment costing Rs 41.47 lakh and sanction of 35 additional staff for the Hospital in April 2003 to the Director of Medical and Rural Health Services (Director). However, for reasons not on record, the Director forwarded this proposal with minor modifications to the Government in October 2004, *i.e.* after a delay of about 18 months.

Government called for (March 2005) a detailed report of the Director on possibility of appointment of staff either on regular or on contract basis. Pending reply from the Director, sanction of the Government for the provision of equipment and staff was awaited (May 2005).

Thus, due to non-provision of staff and equipment, the objective of providing better health facilities to public of Velayuthampalyam was not achieved even as of May 2005 despite substantial contribution made by them in cash and kind more than five years earlier. The new buildings costing Rs 91.61 lakh continue to lie unutilised (May 2005).

The matter was referred to the Government in August 2005; reply had not been received (December 2005).

PUBLIC WORKS DEPARTMENT

4.3.4 Laboratory equipment kept idle for want of staff

Failure to post staff required for two regional Quality Control Laboratories resulted in equipment costing Rs 85.62 lakh, purchased in July 2000 remaining idle.

With a view to strengthening the quality control mechanism to analyse the various parameters and properties of soil, water, cement, mortar, concrete and other construction materials, the Government accorded sanction (December 1998) to upgrade (a) the existing Soil Mechanics and Research Division, Chennai as Central Quality Control Laboratory (QCL) as well as Chennai regional laboratory, (b) the existing Quality Control Division at Madurai as Madurai regional laboratory and (c) the existing soil laboratory in the Irrigation Management Training Institute (IMTI) as Tiruchirappalli regional laboratory. In addition, the Government also ordered to establish a new laboratory for Pollachi region and eight field laboratories (two per each regional QCL).

The laboratory equipment required for upgrading the existing laboratories and for the new laboratories were purchased by the Superintending Engineer, Designs Circle during March 2000 and July 2000 and the Madurai and Central QCLs including their field laboratories started functioning by May 2001 with the existing staff. The equipment for the regional QCLs at Tiruchirappalli and Pollachi and for the four field QCLs under them, purchased at a cost of Rs 85.62 lakh remained idle due to non-posting of required staff. Scrutiny of records of regional Chief Engineers (CEs), Engineer-in-Chief, Chennai (EIC) and the CE, Design Research and Construction Support (DRCS), Chennai during January 2003 and June 2005 revealed the following:

Though the CE, DRCS sent proposals in July 1999 to the EIC for staff required for the regional and field QCLs, the EIC belatedly ordered (November 2004) the regional CEs to identify surplus posts for redeployment citing the orders of the Government banning the creation of posts. In spite of efforts, the regional CEs could not find qualified staff.

The Executive Engineer, Aliyar Basin Division, who was vested with the administrative control of Pollachi QCL accepted (October 2005) that the QCL was not functioning for want of qualified technical staff and stated that the required tests were conducted in the nearby institutions. Further, based on the request of the regional CE, the EIC had sent proposals to the Government (March 2005) for bringing this QCL under the technical and administrative control of Central Laboratory at Chennai to utilise the equipment. The orders of the Government were awaited (August 2005).

The regional CE, Tiruchirappalli informed audit (September 2005) that (a) the equipment relating to the regional QCL were kept in IMTI and were being used for training purpose only and (b) in order to carry out departmental and private tests, a retired Laboratory Assistant would be appointed. This reply was not tenable as according to the staff proposal of the CE, DRCS, four Laboratory Assistants and four Laboratory Attendants were required for carrying out of all the tests for which equipment were purchased.

The CE, Madurai also informed the EIC (May 2005) that Madurai QCL was functioning with skeleton staff and could not function as a full-fledged QCL. Further, all the four QCLs did not obtain recognition from the Central Pollution Control Board under Environment (Protection) Act, 1986 and Madurai QCL did not fulfil the criteria laid down for such recognition.

Though the EIC was aware that there was ban on recruitment since May 1991, he neither identified the specific posts that would be redeployed nor got the ban relaxed at the proposal stage itself to make the QCLs functional. Consequently, the two regional QCLs as well as the four field QCLs attached to them were not functioning till July 2005 and the equipment costing Rs 85.62 lakh remained idle from July 2000. Besides, the quality control tests were not carried out in the QCLs on works executed during 2000-05 in these regions.

The matter was referred to the Government in August 2005; reply had not been received (December 2005).

SMALL INDUSTRIES DEPARTMENT

4.3.5 Failure of marketing service society set up for promoting synthetic gem stone industry

Rupees 65.75 lakh remained blocked for more than five years due to release of funds without comprehensive planning to overcome impediments.

Mention was made in Para 3.20 of the Report of the Comptroller and Auditor General of India – Civil – for the year ended 31 March 1996 that efforts of the Department to establish a training institute for gem cutting at Bargur, Dharmapuri District failed mainly because of poor marketability and poor quality. The Public Accounts Committee expressed[13] its displeasure that even at the initial stage the scheme was launched hastily without analysing the market need and viability. A similar scheme sanctioned by the Government in September 1998 even after the aforesaid Report of the Comptroller and Auditor General had been presented (April 1997) also failed for similar reasons as discussed below:

Based on the proposals of the Industries Commissioner and the Director of Industries and Commerce (Commissioner), the Government sanctioned (September 1998) the setting up of a Marketing Service Society (Society) at a cost of Rs 1.24 crore[14] and a Training-*cum*-Research and Development Institute at a cost of Rs 50.75 lakh at Tiruchirappalli. The Society was registered as a co-operative society in October 1998 and the Commissioner released Rs 81.50 lakh (Rs 30.75 lakh for the Society and Rs 50.75 lakh for the training institute) in April 1999 to the Society. Rupees 50.75 lakh sanctioned for the training institute remained unutilised and earned interest of Rs 26.60 lakh (February 2005) as a fixed deposit in a bank. The Society utilised Rs 15.75 lakh of the Government's contribution and the balance of Rs 15 lakh was kept in fixed deposit (February 2005). It incurred accumulated loss of Rs 7.78 lakh and had stock of finished gems valued at Rs 2.84 lakh as of July 2004.

Scrutiny revealed the following:

(i) No market survey on the possibility of marketing and exporting synthetic gems produced was conducted.

(ii) In April 2004, the Society apprised the Commissioner that the failure was due to high cost of raw materials, absence of interest amongst manufacturers in selling their gems to the Society, adverse market trend, availability of imported gems in the market at lower rates and inferior quality of gems manufactured by the Society compared to imported stones. The Society sought the orders of the Commissioner for abandoning the training scheme and remit back Rs 50.75 lakh with interest to the Government accounts as there was no possibility of manufacturing quality stones which would fetch good price in the market.

Records revealed that the Commissioner was aware in September 1998 itself that these reasons caused the failure of two similar co-operative societies formed in 1976 at Tiruchirappalli. However, without taking any action for overcoming these impediments, the Commissioner released Rs 81.50 lakh in April 1999 which resulted in blocking of Rs 65.75 lakh outside the Government accounts for more than five years.

On the matter being referred to it in March 2005, the Government generally accepted the facts (May 2005) and stated that the scheme failed mainly due to unfavourable market conditions, availability of imported gem in huge quantity

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13 Para 2.4 of 250th Report (XII Assembly) presented to the Assembly on 22 November 2004.

14 Members share contribution: Rs 1 lakh; Loan to be raised by members: Rs 15 lakh; Government share participation (25 *per cent*): Rs 30.75 lakh and Loan from financial institutions: Rs 76.75 lakh.

in the market, etc. The reply was silent on not conducting any survey for ascertaining market need and viability of the scheme.

4.4 Regularity issues and other points

LABOUR AND EMPLOYMENT DEPARTMENT

4.4.1 Irregularities in purchase of medicines for Employees' State Insurance dispensaries

Introduction

The Employees' State Insurance (ESI) scheme is implemented in the State in accordance with the provisions of the ESI Act, 1948 and is administered by the Employees' State Insurance Corporation (ESIC), New Delhi. The benefits available under the scheme include providing medical benefits to the eligible employees of covered units and establishments, who are enrolled as Insured Persons (IPs) and their dependents. Expenditure on provision of medical benefits, subject to a ceiling of Rs 550 (upto March 2003), Rs 650 (up to March 2004) and Rs 700 (from April 2004) per IP per annum, is shared between the ESIC and the State Government in the ratio of 7:1. The expenditure in excess of the ceiling has to be met fully by the State Government. Director of Medical and Rural Health Services (ESI) (Director), assisted by four Regional Administrative Medical Officers (Regional Officers) at Chennai, Coimbatore, Madurai and Salem administers the dispensaries at State level.

Prescribed procedure for procurement

According to the instructions (January 1997) of the State Government, the medicines required were to be purchased from the Tamil Nadu Medical Services Corporation Limited (Corporation) and only items not available with it were to be procured from the firms that had been awarded Running Rate Contract (RRC) by the ESIC, New Delhi.

Funds for the projected requirement of drugs by the Regional Officers were consolidated and released by the Director to Corporation once in a quarter as advance. Director also allocated funds for each quarter of the year to the Regional Officers for purchase of medicines from RRC firms. Regional Officers were to obtain the requirement of medicines from the Medical Officers (MOs) of each dispensary and forward the consolidated indent to the Director who placed purchase orders with RRC firms.

Fall in procurement from TNMSC

The table below reflects the allotment of funds and expenditure on purchase of medicines and dressings for dispensaries during the period 1999-2000 to 2003-04.

(Rupees in crore)

Year	Allotment for RRC items	Funds released to TNMSC (% to total allotment)	Total allotment	Total expenditure
1999-2000	8.41	4.03 (32)	12.44	14.71
2000-2001	15.52	4.15 (21)	19.67	13.09[15]
2001-2002	21.71	4.76 (18)	26.47	24.20
2002-2003	20.27	1.10 (5)	21.37	21.20
2003-2004	20.23	1.33 (6)	21.56	21.53

The share of allotment of funds to TNMSC for procurement of medicines fell from 32 to 6 *per cent* during 1999-2004.

Thus, the share of allotment of funds to the Corporation for procurement of medicines declined drastically from 32 *per cent* in 1999-2000 to 6 *per cent* in 2003-04 with corresponding increase for RRC firms.

Excess expenditure on procurement from RRC firms

Excess expenditure of Rs 32.56 lakh due to purchase of medicines from RRC firms at high cost, in spite of availability with TNMSC.

Contrary to the Government orders, the Director purchased medicines from RRC firms at higher cost, though they had the same composition and were available with the Corporation. Purchase of 12 such medicines during 2002-04 at 10 to 509 *per cent* higher than the issue price of the Corporation resulted in avoidable excess expenditure of Rs 32.56 lakh (**Appendix XXII**).

Government stated (August 2005) that only drugs not available with the Corporation conforming to ESI pharmacopoeia were procured through the RRC approved firms. Government also stated that ESI insured persons preferred drugs supplied by RRC firms as against medicines supplied by the Corporation and that insured persons cannot be equated with general public. This reply was not tenable as drugs with the identical composition, despite being available with the Corporation were procured through RRC firms. Audit further observed that the Corporation supplied medicines during 2000-05 averaging more than Rs 90 crore per annum for various Government General and Teaching Hospitals.

Excess procurement of medicines

Purchase of medicines valuing Rs 3.01 crore in excess of requirement projected by the Medical Officers.

Director called for half-yearly requirement of medicines from the Regional Officers (April and November) with instructions to restrict the requirement at Rs 135 per IP per annum. However, test check revealed that Regional Officers, Chennai and Madurai increased the quantities projected by the MOs in their indents leading to purchase of medicines in excess of this norm[16]. An illustrative list of 11 medicines valuing Rs 3.01 crore purchased from the RRC firms in excess of quantities required by the MOs is given in **Appendix XXIII.**

Government stated (August 2005) that (a) the MOs of the dispensaries often did not assess their requirements properly, (b) drugs pointed out by audit are antibiotics and essential drugs which are frequently used and it was essential to fulfil the needs of the insured persons and over indenting by the Regional Officers would be curbed in future.

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15 This decrease is due to payment of some bills of 2000-01 in 2001-02.

16 Madurai - 2002-03 : Rs 196.50; 2003-04 : Rs 282.06.
Chennai - 2002-03 : Rs 203.88; 2003-04 : Rs 169.89.

Test check in four dispensaries of utilisation of some of the medicines purchased in excess disclosed that the MOs reported huge utilisation of these medicines during the period immediately preceding the date of their expiry (**Appendix XXIV**). However, no justification for such steep increase in utilisation was given by the concerned MOs/Regional Officers.

Director stated (March 2005) that the increased utilisation was because (a) a few MOs were restrictive in prescribing the required medicines but increased prescribing them after suitable instructions were issued to them to increase usage before their expiry, (b) in future, the slow rate of prescription would be considered appropriately while consolidating requirement. Government reply (August 2005) did not address this issue.

Burden on the State Government due to purchase in excess of norms

Expenditure on medicines during 2001-03 exceeded the normative ceiling.

During the years 2001-02 and 2002-03, the expenditure on medicines in respect of dispensaries exceeded[17] the Government's normative ceiling and ultimately contributed to expenditure on drugs and dressings exceeding overall ceiling (Rs 170/IP) by Rs 6.43 crore during 2001-02 and Rs 3.83 crore during 2002-03. These excesses were borne by State Government.

The above irregularities which went unchecked by the Government contributed significantly to increase in the financial burden of the State without any evidence of corresponding increase in benefit to the IPs.

FINANCE DEPARTMENT

4.4.2 Credit of pension to inoperative accounts

Failure to monitor the pension paying banks/Pension Drawing Officers by the Finance Department and to take the prescribed steps for stopping further drawal of pension in cases where bank accounts of pensioners were inoperative for more than six months.

In terms of the Pension Pilot scheme introduced by the State Government in 1970, Pension Drawing Officers (PDOs) *viz.* Treasury Officer/Sub-Treasury Officer in districts and Pension Pay Officer in Chennai draw pension bills and send a consolidated amount to the banks of the pensioners for credit into their account.

To mitigate the risk of payment of pension continuing even after the death of the pensioner, the Finance (Pension) Department ordered (September 2000) all banks that (a) where the pensioner's bank account remains inoperative continuously for a period of six months, the banking authorities shall intimate the fact to the PDOs concerned so that he can stop further drawal of his pension and (b) if subsequently, the pensioner neither produces life certificate nor appears in person for annual mustering, the banking authorities shall refund the undrawn pension along with interest.

Special Commissioner and Commissioner of Treasuries and Accounts (SC&CTA), based on a reference (January 2002) from the Principal

[17] 2001-02: Rs 8.49 crore, 2002-03: Rs 6.03 crore.

Accountant General (PAG) instructed (July 2002) all the PDOs to periodically watch the compliance to the above instructions by pension disbursing banks.

Audit of pension payments by public sector banks after September 2000 repeatedly revealed cases where pension continued to be paid into bank accounts that had been inoperative for more than six consecutive months. Though such cases were brought to the notice of the banks and the SC & CTA soon after completion of each audit, as of May 2005, Rs 9.56 crore were lying in 976 inoperative accounts of pensioners as reflected in **Appendix XXV**.

SC & CTA stated (June 2005) that necessary instructions had been issued to the banks concerned in respect of each objection raised by PAG for rectification of the defects and to remit the pension amount undrawn for more than six months into the Government account. However, the fact of Rs 9.56 crore remaining locked up outside the Government account in public sector banks indicates that the follow-up action taken by SC & CTA and the concerned drawing officers requires strengthening.

Government, while accepting the facts, stated (August 2005) that necessary instructions had been issued urging the banks to promptly report all cases of non-operation of a pension savings account for more than six months to PDOs, so that timely action to stop payment of pension is taken.

4.4.3 Incorrect payment of pension by Public Sector Banks

Violation of relevant rules and instructions prescribed for crediting pension in pensioners account resulted in overpayment of Rs 18.73 lakh by public sector banks.

Government of Tamil Nadu introduced (October 1988) a scheme for payment of pension through Public Sector Banks (PSB) for the pensioners of the State Government. The guidelines issued by the Government stipulated that Reserve Bank/State Bank of India or its subsidiaries will check the scroll received in respect of pension disbursement from the PSBs and reimburse them by debit to the State Government Account. To detect over-payment, short-payment and non-payment, the Pension Pay Officer and Treasury Officers are required to post the details of pension payment in an audit register every month on receipt of pension payment scroll received from the reimbursing bank. The PSBs also indemnify the Government against any wrong or over-payment by executing an indemnity bond.

Test check of records in PSBs during 2003-04 and 2004-05 revealed excess/incorrect payment of pension, family pension, commuted value of pension and Dearness allowance/Medical allowance aggregating Rs 18.73 lakh to 72 pensioners in 36 PSBs (**Appendix XXVI**).

The matter was referred to the Government in August 2005; Government, while generally accepting the facts stated (September 2005) that necessary instructions had been issued urging the banks to follow guidelines/instructions issued in respect of payment of pension through PSB Scheme. Government also instructed Special Commissioner and Commissioner of Treasuries and Accounts to take action to recover the excess payment from banks invoking the indemnity bond furnished by them.

