





GOVERNMENT OF TAMIL NADU

AUDIT REPORT
1970

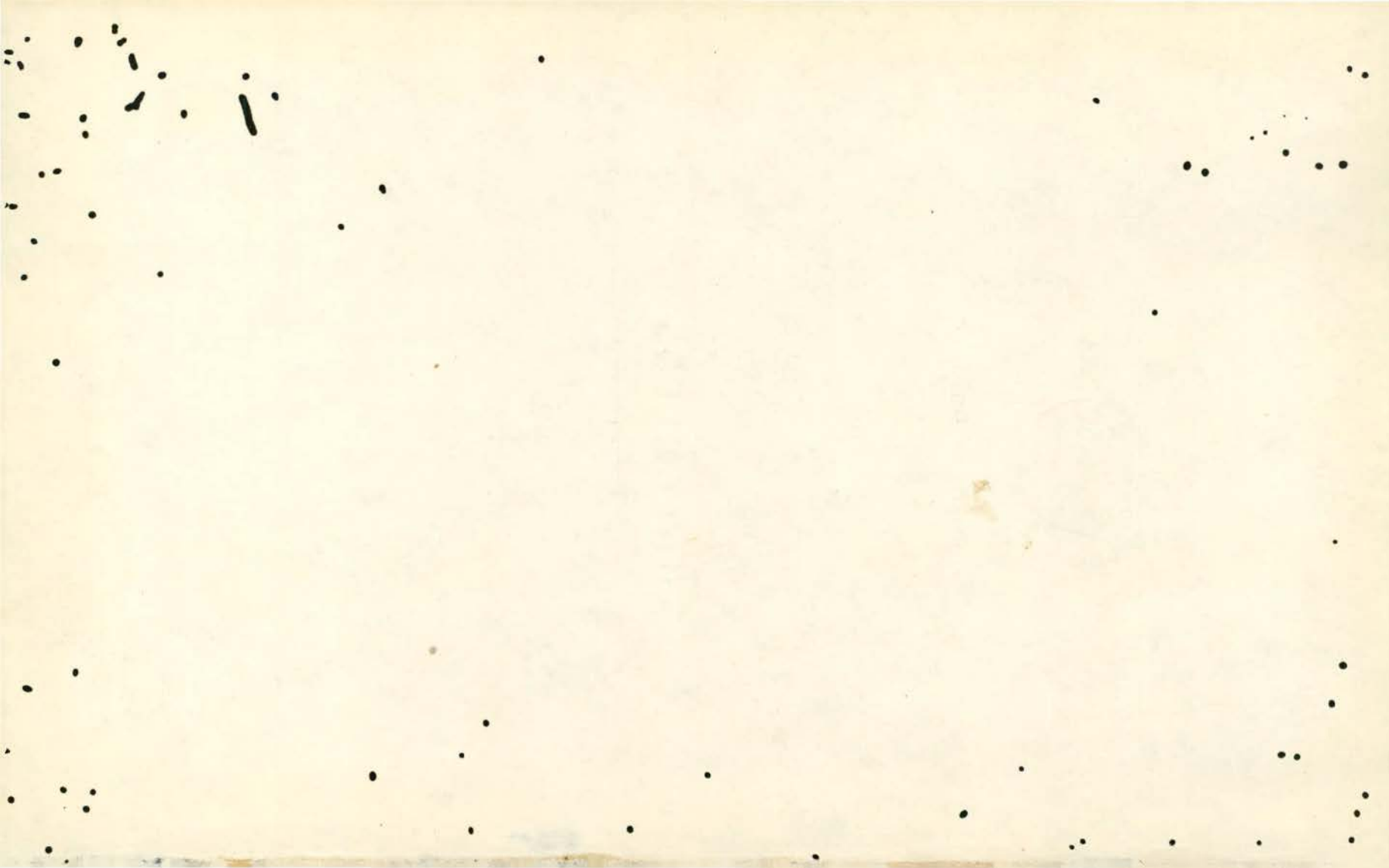


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PREFATORY REMARKS.

This volume mainly relates to matters arising from the Appropriation Accounts for 1968-69 together with other points arising from audit of the financial transactions of Government of Tamil Nadu. It also includes—

(i) certain points of interest arising from the Finance Accounts for the year 1968-69; 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 1968-69 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 1968-69 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.



CHAPTER I

GENERAL

1. Budget and actuals.

(a) *Transactions on Revenue Account.*—The budget estimates and actuals of revenue receipts and expenditure met from revenue for 1968-69 are given below with the corresponding amounts for 1966-67 and 1967-68 :—

Year	Revenue receipts		Variation	
	Budget	Actuals	Amount	Percentage
			(In crores of rupees)	
1966-67 ..	1,88.72	1,94.55	+5.83	3
1967-68 ..	2,16.07	2,33.39	+17.32	8
1968-69 ..	2,48.28	2,77.92	+29.64	12
			Revenue	Deficit(—)
				Surplus(+)
		Year	Budget	Actuals
			(In crores of rupees)	
		1966-67 ..	+0.31	-6.88
		1967-68 ..	-1.12	+0.06
		1968-69 ..	+0.74	+16.98

Expenditure met from Revenue

Year		Expenditure met from Revenue			
		Budget	Actuals		
				(In crores of rupees)	
1966-67 ..	1,88.41	2,01.43	+13.02	7	
1967-68 ..	2,17.19	2,33.33	+16.14	7	
1968-69 ..	2,47.54	2,60.94	+13.40	5	

In 1968-69 the revenue receipts were Rs. 29.64 crores more than the estimates ; the expenditure on revenue account also was more than the estimates by Rs. 13.40 crores. The year ended with a revenue surplus of Rs. 16.98 crores against a nominal surplus of Rs. 0.74 crore envisaged in the budget.

The estimates of expenditure shown above do not take into account the supplementary grants for expenditure obtained during the course of these years. If they are also taken into account, the position would be as follows :—

Year	Additional taxation	Supplementary grant	Modified budget estimates of		Surplus + Deficit —
			Receipts	Expenditure	
			(In crores of rupees)		
1966-67 ..	Nil	86.54	1,88.72	2,74.95	-86.23
1967-68 ..	Nil	51.14	2,16.07	2,68.33	-52.26
1968-69 ..	Nil	97.58	2,48.28	3,45.12	-96.84

Three supplementary grants were obtained during the year; the total additional grant for expenditure on revenue account was Rs. 20.86 crores.

(b) *Capital expenditure.*—The expenditure on capital account during 1966-67, 1967-68 and 1968-69 is given below along with the budget estimates for the years :—

Year	Budget	Actuals	Variation	
			Amount	Percentage
(In crores of rupees)				
1966-67	27.07	0.46	-26.61	-98
1967-68	32.06	30.53	-1.53	-5
1968-69	23.23	44.93	+21.70	93

During the year Rs. 12.43 crores were obtained as supplementary grants for capital expenditure.

(c) *Loans and advances by the State Government.*—The disbursements of loans and advances and the recoveries thereof during 1966-67, 1967-68 and 1968-69 are given below along with the budget estimates :—

Year	Disbursements		Percentage of variation	Recoveries.		Percentage of variation
	Budget	Actuals		Budget	Actuals	
		(In crores of rupees)		(In crores of rupees)		
1966-67	32.34	38.87	+20	8.11	9.75	+20
1967-68	30.99	38.39	+24	10.11	12.65	+25
1968-69	34.38	51.38	+49	10.74	14.47	+35

The disbursements in 1968-69 exceeded the budget estimates by Rs. 17 crores mainly due to more loans to the Tamil Nadu Electricity Board (Rs. 28.15 crores against estimate of Rs. 15.25 crores).

Rs. 18.58 crores were obtained as supplementary grants for disbursement of loans during the year.

2. Consolidated summary of transactions

The following is a summary of Government transactions for 1968-69 with comparative figures for two preceding years:—

	1966-67	1967-68	1968-69
	(In crores of rupees)		
1. Revenue—			
(a) Taxes (including State's share of Union taxes).	1,23.36	1,44.07	1,55.79
(b) Non-tax revenue	49.03	61.50	81.67
(c) Grants-in-aid from Government of India.	22.16	27.82	40.46
Total—Revenue receipts ..	1,94.55	2,33.39	2,77.92
2. Expenditure met from revenue ..	2,01.43	2,33.33	2,60.94
3. Revenue surplus (+)/deficit(—) ..	— 6.88	+0.06	+ 16.98
4. Net expenditure outside the revenue account—			
(a) Capital expenditure	0.46	30.53	44.93
(b) Loans and advances	29.12	25.74	36.91
5. Deficit (—) i.e., total resources required for meeting expenditure outside revenue account after taking into account revenue deficit/surplus.	—36.46	—56.21	— 64.86
6. Total resources available—			
(a) Net increase in—			
(i) Public debt	30.58	39.78	36.62
(ii) Unfunded Debt	1.82	1.09	8.62
(b) Net effect of transactions under Deposits and Advances, Remittances, Contingency Fund and Inter-State Settlement.	2.71	17.25	21.45
Total	35.11	58.12	66.69
7. Net increase (—) or decrease (+) in cash balance during the year.	+1.35	—1.91	—1.83
Total of (6) and (7)	36.46	56.21	64.86

TRANSACTIONS ON REVENUE ACCOUNT

3. Revenue receipts

(a) The revenue receipts in 1968-69 (Rs. 2,77.92 crores) showed increase of 19 per cent over those in 1967-68 (Rs. 2,33.39 crores); the increase is analysed below:—

	Amount of receipts		Increase(+)/Decrease(—)	
	1967-68	1968-69	Amount.	Percentage.
	(In crores of rupees)			
(i) Receipts from Central Government—				
(a) State's share of Central taxes ..	34.53	39.80	5.27	15
(b) Grants-in-aid under Article 275 of the Constitution.	6.92	6.94	0.02	..
(c) Other grants-in-aid	20.90	33.52	12.62	60
(ii) Revenue raised by State Government—				
(a) Taxes, duties and other principal heads of revenue.	1,09.54	1,15.99	6.45	6
(b) Other receipts such as rents of buildings etc.	61.50	81.67	20.17	3
Total	2,33.39	2,77.92	44.53	

Receipts from Central Government during 1968-69 (Rs. 80.26 crores) formed 29 per cent of the total revenues. The increased receipts in 1968-69 were mainly due to increase in the State's share of taxes on income and Union Excise Duties and larger miscellaneous grants such as "Grants for amortisation of open market loans" (Rs. 17.58 crores).

The revenue raised by State Government in 1968-69 was Rs. 1,97.66 crores against Rs. 1,71.04 crores in 1967-68. The increase occurred mainly under :—

Head of account.	1967-68	1968-69	Increase	
			Amount	Percentage
			(In crores of rupees)	
Taxes on vehicles	16.83	18.65	1.82	11

Mainly larger receipts from the State Motor Vehicles Taxation Act due to normal growth and increase in rates of tax from 1st July 1967.

Sales tax	56.48	61.12	4.64	8
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Mainly due to growth of trade and commerce and increase in the rates of State sales tax and Central sales tax from July 1967.

Other taxes and duties	15.22	16.70	1.48	10
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Mainly due to larger receipts of entertainment tax, betting tax and electricity duties owing to normal growth partly counterbalanced by less receipts from urban land tax.

Interest	20.64	31.18	10.54	51
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Mainly receipt of arrear interest (Rs. 9.32 crores) from the State Electricity Board.

Industries	2.67	3.82	1.15	43
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Mainly due to larger receipts from cinchona plantations (Rs. 0.79 crore) and cottage and small scale industries (Rs. 0.28 crore).

Road and water transport schemes ..	11.60	15.67	4.07	35
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Larger receipts due to increase in fleet strength.

Besides, there was increase of Rs. 2.72 crores under Miscellaneous Social and Developmental Organisations due to changed classification of receipts of Madras dairy and milk project under this head instead of "124. Capital Outlay on Schemes of Government Trading".

The increase was partly counterbalanced by less receipts from Land Revenue (Rs. 2.00 crores).

4. Arrears of Revenue

According to the figures furnished by the departments (information not received from the Director of Medical Education and the Director, Tamil Nadu State Transport), arrears in collection of revenue were Rs. 17.59 crores at the end of March 1969 out of which Rs. 9.83 crores were in sales tax and Rs. 4.29 crores in land revenue. Recovery of Rs. 5 crores was pending for over two years. Further details are furnished in paragraph 74 of Chapter VII.

