







GOVERNMENT OF MADRAS

AUDIT REPORT

1968

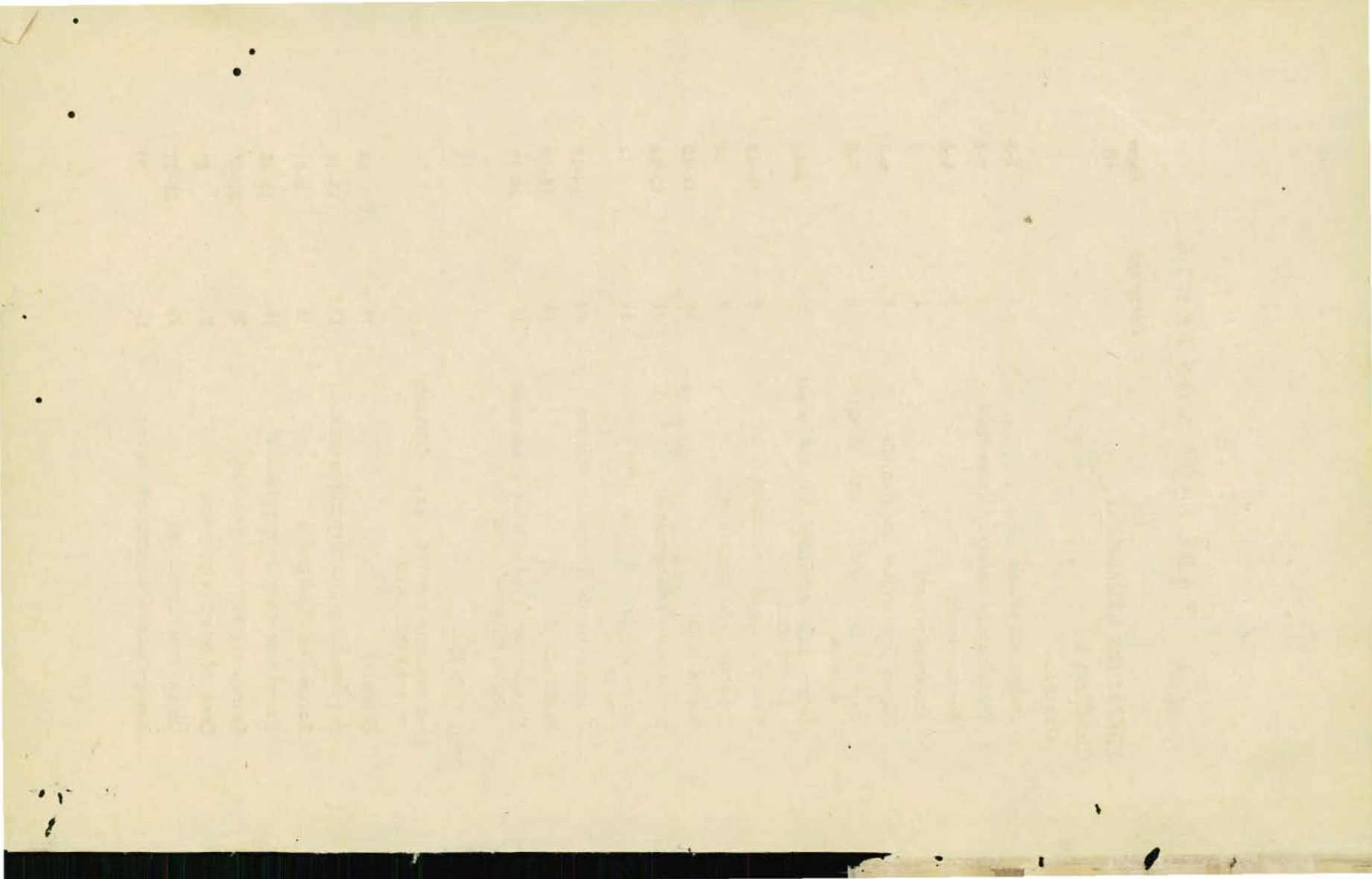


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PREFATORY REMARKS

This volume mainly relates to matters arising from the Appropriation Accounts for 1966-67 together with other points arising from audit of the financial transactions of Government of Madras. It also includes—

(i) certain points of interest arising from the Finance Accounts for the year 1966-67; and ;

(ii) matters relating to certain statutory and autonomous bodies, the accounts of which are audited by the Indian Audit and Accounts Department.

The financial irregularities, losses, etc., commented upon in the Report relate to cases which came to the notice of Audit during the year 1966-67 as well as those which had come to notice in earlier years but could not be dealt with in previous Audit Reports; matters relating to the period subsequent to 1966-67 have also been included wherever considered necessary.

The points brought out in this Report are those which have come to notice during the course of test audit of the accounts of the departments. They are not intended to convey or to be understood as conveying any general reflection on the financial administration by the Departments/Authorities concerned.

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Year	Value	Value
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1888	1800	1800
1889	1900	1900
1890	2000	2000
1891	2100	2100
1892	2200	2200
1893	2300	2300
1894	2400	2400
1895	2500	2500
1896	2600	2600
1897	2700	2700
1898	2800	2800
1899	2900	2900
1900	3000	3000

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CHAPTER I

GENERAL

1. Budget and actuals

(a) *Transactions on Revenue Account.*—The budget estimates and actuals in respect of revenue receipts, expenditure met from revenue and the net revenue surplus/deficit for the year 1966-67 are given below along with the corresponding figures for the preceding four years :—

Year	Revenue receipts		Variation	
	Budget	Actuals	Amount	Percentage
(IN CRORES OF RUPEES)				
1962-63 ..	1,13.15	1,17.97	+4.82	4.26
1963-64 ..	1,24.45	1,34.77	+10.32	8.29
1964-65 ..	1,38.48	1,53.88	+15.40	11.12
1965-66 ..	1,63.63	1,72.80	+9.17	5.61
1966-67 ..	1,88.72	1,94.55	+5.83	3.09

Year	Revenue		Deficit(-)
	Budget	Actuals	Surplus(+)
(IN CRORES OF RUPEES)			
1962-63 ..	-2.86	-3.84	
1963-64 ..	-2.74	-0.23	
1964-65 ..	-2.34	+2.53	
1965-66 ..	-6.97	-7.86	
1966-67 ..	+0.31	-6.83	

Expenditure met from Revenue

(IN CRORES OF RUPEES)

1962-63 ..	1,16.01	1,21.81	+5.80	5.00
1963-64 ..	1,27.19	1,35.00	+7.81	6.14
1964-65 ..	1,40.82	1,51.30	+10.48	7.44
1965-66 ..	1,70.60	1,80.66	+10.06	5.90
1966-67 ..	1,88.41	2,01.43	+13.02	6.91

The revenue receipts during 1966-67 exceeded the estimated receipts by Rs. 5.83 crores. The improvement was, however, more than counterbalanced as a result of the expenditure on revenue account being more than the budget estimates by Rs. 13.02 crores, thus leading to a sizeable revenue deficit on revenue account of Rs. 6.88 crores against the estimated nominal surplus of Rs. 31 lakhs.

(b) *Capital expenditure.*—The expenditure on capital account during the five years ending with 1966-67 as compared with the budget estimates for these years is given below :—

Year	Budget	Actuals	Variation	
			Amount	Percentage
(IN CRORES OF RUPEES)				
1962-63	18.85	18.94	+0.09	+0.48
1963-64	18.87	23.64	+4.77	+25.28
1964-65	24.04	30.98	+6.94	+28.87
1965-66	29.05	33.94	+4.89	+16.83
1966-67	27.07	0.46	-26.61	-98.30

During 1966-67 the variation in the capital expenditure was mainly due to increased receipts and recoveries on capital account especially in the Schemes of Government Trading.

(c) *Loans and Advances by the State Government.*—The disbursements in respect of loans and advances and the recoveries thereof during the years 1962-63 to 1966-67 as compared with the corresponding budget estimates are given below :

Year	Disbursements		Percentage of variation	Recoveries		Percentage of variation
	Budget	Actuals		Budget	Actuals	
(IN CRORES OF RUPEES)						
1962-63	24.55	22.99	-6.35	9.16	7.79	-14.96
1963-64	21.81	31.28	+43.42	8.00	7.50	-6.25
1964-65	28.81	31.61	+9.72	8.99	7.25	-19.35
1965-66	29.85	41.34	+38.50	9.62	11.08	+15.18
1966-67	32.34	38.87	+20.19	8.11	9.75	+20.22

The disbursements during 1966-67 exceeded the budget estimates by Rs. 6.53 crores mainly due to adjustment of the value of assets transferred to the Madras State Small Industries Corporation.

2. Consolidated summary of transactions

The following table summarises the Government's transactions for 1966-67 with comparative figures for four preceding years

and indicates the manner in which these affected Government's cash balance :—

	1962-63	1963-64	1964-65	1965-66	1966-67
	(IN CRORES OF RUPEES)				
1. Revenues—					
(a) Taxes (including State's share of divisible Union taxes).	69.97	82.42	93.51	1,04.68	1,23.36
(b) Non-tax revenue ..	33.95	36.46	42.21	45.23	49.08
(c) Grants-in-aid from the Government of India.	14.05	15.89	18.16	22.89	22.18
Total revenue receipts.	1,17.97	1,34.77	1,53.88	1,72.80	1,94.55
2. Expenditure met from Revenue	1,21.81	1,35.00	1,51.30	1,80.66	2,01.43
3. Revenue Surplus (+)/ Deficit (-)	-3.84	-0.23	+2.58	-7.86	-6.88
4. Net expenditure outside the Revenue Account—					
(a) Capital expenditure.	18.94	23.64	30.97	33.94	0.46
(b) Loans and advances.	15.20	23.79	24.36	30.27	29.12
5. Deficit (-) on current account, i.e., total resources required for meeting revenue deficit and the expenditure outside the Revenue Account.	-37.98	-47.66	-52.75	-72.07	-36.46
6. Total resources available					
Net increase in—					
(i) Public Debt ..	32.98	31.39	43.00	63.78	30.58
(ii) Unfunded Debt ..	0.44	2.37	2.18	2.22	1.82
Net effect of transactions under Deposits and Advances, Remittances, Contingency Fund and Inter-State Settlement.	2.29	15.47	13.09	6.07	2.71
Total resources available.	35.71	49.23	58.27	72.07	35.11
7. Net increase (-) or decrease (+) in cash balance during the year.	+2.27	-1.57	-5.52	(A) •	+1.35

On the 31st March, 1967, Government had a cash balance of Rs. 6.23 crores, of which Rs. 0.23 crore stood invested in the securities of the Government of India and Government of Madras (cf. page 41 of the Finance Accounts, 1966-67).

(A) Increase of Rs. 0.28 lakh only.

TRANSACTIONS ON REVENUE ACCOUNT

3. Revenue Receipts

During 1966-67 there was an increase of Rs. 21.75 crores (12.6 per cent) as compared with 1965-66 and Rs. 76.58 crores (64.9 per cent) as compared with 1962-63 as indicated below :—

	1962-63	1965-66	1966-67	Increase since 1962-63
(IN CRORES OF RUPEES)				
(i) Receipts from the Central Government—				
(a) State's share of divisible Central taxes—				
Union Excise Duties.	8.79	10.06	17.55	8.76
Taxes on income other than Corporation tax.	7.74	10.01	11.45	3.71
Estate Duty ..	0.37	0.59	0.36	—0.01
Grants in lieu of taxes on Railway Passenger Fares.	0.81	0.81	0.94	0.13
(b) Grants-in-aid under Article 275 of the Constitution.	3.00	3.14	6.96	3.96
Other grants-in-aid.	11.05	19.75	15.20	4.15
(ii) Revenue raised by the State Government—				
Taxes, duties and other principal sources.	52.26	83.21	93.06	40.80
Other receipts, such as rents for buildings, etc.	33.95	45.23	49.03	15.08
Total ..	1,17.97	1,72.80	1,94.55	76.58

The receipts from the Central Government during 1966-67 amounted to Rs. 52.46 crores (27 per cent of the total revenue receipts) as against Rs. 44.36 crores during 1965-66 (26 per cent of the revenues of that year).

The revenue raised by the State Government during 1966-67 amounted to Rs. 1,42.09 crores forming 73 per cent of the total revenue. An analysis, by broad categories, of the revenue raised and the increase in revenue since 1962-63 is indicated below :—

	1962-63	1965-66	1966-67	Increase since 1962-63	
				Amount	Percentage
(IN CRORES OF RUPEES)					
(a) Tax revenue raised by the State—					
Sales Tax	24.80	40.95	48.77	23.97	96.6

Mainly due to growth of trade and commerce and increase in rates of taxes under the State Sales Tax Act with effect from the 1st December, 1965 and under the Central Sales Tax Act with effect from the 1st July, 1966.

	1962-63	1965-66	1966-67	Increase since 1962-63	
				Amount	Percentage
(IN CRORES OF RUPEES)					
Other Taxes and Duties	4.59	10.51	12.46	7.87	1,71.46

Mainly increased collection of entertainment tax, electricity duties, betting tax and urban land revenue.

Taxes on Vehicles ..	10.19	13.31	14.96	4.77	46.66
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Mainly increase in the number of vehicles.

Stamps	5.48	8.15	8.99	3.51	64.05
Taxes on agricultural income, registration fees and State Excise Duties.	2.79	3.53	4.00	1.21	43.37

These increases were partly offset by decrease under 'Land Revenue' as indicated below :—

Land Revenue ..	4.41	6.76	3.88	-0.53	-12.02
Total ..	52.26	83.21	93.06	40.80	78.05

(b) *Non-tax revenue raised by the State—*

Interest	11.65	13.76	15.27	3.62	31.07
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Mainly larger receipts of interest from commercial departments and on loans and advances by the State Government.

Road Transport ..	4.35	7.96	9.30	4.95	113.79
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Mainly due to increase in the fleet strength and introduction of new routes.

Forest	2.23	2.81	3.19	0.96	43.04
Other sources ..	15.72	20.70	21.27	5.55	35.36
Total ..	33.95	45.23	49.03	15.03	44.44

4. Arrears of Revenue

Particulars of arrears in the collection of revenue as on the 31st March, 1967, have not been received from the Medical, Public Works and Irrigation departments. According to the figures furnished by other departments, the arrears amounted to Rs. 12.38 crores as on the 31st March, 1967 out of which Rs. 7.24 crores related to Sales Tax and Rs. 3.54 crores to Land Revenue. The amounts pending recovery for over two years totalled Rs. 2.99 crores. Further details are furnished in paragraph 94 of Chapter VIII.

5. Expenditure on Revenue Account

The expenditure on Revenue Account during 1966-67 showed an increase of 11.5 per cent over that in 1965-66 and 65.4 per cent compared with 1962-63. The increase is analysed below, by main group heads of Government activity :—

	1962-63	1965-66	1966-67	<i>Increase since 1962-63</i>
(IN CRORES OF RUPEES)				
Collection of taxes and other principal revenues	2.38	3.55	3.94	1.56
Administrative Services	17.59	24.21	26.48	8.89
Social and Developmental Services.	61.61	90.54	96.26	34.65
Other Services	40.23	62.36	74.75	34.52
Total ..	1,21.81	1,80.66	2,01.43	79.62

The expenditure on " Administrative Services " constituted 13.14 per cent of the total revenue expenditure in 1966-67.

The more important items which contributed to the increase are indicated below :—

	1962-63	1965-66	1966-67	<i>Increase since 1962-63</i>
(IN CRORES OF RUPEES)				
(a) Administrative Services—				
General Administration	6.76	9.60	10.12	3.36

The increase was mainly due to enhancement of dearness allowance.

Police	6.83	9.46	10.49	3.66
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The increase was mainly due to formation of a Special Armed Police Battalion in September, 1964, revision of scales of pay of constables and head-constables in 1966, employment of additional staff and enhancement of dearness allowance.

(b) Social and Developmental Services—

Education	25.76	37.85	43.86	18.10
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The increase was mainly due to more expenditure on development schemes, increased grants to local bodies for Secondary and Primary Education and enhancement of dearness allowance,

(b) *Social and Developmental Services—contd.*

	1962-63	1965-66	1966-67	<i>Increase since 1962-63</i>
	(IN CRORES OF RUPEES)			
Medical	7.47	10.33	11.73	4.26

The increase was mainly due to the opening of additional wards, dispensaries and hospitals and increase in the rates of dearness allowance.

Public Health	2.11	3.62	5.02	2.91
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The increase was mainly due to more expenditure on development schemes and increase in the rates of dearness allowance.

Agriculture	5.41	10.68	11.81	6.40
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The increase was mainly due to larger expenditure on development schemes, agricultural demonstration and propaganda and increase in the rates of dearness allowance.

(c) *Other Services—*

Debt Services	10.10	17.38	26.75	16.65
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The increase was mainly due to more interest payments following the increase in indebtedness as indicated in paragraphs 8 and 9.

Transport and Communications (other than roads).	4.20	8.31	9.87	5.57
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The increase was mainly due to increased operational expenses of the Madras State Transport department.

6. Expenditure outside the Revenue Account

The progressive capital outlay to end of March, 1967 amounted to Rs. 2,19.53 crores as shown below :—

	<i>During 1966-67</i>	<i>During 1961-62 to 1965-66 (Third Five Year Plan)</i>	<i>Progressive expenditure upto 1966-67</i>
(IN CRORES OF RUPEES)			
<i>Capital expenditure on—</i>			
(i) Irrigation and multi-purpose schemes ..	8.47	45.47	1,12.19
(ii) Schemes of Government Trading, Industrial Development, Road and Water Transport and Agriculture.	-14.55	33.05	14.89
(iii) Public Works and Other Works ..	6.17	33.42	74.68
(iv) Improvement of Public Health, Forests, Payment of Compensation to land-holders on the abolition of Zamindari System.	0.37	9.68	14.27
(v) Appropriation to Contingency Fund.	..	3.50	3.50
Total ..	0.46	1,25.12	2,19.53

The capital expenditure during 1966-67 recorded a decrease of Rs. 33.48 crores from that in 1965-66. The decrease occurred mainly under Schemes of Government Trading due to larger receipts and recoveries on capital account.

7. Loans and Advances by the State Government

(a) The outstanding balances under "Loans and Advances" given by the State Government as on the 31st March, 1967 and the increase as compared with the balance at the end of 1965-66 are indicated below :—

Category of loans and advances	As on the	As on the	Increase
	31st March, 1966	31st March, 1967	
(IN CRORES OF RUPEES)			
1 Loans to local bodies, municipalities, etc.,	35.66*	38.83	3.17
2 Loans to District and other Local Fund Committees (i.e., Panchayat Union Councils, Town Panchayats and Panchayats)	2.08	2.35	0.27
3 Advances to cultivators	16.98	24.72	7.74
4 Loans under the control of the Registrar of Co-operative Societies	11.81	12.55	0.74
5 Loans under the control of the Public Works Department (mostly loans to the State Electricity Board and loans to private electric licensees for extension of power supply)	1,75.54	1,85.29	9.75
6 Other loans	25.09*	32.54	7.45
Total ..	2,67.16	2,96.28	29.12

The terms and conditions of repayment of loans totalling Rs. 9 lakhs paid to the State Housing Board in 1966-67 have not been laid down by Government.

(b) (i) The detailed accounts in respect of loans falling under categories 3, 4 and 6 (except loans to government servants) above are maintained by departmental officers. Particulars of arrears in the recovery of loans in these cases have not been furnished by the departments. The non-submission to Audit by the Heads of Departments of the Annual Statements (due to Audit in June each year) showing the amounts of over due instalments of principal and interest in respect of loans disbursed has been mentioned in successive Audit Reports.

* Differs from the figures given in the Audit Report, 1967 owing to reclassification of loans given to the State Housing Board under the Rental Housing Scheme as "Miscellaneous Loans and Advances" under orders of Government.

(ii) As regards loans, the detailed accounts of which are kept by the Audit office, an amount of Rs. 35.25 lakhs (principal: Rs. 13.60 lakhs and interest: Rs. 21.65 lakhs) was pending recovery as on the 31st March, 1967; out of this, an amount of Rs. 16.01 lakhs was in arrears for more than one year.

(iii) The balances are communicated to the departmental officers concerned every year for acceptance. In a large number of cases such acceptances have not yet been received. Details are given below :—

<i>Head of account</i>	<i>Number of acceptances awaited</i>	<i>Earliest year from which acceptances are awaited</i>	<i>Balance outstanding as on the 31st March, 1967</i>
			(IN CRORES OF RUPEES)
Loans to District and other Local Fund Committees.	2,666	1962-63	1.53
Loans to Municipalities	568	1964-65	5.76
Advances to cultivators	334	1956-57	24.71
Other loans and advances—Miscellaneous Loans and advances—Loans under the Community Development Programme etc.	999	1956-57	227.44

Until the balances have been accepted, it cannot be stated that the departmental records indicate the correct position and the possibility of unauthorised drawals and misappropriations, if any, of recoveries remaining undetected, cannot also be ruled out.

(c) The Examiner of Local Fund Accounts audits the accounts of the Local Bodies, Panchayats and the State Housing Board and furnishes to Audit a consolidated certificate along with a statement showing irregularities in the drawal and utilisation of loans. Certain important irregularities such as non-utilisation of loans, utilisation of loans for unauthorised purposes, etc., included in the statement received with the certificate for the year 1965-66 are mentioned in Appendix I.

(d) The detailed accounts of advances to cultivators are maintained in the offices of Tahsildars and Collectors. Some of the important points noticed during the test-check of the accounts of these loans conducted in 1966-67 are indicated below :—

<i>Nature of Irregularity</i>	<i>Amount</i>
	(IN THOUSANDS OF RUPEES)
1. Failure to verify proper utilisation ..	18,91.7
2. Cases where recovery appears doubtful according to the reports of the departmental officers	1,13.9
3. Non-enforcement of the conditions of summary recovery in cases of default	12,53.7

(e) *Loans under the control of the Registrar of Co-operative Societies.*—Certain cases of non-utilisation/delayed utilisation of loan assistance provided to co-operative societies are mentioned in Chapter VI. Apparently the assistance was released in these cases much in advance of actual requirement.

8. Debt position of Government

(a) *Public debt.*—The total Public debt of Government increased by Rs. 30.58 crores during 1966-67 as shown below :—

	<i>Receipts during the year</i>	<i>Repayments during the year</i>	<i>Net increase</i>
(IN CRORES OF RUPEES)			
Open market loans	13.29	0.06	13.23
Floating debt	89.41	93.16	(-) 3.75
Loans from the Central Government.	49.60	25.29	24.31
Loans from Autonomous Corporations, etc.	11.19	14.40	(-) 3.21
Total ..	1,63.49	1,32.91	30.58

The outstanding Public debt amounted to Rs. 4,29.36 crores at the end of 1966-67. Analysis of the Public debt compared with the corresponding figures for the preceding four years is given below :—

	<i>Total Public debt as on 31st March,</i>				
	1963	1964	1965	1966	1967
(IN CRORES OF RUPEES)					
Open market loans ..	79.09	73.63	85.27	99.21	1,12.43
Floating debt .. .. .	..	..	3.10	3.75	..
Loans from the Central Government	1,66.32	2,04.69	2,33.55	2,69.50	2,93.81
Loans from Autonomous Corporations, etc.	8.50	11.11	13.08	26.32	23.12
Total ..	2,53.91	2,89.43	3,35.00	3,98.78	4,29.36

During the year a loan of Rs. 13.25 crores was raised at a discount of one and a half per cent. This is redeemable at par in 1978 and carries interest at $5\frac{1}{2}$ per cent per annum. Land ceiling compensation bonds amounting to Rs. 0.03 crore were also issued during the year. These are repayable in ten annual instalments and carry interest at 4 per cent.

No law has been passed by the Legislature of the State under the provisions of Article 293 of the Constitution laying down the limit within which Government may borrow on the security of the Consolidated Fund of the State.

(b) Under the agreement with the Reserve Bank of India, the Government of Madras have to maintain with the Bank a minimum balance of Rs. 40 lakhs on Fridays and Rs. 35 lakhs on other days (limit raised to Rs. 55 lakhs on all days from March, 1967). If the cash balance falls below the agreed minimum, the deficiency is made good either by selling Treasury bills or by taking from the Bank, Ways and Means Advances which are limited to a maximum amount of Rs. 80 lakhs (limit raised to Rs. 1.65 lakhs from March, 1967). In addition, special advances not exceeding Rs. 2.95 lakhs (limit raised to Rs. 3.00 lakhs with effect from March, 1967) are also made available by the Bank whenever necessary. On days when the cash balance falls short of the stipulated minimum balance even after taking "Ways and Means Advances" and "Special Advances" upto the maximum limits, Government take overdrafts from the Bank.

Ways and Means Advances amounting to Rs. 3.75 crores were outstanding at the end of 1965-66. During 1966-67, Government obtained from the Bank, Ways and Means Advances and Special Advances on 40 occasions totalling Rs. 19.92 crores. The entire amount including the balance outstanding at the end of 1965-66 was repaid during 1966-67. Interest at rates varying from 5 to 6 per cent and amounting to Rs. 18.06 lakhs was paid to the Bank on these advances. Apart from this, Government obtained from the Bank overdrafts on 176 occasions amounting to Rs. 69.49 crores and the entire amount was repaid during the year. An amount of Rs. 15.08 lakhs was paid as interest on the overdrafts.

(c) *Loans from the Central Government.*—The amount of loans taken from the Central Government and outstanding on the 31st March, 1967 was Rs. 2,93.81 crores which formed 68.4 per cent of the total Public debt.

Except in the cases mentioned below, the repayments of instalments of principal and interest were made on the due dates.

In four cases of loans (Rs. 2.50 crores) received during the years 1958-59 to 1964-65 for the development of handloom industry, the particulars of utilisation, etc., on which the repayment is dependent, have been furnished by the State Government to the Government of India with a request for phasing the repayment of overdue

instalments over the Fourth Plan period. The decision of the Government of India is awaited. In six other cases (amount of loan: Rs. 1.10 crores) where difficulties in furnishing the particulars have been expressed by Government, the method of repayment is under correspondence with the Government of India.

Four loans totalling Rs. 2.53 lakhs were received for development of coir industry during 1960-61 to 1963-64. The terms and conditions of repayment are pending settlement as the Government have not furnished schemewise particulars of utilisation.

9. Other debt and obligations

In addition to the Public debt, Unfunded debt, comprising mainly the Provident Fund balances of Government servants, the balances at the credit of earmarked and other funds as also certain deposits to the extent to which they have not been invested but are merged with the general cash balance of Government also constitute the liability of the State Government. The amount of such liability at the close of the five years ending 1966-67 is indicated below :—

	<i>Total debt as on 31st March,</i>				
	1963	1964	1965	1966	1967
	(IN CRORES OF RUPEES)				
Unfunded Debt	10.97	13.34	15.52	17.74	19.56
Interest bearing obligations such as Depreciation Reserve Funds of Commercial Undertakings, other Deposits, etc.	3.75	8.97	9.49	13.25	13.20
Non-interest bearing obligations such as Deposits of Local Funds, Civil Deposits and other earmarked funds, etc.	44.42	46.71	51.93	57.28	62.75
Total ..	59.14	69.02	76.94	88.27	95.51

10. Service of debt

The net burden of interest charges on debt and other obligations on revenue is indicated in the following table :—

	1962-63	1963-64	1964-65	1965-66	1966-67
	(IN CRORES OF RUPEES)				
<i>Gross Debt outstanding at the end of the year</i>	2,53.91	2,89.43	3,35.00	3,98.78	4,29.36
<i>Other obligations at the end of the year</i>	59.14	69.02	76.94	88.27	95.51
(i) Interest paid by Government—					
(a) On Public Debt	8.95	10.77	12.22	14.95	18.75
(b) On other obligations	0.58	0.89	0.91	1.17	1.30
Total ..	9.53	11.66	13.13	16.12	20.05

	1962-63	1963-64	1964-65	1965-66	1966-67
	(IN CRORES OF RUPEES)				
(ii) <i>Deduct</i> —					
(a) Interest received on loans and advances given by Government.	8.23	7.51	8.13	8.63	9.80
(b) Interest realised on investment of cash balances.	0.03	0.01	0.04	0.03	0.04
(c) Recovery from other Governments for servicing and repayment of debt.	0.49	0.37	0.22	0.18	0.18
(iii) Net amount of interest charges.	0.78	3.77	4.74	7.28	10.03
Percentage of gross interest [Item (i)] to total revenue receipts.	8.10	8.60	8.50	9.30	10.30
Percentage of net interest [Item (iii)] to total revenue receipts.	0.70	2.80	3.10	4.20	5.10

In addition there were certain other receipts and adjustments such as interest received from Commercial departments, interest on arrears of revenue, etc. During 1966-67 such receipts amounted to Rs. 5.43 crores. If these are also taken into account, the net burden of interest on revenue will be Rs. 4.60 crores forming 2.3 per cent of the revenues of the year.

11. Amortisation arrangements

The following arrangements have been made for the amortisation of the loans raised in the open market :—

(i) *Depreciation Fund*.—A sum equal to $1\frac{1}{2}$ per cent of the total nominal amount of the loan is set apart from revenues annually to form a Depreciation Fund for purchasing the securities of the loans for cancellation.

(ii) *Sinking Fund*.—An annual contribution from revenues is made to the Sinking Fund at such rate as the Government may decide from time to time.

The balances in Depreciation and Sinking Funds at the commencement and at the close of the year 1966-67 are shown below :—

	Opening balance on the 1st April, 1966	Additions during the year	Withdrawals during the year	Closing balance as on the 31st March, 1967
	(IN CRORES OF RUPEES)			
Depreciation Fund	7.16	1.55	..	8.71
Sinking Fund	5.26	5.35	..	10.61
Total ..	12.42	6.90	..	19.32

Out of the total balance of Rs. 19.32 crores, a sum of Rs. 3.07 crores stood invested in the securities of the Government of India and other State Governments and in the bonds of the Industrial Finance Corporation of India.

Government have also created a Sinking Fund for the amortisation of loans received from the Life Insurance Corporation of India. An amount of Rs. 5.75 lakhs was appropriated from revenue to the Fund during the year. The entire balance of Rs. 5.70 lakhs (after paying an amount of Rs. 4,932 as advance interest on securities purchased) in the Fund has been invested in Government securities.

The State Government have not considered any arrangements necessary for the amortisation of loans taken from the Central Government.

12. Guarantees given by the State Government

Besides the obligations mentioned in paragraphs 8 and 9 above, Government have contingent liabilities in respect of guarantees given by them for repayment of loans, share capital, etc., raised by Statutory Corporations, Government Companies, Joint Stock Companies and Co-operative Institutions. The payment of minimum dividend on the share capital of the Madras Industrial Investment Corporation, Limited and cost of machinery purchased by certain institutions has also been guaranteed.

Government also stand as a co-guarantor, along with the Madras Industrial Investment Corporation in respect of loans taken by industrialists from banks. The entire guarantee commission paid by industrialists was retained by the Corporation and Government waived the recovery of their share from the Corporation. During the years 1963 to 1967, the share of guarantee commission thus forgone amounted to Rs. 2.24 lakhs.

The total amount of Contingent liability in terms of guarantees given by Government and outstanding as on the 31st March, 1967 was Rs. 88.06 crores.

Further details are given in Statement No. 6 of the Finance Accounts, 1966-67.

13. Financial results of irrigation schemes

At the end of March, 1967 the investment of Government in 47 irrigation projects, for which capital and revenue accounts have been kept, amounted to Rs. 87.74 crores; this comprised—

(a) outlay of Rs. 84.42 crores on 43 projects which have become revenue-earning; of this, expenditure of Rs. 0.99 crore on the Araniar Project has not yet been allocated between Andhra Pradesh and Madras Governments, and

(b) outlay of Rs. 3.32 crores on 4 projects, which are still under construction and have not become revenue-earning.

Out of the 43 projects which have become revenue-earning, 34 projects showed deficits during 1965-66. During 1966-67 also, 36 projects showed deficits. The working results of the 43 projects are given below :—

	1965-66	1966-67
	(IN CRORES OF RUPEES)	
Revenue	1.41	1.65
Working expenses	1.03	1.15
Net revenue before charging interest ..	0.38	0.50
Interest on capital	3.92	4.35
Net loss after charging interest ..	3.54	3.85

Further particulars are given in Statement No. 3 of the Finance Accounts, 1966-67.

The particulars in respect of 11 projects (capital cost: Rs. 66.63 crores) out of 14 projects (capital cost: Rs. 69.22 crores) completed during the three Plans indicate that the irrigation potential created has not been fully utilised (June, 1967). As against the irrigation target of 1,59,145 acres for 5 projects (capital outlay: Rs. 39.66 crores), including the Parambikulam-Aliyar Project which has been mentioned in paragraph 53 of Chapter IV, the area brought under cultivation was 82,402 acres, indicating a short-fall of 76,743 acres (48.22 per cent). The short-fall has been attributed mainly to the following factors :—

	<i>Area in acres</i>
Ryots' neglect or disputes among ryots or pattadars	42,276
Area for which field bothies are to be dug or certain construction works have to be completed	6,372
Area lying uncommandable	5,273
Area requiring reclamation	4,916

14. Grants-in-aid

A total amount of Rs. 46.02 crores was paid as grants-in-aid to statutory bodies (like Universities, Khadi and Village Industries Board, etc.), local bodies (municipalities, panchayats and

panchayat unions) and other institutions including co-operative societies. An analysis of the grants-in-aid paid is given below :—

<i>Name of department</i>	<i>Grants to Statutory bodies and local bodies</i>	<i>Grants to private institu- tions</i>
	(IN CRORES OF RUPEES)	
Education	23.93	11.20
Public Health and Medical	1.57	..
Co-operation .. .. .	..	1.16
Industries, Public Works, Irrigation and other departments.	7.59	0.57
Total ..	<u>33.09</u>	<u>12.93</u>

Some of the important irregularities noticed by Audit and by the Examiner of Local Fund Accounts are indicated below :—

<i>Nature of irregularity</i>	<i>Number of cases</i>	<i>Amount</i>
		(IN LAKHS OF RUPEES)
(i) Amount held under objection for want of details of expenditure, non-production of accounts, etc.	13	12.40
(ii) Cases of inadmissible grants ..	..	4.95
(iii) Grants in excess of prescribed limits ..	..	1.64

Further details are given in Chapters VI and VII of this Report.