LABOUR AND EMPLOYMENT DEPARTMENT

4.4.4 Poor utilisation of Labour Welfare Fund

The very purpose of constituting the Labour Welfare Fund was defeated as employees benefited by various schemes under the Fund was less than one *per cent* and more than 75 *per cent* of the expenditure was on administering the Fund.

To promote welfare of employees[18] and their dependants, the Government constituted the Tamil Nadu Labour Welfare Fund in 1972 to be administered by the Tamil Nadu Labour Welfare Board. The rate of contribution to the Fund per annum by employees, employers and the Government from 1998 onwards is Rs five, ten and five, respectively. The list of activities for which the Fund could be utilised by the Welfare Board is given in the **Appendix XXVII**.

Test check of records of the Tamil Nadu Labour Welfare Board, Chennai conducted in March and April 2005 revealed that the bulk of receipts of the Fund were consumed towards salary of staff engaged for administrating the Fund. The relevant data is tabulated below:

Year	Total receipts	Expenditure on administrative staff	Amount spent on various schemes	Total expenditure	Percentage of expenditure on administrative staff with reference to receipts	No. of beneficiaries	Total number of employees covered under the Fund	Percentage of employees benefited
	(Rupees in lakh)							
1999-2000	407.20	375.87	29.72 (7.3)	405.59	92.3	6,527	11,04,127	0.59
2000-2001	444.51	404.92	33.14 (7.6)	438.06	91.1	6,769	11,43,372	0.59
2001-2002	415.22	376.23	36.37 (8.8)	412.60	90.6	9,667	12,06,798	0.80
2002-2003	502.68	383.18	26.07 (6.4)	409.25	76.2	5,133	11,79,724	0.44
2003-2004	451.00	392.94	21.20 (5.1)	414.14	87.1	5,813	12,42,602	0.47

Figures in the bracket indicate the percentage of expenditure against the total expenditure.

It would be seen that the percentage of expenditure on various welfare schemes ranged between 5.1 and 8.8 during 1999-2004 whereas percentage of expenditure on staff for administering the Fund with reference to total receipts was between 76.2 and 92.3 during 1999-2004.

As per Rule 27 of the Tamil Nadu Labour Welfare Fund Rules, 1973, the expenses on the staff including the staff employed for carrying out the programmes of the Board and other administrative expenses should not exceed 50 *per cent* of the annual income of the Fund. However, the Government ratified the excess expenditure on staff upto 2000-01 in February 2003.

The very purpose of constituting the Fund was defeated as:

18 "Employee" means any person who is employed for hire or reward to do any skilled or unskilled work in an establishment for more than 30 days but does not include any person who is employed mainly in a managerial capacity.

- the administrative expenditure was more than 75 *per cent* of the total annual income against the prescribed limit of 50 *per cent*;
- the expenditure on welfare schemes was meagre (7 *per cent* on an average) during 1999-2004; and
- employees benefited through the welfare schemes was less than one *per cent* during 1999-2004.

In order that the administrative expenses are contained within the prescribed limit of 50 *per cent*, the Government should take steps to increase contribution from employers and/or employees and also explore possibility of reducing staff administering the Fund.

The matter was referred to the Government in July 2005. Government stated (October 2005) that action was being taken to contain the expenditure of the Board within 50 *per cent* of the income.

BACKWARD CLASSES, MOST BACKWARD CLASSES AND MINORITIES WELFARE DEPARTMENT

4.4.5 Functioning of Kallar Reclamation Schools

For the educational advancement of the people belonging to the Denotified Community "Piramalai Kallar" (PK), which is concentrated in Dindigul, Madurai and Theni districts, the Government has been running Kallar Reclamation (KR) schools since 1920. During 2003-04, there were 260 KR Schools[19] with a strength of 51,829 students; besides, there were 48 hostels under the scheme with a strength of 4,875 students in these three districts. The students are supplied with slates, textbooks, notebooks and special guides, etc., free of cost. The annual expenditure on Kallar Reclamation (KR) schemes during 2001-04 ranged between Rs 20 crore and Rs 22 crore. All orders issued by the State Education Department are applicable to KR schools which are under the administrative control of a Special Deputy Collector (Kallar Reclamation) (SDC/KR). The information was collected from all the 260 schools through a *pro forma* and checked.

Absence of data on coverage of children

Enrolment and dropout rates of children of PK Community were not known.

KR Schools have been under the control of Backward Classes, Most Backward Classes and Minorities Welfare Department since 1989-90. The Department and SDC/KR did not maintain any statistics to enable determination of the extent to which children belonging to KR Community get enrolled and their dropout rate in the three districts. Scrutiny of Admission Registers in the office of SDC/KR revealed that 51 *per cent* of the children admitted in KR schools belong to PK Community.

Government stated (November 2005) that efforts would be made to conduct the required survey.

[19] Primary Schools: 193; Middle Schools: 29; High Schools: 23; and Higher Secondary Schools: 15.

Primary Schools without minimum strength of students

Possibility of merging schools with low strength with other schools nearby was not explored.

The teacher pupil ratio as fixed (December 1997) by the Government was 1:40 with a minimum of two Secondary Grade (SG) Teachers for a primary school. In ten[20] out of 193 primary schools, the total strength of the students was in the range of 13 to 39 during the period 2001-05. The expenditure towards staff salary of these ten schools was Rs 70.75 lakh during 2001-05 up to December 2004.

Further, in seven[21] other primary schools, the student's strength, which was 42 to 50 during 2001-02, declined in the range 17 to 37 during 2004-05. The SDC/KR did not explore the possibility of merging these 17 schools with other schools run by the State Education Department nearby.

Government stated (November 2005) that if KR schools are merged with schools of Education Department (a) Children of PK community may not get the special care and attention as they will be treated on par with others, (b) in order to improve the standard of education in KR schools, post of SDC (KR) was upgraded as District Revenue Officer (KR) in August 2005 for effective administration of these schools and (c) it expected that the admitted strength of every KR schools will improve in the forthcoming academic year.

Expenditure on surplus teaching staff

Excess posting of SG Teachers resulted in avoidable expenditure of Rs 2.31 crore.

Though the norm of teacher pupil ratio of 1:20 was changed to 1:40 by the Government for all schools in December 1997, the SDC/KR did not implement this order till 2002. Recruitment of SG Teachers was made in May 1999 by the SDC/KR and 185 teachers joined the schools during 1999-2000. As tabulated below, due to incorrect deployment, some primary schools had a shortage of teachers despite overall excess with reference to the norm of 1:40 till 2003-04.

Year	Excess		Shortage	
	No. of schools	No. of teachers	No. of schools	No. of teachers
2001-02	89	152	14	19
2002-03	72	107	17	23
2003-04	26	27	18	26
2004-05	8	9	21	24

The excess and shortage ranged from one to five teachers during 2001-05 in above schools. Deployment of surplus SG teachers and their non-deployment in the schools having vacancies resulted in avoidable expenditure of Rs 2.31 crore[22] during 2001-05.

Government stated (November 2005) that the excess/shortage in posting of SG teachers was due to various administrative difficulties initially experienced while adopting the 1:40 teacher pupil ratio.

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[20] Madanampatti, Othaiyur, Pasukaranpatti, Peyampatti, Samiyarpatti, Santhamanaickenpatti, Sedapatti, S.Kurumbapatti, T.Karisalpatti and T.Pichampatti.

[21] A.Mettupatti, Krishnapuram, Kumarampatti, Naickanur, Sukangalpatti, Urundaurappanur and Vilampatti.

[22] Calculated at the minimum scale of pay till December 2004.

Non-posting of graduate trained teachers

Instead of Graduate teachers, SG teachers were posted for teaching core subjects to VI-VIII classes.

As SG Teachers could not handle core subjects like English, Mathematics and Science effectively at middle schools level, the Government ordered (June 2002) that the vacant posts of SG Teachers be filled by Graduates with B.Ed., qualification. However, classes in standards VI to VIII continue to be handled by SG teachers in the 29 middle schools. The proposal sent (November 2004) by the SDC/KR to the Commissioner of Most Backward Classes and Denotified Communities (Commissioner) to sanction 116 posts of Junior Grade Graduate Teachers for KR Schools was pending with the Department (December 2004). As of July 2004, 190 posts of SG teachers in middle, high and higher secondary school level were vacant.

The shortage of adequate graduate trained teachers for teaching core subjects in standards VI to VIII in the 29 middle schools contributed to high failure rate of students in subsequent examinations.

Government stated (November 2005) that orders have been issued to fill up the 116 vacant posts of Junior Grade Graduate Teachers.

Inspection and Internal Audit of SDC/KR

The prescribed biennial inspection of office of the SDC/KR by the Commissioner was not conducted after October 1999. Internal audit of this office was also in arrears from 2000-01 and onwards (December 2004).

Government stated (November 2005) that action is being taken for conducting of internal audit.

Inspection of Schools by SDC/KR

As against the prescribed inspection of each school once a year, the SDC/KR covered only 12 *per cent* of schools in 2002-03 and three *per cent* in 2003-04. During June to November 2004, 55 *per cent* of schools due[23] on *pro rata* basis were inspected.

Government stated (November 2005) that efforts would be made to inspect all schools annually.

MUNICIPAL ADMINISTRATION AND WATER SUPPLY DEPARTMENT

TAMIL NADU WATER SUPPLY AND DRAINAGE BOARD

4.4.6 Failure to avail Central Excise exemption

Delay by the Tamil Nadu Water Supply and Drainage Board in revising the tender conditions to avail Central Excise exemption resulted in a loss of Rs 23 lakh. Recommendation for exemption from Central Excise by Project Engineers for materials not eligible for it resulted in illegal exemption of Rs 58.27 lakh.

All items of machinery required for setting up of water treatment plants (WTP) and pipes for delivery of water from its source to WTP and therefrom

[23] Calculated with reference to academic year starting June.

to the storage facility were exempted from the Central Excise by the Government of India in September 2002. This exemption is subject to production of an 'intended use' certificate from the District Collector. The contracts awarded by the Tamil Nadu Water Supply and Drainage Board (Board) for various water supply schemes were based on fixed prices including all taxes and duties applicable till the completion of the entire work.

Despite the notification of September 2002, the Board continued to finalise tenders for execution of water supply schemes based on estimates which included Excise Duty on machinery and pipes since exempted. Belatedly in August 2003, the Board included a clause in the bid conditions to the effect that concession availed by the contractor due to the Central Excise Duty exemption should be passed on to the Board.

Records relating to 10 water supply schemes, which were under execution during September 2002 to May 2003, were scrutinised by Audit during April to June 2005 and October 2005 and the following observations are made:

(i) Due to delay in revision of tender conditions, the rates of materials for the work of Combined Water Supply Scheme (CWSS), Thenkarai in Theni district executed by the Urban Division, Madurai, (comprising a WTP and other components) and awarded in May 2003, included all taxes and duties. This resulted in payment of Excise Duty estimating Rs 23 lakh for materials eligible for exemption.

Government stated (December 2005) that steps have been initiated to avail the Central Excise exemption foregone. This contention was not tenable as the claim had become time barred due to lapse of one year prescribed under the Central Excise Act, 1944 for claiming refund.

(ii) The occasion for availing Central Excise exemption arose only if the scheme for supply of water included a WTP. However, the Executive/ Project Engineers implementing the remaining nine schemes[24] which did not include WTP, recommended issue of certificates of exemption. The certificates were issued during November 2002 to March 2003 and the contractors availed an illegal exemption of Rs 2.11 crore. Though the Board recovered Rs 1.53 crore from the bills of seven contractors, the amount was not refunded to the Central Excise Department till June 2005. In respect of two schemes, Rs 58.27 lakh could not be recovered as the contractors obtained stay from the High Court.

Government stated (December 2005) that the recovered amount in respect of the seven cases would be remitted to Central Excise Department after confirming the actual amount of exemption availed by the contractors. The Government's reply, however, did not indicate the action taken, if any, against the officers who had recommended issuance of incorrect certificates facilitating claiming of exemption.

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[24] CWSS to Gujiliyamparai – Rural Water Supply Division, Dindigul, CWSS to Andimadam – Project Division, Ariyalur, CWSS to Panangudi – Urban Project Division, Valliyur, Water Supply Improvement Schemes to Thirumangalam, Thirunagar and Usilampatti – Urban Division, Madurai, CWSS to Vedaranyam - Project Division, Mannargudi, CWSS to Uthiramerur and Sriperumpudur – Urban Division, Kancheepuram.

HEALTH AND FAMILY WELFARE DEPARTMENT

4.4.7 Irregularities in the utilisation of Miscellaneous Purpose Fund

Expenditure of Rs 14.94 lakh was incurred from the Miscellaneous Purpose Fund on ineligible items such as office equipment, etc. Expenditure of Rs 52.91 lakh was irregularly met from the Fund for ex-gratia compensation towards sterilisation failure, death cases, etc.

A Miscellaneous Purpose Fund (MPF) was formed in 1977 on the Government of India (GOI) instructions by earmarking a portion of grants received from the GOI as compensation for sterilisation (tubectomy/ vasectomy) cases. The Fund is to be used for meeting expenditure on ex-gratia relief, treatment of post-operative complications and providing facilities for recanalisation and for purposes related to implementation of Family Welfare Programme.

Since November 1997, Rs 10 per sterilisation earmarked from compensation grants, is being credited to the Fund. A sum of Rs 2.16 crore was credited to the Fund during 1999-2005 and Rs 2.12 crore were spent up to March 2005. Scrutiny of records relating to the Fund account maintained by the Director of Family Welfare revealed the following:

(i) Despite GOI instructions (May 1982) that extract of *pro forma* accounts showing accruals and payments be sent to them every year, only expenditure statement was being sent.

(ii) Contrary to codal provisions, the Fund balance was maintained in a bank account outside Government account. Government's reply (November 2005) that separate bank account was opened with a view to avoid delay in making payments from the Fund is not tenable as (a) such operation of the Fund would lead to absence of proper control over expenditure from the Fund and (b) maintaining the cash balance of the Fund within Government accounts was mandatory as per GOI instructions.

(iii) Between May 1999 and March 2005, Rs 14.94 lakh were incurred on items such as office equipment, hotel charges, etc. not directly related to implementation of Family Welfare Programme. Government stated (November 2005) that GOI guidelines permitted purchase of equipment and incidental expenses, etc. The reply is not tenable as equipment contemplated in the guidelines can be taken to mean only the medical equipment for Family Welfare Programme and, therefore, purchase of office equipment like copier, franking machine, television, etc. was not permissible. Further, the guidelines permitted only the incidental expenditure relating to provision of cold chain facilities.

(iv) Though the GOI did not allow use of MPF for payment of compensation in cases of sterilisation failure, the State Government, through an order (July 1998) allowed the payment of ex-gratia in such cases and paid Rs 42.64 lakh[25] during May 2000 to March 2005. Government stated

[25] Includes Rs 2.99 lakh paid as Court deposit in 5 cases during November 2004 to February 2005.

(November 2005) that the payment is well within GOI guidelines. This reply is not factually correct as the GOI guidelines of January 1996 modifying the scheme expressly prohibit payment of compensation out of the MPF in case of failure of sterilisation.

(v) Payments amounting to Rs 12.07 lakh were made from MPF as compensation in 5 cases[26] (ranging between Rs 1.50 lakh and Rs 3.91 lakh) of death during May 2001 to December 2004 under Court orders. Since the GOI had specifically directed that the payment of compensation awarded by the Courts in excess of the specified amount of Rs 50,000 in death cases has to be met by the State Government, incurring of Rs 9.57 lakh from MPF for this purpose in excess of the specified amount for each case of death was irregular and had to be reimbursed to MPF. In one case of incapacitation, Rs one lakh were paid as compensation during October 2000, as against the ceiling of Rs 30,000. Government stated (November 2005) that against the GOI ceiling of Rs 50,000 per case of death, compensation of Rs 25,000 only was paid generally and the savings were utilised for meeting the excess amount payable in the above five cases. This reply is not tenable as the ceiling of Rs 50,000 prescribed in the GOI guidelines had to be applied for each case separately. No reply was forwarded for the case of incapacitation and fact remains that excess expenditure was not met out from the State Government funds.

PUBLIC WORKS DEPARTMENT

4.4.8 Avoidable interest liability on belated payment of Service Tax

Unnecessary delay in payment of Service Tax resulted in avoidable interest liability of Rs 46.40 lakh.

The consultancy service for the Tamil Nadu Water Resources Consolidation Project entrusted to a foreign consultant in December 1997 was completed in March 2002 at a cost of Rs 26.07 crore.