5. Expenditure on revenue account

The expenditure on revenue account in 1968-69 showed increase of 12 per cent over that in 1967-68. The increase is analysed below :—

	Amount of expenditure		Increase	
	1967-68	1968-69	Amount	Percentage
	(In crores of rupees)			
Collection of taxes, duties and other principal sources.	4.25	5.05	0.80	19
Debt services	30.56	33.26	2.70	9
Administrative services	27.62	39.35	11.73	42
Social and developmental services	1,10.86	1,22.38	11.52	10
Other services	60.04	60.90	0.86	1
Total	2,33.33	2,60.94	27.61	12

The increase under debt services was mainly due to larger payment of interest on open market loans, loans from the Central Government etc., and larger contributions to sinking fund.

Accounting of expenditure on Civil Supplies department under "Miscellaneous departments" during 1968-69 was the main reason for the increase under administrative services; that expenditure was shown under other services previously. Besides, there was increase of Rs. 1.66 crores in Police expenditure due to increased expenditure on district executive force.

More important items which contributed to the increase under Social and Developmental Services and Other Services are given below :—

	1967-68	1968-69	Increase.
	(In crores of rupees)		
Social and Developmental Services—			
Education	53.55	57.51	3.96

Mainly due to larger payments of grants to local bodies for secondary education and increased expenditure on development schemes.

	1967—68	1968—69	Increase
	(In crores of rupees)		
Co-operation	2.65	4.05	1.40

Mainly due to larger expenditure on development schemes.

Miscellaneous, social and developmental organisations.	7.85	11.07	3.22
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Mainly due to accounting of the expenditure on dairy development and milk supply under this head during the year; that expenditure was recorded under "124. Capital Outlay on Schemes of Government Trading" previously.

Medical	12.70	14.60	1.90
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Mainly due to larger expenditure on hospitals and dispensaries (Rs. 0.84 crore), employees' state insurance (Rs. 0.60 crore) and development schemes (Rs. 0.31 crore).

Public Health	5.19	5.96	0.77
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Mainly due to larger expenditure on development schemes.

Other Services—			
Irrigation schemes (Commercial and non-Commercial).	9.41	10.66	1.25

Mainly due to increase in interest charges on increased capital outlay and increased grants to panchayat unions for undertaking immediate relief measures in drought affected areas.

Road and water transport schemes ..	12.14	16.17	4.03
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Mainly due to increase in operational expenses owing to increase in fleet strength.

Miscellaneous	4.84	5.67	0.83
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Mainly due to larger payments of matching grants to panchayat unions.

Other miscellaneous compensations and assignments.	6.46	7.69	1.23
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Mainly due to larger payments to local bodies owing to increased collection of entertainment tax.

The increases under "Other Services" mentioned above were partly counterbalanced by decrease under "Extraordinary charges" (Rs. 7.10 crores) owing to the accounting of the expenditure of the Civil Supplies department under "Miscellaneous departments."

6. Expenditure outside the Revenue Account

The progressive capital outlay to the end of March 1969 was Rs. 2,95.02 crores as shown below :—

	During 1968-69.	Progressive expenditure upto 1968-69.
(In crores of rupees)		
Capital expenditure on—		
(i) Irrigation and multipurpose schemes ..	7.71	1,27.24
(ii) Schemes of Government Trading, Industrial and Economic Development, Road and Water Transport and Agriculture	24.49	53.40
(iii) Public Works and Other Works	11.73	94.69
(iv) Improvement of Public Health, Forests and payment of compensation to land holders on the abolition of Zamindari system.	1.00	16.19
(v) Appropriation to Contingency Fund ..	..	3.50
Total ..	44.93	2,95.02

Further details are given in statements no. 2 and 13 of Finance Accounts 1968—69.

The sources from which capital expenditure outside the revenue account was met during and to end of 1968—69 are given below :—

	During 1968-69.	To end of 1968-69.
(In crores of rupees)		
I. Revenue surplus + deficit —	16.98	—30.87
II. Net addition to—		
(i) Permanent debt	6.45	1,31.56
(ii) Floating debt	25.52	30.61
(iii) Loans from the Central Government ..	1.11	3,18.21
(iv) Other loans	3.55	29.69
(v) Unfunded debt	8.62	29.26
III. Sinking funds and Reserve funds	4.74	41.73
IV. Net increase under deposits and advances etc. ..	13.17	1,13.22
V. Contingency fund	0.01	4.88
VI. Remittances	0.44	—0.90
Total ..	80.59	6,67.39
Deduct—increase in cash balance	1.82	9.74
Deduct—increase in investments	—3.07	3.57
Deduct—Net increase under Loans and advances by Government	36.91	3,59.06
Total ..	44.93	2,95.02

7. Loans and Advances by the State Government

(a) The outstanding balances under loans and advances given by the State Government at the end of March 1969 and the increase in 1968-69 are given below :—

Category of loans and advances.	Balance on.		Increase.
	31st March 1968.	31st March 1969.	
	(In crores of rupees.)		
1. Loans to local bodies, municipalities, etc.	41.40	44.59	3.19
2. Loans to Panchayat Raj institutions ..	2.53 *	2.53	..
3. Advances to cultivators	30.54 *	31.93	1.39
4. Loans under the control of Registrar of Co-operative Societies.	12.62	12.98	0.36
5. Advances under special laws—			
(i) Loans to State Electricity Board ..	1,99.08	2,27.24	28.16
(ii) Other parties	3.05	2.95	-0.10
6. Other loans	32.93 *	36.84	3.91
Total ..	3,22.15*	3,59.06	36.91

(b) (i) The detailed accounts of loans falling under serial numbers 3, 4, part of 5 and 6 (except loans to Government servants) above are maintained by departmental officers. The annual statements due in Audit office every June showing the amounts overdue out of these loans are awaited from all the departments ; the non-submission of these statements has been mentioned in successive Audit Reports. •

(ii) Out of loans the detailed accounts of which are kept by the Audit Office recovery of Rs. 56.16 lakhs (principal; Rs. 17.82 lakhs and interest: Rs.38.34 lakhs) was pending at the end of March 1969; of that, recovery of Rs.35.32 lakhs was pending for more than a year.

(iii) The balances are communicated to departmental officers every year for verification and acceptance. The acceptances have not been received in a large number of cases ; some instances are given below :—

Category of loans.	Number of acceptances awaited.	Earliest year from which acceptances are awaited.	Balance outstanding on 31st March 1969. (In crores of rupees).
Loans to presidency corporation, port trusts and other port funds.	351	1967-68	10.81
Loans to panchayat raj institutions.	787	1964-65	0.48
Loans to municipalities	1,355	1966-67	9.13
Advances to cultivators	653	1956-57	31.93
Other loans and advances (Miscellaneous loans and advances, advances under special laws, loans to displaced persons, loans under the community development programme etc.)	1,940	1956-57	44.18

* Differs from the figure shown in Audit Report 1969 due to *pro forma* corrections.

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

(c) The detailed accounts of advances to cultivators are maintained in the offices of Tahsildars and Collectors. Some important points noticed during test-check of the accounts of these loans in 1968-69 are given below :—

<i>Nature of irregularity.</i>	<i>Amount.</i> (In lakhs of rupees).
(i) Alleged misappropriations noticed by departmental officers under further examination.	1.59
(ii) Non-enforcement of summary recovery in cases of default and ineffective watch over recoveries (418 cases).	20.22
(iii) Omission to levy/collect penal interest on overdue instalments.	2.52
(iv) Irrecoverable loans due to ineffective departmental action ..	0.75

8. Debt position.

(a) *Public debt.*—The total public debt of Government increased by Rs. 38.99 crores in 1968-69 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	20.25	11.44	8.81
Floating debt	1,82.60	1,57.08	25.52
Loans from the Central Government	57.77	56.66	1.11
Loans from autonomous corporations, etc.	19.81	16.26	3.55
Total ..	2,80.43	2,41.44	38.99

The outstanding Public debt was Rs. 5,10.07 crores at the end of 1968-69. Analysis of the Public debt compared with the corresponding figures for preceding two years is given below :—

	<i>Total public debt on 31st March.</i>		
	1967.	1968.	1969.
(In crores of rupees)			
Open market loans	1,12.43	1,22.75	1,31.56
Floating debt .. .. .	..	5.09	30.61
Loans from Central Government ..	2,93.81	3,17.10	3,18.21
Loans from autonomous corporations etc.	23.12	26.14	29.69
Total ..	4,29.36	4,71.08	5,10.07

During the year a loan of Rs. 19.76 crores was raised at two per cent discount. This is redeemable at par in 1980 and carries $5\frac{3}{4}$ per cent interest. Land ceiling compensation bonds for Rs. 0.49 crore were also issued during the year ; these are repayable in ten annual instalments and carry 4 per cent interest.

(b) *Floating debt.*—Under an agreement with Reserve Bank of India, the Government of Tamil Nadu has to maintain with the Reserve Bank a minimum balance of Rs. 55 lakhs on all days. If the cash balance falls below the agreed minimum the deficiency is made good either by selling treasury bills or by taking ways and means advances from the Bank which are however limited to Rs. 1.65 lakhs. In addition, special advances not exceeding Rs. 3.30 lakhs are also made 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 limit, Government take overdrafts from the Bank.

During the year the balance of the Government with the Bank fell short of the agreed minimum on 347 days. The deficiency was made good by taking ways and means advances on 31 days and ways and means and special advances on 78 days. On the remaining 238 days, there was shortfall even after taking ways and means and special advances and Government had to take overdrafts from the Bank.

The total advances and overdrafts obtained during the year were Rs. 48.48 crores and Rs. 1.34.12 crores respectively ; interest paid on the advances and overdrafts was Rs. 40.44 lakhs. Balances of ways and means advances (including special advances) and overdrafts outstanding at the end of the year were Rs. 4.95 crores and Rs. 25.66 crores respectively.

(c) *Loans from Central Government.*—The balance of loans taken from Central Government and outstanding on 31st March 1969 was Rs. 3,18.21 crores which formed 62 per cent of the total Public debt. Repayment of instalments of principal and payment of interest were made on the due dates. Settlement of the terms and conditions of two loans of Rs. 1.25 lakhs received from Government of India for construction of students' hostels in 1965-66 is pending.

9. Other debt and obligations

In addition to public debt, unfunded debt comprising mainly provident fund balances of Government servants, balances at credit of earmarked and other funds and certain deposits to the extent to which they have not been invested but are merged with the cash balance of Government also constitute liability of

Government. The amounts of such liability at the end of 1966-67, 1967-68 and 1968-69 are given below :—

Liability on 31st March.

	1967.	1968.	1969.
	(In crores of rupees.)		
Unfunded debt	19.56	20.65	29.27
Interest-bearing obligations (such as depreciation reserve funds of commercial undertakings, other deposits etc.).	13.20	12.19	21.03
Non-interest-bearing obligations (such as deposits of local funds, civil deposits, earmarked funds etc.)	62.75	73.40*	78.67
Total ..	95.51	1,06.24*	1,28.97

10. Service of debt

The net burden of interest charges on debt and other obligations on revenue is given below :—

	1966-67.	1967-68.	1968-69.
	(In crores of rupees.)		
Public debt outstanding at the end of the year.	4,29.36	4,71.08	5,10.07
Unfunded debt and other obligations at the end of the year	95.51	1,06.24*	1,28.97
(i) <i>Interest paid by Government—</i>			
(a) On public debt	18.75	21.59	23.07
(b) On unfunded debt and other obligations	1.30	1.40	1.69
Total ..	20.05	22.99	24.76
(ii) <i>Deduct—</i>			
(a) Interest received on loans and advances given by Government	9.80	14.43	24.79
(b) Interest realised on investment of cash balances	0.04	0.04	0.01
(c) Recovery from other Governments for servicing and repayment of debt	0.18	0.15	0.05
(iii) Net amount of interest charges.	10.03	8.37	0.09
Percentage of gross interest [item (i)] to total revenue receipts.	10.30	9.85	8.91
Percentage of net interest [item (iii)] to total revenue receipts.	5.10	3.59	..

In addition, there were certain other receipts and adjustments such as interest received from commercial departments, interest on arrears of revenue etc. If these are also taken into account, the interest receipts were more than the interest charges by Rs. 6.46 crores.

* Differs from the figure shown in Audit Report 1969 due to *pro forma* corrections.

11. Amortisation arrangements

(a) *Open market loans*.—The following arrangements have been made for amortisation of 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 revenue annually to form a depreciation fund for purchasing the securities of the loans for cancellation.

(ii) *Sinking fund*.—Upto 1966-67 an annual contribution from revenue was made to a sinking fund at rates decided by Government from time to time. From 1967-68 increased contribution is being made so that the accumulation would be sufficient to repay the undischarged balance of the loans in full on maturity.