15. Undue delay in adjustment of advances drawn for survey operations

Funds drawn by survey parties to meet expenditure on survey operations are initially classified under "Revenue Advances" in the Public Account. The expenditure incurred by the parties is partly recovered from the ryots benefiting from the survey and the balance is adjusted to Government Account. The detailed accounts are kept by the departmental officers.

As on the 31st March, 1967, an amount of Rs. 1.32 crores representing advances drawn during the period from 1950-51 was outstanding under "Revenue Advances" in the books of the Accounts Office. The department has not, however, reconciled its figures with the accounts balances since 1956-57. According to the figures furnished by the department, the amount pending recovery from the ryots was Rs. 36.19 lakhs to end of 1966-67; the share of ryots is yet to be computed in respect of an expenditure of Rs. 88.50 lakhs.

The delay in the adjustment of advances has resulted in the expenditure remaining outside the purview of the Legislature for a number of years. With the passage of time it may also be difficult to recover the ryots' share.

CHAPTER II

APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

16. Summary

The following table compares the expenditure during 1966-67 with the total of voted grants and charged appropriations :—

	<i>Grants/ Appropriations</i>	<i>Actual expendi- ture</i>	<i>Saving</i>	<i>Percentage [Columns (3) to (1)]</i>
	(1)	(2)	(3)	(4)
	(IN CRORES OF RUPEES)			
Voted—				
Original .. 3,02.40	3,26.29	3,12.43	13.86	4.24
Supplementary 23.89				
Charged—				
Original .. 1,11.13	1,73.78	1,61.54	12.24	7.04
Supplementary 62.65				

The saving amounting to Rs. 26.10 crores (5.21 per cent of the total amount of voted grants and charged appropriations) was the net result of saving in 33 grants and 23 appropriations (Rs. 30.16 crores) and excess in 15 grants and 5 appropriations (Rs. 4.06 crores).

17. Supplementary grants/appropriations

Supplementary provision amounting to Rs. 86.54 crores was obtained during the year under 41 grants and 18 appropriations.

The details given in Appendix II indicate the following points:—

(i) The supplementary provision (exceeding Rs. 6 lakhs in each case) proved entirely unnecessary in 5 grants as the expenditure did not come up even to the original provision. The supplementary provision of Rs. 4.02 crores obtained in these cases could have been restricted to token amounts where necessary, to meet expenditure on items of "New Service".

(ii) In 9 grants and 3 appropriations, the supplementary provision (exceeding Rs. 2 lakhs in each case) proved excessive; in each of these cases the final saving in the total grant/appropriation formed more than 20 per cent of the supplementary provision. Against the supplementary provision of Rs. 7.07 crores in these cases, the amount utilised was Rs. 4.33 crores only.

(iii) In 8 grants and 1 appropriation the supplementary provision (exceeding Rs. 1 lakh in each case) proved largely inadequate ; the final excess over the total grant/appropriation (including the supplementary provision) formed more than 20 per cent of supplementary grant/appropriation. In these cases the additional provision was Rs. 3.88 crores ; the actual expenditure exceeded the total grant by Rs. 2.94 crores.

18. Excess over voted grants

The following 15 cases of excess over voted grants require regularisation under Article 205 of the Constitution :—

Serial number	Number and name of grant	Total grant	Expenditure	Excess	
				Amount	Percentage
		RS.	RS.	RS.	
1.	VI. State Legislature.	17,26,500	17,47,755	21,255	1.0
2.	VII. Elections.	83,10,700	94,25,474	11,14,774	13.0

The excess was explained as mainly due to (i) increased expenditure on preparation and printing of electoral rolls owing to the transfer of a portion of the printing work to the Government Press as the private presses could not complete the work in time (Rs. 8.61 lakhs)—the cost of printing in Government Presses was higher and (ii) large expenditure on Elections (Rs. 2.30 lakhs) reasons for which are awaited.

3.	VIII. Head of State, Ministers and Headquarters staff.	3,40,14,700	3,40,15,869	1,169	..
4.	X. Administration of Justice.	1,94,28,600	1,94,78,917	50,317	0.2
5.	XII. Police ..	11,64,18,400	12,01,65,136	37,46,736	3.0

The excess occurred mainly under the group head "District Police" and was mainly due to (i) formation of additional Armed Reserve Platoons in districts, (ii) opening of new police stations, etc.

6.	XIV. Medical	11,19,78,400	11,83,07,078	63,28,678	5.6
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The excess was attributed to increase in the number of patients in mufassal hospitals, hospital of integrated medicine, etc. (Rs. 52.33 lakhs), more expenditure on intensive scheme for popularisation of surgical methods of family planning in taluk hospitals (Rs. 22.55 lakhs) and excess expenditure on extension of Employees' State Insurance Scheme (Rs. 20.16 lakhs). The excess expenditure was partly offset by savings in the intensive scheme for popularisation of surgical methods of family planning in Presidency hospitals and District Headquarters hospitals (Rs. 43.98 lakhs).

Serial number	Number and name of grant	Total grant	Expenditure	Excess	
				Amount	Percentage
		RS.	RS.	RS.	
7.	XVII. Fisheries.	1,37,02,200	1,46,47,306	9,45,106	6.9

The excess which occurred mainly under "m. IV. Inland fisheries" (Rs. 1.74 lakhs) and "o. (i) Construction of Mechanised Fishing Boats" (Rs. 7.34 lakhs) was attributed to the receipt of debit on account of customs duty which was not anticipated, the debit of the cost of five fishing boats for which provision was not made under this grant and payment of dearness allowance at enhanced rates and increased maintenance charges of vehicles and fishing boats.

During 1965-66 also there was an excess of Rs. 8.71 lakhs (7.7 per cent) under this grant.

8.	XXI. Cinchona	33,43,200	38,53,414	5,10,214	15
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The excess was explained as due to the interest on capital outlay (adjusted according to the revised procedure) being more than anticipated; under the revised procedure interest is calculated also on funds drawn to meet requirement of working capital in addition to the outlay under the capital major head.

9.	XXVI. Irrigation.	7,61,77,000	7,72,77,360	11,00,360	1.4
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The excess was mainly due to increased expenditure on repair works due to damages caused by cyclone and floods. Excess ranging between Rs. 3.73 lakhs and Rs. 17.29 lakhs occurred under this grant in the previous four years also.

10.	XXVII. Public Works—Works.	7,08,47,900	8,01,79,963	93,32,063	13
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More than 75 per cent of the excess (Rs. 73 lakhs) occurred under the group head "Transfer of grants for Road Development to the Deposit head Subvention from Central Road Fund", owing to larger allocation communicated by the Government of India on the 30th March, 1967. The expenditure on "Original works—Buildings (under Technical Education, Medical, Agriculture and Fisheries)" also exceeded the provision by Rs. 11.64 lakhs. Reasons for this excess expenditure are awaited.

In 1965-66 also there was an excess of Rs. 34.17 lakhs over the grant.

11.	XXVIII. Public Works—Establishment and Tools and Plant.	2,87,42,100	3,08,51,579	21,09,479	7.3
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Reasons for an excess of Rs. 13.51 lakhs are awaited. The balance excess of Rs. 7.58 lakhs was explained as mainly due to payment of dearness allowance at enhanced rates, increased expenditure on contingencies, purchase of furniture, etc.

Excess ranging between Rs. 2.54 lakhs and Rs. 8.19 lakhs occurred under this grant in the previous four years also.

Serial number	Number and name of grant	Total grant	Expenditure	Excess	
				Amount	Percentage
		RS.	RS.	RS.	
12.	XXX. Road Transport Schemes.	9,43,62,100	9,87,06,870	43,44,770	4.6

The excess was attributed to increase in fleet strength, increase in cost of spare parts, petrol and batteries, larger purchase of tyres and tubes, etc.

13.	XXXVII. Compensation to Zamindars.	9,50,000	13,43,905	3,93,905	41
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The excess occurred under the group head "a. Compensation—(ii) Compensation 4 per cent bonds issued under Land Ceiling Act, 1961" owing to the recording under this grant of expenditure on the issue of the bonds under orders of Government; the provision for the expenditure had been made under grant "XXXVI. Other Miscellaneous compensations and assignments".

14.	XLIV. Capital Outlay on Road Transport Schemes.	2,13,54,000	2,53,36,080	39,82,080	19.0
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The excess occurred mainly under the group head "114. a. D. Suspense" owing to delay in adjustment of cost of jobs executed for other Government departments.

15.	XLVIII. Loans and Advances by the State Government.	38,31,61,300	38,87,16,117	55,54,817	1.5
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The excess occurred mainly under "Advances to cultivators" owing to larger payments to agriculturists affected by cyclone, etc. and "Loans under the control of the Director of Industries and Commerce" due mainly to transfer of assets of small industrial units to the Madras State Small Industries Corporation; this was partly counterbalanced by reduction in the loans paid to the Madras State Electricity Board.

19. Excess over charged appropriations

Excesses over the charged appropriations which occurred in the following five cases also require regularisation:—

Serial number	Number and name of appropriation	Total appropriation	Expenditure	Excess	
				Amount	Percentage
		RS.	RS.	RS.	
1.	X. Administration of Justice.	24,45,700	24,49,809	4,109	0.2
2.	XVI. Agriculture.	16,100	18,440	2,340	14.5
3.	XXXII. Pensions.	9,04,100	18,57,262	9,53,162	105.4

The excess occurred under "65. a. Superannuation and retired allowance—F. Payments to other Governments" owing to larger debits on account of payments in terms of Section 93 of the States Reorganisation Act, 1956 received from other Accounts Officers and adjusted in March, 1967.

Serial number	Number and name of appropriation	Total appropriation	Expenditure	Excess	
				Amount.	Percentage
		RS.	RS.	RS.	
4.	XXXIII. Miscellaneous.	15,48,500	15,51,060	2,560	..
5.	XLVI. Commuted value of pensions,	32,400	77,112	44,712	137.1

The excess occurred under 'Payments to other Governments' owing to adjustments of debits not anticipated.

20. Savings in grants/appropriations

(a) Among voted grants there were 8 cases in which the savings exceeded 10 per cent of the total provision (*vide* details in Appendix III). The total saving in these 8 cases amounted to Rs. 14.15 crores. In 3 of these cases (Grant No. IV—Stamps and Administration, XXXIII. Miscellaneous and XXXIX. Capital outlay on Agriculture) saving of more than 10 per cent occurred during the previous year also.

Provision made for many schemes remained either wholly or substantially unutilised under Grants XVI. Agriculture, XX. Industries and XLI. Capital Outlay on Industrial Development. Out of a provision of Rs. 3.32.34 lakhs made for 47 schemes under Capital Outlay on Industrial Development there was a saving of Rs. 226.62 lakhs (68 per cent) and bulk of the savings was utilised for increased investment in the share capital of co-operative institutions (Rs. 1.23.12 lakhs). The original provision in the budget for this purpose was only Rs. 14 lakhs. Savings occurred in Grant XV. Public Health and XVI. Agriculture (Rs. 1.21 crores); the reasons therefor are awaited.

Savings totalling Rs. 12.34 crores occurred under 23 charged appropriations. The bulk of the savings (Rs. 11.40 crores) occurred under "Public Debt—Repayment". The saving was attributed to lesser number of occasions in which Ways and Means Advances were taken from the Reserve Bank of India owing to the unfavourable financial position of the Government during the last five months of the year offset partly by increase in overdrafts from the Bank.

(b) An analysis of the saving in the provision made for different groups of activity is given below :—

	Total provision	Saving	
		Amount	Percentage
(IN CRORES OF RUPEES)			
I. Expenditure met from Revenue—			
(i) Social and Developmental Services ..	99.62	1.81	1.8
(ii) Miscellaneous	14.96	1.65	11.0
(iii) Other Services (excluding Public Works, Irrigation and Transport)	65.61	0.40	0.6
II. Expenditure outside the Revenue Account—			
(i) Schemes of Government Trading ..	77.93	10.93	14.0
(ii) Industrial Development	9.23	1.92	20.8
(iii) Other Capital Expenditure ..	19.22	0.66	3.4
(iv) Public Debt Repayment	1,44.32	11.40	7.9

(c) Some of the major schemes/items, the provision for which remained wholly or substantially unutilised are given below together with reasons for the savings; some others are mentioned in Appendix IV :—

Number, name of grant and description of item	Funds provided (original plus supplementary)	Amount of saving	Percentage
(IN LAKHS OF RUPEES)			

IX. District Administration and Miscellaneous—

19 q. K. Establishment for acquisition of land for Nuclear Power Station in Chingleput district.	25.67	19.87	77
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Mainly non-utilisation of full provision for cost of land acquired owing to non-finalisation of awards.

During 1964-65 and 1965-66 also, there were savings of Rs. 15.44 lakhs (98 per cent) and Rs. 24.75 lakhs (98 per cent) respectively under this head for the same reason.

XIII. Education—28. c. Primary—Grants to local bodies.	2,24.47	1,79.38	79.9
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Mainly non-sanction of subsidy to municipal councils owing to non-completion of audit of the accounts by the Examiner of Local Fund Accounts, reduction of grants for buildings and non-receipt of applications for equipment grants, delay in construction of quarters, non-utilisation in full of the provision for the free supply of books and slates to poor pupils, etc.

<i>Number, name of grant and description of item</i>	<i>Funds provided (original plus supplementary)</i>	<i>Amount of saving</i>	<i>Percentage</i>
(IN LAKHS OF RUPEES)			
XLI. Capital Outlay on Industrial Development.			
95. c. II. (ii) 11. Industrial Development Corporation.	1,40-00	65-00	46

Reasons are awaited.

109. I. c. Union Government—Rental Housing Scheme for low-paid employees of the State Government.	31-57	31-57	100
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Provision made under this head is towards the adjustment of expenditure incurred by the State Housing Board on the Union Government Rental Housing Schemes for low-paid employees on behalf of the Government. The adjustment was not made owing to non-receipt of orders of Government and projectwise details of expenditure from the Board.

During 1964-65 and 1965-66 also, there were savings of Rs. 39-98 lakhs (98 per cent) and Rs. 31-57 lakhs (100 per cent) respectively.

109. II. B. b. (iv) b. Indo-Norwegian Project—Boats, engines, machinery, vans, etc.	31-76	18-73	58
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Reasons are awaited. Please see also paragraph 32 of this Report.

Large savings occurred under this head during the previous years also as indicated below :—

	<i>Provision</i>	<i>Saving</i>	<i>Percentage</i>
1964-65	10-00	9-6	96
1965-66	26-60	23-23	87
109. IV. B. (ii). d. (vi) Industrial Training	1,30-00	61-94	47

Reasons for the saving are awaited.

XLIII. Capital Outlay on Irrigation—

99. II. A. (2) Unproductive—

2. Chittar Pattanamkal—Works. ..	2,29-91	1,31-47	57
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Mainly non-execution/postponement of certain works, non-supply of shutters and deck bridges for construction of regulators and delay in settling compensation claims for lands acquired.

During 1965-66 also, there was a saving of Rs. 49-05 lakhs (22 per cent) under this group head.

XLVII. Capital Outlay on Schemes of Government Trading—

124. b. Other Miscellaneous Schemes—

A. Purchase and distribution of chemical fertilisers.	14,28-67	4,34-44	34
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Mainly less supply of fertilisers and supply of cheaper varieties of fertilisers by Government of India.

During 1964-65 and 1965-66 also, there were savings of Rs. 2,32.08 lakhs (25 per cent) and Rs. 7,46.97 lakhs (41 per cent) for similar reasons.

Number, name of grant and description of item	Funds provided	Amount of saving	Percentage
	(original plus supplementary)		
	(IN LAKHS OF RUPEES)		
a. Grain Supply Schemes—II. New Grain Supply Scheme (1964)—D. Pulses.	7,00.00	5,31.43	76

Mainly reduced allotment of pulses by Government of India from the Northern States owing to drought conditions, etc, prevailing in those States.

a. Grain Supply Schemes—			
II. New Grain Supply Scheme (1964)—			
E. Millets	1,50.00	1,06.15	71

Mainly less procurement owing to adverse seasonal conditions; the original provision which was made on an *ad hoc* basis proved excessive.

XLVIII. Loans and Advances by the State Government—

g. (ii) A. 1. Presidency Corporation ..	1,22.63	61.26	50
Less sanction of loans for water-supply and drainage schemes.			
g. F. (viii) Loans under the control of the Secretary, Public Works Department	13,35.00	3,59.96	27

Less sanction of loans to the Madras State Electricity Board in anticipation of increase in revenue receipts to the Board owing to increase in tariff.

21. Cases of defective budgeting

Some cases of defective budgeting mentioned in the Appropriation Accounts are indicated below :—

Number and name of grant	Appropriation Accounts 1966-67	
	Number of the note, item, etc	Page number
XV. Public Health	3 (iii)	41
XLVII. Capital Outlay on Schemes of Government Trading	1 (iv) & 2	133 & 135

22. Control over expenditure

The object of control over expenditure in this context is to secure as close an approximation as possible between the actual expenditure and the final grant/appropriation under each sub-head of grant/appropriation. This is done by—

(i) sanctioning reappropriations for transfer of funds from the sub-heads of grant/appropriation, where a saving is anticipated to other sub-heads in the same grant/appropriation, where there is need for additional provision of funds ;

(ii) obtaining supplementary grants/appropriations where necessary ;

(iii) effecting surrender of surplus funds under a sub-head as soon as the saving can be foreseen ; and

(iv) taking suitable advances from the Contingency Fund for meeting unforeseen requirements of additional funds during the year or for meeting expenditure on a "New Service" or "New Instrument of Service" if it is not possible immediately to obtain supplementary provision.

If the control is effective, the actual expenditure would approximate closely to the final modified provision, i.e. the original provision as modified by supplementary provision, reappropriation or surrender.

Cases where the total expenditure against a grant or appropriation, as a whole, exceeded the sanctioned amounts and require regularisation by the Legislature, have been mentioned in paragraphs 18 and 19 above. It will be seen therefrom that excess amounting to Rs. 4.06 crores remained uncovered by supplementary provision or by advances from the Contingency Fund in 15 grants and 5 appropriations.

Cases where additional funds provided in the course of the year, by supplementary grant or appropriation, proved unnecessary or excessive have been indicated in paragraph 17 above.

The following points were noticed in connection with the surrender of the amounts which remained unutilised :—

(a) Although the rules require that the unutilised amounts should be surrendered as soon as the possibility of savings is envisaged, the surrenders totalling Rs. 29.06 crores in all were made only in the last month of the year; of this, an amount of Rs. 25.78 crores was surrendered on the 31st March, 1967.

(b) There remained unsurrendered savings (exceeding Rs. 1 lakh in each case) totalling Rs. 1.49 crores in 11 grants and 2 appropriations ; details are given in Appendix V.

(c) In 4 cases (details in Appendix VI) amounts of Rs. 1 lakh or more in each case, totalling Rs. 0.21 crore were surrendered ; eventually there was excess over the grant/appropriation and no amount actually became available for surrender.

Important instances of defective control over expenditure in respect of individual group heads within the grants/appropriations have been indicated in the Appropriation Accounts.

Expenditure incurred on "New Service" Schemes without Legislative approval.—A sum of Rs. 2.50 lakhs was paid by Government in October, 1966 and February, 1967 as grant-in-aid to Aurobindo

Ashram for the development of the lake estate of the Ashram. No provision for this was made in the budget and the amount was reappropriated out of savings in the Grant (XVI). According to the criteria laid down by the Public Accounts Committee, grants-in-aid exceeding Rs. 12,500 recurring and Rs. 50,000 non-recurring should be treated as a "New Service" and approval of the Legislature obtained.

23. Reconciliation of departmental figures

Mention was made in the Audit Report, 1964 of the delay on the part of the controlling officers in reconciling the figures of expenditure as recorded in their registers with those in the books of the Audit Office. On the recommendation of the Public Accounts Committee, Government in the Finance department had also issued instructions in October, 1965 that departments should ensure prompt and timely reconciliation of the figures. Delays in reconciliation, however, persist.

As at the end of September, 1967, the departmental accounts maintained by certain controlling officers remained unreconciled for all the twelve months as indicated below :—

<i>Year</i>	<i>Number of controlling officers</i>
1962-63	7
1963-64	4
1964-65	10
1965-66	22
1966-67	37

In 152 other cases reconciliation was not done for periods ranging from 1 to 11 months during 1964-65. 1,842 certificates, of reconciliation having been done, are awaited for 1965-66 and 1966-67. 2,320 certificates in all are due for the period ending 1966-67. A yearwise analysis of the number of reconciliation certificates relating to 1964-65 and earlier years is given below :—

<i>Year</i>	<i>Number of certificates</i>
1960-61	8
1961-62	28
1962-63	126
1963-64	147
1964-65	169

CHAPTER III

CIVIL DEPARTMENTS

AGRICULTURE DEPARTMENT

24. Scheme for sinking of filter points/energising of filter points and wells in Thanjavur district

To enable ryots to raise an additional crop during summer, Government sanctioned in January, 1965, a scheme for sinking 2,000 filter point tube wells in Thanjavur district during 1964-65 and 1965-66 at an estimated cost of Rs. 37.24 lakhs in addition to Rs. 2.16 lakhs for the manufacture of filter point equipment. The scheme was continued during 1966-67 also. Under the scheme, the Revenue department sanctions loans subject to a maximum of Rs. 3,000 (including a subsidy limited to Rs. 150) per filter point tube well for meeting the cost of sinking filter points and pumpsets. Tube wells are sunk by the Agriculture department by making available the drilling equipment and technical assistance free of cost. The cost of materials like tubes, filters, etc., is recovered from the loan amount sanctioned to ryots.

The total expenditure incurred on the scheme upto the end of February, 1967 was Rs. 52.65 lakhs as shown below :—

	(IN LAKHS OF RUPEES)
Pay and allowances of special staff and office contingencies	6.48
Cost of filter point sinking equipment ..	8.34
Subsidy paid	1.18
Loans paid to ryots by the Revenue department	36.65

As at the end of February, 1967, the number of filter points sunk was 3,271, of which 1,245 were commissioned. Of the remaining 2,026 cases, ryots have backed out in 669 cases without availing the loan assistance and in 493 cases, loans have been sanctioned but filter points have not yet been commissioned. In the remaining 864 cases, the loans have not been sanctioned as verification of solvency, title deeds, etc., had not been completed. Out of 493 cases where loans have been sanctioned, pumpsets purchased and installed in 61 cases (loan : Rs. 1.83 lakhs) between February, 1965 and May, 1966 were lying idle. Supply of electricity to these points was considered uneconomic by the electrical undertakings.

In respect of 669 filter points sunk at a total cost of about Rs. 2 lakhs, the ryots did not apply for loan assistance as they had procured oil engines or electric motors from their own resources. The Collector requested the Board of Revenue in February, 1967, to obtain the sanction of Government for applying the provisions of the Revenue Recovery Act for recovering the cost of filter points in these cases. The final decision is still awaited (March, 1967).

It was noticed that in one taluk (Mayuram) no demand had been raised (August, 1967) in respect of recovery (amount: Rs. 5,598) which fell due in February, 1967 as the loan records were not transferred to the taluk office.

It was anticipated that about 10 acres per filter point would be brought under cultivation. From the information furnished by the special tahsildars, it is seen that this did not materialise in most of the cases. The total area brought under cultivation through 997 filter points (for which information is available) is about 4,000 acres as against 9,970 acres anticipated.

For extending power supply to the tube wells sunk under the scheme, as also to the existing open wells, Government provided till July, 1966, a total loan assistance of Rs. 47.76 lakhs to three private electrical undertakings (in two cases the assets against which the loan was sanctioned stood already charged to the Madras Industrial Investment Corporation, Limited) besides a loan of Rs. 10 lakhs to the Madras State Electricity Board. The private undertakings were expected to energise 1,265 filter points and open wells and the State Electricity Board 271 filter points and open wells by the 31st March, 1967. As at the end of January, 1967, 906 points and open wells have been energised (723 by private undertakings and 183 by the Electricity Board). Of these, power is being supplied only to 895 points. In the remaining 630 cases it is reported that the filter points are not ready to receive supply.

25. Scheme for fish preservation

The installation of 6 ice plant-cum-cold storage plants and 2 cold storage plants was sanctioned during 1956-57 to 1960-61. Of these, two plants were commissioned in August, 1960 and one in May, 1962. Mention was made in paragraph 23 of the Audit Report, 1963, about the poor utilisation of these 3 ice and cold storage plants. The Committee on Public Accounts (1963-64) in their Report of June, 1964, suggested that Government should go more fully into the economics of the scheme, and that if it was their intention to subsidise the scheme, the duration of such subsidy and its financial implication should be brought to the notice of the Legislature. Government informed the Committee in January, 1965, that the scheme was expected to be self-supporting and to yield sufficient revenue to wipe out the losses during the initial period. The remaining five other plants were commissioned between August, 1963 and August, 1965.

A review of the working of the eight plants (total cost : Rs. 8.92 lakhs) for the period ended March, 1966, however, indicated that the utilisation of the facilities continued to be poor. As against the total production and storage capacities of 27,409 tonnes of ice and 70,751 tonnes of fish, the quantities of ice produced and fish stored were 5,574 tonnes and 3,045 tonnes respectively. In four ice plants (at Mettur, Neelankarai, Keelakarai and Nagapattinam) less than 20 per cent of the installed capacity was utilised. The cold storage plants at Keelakarai, Cuddalore, Nagapattinam and Mettur remained practically unutilised. The non-utilisation was attributed to the availability of quick transport facilities for carrying fish to other places for marketing. While the ice plant at Mettur (the earliest ice plant installed in 1960 under the scheme) earned sufficient revenue to meet the expenses on operation and maintenance, the total expenses on operation and maintenance in the other 7 plants exceeded the revenue receipts by Rs. 71,561.

During the period 1961-64, Government sanctioned the installation of 17 more ice-cum-cold storage plants and one freezing unit at a total cost of Rs. 27.64 lakhs. Of these, one was commissioned in November, 1963 and five between September, 1965 and September, 1966. The delay in commissioning the remaining 12 plants has been attributed to delay in completing civil works (7 cases) and delay in erection (5 cases). Of the plants commissioned, working results upto March, 1967 for 5 plants (for which only information is available) indicate that the utilisation of facilities was poor; the cold storage plant at Covelong was not utilised at all. The total loss in running the plants amounted to Rs. 36,300.

For the supply and erection of ice-cum-cold storage plants in six fish curing yards, tenders were called for in May, 1964. The offers were required to be kept open for 180 days. Tenders were received in June, 1964. The Director of Fisheries recommended to Government in November, 1964 the acceptance of the lowest offer (imported machinery) of Rs. 3.07 lakhs. Government approved this proposal in June, 1965. When the order was placed with the firm in August, 1965, the firm expressed its inability to supply the plants in view of the ban on import of refrigeration compressors. Its alternative offer for indigenous plants at a total extra cost of Rs. 15,970 was not accepted and the department obtained imported machinery through another tenderer at an extra cost of Rs. 34,800.

26. Scheme for raising fuel forests

In August, 1962, Government approved a scheme for raising fuel trees in forest areas in the districts adjoining Madras City to meet the shortage of firewood. The scheme envisaged the raising of eucalyptus hybrid plantations in areas selected each year and their maintenance for an initial period of two years. During the period 1962-63 to 1966-67, plantations were raised over an area of

15,703 acres in seven forest divisions. The total expenditure incurred up to March, 1967, was Rs. 34.92 lakhs (plantation expenditure : Rs. 29.74 lakhs and establishment charges : Rs. 5.18 lakhs).

Certain points noticed in audit in connection with the scheme are mentioned below :—

(i) The estimated cost of raising plantations per acre and the actual cost incurred per acre during the years 1962-63 to 1965-66 are given below :—

Year	Estimated cost per acre per annum	Actual cost per acre							
		Chingleput		Cuddalore		Vellore		Salem	
		South	North	East	West	South	North		
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.		
1962-63 ..	87	44	111	140	195	No plantations raised.			
1963-64 ..	91	59	180	126	134	Do.			
1964-65 ..	144	84	158	159	119	138	103	No plantations raised.	
1965-66 ..	106	159	160	152	152	139	68	67	

The increase was attributed to expenditure on clearance of site and casualties being more than anticipated. The reduction in cost in Chingleput division in the first three years was attributed to the adoption of wider espacement. In Salem (South) and in Salem (North) divisions the reduction in cost was attributed to the preliminary expenses in clearing, weeding, etc., being borne by the private parties who were allowed to raise short-rotation agricultural crops in inter-spaces.

(ii) (a) It was estimated that the cost of maintenance would be Rs. 21 per acre for plantations raised during 1962-63 and Rs. 30 per acre for plantations raised during 1963-64. Actually, however, the average cost of maintenance worked out to Rs. 27.5 per acre for plantations raised during 1962-63 and Rs. 31 per acre for those raised during 1963-64. The divisionwise figures are given below:—

Division	Plantations raised in			
	1962-63 (Estimated maintenance cost Rs. 21 per acre)		1963-64 (Estimated maintenance cost Rs. 30 per acre)	
	Area (in acres)	Cost of maintenance per acre	Area (in acres)	Cost of maintenance per acre
		RS.		RS.
Chingleput	402	27.55	1,119	25.21
Cuddalore (South) ..	50	16.60	517	19.84
Cuddalore (North) ..	100	50.35	693	41.12
Vellore (East)	25	15.44	600	40.52

No plantations were raised in the other three divisions during 1962-63 and 1963-64.

The increase in Cuddalore (North) division has been attributed to heavy replacement of casualties.

(b) Even after the prescribed period of maintenance, more than 50 per cent of the plants did not survive as seen from the verification conducted during 1966 in 10 plantations (998 acres) in Cuddalore (North), Cuddalore (South) and Chingleput divisions. The total expenditure on raising and maintaining these plantations was Rs. 1.10 lakhs.

(iii) While submitting the scheme for Government's approval in April, 1962, the Chief Conservator of Forests stated that raising of short-rotation agricultural crops in inter-spaces during the first year was considered desirable "in order to bring down the plantation cost and to ensure adequate freedom for the young plants from noxious weeds and climbers". A revenue of Rs. 50 per acre was also anticipated. Agricultural crop was, however, raised only in 100 acres in Chingleput division during 1962-63 at a cost of Rs. 219 and the revenue realised was Rs. 118. It was also stated (August, 1967) that raising of agricultural crops was not tried in subsequent years as it was not found practicable. In Cuddalore (South) division an expenditure of Rs. 3,045 was incurred during 1963-64 for raising agricultural crop but no produce is stated to have been obtained.

27. Scheme for establishment of sheep farm

Government sanctioned in October, 1964, a "Crash" programme for the establishment of four sheep breeding units at an estimated cost of Rs. 14.91 lakhs. The scheme envisaged increased production of meat through multiplication of livestock and for this purpose a foundation stock of 1,000 ewes and 50 rams was required to be maintained in each unit. A total expenditure of Rs. 14.60 lakhs (non-recurring: Rs. 8.04 lakhs and recurring: Rs. 6.56 lakhs) was incurred on the scheme upto March, 1967.

Some particulars regarding the units are indicated in the table below:—

Place	Date of starting the unit	Date by which targeted foundation stock was reached	Number of animals purchased for foundation stock	Number of foundation stock animals surviving at the end of April, 1967	Increase through multiplication
Pudukottai	November, 1964	October, 1965	1,273	822	570
Nanguneri	February, 1965	March, 1966	1,062	506	127
Abishekapatti	February, 1965	November, 1965	1,096	627	42
Sattur	February, 1966	May, 1966	1,156	930	153

Out of 4,587 animals purchased, 1,702 died (37 per cent) during 1965-66 and 1966-67. The value of animals which died was about Rs. 1.11 lakhs. The Director of Animal Husbandry attributed the heavy mortality to change in environmental conditions, etc.

The increase of livestock through multiplication to end of April, 1967 was much less in the units at Nanguneri, Abishekapatti and Sattur as compared to the unit at Pudukkottai.

The unit now at Sattur was originally proposed to be set up at Kodaikanal and staff consisting of 1 Special Officer, 2 Livestock Assistants, 1 Veterinary Assistant Surgeon, 1 Upper Division Clerk and 1 Typist was appointed between March, 1965 and July, 1965 in anticipation of securing a site there. A suitable site could not, however, be secured at Kodaikanal and Government ordered in November, 1965 that the unit might be located at Sattur. The expenditure on pay and allowances of staff employed at Kodaikanal from March, 1965 to November, 1965 when the unit was not functioning amounted to Rs. 15,200.

28. Establishment of sheep and wool extension centres

With the object of achieving improvement in the quality of sheep in selected centres and producing superior breeding stock, Government sanctioned during 1961-62 to 1964-65 the establishment of 40 sheep and wool extension centres at an estimated cost of Rs. 13.50 lakhs. 16 further centres were also opened at a cost of Rs. 5.35 lakhs, under the "Crash Programme" in 1964-65. Under this scheme, in respect of each centre 50 quality rams were to be distributed to villagers on exchange basis and 20 rams kept by the department as reserve stock. A "Stock-man" was also provided for each centre for periodical inspection of rams and advising the local people on improved methods of animal husbandry.

From the particulars obtained in respect of 43 out of 56 centres, the following points were noticed:—

(i) Of the 2,869 rams purchased, 31 (cost : Rs. 1,790) died before distribution, 387 were kept as reserve and 2,451 rams distributed. 96 rams (value : Rs. 5,450) out of the reserve stock and 383 (value : Rs. 34,270) of those distributed died within 1 or 2 years of purchase.

(ii) No reserve stock was kept in 32 out of 43 centres.

(iii) The rams included 398 woolly type of rams distributed in 8 centres. Of this, the entire stock of 150 rams of magra variety (value : Rs. 19,800) purchased from Rajasthan died within 4 months of distribution.

(iv) In 27 centres, where woolly type of rams were not distributed, wool shearing sheds were constructed at an estimated cost of Rs. 1.35 lakhs.

(v) The "Stock-man" attached to each centre was expected to register the sheep crossed, the progenies obtained, yield of wool, carcass obtained, etc. In 36 centres such data were not maintained. The results of the scheme in these centres could not, therefore, be assessed.

29. Scheme for raising cashew plantations in East Ramanathapuram district

The scheme sanctioned in September, 1963 envisaged bringing under cashew cultivation, additional area of 9,600 acres in a period of three years by providing loan assistance, good quality seeds and technical advice to growers. The total expenditure on special staff employed for the scheme upto March, 1967 amounted to Rs. 2.46 lakhs.