In terms of the Finance Act, 1997, the services rendered by the consulting engineers attracted Service Tax (ST) from July 1997. As the administrative approval did not cover payment of ST, the Engineer-in-Chief, Public Works Department (EIC) sought (July 1999) permission of the Government for its payment. Government, after prolonged correspondence finally approved (March 2003) the payment of Rs 1.04 crore towards ST. As the consultant had by then completed his services and the bills were settled by the Chief Engineer, Institute of Water Studies (CE-IWS), the responsibility of payment of ST vested with the CE-IWS under ST Rules. Accordingly, the CE-IWS paid (March 2003) Rs 95.07 lakh as ST to the Central Excise Department (CED).

The CED demanded (June 2003) interest[27] of Rs 46.40 lakh for the delayed payment of ST but the CE-IWS requested (July 2003) for its waiver. This was, however, turned down (July 2003) by the CED on the ground that the levy of interest was mandatory. The proposal for payment of interest was

26 Includes Rs 2.70 lakh paid as Court deposit in one case in August 2004.

27 Calculated at 1.5 *per cent* per month till 15 July 2001, 24 *per cent* per annum from 16 July 2001 to 15 August 2002 and 15 *per cent* per annum thereafter.

approved belatedly by the Government in September 2004. Meanwhile, the CED also made (July 2003) an additional claim of Rs 35.31 lakh in respect of ST on the reimbursable expenditure paid to the consultant which was not considered for payment of ST by the CE-IWS. The CE-IWS made a pre-deposit of Rs 10 lakh to the CED for filing an appeal against the claim of Rs 35.31 lakh. As the appeal was rejected by the Commissioner of Central Excise (April 2005), the CE-IWS filed (August 2005) on this very matter another appeal before the Appellate Tribunal. Pending settlement of this issue, the CE-IWS had not paid the interest of Rs 46.40 lakh claimed by the CED (August 2005).

Thus, unnecessary delay in payment of the mandatory ST resulted in avoidable interest liability of Rs 46.40 lakh apart from penalty leviable at the discretion of the CED and expenses arising out of litigation.

The matter was referred to the Government in August 2005; reply had not been received (December 2005).

GENERAL

4.4.9 Lack of responsiveness of Government to Audit

Important irregularities detected by Audit during periodical inspection of the Government offices through test check of the records are followed up through Inspection Reports (IRs) issued to the Heads of offices with a copy to the next higher authorities. Government issued orders in April 1967 fixing a time limit of four weeks for prompt response by the authorities to ensure corrective action in compliance of the prescribed rules and procedures and accountability for the deficiencies, lapses, etc. A half-yearly report of pending inspection reports is sent to the Secretary of the Department by the Accountant General to facilitate monitoring of action on the audit observations.

As of June 2005, out of the IRs issued upto December 2004, 13179 paragraphs relating to 4812 IRs remained to be settled for want of satisfactory replies. Of these, 269 IRs containing 674 paragraphs had not been replied to/settled for more than ten years. Year-wise position of the IRs and paragraphs outstanding is detailed in the **Appendix XXVIII**.

A review of the pendency in respect of Environment and Forests, Industries and Revenue Departments revealed the following:

➢ Even the initial replies had not been received as of June 2005 in respect of 229 paragraphs contained in 41 IRs issued between January and December 2004.

➢ As a result of the long pendency, serious irregularities as detailed in **Appendix XXIX** had not been settled as of June 2005.

➢ The Heads of Department did not reply to 1547 paragraphs contained in 563 IRs.

Government constituted at both State level and Department level, Audit and Accounts Committees for consideration and settlement of audit observations outstanding. 42 paragraphs were settled by convening the committee and further, at the instance of Audit, during joint sittings with departmental officers, 290 paragraphs were settled during 2004-05.

[illegible]

[illegible]

[illegible]

GAZETTE [illegible]

[illegible] *[illegible] of Gold [illegible]*

[illegible]

[illegible] in [illegible] Appendix XXVIII.

[illegible]

[illegible] Appendix [illegible]

[illegible]

[illegible]

CHAPTER V

INTERNAL CONTROL SYSTEM

CHAPTER V

INTERNAL CONTROL SYSTEM

HOME DEPARTMENT

5.1 Internal Control and Internal Audit in Prison Department

Highlights

➢ Despite ban on filling up of vacancies, the Department included provision for salary against vacant posts.

(Paragraph 5.1.5)

➢ Despite availability of funds in the 'Victim Compensation Fund', compensation to victims affected by crimes of the prisoner prior to his conviction was not paid.

(Paragraph 5.1.7)

➢ Under-utilisation of capacity in prison industries causing loss of 1.26 lakh mandays of captive labour also depriving prisoners wages of Rs 56.56 lakh in Madurai and Vellore Central Prisons.

(Paragraph 5.1.12)

➢ The Borstal school during 1999-2004 had staff strength between 62 and 70, while during this period the inmate population had ranged between seven to 30 inmates.

(Paragraph 5.1.13)

➢ **Same staff were entrusted with administrative and internal audit works defeating the independence of Internal Audit. Absence of Internal Audit Manual, delay in finalisation of audits and in issuance of audit reports indicated that the Internal Audit System was not being put to effective use.**

(Paragraphs 5.1.16 to 5.1.19)

5.1.1 Introduction

Internal Control Mechanism (ICM) in an organisation is meant to ensure that its operations are carried out according to the applicable laws and regulations and in an economical, efficient and effective manner. The Government has established internal control system whereby the overall financial control is exercised by the Finance Department and the control over specific functional activities is exercised by the respective departments themselves. A scheme of delegation of powers exists to enable the functionaries at different levels to carry out their assigned tasks and responsibilities while simultaneously ensuring adherence to the prescribed internal controls.

Apart from the financial and budgetary rules prescribed in the Tamil Nadu Financial Code and the Tamil Nadu Budget Manual, the various internal controls as applicable in the Prison Department have been prescribed in The Prisons Act, 1894, The Prisoners Act, 1900, The Identification of Prisoners Act, 1920, The Exchange of Prisoners Act, 1948, The Transfer of Prisoners Act, 1950, The Prisoners (Attendance in Courts) Act, 1955, The Tamil Nadu Prison Rules 1983 and The Tamil Nadu Prison Manual for effective functioning of the Department.

5.1.2 Organisational set up

At the Government level, the Secretary, Home Department, was in charge of the Prison Department. The Additional Director General of Prisons (ADGP) heads the Department, assisted by four range Deputy Inspectors General of Prisons (DIG)[1] and one DIG (Headquarters). While Central Prisons (CP)/Special Prisons for Women (SPW) and Sub-Jails were managed by the Superintendents, a Chief Probation Superintendent (CPS) heads the Probation Branch. There were 133 prisons including nine CPs, 113 Sub-Jails (104 for men and nine for women), seven Special Sub-Jails (four for men and three for women), two Special Prisons for Women (Tiruchirappalli and Vellore), one Open-Air Prison at Coimbatore and one Farm Jail at Salem. In addition, there is a Borstal School[2] at Pudukottai, where adolescent prisoners in the age group of 18-21 were detained.

5.1.3 Audit objectives

Audit objectives were to ascertain with reference to the Acts, Rules and Manual mentioned above

- the adequacy of overall budgetary control in the Department,
- compliance to the operational controls as prescribed in the Tamil Nadu Prison Rules, 1983 and the Tamil Nadu Prison Manual,
- adequacy of effectiveness of system of reformation and rehabilitation of prisoners,
- effectiveness and independence of Internal Audit System of the Department.

5.1.4 Audit coverage

Internal Control System relating to budgetary as well as operational areas of the Department for the period 2002-05 was reviewed during December 2004 to May 2005 by test check of the records maintained at (a) the Secretariat (Home Department), (b) Office of ADGP, Chennai, (c) the four range DIGs,

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1 Chennai, Coimbatore, Madurai and Tiruchirappalli.

2 Borstal School is a corrective institution set up under The Madras Borstal Schools Act, 1926 wherein adolescent offenders are detained and imparted industrial training, etc., with an aim to reform them.

CPs at Coimbatore, Madurai and Vellore and 13 Sub-Jails[3] attached to them, (d) SPW, Vellore, and (e) the Borstal School, Pudukottai and four attached Sub-Jails[4]. Details regarding CPs at Chennai, Tiruchirappalli, Cuddalore and the SPW, Tiruchirappalli collected from the Office of the ADGP are also included in the review. Significant points noticed in audit are discussed in the succeeding paragraphs.

Audit findings:

Financial Control

5.1.5 Budget control

The position in respect of utilisation of Budget provision during 2002-05 by the Department is tabulated below:

(Rupees in crore)

Year	Revenue/ Capital	Budget provision	Actual expenditure	Savings (percentage)	Surrender (percentage)	Percentage of shortfall in surrender
2000-01	Revenue	56.64	51.81	4.83 (9)	0.43 (1)	91
	Capital*	8.00	5.73	2.27 (28)	0.49 (6)	78
2001-02	Revenue	60.56	51.04	9.52 (16)	8.58 (14)	10
	Capital*	1.89	1.03	0.86 (46)	Nil	100
2002-03	Revenue	59.99	53.26	6.73 (11)	6.13 (10)	9
	Capital	4.61	3.28	1.33 (29)	Nil	100
2003-04	Revenue	63.76	62.33	1.43 (2)	0.55 (1)	62
	Capital	12.85	12.65	0.20 (2)	Nil	100
2004-05	Revenue	69.96	61.86	8.10 (12)	6.95 (10)	14
	Capital	48.34	26.40	21.94 (45)	21.92 (45)	Nil

* Included under the voted grants for 'Miscellaneous Capital Outlay' and 'Capital Outlay on Public Works – Buildings'.

Continued savings under revenue grant during 2000-05 indicate inaccurate budget estimation.

The savings under revenue was persistent during 2000-05 and had ranged between two and 16 *per cent*. Savings under Capital head was as high at 46 *per cent* during 2001-02. The persistent savings under the revenue grant since 2000-01 indicate that budget estimates were inaccurate. Further, the amounts surrendered at the end of each year were found to be less than the actual savings ranging from nine to 100 *per cent* (except during 2004-05 under the capital grant), which indicated inaccurate estimation even at the end of the year and lack of control over expenditure.

Perusal of records revealed that the persistent savings during 2000-05 under the revenue heads were mainly due to vacant posts and non-functioning of some industrial units in CPs.

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3 (i) Sub-Jails attached to Coimbatore CP: Bhavani, Erode, Pollachi, Tiruppur and Udumalpet, (ii) Sub-Jails attached to Vellore CP: Polur, Tiruvannamalai and Tirupathur and (iii) Sub-Jails attached to Madurai CP: Palani, Paramakudi, Periyakulam, Sivaganga and Srivilliputhur.

4 Mayiladuthurai, Nagapattinam, Nannilam and Tiruvarur.

As per the Tamil Nadu Budget Manual, estimates for salary should be framed on the basis of expenditure likely to be incurred during the year on account of the persons likely to be on duty and their actual pay, irrespective of the actual sanctioned strength. Despite a general ban in existence since May 1991 on filling up of vacant posts, the Department made provision for vacant posts, resulting in substantial savings. Further savings on account of capacity under-utilisation of the prison-industries due to various aspects have been analysed in subsequent paras.

Government stated (November 2005) that (a) the inaccurate projections made by the sub-ordinate offices was the main reason for the persistent savings and shortfall in surrender and (b) steps have been taken to impart training to the concerned staff of Central Prisons and Sub-Jails in the preparation of budget to avoid inaccurate budgetting in future.

5.1.6 Defective reappropriation

During 2004-05, the Department estimated additional expenditure (Rs 29.11 lakh) and obtained a token Supplementary Grant of Rupees one thousand on 21 March 2005 towards 'Video conferencing system in Prisons' over the Budget provision of Rs five crore under this head in Revenue. However, the Department withdrew Rs 1.22 crore on 28 and 31 March through reappropriation without assigning any reason. The expenditure under this head was only Rs 3.59 crore and there was a final savings of Rs 18.50 lakh[5]. Thus the Department had not assessed the expenditure accurately even in the month of March.

Government stated (November 2005) that the Department could not project allocation for video conferencing system accurately as it was a new item.

5.1.7 Non-payment out of Victim Compensation Fund

Based on the directions of the Supreme Court of India (September 1998), the Government fixed (October 2000) daily wage rates[6] payable to prisoners. Of the wages payable, 50 *per cent* was to be deducted for the upkeep of prisoners, 30 *per cent* to be credited to the personal accounts of the prisoners and the remaining 20 *per cent* to be credited to the "Victim Compensation Fund" for payment of compensation to the victims affected by the prisoner's act that had caused his imprisonment. The Fund was initially to be maintained at the CP level and the amounts then transferred to the State Level Fund once in three months or whenever necessary. Government also framed 'The Tamil Nadu Victim Compensation Fund Rules, 2000' (Fund Rules) in December 2000, which require formation of a two tier committee - one at district level for recommending the eligible cases and the other at State level for examining these recommendations and decision thereon.

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5 Rs 5 crore – Rs 1.22 crore – Rs 3.59 crore = Rs 18.50 lakh.

6 Skilled: Rs 65 per day, Semi-skilled: Rs 50 per day and Unskilled: Rs 45 per day.

Despite availability of funds, no payment of compensation was made to victims affected by the criminal acts of prisoners.

Perusal of connected records revealed that 20 *per cent* of wages recovered during November 2000 to March 2005 aggregating Rs 1.39 crore kept in the Personal Deposit (PD) accounts maintained by Superintendent of six CPs, two SPWs and the Borstal School had not been transferred (September 2005) to the State Level Fund. Further, recommendations as required under Fund Rules for payment of compensation to victims affected by 27 prisoners were received (September 2004) by the State Level Committee (SLC) only from one District Committee at CP (Vellore). However, no decision on these recommendations had been taken (September 2005). Thus, despite availability of funds, the directions of the Supreme Court in providing compensation to the victims affected by the prisoner's acts are yet to be complied with (September 2005).

Accepting the facts, the Government stated (November 2005) that (a) the proposal of the District Committee, Vellore would be placed before the SLC after finalising the operational head of account to which the compensation amounts have to be debited and (b) other district committees have been requested to send recommendations for granting compensation to victims.

Operational Control

5.1.8 Overcrowding of Central Prisons

Accommodation in excess of the authorised strength in central prisons.

The prisons in the State were overcrowded to the extent of nine and 25 *per cent* of available capacity during 2002-05, as depicted below:

Year	Authorised accommodation	Inmates as of 31 March	Excess lodged (percentage)
2002	18,292	20,365	2,073 (11)
2003	18,302	22,841	4,539 (25)
2004	18,152	19,799	1,647 (9)
2005	18,152	20,742	2,590 (14)

Out of the nine CPs in the State, the one at Madurai was most overcrowded with excess lodging ranging between 57 and 231 *per cent* during 2002-05.

The Tamil Nadu Prison Rules, 1983 (Prison Rules) provide that as soon as any prisoners in excess of the available accommodation is received in any prison, the Superintendent should submit an immediate report to the IG of Prisons (now ADGP) with a statement of measures proposed to be adopted to relieve the overcrowding.

The ADGP stated (August 2005) that the superintendents had not furnished any specific report on such overcrowding of their prisons but the daily population of prisons was being watched by his Office closely.

5.1.9 Escape of prisoners

Escape of prisoners from all central prisons during 2001-05.

Prison Rules provide measures for the prevention of escape of prisoners. ADGP issued instructions to the Superintendents of Prisons and Range DIGs of Prisons, from time to time on security measures. Despite such efforts, there were regular escapes from prisons during 2001-05. Of the total 42 escapes during this period, only 38 had been recaptured as of October 2005 while 4 were still at large.

Audit noted that all the central prisons in the State had suffered an escape during January 2001–February 2005. The recurring feature of prisoners escaping from Jails indicated non-compliance with controls prescribed in this regard.

Government stated (November 2005) that punishment is imposed on prison staff found to be lax in enforcing security measures.

5.1.10 Ineffective rehabilitation

Poor percentage of prisoners rehabilitated during 2001-03.

Percentage of rehabilitated prisoners was very low as compared to the convict prisoners released during 2001-03 but picked up momentum in 2004, as shown below:

Year	Convict prisoners released	Number of prisoners rehabilitated out of released	Percentage of rehabilitated prisoners to those released	Number of prisoners who were provided with bank loans
2001	4,630	155	3	67
2002	5,089	789	15	73
2003	5,190	791	15	75
2004	2,972	1,587	53	Nil

Government stated (November 2005) that (a) with the available strength of Probation Officers rehabilitation was provided to the most deserving convicts only and (b) it was not generally given to the habitual offenders.

Government's policy of not providing rehabilitation to habitual offenders in a way had contributed to increase from 13 *per cent* in 1996 to 52 *per cent* in 2003 (latest figures available) of total prisoners. In view of this trend the Government may like to reconsider the policy of not extending rehabilitation efforts to habitual offenders.

5.1.11 Performance of prison industries

Decrease in quantum of prison made articles during 2001-04.