An account of the depreciation and sinking funds for 1968-69 is given below :—

	<i>Balance on 1st April 1968.</i>	<i>Addition during the year.</i>	<i>With- drawal during the year.</i>	<i>Balance on 31st March 1969.</i>
	(In crores of rupees)			
Depreciation fund	8.57	1.65	2.28	7.94
Sinking fund	14.19	6.91	3.53	17.57
Total ..	22.76	8.56	5.81	25.51

Of the balance in the funds, only Rs. 2.18 crores were invested in securities of Government of India, open market loans of other States, bonds of Industrial Finance Corporation of India and bonds of the Madras Industrial Investment Corporation. The market value of these securities on 31st March 1969 was Rs. 2.15 crores.

(b) *Other loans*.—The State Government had created a sinking fund for the loans taken from the Life Insurance Corporation of India; the balance in the fund at the end of 1967-68 was Rs. 14.21 lakhs out of which Rs. 5.70 lakhs were invested in the securities of the Government of India. During 1968-69 no contribution was made to the fund as Government decided that due to change in the terms of repayment for these loans no amortisation was necessary. Orders of Government for disposal of the balance in the fund (Rs. 14.53 lakhs) including interest for 1968-69 are awaited.

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

12. Guarantees given by Government

(a) Government has contingent liabilities arising out of guarantees given by it for repayment of loans, share capital etc., raised by statutory corporations, government companies, joint stock companies, co-operative institutions and certain private textile mills. Payment of minimum dividend on the share capital of the Madras Industrial Investment Corporation and payment of cost of machinery purchased by certain institutions from abroad have also been guaranteed.

(b) The total of loans etc., raised against the guarantees and outstanding at the end of March 1969 was Rs. 1,37.62 crores; the maximum amount guaranteed was Rs. 1,77.19 crores.

Further details of guarantees are given in statement No. 6 of Finance Accounts 1968-69.

13. Financial result of irrigation schemes

At the end of March 1969, the investment of Government in forty-eight irrigation projects for which Capital and Revenue Accounts have been kept was to Rs. 96.51 crores; this comprised—

(a) outlay of Rs. 90.63 crores on forty-four projects which have become revenue earning; of this expenditure of Rs. 0.99 crore on the Araniar Project has not yet been allocated between the Governments of Andhra Pradesh and Tamil Nadu.

(b) outlay of Rs. 5.88 crores on four projects which are still under construction and have not become revenue earning.

Of the forty-four projects which have become revenue earning thirty-nine projects showed deficits.

The working results of the projects are given below—

	1967-1968.	1968-1969.
	(In crores of rupees)	
Revenue	1.81	1.93
Working expenses	1.46	1.73
Net revenue before charging interest	0.35	0.20
Interest on capital	4.56	5.14
Net loss after charging of interest	4.21	4.94

Further particulars are given in statement No. 3 of Finance Accounts 1968-69.

14. Grants-in-aid

In 1968-69 Rs. 61.84 crores were paid as grants-in-aid to statutory bodies (like universities, khadi and village industries board, municipalities, panchayats, panchayat unions etc.) and other institutions including co-operative societies. Analysis of the grants-in-aid paid is given below :—

Name of department.	Grants to	Grants to
	statutory bodies.	other institutions.
	(In crores of rupees)	
Education	32.05	15.06
Public Health and Medical	1.19	0.53
Co-operation .. .. .	..	1.43
Industries, Public Works, Irrigation and other departments.	11.39	0.19
Total ..	44.63	17.21

These grants included Rs. 25.93 crores paid to panchayat unions for education and other purposes.

Some of the important irregularities about utilisation of grants and noticed during April 1968 to August 1969 by Audit and the Examiner of Local Fund Accounts are mentioned below (the figures relate to points raised upto August 1969 but not cleared till October 1969):—

(a) Irregularities noticed by the Examiner of Local Fund Accounts—

	Number of cases	Amount (In lakhs of rupees.)
(i) Amount held under objection for want of details of expenditure, non-production of records etc.	288	18.93
(ii) Inadmissible grants	729	1,03.64
(iii) Grants in excess of prescribed limits ..	348	15.59
(iv) Grants lying unutilised	209	14.33
(b) Irregularities noticed by Audit—		
(i) Inadmissible expenditure .. .. .	..	10.64
(ii) Payments in excess of prescribed limits..	..	3.99

More details are given in Chapter VI of this Report.

15. Investments

In 1968-69 Government invested Rs. 5.45 crores in Statutory Corporations (Rs. 0.02 crore) Government Companies (Rs. 0.52 crore) and Co-operative Institutions (Rs 4.91 crores).

The total investment of Government in the share capital and debentures of different concerns at the end of 1966-67, 1967-68 and 1968-69 was Rs. 18,74.30 lakhs, Rs. 25,25.72 lakhs and Rs. 30,70.83 lakhs. Dividend and interest received therefrom were Rs. 17.92 lakhs, Rs. 9.80 lakhs, and Rs. 48.02 lakhs respectively as below :—

	1966-67		1967-68		1968-69	
	Investment Number of concerns	Dividend/ interest received	Investment Number of concerns	Dividend/ interest received	Investment Number of concerns	Dividend/ interest received
(AMOUNT IN LAKHS OF RUPEES.)						
(1) Statutory Corporations	32.00	..	34.00	..	36.00	..
(ii) Government Companies	7,84.48	..	10,69.48	..	11,21.22	..
(iii) Joint stock Companies	49.97	2.97	49.97	1.57	49.97	1.40
(iv) Co-operative Institutions	10,07.85	14.95	13,72.27	8.23	18,63.64	46.62
	2,530		2,622		2,657	
Total ..	18,74.30	17.92	25,25.72	9.80	30,70.83	48.02
	2,548		2,640		2,675	

16. State Raffle Scheme

To harness the savings of the people for the purpose of economic development on new lines the State Government introduced during the year a raffle scheme. The collections therefrom have been credited to the "Public Account" under "Unfunded debt"; the expenditure on staff, contingencies etc., for implementing the scheme is debited to the service head "71. Miscellaneous". The balance of collections from the raffle at the end of 1968-69 was Rs. 4.74 crores (Receipts: Rs. 7.30 crores; expenditure: Rs. 2.56 crores). It has been pointed out in Audit that the net collections should be taken to the Consolidated Fund as revenue. The decision of Government on this suggestion is awaited (December 1969).

CHAPTER II.

APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

17. Summary

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

		<i>Grants/ Appro- priations.</i>	<i>Actual expenditure.</i>	<i>Excess(+) Saving(-).</i>	<i>Percentage [columns (3) to (1).]</i>
		(1)	(2)	(3)	(4)
(In crores of rupees.)					
<i>Voted—</i>					
Original ..	3,86.96	4,38.14	4,25.40	—12.74	3
Supplementary ..	51.18				
<i>Charged—</i>					
Original ..	2,28.66	2,75.06	2,79.17	+4.11	1
Supplementary.	46.40				

The saving of Rs. 12.74 crores in the voted section was the net result of savings in thirty-three grants and excess in thirteen grants.

The excess of Rs. 4.11 crores in the charged section was the net result of excess in nine appropriations and savings in twenty-three appropriations.

18. Supplementary grants/appropriations

Supplementary provision of Rs. 97.58 crores was obtained under forty-three grants and twenty-five appropriations. Cases in which the supplementary provision proved unnecessary, excessive or inadequate are indicated in appendix I.

(i) The supplementary provision proved unnecessary in three grants as the expenditure was less than even the original grant. The supplementary provision of Rs. 7.16 lakhs obtained in March 1969 in these cases could have been restricted to token amounts for new service items where necessary ;

(ii) In four grants and three appropriations supplementary provision (exceeding Rs. 10 lakhs in two cases and Rs. 1.00 lakhs in two others) proved excessive. Against the total supplementary provision of Rs. 7.54 crores, only Rs. 4.30 crores were utilised.

19. Excess over voted grants

The following thirteen 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.
		RS.	RS.	RS.
1.	1. Land Revenue Department.	1,85,16,000	1,85,91,328	75,328
<p>Excess occurred mainly under "Rangers and Mobile staff" (provision : Rs. 59.36 lakhs ; expenditure : Rs. 63.20 lakhs). Reasons for the excess are awaited.</p>				
2.	7. Elections	13,32,000	14,21,536	89,536
<p>Excess occurred mainly under "Expenditure on Elections" (provision : Rs. 1.99 lakhs; expenditure: Rs. 2.50 lakhs) and "By-elections" (provision : Rs. 1.46 lakhs ; expenditure : Rs. 1.90 lakhs). Reasons for the excess are awaited.</p>				
3.	10. Administration of Justice.	2,25,95,800	2,29,00,308	3,04,508

Excess occurred mainly under " b. Law officers " (expenditure: Rs. 14.91 lakhs, provision: Rs. 12.39 lakhs). Reasons for the excess are awaited.

There was excess of Rs. 1.40 lakhs in 1967-68 also.

4.	12. Police	14,18,25,700	14,32,02,949	13,77,249
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Excess occurred mainly under "23. c. District Executive Force—A. District Police" (expenditure:Rs. 8,61.22 lakhs, provision: Rs. 8,42.86 lakhs) mainly due to formation of additional armed reserve platoons, bifurcation of Chingleput district, payment of dearness allowance at enhanced rates and larger expenditure on installation of telephones, etc., and under " 23. h. BB II S.A.P. Battalion—II. (b). Expenditure while on deputation to Union Government " (expenditure : Rs. 35.47 lakhs ; provision: Rs. 25.05 lakhs) partly offset by saving under "23. j. Miscellaneous".

• There was excess of Rs. 30.41 lakhs in 1967-68 also.

5.	23. Community Development Projects etc.	5,96,97,900	6,09,30,776	12,32,876
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Excess occurred mainly under "C. Local Development Works—Rural Water Supply—Grants-in-aid to Panchayat Unions" (expenditure: Rs. 94.99 lakhs, provision: Rs. 81.00 lakhs). Excess of Rs. 6.73 lakhs was due to larger grants for water supply schemes. Reasons for the balance excess of Rs. 7.26 lakhs are awaited.

Serial number,	Number and name of grant	Total grant	Expenditure	Excess.
		RS.	RS.	RS.
6.	28. Public Works— Establishment and Tools and Plant	4,17,30,700	4,17,58,151	27,451
7.	30. Road Transport Schemes.	15,94,43,400	16,16,84,481	22,41,081

Excess occurred mainly under "A. (i) b.c. Long Distance Services" (expenditure: Rs. 4,03.29 lakhs, provision: Rs. 2,75.46 lakhs) and was partly counter balanced by savings under "(A) b. A. Bus Service, Madras" (expenditure : Rs. 6,34.66 lakhs ; provision :Rs. 7,28.59 lakhs). It was stated by the department that due to a post-budget decision the expenditure on district services was accounted for under "Long Distance Services" instead of "Madras Branch". Reasons for the further excess of Rs. 34 lakhs under "Long Distance Services" are awaited.

8.	33. Miscellaneous	6,36,83,200	6,43,67,348	6,84,148
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Excess occurred mainly due to omission to provide funds (i) for payment of matching contribution for 1965-66 and 1966-67 under "71. e. Z. Contribution to Madras State Special Fund for rehabilitation and reconstruction of ex-servicemen" (expenditure: Rs. 10.20 lakhs; provision: Rs. 100), and (ii) cost of printing raffle tickets under "h. N. Tamil Nadu Raffle Scheme" (expenditure: Rs. 89.13 lakhs; provision: Rs. 78.81 lakhs). The excess was partly counterbalanced by saving under "71. e. B. Contribution to local bodies in aid of general balances" and "71. e. V. Settlement of landless agricultural labourers". There was excess of Rs. 11.64 lakhs in 1967-68 also.

9.	34. Stationery and Printing.	2,75,85,500	2,79,67,972	3,82,472
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Excess occurred mainly under "(e). F. Other expenditure" (expenditure: Rs. 31.98 lakhs; provision; Rs. 29.62 lakhs) mainly due to adjustment of railway credit notes and cost of unanticipated supplies by the Public Works Workshops and Stores.

There was excess of Rs. 3.06 lakhs in 1967-68 also.

10.	35. Forest Department..	2,09,21,800	2,19,05,151	9,83,351
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Excess occurred mainly under "Amount transferred from 119. Capital Outlay on Forests" (expenditure : Rs. 41.68 lakhs; provision: Rs. 28.89 lakhs) mainly due to larger transfer of capital expenditure than anticipated owing to 100 per cent subsidy obtained from the Government of India for the schemes " Village Forests" and "Raising of fuel trees".