During the period from 1963-64 to 1965-66 loans amounting to Rs. 7.56 lakhs were disbursed to 1,487 growers for undertaking cultivation in 10,462 acres. Actual cultivation was, however, undertaken in an area of 9,347 acres only. 144 growers, who received a total loan assistance of Rs. 81,610, did not utilise the loan for the purpose. Summary recovery has been ordered in these cases. An amount of Rs. 68,883 is pending recovery (August, 1967); out of this, Rs. 23,879 is outstanding for over 2 years. In 235 other cases involving an amount of Rs. 89,240, reports of utilisation are stated to be awaited from subordinate officers (August, 1967).

The Special District Agricultural Officer, Sivaganga, stated in September, 1967 that follow-up action by periodical inspection and verification of stocking in the plantations was not practicable in view of the large area covered by the scheme and that the percentage of survival was ascertained only at the time of submission of completion reports. In respect of 9,347 acres under cultivation, the following figures have been furnished by him :—

<i>Area</i> (IN ACRES)	<i>Survival</i>
1,201	Over 80 per cent
7,401	50 to 80 per cent
745	Less than 50 per cent

30 Package scheme for banana production

In May, 1964, Government sanctioned a scheme for increased production of bananas for export purposes and for controlling the price in local market. The scheme was implemented in Tiruchirappalli and North Arcot districts during 1964-65 and was extended to Coimbatore and Madurai districts during 1965-66.

Under the scheme, the Agriculture department provides technical assistance and supplies pesticides at subsidised rates (75 per cent cost) to growers. Short-term loans upto Rs. 500 per acre (Rs. 250 in kind and Rs. 250 in cash) are also given to *bona fide* growers through co-operative banks.

The total expenditure incurred under the scheme on establishment and subsidy on sale of pesticides amounted to Rs. 2.70 lakhs to end of March, 1967. Short-term loans amounting to Rs. 28.40 lakhs were also disbursed to growers by co-operative banks.

It was anticipated that the scheme would provide exportable surplus of about 30,000 tons of bananas annually. Against the targeted area of 12,000 acres to be covered by the scheme to end of March, 1967, the actual achievement was 15,378 acres; but there has been no export of banana so far. The department has not assessed the increase in production and the surplus available for export, on account of the implementation of the scheme. The Banana and Fruit Development Corporation, Limited (a Government Company in which the State Government's investment in shares is Rs. 1.28 lakhs) decided in June, 1967 not to initiate offers for export till there was sufficient production to meet demands from abroad of sizeable shipments.

31. State seed farms

Mention was made in paragraph 19 of the Audit Report, 1964 about the loss incurred by certain State seed farms. The Committee on Public Accounts 1964-65 in their Report of July, 1965 recommended that—

- (i) the reasons for the loss in the working of the farms should be investigated and responsibility for departmental lapses fixed; and
- (ii) no effort should be spared to improve the fertility of the soil and the department should go in for good quality lands.

A review of the working of the 70 seed farms that existed as at June, 1967 indicated that 17 farms worked at a loss during the year 1966-67, the total loss incurred during the period from 1963-64 to 1966-67 being Rs. 8.62 lakhs. Of these, 11 farms were working continuously at a loss from 1963-64, the loss in these farms upto 1966-67 being Rs. 3.87 lakhs. The reports of the Examiner of Local Fund Accounts regarding the working of the farms indicated that the reasons for the heavy losses were lack of adequate irrigational facilities and poor fertility of the soil. Details in regard to some of the farms are given in Appendix VII.

32. Boat building yard, Mandapam

The Project undertaken with the assistance of the Norwegian Government for the setting up of a Boat Building Yard and an Ice Factory-cum-Freezing Plant at Mandapam was estimated to cost

Rs. 8.35 lakhs (June, 1963). The estimate was revised to Rs. 14.10 lakhs in August, 1966. The actual expenditure incurred so far is Rs. 10.72 lakhs (July, 1967). The Yard scheduled to be completed in April, 1965 was actually completed in January, 1966. The Ice Factory-cum-Cold Storage Plant has not so far been erected. Work relating to a Fish Meal Plant and an R.C.C. Jetty which form part of the project are yet to be taken up (July, 1967).

Under an agreement with the Norwegian Government, engines were to be supplied by that Government free of cost for the boats completed to the end of March, 1967. In order to increase the output of boats and avail of the free supply of engines, the construction of an additional boat building shed (cost about Rs. 2.06 lakhs) was started in October, 1966 and completed in March, 1967. This did not prove adequate. Against the target of 192 boats to be constructed by the end of March, 1967, only 55 boats could be built (including 12 built in the State Boat Building Yard at Madras) and for these boats engines were obtained free of cost. For the remaining 137 boats engines (approximate cost : Rs. 21.92 lakhs) will now have to be obtained on payment.

The completed boats were issued to fishermen at subsidised rates (75 per cent of the cost of hull and 50 per cent of the cost of engine). Customs duty at about Rs. 6,000 paid for each engine was not taken into account while working out the cost and this resulted in an unintended benefit to the recipients amounting to Rs. 48,000 in respect of 16 boats allotted to them upto the end of January, 1967.

33. Loss on the purchase of seeds

Three hundred and twenty eight tonnes of cholam seeds were purchased from Maharashtra and Mysore States, the National Seeds Corporation (Maharashtra), and from local growers between October, 1966 and February, 1967 at a cost of Rs. 29.01 lakhs for sale to ryots, through the agricultural depots, under the High Yielding Programme. The off-take was poor and the District Officers reported infestation of stocks in some cases. 196 tonnes were resold (May, 1967) to the Government of Maharashtra at a reduced price resulting in a loss of Rs. 1.13 lakhs. In Coimbatore region, there was an unsold stock of 43 tonnes. Information regarding the quantity sold and quantity held in stock in the depots in other districts is awaited.

EDUCATION DEPARTMENT

34. Scheme for printing and distribution of reading books for basic schools

During the period from 1956-57 to 1964-65, 6.12 lakhs copies of 51 books were printed at a total cost of Rs. 0.91 lakh for distribution at the rate of two copies of each book to each basic school. It was

anticipated that books would have to be supplied to 6,000 schools and printing was arranged on this basis. The number of schools actually requiring the books was, however, found to be less. Though, conversion of elementary schools into basic schools was stopped from March, 1962, the matter was not reviewed and printing restricted to the actual requirements. The avoidable expenditure on printing of books in excess of requirements was Rs. 21,200.

A collective record of books actually distributed to the schools was not maintained. The particulars received from 19 out of 31 District Educational Offices indicate that as against 1,02,100 copies required for 2,402 schools, 1,32,050 copies had been supplied to them. While the number of copies actually distributed to the schools was 89,663, the total number of copies lying undistributed with these offices was 42,387 (valued at about Rs. 6,300). Details in respect of other offices are awaited. In March, 1967, Government ordered that the copies remaining unutilised should be distributed to non-basic elementary schools.

FOOD DEPARTMENT

35. Scheme for supply of firewood to Madras city

In December, 1962, Government sanctioned the opening of 8 fair price shops in Madras city for selling firewood at reasonable prices. The supply of firewood to the shops was to be made by contractors from the reserved forests in Salem and North Arcot districts on payment of felling, cutting and transporting charges. The fair price shops started functioning from March, 1963, and were closed in March, 1966 after they were run for one to three years, on the recommendation of the High Power Committee on Economy and Administrative Reorganisation that they might be wound up as there was no scarcity of firewood in the city. The total expenditure including pay and allowances of special staff amounted to Rs. 3.63 lakhs.

The scheme envisaged an annual sale of 15,000 tonnes but the quota fixed for supplies by contractors for the period from March, 1963 to March, 1966 was 27,380 tonnes. The total quantity supplied by the contractors was 6,245 tonnes and 4,823 tonnes were sold. The shortfall in supplies works out to 21,135 tonnes. The Chief Conservator of Forests attributed the shortfall in supply to the low rate allowed to contractors; while the average selling price of firewood at Vellore was Rs. 45 per tonne, the amount allowed to Contractors for supply at Madras (in the form of charges for felling, cutting and transporting firewood) was about Rs. 42 per tonne.

Pro forma accounts of the scheme to ascertain its financial results have not been prepared. On the basis of the actual receipts and expenditure there was a loss of Rs. 0.72 lakh in the scheme, without taking into account seigniorage charges generally payable

to the Forest department. If seigniorage (at Rs. 14 per tonne) not collected in respect of 6,245 tonnes delivered at Madras is also taken into account, the loss will be Rs. 1.59 lakhs.

HOME DEPARTMENT

36. Scheme for acquisition and allotment of house-sites

Under the scheme lands are assigned to poor and landless harijans for construction of houses on the condition that the houses should be constructed within a period of 12 months in the case of wet lands and 6 months in the case of dry lands. Some points noticed in connection with the scheme were mentioned in paragraph 26 of the Audit Report, 1964. The Committee on Public Accounts (1965-66) commented about the slow progress of the scheme and suggested that a close watch should be kept on the progress of the scheme by the Head of the Department.

During the period 1961-62 to 1965-66, a total expenditure of Rs. 77.51 lakhs was incurred in ten districts for acquisition of 81,121 plots. From the particulars made available by the District Welfare Officers, it was noticed that out of 74,806 plots allotted, houses had been constructed in 41,137 plots only (April, 1967). The extent of delay in construction of houses in respect of seven districts (for which information is available) is indicated below :—

	<i>Number of plots</i>
Over one year	3,361
Over two years	2,968
Over three years and above	6,446

The delay in construction has been generally attributed to the poverty of the allottees. The District Welfare Officer, Thanjavur, reported to the Director of Harijan Welfare in July, 1967, that in about 2,000 sites the level of the lands should be raised to make them fit for construction and Government was addressed for an initial allotment of Rs. 50,000 to carry out the works.

37. Delay in execution of work

In November, 1960, Government sanctioned the work of raising and levelling sites in the harijan colonies at Nattarmangalam and Veerananallur in South Arcot district. Detailed estimates for the works were not prepared and the cost was roughly estimated at Rs. 40,000, of which Rs. 10,000 was required to be borne by the beneficiaries and local ryots. The work relating to Veerananallur colony was entrusted to a Labour Contract Society in December, 1960; after an expenditure of Rs. 3,435 had been incurred, it was

stopped in June, 1961 and the Director of Harijan Welfare was instructed by Government to inspect the colony and send a "factual report regarding the advisability of proceeding further with the work." The Collector estimated the cost of development works in the two colonies at Rs. 1.33 lakhs. The Director of Harijan Welfare recommended to Government that the work might be executed departmentally and the entire cost might be borne by Government. This was approved by Government in January, 1962. The works were, however, not taken up for departmental execution. In May, 1962, the Collector recommended to Government that the Labour Contract Society might be allowed to take up the incomplete work in Veerananallur colony and the work in Nattarmangalam colony might be executed through contractors. Orders of Government accepting these proposals were issued after a delay of about three years in February, 1965. The works were not taken up in 1965-66 and the delay was attributed to National Emergency and "dearth of funds". In the meantime due to rising costs, the estimated cost was revised to Rs. 2.53 lakhs, which was approved by Government in March, 1967. The work in the Veerananallur colony was taken up by the Labour Contract Society in April, 1966 and an expenditure of Rs. 75,435 has been incurred upto July, 1967. The work in the other colony has not yet been taken up (October, 1967). On the basis of the revised estimates, the works will cost Government Rs. 1.20 lakhs more as a result of the delay of over four years in executing the works.

38. Nugatory expenditure

In August, 1957, Government sanctioned the construction of 38 houses for certain tribes in Sathangadu village of Chingleput district with Government assistance of Rs. 28,500 (subsidy : Rs. 20,900 ; loan : Rs. 7,600). During the period, February, 1959 to March, 1962, a total sum of Rs. 18,395 (subsidy : Rs. 10,795 ; loan : Rs. 7,600) was paid to the sponsor (who was also the contractor for the work). After inspections in February, 1959, October, 1962, and November, 1962, the Assistant Engineer of the Highways department pointed out defects in construction. 6 houses had also collapsed. There has been no progress in the work after May, 1963. The site has now been selected for locating an oil refinery project ; it has been decided to abandon the scheme. An alternative site for construction of houses is stated to be under consideration (September, 1967).

INDUSTRIES, LABOUR AND HOUSING DEPARTMENT

39. Mechanised brick plant, Thirumazhisai

Government sanctioned in May, 1963, the setting up of a fully mechanised brick-making plant at an estimated cost of Rs. 33.63 lakhs. The plant was expected to produce 66,000 bricks daily,

the recurring expenditure being estimated at Rs. 8.55 lakhs per annum. The work is in progress. The expenditure incurred to end of August, 1967, amounted to Rs. 50 lakhs.

As against the original estimate of Rs. 33.63 lakhs, the plant is now estimated to cost Rs. 68.42 lakhs. Approval of Government to the revised estimate is awaited (August, 1967). The increase in cost is attributed to—

	(IN LAKHS OF RUPEES)
(i) increased cost of land	7.00
(ii) increase in cost of civil works and kilns	28.63

The original estimated cost of Rs. 2 lakhs for 186 acres of land required for the project was revised to Rs. 9 lakhs in July, 1965 based on the compensation awarded by the Land Acquisition Officers. The actual amount paid upto March, 1967 for 183.33 acres, was Rs. 8.52 lakhs.

The increase under civil works is attributed to the general rise in the cost of labour and materials after the original estimate was prepared in 1963.

The plant which was expected to start functioning from January, 1966, is now expected to be commissioned by October, 1967, i.e., 21 months behind schedule. The delay is mainly due to non-completion of civil works and kilns and consequent delay in erection of the machinery received during the period from July, 1964 to February, 1966.

Certain further points noticed in audit in connection with the expenditure on the project are indicated below :—

(i) The agreement with the suppliers of machinery provides for a guarantee for 9 months from the date of commissioning the plant or till the expiry of 24 months (February, 1968) from the date of last shipment, whichever is earlier. Since the plant has not been commissioned so far (August, 1967) the benefit of supplier's guarantee will not be available for the full period.

(ii) The installation of plant and machinery is to be done under the supervision of foreign experts. The postponement of the erection of the machinery due to delay in completing civil works resulted in the late arrival of the experts in India and consequential additional payment of Rs. 74,750 due to devaluation of the rupee in June, 1966.

40. Extra expenditure due to delay in land acquisition

In connection with the acquisition of about 12 acres of land required for the Industrial Colony at Thanjavur, a notification for acquisition was issued by the Revenue department in February, 1959. The acquisition proceedings were, however, subsequently

withdrawn as the Assistant Settlement Officer reported that though the lands belonged to private parties, they had to be treated as waste lands lying at the disposal of Government, as the claimants failed to apply for patta within the time allowed under the Estate Abolition Act. The Industries department took over the land on the 4th April, 1959 and started construction of the buildings. In July, 1959, petitions were received from a few private parties claiming ownership of the land. The earlier decision was reviewed and the Assistant Settlement Officer (who was the statutory authority for determining the character of the lands in such cases) stated in October, 1959 that the lands in question fell under the category of minor inams and hence should be treated as private lands only. This was reported to the Board of Revenue by the Collector immediately and final orders were issued by Government in March, 1962. The notification for acquisition was issued after a further delay of $1\frac{3}{4}$ years in December, 1963 as the department had under consideration the acquisition of some other contiguous lands. The award was finally passed in February, 1965 and a sum of Rs. 2.85 lakhs was paid as compensation ; this included interest amounting to Rs. 55,783 for the period from April, 1959 to February, 1965.

The valuation of land for purposes of fixing the compensation is based on the market rate prevailing at the time of issue of notification (and not on the rate prevailing at the time of taking possession of the land). The delay of about 3 years in issuing final orders on the ownership of the land and the further delay of about 2 years in issuing the notification resulted in payment of extra compensation of Rs. 90,000 due to increase in the rates.

41. Unsuccessful working of a training-cum-production centre

In November, 1963, Government sanctioned the establishment of a training-cum-production centre for the manufacture of lacquerware toys and fancy utility articles at Ambur. Each trainee was to be paid Rs. 40 per mensem as stipend and the period of training was one year. It was expected that the training centre would be converted into a production unit after sufficient number of candidates were trained. It started functioning from June, 1964, and was wound up in June, 1967, after 30 persons had been trained. The total expenditure incurred on pay and allowances of staff, stipend to trainees, etc., amounted to Rs. 57,220.

While recommending the closure of the unit, the Assistant Director of Industries stated in January, 1967, that successful running of the centre was not possible as suitable wood was not available. He also stated that none of the trainees of the previous two batches had taken up toy-making as their profession after they left the training centre and they were mostly attracted by the stipend given to them.

In this connection it was noticed that at the time of obtaining sanction of Government for starting the unit, in November, 1963, the department reported that soft wood (required for the unit) was available in abundance in North Arcot district. In April, 1964 before the unit was actually started, the District Forest Officer, Vellore, however, reported to the Assistant Director of Industries about the scarcity of wood.

42. Injudicious purchase of machinery

A pneumatic power hammer was purchased in April, 1964, at a cost of Rs. 1.44 lakhs in connection with the programme of expansion of the Forge and Heat Treatment Shop, Guindy. As this did not materialise, the Director of Industries and Commerce ordered (August, 1964) its transfer to the Technical Training Centre, Guindy, to be used for training purposes; for want of space, the machine was not transferred to the Training Centre and is lying outside the Forge Shop building. Government stated in November, 1967 that as the machine was not fit for use in a training centre and as it was not also required by the Madras State Small Industries Corporation, its disposal by public auction was under consideration.

The machine has not yet been tested. According to a report made by the Superintendent, Forge Shop to the Superintendent, Technical Training Centre, in November, 1966, there were damages to the "machined surfaces and matching surfaces".

PUBLIC HEALTH DEPARTMENT

43. Family planning scheme

Under the scheme, the following cash incentives are admissible:—

(i) Rs. 30 for each father undergoing vasectomy operation, subject to certain conditions regarding age and number of children;

(ii) Rs. 10 to the field worker for each case canvassed by him; and

(iii) an allowance to the Medical Officer at Rs. 50 for the first 30 cases in a month and at Rs. 3 for each case in excess thereof. The extra allowance at Rs. 3 for each case is not admissible to full-time Medical Officers in charge of Family Planning Centres.

The maximum number of operations that can be performed by a Medical Officer in addition to his normal duties has not been fixed. It was noticed in audit that the average number of operations performed by Medical Officers attached to the Primary Health Centres and other Medical Institutions varied widely. In some centres nearly 3,000 operations per month by a single Medical Officer had been reported. During the period from August, 1966 to January, 1967, the number of operations performed in six Primary

Health Centres was 27,072 involving a total expenditure of Rs. 11.63 lakhs, by way of cash allowance to fathers, field workers and Medical Officers. Details are given below :—

Name of the Primary Health Centre	Period	Number of operations performed
Lalapet	August, 1966 to January, 1967 (6 months)	8,292
Barur	June to September, 1965 (4 months)	3,955
Andiappanur	August and October, 1966 (2 months)	1,898
Vaduganthangal	August to October, 1966 (3 months)	2,307
Bargur	July to October, 1966 (4 months)	8,713
G.V. Nagaram	August and September, 1966 (2 months)	1,907

According to the Director of Medical Services, the maximum number of operations that a Medical Officer in charge of Primary Health Centre can perform in addition to his duties is about 560 per month. As the number of operations reported in these centres is excessive, Government have been requested to review these and similar cases. Further report is awaited (January, 1968).

44. Delay in occupation of buildings

In January, 1962, Government ordered the shifting of the Infectious Diseases Hospital from Madurai to Thoppur (about 12 miles away), following complaints from the public that the drainage from the hospital was polluting the Vaigai river. The buildings for the hospital at Thoppur and staff quarters completed in May, 1965 at a cost of Rs.12.95 lakhs remain unutilised so far (November, 1967) as the hospital has not yet been shifted.

Government stated in September, 1966 that the new buildings were 12 miles away from Madurai and it was not possible to send cholera cases straightaway. It was stated in November, 1966, that the question of utilising the buildings for the opening of a Mental Hospital was being examined. No final decision has been taken so far (November, 1967).

REVENUE DEPARTMENT

45. Inadmissible payment to village officers

The village officers fall under two categories, viz., those serving in ryotwari areas and in estates and inam villages taken over by Government and those serving in estates or inam villages not taken over by Government. The scales of pay and dearness allowance

of village establishment (headmen, karnams and servants) were revised with effect from October, 1964. In some districts the increased rates were allowed for both the categories, while in some other districts, the benefit was not allowed to village officers of estates or inam villages not taken over. The Board of Revenue which examined the question in November, 1965, considered, that "Village Officers in inam villages not taken over can have no legitimate claim for equal treatment with village officers in ryotwari areas and estate villages already taken over"; but it recommended to Government that in cases where enhanced rates had already been allowed, no reduction need be made. Government ordered in June, 1966 that the enhanced rates would not apply to village officers in estate or inam villages not taken over, but waived the recovery of the payments already made. The inadmissible payment in 7 districts amounted to about Rs. 72,000; particulars in regard to the remaining 6 districts are awaited (September, 1967).

RURAL DEVELOPMENT AND LOCAL ADMINISTRATION
DEPARTMENT

46. Delay in transfer of loan records

According to the provisions in the Takkavi Manual the records in respect of the loans sanctioned by Block Development Officers should be transferred to the Revenue authorities for arranging the recovery from the loanees. From the particulars available in respect of 5 blocks, it was noticed that records in respect of 2,928 cases involving loans totalling Rs. 22.19 lakhs had not been transferred to the Revenue authorities. Yearwise particulars are indicated below :—

<i>Year</i>	<i>Number of cases</i>	<i>Amount</i>
		(IN LAKHS OF RUPEES)
1960-61	227	1.40
1961-62	506	4.85
1962-63	387	3.01
1963-64	220	3.42
1964-65	288	2.26
1965-66	1,300	7.25

Apart from the delay in the recovery of loans, on account of the delay in the transfer of the records, recovery may be difficult in respect of cases outstanding for long periods.

47. Extra expenditure

Training in the Wood Working Training Centre, Kunnathur, and the Training Centre in Toy-making at Tirupatchur, attached to the Rural Industries Project, Sriperumbudur was commenced from January, 1966, and February, 1966 respectively. However, power supply was obtained at the centres only in April, 1967, and December, 1966 respectively. The prescribed period of training of one year had therefore, to be extended by six months, to enable the training to be given in the operation of machinery. The extra expenditure on staff, stipends to trainees, etc., was about Rs. 23,300.

48. Avoidable expenditure

In March, 1965, Government ordered the closure of the Model Centre for Village Industries at T. Kallupatti, set up in 1951 for giving training to Gramasevaks. Government also ordered that the paper manufacturing unit of the centre should be transferred to the Panchayat Union Council and the pottery unit should be closed down. Though the Panchayat Union Council did not run the paper unit, the staff comprising two work assistants continued to be employed by the department till February, 1967. Similarly the post of potter too was continued till November, 1965, though the unit did not function. The expenditure on staff for the period when the units were not functioning amounted to Rs. 6,830.

Machinery valued at Rs. 19,700 and finished goods valued at Rs. 4,073 belonging to the unit have not yet been disposed of (July, 1967). The question of transferring the unit to the State Khadi and Village Industries Board is stated to be under consideration.

49. Extra expenditure on employment of staff

In three cases Government incurred an extra expenditure of Rs. 83,100 on the employment of staff due to delay in obtaining and commissioning of X-ray plants and laboratory equipment and in arranging for repairs to a Mobile Dental Van. Details of these cases are mentioned below :—

(i) In February, 1960, Government sanctioned the establishment of a Tuberculosis Clinic in the Town General Hospital, Pudukottai. The clinic started functioning from May, 1960. The X-ray and laboratory equipment, which were to be supplied by the Government of India under UNICEF aid have not yet been received (May, 1967). The staff for working the equipment was, however, employed in May, 1960, in anticipation of the receipt of equipment and an expenditure of Rs. 31,000 incurred on their pay and allowances during the period from May, 1960 to May, 1967. The Medical

Officer, Town General Hospital, stated in May, 1967 that their services were being utilised for other items of work relating to the clinic.

(ii) On account of the delay in arranging for the repairs of a van, a mobile dental clinic valued at Rs. 2.30 lakhs received as gift in 1957 from a foreign Government did not function during the period from July, 1962 to December, 1966. The expenditure on pay and allowances of the staff sanctioned for the clinic during the period amounted to about Rs. 45,000. It was stated by the department that the services of the Assistant Surgeon and the Male Nurse were utilised in the regular dental department and those of the Driver-cum-Mechanic and Cleaner on ambulance vans; it was, however, noticed that these units were already provided with full complement of sanctioned staff.

(iii) An X-ray plant valued at Rs. 26,100 purchased in September, 1965, for the City Police Hospital, Madras was commissioned only in September, 1967, due to delay in completion of civil works and in getting accessories. Additional staff sanctioned for the unit comprising a nursing orderly, a sanitary worker and a radiographer have, however, been employed, from May, 1965, June, 1965, and July, 1966 respectively; the expenditure on their pay and allowances to end of June, 1967, amounted to Rs. 7,100. Government stated in December, 1967, that the services of the radiographer became essential for the proper maintenance of the costly and delicate plants and other equipment and also to make all arrangements for the early functioning of the X-ray Unit and that the services of nursing orderly and sanitary worker were utilised for other items of work in the hospital.

50. Misappropriations

The following table brings out the position in regard to cases of misappropriation of Government money which were pending final action as on the 30th September, 1967:—

	Revenue department		Other departments		Total	
	Number	Amount	Number	Amount	Number	Amount
(AMOUNT IN LAKHS OF RUPEES)						
Cases outstanding on the 31st August, 1966.	326	9.16	59	2.40	385	11.56
Cases reported during the period from September, 1966 to September, 1967.	82	1.95	29	1.69	111	3.64
Cases closed during the period from September, 1966 to September, 1967.	77	1.45	11	0.79	88	2.24
Cases outstanding on the 30th September, 1967.	331	9.55	77	3.30	408	12.96

Out of 111 cases reported during the period September, 1966-September, 1967, preliminary reports in respect of 21 cases were received in audit after delays ranging from three months to over two years, though the financial rules require that such reports should be sent immediately after a case comes to notice.

The departmentwise and the yearwise analyses of the 408 outstanding cases are given in Appendix VIII; these cases are awaiting departmental action, criminal prosecution, recovery, etc.

In addition, 150 cases, involving Rs. 17.88 lakhs of shortages and theft of stores, damages to vehicles, properties, etc., reported to audit upto September, 1967 were pending finalisation; of these 74 cases involving Rs. 3.70 lakhs related to the Agriculture department. The departmentwise and yearwise analyses of these cases are given in Appendix IX.

51. Miscellaneous irregularities, losses, etc.

Certain cases of losses, write-off, etc., are mentioned in Appendix X to this Report.

CHAPTER IV

WORKS EXPENDITURE

52. Works executed without detailed/revised estimates

Expenditure amounting to Rs. 3.57 crores (upto March, 1967) was incurred on 703 works, the detailed estimates of which had not been sanctioned. In respect of another 2,074 works, expenditure was incurred in excess of the sanctioned estimates, the amount of excess expenditure (up to March, 1967) being Rs. 4.89 crores. Departmentwise analysis is given below :—

Serial number and department	Want of sanctioned estimates		Excess over sanctioned estimates	
	Number of works	Amount	Number of works	Amount
		(IN LAKHS OF RUPEES)		(IN LAKHS OF RUPEES)
1. Public Works—Buildings and General.	235	34.96	357	39.18
2. Irrigation.. .. .	123	60.69	380	39.30
3. Highways.. .. .	89	16.28	580	58.73
4. Public Health	10	1.15	96	51.27
5. Parambikulam-Aliyar Project.	95	1,44.25	369	2,21.78
6. Technical Education ..	19	18.13	26	7.05
7. Industries.. .. .	131	81.20	145	65.91
8. Food Production.. ..	1	0.33	121	5.31
Total ..	703	3,56.99	2,074	4,88.53

Yearwise analysis is given below :—

Year	Want of sanctioned estimates		Excess over sanctioned estimates	
	Number of works	Amount	Number of works	Amount
		(IN LAKHS OF RUPEES)		(IN LAKHS OF RUPEES)
Upto 1960-61 .. .. .	..	..	26	26.00
1961-62 .. .. .	..	..	28	9.37
1962-63	1	2.97	37	32.05
1963-64 .. .. .	..	..	53	13.27
1964-65	10	32.92	145	37.41
1965-66	50	1,32.08	503	1,19.91
1966-67	642	1,89.02	1,282	2,50.52

53. Parambikulam-Aliyar Project

(1) Mention was made in paragraph 46 of the Audit Report, 1964 of the delay in the completion of the project and short-fall in irrigation targets. As at the end of March, 1967, out of 7 dams, 1 weir and 5 tunnels, scheduled to be completed by March, 1965, 3 dams, 1 weir and 1 tunnel (Sholayar dam, Peruvari-pallam dam and Thekkadi dam and Nirar weir and tunnel) remained to be completed. The work in Sholayar dam which commenced in 1960 is stated to be incomplete due to limited working season; the reservoir is expected to be ready for storage in 1968. The delay in commencement of work on Thekkadi dam and Nirar weir is stated to be due to non-receipt of concurrence of the Kerala Government. Construction work in Peruvari-pallam dam stopped in March, 1966 is yet to be resumed; the submersible forest area lying in Kerala State has not been cleared so far (May, 1967).

(2) Some particulars regarding the cost of construction are given below:—

<i>Cost of construction</i>						<i>Civil</i>	<i>Power</i>
						<i>works</i>	<i>schemes</i>
						(IN CRORES OF RUPEES)	
Original estimates (1959)*	..	..	..	..	..	25.79	9.29
Revised estimates (1963) }	..	..	..	..	..	37.88	10.12
Revised estimates (1965) }	..	..	..	..	..	37.00	21.85
Actual expenditure to end of March, 1967	..	..	..	..	..	33.59	6.87

The increase in the estimated cost of the civil works and power schemes has been attributed mainly to the following factors:—

	(IN LAKHS OF RUPEES)
(i) <i>Civil Works</i> —	
Changes made in the design and additional items of work not provided for in the original project estimate	4,82.94
Increase in cost of materials	1,89.74
Increase in cost of labour and working cost of machinery, etc.	2,67.34
Increase in the cost of land	1,24.91
Other miscellaneous items	1,41.21

* Sanction of Government to the Project estimate and technical clearance from the Central Water and Power Commission have not been received.

(IN LAKHS
OF RUPEES)*Power schemes—*

(a) share of cost in respect of common civil works executed by the Public Works Department	6,66.25
(b) increase in the height of Upper Aliyar dam	2,26.92
(c) increase in expenditure on the main tunnel, adit, surge shaft, pipe tunnel and penstock	1,28.73
(d) increase in charges on establishment and tools and plant ..	1,21.78
(e) increase in the cost of transmission, distribution, sub-stations, etc.	94.76

(3) *Utilisation of irrigation potential.*—On completion, the project envisages provision of irrigation to an extent of 2.40 lakhs acres of lands which are mostly rain fed at present and growing dry crops. The construction programme of the project has been so phased that the benefit from the project would be derived at each stage of its completion.

The area thrown open for irrigation was not, however, fully irrigated as shown below :—

Year.	Total area thrown open for irrigation	Extent irrigated	Percentage of utilisation	Revenue	Revenue	Shortfall
				assessed	realised	
	(IN ACRES)			RS.	RS.	RS.
1962-63 ..	7,500	1,920	25.60	34,625	7,012	27,613
1963-64 ..	18,159	8,432	46.43	1,96,718	67,100	1,29,618
1964-65 ..	26,500	10,073	38.01	3,99,931	93,916	3,06,015
1965-66 ..	32,600	13,500	41.41	5,93,287	1,32,740	4,60,547
1966-67 ..	63,230	18,568	29.37	(Particulars awaited).		

The poor utilisation of irrigation facilities has been attributed to—

- (i) release of water after the initial cultivating season ;
- (ii) reluctance on the part of the ryots to use the water for dry crops (the ayacut under the project is localised on the basis of 20 per cent wet and 80 per cent dry cultivation) ;
- (iii) non-excavation of field bothies due to dispute among ryots ; and
- (iv) faulty construction of sluice (Udumalpet canal)

To remedy the position in item (ii) above, a scheme for opening demonstration farms for educating the ryots on the use of water for dry crops at the rate of one farm for every 1,000 acres was introduced in 1964-65 ; 100 farms have been opened to end of March, 1967, at a total cost of Rs. 2.02 lakhs including about Rs. 29,000 paid as subsidy to ryots towards meeting cost of seeds, fertilizers, etc.

In regard to the shortfall in revenue, the following points were noticed :—

(a) No penalty was levied on ryots who did not avail of the irrigation facilities from the project canals in the absence of provision in the Irrigation Cess Act ; the Act is proposed to be amended.

(b) In respect of lands on which paddy was raised by the ryots in contravention of the cropping pattern of the project, penal levy of water cess at Rs. 25 per acre could not be imposed during 1962-63 to 1965-66 as the list of lands localised as wet for the period from October, 1962 to March, 1965 was published only in July, 1965 and the list for the areas thrown open in April, 1965 had not been published even by December, 1965.

(4) *Other points.*—(i) Out of 472.36 acres of land in tea estates acquired by the Public Works department in 1961-62 in Sholayar dam area more than 400 acres with the standing tea plantations were kept unutilised. In August, 1963, the question of leasing them was considered by the department. In July, 1964, Government ordered the lease of 192.60 acres to the ex-owners at Rs. 330 per acre per annum. On account of the delay in leasing, the loss in revenue amounted to Rs. 63,360 per annum in respect of this area.

(ii) For reclaiming lands in project areas and making them fit to receive irrigation facilities, loans were to be given to ryots through co-operatives with assistance from the Agricultural Refinance Corporation. It was originally expected that credit to the extent of Rs. 10.80 crores during the period 1963-64 to 1967-68 would be provided. This was revised to Rs. 4.5 crores for the years 1965-66 to 1967-68. As at the end of October, 1966, loans were disbursed to the extent of Rs. 66.61 lakhs for the reclamation of 16,375 acres ; of this, only 9,203 acres have been reclaimed (April, 1967). The shortfall in reclamation has been attributed to difficult soil conditions and inadequate water facilities in the localities.