Prison Rules provide that prisoners serving long sentences be imparted such skills that would increase their chances of entering an occupation or trade after their release. Accordingly, convict prisoners are employed in prison industries such as paper making, weaving, bookbinding, tailoring, shoe making, etc. Prison Department was declared as a service department (August 1990) and prison made articles are supplied to the Government Departments free of cost. Total value of prison made articles in the State as a whole decreased from Rs 4.80 crore during 2001-02 to Rs 3.19 crore during 2003-04 despite an increase in the strength of convict prisoners (4,857 to 6,642) during the same period. A test check of the performance of prison industries during 2001-04 disclosed under-utilisation of prison labour as discussed below.

5.1.12 Under-utilisation of capacity of prison industries

Under-utilisation of capacity of prison industries led to loss of mandays and deprival of wages to prisoners.

Test check of Madurai and Vellore CPs revealed that 1,25,682 mandays of captive prison labour was not utilised during 2002-05, as detailed in **Appendix XXX**. Non-functioning of these industries resulted in deprival of at least Rs 56.56 lakh as wages (calculated @ Rs 45 per day) to prisoners besides hampering their reformation. ADGP attributed (May 2005) the capacity under-utilisation to the inadequate budgetary support by the Government for the procurement of raw materials.

The budget provided for the purchase of materials as against the proposals submitted by the Department and actual expenditure incurred during the last five years, was as given below:

(Rupees in crore)

Year	Budget proposed	Budget provided	Actual expenditure	Savings (percentage)
2000-01	3.88	3.88	2.35	1.53 (39)
2001-02	5.64	3.88	2.40	1.48 (38)
2002-03	6.09	3.00	2.84	0.16 (5)
2003-04	5.88	3.69	2.54	1.15 (31)
2004-05	3.50	3.03	2.59	0.44 (15)

In context of the fact that the Department failed to utilise the Budget provided, the above reply of ADGP was not tenable.

The machinery installed for paper making, weaving, book binding, shoe making, etc., in CPs at Coimbatore, Vellore and Madurai were also not utilised to an extent of 20 to 100 *per cent*, indicating gross under-utilisation capacity of prison industries.

Audit observed that though sufficient funds, manpower and expertise for manufacture was available, the Department failed to put the same to usage; resultantly, the objective of providing skills for purpose of rehabilitation and reforms could also not be fulfilled.

The Government stated (November 2005) that production in prison industries is dependent upon the budget allocation and the firm orders on hand. In view of the spare production capacity available in prisons, the Government may consider various options for increasing the quantum of orders placed on the Department.

5.1.13 Excess staff at Borstal School

Continuance of large number of posts in Borstal school despite decline in strength of inmates.

In the Borstal School, Pudukottai, the actual strength decreased steeply from 30 in 1999 to seven offenders in 2004 against the authorised capacity of 405. Despite this, staff strength of 62 to 70 (against the sanctioned strength of 84 posts) was maintained during 1999-2004 and expenditure of Rs 3.26 crore on their salary was incurred for this period. A majority of this staff could have been re-deployed usefully to CPs like Coimbatore, Madurai and Vellore which had shortage of staff or accommodated excess prisoners. Government replied (November 2005) that though the strength of inmates had decreased, a minimum strength of staff to maintain the premises and the office of the Borstal school is required. The reply was not tenable as the original staff strength sanctioned for the school was 84 for the authorised inmate capacity of 405 and having 62 staff for maintaining the present inmate strength of seven was grossly disproportionate.

5.1.14 Non-preparation of Annual Administrative Reports

Non-preparation of Annual Administrative Reports by Superintendent and ADGP.

The Prison Rules and Manual provide that an Administrative Report should be prepared by all the Superintendents of prisons for submission to the ADGP by 15 February every year containing explanations for overcrowding, escapes/attempts of escapes, details of habitual offenders, etc., with their recorded suggestions, opinions, etc. Similarly, the ADGP should prepare an annual administrative report for submission to the Government by 15 April every year duly incorporating statistical and other statements, returns and information required by the Government, from time to time, besides showing the inspections made by the ADGP during the year and the compliance of the Government orders regarding records and service books.

Scrutiny revealed that Superintendents of CPs at Coimbatore and Madurai had not sent the Annual Administrative Reports for more than five years. CP, Vellore did not furnish any details in this regard and the ADGP sent the Annual Report of 2001 belatedly in March 2004. Reports for 2002 and 2003 were still under preparation (March 2005). The failure to prepare timely Annual Administrative Reports indicated laxity in reporting the complete picture about the prison administration to the Government and constitutes a failure in implementation of internal controls.

Government replied that the Administrative Reports for 2002, 2003 and 2004 had since been prepared by the Superintendents of Prisons and submitted to ADGP (November 2005).

5.1.15 Deficiency in function of Board of Visitors

The Prison Rules prescribe a Board of visitors for each prison comprising official and non-official members. The official visitors are all ex-officio and comprise those amongst a list of 21 whose jurisdiction covers the prison. The six non-official members (10 in case of Chennai) are appointed by the ADGP for a period of three years and should preferably be from professions such as psychiatrist, psychologist and sociologist. The visitors of the Board have to visit the prison by rotation with a frequency of one visit per week as per roster maintained by the Collector.

Audit noted that though the term of non-official visitors of CP, Madurai had expired, the order for a new set of visitors had not been issued (July 2005). Government replied (November 2005) that a list of professionals to be appointed as visitors to the Board has since been received from the District Collector, Madurai and necessary orders will be issued soon.

On audit pointing out deficiencies in matters relating to delays in appointment of non-official visitors and their visits, the ADGP stated (April 2005) that instructions will be issued for strict adherence to the prescribed provisions in the manual regarding maintenance of roster, weekly visits, quarterly meetings and visitors book.

Internal Audit

In terms of instructions issued in August 1996 by the ADGP, the DIG of the Range is responsible for conducting the annual audit of all CPs/ Borstal School/SPW, Special Sub-Jails and Offices of the Regional Probation Officer and Probation Officer. Besides, DIG was to issue, pursue and settle the audit objections. The Assistant Director, Internal Audit (AD) in the Office of the ADGP is responsible for review and wind up of audit[7] of all the offices of the Department.

5.1.16 Assignment of administrative work to Internal audit staff

Entrustment of regular administrative work to Internal Audit staff.

Government sanctioned (June 1990) staff comprising six Superintendents, 12 Assistants, two Typists, one Record Clerk and two Office Assistants in the Office of the ADGP, Chennai to conduct 100 *per cent* audit of accounts of all offices of the Department. Based on the suggestion of the ADGP, the Government ordered (March 1996) the transfer of one post of Superintendent and two of Assistants, to each of the ranges at Coimbatore, Madurai and Tiruchirappalli. Records produced to audit disclosed that the staff exclusively sanctioned for internal audit was entrusted with additional administrative work like sending of returns and settlement of tenders. The utilisation of same staff for administrative and audit work compromised the independence of internal audit.

Government stated (November 2005) that the administrative works assigned to the audit staff and the audit work were independent of each other. The reply was not tenable, as administrative works like award of tenders is subject matter of audit scrutiny after their finalisation.

5.1.17 Deficiencies in Internal Audit

The following deficiencies were noticed in the Internal Audit Department:

Deficiencies in Internal Audit functions.

- Internal Audit was conducted based on the Tamil Nadu Prison Manual, Government Orders, Fundamental Rules and Financial Code. There was no Internal Audit Manual to guide the audit.
- DIGs of all the test checked Ranges (Chennai, Coimbatore, Madurai and Tiruchirappalli) stated that no periodical audit plan for completing the internal audit was drawn up by them.
- Government ordered (September 1995) that the Chief Internal Auditor and Chief Auditor of Statutory Boards should furnish, every year, to the Government, a status report on the functions of Internal Audit in the Department. The status reports for each of the three years during 2001-04 were under preparation (February 2005).
- ADGP instructed (August 1996) that the DIGs should audit annually all the offices/prisons of the Department falling under their jurisdiction. However, audit of 140 institutions for 2003-04 was not conducted (July 2005) in three ranges *viz.* Tiruchirappalli (63), Chennai (38) and Coimbatore (39). This was attributed to the dual function of Internal Audit wing, as mentioned in para 5.1.16.

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[7] Wind up of audit covers discussion of all the audit findings with the head of the office audited.

5.1.18 Delay in winding up Internal Audits and their pendency

Pendency in winding up of Internal audits.

According to the instructions in August 1996 by the ADGP, AD would review and wind up audit conducted by the Range audit wing after discussion. Out of 422 units in four Ranges (Chennai, Coimbatore, Madurai and Tiruchirappalli) for which internal audit relating to the period 2001-04 was conducted, winding up of 394 units was delayed beyond one month. Delay between six months and one year occurred in 156 units and beyond one year in respect of 17 units from the date of completion of audit, reportedly due to heavy work load of AD.

It was further noticed that in respect of 60 audits carried out in different institutions in four Ranges[8], AD had still to wind up the audits even after the lapse of six to 34 months from conduct of audit (October 2005). Thus, the audit conducted was inconclusive and its objective not achieved. The Department had not prescribed a time limit for completion of winding up of an audit.

5.1.19 Delay in issue of Internal Audit Reports after winding up

Out of 407 Internal Audit Reports relating to the period 2001-04, issued by the Range DIGs of Chennai, Coimbatore and Madurai, even after winding up, 70 reports were issued after a period ranging between one and two months, 53 between two and three months and 15 between three and six months after conclusion of audit.

No norm was fixed by the Department prescribing a time limit for issue of Internal audit report after winding up of audit.

5.1.20 Outstanding Paras of Reports on Stock verification

As of March 2005, 81 reports of internal audit parties on stock verification of CPs, Tiruchirappalli and Vellore, SPW, open air jail, Coimbatore, Borstal School, Pudukottai and Special Sub-Jails, containing 865 paragraphs were outstanding since 1995. The above pendency indicated inadequate response to audit objections and neglect of an essential control.

5.1.21 Conclusions

Internal Control System in the Department was not fully effective as indicated by deficiencies in following rules and directives of Government/Department regarding budget preparation and control over performance of industries. No compensation payment was made to victims affected by the acts of prisoners despite availability of funds. There was overcrowding in certain prisons which could have been limited by judicious transfer. Increasing trend in habitual offenders indicate inadequacy of rehabilitation measures. Ineffective functioning of the Internal Audit wing resulted in serious delays in issuance of Internal Audit Reports.

[8] Chennai – 2001-02: 12, 2002-03: 14 and 2003-04: 1, Coimbatore - 2003-04: 7, Madurai - 2003-04: 20 and Tiruchirappalli - 2003-04: 6.

5.1.22 Recommendations

- Compliance with rules relating to preparation of Budget estimates and Budgetary control should be ensured.
- Government may consider strengthening the security system in prisons to curb escapes of prisoners.
- Measures to optimise production from prison industries should be taken to enhance remuneration to prisoners and help them to acquire skills useful for their rehabilitation.
- Payment of compensation to the eligible victims affected by the acts of prisoners should be expeditiously commenced.
- An independent Internal Audit wing should be set up for conducting effective Internal Audit of all the offices under the control of the Department with a specific periodicity to provide reasonable assurance regarding the adequacy and effectiveness of internal controls.

Chennai
The 27 MAR 2006

(SANJEEV SALUJA)
Principal Accountant General (Civil Audit)
Tamil Nadu and Pondicherry

Countersigned

New Delhi
The 30 MAR 2006

(VIJAYENDRA N. KAUL)
Comptroller and Auditor General of India

APPENDICES

Appendix I
(Reference: Paragraph 1.4; Page 4)
Time series data on the State Government finances

(Rupees in crore)

	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
Part A. Receipts					
1. Revenue Receipts	**18317 (41)**	**18818 (42)**	**20837 (36)**	**23706(38)**	**28452 (39)**
(i) Tax Revenue	**12282 (67)**	**13010 (69)**	**14342 (69)**	**15945(67)**	**19357 (68)**
Taxes on Agricultural Income	5	2	2	1	1
Taxes on Sales, Trade, etc	8197 (67)	8386 (65)	9590 (67)	11005(69)	12996 (67)
State Excise	1869 (15)	2058 (16)	2114 (15)	1657(10)	2549 (13)
Taxes on Vehicles	590 (5)	648 (5)	746 (5)	934(6)	1015 (5)
Stamps and Registration fees	910 (7)	1138 (9)	1079 (8)	1316(8)	1604 (9)
Land Revenue	56 (1)	50	8	18	72
Taxes on Goods and Passengers	242 (2)	283 (2)	489 (3)	611(4)	764 (4)
Other Taxes	413 (3)	445 (3)	314 (2)	403(3)	356 (2)
(ii) Non Tax Revenue	**1711 (9)**	**1557 (8)**	**1861 (9)**	**2094(9)**	**2209 (8)**
(iii) State's share of Union taxes and duties	**2784 (15)**	**2870 (15)**	**3047 (15)**	**3544(15)**	**4236(15)**
(iv) Grants in aid from Government of India	**1540 (8)**	**1381 (8)**	**1587 (7)**	**2123(9)**	**2650 (9)**
2. Miscellaneous Capital Receipts	..	..	..	..	..
3. Recoveries of Loans and Advances	**359(1)**	**324 (1)**	**433 (1)**	**575(1)**	**783 (1)**
4. Total Revenue and Non debt capital receipts (1+2+3)	**18676**	**19142**	**21270**	**24281**	**29235**
5. Public Debt Receipts	**4731 (11)**	**4522 (10)**	**9396 (16)**	**9723(16)**	**12136 (17)**
Internal Debt (excluding Ways and Means Advances and Overdrafts)	4665	3609	7347	8700	10878
Net transactions under Ways and Means Advances and Overdrafts	..	..	1129	..	..
Loans and Advances from Government of India	66	913	920	1023	1258
6. Total Receipts in the Consolidated Fund (4+5)	**23407**	**23664**	**30666**	**34004**	**41371**
7. Contingency Fund Receipts	..	**1**	..	..	..
8. Public Account Receipts	**21286(47)**	**21209 (47)**	**27156**	**28107(45)**	**31864 (43)**
9. Total Receipts of the State (6+7+8)	**44693**	**44874**	**57822**	**62111**	**73235**
Part B. Expenditure/Disbursement					
10. Revenue Expenditure	**21753 (92)**	**21557 (90)**	**25688 (92)**	**25271(85)**	**29155 (84)**
Plan	2336 (11)	2427 (11)	2973 (12)	4436(18)	3904 (13)
Non Plan	19417 (89)	19130 (89)	22715 (88)	20835(82)	25251 (87)
General Services (including interest payments)	8354	8921	9895	10589	12058
Social Services	7792	7677	7974	8598	9683
Economic Services	4628	4242	6262	4607	5454
Grants-in-aid and contributions	979	717	1557	1477	1960
11. Capital Expenditure	**1547 (6)**	**1778 (8)**	**1628 (6)**	**3590(12)**	**4564 (13)**
Plan	1867	1659 (93)	1498 (92)	3469(97)	4280 (94)
Non Plan	(-) 320#	119 (7)	130 (8)	121(3)	284 (6)
General Services	152	151	174	253	376
Social Services	634	666	616	1512	2449
Economic Services	761	961	838	1825	1739
12. Disbursement of Loans and Advances	**453(2)**	**547 (2)**	**696 (2)**	**1011(3)**	**1086 (3)**
13. Total (10+11+12)	**23753**	**23882**	**28012**	**29872**	**34805**
14. Repayments of Public Debt	**855(2)**	**1076(2)**	**2144 (4)**	**3948(6)**	**7188 (10)**
Internal Debt (excluding Ways and Means Advances and Overdrafts)	**163**	**346**	**537**	**732**	**2838**
Net transactions under Ways and Means Advances and Overdraft	**170**	**140**	..	**55**	**205**
Loans and Advances from Government of India	**522**	**590**	**1607**	**3161**	**4145**
15. Appropriation to Contingency Fund	..	..	..	..	..
16. Total disbursement out of Consolidated Fund (13+14+15)	**24608**	**24958**	**30156**	**33820**	**41993**
17. Contingency Fund disbursements	**1**	..	..	..	..
18. Public Account disbursements	**19944**	**20059**	**27578**	**27196**	**30735 (42)**
19. Total disbursement by the State (16+17+18)	**44553**	**45017**	**57734**	**61016**	**72728**
Part C. Deficits					
20. Revenue Deficit (1-10)	3436	2739	4851	1565	703
21. Fiscal Deficit (4-13)	5077	4740	6742	5591	5570
22. Primary Deficit (21-23)	1953	1227	2609	891	365
Part D. Other data					
23. Interest Payments (included in revenue expenditure)	**3124**	**3513**	**4133**	**4700**	**4755**
24. Arrears of Revenue (Percentage of Tax and non-tax Revenue Receipts)	**8707 (62)**	**9171(63)**	**9424 (58)**	**7247 (40)**	**7728 (36)**
25. Financial Assistance to local bodies etc.,	**3970**	**2977**	**5988**	**5128**	**5484**
26. Ways and Means Advances/Overdraft availed (days)					
Ways and Means Advances availed (days)	5152 (219)	4855 (206)	8624 (284)	1710 (41)	1337 (23)
Overdraft availed (days)	1713 (76)	4110 (148)	1911 (71)	..	..
27. Interest on Ways and Means Advances/Overdraft	**16**	**27**	**24**	**9**	**1**
28. Gross State Domestic Product (GSDP)@	**141109**	**143517**	**155099**	**168457**	**188921**
29 Outstanding Fiscal liabilities (year end)	**33421**	**37933**	**43915**	**49445**	**55144**
30. Outstanding guarantees (year end) (including interest)	**6780**	**8570**	**8677**	**10098**	**8424**
31. Maximum amount guaranteed (year end)	**11027**	**14695**	**16353**	**18843**	**17220**
32. Number of incomplete projects	**20**	**59**	**45**	**59**	**47**
33. Capital blocked in incomplete projects	**304**	**824**	**373**	**552**	**619**