Serial number	Number and name of grant	Total grant	Expenditure	Excess
11. 36.	Other Miscellaneous compensations and assignments.	7,29,26,300	7,46,72,577	17,46,277

Excess occurred mainly under "b. Entertainment Tax" (expenditure:Rs. 7,03.17 lakhs; provision:Rs. 6,79.11 lakhs) owing to larger collections and consequent larger assignment of entertainment tax to local bodies. The excess was partly offset by savings under some other heads.

12. 38.	Capital Outlay on Public Health.	5,13,800	6,02,907	89,107
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Excess occurred mainly under "a. Works—Estimates of the Superintending Engineer, Public Health Circle—Suspense" (expenditure: Rs. 4.88 lakhs; provision : Rs. 4.26 lakhs). Reasons for the excess are awaited.

13. 45.	Commuted Value of Pensions.	11,05,500	12,45,071	1,39,571
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Excess occurred mainly under "a. Payments in India—(i) Payments to pensioners" (expenditure: Rs. 12.45 lakhs; provision: Rs. 10.96 lakhs). Reasons for the excess are awaited.

20. Excess over charged appropriations

The excess over the following nine charged appropriations also requires regularisation:—

Serial number	Number and name of appropriation	Total appropriation	Expenditure	Excess
1. 3.	General Sales Tax and other Taxes and Duties.	6,200	10,521	4,321

Excess occurred under "A. Headquarters establishment" (provision: Rs. 0.06 lakh, expenditure: Rs. 0.11 lakh). Reasons for the excess are awaited.

2. 10.	Administration of Justice.	31,28,700	31,62,427	33,727
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Excess occurred mainly under "21. a. A. Judges and Registrar" (provision: Rs. 26.54 lakhs; expenditure: Rs. 26.81 lakhs). Reasons for the excess are awaited.

3. 32.	Pensions	16,61,500	21,95,016	5,33,516
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Excess occurred mainly under "a. F. Payments to other Governments—Charged" (expenditure:Rs. 18.62 lakhs; provision: Rs. 13.09 lakhs). Reasons for the excess are awaited.

4. 33.	Miscellaneous ..	16,13,300	16,28,184	14,884
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Excess occurred mainly under "67. Privy purses and allowances of Indian Rulers. a. Integrated States—Payments to other Governments—Kerala" (expenditure : Rs. 1.88 lakhs; provision: Rs. 1.73 lakhs).

There was excess of Rs. 34,470 in 1967-68 also.

Serial number	Number and name of appropriation	Total appropriation	Expenditure
		RS.	RS.
5.	34. Stationery and Printing.	19,900	34,384

Excess occurred mainly under "Stationery and Secretarial staff of the Governor" (expenditure : Rs. 14,484; provision : Rs. 0.19 lakh).

6.	39. Capital Outlay on Agriculture.	4,10,300	4,20,701
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Excess occurred under "c. XXII. Construction for new post graduate course at Agricultural College and Institute, Coimbatore" (provision : Rs. 3.22 lakhs; Rs. 3.33 lakhs) and was due to payment of larger compensation for land.

7.	45. Commuted Value of Pensions.	93,200	96,957
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Excess occurred under "Payments to other Government Departments—Charged" (provision : Rs. 0.86 lakhs; expenditure : Rs. 0.96 lakh). Reasons for the excess are as follows:

8.	46. Capital Outlay on Schemes of Government Trading.	6,900	7,147
9.	Public Debt—Repayment.	2,39,49,39,600	2,44,02,03,542

Excess occurred mainly under "(iii) Loans from Government—c. Other loans" (expenditure: Rs. 32.10 lakhs; provision: Rs. 20,27.95 lakhs). Rs. 12.10 crores under "Miscellaneous Development Loans" were adjusted to State Government under orders of Government in March 1969. The excess was partly covered by saving under "C. (iv) other loans" (expenditure: Rs. 12.10 lakhs; provision: Rs. 21,44.72 lakhs).

21. Savings in grants/appropriations

(a) Savings in excess of 10 per cent of the total grant in eight grants. Details are given in appendix II. The total saving in these cases was Rs. 5,39.95 lakhs. In six of these (serial numbers 2,3,7 to 10) saving exceeding 10 per cent occurred in 1967-68 also.

Saving exceeding 10 per cent occurred in three appropriations. The total saving in these cases was Rs. 6.90 lakhs.

(b) Bulk of the savings in the voted section occurred under "20. Industries" (Rs. 95.42 lakhs) mainly due to less

Serial number	Number and name of grant	Total grant	Expenditure	Excess
11. 36.	Other Miscellaneous compensations and assignments.	7,29,26,300	7,46,72,577	17,46,277

Excess occurred mainly under "b. Entertainment Tax" (expenditure:Rs. 7,03.17 lakhs; provision:Rs. 6,79.11 lakhs) owing to larger collections and consequent larger assignment of entertainment tax to local bodies. The excess was partly offset by savings under some other heads.

12. 38.	Capital Outlay on Public Health.	5,13,800	6,02,907	89,107
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Excess occurred mainly under "a. Works—Estimates of the Superintending Engineer, Public Health Circle—Suspense" (expenditure: Rs. 4.88 lakhs; provision: Rs. 4.26 lakhs). Reasons for the excess are awaited.

13. 45.	Commuted Value of Pensions.	11,05,500	12,45,071	1,39,571
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Excess occurred mainly under "a. Payments in India—(i) Payments to pensioners" (expenditure: Rs. 12.45 lakhs; provision: Rs. 10.96 lakhs). Reasons for the excess are awaited.

20. Excess over charged appropriations

The excess over the following nine charged appropriations also requires regularisation:—

Serial number	Number and name of appropriation	Total appropriation	Expenditure	Excess
1. 3.	General Sales Tax and other Taxes and Duties.	6,200	10,521	4,321

Excess occurred under "A. Headquarters establishment" (provision: Rs. 0.06 lakh, expenditure: Rs. 0.11 lakh). Reasons for the excess are awaited.

2. 10.	Administration of Justice.	31,28,700	31,62,427	33,727
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Excess occurred mainly under "21. a. A. Judges and Registrar" (provision: Rs. 26.54 lakhs; expenditure: Rs. 26.81 lakhs). Reasons for the excess are awaited.

3. 32.	Pensions	16,61,500	21,95,016	5,33,516
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Excess occurred mainly under "a. F. Payments to other Governments—Charged" (expenditure:Rs. 18.62 lakhs; provision: Rs. 13.09 lakhs). Reasons for the excess are awaited.

4. 33.	Miscellaneous ..	16,13,300	16,28,184	14,884
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Excess occurred mainly under "67. Privy purses and allowances of Indian Rulers. a. Integrated States—Payments to other Governments—Kerala" (expenditure: Rs. 1.88 lakhs; provision: Rs. 1.73 lakhs).

There was excess of Rs. 34,470 in 1967-68 also.

Serial number	Number and name of appropriation	Total appropriation	Expenditure	Excess
		RS.	RS.	RS.
5.	34. Stationery and Printing.	19,900	34,384	14,484

Excess occurred mainly under "Stationery supplied to the Secretarial staff of the Governor" (expenditure : Rs. 0.33 lakh; provision : Rs. 0.19 lakh).

6.	39. Capital Outlay on Agriculture.	4,10,300	4,20,701	10,401
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Excess occurred under "c. XXII. Construction of glass house for new post graduate course at Agricultural College and Research Institute, Coimbatore" (provision : Rs. 3.22 lakhs ; expenditure: Rs. 3.33 lakhs) and was due to payment of larger compensation for land.

7.	45. Commuted Value of Pensions.	93,200	96,957	3,757
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Excess occurred under "Payments to other Governments—Other payments—Charged" (provision : Rs. 0.86 lakh ; expenditure : Rs. 0.96 lakh). Reasons for the excess are awaited.

8.	46. Capital Outlay on Schemes of Government Trading.	6,900	7,147	247
9.	Public Debt—Repayment.	2,39,49,39,600	2,44,02,03,542	4,52,63,942

Excess occurred mainly under "(iii) Loans from Central Government—c. Other loans" (expenditure: Rs. 32,38.15 lakhs; provision : Rs. 20,27.95 lakhs). Rs. 12.10 crores outstanding under "Miscellaneous Development Loans" were adjusted as grants to State Government under orders of Government of India in March 1969. The excess was partly counterbalanced by saving under "C. (iv) other loans" (expenditure: Rs. 16,26.59 lakhs; provision: Rs. 21,44.72 lakhs).

21. Savings in grants/appropriations

(a) Savings in excess of 10 per cent of the total grant occurred in eight grants. Details are given in appendix II. The total saving in these cases was Rs. 5,39.95 lakhs. In six of these cases (serial numbers 2,3,7 to 10) saving exceeding 10 per cent occurred in 1967-68 also.

Saving exceeding 10 per cent occurred in three appropriations ; the total saving in these cases was Rs. 6.90 lakhs.

(b) Bulk of the savings in the voted section occurred under "Grant 20. Industries" (Rs. 95.42 lakhs) mainly due to less expenditure

on " b. Cottage and small-scale industries ", " Grant 37. Compensation to Zamindars " (Rs. 1,31.07 lakhs) due to less payments of compensation pending disposal of appeals and revision petitions, and " Grant 40. Capital Outlay on Industrial Development " (Rs. 1,27.14 lakhs) mainly due to less investments in co-operatives than anticipated.

(c) Provision made for major schemes/items remained unutilised wholly or to a substantial extent in several cases. Some of the cases are shown below and in appendix III.

<i>Number and name of grant</i>	<i>Description of item</i>	<i>Provision</i>	<i>Saving</i>	<i>Percentage</i>
(in lakhs of rupees)				
16. Agriculture	O. Development Schemes— Schemes in the Fourth Five-Year Plan— (i) Q. Scheme for increasing the production of oil seeds.	51.78	30.18	58
	(ii) C. Establishment of State Seed Farms.	45.67	26.13	57

Mainly due to (i) non-acquisition of additional lands for Navlock farm, non-availability of tractors (Rs. 13.27 lakhs), (ii) non-completion of reclamation works owing to adverse seasonal conditions and non-adjustment of cost of construction of cattle sheds (Rs. 2.05 lakhs), and (iii) original provision for accommodating transfers from the capital head proving excessive (Rs. 10.81 lakhs).

20. Industries	(ii) b. (ii) XXI. Small Scale Industries Servicing Corporation, Guindy.	1,10.64	89.34	80
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Mainly due to merger of central stores with the stores of the Servicing Corporation, Guindy (Rs. 60 lakhs) and non-receipt of iron and steel and scarce materials (Rs. 9.70 lakhs).

29. Public Works—Grants -in-aid.	n.II. Slum Clearance—Grants to the State Housing Board.	70.00	35.01	50
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Mainly due to less payments to the State Housing Board owing to reduction in the assistance from Government of India for the scheme.

<i>Number and name of grant</i>	<i>Description of Item</i>	<i>Provision</i>	<i>Saving</i>	<i>Percentage</i>
		(in lakhs of rupees)		
31. Famine relief	A.I.c. Gratuitous relief	1,67-00	90-62	54

Mainly due to a post-budget decision to book the expenditure under other service heads of account, viz., "Irrigation" and "Road Transport Schemes" (Rs. 57.50 lakhs); reasons for the balance saving have not been furnished.

40. Capital Outlay on Industrial Development	(ii) 109.I.c.2. Union Government Rental Housing Scheme for low-paid employees of the State Government	50-00	33-81	68
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Mainly due to non-adjustment to the capital head of the expenditure incurred by the State Housing Board (out of advances for the Union Government Rental Housing Scheme, pending finalisation of the figures of expenditure)

Do.	(ii) 109. III.(ii)d.(v) Industrial Training	88-09	73-28	83
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Mainly due to non-provision of additional seats in the industrial training institutes

46. Capital Outlay on Schemes of Government Trading	II. (i) New Grain Supply Scheme—C. Wheat Products— <i>a.</i> Gross expenditure	6,30-00	2,76-08	44
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Mainly due to revision of the policy of distribution of wheat products from August 1968, allowing 50 per cent of the allotted quantity for free sale by the mills in the open market.

47. Loans and Advances by the State Government.	h. Development Schemes—A.1. Presidency Corporation	73-10	45-86	63
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Mainly due to less expenditure on construction of roads, bridges, etc., by the Corporation and consequent less sanction of loans.

Do.	e. Advances to cultivators—(v) Loans under the control of Board of Revenue (Land Revenue).	2,51-55	1,03-06	41
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Mainly due to non-disbursement of the second instalment of loan pending utilisation of the first instalment (Rs 54.05 lakhs) and excessive original provision (Rs. 49.33 lakhs).