54. Sathiar Odai Reservoir Scheme

(i) The scheme sanctioned by Government in May, 1961, envisaged construction of a reservoir across the Sathiar Odai in Madurai district and a supply channel one mile long. The work started in July, 1961 was completed in December, 1965. The reservoir was thrown open for irrigation from January, 1966.

(ii) Some particulars regarding the work are given below :—

(IN LAKHS OF
RUPEES)

(a) Cost of construction—

Original estimate (1961)	9.97
Revised estimate (1965) awaiting approval of Government	15.05
Actual expenditure to end of September, 1967	16.11

The increase in actual expenditure by about 62 per cent over the original estimate has been attributed mainly to the following factors, besides the rise in cost of labour and materials :—

	(IN LAKHS OF RUPEES)
(1) increased cost of land	0.46
(2) increased expenditure on account of change of design of spillway gates	1.16
(3) increased expenditure on earth dam owing to the lengthening of the dam, increasing the top width from 10 to 20 feet, and	2.14
(4) additional items of work like excava- tion of cut off trenches, excavation of spillway course, provision of filter and masonry chutes not originally provided for	1.99
 (b) Target of irrigation—	
Original and revised estimates	400 acres
 (c) Anticipated return on Capital—	
Original estimate (1961)—	
(without betterment levy)	0.18 per cent
(with betterment levy)	0.20 per cent
Revised estimate (1965)—	
(without betterment levy)	0.12 per cent
(with betterment levy)	0.13 per cent

(iii) With a view to expediting the execution of work Government ordered that it might be split up and got executed through job workers. The work was given at the current schedule of rates without ascertaining the prevailing market rates by obtaining competitive quotations.

(iv) Provision was made in the estimate for acquiring 65 acres of land at Rs. 300 per acre. 49 acres were acquired at a cost of Rs. 56,495, the cost per acre working out to Rs. 1,150. A sum of Rs. 6,250 was paid as interest from January, 1962 to March, 1965 due to delay in passing the awards.

(v) Two dozers and two scrappers were lying idle for about one year for want of major repairs. The crew of the machinery, however, continued to be employed and the expenditure on their pay and allowances during this period amounted to Rs. 6,600.

(vi) Charges on account of depreciation and special repairs of special tools and plant (estimated to cost over Rs. 1 lakh) have not been adjusted to the work.

55. Minor irrigation works

Some particulars regarding 3 minor irrigation works executed during the period 1959-64 for two of which completion reports have not been prepared (February, 1968), are given below :—

Serial number and name of the Scheme	Estimate		Actual expenditure	Target of irrigation
	Original	Revised		
(IN LAKHS OF RUPEES)				
1. Construction of a reservoir in the Mottai valley with the formation of an earth dam 800 feet long.	1.66 (1959)	3.60 (1962)	3.80 (September, 1967)	Stabilisation of existing 343 acres and 23 acres of new ayacut.
2. Excavation of a supply channel 6½ miles long from Nagalkulam in Alankulam village.	4.64 (1962)	8.50 (1965)	9.07 (August, 1967) (Rs. 0.35 lakh representing the cost of land is yet to be adjusted).	122 acres (Original estimate). 229 acres Plus stabilisation of 190 acres — (Revised estimate).
3. Formation of tank with earthen bund in Puli-yarai village (Sreemoolaperi Scheme).	4.99 (1959)	6.84 (1960)	7.11 (September, 1967)	Stabilisation of existing 324 acres with conversion of 149 acres of single crop into double crop.

(a) *Mottai Reservoir Scheme.*—The scheme was started in November, 1959 and completed in March, 1962. The increase in estimated cost has been attributed mainly to change in the width of the earth dam and increased expenditure on earth work excavation (Rs. 0.76 lakh) and provision of certain items of work like construction of drops in the surplus channel, modification of sluice, turfing and terracing the rear of the bund which had not been originally provided for (Rs. 1.03 lakhs).

In March, 1960, the Chief Engineer suggested a change in the design of the cross section of the dam involving reduction in earthwork excavation. As the work was then in a fairly advanced stage, only a slight change in earthwork was feasible. Had the change in the design been decided prior to the commencement of work an expenditure of Rs. 42,000 could have been avoided.

(b) *Alankulam Supply Channel.*—Almost the entire increase of Rs. 4.42 lakhs was under earthwork items, the increase on account of incorrect classification of soil being Rs. 4.25 lakhs. The original provision included a lumpsum of Rs. 10,000 and the actual expenditure was thus Rs. 4.35 lakhs.

The channel was completed in December, 1964. Due to inadequate supply of water in the channel, there was no irrigation in 1965; in 1966, 110 acres in the existing ayacut in Tenkasi taluk were irrigated.

(c) *Sreemoolaperi Scheme*.—The scheme was started in January, 1961 and completed in June, 1964. The increase in actual expenditure by about 43 per cent over the original estimate has been attributed mainly to increase in cross section and berm width of the earth bund and filters (Rs. 1.10 lakhs) and excavation of a surplus course and construction of masonry drops not provided for in the original estimate (Rs. 0.60 lakh).

56. Delay in commissioning a public health laboratory

In November, 1960, Government sanctioned the establishment of a public health laboratory at Coimbatore for testing samples of food, water, drugs, etc. The site for the construction of the laboratory was approved in June, 1962, and the building works were completed in September, 1965. Though the total expenditure so far has exceeded the estimated cost of Rs. 11 lakhs by Rs. 3.32 lakhs, the revised estimate has not yet been approved (August, 1967).

The buildings have not been taken over by the Medical and Public Health departments, as laboratory equipment and furniture have not yet been purchased and adequate water supply is not available.

Two bore-wells were sunk at a cost of Rs. 47,000 (included in Rs. 14.32 lakhs). The test of water samples by the Chief Water Analyst, Guindy, indicated that water was hard and brackish and was unfit for general and laboratory uses. In September, 1965, the Director of Medical Services sought the sanction of Government for the purchase of two demineralisation plants and two iron removal plants and for construction of ancillary buildings, at a total estimated cost of Rs. 7.50 lakhs; orders of Government sanctioning an expenditure of Rs. 5.42 lakhs were issued in October, 1967.

57. Overpayment

Excavation and lining of Pattanamkal Main Canal in Kanyakumari district was entrusted to various contractors during 1964-65. In respect of certain items of work there were large differences between the quantities in the final bills and those in the estimates. When the Executive Engineer checked in October-November, 1965 the work done in some reaches, a number of entries in respect of earthwork could not be verified as the borrow pits were not existent. The case which was referred to the Vigilance department is stated to be under investigation (October, 1967). The likely overpayment on account of incorrect measurements has been estimated as about Rs. 64,000.

Under the Financial Rules, all cases of defalcations, serious accounts irregularities, etc., are to be reported to the next higher authority as well as to the Audit office. The matter was not reported to Audit, but was noticed during the local audit inspection of the Division in August, 1966.

58. Unfruitful expenditure

The work "Special repairs to Koilparai Tank of Periakulam" estimated to cost Rs. 20,600 was allotted to a contractor by the Food Production Division, Madurai in December, 1957. After completing a portion of the work costing Rs. 8,671, the contractor abandoned (September, 1958) the work on the plea that certain ryots who had undertaken cultivation on the tank bund objected to the execution of the work. The contract was terminated in July, 1959 and the remaining work was entrusted to another contractor in July, 1960. This contractor also stopped work in June, 1961. The encroachment by ryots has not been vacated (August, 1967) and the work is still incomplete. The total expenditure of Rs. 17,758 incurred on the work to end of February, 1966 (when the accounts of the contractor were finalised) proved infructuous. The original expectation that the tank was to be used for irrigating 46.62 acres (ayacut) has not also materialised.

59. Infructuous expenditure on "Deposit works"

The Public Works department (Employees' State Insurance division, Coimbatore) undertook, on behalf of the Employees' State Insurance Corporation, the construction of four open wells (estimated cost : Rs. 35,500) for supply of water to the Corporation's dispensaries at Singanallur, Sowripalayam, Ondiputhur and to the Central Medical Stores at Ramanathapuram in Coimbatore district. The works started between May, 1965 and October, 1965 were suspended during January, 1966-April, 1967 after incurring an expenditure of Rs. 82,191 as no water was struck. Government have stated (February, 1968) that "the wells dry up only in the summer and there is water in them during good season and they have not been abandoned."

CHAPTER V

STORES AND STOCK ACCOUNTS

60. Synopsis of Stores and Stock accounts

A synopsis of the important stores and stock accounts for 1966-67 (other than those relating to Government Commercial and Quasi-Commercial Departments/Undertakings, etc.) is given below :—

A. WORKS DEPARTMENTS

Serial number and department	Description of stores	Opening balance as on the 1st April, 1966	Receipts during the year	Issues during the year	Closing balance as on the 31st March, 1967
(IN LAKHS OF RUPEES).					
1. General and Buildings	Building materials	20.24(a)	42.92	39.75	23.41
	Metals	36.91(a)	92.43	89.70	39.64
	Miscellaneous stores	1,35.27(a)	79.86	89.02	1,26.11
2. Highways	Miscellaneous stores	18.61	50.53	45.51	23.63
3. Irrigation ..	Building materials including timber	9.65(a)	81.17	81.63	9.19
	Metals	9.66(a)	34.14	36.37	7.43
	Fuel	1.62(a)	19.64	19.79	1.47
	Miscellaneous stores	39.20(a)	60.25	43.65	55.80

(i) The rules require that the stock registers in the Public Works divisions should be closed at the end of each half-year and be reviewed by the Divisional Officer to see that the stocks consist only of serviceable articles and that the stores are priced at prevailing market rates. The half-yearly registers were not, however, closed in the following divisions for the periods noted against each :—

Name of division	Closing of registers in arrears from
1. Lower Bhavani Headworks Division	April, 1959.
2. Gomukhi Nadi Division (now Manimuktha Project).	April, 1963.
3. Upper River Conservancy Division, Tiruchirappalli.	October, 1963.
4. Salem Division	April, 1964.
5. Western Public Health Division, Coimbatore..	April, 1966.

(a) The opening balance shown here differs from the closing balance shown in the Audit Report, 1967 due to the non-inclusion in the previous Audit Report of figures relating to two divisions on account of non-availability of categorywise particulars.

(ii) In the Public Works Workshops and Stores, Madras, the monthly reconciliation of the balances in the priced stores ledgers with the financial accounts was in arrears since December, 1965. The difference of Rs. 12.53 lakhs as at the end of November, 1965 also remained to be reconciled.

(iii) The aggregate value of stock held at the close of 1966-67 in four divisions amounted to Rs. 94.99 lakhs as against the total reserve limit of Rs. 73 lakhs. The excess over the reserve limit has not yet been regularised (October, 1967). In respect of one division the reserve limit for stock is yet to be fixed; the value of stock held by this division at the close of 1966-67 amounted to Rs. 10.84 lakhs.

(iv) In the Highways department, G.I. sheets valued at Rs. 20,950 purchased during 1952 were still held in stock as the works for which they were purchased have been deferred as an economy measure. The storage charges, on this amounted to about Rs. 9,300 (March, 1967).

B. CIVIL DEPARTMENTS.

Serial number and department	Description of stores	Opening balance as on the 1st April, 1966	Receipts during the year	Issues during the year	Closing balance as on the 31st March, 1967
(IN LAKHS OF RUPEES)					
4. Revenue—					
(a) Madras Stamp Office.	Stamps	1,15.53	3,95.57	37.33	4,73.77
(b) Madras Taluk Treasury and other Depots.	Stamps	22,09.44	14,63.80	16,79.00	19,94.24
	Opium (in kilograms)	5.23*	56.15	41.50	19.88
5. Forest ..	Sandalwood	1,61.94	2,10.23(a)	1,12.88(b)	2,59.29
	Other produce ..	46.19	73.28(c)	89.51(d)	29.96

* Differs from the closing balance shown in the Audit Report, 1967 due to rectification of incorrect closing balance by the District Revenue Officer, Chingleput.

(a) Includes appreciation of Rs. 1,16.13 lakhs due to revaluation of stocks of sandalwood based on the market rate.

(b) Includes Rs. 2.69 lakhs being the value of shortages, etc., written off during the year.

(c) Includes appreciation of Rs. 3.84 lakhs due to revaluation of stocks based on the market rate.

(d) Includes Rs. 0.27 lakh being the value of shortages, etc., written off during the year.

<i>Serial number and department</i>	<i>Description of stores</i>	<i>Opening balance as on the 1st April, 1966</i>	<i>Receipts during the year</i>	<i>Issues during the year</i>	<i>Closing balance as on the 31st March, 1967</i>
(IN LAKHS OF RUPEES)					
6. Animal Husbandry.	Cattle feed	7.55	59.31	58.04	8.82
	Other consumable stores (medicines, clothing, etc.).	10.56	17.09	13.32	14.38
7. Medical ..	E.S.I. Dispensaries— Medicines, drugs and dressings.	12.45	27.86	26.31	14.00
	Miscellaneous stores (diet articles, etc.).	0.81	2.64	2.50	0.45
	Other medical institutions— Medicines, drugs and dressings.	96.05(A)	1,87.00	1,74.96(C)	1,08.09
	Miscellaneous stores (diet articles, etc.).	39.70(A)	1,33.76	1,34.64(D)	38.82
8. Approved Schools and Vigilance Services.	Maintenance— Ration articles ..	0.36	15.54	15.42	0.48
	Clothing and bedding.	0.24	1.93	1.72	0.45
	Manufactory— Raw materials	0.77	1.04	1.17	0.04
	Manufactured articles.	0.33	1.37	1.31	0.39
9. Jails ..	Maintenance— Ration articles ..	3.92	44.60	44.00	4.52
	Medicines and surgical instruments.	1.24(B)	1.00	1.19	1.05
	Clothing and bedding.	2.68	3.45	3.28	2.85
	Manufactory— Raw materials ..	15.09(B)	39.44	37.21	17.32
	Manufactured articles.	8.45	59.76	53.38	9.83

(A) Differs from the closing balance shown in the Audit Report, 1967. Difference is under reconciliation by the department.

(B) Differs from the closing balance shown in the Audit Report, 1967 due to rectification of errors noticed in the accounts for 1965-66 under "Surgical instruments" and inclusion of the value of materials under "Work-in-progress" relating to the Central Jail, Coimbatore which was omitted to be included previously.

(C) Includes—

(i) Rs. 0.85 lakh representing unreconciled differences as on the 31st March, 1966 adjusted during the year under orders of Government; and

(ii) Rs. 0.46 lakh being the value of stores written off during the year due to loss, breakage, etc.

(D) Includes Rs. 0.34 lakh being the value of stores written off during the year due to loss, breakage, etc.

Serial number and department	Description of stores	Opening balance as on the 1st April, 1966	Receipts during the year	Issues during the year	Closing balance as on the 31st March, 1967
(IN LAKHS OF RUPEES)					
10. Stationery Office	Stationery stores, etc.	36.31*	1,02.90	1,06.87†	32.84
11. Government Press	Paper	5.85	63.08	62.17	6.76
	Building materials and consumable stores	4.55	9.57	8.60	5.52

The Stores and Stock Accounts of the Agriculture department have not been received from the department (January, 1968).

61. Irregularities in the maintenance of stock accounts and loss of stores

Certain defects in the maintenance of the stock registers of drugs, medicines and surgical instruments in the Government Mental Hospital, Madras were pointed out during local audit in February, 1967. Thereafter, a test-check by the departmental audit organisation in the same month brought to light shortages in physical stock in 15 out of 22 items verified and unauthorised alterations in indents.

A complete check of the accounts for the years 1964-65 to 1966-67 was then undertaken by the department in March, 1967. The total loss sustained by Government has been assessed as Rs. 25,380 as indicated below :—

	RS.
Unauthorised additions, alteration in the counterfoils of the ward indents, etc.	15,358
Shortages in stock	10,022

Responsibility for the loss is yet to be fixed (November, 1967).

62. Extra expenditure

The approved contractors for the supply of groundnut oil cake and cotton seeds to the Livestock Research Station, Hosur Cattle Farm for the year 1966-67 discontinued supplies and demanded higher rates. Government ordered in September, 1966, the termination of the contract without enforcing

* Differs from the closing balance shown in the Audit Report, 1967 due to inclusion of Rs. 0.01 lakh omitted to be included earlier by the department.

† Includes Rs. 0.72 lakh representing loss due to revaluation.

the penal clause of the contract and the invitation of fresh tenders when the prices registered a downward trend. The security deposits of the contractors amounting to Rs. 28,640 were also refunded in full. From September, 1966, the Superintendent of the Farm purchased cattle feed after making limited tender enquiry, at rates varying from Rs. 64.45 to Rs. 73.75 per quintal of groundnut oil cake and Rs. 87.95 to Rs. 92.75 per quintal of cotton seeds, as against the contract rates of Rs. 59.51 and Rs. 69 respectively. The extra expenditure incurred on the purchases made during the period from September, 1966, to March, 1967, amounted to Rs. 33,475.

63. Idle machinery

Plant and machinery valued at Rs. 18.90 lakhs purchased for hospitals, jails, industrial units, etc., remained unutilised for long periods as indicated below :—

<i>Department</i>	<i>Particulars of machinery</i>	<i>Value/date of acquisition</i>	<i>Remarks</i>
Animal Husbandry	Feed mixers and grinders (for 7 centres)	<u>Rs. 53,693</u> October, 1965 to March, 1966.	The machines have not been commissioned in 6 of the 7 centres due to non-availability of electric supply, want of accommodation, etc.(July, 1967).
Education	Vertical boiler	<u>Rs. 22,000</u> November, 1963	The boiler has not been erected (February, 1967), for want of suitable accommodation.
	Kaplan turbine with pumpset	<u>Rs. 21,710</u> March, 1965	The machine is idle (February, 1967), from the date of purchase for want of H.T. power supply.
Forest	Three crawler type tractors (imported)	<u>Rs. 3.32 lakhs</u> March-April, 1966	Two were allotted to Coimbatore and one to Chingleput. They could not be utilised throughout the year 1966-67 for want of superior grade oil and special grease and because of inter-change of accessories between two divisions. Expenses on the crew when the tractors were idle amounted to Rs. 2,700.

Industries	Machines for Industrial Training Institute (for 7 units)	<u>Rs. 10.34 lakhs</u> 1961-64	The machines were kept idle (installed during January-June, 1965) for periods ranging from 1½ years to 4 years due to delay in construction of buildings.
	Machinery for the Carpentry and Blacksmithy Unit	<u>Rs. 20,918</u> March to December, 1965	The machinery could not be used due to delay in construction of buildings for erecting them (October, 1966).

<i>Department</i>	<i>Particulars of machinery</i>	<i>Value/date of acquisition</i>	<i>Remarks</i>
Industries —contd.	Machinery for Ceramic Centre, Athur	Rs. 11,000 June, 1964	The proposals to start the Unit at Athur had been dropped (February, 1967). Orders regarding the disposal of the machines are yet to be issued (December, 1967).
Jails	Machinery for handmade paper industry (for 4 units).	Rs. 56,400 1960-65	The machines have not been commissioned (July, 1967) in 2 units. In one of these units, the chemicals required for the handmade paper are awaited. In the other, one electric motor is yet to be purchased. In two more units, the machines have not been installed by the Khadi and Village Industries Board.
Medical	X-ray plant	Rs. 18,490 March, 1966	The X-ray plant could not be commissioned for want of power supply. The staff required have not also been sanctioned (July, 1967).
	Two ovens and cooking ranges.	Rs. 5,700 October, 1962	The ovens and cooking ranges have not been put to use (March, 1967) on the ground that the fuel consumption will be in excess of the scale of fire-wood admissible. The District Medical Officer, Nagercoil stated (March, 1967) that the ovens could not be transferred to any other medical institution as dismantling would damage it.
	X-ray plant	Rs. 37,570 April, 1965 (Rs. 9,395 yet to be paid)	The plant has not yet been commissioned (August, 1967) as the H. T. Transformer was found defective on testing. A new H. T. Transformer is still awaited from the supplier. The buildings for the X-ray plant were constructed in November, 1962 and the order for the supply of equipment was placed in November, 1964.
Public Health.	14 Jeeps and 3 Trailers.	Rs. 2,66,102 June, 1966	The jeeps were allotted after delays ranging from 4 to 15 months. One jeep and three trailers (cost: Rs. 23,800) still remain to be allotted (August, 1967).
Public Works.	Generator	Rs. 10,000 February, 1966	The generator is lying idle from the date of acquisition. Its transfer to Public Works Workshop is under consideration (October, 1967).

CHAPTER VI

FINANCIAL ASSISTANCE TO CO-OPERATIVE INSTITUTIONS

64. Scheme for the revitalisation of small-sized co-operative societies

Under the scheme, subsidies are paid to small-sized village credit co-operative societies and adjuncts to Agricultural Credit Unions for a period of five years to meet the cost of managerial staff. During the period from 1961-62 to 1965-66, a total amount of Rs. 48.33 lakhs was paid as subsidy to 2,300 societies and 507 adjuncts to unions.

It was envisaged that each society in receipt of subsidy would achieve an annual turnover of Rs. 25,000 within three years. From the particulars furnished by 9 Deputy Registrars, it was seen that, out of 575 societies (assistance : Rs. 4.97 lakhs), 335 societies (assistance : Rs. 2.10 lakhs) failed to reach the prescribed turnover. The turnover fell short by more than 60 per cent in 114 cases.

In April, 1965, the Registrar of Co-operative Societies ordered that the adjuncts to the Agricultural Credit Unions should be liquidated and reconstituted into viable units, as they "had not been able to undertake service functions on a significant scale". The payment of subsidy to the adjuncts was stopped from May, 1965. The total subsidy paid to the adjuncts upto April, 1965 amounted to Rs. 2.93 lakhs.

No assessment of the benefits derived from the scheme has so far been made by the department. Government stated in December, 1967 that reports had been called for from Deputy Registrars of Co-operative Societies and an assessment of the benefits accruing to certain selected societies could be made with reference to the reports.

65. Unsuccessful working of a housing scheme

Under the "Weavers' Housing Scheme", the Kallidai-kurichi Weavers' Co-operative Society was paid during the period from 1956-57 to 1960-61 Rs. 4.22 lakhs (loan : Rs. 3.07 lakhs ; grant : Rs. 1.15 lakhs) to meet the cost of construction of 100 houses and provision of amenities in them. It was envisaged that the houses would be let out to the members of the society on hire-purchase terms. The houses completed in September, 1959 remained vacant till May, 1961 ; electric connections were given only in December, 1960. Members were reluctant to occupy the buildings because of their inability to pay the monthly instalment of Rs. 17.25. As at the end of March, 1967, 21 houses had been occupied by the members ; 70 houses were let out to the Malabar Special Police on a rent of Rs. 10.25 per mensem and 9 houses were vacant.

The Deputy Registrar, Tirunelveli, informed the Director of Handlooms in June, 1967 that the society could not implement the scheme successfully as the members were not willing to occupy the houses and suggested that the entire housing colony might be handed over to the Police department. Final orders are awaited (July, 1967).

Out of a loan of Rs. 67,000 paid for providing amenities, the society spent a sum of Rs. 30,880 only. The balance of Rs. 36,120 has not yet been refunded to Government (September, 1967).

As on the 30th September, 1967, the society owed Rs. 52,451 to Government towards overdue instalments of loan and interest whereas the amount due from its members towards hire-purchase instalments was Rs. 1.64 lakhs; of this, Rs. 1.59 lakhs was pending over one year.

66. Irregular grant of assistance

The loans under the Subsidised Industrial Housing Scheme are required to be released in three equal instalments; the first instalment is released on acceptance of the terms and conditions prescribed in the sanction order and the second and third instalments when construction reaches plinth and roof level respectively. In the case of the Maniyakarampalayam Industrial Workers' Co-operative House Construction Society which was sanctioned a loan of Rs. 3.58 lakhs in January, 1966 for construction of 73 houses, a sum of Rs. 2.15 lakhs (about 60 per cent of the total loan assistance) was paid to the society in February, 1966. A further sum of Rs. 35,400 was disbursed in March, 1966. The society constructed 29 houses only (November, 1967), as the land, on which the remaining houses were proposed to be constructed, was stated to be under dispute. The society has so far utilised Rs. 1.65 lakhs; out of the unutilised balance of Rs. 85,000, the society has invested a sum of Rs. 80,000 in fixed deposit (July, 1967). The Deputy Registrar reported in December, 1967 that action was being taken to recover the unutilised amount.

67. Assistance to fishermen's co-operative societies

During the period 1961-62 to 1965-66, an amount of Rs. 18.24 lakhs was given (Rs. 18.08 lakhs as loan and Rs. 0.16 lakh as subsidy) to fishermen's co-operative societies for purchase of fishing equipment, construction of godowns, etc. As at 30th September, 1967, a total amount of Rs. 7.66 lakhs was overdue for recovery, of which Rs. 7.42 lakhs related to 1963-64 and earlier years. Government stated in January, 1968 that the areas covered by most of the divisions were affected by cyclone and the fishermen were not able to repay the amounts in time.

68. Assistance to industrial co-operatives

As on the 31st March, 1967, there were 404 industrial co-operatives formed with Government assistance for promotion of small scale industries. A review of the performance of these societies indicated that nearly 70 per cent of them were incurring losses. 106 societies which had received assistance to the extent of Rs. 33.87 lakhs (loan: Rs. 23.98 lakhs and subsidy: Rs. 9.89 lakhs besides free services of staff) were recommended to be wound up as their performance was not satisfactory. A few points noticed in regard to the working of some of the societies are indicated below:—

Serial number and name of the society	Amount of assistance	Remarks
1 Pattukkottai Match Workers' Industrial Society	Rs. 2,28,150 [Loan: Rs. 1,48,750 (1958-65); subsidy: Rs. 11,600 (1960-64); cost of free service of staff: Rs. 67,800.]	The society was incurring losses continuously and the total loss to the end of 1966-67 was Rs. 84,814. As on the 31st March, 1967, the liabilities of the society exceeded the value of realizable assets by Rs. 24,466 and the balance of loan to be repaid was Rs. 1.10 lakhs.
2 Dindigul Leather Workers' Industrial Co-operative Society	Rs. 1,18,660 (Assistance given in December, 1957 towards land, buildings, capital, etc.)	The society was incurring heavy losses since 1960-61, the cumulative loss to end of March, 1967 being Rs. 33,864.
3 Nagercoil Metal Casting Workers' Co-operative Society	Rs. 79,630 (Interest-free loan Rs. 33,920 and grant Rs. 45,710 paid in March, 1960.)	The scheme was not implemented fully. A sum of Rs. 1,418 has so far been spent. The society has earned an interest of Rs. 5,100 by investing the unutilised amounts.
4 Nanjundapuram Agricultural Implements Industrial Co-operative Society	Rs. 33,400 (Paid in December, 1964 and March, 1966 out of loan of Rs. 54,500 sanctioned).	Even preliminaries for construction of building and reorganization of the society (the purpose for which the loan was given) were not completed (June, 1967).
5 Chinnamannur Co-operative Match Factory, Limited	Rs. 74,300 (Assistance Rs 50,300 and services of staff about Rs. 24,000.)	The society started in April, 1957 continuously worked at a loss, the total loss during the period 1964-65 to 1966-67 amounting to over Rs. 30,000. As against 13,888 bundles of matches to be produced each year (for which the society had licence) the total production in eight years was 5,288 bundles.
6 Madras City Multi-metal Workers' Industrial Co-operative Society	Rs. 55,125 (Loan: Rs. 26,000; subsidy/grant: Rs. 18,508; services of staff: Rs. 10,617).	During the period 1962-63 to 1965-66 the value of total production amounted to Rs. 1,977 and the society is dormant since April, 1966. No part of the loan has been repaid so far (October, 1967).

<i>Serial number and name of the society</i>	<i>Amount of assistance</i>	<i>Remarks</i>
7 Chetput Match Workers' Industrial Co-operative Society.	Rs. 35,000 (Loan paid in March, 1966).	Even though the factory buildings were not completed, a further sum of Rs. 26,750 was paid in March, 1967. The amount spent out of the earlier loan was only Rs. 7,882.
8 Vridhachalam Women Co-operative Society	Rs. 23,560 (Loan : Rs. 13,000 ; subsidy : Rs. 3,000 ; cost of free services of staff : Rs. 7,560).	The society started in May, 1963, for assembly of fuse carriers, incurred continuous losses totalling Rs. 8,041 till the end of March, 1967. Finished products of the value of Rs. 10,949 remained unsold on the 31st March, 1967. The liabilities exceeded the value of assets by Rs. 5,664 (July, 1967).
9 T. Kallupatti Hand-tools Manufacturing Workers' Industrial Co-operative Society.	Rs. 15,500 ..	The society started in October, 1960 is dormant since June, 1962. The assistance has neither been utilised nor refunded to Government (June, 1967).

69. Assistance to Co-operative Societies

During the test audit of the accounts in the offices of the Deputy Registrars of Co-operative Societies conducted between April, 1967 and October, 1967, the following types of irregularities were noticed in the assistance granted to co-operative societies :—

<i>Serial number and nature of irregularity</i>	<i>Number of cases</i>	<i>Amount</i> (IN THOUSANDS OF RUPEES)
1 Drawal of assistance with a view to avoiding lapse of budget grant/far in advance of requirements.	34	8,60.9
2 Non-utilisation of assistance	13	4,15.4
3 Irregular payment of managerial subsidy ..	339	37.2

In addition, in the case of 24 co-operative societies dormant for over 5 years, orders for winding up were issued only between June, 1966 and January, 1967 ; of the sum of Rs. 1.13 lakhs (loan : Rs. 0.94 lakh, interest: Rs. 0.19 lakh) due from them only Rs. 921 has been collected (October, 1967).

Certain points in regard to the utilisation of assistance by co-operative societies are mentioned in Appendix XI.

70. Assistance to a brick workers' co-operative society

Government sanctioned in April, 1961, a loan of Rs. 1.08 lakhs (recoverable in ten annual instalments including interest at $2\frac{1}{2}$ per cent) to the Villiwakkam Brick Workers' Co-operative Society. The amount which was paid in two instalments, Rs. 50,000 in March, 1962 and Rs. 58,000 in March, 1963, was to be utilised towards cost of land, construction of shed, purchase of equipment and for use as working capital. So far (May, 1967), the society has not secured a suitable site and the entire amount kept in fixed deposit (bearing $3\frac{3}{4}$ per cent to $5\frac{1}{2}$ per cent interest) with the Madras State Industrial Co-operative Bank is lying unutilised.

Government ordered in January, 1965, that the recovery of the first instalment of loan due in March, 1964, from the Society might be postponed by two years and that simple interest should be recovered during the period of postponement. The Society has not yet paid the interest of Rs. 7,614 due for the period upto the 29th March, 1966; the instalments of loan which fell due in March, 1966 and March, 1967 (Rs. 24,680) have also not been paid.

71. Delay in utilisation of grant

The Bhavani Adi Dravida Carpentry Workers' Co-operative Society (functioning since January, 1961) received a grant of Rs. 31,000 (Rs. 19,000 in March, 1961 and Rs. 12,000 in February, 1962) towards cost of land (Rs. 5,000), buildings (Rs. 10,000), machinery (Rs. 5,000) and working capital (Rs. 11,000). The Society purchased a site at a cost of Rs. 5,500 in July, 1961. Subsequent to the acquisition of land there was a delay of 2 years in getting the area declared as "industrial" by the local panchayat. After an inspection of the site in September, 1963, the Joint Director of Industries and Commerce pointed out that the site was not suitable and suggested that a new site should be selected. An alternative site has not yet been acquired (July, 1967).

The entire grant of Rs. 10,000 intended for the building and the unutilised balance of Rs. 2,963 out of the assistance given for the purchase of machinery, was diverted by the Society to meet its working expenses. In November, 1963, the Assistant Director instructed the Society to deposit this amount in bank but this has not yet been complied with (July, 1967).

CHAPTER VII

FINANCIAL ASSISTANCE TO LOCAL BODIES AND OTHERS

72. Assistance to panchayats and panchayat union councils

With the introduction of democratic decentralisation, some of the functions hitherto discharged by Government have been transferred to Panchayat Unions. For this purpose grants-in-aid and loans are given to these local bodies to supplement the revenue raised by them by local taxation. The accounts of Municipalities, Panchayat Union Councils and Town Panchayats are audited by the Examiner of Local Fund Accounts who is an officer of the State Government, while the accounts of Village Panchayats are audited by Extension Officers, belonging to Panchayats. The Accounts of Panchayat union councils are also subject to a test audit by the Audit Department. The Committee on Public Accounts (1960-61) have recommended that consolidated accounts of the local bodies together with a summary of the audit report of the authorities concerned should be placed before the Legislature. Final decision is still awaited.

Some of the important points relating to Government grants and loans paid in the years 1963-64 to 1965-66 reported by the Examiner of Local Fund Accounts to Government in June, 1967 and those noticed by Audit during 1967 are indicated below :—

A. Town Panchayats—(i) Loans.—Out of a total sum of Rs. 13.72 lakhs paid as loan to 99 town panchayats and 3 panchayat township committees for construction of markets, bus-stands, etc., during the years 1959-60 to 1964-65, a sum of Rs. 10.17 lakhs remained unutilised at the end of March, 1966 ; of this, Rs. 6.51 lakhs related to payments made in 1963-64 and earlier years.

(ii) *Grants.*—Overdrawal of grants to the extent of Rs. 2.04 lakhs by 33 panchayats was noticed under the scheme for implementation of revised scales of pay and allowances to the panchayat staff.

(iii) *Collection of taxes.*—A review of the demand, collection and balance statements for the period ended March, 1966 (furnished by the Collectors) indicated that in town panchayats, as against Rs. 1,52.56 lakhs for which demands in respect of taxes were raised, a sum of Rs. 1,17.21 lakhs was realised (78 per cent). In respect of village panchayats as against the demand of Rs. 2,82.60 lakhs, a sum of Rs. 1,47.03 lakhs (52 per cent) had been realised.

(iv) *Other irregularities.*—All applications for licences received in the office of the local bodies should have Court fee stamps affixed to the value of Re. 1 each. It was noticed that in 124 panchayats such affixing of Court fee stamps was not insisted on and this resulted in loss of revenue of Rs. 24,000 to Government.

B. Panchayat Union Councils—(i) *Village Works Programme and Agricultural Programme.*—Irregular assistance obtained in respect of works which fell outside the purview of approved programmes amounted to Rs. 36,197.

(ii) *Scheme for raising Panchayat Plantations.*—Under this scheme, grants are paid to panchayats through panchayat unions for raising plantations of coconut, cashewnut, etc. It was noticed that the expenditure incurred by town panchayats totalling Rs. 14,444 proved infructuous.