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

 # Minus figure mainly due to conversion of equity in Tamil Nadu Electricity Board to tariff compensation

@ GSDP figures of 2002-03 and 2003-04 revised adopting the figures communicated by the Government

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Appendix II
(Reference: Paragraph 1.4; Page 4)
Abstract of Receipts and Disbursements for the year 2004-2005

(Rupees in crore)

Receipts					Disbursements						
2003-2004				2004-2005	2003-2004			Non-Plan	Plan	Total	2004-2005
		Section-A: Revenue									
23705.71	**I**	Revenue receipts		**28451.53**	**25270.95**	**I**	Revenue expenditure-				**29154.87**
15944.97		-Tax revenue	19357.04		**10589.11**		**General services**	**12021.58**	**36.69**	**12058.27**	
					8597.77		**Social Services-**	**7232.64**	**2450.11**	**9682.75**	
2093.79		-Non-tax revenue	2208.35		4175.07		-Education, Sports, Art and Culture	4343.95	253.33	4597.28	
					1202.96		-Health and Family Welfare	971.25	332.91	1304.16	
3544.20		-State's share of Union Taxes	4236.39		556.70		-Water Supply, Sanitation, Housing and Urban Development	141.47	261.41	402.88	
					23.80		-Information and Broadcasting	21.05	1.04	22.09	
532.19		-Non-Plan grants	960.83		548.59		-Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	244.21	367.17	611.38	
936.44		-Grants for State Plan Schemes	1054.02		145.05		-Labour and labour Welfare	99.65	2.85	102.50	
					1923.94		-Social Welfare and Nutrition	1391.89	1230.43	2622.32	
654.12		-Grants for Central and Centrally sponsored Plan Schemes	634.90		21.66		-Others	19.17	0.97	20.14	
					4607.40		**Economic Services-**	**4220.45**	**1233.63**	**5454.08**	
					1102.09		-Agriculture and Allied Activities	894.33	396.83	1291.16	
					905.30		-Rural Development	152.33	403.70	556.03	
					15.24		-Special Areas Programmes	0.53	15.80	16.33	
					537.74		-Irrigation and Flood control	488.14	81.56	569.70	
					440.10		-Energy	1063.44	0.97	1064.41	
					225.11		-Industry and Minerals	80.77	163.61	244.38	
					451.24		-Transport	495.70	142.45	638.15	
					26.30		-Science, Technology and Environment	0.44	6.14	6.58	
					904.28		-General Economic Services	1044.77	22.57	1067.34	
					1476.67		**Grants-in-aid and Contributions-**	**1776.73**	**183.04**	**1959.77**	
					25270.95		Total	25251.40	3903.47	29154.87	
1565.24	**II**	Revenue deficit carried over to Section B		703.34		**II**	Revenue Surplus carried over to Section B				..
25270.95		**Total**		**29154.87**	**25270.95**		**Total**				**29154.87**
		Section-B : Others									
169.35	**III**	Opening Cash balance including Permanent Advances and Cash Balance Investment		**684.58**	**579.63**	**III**	Opening Overdraft from Reserve Bank of India				..
	IV	Miscellaneous Capital receipts		..	**3589.91**	**IV**	Capital Outlay-				**4563.96**
					252.39		**General Services-**	**250.27**	**125.45**	**375.72**	
					1512.25		**Social Services-**	**23.56**	**2425.91**	**2449.47**	
					79.07		-Education, Sports, Art and Culture	0.48	98.90	99.38	
					65.91		-Health and Family Welfare	..	47.79	47.79	
					1280.83		-Water Supply, Sanitation, Housing and Urban Development	20.48	2183.27	2203.75	
					3.31		-Information and Broadcasting	0.92	0.53	1.45	
					75.17		-Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	0.15	90.34	90.49	

2003-2004				2004-2005	2003-2004			Non-plan	Plan	Total	2004-2005
		Section-B: Others (concld)									
					5.42		-Social Welfare and Nutrition	..	2.04	2.04	
					2.54		-Others	1.53	3.04	4.57	
					1825.27		**Economic Services-**	**10.09**	**1728.68**	**1738.77**	
					97.67		-Agriculture and Allied Activities	10.01	89.85	99.86	
					0.66		-Rural Development	..	404.46	404.46	
					13.91		-Special Areas Programmes	..	13.36	13.36	
					245.29		-Irrigation and Flood Control	..	277.60	277.60	
					200.00		-Energy	..	85.00	85.00	
					(-) 0.86		-Industry and Minerals	..	1.25	1.25	
					1230.94		-Transport	(-) 0.03	842.41	842.38	
					37.66		-General Economic Services	0.11	14.75	14.86	
					3589.91		**Total**	**283.92**	**4280.04**	**4563.96**	
574.55	V	Recoveries of Loans and Advances-		783.38	1010.57	V	Loans and Advances disbursed-				1085.84
34.00		-From Power Projects	30.00		163.01		-For Power Projects			100.91	
102.98		-From Government Servants	121.87		85.06		-To Government Servants			62.14	
437.57		-From Others	631.51		762.50		-To Others			922.79	
					1565.24	VI	Revenue deficit brought down				703.34
9723.32	VI	Public debt receipts-		12136.41	3948.33	VII	Repayment of Public debt-				7188.09
..		-External debt	..		..		-External debt			..	
8700.33		-Internal debt other than Ways and Means Advances and overdrafts	10877.82		732.41		-Internal debt other than Ways and Means Advances and Overdrafts			2837.85	
..		- Net transactions under Ways and Means Advances	..		55.09		- Net transactions under Ways and Means Advances			204.88	
..		- Net transactions under overdraft	..								
1022.99		-Loans and Advances from Central Government	1258.60		3160.83		-Repayment of Loans and Advances to Central Government			4145.36	
..	VII	Appropriation to Contingency Fund		..	..	VIII	Appropriation to Contingency Fund				..
..	VIII	Amount transferred to Contingency Fund		..	..	IX	Expenditure from Contingency Fund				..
28106.63	IX	Public Account receipts-		31863.89	27195.59	X	Public Account disbursements-				30734.60
2687.58		-Small Savings and Provident Funds	1982.45		2425.43		-Small Savings and Provident Funds			2409.99	
736.54		-Reserve Funds	2057.28		678.18		-Reserve Funds			2261.79	
12286.24		-Suspense and Miscellaneous	15460.49		11820.91		-Suspense and Miscellaneous			15034.67	
3653.73		-Remittance	2287.74		3540.83		-Remittances			2335.55	
8742.54		-Deposits and Advances	10075.93		8730.24		-Deposits and Advances			8692.60	
..	X	Closing Overdraft from Reserve Bank of India		..	684.58	XI	Cash Balance at end-			..	1192.43
					2.70		-Cash in Treasuries and Local Remittances			16.46	
					80.50		-Deposits with Reserve Bank			280.15	
					7.65		-Departmental Cash Balance including permanent Advances			7.32	
					593.73		-Cash Balance Investment			888.50	
38573.85		Total		45468.26	38573.85		Total				45468.26

Appendix III

(Reference: Paragraph 1.4; Page 4)

Sources and Applications of Funds

(Rupees in crore)

2003-2004		Sources	2004-2005
23705.71	1.	Revenue receipts	28451.53
574.55	2.	Recoveries of Loans and Advances	783.38
5774.99	3.	Increase in Public debt other than overdraft	4948.32
..	4.	Increase in overdraft	..
	5.	Net receipts from Public Account:	
262.15		Increase/Decrease (-) in Small Savings and Provident Funds	(-) 427.54
12.30		Increase in Deposits and Advances	1383.33
58.36		Increase/Decrease (-) in Reserve Funds	(-) 204.51
465.33		Net effect of Suspense and Miscellaneous transactions	425.82
112.90		Net effect of Remittance transactions	(-) 47.81
..	6.	Net effect of Contingency Fund transactions	..
..	7.	Decrease in closing cash balance	..
30966.29		Total	35312.52
2003-2004		Applications	2004-2005
25270.95	1.	Revenue expenditure	29154.87
1010.57	2.	Lending for development and other purposes	1085.84
3589.91	3.	Capital expenditure	4563.96
579.63	4.	Decrease in overdraft	..
515.23	5.	Increase in closing cash balance	507.85
30966.29		Total	35312.52

Appendix IV

(Reference: Paragraphs 1.4, 1.8.1 and 1.8.2; Pages 4 and 15)
Summarised Financial Position of the Government of Tamil Nadu as on 31 March 2005

(Rupees in crore)

As on 31.03.2004	Liabilities		As on 31.03.2005
29330.84	**Internal Debt -**		**37165.92**
11537.41	Market Loans bearing interest	13786.36	
4.15	Market Loans not bearing interest	3.89	
944.02	Loans from Life Insurance Corporation of India	1418.80	
16248.93	Loans from other Institutions	21565.42	
596.33	Ways and Means Advances	391.45	
..	Overdrafts from Reserve Bank of India	..	
9426.90	**Loans and Advances from Central Government -**		**6540.14**
65.92	Pre 1984-85 Loans	45.95	
229.82	Non-Plan Loans	343.70	
9010.34	Loans for State Plan Schemes	6026.56	
29.56	Loans for Central Plan Schemes	28.33	
91.26	Loans for Centrally Sponsored Plan Schemes	95.60	
150.00	**Contingency Fund**		**150.00**
6931.59	**Small Savings, Provident Funds, etc.**		**6504.05**
3106.89	**Deposits**		**4489.94**
683.14	**Reserve Funds**		**1246.02**
318.39	**Remittance Balances**		**270.58**
49947.75			56366.65
	Assets		
17812.11	**Gross Capital Outlay on Fixed Assets -**		**22376.07**
2257.13	Investments in shares of Companies, Corporations, etc.	2557.71	
15554.98	Other Capital Outlay	19818.36	
5047.56	**Loans and Advances -**		**5350.02**
385.87	Loans for Power Projects	456.78	
4131.22	Other Development Loans	4411.61	
530.47	Loans to Government servants and Miscellaneous loans	481.63	
34.26	**Reserve Fund Investments**		**801.65**
8.64	**Advances**		**8.36**
(-) 950.40	**Suspense and Miscellaneous Balances**		**(-) 878.45**
684.58	**Cash -**		**1192.43**
2.70	Cash in Treasuries and Local Remittances	16.46	
80.50	Deposits with Reserve Bank	280.15	
1.71	Departmental Cash Balance	1.36	
5.94	Permanent Advances	5.96	
593.73	Cash Balance Investments	888.50	
27311.00	**Deficit on Government Account -**		**27516.57**
1565.24	(i) Revenue Deficit of the current year	703.34	
(-) 64.45	(ii) Miscellaneous Deficit	(-) 497.77	
25810.21	Accumulated deficit at the beginning of the year	27311.00	
49947.75			56366.65

Explanatory Notes for Appendices II, III and IV:

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

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

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

There was a difference of Rs 11.27 crore (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 to the extent of Rs 0.28 crore (Net debit) had been reconciled (May 2005) leaving a balance of net credit of Rs 11.55 crore which was under reconciliation.

Appendix V

(Reference: Paragraph 1.4; Page 4)

List of rates/terms used in Chapter I and basis for their calculation

Terms	Basis for calculation
Buoyancy of a parameter	Rate of Growth of the parameter / GSDP Growth
Buoyancy of a parameter (X) with respect to another parameter (Y)	Rate of Growth of the parameter (X)/ Rate of Growth of the parameter (Y)
Rate of Growth (ROG)	[(Current year Amount/Previous year Amount) – 1] * 100
Trend / Average rate of growth over a period of five years	(LOGEST (Amount of 1999-2000:Amount of 2004-2005) – 1) * 100
Average ratio of one parameter to another over five years	Average of parameter (x) over five years / Average of parameter (y) over five years
Development Expenditure	Social Services + Economic Services+ Grants-in-aid
Weighted Interest Rate (Average interest paid by the State)	Interest payment/ [(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/2] * 100
Interest spread	GSDP growth – Weighted Interest rates
Interest received as *per cent* to Loans Advanced	Interest Received [(Opening balance + Closing balance of Loans and Advances)/2] * 100
Revenue Deficit	Revenue Expenditure - Revenue Receipt
Fiscal Deficit	Revenue Expenditure + Capital Expenditure + Net Loans and Advances given – Revenue Receipts – Miscellaneous Capital Receipts
Primary Deficit	Fiscal Deficit – Interest Payments
Balance from Current Revenues (BCR)	Revenue Receipts minus all Plan grants (under Major Head 1601-02,03,04) and Non-Plan revenue expenditure excluding debit under 2048 – Appropriation for Reduction or Avoidance of Debt

Appendix VI

(Reference: Paragraph 1.7.5; Page 14)

Cases of misappropriation pending action as on 30 June 2005

(i) *Department-wise analysis*

(Rupees in lakh)

Sl. No.	Department	Number of cases	Amount
1.	Agriculture	39	216.47
2.	Animal Husbandry and Fisheries	1	87.85
3.	Commercial Taxes and Religious Endowments	8	100.96
4.	Co-operation, Food and Consumer Protection	1	0.14
5.	Education	28	139.96
6.	Environment and Forests	1	0.30
7.	Finance	7	6.97
8.	Handloom, Handicrafts, Textiles and Khadi	3	0.71
9.	Health and Family Welfare	26	34.44
10.	Home	3	7.45
11.	Labour and Employment	2	3.53
12.	Personnel and Administrative Reforms	1	1.92
13.	Revenue	222	42.33
14.	Rural Development	11	12.19
15.	Social Welfare and Nutritious Meal Programme	7	1.05
16.	Transport	2	10.11
	Total	362	666.38

(ii) *Year-wise analysis*

(Rupees in lakh)

Year	Number of cases	Amount
Up to 1998-99	331	163.93
1999-2000	7	13.72
2000-2001	3	99.92
2001-2002	3	88.68
2002-2003	8	166.89
2003-2004	7	53.26
2004-2005	3	79.98
Total	362	666.38

Appendix VII

(Reference: Paragraph 1.7.6; Page 15)

Cases of shortages, etc., reported to Audit upto March 2005

(i) Department-wise analysis

(Rupees in lakh)

Sl. No.	Department	Number of cases	Amount
1.	Agriculture	141	113.63
2.	Animal Husbandry and Fisheries	42	5.41
3.	Backward classes and Social Welfare	2	2.73
4.	Education	20	3.99
5.	Environment and Forests	7	8.61
6.	Finance	1	5.68
7.	Health and Family Welfare	25	21.17
8.	Home	1	..
9.	Labour and Employment	1	2.61
10.	Personnel and Administrative Reforms	1	0.03
11.	Public Works	2812	1665.01
12.	Revenue	4	1.65
13.	Rural Development	10	7.76
14.	Transport	1	1.97
	Total	3068	1840.25

(ii) Year-wise analysis

(Rupees in lakh)

Year	Number of cases	Amount
Up to 1998-99	2530	1239.45
1999-2000	116	202.74
2000-2001	100	48.66
2001-2002	137	78.05
2002-2003	136	206.01
2003-2004	35	39.19
2004-2005	14	26.15
Total	3068	1840.25

Appendix VIII

(Reference: Paragraph 2.3.1; Page 26)

Excess over provision of previous years requiring regularisation

(Rupees in crore)

Year	Number of grants/ appropriations	Grant/ appropriation numbers	Amount of excess
1997-1998	7 Grants	19,20,23,26,35, 38 and 45	299.42
	5 Appropriations	15,29,35,45 and 55	
1998-1999	16 Grants	3,5,6,17,20,27, 30, 33,35,38,39, 40, 48, 50,52 and 57	232.85
	2 Appropriations	Debt Charges and 45	
1999-2000	9 Grants	2,17,26,33,35,38, 41,45 and 46	362.99
	1 Appropriation	29	
2000-2001	6 Grants	6, 21, 29, 35, 47 and 61	2239.47
	7 Appropriations	Debt Charges, 29, 35, 41, 42, 54 and Public Debt-Repayment	
2001-2002	3 Grants	32, 35 and 41	379.38
	4 Appropriations	16, 42, 54 and Public Debt- Repayment	
2002-2003	12 Grants	**Revenue** – 1, 14, 16, 20, 35, 38, 48 and 49 **Capital** – 6 and 26 **Loans** – 5, 20 and 40	2436.71
	4 Appropriations	**Revenue** – 1 and 21 **Capital** – 20 **Loans** – Public Debt – Repayment	
2003-2004	7 Grants	**Revenue** – 33, 40 **Capital** – 5, 27, 28, 43, 47	154.61
	5 Appropriations	**Revenue** – 1, 14, 38, 48, Debt Charges	
		Total	**6105.43**