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 secured by—

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

(ii) obtaining supplementary grants/appropriations where necessary ;

(iii) surrender of surplus funds under a sub-head in which saving can be foreseen ; and

(iv) taking advances from the Contingency Fund for meeting unforeseen expenditure pending authorisation of such expenditure by the Legislature.

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 19 and 20 above ; in all, excess of Rs. 5.53 crores remained uncovered in thirteen grants and nine appropriations.

Cases where additional funds provided in the course of the year by supplementary grant or appropriation proved unnecessary or excessive have been mentioned in paragraph 18 above.

The rules require that unutilised amounts should be surrendered as soon as the possibility of savings is envisaged. However Rs. 18.71 crores were surrendered only on the last month of the year ; of that Rs. 15.38 crores were surrendered on the 31st March 1969.

Important instances of defective control over expenditure in individual group heads within the grant/appropriation have been mentioned in the Appropriation Accounts.

CHAPTER III

CIVIL DEPARTMENTS

AGRICULTURE DEPARTMENT

23. Coconut Demonstration Farms

For demonstrating to ryots the proper method of reclamation of the Kazhuveli swamp area (over 27 square miles) in South Arcot district by raising coconut plantations, three demonstration farms were established between 1959-60 and 1961-62. Rs. 2.31 lakhs (including Rs. 1.22 lakhs towards pay and allowances of staff) were spent upto March 1969. There was high mortality of plants in the second and third years of their life due to excessive salinity of the soil. An expert team constituted to go into the working of the farms reported in November 1965 that it would be futile to maintain the farms which would be unproductive and uneconomical. The Director of Agriculture recommended to Government (in February 1967) that two farms might be closed and the third continued as an experimental unit. The farms were closed in May-June 1967; expenditure on their watch and ward, however, continues to be incurred (October 1969) pending disposal of the farms. Expenditure on the two farms upto March 1969 was Rs. 95,057 of which Rs. 22,951 were spent after November 1965.

Yield from the third farm was also very poor; only Rs. 476 were realised during 1964-65 to 1968-69.

24. Loans for Co-ordinated Cotton Development

During 1963-64 to 1966-67 Rs. 35.35 lakhs were paid as loans to cotton growers towards cultivation expenses etc. The loans were recoverable within a year with simple interest. At the end of June 1969 recovery of Rs. 5.31 lakhs (principal) was overdue. Information about overdue interest is awaited.

In addition Rs. 1.34 lakhs paid in 1962-63 and earlier years (dating back to 1947-48) were pending collection. The department stated (September 1969) that the Revenue department had been requested to effect the recoveries early.

25. Distribution of groundnut seeds

Groundnut seeds procured during 1966 and 1967 for development of oilseeds could not be sold to ryots as the market rate fell far below their cost price. They were issued to ryots on loan basis subject to recovery being made in kind immediately after harvest; if the seeds were not so returned, the cost thereof

was to be recovered with interest as arrears of land revenue. According to the information furnished by the department, of 1.26 lakhs kgs. of seeds issued during 1967-68 by nine District Agricultural officers, loan of 56,900 kgs. (value : Rs. 96,500) had not been recovered even after the second harvest. The department replied (December 1969) that action was being taken to effect recovery through Revenue department.

26. Aerial spraying of pesticides

In paragraph 24 of the Audit Report 1965 mention was made of outstanding dues recoverable from ryots. The Committee on Public Accounts observed (July 1966) that the administrative machinery should be geared up and that the outstanding amounts should be recovered without further delay. Recovery of Rs. 1.01 lakhs for the period upto 1963-64 was still pending (June 1969).

During 1964-65 to 1967-68 Rs. 39.09 lakhs were further spent on aerial spraying of pesticides, the share of the beneficiaries (recoverable in the next fasli) being Rs. 19.12 lakhs. Of that only Rs. 1,000 were recovered upto June 1969. Demands for Rs. 10.52 lakhs are yet to be raised through the Revenue department (June 1969). Yearwise details are given below :—

Year			Expenditure	Share of Beneficiaries	Recoveries	Amounts for which demands are yet to be raised
(in lakhs of rupees)						
1964-65	..	..	1.15	0.61	..	0.11
1965-66	..	..	1.52	0.92	0.01	0.91
1966-67	..	..	4.06	1.77	..	0.60
1967-68	..	..	32.36	15.82	..	8.90
Total	..		<u>39.09</u>	<u>19.12</u>	<u>0.01</u>	<u>10.52</u>

The following points were also noticed :—

- (i) Rs. 2.21 lakhs were spent on spraying done on fallow lands.
- (ii) The operations in Gobichettipalayam division were done (December 1967) using a helicopter. It has been laid down by Government of India that, in the interests of economy, only areas which cannot be covered by fixed wing aircrafts should be assigned to helicopters. Though it was feasible to use fixed wing aircraft, the department used helicopters in deference to the wishes of the local ryots. This resulted in extra expenditure of Rs. 1.24 lakhs.

27. Sheep and wool extension centres

For improving the quality of sheep in selected centres and producing superior breeding stock, ten sheep and wool extension centres were established in 1966-67. No rams were, however, purchased and distributed in these centres. In March 1968 the Director of Animal Husbandry proposed to Government abolition of nine of these centres; orders of Government are awaited (April 1969). Rs. 0.44 lakh spent on the pay and allowances of the staff (upto February 1969) thus apparently, were unfruitful.

28. Piggery Farm, Alamadhi

The farm established in December 1964 for development of piggery envisaged increase in meat production (by raising local breeds of pigs by supplying white Yorkshire boars to breeders). Rs. 8.14 lakhs were spent on the farm upto March 1969 (pay and allowances of staff : Rs. 1.05 lakhs ; contingencies, purchase of pigs, feeding charges, etc : Rs. 5.46 lakhs ; building and equipment : Rs. 1.63 lakhs). The excess of expenditure (excluding capital expenditure) over receipts upto March 1969 was Rs. 5.39 lakhs.

During December 1964 to March 1969, 1,962 piglets were littered of which 309 (16 per cent) died. On 31st March 1969 there were 294 pigs in stock.

80 sows (cost of maintenance : Rs. 27,303) did not litter even once. Of them 17 (cost of maintenance : Rs. 6,700) died, 56 were disposed of for Rs. 8,464, one transferred to another farm and the remaining six are held in stock. The Deputy Director of Animal Husbandry (Livestock) observed in November 1968 that only a handful of sows not exceeding 10 in a month were mated resulting in poor number of piglets born and other female pigs were kept idle and fed unnecessarily. The poor working was attributed to lack of accommodation and insufficient water supply.

29. Training Centre in Sheep and Wool Husbandry, Chinnasalem.

The centre commenced functioning in a rented (rent : Rs. 75 per mensem) building from August 1965. The building for the centre constructed by the Public Works Department in August 1966 (estimated cost: Rs. 80,800) was taken over by it in December 1967. After construction of the building training was imparted to only one batch between March 1968 and May 1968 and the centre was closed in November 1968 as adequate number of persons had been trained. Expenditure on pay and allowances of staff for May-November 1968 was Rs. 4,200.

In October 1968 the Superintendent, Sheep Breeding Research Station, Chinnasalem, who took over the building, proposed conversion of the building into residential quarters for the staff after

carrying out certain alterations. Decision is still awaited (July 1969). The Superintendent reported in July 1969 that to prevent misuse of the building by the public, it had been allotted from January 1969 to some members of the staff for residential purposes.

30. Poultry farming

For increasing production of subsidiary food Government paid during 1964-65 to 1966-67 Rs. 10.10 lakhs as loan to 578 poultry farmers and institutions. The loan recoverable in 50 equal instalments in three years carried 6-6½ per cent interest. The information made available (April-May 1968) by the department for 503 poultry units showed that 169 units (assistance : Rs. 2.60 lakhs) were closed and 150 units (assistance : Rs. 3.12 lakhs) were working at a loss. The poor results were attributed by the Poultry Development Officers to—

- (i) non-availability of poultry feed at reasonable cost,
- (ii) lack of enthusiasm on the part of poultry farmers, and
- (iii) absence of follow-up action by the department due to lack of supervisory staff for inspecting the farms.

At the end of June 1969 recovery of Rs. 5.08 lakhs was overdue.

31. Coconut plantation under the Mettur Soil Conservation Scheme

• 1,550 coconut seedlings were planted along the fringes of Stanley Reservoir, Mettur and river banks during 1965-66. Rs. 28,757 were spent on planting and maintenance to the end of 1967-68. The Conservator of Forests reported in September 1967 that the localities were not quite suitable for planting coconut and, in view of the high cost of maintenance, suggested transfer of the plantations to the Panchayats or the Public Works department for further maintenance. This was approved by Government in February 1969. The Conservator of Forests, however, reported in April 1969 that only 183 plants (12 per cent) were surviving and that the panchayats were unwilling to take over their maintenance. The expenditure on the scheme proved largely infructuous. In October 1969 Government stated that the plants had since (September 1969) been handed over to the panchayats for maintenance.

32. Rubber plantations in Kanyakumari district

During 1960-61 to 1967-68 Rs. 99.59 lakhs were spent on plantations raised in 4,150 acres against the target of 3,892 acres at an estimated cost of Rs. 75.77 lakhs. The increase in plantation expenditure (Rs. 2,400 per acre against the permissible limit of Rs. 1,600-Rs. 2,100 per acre) was due to—

- (i) increased cost of maintenance works for eradication of weeds and
- (ii) increased cost of cultural operations.

The following points were noticed during a review conducted in February 1969.

(i) The *kumridars* (inter-crop lessees) of Sea Island cotton in 1964-65 were allowed to cultivate tapioca and extension of lease was given for a second crop in 1965-66 at Rs. 50 per acre (average rate for 1963-64) without conducting any auction for the lease. The average rate for 1965-66 for the *kumri* crop (inter-crop) in other areas, however, was Rs. 210 per acre. Extension of the lease without auction resulted in loss of revenue of about Rs. 42,000.

(ii) Clear felling and dragging of timber in the plantation area was got done (without calling tenders) through a few selected contractors (cost: Rs. 6.23 lakhs). It was stated by the department (July 1969) that as this was a skilled job to be done quickly with little wastage during a particular period of the year, tenders were not called for. Relaxation of the codal provision was not got approved by the competent authority.

(iii) Survival of trees was less than 50 per cent in 733 acres.

(iv) (a) The latex extracted from trees from 1967 is partly being processed into rubber by hand machines and partly sold in the market since building for the factory (sanctioned in October 1966) has not been completed (November 1969). Machines worth Rs. 4.28 lakhs purchased in 1968 the warranty for which expired in March 1969 could not also be erected and tested.

(b) Special guaranteed amount of Rs. 10,510 per annum is payable to the Electricity Board from March 1969 though machinery had not been commissioned.

(v) Two uninsured cases of machines shipped from London were received (April 1968) in a damaged condition. The extent of damages has not yet (January 1969) been assessed and consequently no claim could be preferred against the steamer agents.

(vi) In five works for which cement was to be supplied by the department the quantity of cement issued to contractors was found to be less than the quantity required according to the specification of the works. No recovery for the sub-standard works was made from the contractors. It was stated in one case that the contractor was permitted to use his own cement for the balance requirement even though there was sufficient stock with the department.

(vii) According to the departmental inspection report (March 1968), there was a shortage of 1,500 c.ft. of sawn timber (value: Rs. 26,000) in Keeriparai division.

33. Cashew plantations in forest areas

During the Third Plan period (1961-66) cashew plantations were raised over 13,500 acres at a cost of Rs. 12.73 lakhs. In Cuddalore (South), Tiruchirappalli and Ramanathapuram Forest divisions

where 85 per cent of the plantations were raised the following points were noticed :—

(i) Survival of the plants was as under :—

	Acres
Over seventy per cent ..	4,105
Between fifty and seventy per cent	2,203
Below fifty per cent.	5,334

In 2,034 acres (cost of raising plantations: Rs. 1.03 lakhs) survival was ten per cent and less.

The stocking achieved (i.e. plants surviving) by direct sowing in Ramanathapuram division during 1962-63 was 15 to 20 per cent; container planting with extra expenditure of about Rs. 22,800 was resorted to during 1963-64 and 1964-65. However, in 1,834 acres (66 per cent of the area covered) the stocking was ten per cent and less.

The poor survival was attributed by the department to unfavourable soil conditions (Cuddalore division) and to damage by semi-wild cattle and drought conditions (Ramanathapuram division).