(iii) *Scheme for distribution of implements, seeds, etc., at subsidised rates to individuals and panchayats*—According to the scheme, the panchayats should formulate proposals and claim the subsidy from the panchayat unions on post-execution basis (by sending to the Panchayat Unions statements of actual expenditure after completing the work). It was, however, noticed that in most of the cases the implements and seeds were purchased by the Panchayat Unions without any proposals from the Panchayats; seeds costing Rs. 10,000 and implements costing Rs. 17,000 purchased during 1964-65 were still in stock.

(iv) *Overpayment of grants.*—Overpayments amounting to Rs. 77.37 lakhs have been pointed out as indicated below:—

Name of the grant	Number of cases	Amount
		(IN LAKHS OF RUPEES)
Education grant	236	58.08
School meals grant	121	14.44
Special dearness allowance grant.	68	4.85

The overpayment was mainly due to the fact that the grants which were released in advance were not restricted to the amount likely to be spent during the year.

(v) *Cases of delay in settlement of objections.*—At the end of December, 1966, out of 1,27,357 paragraphs in 10,369 Reports (involving Rs. 10.45 crores), 1,14,412 paragraphs in 9,877 Reports involving an amount of Rs. 9.54 crores were pending settlement. Of these 71,087 paragraphs in 7,123 Reports (Rs. 5.48 crores) pertain to the period 1960-61 to 1963-64.

(vi) *Irregularities noticed during local audit.*—The irregularities noticed during the local audit of the grants sanctioned by the Revenue Divisional Officers to panchayat unions are detailed below :—

<i>Nature of irregularity</i>	<i>Amount</i>
	(IN LAKHS OF RUPEES)
Cases of inadmissible grants	4.95
Grants sanctioned in excess of the prescribed limits ..	1.64
Completion reports not received in respect of works for which loans were sanctioned	7.05

73. Unspent balance of discretionary works grant

In the context of National Emergency, after examining the financial frame work of the panchayat development schematic budget in November, 1962, Government issued detailed instructions including *inter alia* the types of works on which expenditure was to be incurred from Government grants by Panchayat Union Councils. With reference to these instructions, a sum of Rs. 90.20 lakhs was paid, during the years 1963-64 to 1965-66, as discretionary works grants to 374 panchayat unions. No time limit was fixed for utilising this amount. The need for fixing such a limit was taken up with Government by Audit in August, 1965. Government then decided in November, 1966 that the grants should be utilised before the 31st March, 1967. A test-check of accounts of 28 panchayat union councils conducted during August-December, 1967 indicated that out of Rs. 5.95 lakhs of discretionary works grants received by them, a sum of Rs. 5.27 lakhs remained unutilised.

74. Scheme for production of compost in urban areas

Under the scheme, loans are given to local bodies for purchase of lorries and of sites for compost yard, improvements to sites, etc. The loans are repayable in 7 to 20 annual instalments according to the purpose. During the period from 1961-62 to 1966-67, loans amounting to Rs. 48.48 lakhs were paid to 278 local bodies.

The local bodies are also granted subsidy to meet loss, subject to a maximum limit, in the sale of compost ; the claims for subsidy are paid after pre-check by the Examiner of Local Fund Accounts. During the period from 1961-62 to 1966-67, a total sum of Rs. 4.35 lakhs was paid to 47 local bodies as subsidy.

One of the conditions is that the loans should be utilised within a year of drawal thereof. As at the end of July, 1967, 121 local

bodies which had received Rs. 11.73 lakhs till the end of March, 1965 had not implemented the scheme. Details are given below :—

<i>Number of local bodies</i>	<i>Amount of loan outstanding (in lakhs of rupees) and period during which disbursed</i>	<i>Remarks</i>
37	4.63 <hr/> (October, 1961 to March, 1965).	(i) A total sum of Rs. 1.78 lakhs drawn by 15 local bodies was refunded as wholly unutilised ; in 9 cases (Rs. 1.11 lakhs), there was a delay of over a year in refunding the amounts. (ii) 22 local bodies refunded Rs. 2.85 lakhs out of Rs. 9.00 lakhs after delays extending up to 3 years.
84	7.10 <hr/> (January, 1962 to March, 1965).	(i) A total sum of Rs. 5.30 lakhs drawn by 43 local bodies remained wholly unutilised. (ii) In 41 other cases, a sum of Rs. 2.63 lakhs was utilised out of the total sum of Rs. 4.43 lakhs.

Besides, a total sum of Rs. 1.94 lakhs, out of Rs. 25.57 lakhs paid to local bodies during the period from 1956-57 to 1960-61 was lying unutilised with 23 local bodies (July, 1967).

The following other points were also noticed during a review of the scheme :—

(i) There were heavy stocks lying unsold with several local bodies, as shown below. The total loan assistance received by these local bodies was Rs. 13.01 lakhs.

<i>Year</i>	<i>Number of local bodies</i>	<i>Sales during the year</i>	<i>Closing stock at the end of the year</i>
(IN TONNES)			
1964-65	39	11,145	60,922
1965-66	40	7,730	59,258
1966-67	69	23,530	1,30,656

In the case of 13 of these local bodies, the total sales during the period 1964-65 to 1966-67 were 935, 2,402 and 2,768 tonnes only, while the total quantity produced was 7,861, 8,879 and 8,479 respectively. The closing stock lying unsold at the end of March, 1967 was 27,118 tonnes. The poor sales was attributed to—

- (a) climatic conditions,
- (b) seasonal demands, and
- (c) sentimental objections on the part of the ryots.

(ii) As at the end of March, 1967, a sum of Rs. 98,288 was due for recovery from 52 local bodies towards instalments of loan and interest ; of this, a sum of Rs. 42,644 was outstanding for over one year.

75. Loans under the scheme for production of green manure seeds in panchayats

Under the scheme loans are given to panchayats for meeting the cost of sinking wells (Rs. 3,000 per well) and installing pumpsets (Rs. 2,500 per pumpset) for production of green manure seeds. During the period from 1963-64 to 1965-66, loans amounting to Rs. 4.95 lakhs were paid to 83 panchayats for sinking 90 wells and installation of 90 pumpsets.

According to the terms of the loans, the sinking of well and the installation of pumpset should be completed within one year of drawal of the loan. As at the end of July, 1967, 14 panchayats which received a total assistance of Rs. 0.77 lakh had completed the works ; out of 14 wells sunk, only one well proved unsuccessful. In other cases, the works have either not been taken up or not completed as indicated below :—

<i>Number of panchayats</i>	<i>Amount of loan (in lakhs of rupees) and period during which disbursed</i>	<i>Remarks</i>
2	0.11 (March, 1964 to March, 1965)	The entire amount was refunded in March, 1965 and April, 1966.
3	0.22 (October, 1963 to March, 1966)	The works have not yet been commenced (July, 1967).
37	2.37 (January, 1964 to March, 1966)	The works are stated to be in progress. Construction has not been completed by 5 local bodies even after a lapse of over 2 years.
27	1.48 (January, 1964 to March, 1966)	Wells have been completed ; but installation of pumpsets and provision of power supply have not yet been completed in these cases. The delay exceeds 2 years in 15 cases (assistance : Rs. 0.83 lakh).

The following points were also noticed :—

(i) Cultivation advances amounting to Rs. 4,000 were given to 4 local bodies between February, 1965 and March, 1966. The panchayats have not either completed the well works or secured power supply yet (July, 1967).

(ii) The total quantity of seeds produced by 6 local bodies which undertook production during 1966-67 was 1.1 tonnes as against the target of 21 tonnes.

(iii) 10 panchayats were given free services of demonstration maistries during the period from April, 1964 to November, 1966 even before the completion of the works ; the expenditure on their pay and allowances amounted to about Rs. 4,600.

(iv) As at the end of May, 1967, a sum of Rs. 11,103 was outstanding for over one year towards instalments of loan and interest.

76. Panchayat Fish Nursery Scheme

Under the scheme, grants are disbursed by Government to the panchayat unions for setting up fish nurseries and maintaining them. The total amount of grants paid by Government during the period from 1961-62 to 1966-67 to 120 panchayat unions was Rs. 15.04 lakhs.

It is seen from the progress report of the department that during 1965-66 and 1966-67 the recovery of fry from the hatchlings worked out to 14.3 per cent and 7.7 per cent respectively. Details are given below :—

		1965-66	1966-67
(IN LAKHS)			
Number of hatchlings stocked	--	90.01	1,19.26
Number of fry removed ..	-- --	12.91	9.15
Percentage of recovery ..	... ..	14.3	7.7

The particulars furnished by 66 panchayat unions indicate that, out of 83 nurseries completed to end of March, 1966, there has been no stocking at all in 20 nurseries completed during the period December, 1962 to March, 1966 and in 9 nurseries there has been no recovery. This has been attributed to the non-availability of water supply, delay in provision of pumpsets, etc. Referring to the poor progress of the scheme, the Director of Fisheries reported to Government (March, 1966) that the panchayats had not devoted adequate care and attention to the manuring of the nurseries, the feeding of fry and their timely removal and distribution and that many of the blocks did not have adequate water sources for fish culture and suitable sites for construction of nurseries.

In Thanjavur district where special staff was employed to supervise the operations, an expenditure of about Rs. 94,000 was incurred from December, 1964 to end of March, 1967 on the staff, etc.; the recovery of fry in this district was also poor, the percentage during 1964-65, 1965-66 and 1966-67 being 7.1, 7.7 and 3.9 respectively.

77. Housing Scheme for sanitary workers

Mention was made in paragraph 26 of the Audit Report, 1964, regarding the delay in the construction of houses for which subsidies were paid by Government. The Public Accounts Committee (1964-65) in their Report of July, 1965 expressing concern over the poor progress in the implementation of the scheme, suggested that vigorous action might be taken to step up the tempo of execution and that summary recovery of the subsidy already paid might be effected in cases where no earnest efforts were made by the local bodies to implement the scheme. As at the end of December, 1966, 22 local bodies which had received a subsidy of Rs. 2.44 lakhs till March, 1963 for construction of 487 houses had not completed construction. In 100 of these

cases (subsidies paid ; Rs. 0.50 lakh), construction was not started as even the preliminaries had not been completed.

During 1963-64 and 1964-65, a sum of Rs. 11.85 lakhs was paid to 52 other local bodies for construction of 1,580 houses under the same scheme. Till the end of December, 1966, only 117 houses had been completed and 311 houses were reported to be under construction ; in 62 cases, the subsidy was ordered to be refunded to Government. In the remaining 1,090 cases, involving a total subsidy of Rs. 8.18 lakhs, preliminaries like acquisition of land (218 cases), approval of type design and lay out (618 cases) and sanction of estimates, etc. (254 cases), have not been completed although the local bodies were required to construct the houses within one year of the drawal of subsidy. These include 39 cases in which the subsidies amounting to Rs. 0.29 lakh were diverted by the local bodies for other purposes.

78. Scheme for rehabilitation of goldsmiths

Government of India approved in 1963, certain schemes for the rehabilitation of goldsmiths affected by the Gold Control Order, 1963. The amounts received by the State Government during the period from 1963-64 to 1965-66 for implementing three such schemes and the amounts utilised are given below :—

	<i>Amount received from Government of India</i>	<i>Amount utilised to end of December, 1966</i>
	(IN LAKHS OF RUPEES)	
Grant of loans to goldsmiths for setting up productive trades	2,22.06 (loan)	2,10.46
Setting up multimetal co-operative societies	6.13 (loan)	2.53
Training in cottage industries	1.34 (loan)	1.53
	0.51 (grant)	

Government of India have agreed to bear—

(a) 50 per cent of the loss due to non-recovery of loans, .

(b) difference between the interest payable by the State Government and that charged to goldsmiths, and

(c) the cost of administration upto 1½ per cent of the total amount of loans and grants. The State Government have not so far preferred any claim to the Government of India in this regard. Particulars from the department are awaited to make necessary adjustment (October, 1967).

Certain points noticed in regard to these schemes are mentioned below :—

1. *Loans to goldsmiths for setting up productive trades.*—Under the scheme loan not exceeding Rs. 2,000 in each case is disbursed in two instalments spread over a period of six months, the second instalment being payable after verifying that the first instalment has been utilised. The loans carry interest at 4 per cent per annum and are recoverable in 12 half-yearly instalments, the repayment commencing after two years from the date of disbursement of the second instalment. Particulars of utilisation of the loan disbursed to end of March, 1967, as furnished by Government are given below :—

	(IN LAKHS OF RUPEES)
(i) Total amount of loan instalments in respect of which utilisation is pending verification by the department	63.49
(ii) Total amount of loan instalments which has not been utilised or misused as seen from departmental verification	58.56
(iii) (a) Total amount of loan in respect of which recovery has been ordered (foreclosed cases)	8.29
(b) Amount actually recovered out of item (iii) (a)	0.33

In a number of cases the borrowers are reported to have either misused the loans for their domestic purposes or have left the place after getting the first instalment of loan or even second instalment.

2. *Setting up of Multimetal Industrial Co-operative Societies.*—During the period from June, 1963 to August, 1963, 4 Multimetal Industrial Co-operative Societies were set up at Madras, Madurai, Coimbatore and Tiruchirappalli. Out of Rs. 6.13 lakhs obtained from the Government of India during 1963-64, the amount disbursed to the societies to end of December, 1966 was Rs. 2.04 lakhs (loan: Rs. 1.30 lakhs and subsidy: Rs. 0.74 lakh). The State Government also gave the services of 4 Industrial Co-operative Officers, one to each of the societies free of cost; the expenditure on their pay and allowances upto December, 1966 was about Rs. 0.49 lakh.

The societies at Madras and Coimbatore stopped functioning from January, 1966 and October, 1966, after they had run for 2 and 3 years respectively. While recommending to Government the closure of the societies in November, 1966, the Director of Industries and Commerce reported that it was very difficult to implement the scheme and goldsmiths were not forthcoming to work in the societies on piece-work basis. Government ordered the closure of these two units in May, 1967. The society at Madurai was also ordered to be wound up in May, 1967 as it had no survival value. The total assistance received by these societies was Rs. 1.75 lakhs

(loan: Rs. 0.74 lakh, subsidy: Rs. 0.65 lakh and cost of staff: Rs. 0.36 lakh). Finished goods valued at Rs. 12,083 were lying unsold in the society at Coimbatore (June, 1967).

3. *Training in Cottage Industries.*—During the period from January, 1964 to January, 1967, 31 candidates belonging to the goldsmith's community were trained in art plate, bell-metal and art metal work at a total cost of Rs. 1.52 lakhs, in three training centres. In one training centre (Nachiarcoil) there were only 3 trainees for the second batch started in March, 1966. The Cottage Industries Officer reported to the Director of Industries and Commerce in April, 1966 that these trainees could be trained by the regular staff of the centre and that the special staff sanctioned for the scheme for the training of goldsmiths in cottage industry could be disbanded. Orders for disbanding the staff were however, issued by the Director of Industries and Commerce only in January, 1967, after an expenditure of Rs. 10,100 had been incurred on the special staff.

79. Assistance to units set up by Bharat Sevak Samaj

(i) *Holdall Unit.*—A sum of Rs. 2.15 lakhs (grant: Rs. 1.25 lakhs and loan: Rs. 0.90 lakh) was paid to the Bharat Sevak Samaj in three equal instalments in March, 1958, December, 1960 and November, 1962 for setting up a "Holdall Unit" for manufacturing 5,000 holdalls per month (expected to be sold at Rs. 18 to Rs. 25 each). The unit commenced production in December, 1959 and during the first eight months produced 1,872 holdalls; of these, 816 were sold at an average rate of Rs. 7.25 each. In November, 1966, the department was informed that the unit had closed down. Recovery of the entire loan paid to the Samaj was ordered in September, 1967. No amount has been repaid so far (November, 1967).

(ii) *Chalk Crayon Unit.*—A sum of Rs. 6,300 (grant: Rs. 4,050 and loan: Rs. 2,250) was paid in two equal instalments in March, 1958 and March, 1964 to the Samaj for setting up a Chalk Crayon Unit. The unit was not started but in May, 1962 a unit for production of fruit products was set up with this assistance. Because of losses (Rs. 8,017 upto August, 1963), the unit closed down in December, 1963. Government ordered (September, 1967) the recovery of the loan amount. No recovery has been effected so far (November, 1967).

80. Delay in utilisation of aid

Under the scheme for sinking irrigation wells, subsidy limited to Rs. 1,500 per well is granted to members of the Scheduled Castes and Scheduled Tribes. The wells are normally to be completed within a period of 6 months from the date of disbursement of the subsidy. During the local audit of 5 District Welfare Offices, it was noticed that in 360 cases involving a total subsidy of Rs. 3.62 lakhs disbursed during 1959-60 to 1965-66 wells had not been completed (April, 1967). Of these, 66 cases (subsidy: Rs. 61,750) relate to 1963-64 and earlier years.

81. Grants-in-aid to educational institutions

During the test-check of sanctions to grants-in-aid conducted between December, 1965 and October, 1967 in the Office of the District Educational Officers, the Director of School Education and the Director of Collegiate Education, the following irregularities involving overpayments/irregular payments of grants amounting to Rs. 8.06 lakhs were noticed. Out of this, amounts totalling Rs. 6.34 lakhs were pending recovery/regularisation in October, 1967.

<i>Nature of irregularity</i>	<i>Amount</i>
	RS
<i>I. Grants sanctioned by the District Educational Officers.—</i>	
<i>(a) Teaching grants—</i>	
(i) Grants paid on cost of staff in excess of the prescribed strength/scale of pay	1,98,923
(ii) Arithmetical inaccuracies and other omissions	20,611
<i>(b) Maintenance grants—</i>	
(i) Inclusion of inadmissible items	13,414
(ii) Other reasons	21,228
<i>(c) Grants under the scheme for supply of school meals—</i>	
(i) Advance grants not adjusted	3,35,180
(ii) Arithmetical inaccuracies and other omissions	8,034
<i>II. Grants sanctioned by the Director of School Education.—</i>	
(i) Grants paid on cost of staff in excess of the prescribed strength/scale of pay	10,325
(ii) Arithmetical inaccuracies, irregular fee concessions and other reasons	47,214
<i>III. Grants sanctioned by the Director of Collegiate Education.—</i>	
Irregular fee concessions, arithmetical inaccuracies and other reasons	1,51,134

82. Madras State Khadi and Village Industries Board

On the setting up of the Madras State Khadi and Village Industries Board in April, 1960 under the Madras Khadi and Village Industries Board Act, 1959, the Khadi and Village Industries units previously managed by the State Government, were taken over by the Board on the 15th September, 1960. The Board has not prepared the *pro forma* accounts since its inception; the form of accounts was approved by Government in January, 1967.

(a) *Grants and loans received by the Board.*—The Board receives financial assistance from the Khadi and Village Industries Commission and the State Government in the form of loans and grants. Upto April, 1964 assistance from the Commission was being received as advances on the basis of agreed programmes. With effect from April, 1964 the pattern of assistance was changed and imprest advances to be recouped by the Board on the basis of monthly statements of expenditure on approved schemes, were granted by the Commission.

The assistance received by the Board from the two sources during the 5 years ending 1966-67 is indicated below:—

	<i>From the Commission</i>	<i>From the State Government</i>
(IN LAKHS OF RUPEES)		
Loan ..	7,36.51	29.00
Grants ..	1,48.74	2,48.57
Total ..	8,85.25	2,77.57

The unspent balance of grants and loans are required to be refunded immediately on the completion of the particular scheme. There were delays in making the refund and a sum of Rs. 90.94 lakhs in respect of loans and grants received from the Commission during 1960-61 to 1964-65 was paid back only in August, 1965.

In respect of assistance received from the Commission the Board is required to furnish certificates of utilisation. These are yet to be furnished (July, 1967) in respect of Rs. 1,92.13 lakhs received upto 1964-65.

(b) *Grants and loans disbursed by the Board.*—The Board gives grants and loans to co-operative societies and other institutions for promotion of khadi and village industries. Upto the end of 1965-66 the Board had given to co-operative societies and other institutions grants amounting to Rs. 83.25 lakhs, and loans amounting to Rs. 3,10.94 lakhs. The table below gives the yearwise figures of the utilisation certificates (required to be furnished within a year from the date of payment of grants/loans) which are awaited in respect of assistance amounting to Rs. 1,98.70 lakhs paid upto 1965-66.

<i>Period</i>	<i>Loan</i>	<i>Grant</i>
(IN LAKHS OF RUPEES)		
1962-63 ..	6.32	4.23
1963-64 ..	20.61	6.85
1964-65 ..	48.09	9.91
1965-66 ..	81.85	20.84
Total ..	1,56.87	41.83

During the local audit of four District Khadi and Village Industries Offices conducted in September–October, 1967, it was noticed that a sum of Rs. 9.45 lakhs was pending recovery as on March, 1967, from the co-operative societies towards principal and interest; of this, Rs. 1.61 lakhs related to 1963–64 and earlier years. A sum of Rs. 1.79 lakhs was due from societies which were either dormant or under liquidation.

Some cases of unfruitful outlay, losses, etc., are indicated below :—

(i) *Expenditure on staff surplus to requirements.*—The Extensive Khadi Scheme in Community Development Blocks was withdrawn by the Board in September, 1963. 128 Khadi Extension Officers and 477 spinning organizers rendered surplus to requirements were, however, continued, pending absorption in regular posts. As at the end of March, 1967, 102 spinning organizers remained to be absorbed. The expenditure incurred on the surplus staff has not been worked out except for 1965–66 for which year it amounts to Rs. 1.11 lakhs.

(ii) *Closure of scheme in Panchayat Unions.*—Mention was made in the Audit Report, 1965 about the poor progress in the implementation of the Khadi Scheme by the panchayat union councils. The Public Accounts Committee, 1965–66 in their Report of July, 1966 recommended that urgent steps should be taken to recover the unspent amount lying with several Panchayat Union Councils. Though the scheme was withdrawn in May, 1966, a sum of Rs. 0.81 lakh only was recovered (March, 1967) out of Rs. 4.56 lakhs due at the end of April, 1966.

(iii) *Closure of training unit.*—A Carpentry and Blacksmithy Unit was started in January, 1964 at Bhuvanagiri for training 20 persons annually. After one year the Blacksmithy Unit was closed down and the Carpentry Unit was converted into a production unit. This too ceased to function from January, 1966. The expenditure on rent and pay and allowances of staff after the training programme was given up amounted to Rs. 14,534. The grant received by the Unit amounted to Rs. 31,263. Orders are yet to be issued (September, 1967) for the disposal of the machinery valued at Rs. 22,342.

(iv) *Non-return of clothes given for washing.*—Dhoties and towels valued at Rs. 23,000 issued by the Bhavanisagar Sub-Centre during February, 1966 to August, 1966 for bleaching were not received back. The question of fixing responsibility for the loss is stated to be under consideration (February, 1968).

(v) *Credit sale of khadi.*—The arrears in the realisation of dues from Government servants and Government departments in respect of khadi goods sold on credit upto March, 1966 amounted to Rs. 15.15 lakhs (August, 1967). Of this, Rs. 6.17 lakhs pertain to 1963–64 and earlier years.

(vi) *Damaged and shop-soiled cloth.*—Damaged and shop-soiled cloth valued at Rs. 3.15 lakhs was lying in centres for more than 2 years (in some cases for more than 5 years) and action is yet to be taken to dispose of it and to evaluate the loss thereon.

(vii) *Shortages.*—In September, 1967, the District Khadi and Village Industries Officer, Madras, reported to the Director of Khadi and Village Industries that an examination of the stock sheets of the Khadi Sales Depot, Purasawalkam for the period December, 1965 to April, 1967 indicated shortages to the extent of Rs. 7,597. The amount has been ordered to be recovered from the persons responsible. The Manager of the Depot from whom Rs. 4,107 has to be recovered has been placed under suspension from the 5th October, 1967.

(viii) *Stagnant stock.*—Metallic parts (Cost : Rs. 12,000) purchased during January, 1958 and January, 1960 for conversion of Ambar Charkas, into 4 spindle units are lying unutilised (October, 1967).

(ix) *Idle machinery.*—Tools and plant valued at Rs. 5,500 purchased in June, 1963 for the Blacksmithy Production-cum-Service Centre in the Udangudi Block, Tirunelveli district are lying unutilised for want of a suitable building and electric connection. The unit has not yet started functioning (February, 1967).

(x) *Saranjam Karyalaya, Guindy.*—(a) The unit has been working at a loss continuously since 1961-62; the cumulative loss upto May, 1967 amounted to Rs. 1.19 lakhs (approximately). During the two years 1965-66 and 1966-67 the production was about 25 per cent of the target fixed and machinery (cost : Rs. 35,217) remained mostly idle.

(b) The unit had in stock finished goods costing Rs. 33,802 including beehives worth Rs. 22,500 produced during the years 1963-64 to 1965-66 which could not be sold (November, 1967).

(c) The physical verification conducted in May, 1967 disclosed shortages to the extent of Rs. 6,588 pending regularisation.

(d) A sum of Rs. 1.38 lakhs was due for recovery towards cost of supplies made, of which Rs. 0.55 lakh was due for over two years.

CHAPTER VIII
AUDIT OF RECEIPTS
SALES TAX RECEIPTS

83. Budget and actuals

The table below compares the revenue realised by the State under Madras General Sales Tax and Central Sales Tax during each of the five years ended March, 1967, with the budget estimates therefor. The figures under Madras General Sales Tax include those relating to the Madras Sales of Motor Spirit Taxation Act also.

Year ended March,	Madras General Sales Tax		Central Sales Tax	
	Budget estimates	Actual receipts	Budget estimates	Actual receipts
(IN CRORES OF RUPEES)				
1963	20.18	21.69	3.01	3.11
1964	22.46	22.18	3.30	4.84
1965	24.90	29.15	5.15	6.15
1966	28.08	33.80	6.40	7.16
1967	38.55	39.69	7.35	9.08

During 1966-67, the receipts have exceeded the budget estimates by about 3 per cent under General Sales Tax and 24 per cent under Central Sales Tax.

INCORRECT EXEMPTION FROM TAX

84. According to the Madras General Sales Tax Rules, sales made by a dealer through his agent, in respect of which tax has been paid by the agent should not be included in the taxable turnover. However, two independent sales shall be deemed to have taken place and both the dealer and the agent taxed separately, if (a) the goods are transferred from a principal to his selling agent and from the selling agent to the purchaser or (b) the agent sells goods at one rate and passes on the sale proceeds to his principal at another rate or does not render an account to the principal for the entire collections made by him.

During a test-check of the assessment cases of 1960-61 and 1961-62 made in the office of a Deputy Commercial Tax Officer, in September, 1963, it was noticed that in 18 cases, turnover of chillies

had been exempted from tax treating them as sales made by commission agents. In these cases, the assessing authority had allowed exemption based on the affidavits filed by the dealers and had not required them to produce documents to prove that the sales were on behalf of their principals and that the prescribed conditions for the grant of exemption had been satisfied. On the omission being pointed out, the department re-examined the cases. As the dealers could not prove that the prescribed conditions had been satisfied, the assessments were revised in March, 1966 and February, 1967. A total demand for Rs. 76,360 was raised against the assesseees in February, 1967. The assesseees have filed appeals before the Appellate Assistant Commissioners. The collection of tax has also been deferred by Government with reference to representations received from the dealers.

85. Sales of products of country oil *chekkus* by a person dealing exclusively in such products are exempt from tax. During a test-check of assessments in October, 1963 in the Office of a Deputy Commercial Tax Officer, it was noticed that in 17 cases relating to the assessment years 1960-61 and 1961-62, the dealers had been granted exemption, though they had not sold exclusively products of *chekkus*. Additional demand for Rs. 15,740 was raised in 9 cases in March, 1967. In regard to the remaining 8 cases of 1960-61 (involving a tax effect of Rs. 11,389), the Commercial Tax Officer stated in May, 1967 that the revision of assessments could not be made as the cases had become time-barred. Under the Act, revision of assessment is permissible within five years.

86. In the Office of another Deputy Commercial Tax Officer, sales by match factories during 1961-62 to an exporting company were exempted from tax, treating the company as the selling agent, without verifying whether the sales made by the exporting company were on behalf of its principals and whether the prescribed conditions for the grant of exemption have been satisfied. The assessments for the years 1960-61, 1961-62, 1964-65 and 1965-66 have been since revised in April, 1967, and an additional demand of tax was created for Rs. 33,560. The revision of assessments in respect of the years 1962-63 and 1963-64 is stated to be under examination.

87. Supply of petrol and oil by the Indian Oil Corporation from its stock point at Trivandrum during 1963-64 and 1964-65 to the State Transport Branch at Nagercoil was treated as inter-State sales on the ground that the supplies were made from outside the State and exempted under the Madras Sales of Motor Spirit Taxation Act, 1939. There was no specific agreement between the oil company and the Transport department indicating the source of supply; the Corporation moved the oil from its Trivandrum depot for its own convenience. It was therefore, pointed out that the transactions should be treated (June, 1965) as constituting intra-State sales. The Commercial

Tax department has since (March, 1967) raised a demand for Rs. 1.68 lakhs in respect of the sales during the year 1963-64. For the year 1964-65, pre-assessment notices have been issued for Rs. 1.34 lakhs.

88. Certain cases of erroneous exemptions, incorrect deductions from taxable turnover, etc., involving tax effect of less than Rs. 5,000 are indicated in the following table :—

<i>Amount</i> (<i>Assessment period</i>) <i>Month of revision</i> <i>of assessment</i>	<i>Remarks</i>
Rs. 3,631 (1963-65) February, 1967	Under the Central Sales Tax Act, 1956, in respect of goods sold to a registered dealer, a concessional rate of tax is levied, provided the goods sold are of the class specified in the registration certificate of the purchaser and the latter furnishes a declaration in the prescribed form that the goods are required either for re-sale or for use in the manufacture of taxable goods for sale. If goods not specified in the certificate of registration are purchased or goods purchased are used for other purposes, the dealer is liable to pay, by way of penalty, a sum not exceeding one and a half times the tax leviable under the Act.
Rs. 3,111 (1961-65) March, 1967	In the Office of the Deputy Commercial Tax Officer, Namakkal, three dealers purchased during 1963-64 to 1964-65 goods not specified in the registration certificate and another dealer used the goods for personal consumption. The declarations furnished in these cases were incorrect.
Rs. 1,583 (1964-65) January, 1967	The second and subsequent sales of cotton yarn are exempt from tax. A Fishermen's Co-operative Society was, however, exempted from tax on the second and subsequent sales of imported "Ansaline yarn" though it is a synthetic product not containing cotton.
	Sale of automobile spare parts which were taken delivery of at Coimbatore by a dealer outside the State was incorrectly treated as inter-State sales and concessional rates of tax levied.

<i>Amount</i> (<i>Assessment period</i>) <i>Month of revision</i> <i>of assessment</i>	<i>Remarks</i>
Rs. 4,961 (1961-62) August, 1966 and May, 1967	Sales of groundnut oil concluded by certain dealers at Virudhunagar with a firm in Madras, who had subsequently sold the commodity to a firm outside the State were incorrectly treated as inter-State sales and concessional rates of tax levied.
Rs. 2,095 (1963-64) January, 1967	Exemption was erroneously granted on sales of electrical goods purchased from a dealer outside the State and included in the list of sales of electrical goods locally purchased (treating the entire transaction as second sales).
Rs. 2,271 (1961-62 to 1964-65) February, 1967	The sale of medicines by a medical practitioner, to his patients is exempt from tax if the medical practitioner does not sell the medicines to any other person (not his patient). In one case such a sale to patients was exempted from tax even though the medical practitioner was a dealer in medicine and was also selling medicines to persons other than his patients.

89. Result of Test Audit

In respect of assessments in 122 offices under the Madras General Sales Tax Act and 82 offices under the Central Sales Tax Act which were subjected to test audit to end of September, 1967, additional demands were raised for a total sum of Rs. 2.02 lakhs during the period from the 1st October, 1966 to the 30th September, 1967 as indicated below :—

	<i>Madras</i> <i>General</i> <i>Sales Tax</i>	<i>Central</i> <i>Sales Tax</i>
	RS.	RS.
Additional demand raised to rectify incorrect exemption or omissions to include taxable turnover	57,247	4,260
Levy of penalties provided in the Act	11,941	4,233
Recovery of tax collected in excess by the dealers .. .. .	..	2,920

	<i>Madras General Sales Tax</i>	<i>Central Sales Tax</i>
	RS.	RS.
Revision of assessments made earlier based on defective and duplicate declaration forms ..	..	87,946
Revision of assessments incorrectly made at compounded rates, rectification of arithmetical mistakes, etc.	17,206	300
Rectification of mistakes in assessments such as adoption of incorrect rates, etc.	10,906	3,006
Omission to collect registration and permit fees	1,215	930
Total ..	98,515	1,03,595

90. Write-off

During 1966-67 a total amount of Rs. 2.94 lakhs was written off in 556 cases, the highest amount in a single case being Rs. 17,526.

OTHER RECEIPTS

AGRICULTURE DEPARTMENT

91. Revenue forgone

Government ordered in March, 1965, that the fishing rights in inland waters should be leased out to Fishermen's co-operative societies from 1965 onwards at 10 per cent over the average of the amounts for which the fishing rights were auctioned in 1963 and 1964. However, the fishing rights in Ullar river, Vennar-Vettar regulators and the rivers of Mannargudi taluk for 1965 and 1966 were leased to the Parvatharajakula Fishermen's Co-operative Society for an annual rental of Rs. 58,500 as against Rs. 95,400 due according to the general orders of Government, on the basis of a representation from the society that there had been "unhealthy" competition in the auctions held in 1963 and 1964. The department did not verify the reasonableness of the rate offered by the society taking into account the value of the estimated catch, revenue realised from other fisheries, etc. The revenue forgone due to the concession shown to the society was about Rs. 73,800.

It is observed that the bid amounts fetched in the open auctions held during 1963 and 1964 had been realised in full from the lessees.