Appendix IX

(Reference: Paragraph 2.3.6; Page 27)

Cases where supplementary provision (Rs 10 lakh or more in each case) proved unnecessary

(In thousands of Rupees)

Sl. No.	Grant number/ Appropriation	Original provision	Actual expenditure	Supplementary provision	Savings out of original provision
	A Revenue - Voted				
1.	4	3909496	3832850	208242	76646
2.	5	8756813	8738827	534130	17986
3.	6	1643112	1487772	24246	155340
4.	18	13353869	12680529	168226	673340
5.	19	6470843	6293069	58945	177774
6.	20	8042395	7476245	518105	566150
7.	21	11878757	11862378	634219	16379
8.	25	627681	507079	2046	120602
9.	26	292332	267193	6411	25139
10.	37	1171904	1091095	91696	80809
11.	38	7501074	7116103	77465	384971
12.	39	9170427	9036279	40697	134148
13.	41	41427301	37287719	104589	4139582
14.	44	374815	340499	1012	34316
15.	45	276851	268355	8749	8496
	Total	**114897670**	**108285992**	**2478778**	**6611678**
	B Capital - Voted				
1.	7	36682	19345	12620	17337
2.	9	59943	39340	1500	20603
3.	12	57944	55560	1999	2384
4.	18	521979	59640	2000	462339
5.	20	10896820	8430300	430020	2466520
6.	23	470901	264022	12500	206879
7.	38	5074938	4332293	765596	742645
8.	42	14350	12898	1122	1452
	Total	**17133557**	**13213398**	**1227357**	**3920159**
	C Loan – Voted				
	41	350	114	1160	236
	Total	**350**	**114**	**1160**	**236**
	Total (Voted)	**132031577**	**121499504**	**3707295**	**10532073**
	A Revenue – Charged				
	Debt Charges	*52294965*	*52054808*	*67801*	*240157*
	Total	**52294965**	**52054808**	**67801**	**240157**
	Grand Total	**184326542**	**173554312**	**3775096**	
				377.51 crore	

Appendix X

(Reference: Paragraph 2.3.7; Page 27)

Statement showing cases where supplementary provision was made in excess of actual requirement (where saving is exceeding Rs 50 lakh in each case)

(Rupees in crore)

Sl. No.	Number and name of the grant/ appropriation		Original provision	Supplementary provision	Total provision	Expenditure	Saving
	Revenue – Voted						
1.	7 –	Animal Husbandry and Fisheries Department	64.58	10.67	75.25	66.88	8.37
2.	9 -	Backward Classes, Most Backward Classes and Minorities Welfare Department	153.80	69.48	223.28	199.49	23.79
3.	12 -	Co-operation, Food and Consumer Protection Department	1098.48	323.12	1421.60	1418.64	2.96
4.	13 -	Energy Department	260.12	891.73	1151.85	1141.99	9.86
5.	24 -	Home Department – Motor Vehicles Act – Administration	45.73	4.92	50.65	48.49	2.16
6.	35 -	Planning, Development and Special Initiatives Department	59.51	53.43	112.94	111.84	1.10
7.	40 -	Rural Development Department	1611.17	416.99	2028.16	1986.78	41.38
8.	43 -	Social Welfare and Nutritious Meal Programme Department	411.30	74.71	486.01	467.02	18.99
9.	49 -	Relief on Account of Natural Calamities	325.74	1739.39	2065.13	1872.66	192.47
	Revenue – Charged						
10.	3 -	Administration of Justice	*29.35*	*5.17*	*34.52*	*30.59*	*3.93*
	Capital – Voted						
11.	5 -	Agriculture Department	6.73	9.40	16.13	14.52	1.61
12.	14 -	Environment and Forests Department	82.39	11.36	93.75	87.04	6.71
13.	21 -	Home Department – Police	138.52	188.48	327.00	258.02	68.98
14.	28 -	Information and Tourism Department – Tourism	14.20	1.97	16.17	14.76	1.41
15.	31 -	Labour and Employment Department	3.10	1.06	4.16	3.32	0.84
16.	33 -	Municipal Administration and Water Supply Department	633.18	770.62	1403.80	1401.93	1.87
17.	39 -	Revenue Department	23.49	14.39	37.88	36.47	1.41
18.	40 -	Rural Development Department	341.44	278.43	619.87	618.16	1.71
	Loan – Voted						
19.	12 -	Co-operation, Food and Consumer Protection Department	13.54	368.95	382.49	380.72	1.77
20.	33 -	Municipal Administration and Water Supply Department	158.21	105.37	263.58	161.58	102.00
	Loan – Charged						
21.	Public Debt – Repayment		*3794.81*	*5631.46*	*9426.27*	*8525.17*	*901.10*
	Total		**9269.39**	**10971.10**	**20240.49**	**18846.07**	**1394.42**

2-31—24a

Appendix XI

(Reference: Paragraph 2.3.9; Page 27)

Surrenders in excess of actual savings (Rs 50 lakh or more)

(Rupees in crore)

Sl. No.	Number and name of the grant/ appropriation		Total grant/ appropriation	Saving	Amount surrendered	Amount surrendered in excess
	Revenue – Voted					
1.	2 –	Governor and Council of Ministers	13.22	2.45	3.41	0.96
2.	10 –	Commercial Taxes Department – Commercial Taxes	322.09	10.02	22.52	12.50
3.	12 –	Co-operation, Food and Consumer Protection Department	1421.60	2.96	4.86	1.90
4.	16 –	Handlooms, Handicrafts, Textiles and Khadi Department – Handlooms and Textiles	327.50	0.77	1.62	0.85
5.	38 –	Public Works Department	757.85	46.24	64.48	18.24
6.	40 –	Rural Development Department	2028.16	41.39	60.31	18.92
7.	41 –	School Education Department	4153.29	424.42	506.98	82.56
	Capital – Voted					
9.	38 –	Public Works Department	584.05	150.82	153.50	2.68
	Revenue – Charged					
10.	Debt charges		*5236.28*	*30.80*	*34.73*	*3.93*
	Total		**14844.04**	**709.87**	**852.41**	**142.54**

Appendix XII

(Reference: Paragraph 2.3.10; Page 27)

Statement showing cases where expenditure fell short by more than Rs one crore each and also by 15 *per cent* or more of the total provision

(Rupees in crore)

Grant/ Appropriation Number	Name of Grant /Appropriation	Provision	Actual expenditure	Saving	Percentage of Saving over Provision
Voted Grants					
	A - Revenue				
1	State Legislature	13.67	11.32	2.35	17
2	Governor and Council of Ministers	13.22	10.78	2.44	18
11	Commercial Taxes Department - Stamps and Registration	110.26	83.98	26.28	24
15	Finance Department	551.48	401.27	150.21	27
25	Housing and Urban Development Department	62.97	50.71	12.26	19
30	Information Technology Department	16.55	2.81	13.74	83
32	Law Department	9.00	6.86	2.14	24
42	Small Industries Department	68.08	40.16	27.92	41
	B – Capital				
7	Animal Husbandry and Fisheries Department - Fisheries	4.93	1.93	3.00	61
9	Backward Classes, Most Backward Classes and Minorities Welfare Department	6.14	3.93	2.21	36
18	Health and Family Welfare Department	52.40	5.96	46.44	89
20	Highways Department	1132.68	843.03	289.65	26
21	Home Department - Police	327.00	258.02	68.98	21
23	Home Department - Prisons	48.34	26.40	21.94	45
35	Planning, Development and Special Initiatives Department	8.52	5.77	2.75	32
37	Public Department	10.00	1.14	8.86	89
38	Public Works Department	584.05	433.23	150.82	26
45	Tamil Development - Culture and Religious Endowments Department - Hindu Religious and Charitable Endowments	2.41	0.86	1.55	64
	C - Loan				
13	Energy Department	179.26	102.81	76.45	43
15	Finance Department	21.11	13.19	7.92	38
25	Housing and Urban Development Department	108.50	54.91	53.59	49
33	Municipal Administration and Water Supply Department	263.58	161.58	102.00	39
Charged Appropriation					
	A - Revenue				
4	Adi Dravidar and Tribal Welfare Department	*4.00*	*2.06*	*1.94*	49

Appendix XIII

(Reference: Paragraph 2.3.11; Page 27)

Excess/Unnecessary/Insufficient Reappropriation of funds

(Rupees in lakh)

Sl. No.	Grant No.	Description	Head of Account	Reappropriation	Final Excess(+)/ Saving (-)
1.	4	Adi Dravidar and Tribal Welfare Department	2225.01.277.I.AA	(-) 642.37	(-) 338.15
2.	6	Animal Husbandry and Fisheries Department - Animal Husbandry	2403.00.101.I.AA	(-) 853.65	(-) 223.82
3.	10	Commercial Taxes Department - Commercial Taxes	2040.00.797.I.AA	(-) 1000.00	1230.88
4.	18	Health and Family Welfare Department	2210.01.110.I.AW	(-) 577.47	277.72
5.	18		2210.05.105.I.AA	(-) 368.32	(-) 247.28
6.	18		2210.05.105.I.AL	(-) 89.00	215.87
7.	18		2210.05.105.I.BI	1665.05	(-) 214.08
8.	19	Higher Education Department	2202.03.103.I.AA	(-) 379.10	(-) 403.15
9.	19		2202.03.104.I.AA	(-) 754.49	(-) 802.63
10.	19		2203.00.104.I.AA	130.48	(-) 213.50
11.	19		2203.00.112.I.AA	(-) 101.05	226.93
12.	20	Highways Department	3054.04.337.I.AA	(-) 196.88	418.57
13.	20		3054.04.337.I.AB	(-) 647.59	446.07
14.	20		3054.80.001.I.AE	(-) 585.37	297.63
15.	20		5054.03.337.I.JA	(-) 5.52	(-) 321.52
16.	20		5054.04.337.I.JS	1499.99	(-) 224.02
17.	20		5054.04.337.I.JU	9999.99	(-) 1020.20
18.	20		5054.80.800.I.JE	(-) 92.15	(-) 1985.27
19.	20		5054.80.800.I.JF	(-) 39.79	(-) 282.01
20.	20		5054.80.800.I.JX	1072.00	(-) 500.01
21.	20		5054.80.800.I.JZ	499.99	500.00
22.	20		5054.80.800.I.PB	(-) 34036.95	(-) 1052.46
23.	21	Home Department - Police	2052.00.090.I.AJ	150.29	(-) 215.12
24.	21		2055.00.109.I.AA	(-) 839.85	(-) 696.59
25.	21		2055.00.800.I.AL	216.34	301.24
26.	25	Housing and Urban Development Department	7610.00.201.I.JA	(-) 4183.24	(-) 1175.32

(Rupees in lakh)

Sl. No.	Grant No.	Description	Head of Account	Reappro-priation	Final Excess(+)/ Saving (-)
27.	26	Industries Department	3054.80.797.I.JC	3.04	(-) 253.29
28.	37	Public Department	2015.00.105.I.AB	(-) 240.91	(-) 284.36
29.	38	Public Works Department	2701.80.001.I.AF	(-) 636.21	(-) 231.90
30.	38		4059.01.051.I.AB	142.54	(-) 576.65
31.	38		4059.01.800.I.JA	(-) 50.68	(-) 314.00
32.	38		4202.04.800.I.JW	(-) 2.63	1136.96
33.	38		4210.01.110.I.JA	(-) 125.43	(-) 300.18
34.	38		4225.03.277.I.UA	180.02	(-) 246.67
35.	38		4701.03.280.I.PA	4362.64	1324.67
36.	38		4701.80.800.I.JJ	(-) 77.80	(-) 1711.00
37.	39	Revenue Department	2053.00.094.I.AC	(-) 2208.72	(-) 205.41
38.	39		3604.00.103.I.AB	(-) 0.66	980.76
39.	40	Rural Development Department	2515.00.102.I.AD	246.99	2217.41
40.	41	School Education Department	2202.01.101.I.AC	(-) 10159.90	1021.22
41.	41		2202.01.102.I.AD	(-) 16028.74	3235.88
42.	41		2202.02.109.I.AA	(-) 13989.53	2802.77
43.	41		2202.02.109.I.AB	(-) 1560.37	246.55
44.	41		2202.02.110.I.AA	(-) 6587.76	3867.95
45.	41		2505.01.702.I.JJ	1859.79	(-) 2496.96
46.	48	Pension and Other Retirement Benefits	2071.01.101.I.AA	(-) 10747.52	6519.20
47.	48		2071.01.101.I.AC	(-) 7396.09	389.60
48.	48		2071.01.102.I.AB	(-) 11946.00	(-) 17118.21
49.	48		2071.01.104.I.AB	(-) 351.67	(-) 1443.11
50.	48		2071.01.105.I.AA	(-) 3691.08	662.86
51.	48		2071.01.105.I.AC	(-) 2474.18	(-) 212.12
52.	48		2071.01.109.I.AA	(-) 2091.85	992.42
53.	48		2071.01.109.I.AC	1499.99	(-) 286.49
54.	48		2071.01.109.I.AD	(-) 1000.00	(-) 939.79
55.	48		2071.01.109.I.AE	(-) 764.87	(-) 705.60
56.	48		2071.01.109.I.AF	(-) 1800.00	605.95
57.	48		2071.01.111.I.AA	(-) 25.84	(-) 376.25
58.	48		2071.01.115.I.AA	(-) 6008.22	3022.17
59.	49	Relief on account of Natural Calamities	2245.80.800.I.AA	1837.74	(-) 1877.11
60.	49		2245.80.800.I.AB	(-) 15689.17	1910.75
61.	51	Debt Charges	2049.03.104.I.AA	(-) 11000.00	554.76
62.	51		2049.60.101.I.AN	121.09	331.73

Appendix XIV

(Reference: Paragraph 2.5; Page 28)

Rush of Expenditure

(Rupees in crore)

Sl.No.	Grant Number	Head of account Scheme/Service	Total expenditure	Expenditure incurred in March 2005	Percentage of expenditure in March 2005 to total expenditure
1.	13	4801.80.101.JA	85.00	85.00	100
2.	17	2851.00.105.KE	14.88	14.88	100
3.	20	3054.80.190.AA	12.00	12.00	100
4.	20	5054.04.337.JU	89.80	89.80	100
5.	20	5054.80.800.JX	68.72	68.72	100
6.	28	3452.80.104.JH	11.50	11.50	100
7.	33	2217.04.192.JA	54.57	54.57	100
8.	38	2701.80.800.AL	30.90	30.90	100
9.	39	2235.60.200.JU	17.42	17.42	100
10.	40	3604.00.198.AB	198.29	198.29	100
11.	49	2245.01.101.AC	134.22	134.22	100
12.	5	2402.00.103.JE	51.11	26.11	51
13.	5	4401.00.113.AB	12.32	11.49	93
14.	15	3604.00.200.JC	29.90	21.17	71
15.	25	4216.80.190.JC	30.00	20.00	67
16.	26	2885.01.101.JD	12.02	11.91	99
17.	26	4217.60.051.JC	122.36	67.36	55
18.	26	4217.60.051.JD	59.27	37.77	64
19.	33	2217.03.190.UA	18.36	11.06	60
20.	33	3604.00.193.AA	209.11	108.48	52
21.	33	4215.01.101.JJ	21.00	11.00	52
22.	38	2702.01.101.AH	34.07	27.54	81
23.	39	2235.60.200.JQ	43.62	27.26	62
24.	40	2515.00.800.KF	73.61	43.90	60
25.	40	3604.00.197.JA	38.68	19.34	50
26.	40	3604.00.197.JB	75.31	51.67	69
27.	40	3604.00.198.AA	431.66	223.56	52
28.	40	3604.00.197.AA	469.82	270.77	58
29.	41	2202.01.101.JD	104.06	89.68	86
30.	49	2245.05.101.AB	734.47	617.20	84
31.	49	2245.80.800.AB	582.77	438.00	75
		Total	**3870.82**	**2852.57**	**74**

Appendix XV

(Reference: Paragraph 3.1.4; Page 34)

Performance Review of Consumer Protection Act

Survey Report of ORG Centre for Social Research, New Delhi

Executive Summary

In order to gain an understanding of the functional status of the Consumer Protection Act, consumers at large, complainants, manufacturers/service providers, NGOs and appropriate laboratories were covered under the survey. In Tamil Nadu a total of 2518 consumers spread across urban and rural areas were contacted. Besides 433 complainants, 9 manufacturers/service providers, 2 NGOs and 3 laboratories were interviewed. The survey was conducted during mid July to mid August 2005.