(ii) In Cuddalore division a tractor (cost: Rs. 73,160) purchased in September 1962 was used for about 600 hours only as it was frequently under repair. The tractor went out of order in August 1967 and is yet to be repaired (December 1969). In Ramanathapuram division a tractor (cost: Rs. 38,554) purchased in March 1966 remained unused till June 1967 for want of certain implements. About Rs. 12,000 were spent on pay and allowances of the crew for periods during which the tractors remained unused.

(iii) In Ramanathapuram division during 1957-58 cashew plantations had been raised (planting cost: Rs. 6,800) inadvertently on a private land. The owner of the land stated (June 1968) that unless the standing growth was transferred to him he might be compelled to file a suit claiming damages at Rs. 5,000 per annum.

(iv) According to a report of the Indian Central Spices and Cashewnut Committee, cashew trees are expected to yield 165 kgs. per acre from the 4th to the 10th year of their planting. During 1966-67 and 1967-68, when the trees planted during 1961-62 and 1962-63 started yielding, the average yield did not exceed 24 kgs., the average yield in Ramanathapuram division being only 4 kgs.

HEALTH AND FAMILY PLANNING DEPARTMENT

34. Primary Health Centre, Tirupparankundram

The irregularities noticed in six primary health centres under the Family Planning Scheme were mentioned in paragraph 43 of the Audit Report 1968. During local audit (conducted in November 1968) of the accounts of the Primary Health Centre, Tirupparankundram, where 7,497 vasectomy operations (expenditure :

Rs. 3.20 lakhs) were stated to have been performed during April 1966 to November 1968, the following irregularities were noticed :—

(i) The basic records—‘Nominal Registers’ and ‘Family Planning Operation Registers’—were not maintained in support of the operations performed.

(ii) Vouchers for payment of incentives to fathers and agents did not contain dates of operation, name of medical officers, etc.

(iii) The quantity of anaesthetic drawn from stock was far less than the quantity required to carry out the number of operations for which payments had been made. (Between 1st July 1966 and 4th October 1966, 1,613 operations were stated to have been performed but the anaesthetic drawn was sufficient to operate only about 200 persons).

The matter was reported to the Director of Health Services and Family Planning and Government in December 1968. As similar irregularities were noticed during local audit of the accounts of some other primary health centres also, Government was requested (May 1969) for a departmental investigation of the accounts of all the centres.

Government stated (June 1969) that the matter was under investigation by the Vigilance and Anti-corruption Department.

35. Family planning

The targets fixed for sterilisation operations and I.U.C.D. insertions for 1968-69 (no targets were fixed prior to 1968-69) and those actually done were as follows :—

		Target	Achievement
Sterilisation operations	.. ..	2,30,158	1,12,077
I.U.C.D. insertions	.. ..	1,53,438	24,956

Sterilisation operations performed during 1968-69 were 45 per cent of those performed during 1966-67. The decline was attributed *inter-alia* to strict screening of eligible fathers for vasectomy, correct accounting and adoption of other family planning measures.

In one clinic no operation was performed in six years and in another only sixty-two operations were performed in three years, *vide* details below :—

<i>Institution</i>	<i>Period during which spent</i>	<i>Expenditure</i>	<i>Remarks</i>
1 Government Pappayee Achi Hospital, Valayapatti	Rs. 13,000 1963-69		No operations were performed since inception as the medical officer-in-charge was not trained in family planning and as there were no building and other facilities. A mid-wife and an ayah appointed for family planning work were diverted for regular work of the hospital.

<i>Institution</i>	<i>Expenditure</i>		<i>Remarks</i>
	<i>Period during which spent</i>		
2 Primary Health Centre, Ponnapuram	Rs. 34,800	1966-69	One block extension educator, three health inspectors and one store keeper-cum-accountant were employed from May 1966. Only sixty-two operations were performed during October 1967 to July 1969.

36. Extra expenditure on preparation of diet

Government lowered in June 1964 the scale of firewood for preparing iddies and sambar. The Superintendent of Government Mental Hospital, Madras, represented in September 1964 that the scale fixed was unworkable and continued to issue firewood at the old scale. The Director of Medical Services recommended to Government a slightly increased scale in August 1966. The revised scales were accepted by Government (May 1969). Computed with reference to the revised scale approved by Government the extra expenditure works out to about Rs. 18,000 (at Rs. 4,000 per annum) for the period ending February 1969.

INDUSTRIES DEPARTMENT

37. Quality marking

For raising the quality of manufactures by small-scale industries Government introduced in 1962 a quality marking scheme. Prescription of standard specifications for common consumer goods for which there were no I.S.I. specifications, opening inspection depots fully equipped with technical staff and testing machinery, inspection of the goods, quality marking etc. were contemplated.

The Quality Marking Board constituted for the purpose drew up specifications of a few items of steel furniture and leather goods. Government sanctioned in July 1962 setting up of two centres for implementation of the scheme with necessary technical and ministerial staff, on the condition that the staff, excepting two clerks, should be appointed only after the machinery (estimated cost: Rs. 50,000) for testing had been purchased and a laboratory for testing had been set up. A few machines costing Rs. 5,000 were purchased and no laboratory was set up, but the entire staff was appointed mainly during 1964-65 and 1965-66. In May 1967 the scheme was deferred as it required considerable modification in the light of the decisions arrived at in the first All India Seminar on Quality Marking held at Chandigarh during September 1966. No developmental work was done to have the specifications adopted by small-scale industrial units and in the absence of a fully equipped

laboratory, no quality marking was done. Bulk of the expenditure (Rs. 1.12 lakhs—of which Rs. 0.45 lakh were spent during October 1966 to May 1967) on the pay and allowances of the staff thus proved infructuous.

The scheme has not so far (December 1969) been revived.

SOCIAL WELFARE DEPARTMENT

38. Model Colony for Harijans

A model colony for Harijans with thirty houses was constructed at a cost of Rs. 14,250 at Rowsapatti village (Thanjavur district) in 1964-65. Additional allotment of Rs. 2,250 for plastering the walls and floors with cement, sought for by the Collector of Thanjavur in December 1965, was sanctioned by Government only in April 1967. Meanwhile, the houses were reported to have been damaged beyond repairs due to the rains in 1966 and 1967. Government, while ordering (in March 1968) reconstruction of 5 houses (the remaining 25 beneficiaries having left the colony for their respective villages), asked the Director of Harijan Welfare to take disciplinary action against the persons responsible for the defective or substandard construction. The Director reported in September 1968 that it was not possible to fix responsibility on any person.

GENERAL

39. Misappropriation

The number of cases of misappropriation of Government money, which were pending final action at the end of June 1969 were as follows:—

	Revenue department		Other departments		Total	
	Num-ber.	Amo-unt.	Num-ber.	Amo-unt.	Num-ber.	Amo-unt.
	(Amount in lakhs of rupees)					
Cases outstanding at the end of September 1968.	321	8.74	77	3.13	398	11.87
Cases reported during October 1968 to June 1969.	83	1.59	15	1.19	98	2.78
Total ..	404	10.33	92	4.32	496	14.65
Cases closed during October 1968 to June 1969.	114	2.40	20	0.22	134	2.62
Cases outstanding at the end of June 1969.	290	7.93	72	4.10	362	12.03

Departmentwise and yearwise analysis of the 362 outstanding cases is given in appendix IV; these cases are awaiting departmental action, criminal prosecution, recovery etc.

In addition, 162 cases (Rs. 19.88 lakhs) of shortages and theft/loss of stores, damages to vehicles, properties etc., reported to audit upto June 1969 were pending finalisation ; of these 81 cases (Rs. 3.97 lakhs) related to Agriculture department. Departmentwise and yearwise analysis of these cases is given in appendix V.

40. Miscellaneous losses, writes-off etc.

Certain cases of miscellaneous losses, writes-off etc., are mentioned in appendix VI.

CHAPTER IV

WORKS EXPENDITURE

41. Adanapattu—Thensiruvalur tank in Tindivanam taluk

For providing irrigation facilities to additional 73 acres the full tank level of the tank was raised by one foot at a cost of Rs. 11,700. After completion of the work it was found that 140 acres of foreshore land would be submerged thereby. To eliminate submersion, a revised estimate for Rs. 1.04 lakhs for formation of a foreshore bund with 3 let-in-sluices and a new calingulah was submitted to Government for approval in December 1965. Pending receipt of Government sanction, the work was ordered (by the Chief Engineer in October 1966) to be carried out and Rs. 56,500 were spent. Government, however, ordered in February 1968 that the work might be abandoned and the original tank level be restored, as a vast area was liable to submersion (it was considered doubtful whether the foreshore lands would be free from submersion completely even after carrying out of the proposed improvements) and the cost of proposed improvements was disproportionate. Restoration of the tank to its original condition estimated to cost Rs. 5,000 is still (December 1969) to be done. The Executive Engineer stated (December 1968) that with this additional outlay the calingulah (expenditure Rs. 12,800) could be utilised with advantage as an extra surplussing arrangement as the site was in the cyclone belt. The Department also stated that the shutters (cost: Rs. 35,000) manufactured for the work could be utilised elsewhere and that about Rs. 15,000 only, out of the total expenditure of Rs. 68,200 (excluding Rs. 5,000 estimated to be the cost of restoration of the tank to its original condition) on the work could be considered infructuous.

The case was reported to Government in September 1969; reply is awaited (December 1969).

42. Fraudulent payment

Having entertained doubts about the genuineness of certain measurements, the Executive Engineer, Floods Division, Villupuram, conducted in December 1967 a re-check of the measurements for the work "Removing and repacking revetment with old stones" in the case of eleven tank works, which had been paid for during March 1967 to December 1967. The re-check disclosed that the section officers had allowed bad work and recorded false and excessive measurements, the resultant excess payments (to eight contractors) was about Rs. 19,000. Charges were framed in December 1967 against the section officers and the sub-divisional officer who had check-measured the work; final action has not been taken so far (December 1969). The excess payments have also not been recovered.

43. Ramarajapuram anicut supply channel

Restoration of the dilapidated Ramarajapuram anicut across Maninadhi in Kallakurichi taluk and extending the existing supply channel by about thirteen miles to augment supply to twelve minor irrigation tanks was sanctioned in January 1961. The anicut was expected to stabilise 874 acres of the existing ayacut, bridge the gap of 172 acres under the registered ayacut and irrigate new ayacut of 319 acres.

Some particulars of the work are given below :—

<i>Cost of construction</i>	(In lakhs of rupees)
(i) Original estimate (1961)	4.03
(ii) Revised estimate (1967) awaiting sanction (November 1969)	14.16
(iii) Actual expenditure to the end of June 1969	10.02
(iv) Anticipated further expenditure for completing the project	4.72
Food value—	
Original cost	Rs. 960 per ton
Revised cost	Rs. 3,000 per ton

The increase in the estimated cost by about 250 per cent was mainly attributed to :—

	(In lakhs of rupees)
(i) increased provision for earthwork excavation in supply channel	6.30
(ii) cross masonry work for which no provision was made in the original estimate	1.02
(iii) increase in the cost of acquisition of land ..	1.50

The original estimate was stated to have been prepared on certain assumed classification of soil in approximate depths instead of on actual trial pit particulars.

According to the report accompanying the revised estimate, there was an unexplained excess of 2,758 units of earthwork over the original estimated quantity of 8,900 units; it was stated that there was no plausible reason for the excess since there had been no change in the alignment of the channel.

The following points were noticed :—

(i) In February 1964 the Executive Engineer reported to the Superintending Engineer certain irregularities in payments made earlier (like preparation of bills based on incorrect quantities, incorrect classification of soil, excavation done below correct bed level

etc.). He subsequently (May 1965) reported to audit that in eighty-three bills received for pre-audit in the division Rs. 36,322 had been disallowed and recovery of Rs. 14,533 ordered in certain earlier payments. No action had been taken to investigate how the irregularities occurred and who were responsible for them.

(ii) The work which was commenced in 1962-63 has not been completed so far (October 1969); the value of earthwork and cross masonry works remaining to be executed in July 1969 was Rs. 2.93 lakhs. Revised schedule of rates for the remaining earthwork excavation was approved in March 1969. Those rates were in excess of the rates approved in September 1965 by 25 to 300 per cent. Even the revised estimate for earthwork is thus likely to be exceeded by Rs. 0.58 lakh.

The matter was reported to the Department in September 1966 and to Government in November 1969; replies are awaited (January 1970).

44. Construction of an anicut

In July 1960 Government sanctioned construction of an anicut across a jungle stream in Alanda village limits (Tirunelveli district) and diverting its water through a new supply channel for supplying water to three tanks. The anicut was expected to irrigate 230 acres.