92. Loss of revenue due to delay in revision of selling prices

The selling prices of lac polish, lac varnish and transparent polish produced by the Forest department were last fixed in January, 1962 and these have not been revised subsequently. In March, 1965, the Forest Utilisation Officer recommended to the Chief Conservator of Forests that the prices might be increased by Re. 1 per litre on an *ad hoc* basis, as lac products of inferior quality were being sold in the market at higher rates. No orders were passed on this proposal. A comparison of the selling rates made in April, 1966 with the market rates indicated that the latter exceeded the departmental selling prices by over 100 per cent. The Forest Utilisation Officer, therefore, again submitted proposals in April, 1966 for a further upward revision of the selling prices. The selling prices, however, have not yet been revised. On the basis of the prices recommended by the Forest Utilisation Officer, the loss of revenue due to non-revision of the selling prices was about Rs. 32,000 in respect of sales made to private parties, co-operative institutions, etc., during April, 1965 to December, 1966.

HOME DEPARTMENT

93. Loss of revenue

According to Section 4 of the Motor Vehicles Taxation Act, 1931 as amended, tax is collected in respect of goods vehicles on the basis of the load the vehicle is permitted to carry (permitted laden weight) though the registered capacity of the vehicle (registered laden weight) may be more. Prior to August, 1962, the maximum permitted laden weight was 9 tons. In August, 1962, Government ordered that vehicles should be permitted to carry loads upto 12 tons or upto the registered laden weight of the vehicle, whichever was less, and revised permits should be issued wherever necessary within a period of three months. A review by the department indicated that as at the end of December, 1962 permitted laden weight had been increased only in respect of 1,050 vehicles out of 5,761 on road. Government were informed that the issue of revised permits was rendered difficult as it involved varying the conditions of permits which could not be automatically ordered by the Transport authorities unless—

(i) the parties themselves voluntarily applied for the increase ;
or

(ii) the variations were ordered at the time of renewal of the permits; or

(iii) the conditions envisaged under Section 56 (2) (vii) of the Motor Vehicles Act have been imposed in the permit (*i.e.* provision was made in the permits for varying the conditions of the permit or to attach further conditions after giving notice of not less than 1 month).⁹

Government clarified in March, 1963 that *suo moto* revision of permits could be made by the Transport authorities. Even after these instructions were issued, there have been delays ranging upto 4 years in revising the permits. In 6 districts, in respect of 620 vehicles, had the permitted laden weights been increased promptly, Government would have realised an additional revenue of about Rs. 1.78 lakhs for the period from June, 1963 to March, 1967. Information regarding other districts is awaited.

94. Arrears of revenue

(i) *Sales tax*.—The demand, collection and balance statement submitted to Government by the Board of Revenue, showed that as at the end of March, 1967, tax to the extent of Rs. 5,90.93 lakhs and penalty to the extent of Rs. 1,33.13 lakhs were pending collection as shown below :—

	<i>Tax</i>	<i>Penalty</i>
	(IN LAKHS OF RUPEES)	
Madras General Sales Tax	3,87.41	1,33.13
Central Sales Tax	2,03.52	..
Total ..	5,90.93	1,33.13

Out of the total sum of Rs. 520.54 lakhs due for recovery on the 31st March, 1967, on account of tax and penalty under the Madras General Sales Tax Act, 1959, a sum of Rs. 1,75.38 lakhs related to 1964-65 and earlier years (dating back to 1945-46). The arrears are particularly heavy in the districts of Madras, Coimbatore, Tiruchirappalli, North Arcot, Madurai and Salem.

Out of the total sum of Rs. 2,03.52 lakhs due for recovery on account of Central Sales Tax, on the 31st March, 1967, a sum of Rs. 34.21 lakhs related to 1964-65 and earlier years (dating back to 1957-58).

(ii) *Other receipts*.—(1) According to the reports received from the departmental officers, the total arrears in the collection of land revenue, taxes, duties and other principal sources of revenue as at the end of March, 1967 amounted to Rs. 3.71 lakhs; of this, a sum of Rs. 90 lakhs was pending recovery for over two years. The details of the arrears are given below :—

<i>Nature of revenue</i>	<i>Amount of arrears</i>	<i>Remarks</i>
	(IN LAKHS OF RUPEES)	
(a) Land revenue ..	3,53.71	(i) A sum of Rs. 0.08 lakh was waived during the year.
		(ii) A sum of Rs. 3.27 lakhs was reported to be irrecoverable and was awaiting orders of write-off as all attempts for collection have been exhausted.

nature of revenue

*Amount of
arrears
(IN LAKHS
OF RUPEES)*

Remarks

A sum of Rs. 85.24 lakhs related to the period from 1957-58 (and earlier years) to 1964-65 as shown below :—

<i>Period</i>	<i>Amount (IN LAKHS OF RUPEES)</i>
1957-58 and earlier years	13.47
1958-59	3.03
1959-60	5.44
1960-61	4.71
1961-62	4.23
1962-63	9.40
1963-64	15.37
1964-65	29.59

(b) Taxes on motor vehicles 4.13 A sum of Rs. 1.64 lakhs related to the period 1964-65 and earlier years.

(c) Agricultural Income Tax 13.16 The arrears pending for over two years amounted to Rs. 3.21 lakhs.

(2) The arrears in collection as at the end of March, 1967 for supplies made and services rendered in respect of a few departments are indicated below :—

Department

*Amount of
arrears
(IN LAKHS
OF RUPEES)*

Remarks

(a) Stationery Department 49.97 Represents the dues from the Governments of Andhra Pradesh, Mysore and Kerala and from paying departments and local bodies in Madras State. The amount represents cost of stationery, forms, etc., supplied from 1954-55 to 1966-67 as shown below :—

*(IN LAKHS
OF RUPEES)*

Madras	21.05
Kerala	2.30
Mysore	1.05
Andhra Pradesh	25.57

The arrears relating to 1964-65 and earlier years amounted to Rs. 34.85 lakhs.

(b) Jails Department .. 15.85 The arrears relating to 1964-65 and earlier years amounted to Rs. 3.32 lakhs.

(c) Public Health Department 11.37 Represents the amount due for recovery from local bodies.

Department	Amount of arrears (IN LAKHS OF RUPEES)	Remarks
(d) Forest Department ..	39.21	Pending adjustment against earnest money deposits, <i>kist</i> amounts, etc. A sum of Rs. 4.81 lakhs is pending collection for over 2 years of which Rs. 1.72 lakhs pertain to 1945-46.
(e) Civil Supplies Department	2.37	Represents the cost of foodgrains supplied to other departments of Government. A sum of Rs. 0.86 lakh is stated to have been realised upto September, 1967.

CHAPTER IX

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

SECTION A—GENERAL

95. This Chapter deals with the results of audit of—

- (i) Statutory Corporations/Boards,
- (ii) Government Companies,
- (iii) Departmentally-managed Government Commercial/Quasi-Commercial Undertakings, and
- (iv) Investments made and guarantees given by the State Government.

SECTION B—STATUTORY CORPORATIONS/BOARDS

96. On the 31st March, 1967, there were two Corporations/Boards in the State, viz.—

- (i) Madras State Warehousing Corporation, and
- (ii) Madras State Electricity Board.

MADRAS STATE ELECTRICITY BOARD

97. Working results

(i) Particulars of capital outlay, loans, reserves, etc., and working results of the Board for the years 1964-65 to 1966-67 are given below:—

	<i>As on the 31st March, 1965</i>	<i>As on the 31st March, 1966</i>	<i>As on the 31st March, 1967</i>
(IN LAKHS OF RUPEES)			
(1) Capital Outlay	2,28,60.76	2,54,42.41	2,78,54.25
(2) Loans—			
(a) From the Government of Madras	1,61,49.66	1,76,21.66	1,85,96.66
(b) Public loan under Section 65 of the Electricity (Supply) Act	18,40.23	20,60.23	23,90.23
(c) Short-term loans	1,16.41	1,09.59	..
(d) Mortgage loan from the Life Insurance Corporation of India	..	4,00.00	6,00.00

As on the *As on the* *As on the*
31st March, *31st March,* *31st March,*
 1965 1966 1967

(IN LAKHS OF RUPEES)

(3) Reserves—					
(a) Depreciation Reserve	.. ..	28,34.77	32,78.94	39,42.05	
(b) Special Reserve	.. ..	2,97.79	3,03.51	3,10.20	
(c) General Reserve	.. ..	4,60.97	5,61.04	6,53.57	
(d) Pension Reserve	.. ..	87.96	1,05.85	1,18.63	
(e) Capital Reserve	.. ..	..	2,13.49	2,13.49	
(4) Working Results—					
(a) Gross revenue	.. ..	28,86.90	34,67.00	40,30.04	
(b) Working expenses	.. ..	14,56.42	19,83.39	22,56.27	
(c) Net revenue (a) minus (b)	.. ..	14,30.48	14,83.61	17,73.77	

(ii) As at the end of March, 1967, the arrears of interest on loans advanced by Government amounted to Rs. 10,29.03 lakhs. Of this, interest provided in the net revenue account but not paid amounted to Rs. 8,33.56 lakhs. The balance of Rs. 1,95.47 lakhs represented the amount that was not provided for.

(iii) The arrears in the recovery of charges for current consumption as on the 31st March, 1967 amounted to Rs. 3,00.18 lakhs. Of this, arrears over one year old amounted to Rs. 44.18 lakhs.

98. Fuel consumption

The table below compares the consumption of coal in some of the thermal power stations during 1966-67 with the preceding two years :—

Particulars of the power station		Year	Number of units generated	Kilograms of coal consumed per unit generated	Percentage of thermal efficiency of generation
Basin Thermal station	Bridge Maximum units that can be generated				
	(IN LAKHS OF UNITS)		(IN LAKHS OF UNITS)		
A	8.76	1964-65 ..	2.99	1.36	13.05
		1965-66 ..	7.06	1.43	12.63
		1966-67 ..	3.30	1.48	12.60
B	26.28	1964-65 ..	15.00	0.81	20.58
		1965-66 ..	13.06	0.87	19.32
		1966-67 ..	11.79	0.88	18.90
C	26.28	1964-65 ..	15.45	0.68	27.77
		1965-66 ..	18.45	0.69	25.92
		1966-67 ..	16.33	0.71	25.60

The power generated during the year 1966-67 decreased in all the stations, the maximum decrease being in Station 'A' (53 per cent). The total energy generated during 1966-67 (31,42 lakhs units) was only 51 per cent of the capacity (61,32 lakhs units).

The consumption of coal per unit generated has been going up and the thermal efficiency of generation (which takes into account not only the quantity of coal consumed but also its calorific value) has been declining, year after year.

The cost of production per unit has also registered an increase from 8.28 paise per unit in 1964-65 to 10.97 paise in 1966-67.

99. Extra expenditure

(i) In January, 1967, the Board invited open tenders for the supply of 32,000 Kms. of All Aluminium Conductors. On receipt of the tenders, the Board negotiated with all the tenderers for reduction in price and four firms agreed to supply at the lowest rate which was Rs. 470 per Km. *f.o.r.* destination. The offers of two of these firms were rejected for the meagreness of the quantity offered (200 Kms.)/unsatisfactory past performance. The quantities offered by the remaining two firms (8,500 Kms.) were accepted in full and orders placed with them. In regard to the balance of 23,500 Kms., orders were placed with nine other firms at their quoted rates, varying from Rs. 487.83 to Rs. 515 per Km. The bulk of the quantity (13,500 Kms.) was ordered at Rs. 515 per Km. The firm, which had quoted Rs. 487.83 (a Government Company), offered to supply 7,800 Kms; an order for 1,000 Kms. only was placed with the firm, for the reason that it had offered to supply conductors for the first time. It was, however, known to the Board that this firm had been manufacturing cables and conductors for a number of years and had been supplying conductors to the Mysore State Electricity Board. The extra expenditure incurred by restricting the quantity on the Government Company, to 1,000 Kms. works out to about Rs. 1.85 lakhs (calculated at Rs. 27.17 per Km. for 6,800 Kms.).

(ii) In May, 1963, open tenders were invited by the Board for the supply of 75,000 house service meters. Of the offers received, ten were found to be technically suitable. The lowest rate quoted by two firms was Rs. 45 per meter; the next higher offer by a firm (A) was Rs. 45.60. This firm had offered a discount of 2 per cent (i.e., 91 paise per meter) if an order for over 40,000 meters was placed with it. Negotiations were conducted with all the firms to bring down the price to the lowest rate of Rs. 45 per meter. The net price of Rs. 44.69 quoted by firm 'A' was not taken as the basis for negotiation. 5 firms (including firm 'A') agreed to supply at the negotiated rate. Firm 'A' offered a rebate of 50 paise per meter, if an order was placed for not less than 40,000 meters. The Chief Engineer recommended to the

Board that the purchase could be reduced to 60,000 numbers and the orders might be split up among the five firms. This was approved by the Board in August, 1963. An order for 10,000 meters was placed with firm 'A'.

No reasons were kept on record for splitting up the orders among the firms. The Chief Engineer stated in October, 1966 that the Board did not have previous experience of firm 'A' and an order for a small quantity was placed with it with a view to finding out its suitability. The extra expenditure incurred by restricting the quantity ordered on firm 'A' (which had a rate contract with the Director General of Supplies and Disposals) and not availing of the rebate, works out to Rs. 20,400.

SECTION C—GOVERNMENT COMPANIES

100. Government companies

The shareholding by Government in five Government Companies in the State amounted to Rs. 7,78.28 lakhs, out of the total paid-up capital of Rs. 8,90 lakhs. During the year 1966-67 three of these companies showed an aggregate profit of Rs. 19.65 lakhs while the two remaining companies (The Madras State Industrial Development Corporation, Limited, and the Banana and Fruit Development Corporation, Limited) showed an aggregate loss of Rs. 0.65 lakh.

101. Madras Industrial Investment Corporation

(i) *Share capital structure.*—During the past three years the percentage of investment in the share capital by the Government of Madras, Industrial Development Bank of India and others (Life Insurance Corporation of India, other banks and institutions) was as follows :—

Year ended,	Government of Madras	Industrial Development Bank of India	Others
30th June, 1965 ..	68.8	13.6	17.6
30th June, 1966 ..	65	21	14
30th June, 1967 ..	62	26	12

(ii) *Financial results.*—The financial results of the Corporation for three years ending June, 1967 are given below :—

Date of incorporation—26th March, 1949.

	30th June,		
	1965	1966	1967
(IN LAKHS OF RUPEES)			
1. Paid-up capital ..	1,84.56	2,34.56	2,84.56
2. Loans	14,55.49	17,78.41	19,87.94
3. Free reserves	6.76	7.48	10.63
4. Fixed deposits with a periodicity of not less than five years.	8,38.20	9,14.91	9,41.72
Total Capital invested	16,46.81	20,20.45	22,83.13
5. Trade dues and other current liabilities.	8.85	17.75	21.46
6. Block assets (net) ..	0.36	0.95	0.87
7. Depreciation	0.26	0.34	0.43
8. Total excess of income over expenditure.	3.51	4.39	13.52
9. Interest on loans ..	72.46	94.86	1,15.13
10. Total return (8 plus 9)	75.97	99.25	1,28.65
11. Percentage of return on capital invested.	4.61	4.91	5.63

The net profit for the year ending the 30th June, 1967, available for payment of dividend after providing for taxation, expenses, etc., and transfer to special reserve was Rs. 6.31 lakhs as against Rs. 3 lakhs for the previous year. The increase in profit has been mainly due to increased earnings under "Interest on loans", "Dividends", "Guarantee commission" and "Interest on Bank Deposits, Debentures, etc.". The profit earned during the year was sufficient to pay the minimum guaranteed dividend (amounting to Rs. 3,17,029) to non-Government share holders. The dividends amounting to Rs. 25.31 lakhs on the shares held by the Madras Government were in arrears for the seven years ending June, 1967.

102. Madras State Small Industries Corporation

(i) The Madras State Small Industries Corporation, Limited, was incorporated as a private limited company on the 10th September, 1965, with an authorised share capital of Rs. 10 crores. The Corporation took over 65 small-scale industrial units from the State

Government on the 1st December, 1965, along with their assets and liabilities, at the depreciated book value. The value of the net assets, after adjusting Rs. 4 crores as initial contribution by Government to the share capital, was treated as a loan.

Three units (the Servicing Corporation, Guindy, the Raw Materials Depot, Madurai and the Raw Materials Depot, Coimbatore) were retransferred to the control of the Industries and Commerce department from the 1st June, 1967.

(ii) The financial results of the Corporation for two years from the date of incorporation (10th September, 1965) to the 31st March, 1967 are given below :—

	31st March, 1966	31st March, 1967
	(IN LAKHS OF RUPEES)	
Paid-up capital	4,00.00	4,00.00
Loans	6,76.99	7,07.57
Free Reserves	11.07	21.04
Total Capital invested	10,88.06	11,28.61
Trade dues and other current liabilities	1,90.95	2,18.48
Block assets (net)	3,12.28	3,49.24
Depreciation	6.52	24.76
Excess of income over expenditure	13.68	12.88
Percentage of return on capital invested	1.26	1.14

(iii) Out of the 66 units under the control of the Corporation as at the 31st March, 1967, 22 units worked at a loss (Rs. 12.39 lakhs).

(iv) The physical verification of stock in 20 units disclosed shortages to the extent of Rs. 1.55 lakhs (including theft of stores valued at Rs. 22,587), the value of surpluses noticed being Rs. 0.96 lakh.

(v) In 12 units, 26 items of machinery valued at Rs. 5.66 lakhs were mostly lying idle for periods ranging from 1 year to 8 years. These included—

(a) a pneumatic hammer (Rs. 50,556) purchased in July, 1964 for the General Purpose Engineering Workshop, Mayuram which has not been erected so far (March, 1967);

(b) a pneumatic hammer (Rs. 29,360) purchased in May, 1959 and erected in November, 1962, in the Cycle Assembly Unit, Thanjavur which has been used only for 88 hours till October, 1967; and

(c) a cold sawing machine (Rs. 21,148) purchased in May, 1962 lying idle since March, 1966 because of its uneconomical working.

Besides, 25 units had with them 83 items of machinery which were either surplus or not required. The value of 59 of these for which details were available amounted to Rs. 2.71 lakhs.

(vi) The closing stock of finished goods as on the 31st March, 1967 (Rs. 1,27.59 lakhs) included stocks of value Rs. 12.69 lakhs in 6 units lying unsold for more than one year.

The details of a few cases are given below :—

(a) In the Tool Room Shop, Erode the closing stock of Rs. 9.47 lakhs included 50 numbers of Radial Drilling machine (Rs. 6.97 lakhs) manufactured in 1965-66 and 1966-67. While 20 machines manufactured in 1965-66 remained unsold, 32 more were produced in 1966-67. Only 2 were transferred to other units leaving a balance of 50. Out of 34 Pillar Drilling Machines manufactured in 1965-66 and 1966-67 one was transferred to another unit and 33 machines worth Rs. 1.29 lakhs remained unsold (March, 1967).

(b) In the Fractional Horse Power Motor Unit, Guindy, all the 658 motors costing Rs. 2.36 lakhs manufactured so far are lying in stock undisposed.

(c) The Ceramic Centre which was taken over by the Corporation in October, 1965 had stocks worth Rs. 6.54 lakhs of finished goods. Of this, stocks of the value of Rs. 3.87 lakhs were stated to be substandard; Government ordered in August, 1967 the disposal of these stocks in auction.

SECTION D—GOVERNMENT COMMERCIAL AND QUASI-COMMERCIAL DEPARTMENTS/UNDERTAKINGS

103. On the 31st March, 1967, there were 13 departmentally managed commercial and quasi-commercial undertakings. The *pro forma* accounts for 1966-67 have been furnished only by 8 of these concerns. Of these, 5 in which the mean capital employed was Rs. 4.86 crores, earned a net profit of Rs. 54.95 lakhs (11.3 per cent), while the other 3 in which the mean capital employed was Rs. 8.50 crores, incurred a loss of Rs. 67.87 lakhs (7.9 per cent). A synoptic statement showing the financial results of the 8 concerns is given in Appendix XII.

The *pro forma* accounts for 1966-67 of the following units have not yet been submitted to Audit (November, 1967) :—

- (i) Madras Dairy and Milk Project
- (ii) Agricultural Engineering Workshop, Madras
- (iii) Pearl Fisheries
- (iv) Chank Fisheries
- (v) Grain Supply Scheme

MADRAS STATE TRANSPORT DEPARTMENT

104. Government Bus Service

(i) *Working results.*—The results of the working of the Government bus service, Madras, for the years 1965-66 and 1966-67 are given below :—

	1965-66	1966-67
Fleet strength as on the 31st March ..	953	1,021
Total revenue kilometreage (in lakhs) ..	5,64.58	6,45.86
Total receipts (in lakhs of rupees) ..	5,02.70	5,89.90
Total expenditure (in lakhs of rupees) ..	5,36.61	6,52.17
Net loss (in lakhs of rupees)	33.91	62.27
Average cost per kilometre (in rupees) ..	0.95	1.01
Average earning per kilometre (in rupee).	0.89	0.91
Average net earning per kilometre (in rupee).	— 0.06	— 0.10
Average kilometreage obtained per litre of fuel consumed.	4.06	4.05

The loss incurred during the year 1966-67 amounted to Rs. 62.27 lakhs (in spite of an increase in the fleet strength by about 7 per cent) as against a loss of Rs. 33.91 lakhs in the previous year. The loss was attributed mainly to increased cost of operation on account of increase in the price of fuel and stores and enhancement of dearness allowance to staff.

(ii). *Other comments.*—(a) *Loss of revenue.*—On the upward revision of fares from the 1st April, 1964, ordered by Government, the Director of Transport was required to fix the fares for individual routes with reference to the revised fare structure. In respect of three routes from Madras to Kancheepuram, while correct fares chargeable were Rs. 1.78, Rs. 1.82 and Rs. 1.66 the department charged a uniform rate of Rs. 1.42. In respect of through tickets sold during the period December, 1964 to July, 1967, the loss in revenue amounted to Rs. 59,000. The fares are yet to be revised (October, 1967).

(b) *Unfruitful expenditure* (1).—The department built in September, 1966, the body of a vehicle on a damaged chassis removed from an “Express” vehicle involved in an accident. As the Transport authorities refused to register the vehicle which came under the category “made-up vehicle”, the expenditure of Rs. 16,012 on body building proved infructuous.

(2) In September, 1965, the department undertook the construction of a luxury coach to be used as a ‘special bus’ by the public on payment of hire charges. The work was completed in May, 1966 at a cost of Rs. 31,485. During the period June, 1966 to March, 1967, the bus was used on 41 days. The revenue realised during this period was Rs. 3,831 while the cost of fuel and expenditure on Motor Vehicle Tax, pay of driver, etc., amounted to Rs. 5,886.

FOOD DEPARTMENT

GRAIN SUPPLY SCHEME

105. Incorrect fixation of prices

On the basis of instructions issued by the Board of Revenue, Collectors of districts are to fix the wholesale and retail issue prices of foodgrains taking into account the procurement price, charges for godowns, commission to agents, transport charges, cost of gunnies, sales tax, etc., subject to the condition that the charges for different items do not exceed the maximum limits, if any, prescribed by the Board. During the audit inspections conducted in 1966-67, it was noticed that in certain cases, prices had not been correctly fixed resulting in unintended benefits to trade and co-operatives amounting to about Rs. 10.01 lakhs. Brief particulars of the cases are given below :—

(i) *Extra expenditure on gunnies*.—Under the formula approved by the Board, the procurement price/wholesale issue price of rice per quintal is determined by adding to the price of rice per quintal, incidental charges per quintal plus the cost of one gunny of one quintal capacity at Rs. 1.60 each, if new (or Rs. 1.20 if once used). The retail issue price is then arrived at allowing the profit element to wholesalers, incidental charges payable to Government and sales tax. As the standard price per quintal of rice thus fixed includes the cost of gunnies used in packing, separate payment for the gunnies is not to be made. In two districts (Thanjavur and Tiruchirappalli) at the time of procurement, the Collectors did not determine the standard price according to the formula but paid for rice and the gunnies used in packing separately. At the time of issue, however, the formula for the standard prices was adopted and the cost of gunnies was recovered at one gunny per quintal of rice sold. As the suppliers had used gunnies of capacity of less than one quintal each and as the standard price includes the

price of a gunny of 1 quintal capacity, the number of gunnies actually paid for separately was more than the number for which the cost was recovered through the standard sale price. This has resulted in extra expenditure of Rs. 2.43 lakhs to Government.

(ii) *Excess payment of transport charges.*—The formula approved by the Board for the fixation of the retail issue prices of wheat and milo included provision for transport charges at rates to be fixed by Collectors subject to a maximum of 70 paise per quintal. In two districts (Tiruchirappalli and Coimbatore) the Collectors fixed the retail prices allowing the transport charges of 70 paise without taking into account the actual distance between the wholesale depots and the retail depots. On the basis of the transport charges fixed later at 36 paise per quintal in Tiruchirappalli district and 40 paise per quintal in Coimbatore district, the extra benefit allowed to retailers amounted to Rs. 1.11 lakhs during the year 1966-67.

(iii) *Benefit on account of tax exemption.*—(a) The wholesale and retail issue prices included an element of tax payable on the sales. In January, 1967, Government clarified that sale of milo was exempt from the levy of sales tax. This exemption was admissible in respect of all sales from the 1st April, 1966. Upto October, 1966, a quantity of 52,055 tonnes of milo was distributed. The sales tax provided for in the issue price amounted to 93 paise per quintal. The belated issue of orders for retrospective exemption of sales tax on the sale of milo resulted in an undue benefit to the dealers to the extent of Rs. 4.84 lakhs.

(b) The wholesale and retail issue prices of wheat and wheat products include sales tax payable whether a particular dealer has to pay the tax or is exempt from payment. As the principal co-operatives were exempt from the payment of sales tax on the transactions with their own retail units, they were benefited by the uniform issue price. In two districts (for which details were available) during the period April, 1966 to August, 1967, the unintended benefit to such co-operatives amounted to Rs. 1.63 lakhs.

The draft paragraph was sent to Government in December, 1967; their reply is awaited (February, 1968).

106. Excess payment of hulling charges

The procurement price fixed in December, 1965 by the Board of Revenue provides separately for payment of 60 paise as transport charges per quintal of paddy and Rs. 1.50 as milling charges per quintal of rice. On the recommendation of the Collector of Thanjavur that the existing margin for transport charges was not adequate, the rice mills being situated far away from procurement spots, the Board allowed in February, 1966, a rate of Rs. 2.30 per quintal of rice as hulling charges (including transport charges) to the millers, who procured and hulled paddy on Government account. This rate was, however,

also allowed to millers for hulling stocks of paddy already with Government even though in these cases, no transport charges were incurred by millers. In the light of the position explained by the Collector, the Board of Revenue approved the payments made upto March, 1966. However, hulling charges at the enhanced rate were continued to be paid even after March, 1966. The additional expenditure incurred on this account during the period April, 1966 to March, 1967, amounted to Rs. 2.43 lakhs. The payment of enhanced rate of hulling charges was ratified by the Commissioner of Civil Supplies in August, 1967. Government stated in February, 1968 that the extra expenditure had to be incurred in view of the compelling need to rush stocks to Madras.

107. Loss in sale of toor dhal

(i) During the period from October, 1965 to February, 1966, the Civil Supplies department purchased 1,015 tonnes of toor dhal (300 tonnes of big variety and 715 tonnes of medium variety) from Andhra Pradesh at a total cost of Rs. 11.95 lakhs. Though the economic issue price worked out to Rs. 144.35 per quintal for the big variety and Rs. 132.08 per quintal for the medium variety, it was decided to sell the dhal at the rates applicable to the Uttar Pradesh variety. On this basis, 23 tonnes of the big variety and 114 tonnes of the medium variety could be sold upto January, 1967 at Rs. 109.44 per quintal and Rs. 97.06 per quintal respectively resulting in a loss of Rs. 0.48 lakh. To avoid deterioration in storage, the selling prices were further reduced in January, 1967 to a uniform rate of Rs. 91.03 per quintal for both big and medium varieties and the entire stocks (excepting 11 tonnes) were sold at this rate during February—March, 1967. The total loss in the transaction as intimated by Government (January, 1968) was Rs. 1.36 lakhs.

(ii) During the period from August, 1965 to February, 1966, the Civil Supplies department purchased from Uttar Pradesh, 5,300 tonnes of toor dhal (of special and ordinary varieties) at a cost of Rs. 55 lakhs. Their economic issue price worked out to Rs. 1,37.30 and Rs. 1,27.30 per quintal respectively. Since the off-take was poor, the selling prices were successively reduced on five occasions during December, 1965 to May, 1966 as under :—

Date from which revised	Rate per quintal	
	Special variety	Ordinary variety
	RS.	RS.
22nd December, 1965	125.62	116.10
8th February, 1966	116.10	108.49
5th April, 1966	109.44	97.06
28th April, 1966	105.51	93.73
26th May, 1966	96.46	84.66

In respect of 2,907 tonnes sold in four districts, the department sustained a loss of Rs. 2.47 lakhs. Particulars of sales effected in other districts are awaited (January, 1968).

108. Loss in sale of groundnut oil

With a view to control the prices of edible oils, Government sanctioned in August, 1966 a scheme for purchase of 'an appreciable quantity of groundnut' during the summer harvest season of 1966 in South Arcot district. The groundnut was to be processed and the oil and the oil-cake marketed in the city through co-operative societies.

During August and September, 1966, 213 tonnes of groundnut were purchased at a cost of Rs. 5.11 lakhs; 96 tonnes of oil and 107 tonnes of oil-cake were produced. Further procurement of groundnut was stopped from October, 1966 as there was a fall in the market price of groundnut oil from Rs. 468 per quintal at the beginning of August, 1966 to Rs. 380 per quintal by the end of September, 1966, the purchases made during September, 1966 being of the value of Rs. 1.20 lakhs. The selling price was originally fixed by the department at Rs. 4.50 per Kg. assuming the purchase price of kernel as Rs. 215 per quintal and the sale value of groundnut cake as Rs. 65 per quintal, while the economic selling price of oil on the basis of the average purchase price of Rs. 240 per quintal for kernel and the sale price of Rs. 62 per quintal for cake worked out to Rs. 5.25 per Kg. Due to the fall in the market price, the stocks of oil were sold from the middle of October, 1966 at the prevailing market prices ranging from Rs. 4 to Rs. 3.50 per Kg. and bulk of the stocks (48 tonnes) was also sold locally to private traders. The entire quantity was disposed of by the end of March, 1967. The total loss in the transaction amounted to about Rs. 0.91 lakh. As at the end of March, 1967 there was a stock of 23 tonnes of groundnut cake awaiting disposal.

109. Undue concession to a co-operative rice mill

During the period July, 1966 to October, 1966, the Civil Supplies department entrusted the hulling of 10,424 quintals of paddy to a co-operative rice mill in Thanjavur district. The mill was required to deliver to Government, rice at the rate of 62 per cent of the weight of paddy given to it. The actual out-turn of rice for the quantity of paddy entrusted to the mill was 68 per cent. In December, 1966, the Board of Revenue (Civil Supplies) ordered that, in addition to the prescribed hulling charges, the mill should be paid at ex-mill rates for the 'excess rice produced by it as a result of its improved milling methods'. A sum of Rs. 42,692 was paid to the mill for the quantity of rice produced in excess of 62 per cent and delivered to Government.

In this connection, it is observed that—

(i) prior to July, 1966 when the hulling was done by the same co-operative mill under Government supervision, the out-turn ranged from 68 to 70 per cent and the entire quantity was delivered to Government without any extra payment; and

(ii) the mill received during March, 1965 to March, 1966 substantial financial assistance amounting to Rs. 24 lakhs from the State Government (loan : Rs. 12.45 lakhs, share capital contribution : Rs. 7.80 lakhs and subsidy : Rs. 3.75 lakhs) to meet the cost of construction of godowns, silos, etc.

110. Madras Dairy and Milk Project

Certain points noticed in the working of the Madras Dairy and Milk Project were mentioned in paragraph 88 of the Audit Report, 1965. The Committee on Public Accounts in their Report of July, 1966 observed that instead of the position improving there was a set back due to efflux of licensees from the colony. The Committee hoped that the Special Committee consisting of the Milk Commissioner, the Director of Animal Husbandry and the Food Secretary would go into the several problems facing the project and suggest suitable ways and means for placing it on a sound footing. The observations of Public Accounts Committee were based on the cattle population of 1,700 in November, 1965 against 4,000 that could be accommodated. At the end of March, 1966, the cattle population stood at 1,374. This was reduced to 815 in March, 1967. Similarly, the number of licensees, which was 291 on the 1st April, 1964 came down to 79 in April, 1967. The milk yield of cattle in the colony during the period April, 1966 to March, 1967 showed that it did not reach 60 per cent of the expected yield of 5-5 litres of milk per diem per cattle. The working results of the project for the years 1963-64 to 1965-66 and particulars of certain cases of irregularities, non-utilisation of assistance, etc., noticed during the local audit conducted in May, 1967 are given below :—

A. (i) Working results :—

	1963-64	1964-65	1965-66
	(IN LAKHS OF RUPEES)		
Government capital at the close of the year	1,93.75	1,83.92	1,78.32
Turnover (Milk)	69.90	79.31	84.20
Losses	40.09	27.38	27.69
Interest on capital	9.73	10.02	12.85
Percentage of loss on turnover	57.40	34.52	32.89

The main reasons for the continued losses are the high cost of procurement and processing and production being far below capacity. The following statement indicates the capacity and actual turnover and the cost of production and selling prices:—

	Target	Achievement during 1966-67
Number of animals	4,000	815
Average supply of milk per day—		(IN LITRES)
(a) From the licensees in the colony	21,200	2,938
(b) From the Rural Milk Co-operatives	31,050	13,278
(c) From the Integrated Milk Project, Erode	22,750	5,290

	Average cost of production per litre.			Selling price per litre			
	1963-64.	1964-65.	1965-66	Upto September 1963	From October 1963 to 15th November 1964	From 16th November 1964 to 15th September 1965	From 16th September, 1965
	RS.	RS.	RS.	RS.	RS.	RS.	RS.
Buffaloes' milk	1.17	1.24	1.63	0.84	0.94	1.06	1.24
Cows' milk ..	1.13	1.29	1.43	0.76	0.82	0.88	1.04
Toned milk ..	0.90	0.91	1.15	0.56	0.56	0.68	1.00

(ii) *Assistance to co-operative societies.*—With a view to maintain a regular supply of fresh milk, the Rural Milk Co-operative Societies were given a total assistance of Rs. 59.09 lakhs during the period 1960-61 to 1965-66 as shown below :—

	Number of societies	Amount (IN LAKHS OF RUPEES)
Loan	501	57.45
Subsidy	66	1.64

As against a daily target of 31,050 litres of milk to be supplied to the project by these societies the average quantity supplied during 1966-67 was 13,278 litres only. 285 societies which received a total assistance of Rs. 18.01 lakhs (loan: Rs. 17.16 lakhs ;

subsidy : Rs. 0.85 lakh) remained dormant for periods ranging from 1 to 3 years. At the end of December, 1966, the amount overdue for recovery from these societies stood at Rs. 7.84 lakhs (principal : Rs. 6.84 lakhs and interest : Rs. 1 lakh).