Findings of the survey

- Overall 91 *per cent* of the consumers at large gave importance to knowing the Consumer Protection Act (CPA) but 59 *per cent* of them were not aware of consumer rights and 73 *per cent* were still unaware of the Act.
- The Act envisaged benefit to all the consumers in urban and rural areas but only 21 *per cent* of the rural population had heard about it.
- In response to whether the Government is making any effort in safe guarding the consumer rights, only 28 *per cent* of the consumers replied positively.
- The formal sources of awareness of the respondents about CPA were electronic media (61 *per cent*), print media (41 *per cent*) and NGOs (0.3 *per cent*).
- Thirty seven *per cent* of the consumer at large, who are aware about CPA, came to know about the Act only during the last three years, though the Act has been in existence for the past 18 years.
- Only 23 *per cent* of the consumers reported being aware of any redressal agency.
- Around 33 *per cent* of the consumers who were aware of Act, did not know the location of the redressal agency in their respective district.
- Of the complainants interviewed, nearly 70 *per cent* resided in urban areas and all except for one were educated with an average monthly household income of Rs 9,706. This implied that facilities provided by redressal agencies were availed mostly by residents of urban areas and that too by the middle/upper middle strata of the community.
- Majority of the complaints were against services (82 *per cent*) such as communication services (26 *per cent*), other financial services (25 *per cent*) and housing and construction (18 *per cent*). This may imply that competition in the product market takes care of the consumer problems but in case of monopolistic situation the consumer has to approach consumer redressal agencies.
- Majority of the complainants (78 *per cent*) came to know about the redressal agencies through print media, 56 *per cent* through electronic media and 27 *per cent* through NGOs.
- About 42 *per cent* of the complainants used stamp paper to file the case and in majority of these cases (90 *per cent*) the lawyers/agents advised them to do so.

- Around 22 *per cent* of complainants, who registered their complaint prior to March 2004, reported having deposited court fee notwithstanding the fact that this was introduced only in March 2004.

- An analysis of time taken at various stages of the cases show that on an average 9.2 days were spent for registering a case, 33 days for service of notice and 24 days for holding first hearing.

- On an average five hearings were required to resolve a case. Around 42 *per cent* of the cases were unresolved even after five hearings and most of these cases were against providers of communication services (26 *per cent*).

- On an average seven months were spent to resolve a case. The unresolved cases were pending for past 35 average months.

- Compensation was received after an average period of 18 months. In cases where decrees have been passed but compensation not paid, the pendency of repayment was due for 35 months (average).

- On an average a complainant had to spend Rs 4,772 to resolve a case of which a major portion (average: Rs 3,393) was towards advocates' fee.

- The manufacturers and service providers were well aware of CPA but none of them had formal mechanism to deal with consumer courts.

- The NGOs are involved in a spate of activities such as consumer education, advocacy, organising seminars/camps, etc. They are also facilitating the consumers in filing cases and act as agents.

- Overall, all the stakeholders and the complainants perceive the redressal through consumer courts as simple but not very speedy and reasonable.

Appendix XVI

(Reference: Paragraphs 3.1.5, 3.1.6, 3.1.10 and 3.1.17; Pages 34, 36, 40 and 41)

Details about District Forums

Sl. No.	District Forums	Date of formation	Delay in formation	Number of posts		Rent paid per month (Rs)
				Sanctioned	Vacant	
1.	Chennai – North	23.3.94	6 years and 8 months	5	..	31,277
2.	Chennai – South	24.11.93	6 years and 4 months	14	2	39,291
3.	Coimbatore**	11.3.94	6 years and 8 months	6	1	..
4.	Cuddalore (originally combined with Kancheepuram)	9.3.94*	6 years and 8 months	5	..	6,000
5.	Erode	4.5.94	6 years and 10 months	5	..	9,441
6.	Madurai**	1.3.95	7 years and 8 months	5	..	..
7.	Nagapattinam (originally combined with Thanjavur)	8.3.94*	6 years and 8 months	5	..	5,900
8.	Kanniyakumari	10.3.94	6 years and 8 months	5	2	4,500
9.	Thanjavur	8.3.94	6 years and 8 months	6	1	6,500
10.	The Nilgiris (originally combined with Coimbatore)	11.3.94*	6 years and 8 months	5	2	2,197
11.	Tiruchirappalli	7.4.94	6 years and 9 months	5	..	6,000
12.	Virudhunagar**	15.3.94	6 years and 8 months	5	..	..
Combined Forums						
13.	Dindigul and Pudukottai**	5.5.94	6 years and 10 months	6	1	6,060 ..
14.	Kancheepuram*** and Villupuram	9.3.94	6 years and 8 months	7	3	.. 5,750
15.	Salem** and Dharmapuri	6.4.94	6 years and 9 months	6	1	.. 5,000
16.	Sivaganga and Ramanathapuram**	11.7.94	7 years	6	2	4,000 ..
17.	Tirunelveli and Thoothukudi	7.3.94	6 years and 8 months	6	1	5,750 4,000
18.	Vellore** and Thiruvannamalai	19.9.94	7 years and 2 months	6	..	.. 5,200

Sl. No.	District Forums	Date of formation	Delay in formation	Number of posts		Rent paid per month (Rs)
				Sanctioned	Vacant	
Districts created in January 1997						
19.	Karur	30.10.2000	3 years and 10 months	5	1	6,000
20.	Namakkal	1.12.2000	3 years and 11 months	5	2	4,100
21.	Perambalur	9.2.2001	4 years and 1 month	5	2	4,300
22.	Theni	4.10.2000	3 years and 9 months	5	..	3,115
23.	Thiruvallur	29.9.2000	3 years and 8 months	5	1	5,000
24.	Thiruvarur	3.10.2000	3 years and 9 months	5	1	5,900
25.	**State Commission**	**27.7.90**	**3 years**	**18**	**..**	**96,305**
	Total			**156**	**23**	**2,71,586**

Note: The break up of sanctioned posts in DFs and State Commission had the following pattern.

5 posts - Head Clerk:1, Steno Typist: 1, Junior Assistant: 1 and Office Assistant: 2

6 posts - Head Clerk:1, Steno Typist: 1, Junior Assistant: 2 and Office Assistant: 2

7 posts - Head Clerk:1, Steno Typist: 1, Junior Assistant: 3 and Office Assistant: 2

14 posts - Head Clerk:1, Steno Typist: 1, Assistant: 2, Copyist: 1, Examiner: 1, Amin: 1, Process Server:4 and Office Assistant: 3

18 posts - Registrar: 1, Court Officer: 1, Appeal Examiner: 1, Assistant Accounts Officer:1, Assistant: 3, Junior Assistant: 1, Steno Typist: 3, Driver: 1, Office Assistant: 5 and Watchman: 1

* Dates of creation of separate DFs
(i) Cuddalore: 22.1.97
(ii) Nagapattinam: 3.9.98
(iii) The Nilgiris: 12.11.97

** District Forums were functioning in Government buildings.

*** District Forum functioning in its own building.

Appendix XVII

(Reference: Paragraph 3.2.7; Page 47)

Details of outlay proposed for Tenth Five Year Plan period and provisions made and expenditure incurred by Animal Husbandry Department during 2002-05

(Rupees in crore)

	Outlay for Tenth Five Year Plan			Final Modified Grant during 2002-05			Expenditure incurred during 2002-05		
	State Plan Schemes	Centrally Sponsored Schemes	Total	State Plan Schemes	Centrally Sponsored Schemes	Total	State Plan Schemes	Centrally Sponsored Schemes	Total
2403 Animal Husbandry									
001 Direction and Administration	-	-	-	-	-	-	-	-	-
101 Veterinary Services and Animal Health	24.61 1.80*	-	26.41	13.86	6.90	20.76	12.67	6.68	19.35
102 Cattle Development	18.63 3.36*	61.20	83.19	6.76	0.21	6.97	6.15	0.15	6.30
103 Poultry Development	2.35	-	2.35	0.09	-	0.09	0.09	-	0.09
104 Sheep and Wool Development	38.40	-	38.40	0.18	-	0.18	0.18	-	0.18
105 Piggery Development	-	-	-	0.78	-	0.78	0.77	-	0.77
106 Other Livestock Development	0.40	-	0.40	0.10	-	0.10	0.10	(-) 0.03**	0.07
107 Fodder and Feed Development	0.15	-	0.15	0.38	-	0.38	0.38	-	0.38
109 Extension and Training	-	-	-	-	-	-	-	-	-
113 Administrative Investigation and Statistics	2.50#	-	2.50	-	7.60	7.60	-	7.24	7.24
789 Other Expenditure	0.30	-	0.30	1.55	-	1.55	1.46	-	1.46
Total									
2403 Animal Husbandry	**92.50**	**61.20**	**153.70**	**23.70**	**14.71**	**38.41**	**21.80**	**14.04**	**35.84**
2501 Rural Development	-	-	-	-	-	-	-	-	-
2551 Hill Areas	**7.50**	-	**7.50**	**2.49**	-	**2.49**	**2.08**	-	**2.08**
4403 Capital Expenditure	-	-	-	**0.17**	-	**0.17**	**0.15**	-	**0.15**
Grand Total	**94.84 5.16***	**61.20**	**161.20**	**26.36**	**14.71**	**41.07**	**24.03**	**14.04**	**38.07**

* Externally Aided Project.

\# Provision for online Veterinary Services (Rs 2.50 crore).

** Abatement of expenditure under "Strengthening of activities for Buck production".

Appendix XVIII

(Reference: Paragraph 3.2.8; Page 51)

Performance of departmental LN_2 plants during 2002-03 to 2004-05

	2002-03	2003-04	2004-05
Production in the Department (In litres)			
(a) from PLN model	40,868	46,877	57,314
(b) from MNP model	1,33,153	1,46,642	1,31,099
Total	1,74,021	1,93,519	1,88,413
Procurement from Private Manufacturers	6,13,613	5,46,498	5,58,951
Expenditure on Electricity consumption/litre (Rupees)			
(a) for PLN model	21.34	27.22	23.58
(b) for MNP model	6.35	9.22	10.25
Expenditure on wages (Rupees per litre)			
(a) PLN model	10.21	9.33	7.81
(b) MNP model	2.62	2.43	2.77
Capacity utilisation (in percentage)			
(a) PLN model	28	32	39
(b) MNP model	76	84	75
Total cost of production/litre (Rupees)			
(a) from PLN model	52.05	49.35	40.83
(b) from MNP model	10.77	13.48	15.48
Cost of procurement/litre from Private Manufacturers (Rupees)	6.93	7.59	14.25

Appendix XIX

(Reference: Paragraph 3.2.9; Page 53)

District-wise Veterinary Institutions required as per norms

Sl. No.	District	Cattle Units	No. of institutions required	No. of institutions available	Shortfall	Percentage of shortfall
1.	Chennai	7453	1	2	-1	-
2.	Coimbatore	881349	176	84	92	52
3.	Cuddalore	422046	84	45	39	46
4.	Dharmapuri	468916	94	29	65	69
5.	Dindigul	396322	79	49	30	38
6.	Erode	785394	157	80	77	49
7.	Kancheepuram	517144	103	42	61	59
8.	Kanniyakumari	122880	25	34	-9	-
9.	Karur	230058	46	25	21	46
10.	Krishnagiri	379495	76	36	40	53
11.	Madurai	293418	59	44	15	25
12.	Nagapattinam	400722	80	37	43	54
13.	Namakkal	656998	131	55	76	58
14.	Perambalur	360935	72	35	37	51
15.	Pudukottai	404803	81	48	33	41
16.	Ramanathapuram	184936	37	30	7	19
17.	Salem	892375	178	65	113	63
18.	Sivaganga	352083	70	34	36	51
19.	Thanjavur	569815	114	61	53	46
20.	The Nilgiris	60273	12	15	-3	-
21.	Theni	138801	28	29	-1	-
22.	Thiruvallur	413779	83	40	43	52
23.	Thiruvannamalai	543788	109	51	58	53
24.	Thiruvarur	393821	79	38	41	52
25.	Thoothukudi	247894	50	37	13	26
26.	Tiruchirappalli	485234	97	53	44	45
27.	Tirunelveli	601198	120	62	58	48
28.	Vellore	598953	120	59	61	51
29.	Villupuram	960834	192	68	124	65
30.	Virudhunagar	377614	76	36	40	53
	Total	**13149331**	**2629**	**1323**	**1306**	**50**

Appendix XX

(Reference: Paragraph 3.4.6; Page 75)

Provision of funds for improvement of Veeranam tank under New Veeranam Project

(Rupees in crore)

Year	Budget provision	Actual expenditure	Excess
1998-99	8.78	10.47	1.69
1999-2000	16.89	18.44	1.55
2000-01	11.00	11.36	0.36
2001-02	8.50	9.16	0.66
2002-03	5.00	5.16	0.16
2003-04	12.00	12.59	0.59
2004-05	4.68	5.16	0.48
Total	**66.85**	**72.34**	**5.49**

Appendix XXI

(Reference : Paragraph: 4.3.1; Page 110)

Details of sanction and expenditure incurred on various schemes

(Amount in crore of rupees)

Sl. No.	Name of the scheme	Amount and month of sanction	Month of commencement	Expenditure incurred (March 2005)	Stage of the work
1.	CWSS to 249 rural habitations in Annur, Avinashi and Sulur Unions in Coimbatore District (Phase I & II)	37.55 March 1998	March 2001 and June 2002	30.93	Phase I completed in January 2003. Phase II completed in May 2004.
2.	CWSS to 295 rural habitations in Pollachi North and South, Kinathukadavu and Gudimangalam Union in Coimbatore District	54.70 March 1998	December 2002	35.32	Completed in November 2004.
3.	CWSS to Vettaikaranpudur Odayakulam Rural Town Panchayat (RTP) and 38 other habitations in Coimbatore District	13.19 April 1999	March 2001	13.18	Completed in November 2002.
4.	CWSS to Sankari Urban Town Panchayat (UTP) and bulk provision for Thevoor RTP and 245 other rural habitations in Salem District	13.10 March 2000	June 2000	12.80	Completed in March 2002.
5.	CWSS to 136 Fluoride affected habitations in Kadayampatti and 3 other Unions in Salem District	50.04 August 2000	January 2001	45.62	Completed in April 2004.
6.	CWSS to Iruppali and 236 fluoride affected habitations in Edappadi and 5 other Unions in Salem District	55.87 May 1998	August 2000	53.73	Completed in April 2003.
7.	CWSS to 406 rural habitations in Sedapatti, T.Kallupatti, Kallikudi, Usilampatti, Andipatti UTP, Elumalai RTP, Peraiyur UTP and T.Kallupatti RTP in Madurai and Theni Districts	74.00 December 2001	July 2002	38.82	Completed in December 2004.
8.	CWSS to Kadambur RTP, Pudur RTP, Vilathikulam UTP and 180 wayside habitations in Thoothukudi District	27.47 February 1992	May 1996	27.67	Completed in March 2005.
9.	CWSS to Kadayanallur, Pulliyangudi, Surandai and 84 wayside habitations in Tirunelveli District	29.04 February 2000	September 2000	30.91	Completed in March 2003.
10.	CWSS to Shencottai Municipality, Courtallam, Ilanji UTPs, Melagaram, S.Pudur RTPs and 46 habitations in Tirunelveli District	20.36 August 2000	February 2001	18.78	Completed in October 2003.
11.	CWSS to Udangudi, Sathankulam and 308 rural habitations in Thoothukudi District	28.50 October 1996	September 1997	20.52	Completed in January 2004.
12.	CWSS to Nanguneri UTP, Thisayanvilai UTP and 342 rural habitations in Tirunelveli District	43.00 September 1996	September 1997	32.11	Completed in June 2003.
13.	Nagercoil Water Supply Improvement Scheme (WSIS) II	17.06 March 1996	December 1997	17.06	Under progress.
14.	Kanyakumari and Suchindram UTP WSS	8.65 June 2000	April 2002	7.07	Completed in March 2004.