Some particulars of the work and points noticed are given below:—

	(Amount In lakhs of rupees)
(1) Cost of construction—	
Original estimate (March 1961)	2.10
Revised estimate (December 1966)	5.22
(2) Actual expenditure upto September 1968	3.08
(3) Approximate work completed	50 per cent

The increase of about 150 per cent over the original estimate was mainly under :—

(a) supply channel—Rs. 2.42 lakhs (original provision : Rs. 4.65 lakhs; revised provision : Rs. 4.07 lakhs); and

(b) pumping of water during excavation, removing blasted stones etc.—Rs. 0.27 lakh (no provision had been made originally).

While revising the estimate, the hydraulic calculations were revised in reaches II and III of the supply channel leading to possible savings of Rs. 1.62 lakhs. As, however, excavation in reach I (measuring 3,000') had already been completed by then no actual saving was possible by reduction of the depth of cutting.

While recommending the scheme to Government, it was stated that 15 acres of land acquired for the anicut and the channel would be made over to Government free of cost by the pattadars. On

receipt of complaints from the ryots whose lands had been taken over, compensation was ordered to be paid by the Board of Revenue in March 1968. No compensation has been paid so far (December 1968).

From September 1964 the work is at a stand still as the contractors stopped work demanding higher rates. Increased rates were approved by the Superintending Engineer in April and July 1963. There was no response to tender notices issued on six occasions between June and October 1967. In December 1967 the department decided to execute the work departmentally. That has not yet commenced. After seven years, only about 50 per cent of the work has been completed at a cost of Rs. 3.08 lakhs.

45. Provision of irrigation-cum-drainage facilities

Provision of better drainage facilities to lands on either side of Kandaparichanar by syphoning the flood discharge across Korayar river was sanctioned in 1958. Construction commenced in 1959 and the work was completed in 1968; the delay was attributed to delay in land acquisition.

Some particulars of the work are given below :—

Cost of construction.	(In lakhs of rupees)
(i) Original estimate (1958)	4.82
(ii) Revised estimate (1965)	5.98
(iii) Actual expenditure to end of February 1969 ..	7.26

The increase in outlay of over 50 per cent of the original estimate has been mainly attributed to the following :—

	(In lakhs of rupees)
(i) Increase under the syphon work due to higher rates and extra quantity of masonry work	0.42
(ii) Increase under cross masonry works and road bridge (In the original estimate construction of a bridge, a drainage sluice and irrigation and drainage syphon was not contemplated)	2.15

The following points were noticed :—

(1) During execution the alignment of the channel was changed to effect a saving of Rs. 1.04 lakhs in channel excavation and land acquisition.

However, there was excess of Rs. 0.92 lakh (over the revised estimated cost of Rs. 2.88 lakhs) which was attributed to use of heavy earthmoving machinery.

(2) The syphon aqueduct was constructed to carry maximum flood level discharge of 846 cusecs but the channel was excavated to a width which could carry ordinary flood discharge of 282 cusecs only. In October 1966 within a few days of the opening of the channel, due to the inadequate section floods caused breaches in certain branches of the channel. It was observed that the actual flood discharge at the railway bridge site 2 furlongs upstream was 1,349 cusecs. Rs. 69,290 were spent to the end of February 1969 to repair the damages caused by floods. After further investigation two estimates for Rs. 1.04 lakhs and Rs. 0.60 lakh were sanctioned in September 1968 for widening the channel to the required maximum flood level.

46. Anicut across Vellar river in Arantangi taluk

Sanctioned in 1962 it envisaged construction of an anicut and excavation of a supply channel to benefit 4,855 acres (stabilisation of 3,335 acres and bridging of gap 1,520 acres) through a chain of seventeen tanks. The work (technically sanctioned for Rs. 4.07 lakhs) was started in 1962 and completed in October 1964, the expenditure to the end of February 1969 being Rs. 4.21 lakhs. The accounts of the work have not been closed (November 1969).

The following points were noticed during a review conducted in March 1969 :—

(i) The Collector in his report to the Board of Revenue in October 1966 stated that in the absence of supply channels to connect the remaining tanks only two out of the seventeen tanks could be deemed to have been benefitted by the scheme. The Chief Engineer held that there was no need for the supply channels since the surplus course of each tank was to serve as the feeder to the lower down tank and also stated that ryots by cross bunding the surplus courses were preventing supply of water to the lower down tanks.

In the circumstances the Board of Revenue recommended to Government in December 1967 to exempt the lands from levy of betterment fee for five years to the end of June 1972. Final orders of Government are awaited (August 1969).

(ii) The estimate provided Rs. 23,960 for improvement and renovation of the seventeen tanks; the Chief Engineer stated (January 1969) that eight had been renovated (expenditure Rs. 30,671) by the Food Production Department under separate estimates and proposed that, considering the heavy expenditure necessary to renovate the remaining tanks and bring them to standards, renovation works might be taken up under separate estimates. It was observed that in three cases alone renovation was expected to cost Rs. 1.01 lakhs.

As renovation of the tanks was a key factor for increasing food production under the scheme, non-execution of the work relating to the tanks had substantially diminished the benefits under the scheme.

(iii) The floods in 1965 and 1967 caused heavy damages to the anicut although the floods were much less than the maximum flood discharge for which the anicut was designed. The Executive Engineer, Irrigation Research Station, Poondi advised the department in February 1969 to strengthen the energy dissipating arrangements, since he considered that most of the damages would have been caused due to inadequate energy dissipating arrangements. Rs. 31,000 were spent on repairs of the damages in 1965; Rs. 80,000 more were sanctioned during 1968-69 for repair of damages caused by floods in 1967 and for protective works.

47. Minor Irrigation works

Results of review in July 1969 of two minor irrigation works are given below :—

(a) Cost of construction—

	Construction of an anicut across	
	Perumpallam drain	Koranganpallam drain
Date of commencement	August 1964	August 1964.
Original estimate	Rs. 7.90 lakhs (July 1964)	Rs. 8.00 lakhs (July 1964)
Revised estimate	Rs. 24.00 lakhs (Pending approval)	Rs. 13.00 lakhs (May 1968)
Actual outlay to the end of June 1969	Rs. 24.59 lakhs	Rs. 12.73 lakhs
Date of completion	September 1968	September 1967

The increase over the original estimate has been mainly attributed to the following :—

	(In lakhs of rupees)	
increase in cost of land	3.45	..
increase in cost of channel excavation	7.91	4.57
increase in cross masonry works	3.42	..

The original estimates of both the works had been proposed on certain assumed classification of soil in approximate depths and were not based on actual trial pit particulars. The works were done through job workers on nomination at rates approved by the Superintending Engineer. Increased rates were sanctioned in September 1965, June 1966 and April 1967 as the contractors had represented that the rates were low and unworkable. The rates finally sanctioned in April 1967 were three to four times the rates sanctioned in June 1966. The increase in rates alone accounted for excess of Rs. 5.37 lakhs and Rs. 2.08 lakhs respectively over the original estimate.

(b) Irrigation done—

	Perumpallam drain		Koranganpallam drain	
	Target	Actual in 1968-69	Target	Actual in 1968-69
	(In acres)			
(i) New ayacut	1,490	7	2,700	615
(ii) Ayacut transferred from Lower Bhavani Project System	1,055	206	800	750

The shortfall was attributed to non-execution of field bothies (channels) by ryots (channels for irrigating lands less than 150 acres in area have to be executed by ryots at their own cost) in the case of Perumpallam and non reclamation of lands in the case of Koranganpallam. In November 1968 the Superintending Engineer submitted a proposal for excavating field bothies up to 50 acres limit and acquiring land for field bothies upto 25 acres limit at Government cost (estimated expenditure Rs. 0.83 lakh). The expenditure on works connected with expansion of new ayacut under the Lower Bhavani project in lieu of the old ayacut transferred to the two schemes was included in the estimates of the latter. But in view of the large excesses over estimates they are now proposed to be taken up as full contribution work at the cost of beneficiaries (estimated expenditure Rs. 1.63 lakhs).

It was contemplated that betterment fee would be levied on all the lands benefitted but no fee has been levied so far.

The following points were also noticed :—

(a) *Perumpallam drain*

Three compressors, one lorry and five pumps (cost : Rs. 1.21 lakhs) purchased for it remain to be disposed of (July 1969). Of these, two compressors (cost : Rs. 0.52 lakh) were under repair from March 1967 and August 1967.

(b) *Koranganpallam drain*

The flow from the anicut was not sufficient and water had to be released from the Lower Bhavani project in January 1968 and again in January 1969 to save the standing crops.

48. Construction of an anicut across the Agniyar.

The work was commenced in July 1964 and, except formation of the flood bank on the right side of the anicut and the inlet in the left bank, was completed by June 1967.

Certain points noticed during review in April 1969 are given below :—

(1) *Inadequate investigation and estimation* :—(i) Against the original technical sanction accorded for Rs. 9.47 lakhs, the revised estimate prepared in March 1968 was for Rs. 14.42 lakhs. The increase of about 53 per cent over the original estimate was mainly due to—

	(in lakhs of rupees)
(a) increased provision for head sluices due to change in design	0.79
(b) inadequate provision for supply channels, flood banks and improvement to tanks	3.66
(c) increased cost of land acquisition ..	1.08
and was partly set off by saving of Rs. 0.53 lakh due to non-execution of renovation works of two tanks.	

Government pointed out (while sanctioning the revised estimate in October 1968) that the scheme had become uneconomic (cost per tonne of foodgrain had increased from Rs. 1,284

to Rs. 2,334 against the limit of Rs. 2,000) and on account of faulty investigation the original estimate was grossly underpitched.

(ii) The anicut works suffered extensive damages by floods in December 1967 and an estimate for Rs. 98,000 was sanctioned in June 1968 (outside the project estimate) to repair the damages and reconstruct the portions washed away. Rs. 88,585 were spent to the end of August 1969. (The maximum discharge during the floods was only 29,000 cusecs against the designed discharge of 75,000 cusecs). The failure of the anicut was attributed to foundations of the retaining wall not having been taken below the scouring depth.

(2) *Over payments.*—(i) For removal of earth above the bed level of the anicut payment was made at the rate applicable to earthwork in foundation instead of at the rate for ordinary earthwork excavation, resulting in extra payment of Rs. 7,117.

(ii) No recovery had been made from the contractor towards 515 bags of cement (cost Rs. 3,219) short used on the work.

49. Lorry hire charges

In the Pongalur Public Works Division, hire charges for lorries with a carrying capacity of over 14,500 lb. hired to contractors for transporting materials for works were collected at the rate of Rs. 1.50 per mile instead of at Rs. 2 per mile fixed by Government. The under-recovery during April 1964 to August 1966 was about Rs. 32,000. There was also under-recovery of about Rs. 11,900 during 1964—67 due to non-collection of the tariff minimum. (The daily minimum charge for each lorry has to be collected in cases where hire charges on actual mileage fall short of the minimum.) This was pointed out to the department in August 1967. The Chief Engineer reported to Government that the recovery of the amount was not possible, as most of the job workers had left the work sites; Government ratified (June 1969) the action of the Chief Engineer.

50. Non-production of tender documents

In the Public Health Engineering Division, Madurai, tenders for construction of three R.C.C. elevated reservoirs of different capacities were invited in November 1966. While construction of one reservoir was entrusted to contractor 'A' for Rs. 1.19 lakhs, the tenders for the other two works were rejected. Tenders were re-invited (May 1967) for those two works and the works entrusted to the same contractor 'A' for Rs. 2.12 lakhs and Rs. 2.80 lakhs. The original (rejected) tender documents (also comparative statements) for these two works were not produced to audit by the Superintending Engineer on the plea that rejection was made in pursuance of his administrative functions. The matter was brought to the notice of the Chief Engineer (February 1968) and Government (August 1968); the tender documents have not yet (December 1969) been produced for audit scrutiny.

51. Virudhunagar Water Supply Improvement

The work sanctioned in March 1959 for Rs. 31.44 lakhs was commenced in December 1960. In December 1962 the estimated cost was revised to Rs. 53.00 lakhs, the increase being mainly due to—

(i) taking up of replacement of existing water mains in the distribution system, and

(ii) general increase in the cost of labour and materials.