During 1962-63 subsidy amounting to Rs. 1.40 lakhs was paid to 9 co-operative societies for construction of milk sheds. As in June, 1967, only 3 societies had constructed the sheds ; the work was in several stages of construction in the remaining 6 cases.

B. Other points of interest.—(i) As at 31st March, 1967, a total amount of Rs. 2.78 lakhs was due towards cost of milk supplied, Rs. 1.16 lakhs from Government institutions and Rs. 1.62 lakhs from private institutions and individuals. This included Rs. 67,000 due from private parties and Rs. 51,000 due from Government institutions in respect of 1964-65 and earlier years.

(ii) In 1964-65, before the Government Dairy at Erode was started, a quantity of 1.18 lakhs litres of milk (value : Rs. 69,400) which could not be processed due to the limited capacity of the private dairy at Erode were converted into ghee. The net amount realised by sale of cream and skimmed milk was Rs. 42,100 resulting in a loss of about Rs. 27,300.

(iii) After the Government Dairy was commissioned in Erode in November, 1964, 11,320 litres of milk (value : Rs. 6,500 approximately) were destroyed during the period November, 1964 to March, 1965 as the milk could not be processed for want of a cream separator.

(iv) 100 tonnes of cement were purchased in September, 1965 ; of this 43½ tonnes (value : Rs. 6,700) which were surplus could not be utilised and got damaged due to long storage.

(v) In November, 1965 the department noticed a shortage of 1,085 lids of milk cans. The expenditure incurred in procuring new lids worked out to Rs. 9,000. Responsibility for the loss is yet to be fixed (June, 1967).

(vi) Proper accounts were not maintained for the crates purchased. The distribution statements accounted for 4,193 crates while the stock as per books was 4,934. The shortage of 741 crates (value : Rs. 12,350) is yet to be investigated (June, 1967).

(vii) The normal yield of aluminium foil caps for the milk bottles is 3,000 caps for every kilogram of aluminium foil. The yield in this project was only 2,673 caps. In respect of the 11,228 kilograms of aluminium foil consumed during the period April, 1965 to March, 1967, the extra expenditure on account of the reduced yield was about Rs. 14,000.

(viii) A building constructed at Madhavaram in March, 1963 at a cost of Rs. 85,000 for locating the canteen remains unused (June, 1967). The department stated in May, 1967 that the scope for running a canteen on a scale commensurate with the cost of building was limited as most of the staff were residents of the colony.

(ix) 113 quarters for licensees and 5 shop buildings were lying vacant as on the 31st March, 1967. The loss of revenue on this account amounted to about Rs. 55,000.

(x) 50 lakhs special forms of delivery notes were printed at a cost of Rs. 75,100 during March-September, 1965. Considering the present daily off-take of 200 forms, the printing of 50 lakhs forms was excessive.

C. Irregularities noticed by the Chief Auditor, State Trading Schemes.—(1) The prescribed maximum allowance for breakages of bottles used for distribution of milk is 0.25 per cent in machine and 0.25 per cent in transit. As against 1.60 crores bottles handled by the machines during the year 1966-67, the number of broken bottles was 1,21,845. The cost of 81,846 bottles broken in excess of the prescribed percentage is about Rs. 32,700. The loss is yet to be regularised (October, 1967).

(2) There were several cases of thefts mostly during the period July, 1966 to July, 1967 amounting in all to Rs. 10,240. Of these, the value of electric wires stolen on different days amounted to Rs. 9,600.

INDUSTRIES, LABOUR AND HOUSING DEPARTMENT

111. Servicing Corporation, Guindy

The Servicing Corporation, Guindy, was formed in 1957 mainly for supplying raw materials in short supply to the Small Scale Industries in the private sector and to Government Industrial Units. The value of stock in the unit was Rs. 1.39 crores (August, 1967). From its inception (1957) no systematic verification of stock was carried out by the departmental officers; test-check of a few cases was carried out prior to 1964. Some of the important points noticed by the Stock Verification Organization of the Examiner of Local Fund Accounts (a State Government department) during the verification carried out from August to October, 1967 are mentioned below :—

(i) The total value of discrepancies amounted to Rs. 11.05 lakhs (111 cases of shortage : Rs. 7.72 lakhs and 51 cases of excess : Rs. 3.33 lakhs).

(ii) The maximum and minimum limits for stores of different categories were not fixed.

(iii) Iron materials valued at Rs. 36,085 were not accounted for and stock valued at Rs. 30,000 was found to be damaged due to defective storage.

(iv) Proper accounts of packing material were not kept and stock worth Rs. 43,366 could not be verified.

(v) The physical custody of 1,175 tonnes of iron and steel materials (value : Rs. 8.66 lakhs) is held by the Government Galvanizing Plant, Mettur Dam, on behalf of the Servicing Corporation,

Guindy, along with other stock. Due to mixing up of stock the correctness of the stock held by the Galvanizing Plant could not be verified.

(vi) About 32 items of various stainless steel products (value : Rs. 2.37 lakhs) were kept in the custody of the Superintendent, Forge Workshop, Guindy and were not verified by the Stock verification Organisation.

(vii) 321 tonnes of sulphur costing Rs. 1.88 lakhs were stated to be held by a private firm. This stock was also not verified as it was mixed up with stock belonging to non-Government units.

112. Injudicious orders for machinery

In August, 1965, Government accepted the proposal of the Director of Industries and Commerce and sanctioned purchase of machinery worth Rs. 7.60 lakhs from Japan through the National Small Industries Corporation, New Delhi. The exact requirements of the Small Industries Units were not ascertained before ordering the purchases. The units were advised in August, 1965 to pay in advance the cost of machinery ordered. One of the units (Tool Room Shop, Guindy) reported that the jig boring machine (value : Rs. 1.34 lakhs) allotted to it was not required as it had already two such machines. Of the micrometers (value : Rs. 42,000) ordered, the unit reported that it required only micrometers of value of Rs. 10,000. As all the machinery could not be procured, the National Small Industries Corporation refunded a sum of Rs. 6.36 lakhs in May, 1967. The value of machinery procured includes micrometers worth Rs. 32,000 reported earlier by one unit as not required.

113. Idle machinery

Plant and machinery valued at Rs. 3.86 lakhs purchased for various industrial units were lying unutilised as indicated below :—

<i>Serial number/ name of industrial unit</i>	<i>Description of plant and machinery</i>	<i>Value/date of purchase/receipt by transfer</i>	<i>Remarks</i>
(i) Common Lease Shop, Ambattur	Muffle furnace	Rs. 24,454	As there is no prospect of the machines being utilised in the unit, their transfer to other units is reported to be under consideration (September, 1967).
		October, 1965	
		Rs. 4,662	
	Hydraulic press	September, 1965	
	Pillar drilling machine	Rs. 6,535	
		September, 1965	
(ii) Common Lease Shop, Tiruchirappalli	Turret lathe	Rs. 28,000 (not available)	The machine is idle from August, 1965. Though the Superintendent of the unit reported in October, 1965 that the machine was not required, it has not been transferred to any other unit so far (May, 1967).

Serial number/ name of industrial unit	Description of plant and machinery	Value/date of purchase/receipt by transfer	Remarks
(ii) Common Lease Shop Tiruchirappalli —contd.	Air circulating and salt bath furnaces with an air compressor	Rs. 32,707 February and March, 1960	The furnaces were trans- ferred (December, 1965), from the Cycle Assembly Unit, Thanjavur where they were not used (<i>vide</i> paragraph 93 of the Audit Report, 1965). The Super- intendent of the unit informed the Director in December, 1965, that the furnaces were not required in the unit.
(iii) Common Lease Shop, Podanur	Pillar drilling machine	Rs. 9,714 March, 1962	The machine was lying idle from the inception of the unit, <i>i.e.</i> , September, 1964 for want of work orders (June, 1967).
	Pillar drilling machine	Rs. 6,550 April, 1965	All the machines have been idle from the date of their purchase for want of orders (June, 1967).
	Centreless grinder	Rs. 21, 015 March, 1965	
	Cylindrical grinder	Rs. 56,873 July, 1965	
	Copying router	Rs. 3,099 June, 1965	
(iv) Common Lease Shop, Guindy	H.M.T. cylindrical grinding machine	Rs. 59,740 June, 1965	The machine was lying idle from the date of purchase. Its transfer to the Madras State Small Industries Corporation is reported to be under consideration (April, 1967).
(v) Tool and Die Designing Centre, Dindi- gul	Pressure die casting machine and preheater	Rs. 88,057 October, 1956	The machine is remaining idle from July, 1963.
	Electric furnace	Rs. 5,190 March, 1957	Remaining idle from Octo- ber, 1965.
	Tool makers' microscope	Rs. 39,121 October, 1962	
			The Superintendent of the unit informed the Direc- tor in April, 1966 that the machines were not required.

SECTION E—INVESTMENTS AND GUARANTEES
BY THE STATE GOVERNMENT

114. Investments of Government

(i) The investments by the State Government in the shares of Statutory Corporations, Government companies, Joint Stock Companies, Banks, Co-operative institutions, etc., at the end of the last three years are shown below :—

Statutory Corporations, Government Companies and Joint Stock Companies *Co-operative institutions*

		(IN LAKHS OF RUPEES)	
1964-65	.. ..	2,31.44	8,09.17
1965-66	.. ..	7,40.44	8,95.62
1966-67	.. ..	8,66.45	10,07.85

The amounts of dividend credited during the last three years are indicated below :—

		1964-65	1965-66	1966-67
		(IN LAKHS OF RUPEES)		
Statutory Corporations, Government Companies and Joint Stock Companies		0.90	2.98	2.97
Co-operative institutions ..		10.19	14.31	14.95
Total ..		11.09	17.29	17.92

(ii) The total investment by Government in the share capital of 12 co-operative spinning mills as at the end of March, 1967 was Rs. 1.59 crores. 8 mills (investments: Rs. 1,03.37 lakhs) which commenced production during 1965-66 incurred a loss of Rs. 79.94 lakhs; the cumulative loss to end of June, 1966 incurred by three mills (investment: Rs. 45.22 lakhs) which commenced production prior to 1965-66 amounted to Rs. 13.90 lakhs. The remaining one mill (investment: Rs. 10 lakhs) earned a net profit of Rs. 1.07 lakhs during 1965-66.

A sum of Rs. 16.78 lakhs was invested by Government in the share capital of South India Co-operative Spinning Mills, Pettai. Out of the dividends declared for the years 1960-61 to 1964-65, Rs. 3.27 lakhs was payable to Government. This has not been paid so far (September, 1967). The funds are stated to have been invested in the societies' subsidiary units where production started from January, 1966. On account of this investment, the mills have not also paid dividends amounting to Rs. 6.43 lakhs to other share holders.

(iii) A review of the audited accounts of 446 co-operative institutions other than spinning mills in which the Government had invested Rs. 4,40.83 lakhs as at 31st March, 1967 indicated that 86 institutions worked at loss. According to the latest audited accounts available, 85 of these institutions (investment: Rs. 51.58 lakhs) incurred a total loss of Rs. 38.54 lakhs upto June, 1965 and one institution (investment: Rs. 22.50 lakhs) incurred a loss of Rs. 14.23 lakhs upto June, 1966 as shown below.—

	Period ending June	Number of societies	Amount invested by Government	Loss incurred
(IN LAKHS OF RUPEES)				
Marketing societies ..	1965	5	1.62	0.29
Agricultural banks	1965	17	2.03	0.62
Other credit societies ..	1965	61	2.93	1.23
Sugar mills	{ 1965	2	45.00	36.40
	{ 1966	1	22.50	14.23

115. Delay in the audit of/recovery of dues from co-operative institutions

(i) The accounts of co-operative institutions are audited by the auditors of the Co-operative department under the Registrar of Co-operative Societies and the cost of audit is recovered from the institutions concerned. The audit is required to be completed within one year after the accounts are closed. As at the end of June, 1967, the accounts of 10,847 societies remained to be audited. In respect of audits completed, a sum of Rs. 5.92 lakhs was pending recovery towards cost of audit. Yearwise details are furnished below.—

	1963-64	1964-65	1965-66
Number of societies remaining unaudited	260	1,274	9,313
Amount due from the societies towards cost of audit (In lakhs of rupees)	2.27	2.65	1.00

(ii) *Recovery of cost of special staff sanctioned for co-operative societies.*—An amount of Rs. 3.21 lakhs was pending recovery as on the 30th June, 1967 from the various co-operative societies on account of the cost of special staff lent to them.

116. Guarantees given by the State Government

The State Government have given guarantees in respect of share capital and loans raised by Statutory Corporations, Government Companies, Co-operative Institutions, etc., to the extent of Rs. 118.98 crores to end of 1966-67. Against this, a sum of Rs. 88.06 crores was outstanding on the 31st March, 1967.

CHAPTER X

OUTSTANDING AUDIT OBJECTIONS AND INSPECTION REPORTS

117. Outstanding Audit Objections

(a) The number of audit objections (other than those reported through Inspection Reports) pertaining to the period upto the 31st March, 1967 awaiting settlement by departmental officers as in October, 1967 was 29,303 items involving a total amount of Rs. 10.56 crores.

Yearwise analysis of outstanding objections is given below:—

<i>Year</i>	<i>Number of items</i>	<i>Amount</i>
		(IN LAKHS OF RUPEES)
1962-63 and earlier years ..	3,312	1,06.73
1963-64	2,010	81.72
1964-65	3,734	1,04.79
1965-66	5,292	3,81.57
1966-67	14,955	3,81.09

The objections are communicated to the departmental officers and reports of outstanding items are furnished half-yearly to the Heads of departments for taking steps to expedite their settlement. It is necessary that the objections are settled expeditiously, as with the lapse of time, it becomes difficult for the departments to settle the objections mainly on account of difficulty in locating the relevant records.

(b) The clearance of objections through the years has not been appreciable. The comparative figures for the previous three years are furnished in the table below:—

	<i>Audit Report,</i>		
	1965	1966	1967
Number of items outstanding	37,919	36,321	29,032
Amount involved (in crores of rupees)	10.78	9.75	10.58

Departmentwise and yearwise analyses and nature of the items held under objection are given in Appendix XIII.

(c) The more important types of objections are indicated below :—

(i) *Non-submission of detailed contingent bills (Rs. 1.18 crores).*—The amounts held under objection for want of detailed contingent bills represent advances drawn by disbursing officers on abstract bills to meet certain types of contingent expenses, for which detailed accounts countersigned by the controlling authority (in token of approval to incurring of the expenditure) have not been furnished to Audit. The rules require that the detailed bills should reach the Audit office not later than one month from the date of drawal of an abstract bill. Detailed bills in 1,180 cases involving Rs. 25.06 lakhs have, however, not been furnished for over three years.

The outstandings are heavy in respect of Agriculture, Revenue and Home departments, as indicated below :—

			<i>Number of items</i>	<i>Amount</i>
				(IN LAKHS OF RUPEES)
(i) Agriculture	..	..	1,196	37.20
(ii) Revenue	..	..	724	50.91
(iii) Home	..	..	426	10.77

The non-submission of detailed contingent bills for long periods must be regarded as a serious lapse as no audit scrutiny can be exercised in the absence of these essential documents.

(ii) *Non-receipt of vouchers in support of payment made at Treasuries, Public Works and Forest Divisions.*—There were 819 items (October, 1967), held under objection for want of vouchers and pertaining to the period upto March, 1967 and awaiting settlement ; of these, 458 items involving Rs. 53.34 lakhs were over three years old.

The inordinate delay in furnishing vouchers in support of payments results in large amounts of expenditure escaping audit scrutiny for long periods and there is likelihood of serious irregularities remaining unnoticed.

(iii) *Non-submission of sub-vouchers and stamped receipts.*— There were 6,602 items involving an amount of Rs. 2,11.27 lakhs pertaining to the period upto March, 1967 and awaiting settlement (October, 1967) for want of stamped receipts of payees and sub-vouchers. Of these, 592 items involving an amount of Rs. 14.42 lakhs related to the period prior to 1963-64.

(iv) An expenditure of Rs. 42.28 lakhs incurred by the Revenue department on relief measures, undertaken for the victims of cyclone in November, 1966 in the districts of Chingleput, North Arcot and South Arcot, remains under audit objection for want of disbursement certificates, sub-vouchers and stamped acquittances.

118. Outstanding Inspection Reports

(a) Important irregularities and defects in the accounts noticed during local audit and inspections are included in the Inspection Reports which are sent to the departmental officers and also to Heads of departments and Government, wherever necessary. Of the Inspection Reports issued to end of March, 1967, 9,180 paragraphs in 2,373 Inspection Reports were outstanding (October, 1967).

Some of these have been outstanding for considerably long periods; yearwise analysis of the outstanding reports/paragraphs is given below:—

Year	Number of outstanding	
	Inspection Reports	Paragraphs
1962-63 and earlier years	352	741
1963-64	225	517
1964-65	368	921
1965-66	576	2,097
1966-67	852	4,904

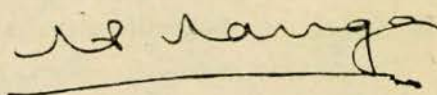
The clearance of Inspection Reports has not been appreciable and the comparative figures for the previous three years are furnished below:—

	Audit Report,		
	1965	1966	1967
Number of Inspection Reports outstanding	2,283	2,580	2,550
Number of paragraphs outstanding in these reports	13,509	14,448	12,023

Department/yearwise details of the outstanding reports are given in Appendix XIV.

It is necessary that points raised in the Inspection Reports are settled expeditiously by departmental officers as delay in this regard is likely to lead to the continuance of irregularities with attendant risk of loss to Government.

(b) The important types of irregularities noticed during 1966-67 are given in Appendix XV.

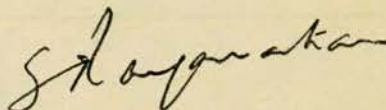


MADRAS,

The 4 MAR 1968

Accountant General, Madras.

Countersigned.



NEW DELHI,

The 7 MAR 1968

Comptroller and Auditor General of India.

1. The first part of the report is a general description of the work done during the year.

2. The second part is a detailed account of the work done on the various projects.

3. The third part is a summary of the results of the work done during the year.

4. The fourth part is a list of the publications of the year.

5. The fifth part is a list of the names of the persons who have worked on the projects.

6. The sixth part is a list of the names of the persons who have supervised the work.

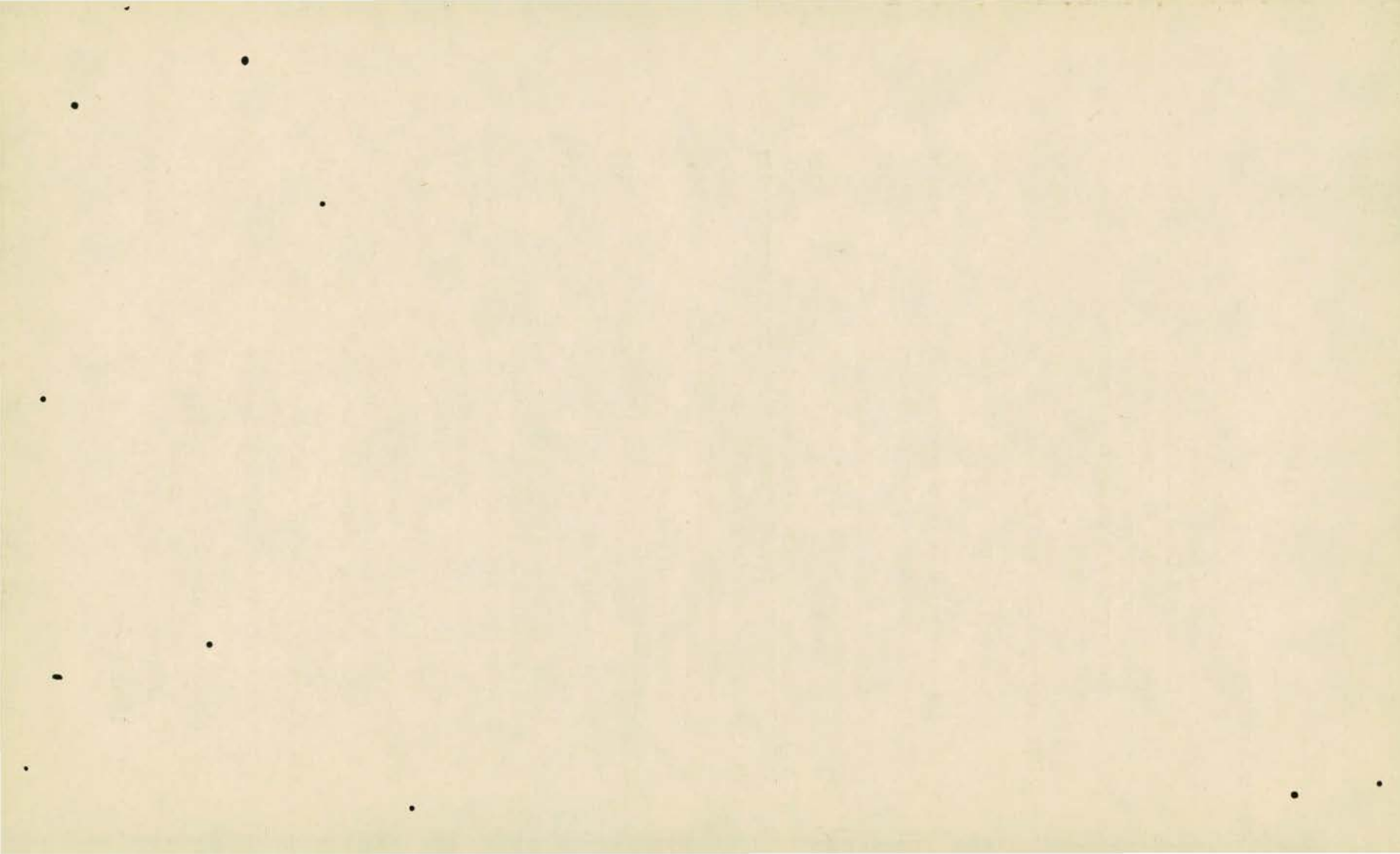
7. The seventh part is a list of the names of the persons who have assisted in the work.

8. The eighth part is a list of the names of the persons who have been consulted during the year.

9. The ninth part is a list of the names of the persons who have been invited to give lectures during the year.

10. The tenth part is a list of the names of the persons who have been invited to give talks during the year.

APPENDICES



APPENDICES—

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APPENDIX I

IRREGULARITIES IN THE DRAWAL AND UTILISATION OF LOANS
REPORTED BY THE EXAMINER OF LOCAL FUND ACCOUNTS

(Referred to in paragraph 7 of Chapter I)

(i) A loan of Rs. 25 lakhs sanctioned to the State Housing Board during the years 1964 to 1966 (Rs. 10 lakhs in March, 1964, Rs. 10 lakhs in March, 1965 and Rs. 5 lakhs in February, 1966) for the establishment of a mechanised brick plant at Madras remained unutilised with the Board. The site for the plant has not been selected nor has the import licence for the machinery been secured (March, 1967).

The Board had advanced in August, 1963 a sum of Rs. 1.34 lakhs to a contractor for the supply and erection of the brick plant and a sum of Rs. 4.10 lakhs in March, 1966 to the Land Acquisition Officer for acquiring the land in Madras. In November, 1966, however, the Board decided to shift the location of the Plant from Madras to Madurai.

(ii) (a) In 17 cases of loans (amounting to Rs. 66.61 lakhs) drawn by the Corporation of Madras during the period from 1946-47 to 1965-66 for the execution of road works, water-supply schemes, etc., Rs. 54.97 lakhs (82 per cent) remained unutilised at the end of 1965-66. Details are given below :—

Year of payment	Total amount paid	Amount lying unutilised at the end of 1965-66
		(IN LAKHS OF RUPEES)
1961-62 and earlier years	10.89	7.13
1962-63	1.10	0.32
1963-64	4.25	4.22
1965-66	50.37	43.30

The 17 cases included 7 cases (involving Rs. 27.70 lakhs) where the loans remained entirely unutilised and 5 cases (involving Rs. 26.33 lakhs) where the utilisation was less than 50 per cent.

(b) In 5 cases further loans were paid when the loans disbursed earlier had not been fully utilised; the unspent balances in these cases amounted to Rs. 45.77 lakhs at the end of March, 1966.

(iii) The total amount of loans which remained unutilised at the end of 1965-66 with Town Panchayats, Panchayat Union

Councils and Municipalities amounted to Rs. 28.62 lakhs ; details are given below :—

	<i>Period of payment</i>	<i>Amount drawn</i>	<i>Amount unutilised</i>
		(IN LAKHS OF RUPEES)	
Town Panchayats and Township Committees	1956-57 to 1965-66	16.42	12.58
Panchayat Union Councils	.. 1964-65 and 1965-66	0.79	0.64
Municipal Councils	.. .. 1956-57 to 1965-66	28.07	15.40

(a) The unutilised amounts included a total amount of Rs. 11.84 lakhs disbursed prior to 1962-63 to Municipalities (Rs. 7.58 lakhs), Town Panchayats (Rs. 3.89 lakhs) and Panchayat Union Councils (Rs. 0.37 lakh).

(b) In 29 cases (involving Rs. 8.64 lakhs) of loans to Municipalities and in 87 cases (involving Rs. 8.46 lakhs) of loans to Town Panchayats, the loans remained entirely unutilised. The extent of utilisation was less than 50 per cent in 15 cases (involving Rs. 3.94 lakhs) of loans to Municipalities and in 29 cases (involving Rs. 3.21 lakhs) of loans to Town Panchayats.

(c) In 13 cases loans amounting to Rs. 1.62 lakhs were reported to have been unauthorisedly diverted for other purposes.

(d) In 6 cases of loans sanctioned to Town Panchayats, the unutilised balances of loans (amounting to Rs. 0.37 lakh) were not refunded though the works for which they had been granted were completed.

(e) In 2 cases of loans at Rs. 18,000 each paid to ex-District Boards in 1958-59, the unspent balances totalling Rs. 11,225 were transferred in 1961 to the Panchayat Union Councils ; the amounts have neither been utilised nor refunded to Government.

(f) In September, 1959, a loan of Rs. 2 lakhs was sanctioned to the Vellore Municipality for the improvement and remodeling of the existing market. The amount was drawn in February, 1960 ; the stalls were got vacated in January, 1963. The work had not commenced till October, 1966. An expenditure of Rs. 0.53 lakh was incurred upto the 31st March, 1966 on the employment of technical staff by the Public Works department.

APPEN

STATEMENT SHOWING THE PARTICULARS OF GRANTS/APPROPRIATIONS
EXTENT TO WHICH

(Referred to in paragraph

Particulars of Grant/Appropriation(i) *Five Grants in which the supplementary provision proved wholly unnecessary—*

XIII. Education (Voted)	..	..	..	..	..
XIX. Co-operation (Voted)	..	..	..	..	..
XXXV. Forest Department (Voted)	..	..	..	..	..
XLI. Capital Outlay on Industrial Development (Voted).					
XLVII. Capital Outlay on Schemes of Government Trading (Voted)	..	..	..	..	..

(ii) *Twelve Grants/Appropriations in which the supplementary provision proved excessive and the final saving exceeded 20 per cent of the supplementary provision—*

II. Motor Vehicles Acts—Administration (Voted)	..				
Debt Charges—(Charged)	..	..	..	..	..
XI. Jails (Voted)	..	..	..	..	..
XVI. Agriculture (Voted)	..	..	..	..	..
XVIII. Animal Husbandry (Voted)	..	..	..	..	..
XX. Industries (Voted)	..	..	..	..	..
XXIX. Public Works—Grants-in-aid (Voted)	..	..	..	..	..
XXXIII. Miscellaneous (Voted)	..	..	..	..	..
XLI. Capital Outlay on Industrial Development (Charged).					
XLIII. Capital Outlay on Public Works (Voted)	..	..	..	..	..
(Charged)	..	..	..	..	..
XLVI. Commuted Value of Pensions (Voted)	..	..	..	..	..

DIX II

IN WHICH SUPPLEMENTARY PROVISION WAS OBTAINED AND THE
IT WAS UTILISED

17 of Chapter II)

<i>Amount of Grant/Appropriation</i>			<i>Actual expendi- ture</i>	<i>Saving</i>	
<i>Original</i>	<i>Supple- mentary</i>	<i>Total</i>		<i>Amount</i>	<i>Per- centage</i>

(IN LAKHS OF RUPEES):

45,30.53	11.47	45,42.00	44,27.92	1,14.08	2.5
2,72.73	7.13	2,79.86	2,62.07	17.79	6.0
1,51.51	6.40	1,57.91	1,47.30	10.61	6.7
8,88.17	21.38	9,09.55	7,30.70	1,78.85	19.0
74,36.98	3,55.84	77,92.82	66,99.52	10,93.30	14.0

25.31	10.01	35.32	33.25	2.07	6.0
25,49.03	2,28.47	27,77.50	27,00.69	76.81	2.7
1,94.39	17.63	2,12.02	2,07.26	4.76	2.0
10,65.20	1,26.51	11,91.71	11,42.04	49.67	4.2
3,34.50	4.52	3,39.02	3,37.82	1.20	..
1,82.64	13.33	1,95.97	1,92.69	3.28	1.7
2,55.76	25.20	2,80.96	2,74.21	6.75	2.4
4,34.42	2,00.01	6,34.43	5,35.38	99.05	16.00
..	13.30	13.30	0.50	12.80	96.00
5,00.70	56.66	5,57.36	5,43.55	13.81	2.5
..	4.51	4.51	2.79	1.72	38.0
3.01	7.03	10.04	8.35	1.69	16.8

APPEN

STATEMENT SHOWING THE PARTICULARS OF GRANTS/
WAS OBTAINED AND THE EXTENT TO

(Referred to in paragraph 17

Particulars of Grant/Appropriation

(iii) *Nine Grants/Appropriations in which the supplementary provision obtained proved largely inadequate and the final excess over the total grant (including the supplementary provision) formed more than 20 per cent of the supplementary provision—*

VII. Elections	..	..	..	..	..	..	..
XII. Police	..	..	..	..	..	..	..
XIV. Medical	..	..	..	..	..	..	..
XVII. Fisheries	..	..	..	..	..	..	..
XXI. Cinchona	..	..	..	..	..	..	..
XXVII. Public Works (Voted)	..	..	..	..	..	..	..
XXVIII. Public Works—Establishment and Tools and Plant (Voted)	..	..	..	..	..	..	..
XXX. Road Transport Schemes (Voted)	..	..	..	..	..	..	..
XXXII. Pensions (<i>Charged</i>)	..	..	..	..	..	..	..

DIX II—*concl'd.*APPROPRIATIONS IN WHICH SUPPLEMENTARY PROVISION
WHICH IT WAS UTILISED

of Chapter II)

<i>Amount of Grant/Appropriation</i>			<i>Actual expendi- ture</i>	<i>Excess</i>	
<i>Original</i>	<i>Supple- mentary</i>	<i>Total</i>		<i>Amount</i>	<i>Percen- tage</i>
59.85	23.26	83.11	94.26	11.15	13
10,07.68	1,56.50	11,64.18	12,01.65	37.47	3
10,98.50	21.28	11,19.78	11,83.07	63.29	5.6
99.92	37.10	1,37.02	1,46.47	9.45	6.9
26.80	6.63	33.43	38.53	5.10	15
6,60.94	47.54	7,08.48	8,01.80	93.32	13
2,68.87	18.55	2,87.42	3,08.52	21.10	7.3
8,70.97	72.65	9,43.62	9,87.07	43.45	4.6
<i>4.44</i>	<i>4.60</i>	<i>9.04</i>	<i>18.57</i>	<i>9.53</i>	<i>105.00</i>

(IN LAKHS OF RUPEES)

APPEN

STATEMENT SHOWING THE PARTICULARS OF GRANTS IN WHICH THERE
(Referred to in paragraph

Number and name of grant. Original grant (O)
Supplementary grant (S)

(IN LAKHS OF

IV. Stamps Administration	..	O.	32.08	}
		S.	..	
XXII. Khadi	.. ..	O.	26.83	}
		S.	..	
XXXIII. Miscellaneous	.. ..	O.	4,34.42	}
		S.	2,00.01	
XXXIX. Capital Outlay on Agriculture.		O.	39.93	}
		S.	..	
XLI. Capital Outlay on Industrial Development.—				
Voted	.. ..	O.	8,88.17	}
		S.	21.38	
Charged	.. ..	O.	..	}
		S.	13.30	
XLIII. Capital Outlay on Public Works—				
Charged	.. ..	O.	..	}
		S.	4.51	

DIX III

WERE SAVINGS EXCEEDING 10 PER CENT OF THE TOTAL GRANT

20 of Chapter II)

<i>Total grant</i>	<i>Expenditure</i>	<i>Saving</i>	<i>Percentage of saving</i>
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RUPEES)

32.08	19.31	12.77	40
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26.83	20.00	6.83	25
-------	-------	------	----

6,34.43	5,35.38	99.05	16
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39.93	33.62	6.31	15
-------	-------	------	----

9,09.55	7,30.70	1,78.85	19
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13.30	0.50	12.80	96
-------	------	-------	----

4.51	2.79	1.72	38
------	------	------	----

APPEN

STATEMENT SHOWING THE PARTICULARS OF GRANTS IN WHICH THERE

(Referred to in paragraph

Number and name of grant Original grant (O)
Supplementary grant (S)

(IN LAKHS OF

XLV. Capital Outlay on Forests ..	O.	92.92	}
	S.	..	
XLVI. Commuted value of pensions	O.	3.01	}
	S.	7.03	
XLVII. Capital Outlay on Schemes of Government Trading.	O.	74,36.98	}
	S.	3,55.84	

DIX III—*concl'd.*

WERE SAVINGS EXCEEDING 10 PER CENT OF THE TOTAL GRANT
20 of Chapter II)

<i>Total grant</i>	<i>Expenditure</i>	<i>Saving</i>	<i>Percentage of saving</i>
92.92	76.24	16.68	18
10.04	8.35	1.69	16.8
77,92.82	66,99.52	10,93.30	14

RUPEES)

APPENDIX IV

CASES OF NON-UTILISATION OF PROVISION

(Referred to in paragraph 20 of Chapter II)

<i>Serial number</i>	<i>Number, name of grant and description of scheme, item, etc.</i>	<i>Funds provided</i>	<i>Amount and percentage of saving</i>
(IN LAKHS OF RUPEES)			
1	IV. Stamps—(i) b. 2. Mufassal—Discount on sale of General Stamps. Mainly post-budget reduction in rates of discount allowed to vendors and less sale of stamps. During 1965-66 also there was a saving of Rs. 8.49 lakhs (33 per cent).	25.73	13.05 (51 per cent).
2	XIII. Education—28. y. B III. Primary—(ii) Direct grants to non-Government Schools. Mainly non-supply in full of books and slates to poor pupils, non-payment of grants owing to unfilled vacancies in aided schools, etc.	32.24	21.91 (68 per cent).
3	XII. Education—28. y. B VI. Technical Education —(iii) Government Polytechnics. Mainly non-implementation of certain schemes, late starting of the Institute of Textile Technology and reduction in the provision for establishment of Junior Technical Schools.	24.15	11.49 (48 per cent).
4	XV. Public Health—o. Works—III. Ground water exploration and survey— Mainly due to transfer of certain posts to the U. N. Development programme—Ground Water Investigation Project and due to non-receipt of bills for supplies.	30.00	12.03 (40 per cent).
5	XVI. Agriculture—o. II. A. (ii) I. Soil Conservation schemes in the State— Mainly cut imposed by Government as a measure of economy.	93.76	26.19 (28 per cent).
6	XVI. Agriculture—X. (i) Formation of roads in sugar factory areas— Mainly cut imposed by Government as a measure of economy.	30.00	9.28 (31 per cent).
7	XVIII. Animal Husbandry—N. Key Village Blocks. Due to late implementation of schemes.	10.19	7.84 (77 per cent).