(Amount in crore of rupees)

Sl. No.	Name of the scheme	Amount and month of sanction	Month of commencement	Expenditure incurred (March 2005)	Stage of the work
15.	Arni Municipality WSIS in Thiruvannamalai District	7.63 March 2001	December 2001	7.29	Completed in April 2003.
16.	CWSS to Vellore Municipality, Sathuvachari TP and 12 other habitations in Vellore District	19.22 August 2000	November 2001	16.32	Under progress.
17.	CWSS to Rishivandiyam	41.44 September 2000	January 2002	33.00	Completed in March 2003.
18.	CWSS to Palacode UTP, Papparapatti RTP & 11 other habitations in Krishnagiri	7.05 September 2000	March 2001	6.52	Completed in July 2003.
19.	WSIS to Thiruvallur Municipality	11.00 September 2000	November 2001	9.64	Completed in December 2004.
20.	WSIS to Thiruttani	4.10 April 1997	January 1999	4.48	Completed in January 2002.
21.	CWSS to 674 habitations in Manapparai, Marungapuri Unions and Ponnampatti RTP in Tiruchirapalli District	69.20 October 2000	March 2001	47.74	Completed in December 2004.
22.	CWSS to 227 habitations in Andimadam Union and 13 other wayside habitations in Jayankondam Union in Perambalur District	35.65 August 2000	March 2001	25.49	Completed in July 2004.
23.	CWSS to 564 habitations in K.Paramathy, Aravakurichi and Karur Union in Karur District	17.21 January 1998	May 1999	13.24	Completed in September 2002.
24.	CWSS to 133 Coastal habitations in Sirkazhi and Sembanarkoil Union in Nagapattinam District	19.25 September 1997	July 2000	15.95	Under progress.
25.	WSIS to Tharangambadi	3.55 August 2000	November 2000	1.37	Completed in January 2001.
26.	CWSS to Perambalur, Kurumbalur in Perambalur and Tiruchirapalli Districts	26.40 April 1998	January 1999	20.82	Completed in December 2003.
27.	CWSS to Kamakkampalayam and seven other villages	9.96 November 2001	October 2002	6.29	Completed in January 2004.
28.	CWSS to Bargur UTP and 29 rural habitations	6.57 March 2001	May 2002	4.16	Completed in November 2004.
	Total	750.76		596.83	

Appendix XXII

(Reference: Paragraph 4.4.1; Page 117)

Statement indicating avoidable expenditure on the purchase of medicines at higher rates through RRC though available with TNMSC at less rates

Sl. No.	Name of Medicine	Year of purchase	RRC Rate (Rs)	TNMSC Rate (Rs)	Total quantity purchased under RRC (in numbers)	Difference between TNMSC rate and RRC rate (Rupees) (Percentage in brackets)	Avoidable Excess Expenditure (Rupees)
1.	Paracetamol Syrup 60 ml (bottle)	2003-04	6.90	3.60	117126	3.30 (92)	3,86,516
2.	Vitamin "B" Complex (100 tablets)	2002-03	17.00	6.54	605000	10.46 (160)	63,283
3.	ORS Powder IP one sachet (27.9 gm)	2002-03	2.70	1.70	24278	1.00 (59)	24,278
4.	Injection Gentamycin 80mg per 2ml	2002-03	3.90	1.40	47300	2.50 (179)	1,18,250
5.	Salbutomal Sulphate 4mg (100 tablets)	2002-03	13.50	6.26	248600	7.24 (116)	17,999
6.	Ibuprofen 200mg (100 tablets)	2002-03	24.30	13.76	234000	10.54 (77)	24,664
7.	Ibuprofen 400 mg (100 tablets)	2002-03	37.70	24.02	121000	13.68 (57)	16,553
8.	Injection Ranitidine HCL 50 mg per 2 ml	2002-03 2003-04	1.13 1.19	0.83 0.80	8000 322150	0.30 (36) 0.39 (49)	2,400 1,25,638
9.	Albendazole IP 400mg (100 tablets)	2002-03	180.00	42.59	27485	137.41 (323)	37,767
10.	Clotrimozole Cream IP 15 gm (Tube)	2002-03 2003-04	19.90 16.90	3.27 3.14	125615 12582	16.63 (509) 13.76 (438)	20,88,977 1,73,128
11.	Cyclosporin 50 mg (50 Capsules)	2002-03	1600	1449.63	15900	150.37 (10)	47,818
12.	Ciproflaxin Eye Drops 5 ml (vial)	2003-04	3.63	2.51	115268	1.12 (45)	1,29,100
	Total						**32,56,371**

Appendix XXIII

(Reference: Paragraph 4.4.1; Page 117)

Purchase of medicines in excess of the quantities required by the MOs

Sl. No.	Name of the medicine	Year	Regional Officer	Require-ment projected	Actual purchase by Regional Officers	Purchase in excess of require-ment	Rate per unit (Rupees)	Cost of excess medicines purchased (Rupees)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1.	Ointment Silver Sulfadazine 15 gm (tubes)	2002-03	Chennai	71,950	2,50,000	1,78,050	24.95	44,42,348
		2003-04	Chennai	17,300	1,08,000	90,700	22.46	20,37,122
			Madurai	800	36,000	35,200	22.46	7,90,592
2.	Syrup Tricholine 200 ml (bottles)	2002-03	Chennai	1,26,500	2,50,000	1,23,500	27.93	34,49,355
		2003-04	Madurai	500	45000	44,500	27.93	12,42,885
3.	Tablet Oflaxacin 400 mg	2003-04	Chennai	24,000	3,00,000	2,76,000	3.50	9,66,000
			Madurai	Nil	2,30,000	2,30,000	3.50	8,05,000
4.	Ointment Diclofenac and Diethelomine 30 gm (tubes)	2002-03	Chennai	1,49,300	3,00,000	1,50,700	23.50	35,41,450
5.	Tablet Chlonex Metheonate	2002-03	Chennai	2,01,000	9,00,000	6,99,000	3.39	23,69,610
6.	Tablet Levofloxacin 500 mg	2003-04	Chennai	5,000	25,000	20,000	77.98	15,59,600
7.	Syrup Amoxicillin and Clauvulinic Acid (375mg) (Tablets) (30 ml) (bottles)	2002-03	Chennai	28,000	90,000	62,000	73.19	45,37,780
		2003-04	Madurai	5,200	62,000	56,800	17.58	9,98,544
8.	Syrup Neogardine 300 ml (bottles)	2003-04	Madurai	2,608	30,000	27,392	47.36	12,97,285
9.	Tablet Daflon 450 mg	2003-04	Madurai	Nil	1,80,000	1,80,000	6.61	11,89,800
10.	Injection Ranitidine 2ml (Ampoules)	2003-04	Madurai	5,800	3,05,800	3,00,000	1.19	3,57,000
11.	Human Insulin 10 ml (vials)	2003-04	Madurai	20	4000	3980	122.00	4,85,560
	Total							3,00,69,931

Appendix XXIV

(Reference: Paragraph 4.4.1; Page 118)

Utilisation of medicines in four dispensaries

Sl.No.	Name of the drug	Excess (Numbers)	Remarks
(i)	Silver Sulphadiazine Ointment 15 gms Chennai	268750	Test check in Tiruvallur revealed that of total supply of 9600 tubes, against requirement of 7000, 1136 were used during August 2002 - June 2003, but 6541 tubes were utilised during July-November 2003, last months of potency period of the drug.
	Madurai	35200	Test check of Maninagaram Dispensary revealed that 2400 tubes were received (August 2002) without any requirement. During the last month of potency (November 2003) 668 tubes were utilised as against 115 tubes per month during August 2002- October 2003.
(ii)	Injection Ranitidine 2 ml Madurai	300000	Test check in dispensary at Palanganatham revealed that 2320 ampoules received on re-transfer during February 2004 were utilised during 3 months (February-April 2004) @ 1552 per month as against 10 per month during the previous periods. This was despite the fact that there was no out break of gastrointestinal disorder.
(iii)	Injection Human Insulin/ 10 ml Madurai	3980	Test check in Ponnagaram dispensary which received 350 vials during August – December 2003 revealed that entire supplies were used during September 2003 – July 2004 as per instructions of Director (July 2003). No usage of medicines was noticed prior to September 2003 or after July 2004.

Appendix XXV

(Reference: Paragraph 4.4.2; Page 119)

Undrawn Pension lying in Nationalised Banks

(Amount in Rupees)

Sl. No.	Name of the Bank	No. of branches audited	Amount of pension undrawn for six months or more					
			1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
1.	Bank of Baroda	4	-	2,21,710 (3)	-	-	-	6,92,908 (5)
2.	Canara Bank	30	2,58,760 (2)	62,42,590 (66)	42,74,634 (51)	6,57,711 (5)	3,34,079 (4)	-
3.	Central Bank of India	5	5,64,949 (7)	2,56,030 (6)	-	4,47,634 (6)	-	-
4.	Indian Bank	34	45,27,281 (55)	40,40,729 (53)	37,67,297 (42)	9,79,292 (8)	24,15,029 (18)	61,45,660 (48)
5.	Indian Overseas Bank	32	70,30,994 (74)	42,67,014 (51)	55,99,127 (57)	22,46,744 (19)	22,56,383 (14)	31,98,895 (20)
6.	Punjab National Bank	1	-	3,38,968 (2)	-	-	-	-
7.	State Bank of India	40	8,12,785 (14)	30,47,612 (31)	85,95,413 (80)	61,49,069 (49)	69,37,113 (86)	79,59,030 (79)
8.	Syndicate Bank	5	-	1,08,718 (5)	2,01,950 (7)	2,37,725 (2)	-	1,05,007 (2)
9.	Union Bank of India	2	-	-	-	6,19,572 (4)	-	13,260 (1)
Total		153	1,31,94,769 (152)	1,85,23,371 (217)	2,24,38,421 (237)	1,13,37,747 (93)	1,19,42,604 (122)	1,81,14,760 (155)

Grand Total : Rs 9,55,51,672 or Rs 9.56 crore.

Note: Figure in the bracket indicates the number of pensioners' account in the branches of Bank audited.

Appendix XXVI

(Reference: Paragraph 4.4.3; Page 119)

Details of incorrect/excess payment of pensions made by Public Sector Banks noticed during 2003-04 and 2004-05

Sl.No.	Audit observation	Number of pensioners		Excess payment made (Rupees in lakh)	
		2003-04	2004-05	2003-04	2004-05
	(i) Pension				
1.	PSBs paid pension at rates higher than that authorised in Pension Payment Orders (PPOs) resulting in excess payment.	4	1	1.40	0.27
	(ii) Family Pension				
2.	Enhanced rate of family pension was paid beyond a period of seven years or the date on which the deceased Government servant would have attained the age of 65 years whichever is earlier.	20	14	4.90	1.62
3.	PSBs made the payment of family pension even after the sons/daughters attained the age of 25 years or got married or obtained employment.	1	-	0.08	-
	(iii) Commuted value of pension				
4.	Pensioners are entitled to commute a portion of their pension (one third of pension upto 31 December 1995 and 40 *per cent* from 1 January 1996) and the commuted value of pension has to be deducted from the monthly pension payable till the completion of 15 years from the date of commutation. However, PSBs failed to recover the commuted portion/differential commuted portion due to revision and restored the subsequent commuted portion(s) with reference to the first date of commutation.	17	2	5.41	1.55
	(iv) Dearness allowance/medical allowance				
5.	PSBs made payments of dearness allowance to the State Government pensioners on par with the Government of India pensioners, resulting in excess payment. For pensioners drawing two pensions, PSBs allowed Medical allowance on both pensions.	8	5	1.74	1.76
	Total	**50**	**22**	**13.53**	**5.20**

Appendix XXVII

(Reference: Paragraph 4.4.4; Page 120)

List of Schemes on which funds are utilised by the Tamil Nadu Labour Welfare Board in terms of Section 17(2) of Tamil Nadu Labour Welfare Fund Act, 1972.

1. Running of Labour Welfare Centres with tailoring unit and creche attached to them.
2. Stipends to the trainees in tailoring section.
3. Awarding a prize of sewing machine to first rank holder in each Centre who appear for the examination conducted by the Government.
4. Providing nutritious food to the children in creches.
5. Reading room for the benefit of the workers.
6. Book allowance to the children of the workers for pursuing their studies from 9th standard to Master Degree course.
7. Scholarship to the children of the workers for pursuing education.
8. Educational incentive in the form of cash awards to the children who come first and second in 10th and 12th examination in each Educational District.
9. Reimbursement of typewriting and shorthand fees to the workers children.
10. Reimbursement of cost of spectacles to the workers on production of Medical Certificate.
11. Supply of hearing aid to the hearing impaired workers and their children.
12. Supply of artificial limbs and three wheelers to handicapped workers and their children.
13. Funeral expenses to the dependant of the worker who dies in harness.

Appendix XXVIII

(Reference: Paragraph 4.4.9; Page 127)

Inspection Reports issued to various offices uptó December 2004 and pending as at the end of June 2005

Sl. No.	Year	TOTAL	
		IRs	Paras
1.	1984-1985	1	2
2.	1987-1988	6	7
3.	1988-1989	2	4
4.	1989-1990	5	8
5.	1990-1991	16	42
6.	1991-1992	17	43
7.	1992-1993	73	253
8.	1993-1994	68	167
9.	1994-1995	81	148
10.	1995-1996	95	193
11.	1996-1997	106	196
12.	1997-1998	160	307
13.	1998-1999	211	493
14.	1999-2000	330	703
15.	2000-2001	471	1182
16.	2001-2002	602	1551
17.	2002-2003	813	2149
18.	2003-2004	876	2644
19.	2004-2005 (upto December 2004)	879	3087
	Total	**4812**	**13179**

Appendix XXIX

(Reference: Paragraph 4.4.9; Page 127)

Serious irregularities pending settlement as of June 2005

(Rupees in lakh)

Sl. No.	Nature of Irregularities	Number of paragraphs	Amount
I	**Environment and Forests Department**		
1.	Excess payments	20	33.15
2.	Excess over estimate	4	0.33
3.	Want of sanction	9	16.98
4.	Irregular expenditure to be recovered	16	87.05
5.	Expenditure to be ratified by Government/Principal Chief Conservator of Forests	99	2094.12
6.	Recovery of salary overpaid	39	12.25
7.	Loss, shortages, theft, stock not handed over etc.	10	681.74
8.	Recovery from contractor	9	78.59
9.	Advance payment pending adjustment	1	14.94
10.	Miscellaneous irregularities	224	11673.31
	Total	**431**	**14692.46**
II	**Industries Department**		
1.	Loans pending collection	12	2310.04
2.	Outstanding rent to be collected	4	135.39
3.	Incorrect grant of Capital Subsidy	12	122.64
4.	Non-levy of penal interest	2	72.63
5.	Non-recovery of Interest Free Sales Tax (IFST) loan	6	70.59
6.	Non-realisation of dues to Government	1	54.79
7.	Instruments kept idle	2	52.00
8.	Service charges not collected	2	48.70
9.	Non-recovery of land cost	2	30.67
10.	Infructuous expenditure on drilling wells	1	22.80
11.	Non-recovery of Average Cost and Pension cost	2	22.78
12.	Incorrect sanction of Generator subsidy	4	6.16
	Total	**50**	**2949.19**
III	**Revenue Department**		
1.	Urban Land Tax not collected	2	549.99
2.	Computerisation of Land Records – unspent balance	3	462.24
3.	Undistributed sarees and dhotis	16	315.54
4.	Diversion and unutilised amount under National Social Assistance Programme	6	293.85
5.	Unauthorised feeding charges to be refunded to Government of India	2	243.28
6.	Loss of Revenue	4	215.80
7.	Funds kept outside Government account	5	139.69
8.	Double drawal under Flood relief work	1	150.00
9.	Wasteful expenditure on construction of Huts for Sri Lanka refugees	7	127.93
10.	Non-recovery of differential cost paid to TNCSC for rice	1	118.89

(Rupees in lakh)

Sl. No.	Nature of Irregularities	Number of paragraphs	Amount
11.	Payment of electricity charges at High Tension rate	1	101.14
12.	Delay in providing funds	1	100.00
13.	Excess grant to be recovered	1	92.42
14.	Utilisation of Savings schemes funds for 'Drought Relief work'	2	76.55
15.	Provision of infrastructure facilities in Government schools	6	62.89
16.	Avoidable payment on purchase of rice	2	220.85
17.	Loan pending collection	2	45.70
18.	Non-issue of Patta Pass Book inspite of fee collection	3	42.44
19.	Old Age Pension scheme – allotment in excess of requirement	1	40.60
20.	Non-recovery of rent and inadmissible payment of House Rent Allowance	1	35.59
21.	Expenditure from 'Road Safety Fund'	3	33.50
22.	Interest amount to be remitted into Government account	4	52.66
23.	Locking up of Government funds	2	28.67
24.	National Calamity Funds diverted for other works	1	22.33
25.	Infructuous expenditure on establishment on Technical staff	1	20.45
26.	Unclaimed deposit receipt	1	19.58
27.	Non-receipt of Utilisation Certificates	1	19.40
28.	Non-recovery of Average Cost and Pension Cost	1	11.61
29.	Non-remittance of processing fees on Passport application verification	1	9.73
30.	Non-realisation of dues	1	6.46
31.	Omission in collection of lease rent and penalty for hoardings	1	5.07
	Total	**84**	**3664.85**

Appendix XXX

(Reference: Paragraph 5.1.12; Page 134)

Details of mandays not utilised in Prison industries during 2002-05

CP	Industry	Number of working days in prison			Total number of prisoner mandays not utilised
		Available*	Not utilised	Percentage	
Vellore	Shoe making	898	635	71	41108
	Binding	901	716	79	9637
	Paper making	899	575	64	10506
	Weaving-Power Loom	898	548	61	6234
	Weaving-Hand Loom	894	556	62	8319
	Total				75804
Madurai	Weaving	881	441	50	15128
	Binding	881	631	72	34750
	Total				49878
Total number of mandays not utilised in CPs Vellore and Madurai					**125682**

* After considering calendar days for three years exclusive of holidays and days on which instructions of relevant trade were not available.