APPENDIX IV—*contd.*

CASES OF NON-UTILISATION OF PROVISION.

(Referred to in paragraph 20 of Chapter II)

Serial number	Number, name of grant and description of scheme, item, etc.	Funds provided	Amount and percentage of saving
(IN LAKHS OF RUPEES)			
8	XIX. Co-operation—d. B. I. Cost of managerial staff employed by co-operative societies. Mainly less payments of managerial subsidy owing to slow amalgamation of primary societies, delay in opening new branches of co-operative central banks, etc.	11.60	6.31 (54 per cent).
9	XXIII. Community Development Projects, National Extension Service and Local Development Works—D. Rural Works Programme—Expenditure in utilisation of man-power. Reduction in the allotment of funds by the Government of India; expenditure by the State Government was dependent on the magnitude of the grant received from the Government of India.	80.23	23.27 (29 per cent).
10	XXIV. Labour including Factories—o. (ii) B. II. Hostel accommodation—Add Amount transferred from "109. Capital Outlay on Other Works".	17.35	9.32 (54 per cent).
11	XXIV. Labour including Factories—o. (ii) B. VI. Industrial Training Institutes—Add Amount transferred from "109. Capital Outlay on Other Works". Due to less capital expenditure; reasons therefor are awaited.	78.04	33.42 (43 per cent).
12	XXI. Capital Outlay on Industrial Development—96. CII. (ii) 1. Co-operative spinning mills.	20.00	20.00 (100 per cent).
13	XXI. Capital Outlay on Industrial Development—C. II. (ii) 5. Contribution towards the share capital of the Co-operative sugar factories.	45.00	20.00 (44 per cent).
14	XXI. Capital Outlay on Industrial Development—109. I. b. (ii) Improvement of water facilities for industries (Land acquisition near Red Hills and Sholavaram tanks). Slow progress in acquisition of lands. <i>Vide</i> also paragraph 42 of Audit Report, 1967.	60.00	36.66 (61 per cent).
15	XXI. Capital Outlay on Industrial Development—109. IV. B. (i) b. (i) Scheme for the subsidised housing for industrial workers. Reasons are awaited.	20.29	9.98 (49 per cent).

APPENDIX IV—concl'd.

CASES OF NON-UTILISATION OF PROVISION
(Referred to in paragraph 20 of Chapter II)

<i>Serial number</i>	<i>Number, name of grant and description of scheme, item, etc.</i>	<i>Funds provided</i>	<i>Amount and percentage of saving</i>
(IN LAKHS OF RUPEES)			
16	XLIII. Capital Outlay on Public Works— a. Original Works—Buildings.—B. General Administration. Mainly slow progress of works, delays in passing awards for land acquisition and non-sanction of certain works.	58.80	21.10 (36 per cent).
17	XLIII. Capital Outlay on Public Works—a. G. Medical. Mainly non-sanction of certain works, delay in finalisation of plans and estimates, non-construction of buildings for leprosy units, etc.	1,43.87	31.13 (22 per cent).
18	XLIII. Capital Outlay on Public Works— g. (ii) Buildings for Panchayat Unions— Mainly non-sanction/late sanction of works.	21.34	10.21 (48 per cent).
19	XLIII. Capital Outlay on Public Works— g. (iv) Buildings for Primary Health Centres— Postponement of the work	9.80	9.00 (92 per cent).
20	XLVII. Capital Outlay on Schemes of Government Trading—K. Organisation of Lorry Unit for conveyance of Foodgrains— Non-receipt of debits from the Madras State Transport Department towards cost of tyres, tubes, servicing, etc., and non-adjustment of depreciation on vehicles.	20.86	13.65 (65 per cent).
21	XLVII. Capital Outlay on Schemes of Government Trading—d. Project for Malaria Control— • Less supply of material and equipment owing to a post-budget decision of the Directorate of National Malaria Eradication Programme.	22.82	20.31 (90 per cent).
22	XLVIII. Loans and Advances by the State Government.— g. (ii) A. 2. State Housing Board— Less sanction for the bulk acquisition of lands by the Housing Board.	1,48.83	47.73 (32 per cent).

APPENDIX V.

CASES IN WHICH THERE WERE UNSURRENDERED SAVINGS

(Referred to in paragraph 22 of Chapter II)

<i>Serial number</i>	<i>Number and name of grant/appropriation</i>	<i>Total saving</i>	<i>Amount surrendered</i>	<i>Amount of unsurrendered saving</i>
(IN LAKHS OF RUPEES)				
1	II. Motor Vehicles Act—Administration—Voted.	2.07	..	2.07
2	Debt Charges— <i>Charged</i>	76.81	50.41	26.40
3	XI. Jails—Voted	4.76	2.99	1.77
4	XIII. Education—Voted ..	1,14.08	75.70	38.38
5	XX. Industries—Voted ..	3.28	1.58	1.70
6	XXIX. Public Works—Grants-in-aid—Voted.	6.75	0.57	6.18
7	XXXI. Famine Relief—Voted ..	2.26	..	2.26
8	XXXIV. Stationery and Printing—Voted.	2.71	1.61	1.10
9	XXXV. Forest Department—Voted.	10.61	3.09	7.52
10	XXXVI. Other Miscellaneous compensations and assignments—Voted.	9.78	3.36	6.42
11	XLI. Capital Outlay on Industrial Development— <i>Charged</i> .	12.80	..	12.80
12	XLVI. Commuted value of Pensions—Voted.	1.69	..	1.69
13	XLVII. Capital Outlay on Schemes of Government Trading—Voted.	10,93.30	10,52.91	40.39

APPENDIX VI.

STATEMENT SHOWING THE GRANTS/APPROPRIATIONS IN WHICH
THE SURRENDER WAS NOT JUSTIFIED

(Referred to in paragraph 22 of Chapter II)

<i>Serial number</i>	<i>Number and name of grant</i>	<i>Total grant</i>	<i>Excess</i>	<i>Amount surrendered</i>
(IN LAKHS OF RUPEES)				
1	XII. Police—Voted	11,64.18	37.47	4.89
2	XVII. Fisheries—Voted	1,37.02	9.45	1.74
3	XXXVII. Compensation to Zamindars—Voted.	9.50	3.04	1.06
4	XLIV. Capital Outlay on Road Transport Schemes—Voted.	2,13.54	39.82	13.32

APPENDIX VII.

PARTICULARS IN REGARD TO THE WORKING OF CERTAIN
STATE SEED FARMS

(Referred to in paragraph 31 of Chapter III)

Name of the farm	Loss during		Remarks
	1963-64 to	1966-67	
	RS		
Mekkudy	35,000		The soil was highly alkaline and water-supply was not adequate. The two bore wells sunk at a cost of Rs. 3,540 in 1961-62 and 1962-63 were not also put to effective use.
Mudalipatti	32,180		The poor yield was attributed to concentration of salt through seepage and utilisation of salt laden drainage water for irrigation.
Colgrain	60,777		Nearly one-fourth of the total area of 51 acres was lying barren without the lands being reclaimed.
Inangur	16,913		Six bore wells sunk in 1966 have not been put to use (March, 1967). The departmental officer who inspected the farm in January, 1967 observed that the running of the farm was causing a big drain on public funds.
Nattumangalam	39,369		The loss was attributed to— (i) attempts to cultivate the entire area without considering the irrigational facilities; and (ii) cultivation of crops not suited to the soil and local condition. The expenditure of Rs. 19,604 incurred in 1964-65 on sinking of bore wells became infructuous as the wells sunk were not successful.
Valava chanoor	31,355		The farm land was stated to be shallow and the soil tests conducted by the department revealed poor fertility, the area being full of pebbles and stones and the land undulated and sloppy.
Vaigai Dam	4,661		The entire area was barren and was not made fit for any cultivation; the area was entirely dependent on rain water.
Devakottai	38,222		There were no natural sources of irrigation.
Manimuthar	51,856		Lands were uneven with rocky patches and low fertility.
Durairajnagar	16,615		Soil was of very poor fertility and the wells sunk were not also successful.
Adhanur	14,307		Soil varied from sandy loam to clay loam. Major portion was alkaline. Water-supply was also not sufficient for irrigation.

APPENDIX VIII

STATEMENT SHOWING ANALYSIS OF CASES OF MISAPPROPRIATION
OF CASH PENDING FINALISATION

(Referred to in paragraph 50 of Chapter III)

(i) Departmentwise analysis—

Department/Office	Number of cases	Amount (IN THOUSANDS OF RUPEES)
1 Land Revenue	331	9,65.96
2 Medical	6	18.37
3 Judicial	3	6.63
4 Industries and Commerce	3	22.08
5 Education	7	18.37
6 Agriculture	14	52.25
7 Forest	3	30.30
8 Fisheries	2	1.27
9 Police	2	3.80
10 Treasury	7	63.10
11 Rural Development	4	41.73
12 Commercial Taxes	8	34.58
18 Milk Commissioner	5	10.73
14 Board of Revenue (other than cases relating to Land Revenue).	6	15.67
15 Other departments	7	11.02
Total ..	408	12,95.86

(ii) Yearwise analysis—

Year	Amount misappropriated recovered but departmental action, etc., pending		Pending for other reasons	
	Number of cases	Amount (IN THOUSANDS OF RUPEES)	Number of cases	Amount (IN THOUSANDS OF RUPEES)
1962-63 and earlier years.	27	63.70	114	4,96.14
1963-64	14	25.12	22	87.58
1964-65	22	74.68	29	63.88
1965-66	18	33.66	34	75.56
1966-67	36	74.97	39	1,22.93
1967-68 [(upto September, 1967)	21	59.06	32	1,38.58
Total ..	138	3,11.19	270	9,84.67

APPENDIX IX

STATEMENT SHOWING ANALYSIS OF CASES OF SHORTAGES AND
THEFT OF STORES, DAMAGES TO PROPERTIES, ETC.

(Referred to in paragraph 50 of Chapter III.)

(i) *Departmentwise analysis—*

<i>Department/Office</i>	<i>Number of cases</i>	<i>Amount (IN THOUSANDS OF RUPEES)</i>
1 Agriculture	74	3,70.17
2 Rural Development	2	1.73
3 Medical	12	89.88
4 Police	7	88.80
5 Industries and Commerce	9	25.75
6 Forest	9	91.10
7 Cinchona	3	12.60
8 Animal Husbandry	11	2,15.15
9 Fisheries	5	51.97
10 Women's Welfare	2	3.24
11 Education	3	6.72
12 Other departments	9	8,18.09
13 Board of Revenue	4	12.31
Total	150	17,87.51

(ii) *Yearwise analysis—*

<i>Year in which reported</i>	<i>Number of cases</i>	<i>Amount (IN THOUSANDS OF RUPEES)</i>
1962-63 and earlier years	48	3,17.52
1963-64	11	17.87
1964-65	23	9,30.27
1965-66	12	56.81
1966-67	33	4,00.95
1967-68 (upto September, 1967)	23	64.09
Total	150	17,87.51

APPEN

STATEMENT SHOWING
(Referred to in paragraph

In 676 cases amounts aggregating Rs. 7.91 lakhs representing advances, etc., remissions of revenue, abandonment of claims to tent authorities as detailed below :—

Name of the department	Writes off of losses, irrecoverable revenue, duties, advances, etc.	
	Number of cases	Amount RS.
Agriculture	408	5,39,473
Education	17	33,342
Food .. .. .	..	..
Finance .. .. .	..	..
Health .. .. .	..	..
Home	73	51,923
Industries, Labour and Housing ..	25	9,131
Public Works	15	64,413
Revenue	21	14,653
Rural Development and Local Adminis- tration.	15	23,111
Total ..	574	7,36,046

DIX X

LOSSES, WRITE-OFF ETC.

51 of Chapter III)

mainly losses due to theft, fire, etc., irrecoverable revenue, duties, revenue, etc., were written off/waived during the year by the compe-

<i>Ex-gratia payments</i>		<i>Waiver of recovery</i>		<i>Remission of revenue (other than land revenue) and aban- donment of claims to revenue</i>	
<i>Number of cases</i>	<i>Amount</i>	<i>Number of cases</i>	<i>Amount</i>	<i>Number of cases</i>	<i>Amount</i>
	RS.		RS.		RS.
..	..	28	4,529	..	..
..	..	4	11,193	..	..
..	..	1	9,833	..	..
..	..	1	18	..	..
..	..	2	3,381	..	..
2	5,200	33	4,858	..	..
..	..	7	4,631	18	6,519
..
..	..	1	697	..	..
..	..	5	4,411	..	..
2	5,200	82	43,551	18	6,519

APPENDIX XI

STATEMENT SHOWING IRREGULARITIES IN THE DRAWAL AND UTILISATION OF ASSISTANCE BY CO-OPERATIVE SOCIETIES

(Referred to in paragraph 69 of Chapter VI.)

Name of society	Amount of assistance		Nature of irregularities
	Nature of assistance		
(i) (a) Cheyyar Co-operative Marketing Society	Rs. 75,000	Government contribution towards share capital participation for establishment of rice mill.	The assistance, was paid in September, 1966. The type of machinery to be installed is still under consideration of the department (June, 1967).
(b) Pollachi Co-operative Marketing Society	Do.	Do.	Do.
(c) Saidapet Taluk Co-operative Marketing Society	Rs. 64,500	Government contribution towards share capital participation for the expansion of the rice mill.	The entire amount paid in March, 1965 is lying unutilised (June, 1967).
(d) Madurantakam Co-operative Marketing Society	Rs. 46,500	Government's contribution towards share capital participation for the establishment/extension of rice mill.	Initial assistance of Rs. 25,000 was paid in two instalments (Rs. 20,000 in March, 1960 and Rs. 5,000 in July, 1960). The huller with motor was purchased in July, 1961. Due to delay in declaration of the area of the mill as a "controlled industrial area" the mill could start functioning only in January, 1967. The further assistance of Rs. 21,500 granted in March, 1964 for extension of the rice mill remains unutilised (June, 1967).
(e) Madurai Taluk Co-operative Marketing Society	Rs. 62,000	Government contribution towards additional share capital participation for constructing a paddy boiling tank (Rs. 25,000) and establishing a rice huller unit (Rs. 37,000)	The paddy boiling tank for which assistance was sanctioned in August, 1960 is yet to be completed. Assistance for the huller was drawn in March, 1966 and kept in deposit. During the period October, 1966 to April, 1967 the society has been allowed by the Deputy Registrar to withdraw Rs. 32,233.
(ii) Kanchipuram Kamakshiamman Silk Weavers' Society	Rs. 54,000	Assistance granted for setting up a twisting machine.	The amount (loan: Rs. 13,500 and subsidy: Rs. 40,500) was paid in March, 1966. The machinery was purchased in March, 1967.
(iii) Mercanam Salt Workers' Co-operative Production and sale Society	Rs. 46,500	Assistance towards reclamation of 50 acres of land.	The subsidy was paid in March, 1966. The society has so far spent Rs. 24,754 (June, 1967).

Name of society	Amount of assistance		Nature of irregularities
	Nature of assistance		
(iv) (a) Tiruppur Co-operative Stores	Rs. 20,000	Assistance for installation of oil crushing and grinding machinery	The loan assistance was paid in March, 1966. The machinery has not yet been purchased (June, 1967).
(b) Coimbatore District Co-operative Supply and Marketing Society	Do.		The loan assistance was paid in December, 1965. The machinery purchased could not be installed for want of power supply (June, 1967).
(c) Sholavandan Co-operative Stores, Limited	Do.		The first instalment of loan assistance (Rs. 10,000) was paid in September, 1962. The second instalment drawn in March, 1963 was released only in October, 1964. The building to house the Unit was completed in November, 1964 and power connection obtained in February, 1967. The machinery has not been put to use (August, 1967) for want of funds for purchase of oil seeds.
(v) Mageral Bhoodan Service Co-operative Society	Rs. 6,000	Assistance for sinking of wells	The assistance (loan: Rs. 4,500 and subsidy: Rs. 1,500) was paid in May, 1965. The work was started in January, 1967 only. A sum of Rs. 2,000 has been spent upto March, 1967.
vi) (a) Kancheepuram Co-operative Wholesale Stores	Rs. 5,000	Assistance for setting up of flour mills	The loan assistance was paid in December, 1964. The machinery have not yet been purchased for want of suitable building to instal them (June, 1967).
(b) Alwarthirunagari Co-operative Society	Do.		Do.
(c) Sivaganga Co-operative Stores	Do.		The loan assistance was paid in March, 1965. The society has not yet taken any action to utilise it (June, 1967).
(vii) Madurai City Co-operative Stores	Rs. 5,000	Assistance for installation of coffee grinder	The loan assistance was paid in March, 1966. The machinery purchased in October, 1966 could not be installed (August, 1967) for want of a suitable building.

APPEN

SYNOPTIC FINANCIAL PICTURE OF GOVERNMENT

(Referred to in paragraph

<i>Serial number and name of the Department/Unit</i>	<i>Year of commencement</i>	<i>Capital at close (as on the 31st March, 1967)</i>	<i>Net block assets (as on the 31st March, 1967)</i>
(IN LAKHS)			
1 Government Cinchona Department, Ootacamund	1871	2,60.94*	1,69.32
<i>Madras State Transport Department.</i>			
2 Government Bus Service	1947	8,02.36	4,72.36
3 State Transport Central Workshop ..	1947	1,17.83	23.49
4 Kanyakumari Branch	1956	86.88	36.98
5 Long Distance Service	1964	1,60.90	86.75
6 Ranithottam Workshop	1961	35.20	12.46
7 State Trading Schemes—(Scheme for purchase and distribution of chemical fertilisers)	1954	(-), 1,99.91 †	..
8 Wool Processing Centre, Vinnamangalam	December, 1960.	15.34	10.75

* Cinchona Department—

The reduction in capital is due to the remittances and debit adjustments

† State Trading Schemes (Chemical fertilisers)—

The minus figure is due to non-raising and adjustment of invoices by Government of 1966-67.

DIX XII

COMMERCIAL AND QUASI-COMMERCIAL UNDERTAKINGS

103 of Chapter IX)

Depreciation (as on the 31st March, 1967)	Out-turn	Net profit		Percentage of return on mean capital	
		After charging interest on capital	Before charging interest on capital	After charging interest on capital	Before charging interest on capital
1,65.12	42.45	+ 24.00	+ 40.29	9.94	16.69
3,42.57	5,48.14	-62.27	-23.24	..	..
17.86	65.02	+1.30	+5.58	1.45	6.2
53.83	1,03.60	-5.00	(-)1.16	..	..
61.38	1,61.74	+4.64	+12.71	3.1	8.6
2.60	27.85	+0.33	+2.03	1.09	6.7
..	..	+24.68	+27.67	..	..
2.65	6.65	-0.60	+0.03	..	..

* being more than withdrawals and credit adjustments during 1966-67.

ment of India in 1966-67 in respect of supplies made by them during the last quarter

APPEN

STATEMENT SHOWING ANALYSIS OF AUDIT OBJECTIONS TAKEN TO END

I. ANALYSIS SHOWING NATURE OF

(Referred to in paragraph

Department	Non-submission of detailed contingent bills		Non-submission of vouchers	
	Items	Amount	Items	Amount
(AMOUNT IN LAKHS OF RUPEES)				
Education	164	8-01	1	(Rs. 210 only)
Public Health	201	1-08	..	..
Public Works	2	0-03	330	248-03
Home	428	10-77	1	(Rs. 40 only)
Industries, Labour and Housing ..	181	8-02	26	1-87
Agriculture	1,196	37-20	181	4-15
Food	1	0-05	11	0-01
Law .. .. .	..	..	..	..
Rural Development and Local Admini- stration.	8	0-15	..	..
Finance	1	0-01	203	33-54
Public	9	1-92	52	0-09
Revenue	724	50-91	14	0-08
Total ..	2,913	1,18-15	819	2,87-77

DIX XIII

OF MARCH, 1967 AWAITING SETTLEMENT AS IN OCTOBER, 1967

AUDIT OBJECTIONS

117 of Chapter X)

<i>Non-submission of sub-vouchers and stamped receipts</i>		<i>Want of sanction</i>		<i>Other reasons</i>		<i>Total</i>	
<i>Items</i>	<i>Amount</i>	<i>Items</i>	<i>Amount</i>	<i>Items</i>	<i>Amount</i>	<i>Items</i>	<i>Amount</i>
(AMOUNT IN LAKHS OF RUPEES)							
232	4.77	37	2.04	670	7.38	1,104	22.20
923	19.73	227	8.59	357	1.77	1,708	31.17
1,849	30.84	27	0.20	862	1,36.38	3,070	4,15.48
835	14.55	178	7.38	1,530	19.75	2,970	52.45
681	70.91	166	45.69	751	1,15.54	1,805	2,42.03
1,170	53.70	1,026	25.79	1,800	16.81	5,373	1,37.65
216	6.60	18	1.16	1,363	1.84	1,609	9.66
3	0.01	..	..	..	..	3	0.01
242	1.50	54	0.36	1,200	1.42	1,504	3.43
47	0.91	37	5.36	276	2.33	564	42.15
64	3.39	4	0.02	4	(Rs. 186 only)	133	5.42
340	4.36	88	1.10	8,294	37.80	9,460	94.25
<u>6,602</u>	<u>2,11.27</u>	<u>1,862</u>	<u>97.69</u>	<u>17,107</u>	<u>3,41.02</u>	<u>29,303</u>	<u>10,55.90</u>

APPEN

II. DEPARTMENTWISE AND YEARWISE

(Referred to in paragraph

Department	1962-63 and earlier years		1963-64	
	Items	Amount	Items	Amount
(AMOUNT IN LAKHS OF RUPEES)				
Education	70	1.47	72	0.78
Public Health	107	1.93	94	0.92
Public Works	210	12.10	132	1.90
Home	186	4.78	216	3.02
Industries, Labour and Housing ..	486	29.61	211	57.64
Agriculture	789	11.11	659	8.94
Food	1	0.03	8	(Rs. 602 only.)
Law .. .. .	..	..	..	..
Rural Development and Local Adminis- tration	173	0.64	94	0.14
Finance	212	32.06	45	1.13
Public	54	1.65	9	0.03
Revenue	1,024	11.35	470	7.22
Total ..	3,312	1,06.73	2,010	81.72

DIX XIII—concl'd.

ANALYSIS OF AUDIT OBJECTIONS

117 of Chapter X)

1964-65		1965-66		1966-67		Total	
Items	Amount	Items	Amount	Items	Amount	Items	Amount
(AMOUNT IN LAKHS OF RUPEES)							
131	3.18	152	7.18	679	9.59	1,104	22.20
214	3.40	309	5.26	984	19.66	1,708	31.17
199	4.02	651	2,47.29	1,878	1,50.17	3,070	4,15.48
491	7.42	599	7.68	1,478	29.55	2,970	52.45
282	35.19	329	66.81	497	52.78	1,805	2,42.03
1,015	22.98	1,106	28.52	1,804	66.10	5,373	1,37.65
180	1.30	365	3.00	1,055	5.33	1,609	9.66
..	..	..	..	3	0.01	3	0.01
274	0.69	333	1.00	630	0.96	1,504	3.43
49	0.95	105	2.90	153	5.11	564	42.15
5	0.01	11	0.16	54	3.57	133	5.42
894	25.65	1,332	11.77	5,740	38.26	9,460	94.25
3,734	1,04.79	5,292	3,81.57	14,955	3,81.09	29,303	10,55.90

APPEN

STATEMENT SHOWING ANALYSIS OF INSPECTION REPORTS ISSUED TO
(Referred to in paragraph 118)

Department	1962-63 and earlier years		1963-64	
	Reports	Paragraphs	Reports	Paragraphs
Revenue	2	3	16	30
Finance .. .. .	..	..	1	2
Public Works	69	103	50	89
Food	21	53	17	46
Public Health	27	52	15	43
Education	4	6	12	22
Industries, Labour and Housing ..	24	71	22	54
Agriculture	56	124	44	92
Home	10	31	5	19
Rural Development and Local Administration	139	298	43	120
Public .. .. .	..	..	..	..
Total ..	352	741	225	517

DIX XIV

END OF MARCH, 1967, AWAITING SETTLEMENT AS IN OCTOBER, 1967
of Chapter X)

1964-65		1965-66		1966-67		<i>Total</i>	
<i>Reports</i>	<i>Para- graphs</i>	<i>Reports</i>	<i>Para- graphs</i>	<i>Reports</i>	<i>Para- graphs</i>	<i>Reports</i>	<i>Para- graphs</i>
10	13	47	121	91	399	166	566
1	2	..	..	10	68	12	72
72	197	90	443	92	903	373	1,735
36	111	25	122	24	143	123	475
44	108	42	187	75	456	203	846
17	42	30	121	44	296	107	487
30	79	61	200	99	482	236	886
60	145	105	374	134	801	399	1,536
13	21	26	76	47	241	101	388
84	202	147	440	236	1,115	649	2,175
1	1	3	13	..	..	4	14
368	921	576	2,097	852	4,904	2,373	9,180

APPENDIX XV

STATEMENT SHOWING IMPORTANT TYPES OF IRREGULARITIES NOTICED
DURING 1966-67

(Referred to in paragraph 118 of Chapter X)

	<i>Number of divisions/ offices in which irregularities were noticed</i>
<i>(1) Public Works Offices—</i>	
(i) Wasteful/infructuous expenditure due to defective plans and designs and abandonment of works	7 <hr/> (Rs. 0.93 lakh)
(ii) Extra cost to Government due to rejection of lowest tender/delay in accepting tenders	1 <hr/> (Rs. 0.01 lakh)
(iii) Excess payments due to non-observance of conditions of contracts or non-provision of the requisite conditions in the contract agreements	8 <hr/> (Rs. 0.14 lakh)
(iv) Delay in effecting recoveries due from contractors	18 <hr/> (Rs. 2.62 lakhs)
(v) Non-maintenance or imperfect maintenance of accounts and registers	32
(vi) Delay in recovery of rent of residential buildings	12 <hr/> (Rs. 10.73 lakhs)
(vii) Arrears in recovery of hire charges of tools and plant	6 <hr/> (Rs. 0.31 lakh)
(viii) Non-recovery of lease amounts in respect of miscellaneous properties	10 <hr/> (Rs. 0.35 lakh)
(ix) Infructuous expenditure on idle staff and machinery	4 <hr/> (Rs. 0.03 lakh)

APPENDIX XV—*contd.*STATEMENT SHOWING IMPORTANT TYPES OF IRREGULARITIES
NOTICED DURING 1966-67

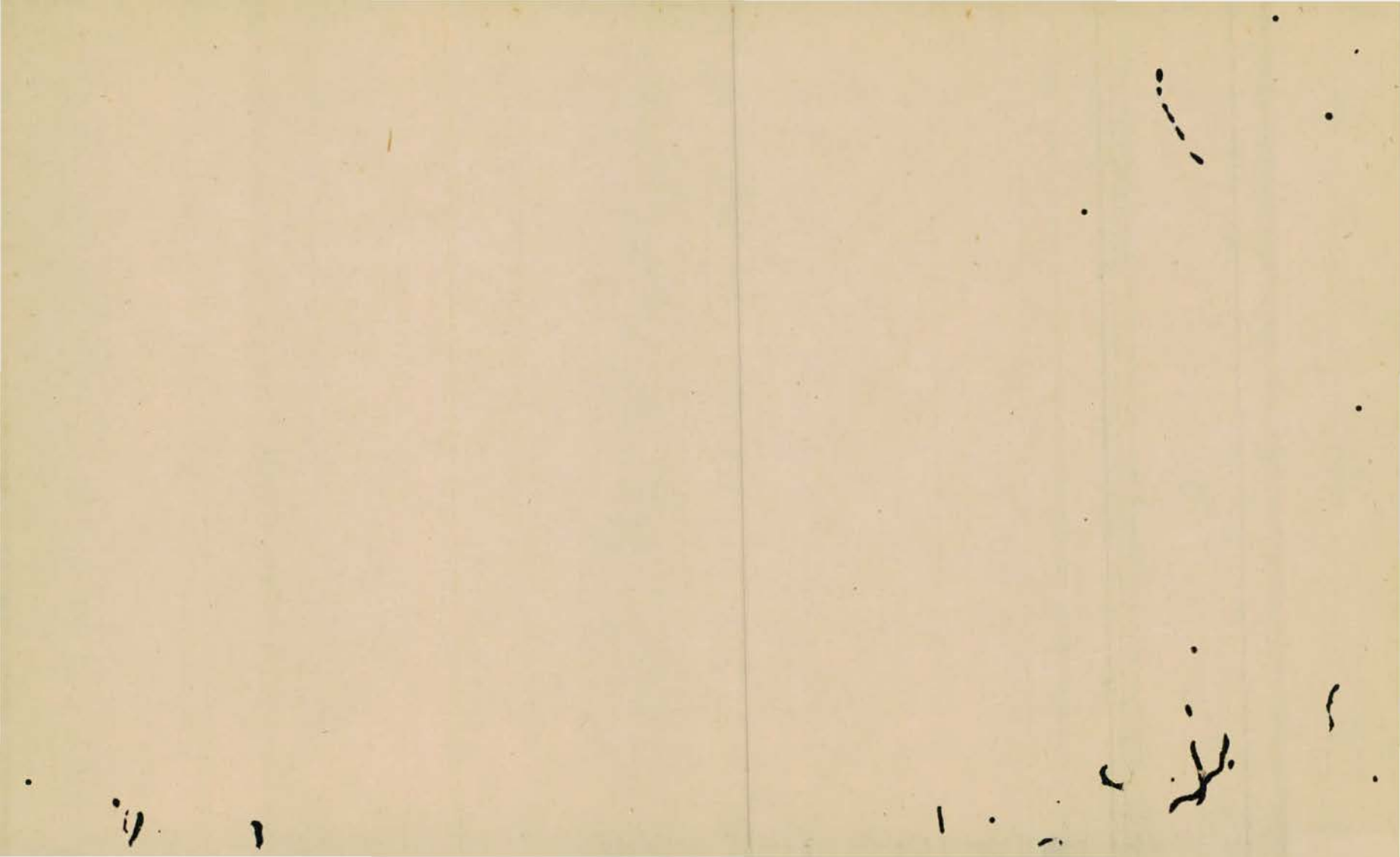
(Referred to in paragraph 118 of Chapter X)

	<i>Number of divisions/ offices in which irregularities were noticed</i>
(a) Public Works Offices—contd.	
(x) Book balance not supported by physical balance and materials	1
	(Rs. 0.15 lakh)
(xi) Miscellaneous irregularities	12
	(Rs. 1.07 lakhs)
(b) Forest Department—	
(i) Non-realisation of revenue	8
	(Rs. 34.27 lakhs)
(ii) Non-maintenance/defective maintenance of timber accounts.	2
(iii) Forest offences pending settlement ..	8
	(24,965 cases)
(c) Other Departments—	
(i) Defective maintenance of cash book and omission to conduct physical verification of cash	35
(ii) Defective maintenance of stock register and omission to conduct periodical physical verification of stock	56
(iii) Purchase made without inviting tenders or acceptance of higher tenders without recording reasons	20
	(Rs. 0.22 lakh)
(iv) Non-realisation of security deposits from persons handling cash and stores	54
(v) Delay in recovery of Government dues ..	425
	(Rs. 76.73 lakhs)
(vi) Defective maintenance of logbooks of staff cars, etc.	9

APPENDIX XV—*concl'd.*STATEMENT SHOWING IMPORTANT TYPES OF IRREGULARITIES
NOTICED DURING 1966-67

(Referred to in paragraph 118 of Chapter X)

	<i>Number of divisions/ offices in which irregularities were noticed</i>
<i>(c) Other Departments—contd.</i>	
(vii) Overpayments/irregularities connected with sanctions to grants-in-aid	577
	<hr style="width: 20%; margin-left: auto; margin-right: 0;"/> (Rs. 4.70 lakhs)
(viii) Drawal of funds in advance of requirements/to avoid lapse of budget grant	17
	<hr style="width: 20%; margin-left: auto; margin-right: 0;"/> (Rs. 3.72 lakhs)
(ix) Idle machinery and non-moving stock ..	60
	<hr style="width: 20%; margin-left: auto; margin-right: 0;"/> (Rs. 5.51 lakhs)
(x) Objections pointed out during local audit and waived under orders of Government due to efflux of time, non-availability or destruction of records	4
	<hr style="width: 20%; margin-left: auto; margin-right: 0;"/> (Rs. 0.05 lakh)



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