Progress of the work (divided into five stages) and cost of component stages of the scheme as technically sanctioned were (June 1969) as below :—

Stage.	Brief description	Estimated cost/ When sanctioned	Actual expenditure	Remarks
(Rupees in lakhs)				
I	Part (1)—Remodelling the existing distribution system and laying of mains for unserved areas	5.69	6.20	Work completed in March 1967. Excess was due to increase in the rates of labour and materials.
		January 1960		
	Part (2)—Construction of an additional storage reservoir	2.40	2.55	Work completed in August 1966.
		February 1960		
II	Summer storage tank..	9.94	13.26	Work yet to be completed. Revised Estimate for Rs. 16.14 lakhs is pending approval. The increase was due to increase in the width and height of the bund.
		January 1962		
III	Infiltration work ..	1.14	0.56	Due to unsatisfactory ground condition obtaining at site alternate arrangement for treating the raw water is under consideration. Revised plans and estimates (Rs. 2.92 lakhs) are pending approval.
		December 1961		
IV	Pumping main ..	27.65	24.27	Revised Estimate for Rs. 31.84 lakhs is pending approval. The increase was due to (i) increase in cost of pipes and (ii) encasing of pipes with cement concrete.
		February 1963		
V	Off-take arrangements	8.78	3.77	The estimate is under revision.
		August 1962		

Total expenditure to the end of June 1969—Rs. 50.61 lakhs.

No target date was fixed for completion of the work. The work has not been completed (October 1969) as off-take works for filling the summer storage tank and work on pumping main have been held up for more than five years due to non-finalisation of technical details. The summer storage tank was proposed to be filled up from surplus waters of Kaliarkurichi tank (fed by Arjuna nadhi). The Superintending Engineer had ordered (October 1959) that clearance of Revenue authorities for any possible objection from ryots to draw water from the tank should be obtained but action was taken only on receipt of a petition from ryots in April 1963 to the effect that their irrigation rights would be affected. The revised proposal to tap directly from the river was approved in June 1968 and working estimates are yet to be sanctioned, after detailed investigation.

Estimates for the pumping main work provided for use of 15" dia pre-stressed concrete pipes and specials. In November 1966 it was decided that instead cast iron pipes be used and pipes worth Rs. 15.12 lakhs were ordered. In May 1968 use of autoclaved asbestos cement pipes in certain corrosive reaches was approved and a further modification to use P.V.C. pipes in certain reaches was made in October 1968. On the basis of the revised specifications cast iron pipes worth Rs. 1.15 lakhs became surplus to requirements.

The following points were also noticed:—

(i) Two wells (construction cost: Rs.6,800) could not be utilised for the purpose for which they were constructed as the site of the infiltration gallery was changed in May 1968. One well is, however, reported to be used temporarily for pumping water and augmenting the existing water supply.

(ii) For protection of pipes against corrosive action of soil it was decided to encase them with sand in corrosive reaches. For 1,235 metres of pipes laid, the Chief Engineer after inspection (September 1967) observed that sand casing (done at a cost of Rs. 9,300) was not necessary as the soil did not warrant it.

(iii) Orders for supply of 14" asbestos cement autoclaved pipes were placed on a firm in November 1968. As the firm expressed inability to supply 14" pipes the department agreed to have 10" pipes (two 10" pipes for every 14" pipe were ordered without any extra cost). Use of 10" pipes is estimated to result in extra expenditure of Rs. 7,500 due to extra trench works and additional cost in laying and jointing.

52. Delay in recovery of additional interest charges

In the case of works executed by the Public Works department on behalf of local bodies, the rules provide that, to avoid suspension of work, Government money may be spent in advance, pending receipt of contribution from the local bodies. Interest in such cases

is chargeable from the date on which Government money is advanced. In the Public Health Engineering Division, Tirunelveli, during 1958-59 to 1963-64 interest was levied on the amount outstanding at the end of the year instead of from the date the amount was advanced. The short recovery for eight works in one year (1963-64) alone was Rs. 17,300. Though this was pointed out in October 1964, the revised demands for 1958-59 to 1963-64 amounting to Rs. 1.45 lakhs was raised in November 1969. Demands are yet (December 1969) to be raised for three more works.

53. Materials-at-site of works and shortages in stock

The rules require that surplus materials at the site of works should be transferred to other works or stock and the balances under the suspense head "Materials-at-site account" should be cleared and the works accounts closed as soon as work is completed. In six divisions the accounts of which were inspected between November 1968 and August 1969, materials valued at Rs. 1,10.66 lakhs were outstanding in the accounts of 41 works (completed between 1956 and 1968); the value of the materials outstanding at the end of March 1968 was particularly heavy (Rs. 90.46 lakhs) in the Coimbatore Water Supply scheme.

In two divisions differences between the book balances and the ground balances (i.e. balances as verified physically at site) were also noticed in the accounts of 32 works (Rs. 18.68 lakhs).

Besides, final orders for shortages of stores (mostly cement, sand and mild steel rods) worth Rs. 1.73 lakhs noticed in the accounts of 15 works at the time of annual verification of stock for the year ending March 1967 were pending.

54. Unadjusted balances under "Miscellaneous Public Works Advances" and "Purchases" heads

The nature of two suspense heads "Miscellaneous Public Works Advances" and "Purchases" is given below :—

Miscellaneous Public Works Advances :—This head accommodates debits for the value of stores sold on credit, expenditure incurred on deposit works in excess of deposits received, losses of cash or stores not written-off, amounts recoverable from Government servants etc.

Purchases.—When materials are received for a specific work or stock without being paid for or adjusted during the month, their value is credited to the suspense head "Purchases" by contra debit to the work or stock as the case may be. When payment is made or value is adjusted by transfer, this head is debited with the amount, thereby clearing the previous credit.

From the information furnished by Public Works Divisions (including Highways and Rural Works and Public Health Engineering Divisions), it was noticed that large amounts were outstanding under these heads at the end of March 1969. The details are given below :—

A. MISCELLANEOUS PUBLIC WORKS ADVANCES

The amount outstanding at the end of March 1969 was Rs. 2,55.65 lakhs as compared to Rs. 1,84.54 lakhs to end of March 1966 (*vide* paragraph 64 of Audit Report 1967). Of that Rs. 31.66 lakhs (2,773 items) were for 1965-66 and earlier years, Rs. 12.35 lakhs for 1966-67 (938 items) and Rs. 41.23 lakhs for 1967-68 (1,589 items).

It is necessary that these debits are adjusted early by making recoveries/adjustments as the accumulation of old items is not free from risk of ultimate loss to Government.

Brief particulars of certain important cases are given in Appendix VII.

B. PURCHASES

At the end of March 1969 Rs. 5,46.03 lakhs were outstanding under this head as compared to Rs. 3,59.12 lakhs at the end of March 1966. Yearwise analysis is given below :—

						(In lakhs of rupees)
Pertaining to 1964-65 and earlier years	..	..				60.47
1965-66	..	..	..	..	..	20.83
1966-67	..	..	..	..	..	47.43
1967-68	..	..	..	..	..	82.60
1968-69	..	..	..	..	..	3,34.70
						<hr/>
				Total	..	5,46.03
						<hr/>

CHAPTER V

STORES AND STOCK ACCOUNT

55. Synopsis of stores and stock accounts

A synopsis of the important stores and stock accounts for 1968-69 (other than those relating to Government commercial and quasi-commercial departments/undertakings, etc.) is given below :—

A. WORKS DEPARTMENTS

<i>Department and stores</i>	<i>Balance on 1st April 1968</i>	<i>Receipts</i>	<i>Issues.</i>	<i>Balance on 31st March 1969</i>
(In lakhs of rupees)				
1 General—				
Building materials ..	0.07	4.62	4.41	0.28
Metal	22.24(a)	44.37	47.21	19.40
Miscellaneous stores ..	21.40(a)	22.68	23.88	20.20
2 Buildings—				
Building materials ..	2.91	2.67	4.65	0.93
3 Irrigation—				
Building materials ..	1.17	9.43	10.10	0.50
Metal	1.67(a)	2.56	2.41	1.82
Fuel	0.82	6.38	4.64	2.56
Miscellaneous stores ..	41.98(a)	19.19	18.90	42.27
4 Highways—				
Metal (b)	0.15	0.06	0.09	0.12
Fuel (b)	—0.01	0.09	0.03	0.05
Miscellaneous stores (b) ..	28.05	45.61	43.06	30.60
5 Public Health—				
Miscellaneous stores ..	76.15	20.95	31.42	65.68

The opening balance shown here differs from the closing balance shown in the Audit Report 1969 due to non inclusion in the previous Audit Report of figures relating to a division.

(b) The figures for the stores under the categories "metal" and "fuel" were shown under "Miscellaneous stores" in the last report.

<i>Department and stores</i>	<i>Balance on 1st April 1968</i>	<i>Receipts</i>	<i>Issues</i>	<i>Balance on 31st March 1969</i>
(In lakhs of rupees)				
6 Parambikulam-Aliyar Project—				
Building materials ..	5.39	50.49	54.26	1.62
Metals	3.83	10.81	11.75	2.89
Fuel	0.58	12.16	11.96	0.78
Miscellaneous stores ..	35.77	22.76	26.32	32.21
7 Industries—				
Building materials ..	1.88	5.23	3.58	3.53
Metals	8.86	0.73	3.32	6.27
Miscellaneous stores ..	4.05	7.63	4.05	7.63
8 Technical Education—				
Building materials ..	..	2.64	2.39	0.25
Metals	0.81	0.04	0.25	0.60
Miscellaneous stores ..	1.45	0.86	1.41	0.90

(i) The rules require that divisions should conduct a special review of balances of stock and other suspense accounts early in March and forward to Audit by the end of May an annual certificate of balance. These certificates have not been received from one division since 1963-64, from one division since 1966-67, from seven divisions since 1967-68 and from forty-two divisions for 1968-69.

(ii) The stock held at close of 1968-69 in two divisions of the Public Works department and three divisions of the Highways department was Rs. 19.08 lakhs and Rs. 30.77 lakhs respectively against the reserve limits of Rs. 11.00 lakhs and Rs. 27.50 lakhs respectively.

(iii) In one Public Works Division stores valued at Rs. 1.27 lakhs which were surplus to requirements remained undisposed of since 1959.

B. CIVIL DEPARTMENTS

<i>Department and stores</i>	<i>Balance on 1st April 1968</i>	<i>Receipts</i>	<i>Issues</i>	<i>Balance on 31st March 1969</i>
(In lakhs of rupees)				
9 Revenue—				
(a) Madras Stamp Office—				
Stamps.. .. .	5,97.71	73.80	86.35	5,85.16
(b) Madras Taluk Treasury and other Depots—				
Stamps	30,03.25	60,16.07	16,94.78	73,24.54
Opium (in kilograms)	35.86	49.00	47.71	37.15
10 Forest—				
Sandal wood	4,08.32	2,07.95	1,54.66(a)	4,61.61
Other produce	23.37	90.03(b)	63.27(c)	50.13
11 Animal Husbandry—				
Cattle feed	12.71	75.83	77.77	10.77
Other consumable stores (Medicines, clothing, etc.)	20.31	20.00	16.80	23.51
12 Medical Education—				
Medicines, drugs and dressings	48.99(A)	1,39.38	1,29.09	59.28
Miscellaneous stores (diet arti- cles, etc.)	36.08(A)	99.74	95.97	39.85
13 Health Services and Family Planning—				
E.S.I. Dispensaries—				
Medicines, drugs and dressings	22.47	68.71	60.66	30.52
Miscellaneous stores (diet arti- cles, etc.)	0.71	7.37	7.45	0.63

(a) Includes loss of Rs. 17.32 lakhs due to revaluation of stock of sandal-wood based on the market rates and Rs. 10.08 lakhs being value of shortages written-off during the year.

(b) Includes appreciation of Rs. 22.36 lakhs due to revaluation of stocks based on the market rates.

(c) Includes Rs. 0.21 lakh being the value of shortages written-off during the year.

(A) Differs from the closing balance shown in the Audit Report 1969 due to the non-inclusion of the accounts of the T.B. Hospital, Thoppur, in the last report.

<i>Department and stores</i>	<i>Balance on 1st April 1968</i>	<i>Receipts</i>	<i>Issues</i>	<i>Balance on 31st March 1969</i>
		(In lakhs of rupees)		
13. Health Services and Family Planning— <i>cont.</i>				
Other medical institutions—				
Medicines, drugs and dressings	58.28(B)	86.00	84.54	59.74
Miscellaneous stores (diet articles, etc.)	13.87(B)	68.87	70.26	12.48
14. Approved Schools and Vigilance Services—				
Maintenance—Ration articles	0.52	18.91	18.92	0.51
Clothing and bedding	0.78	1.95	2.10	0.63
Manufactory—Raw materials	0.81	1.10	1.24	0.67
Manufactured articles ..	0.43	1.36	1.30	0.49
15. Jails—				
Maintenance—Ration articles	3.80	43.72	44.19	3.33
Medicines and surgical instruments	1.05	1.68	1.63	1.10
Clothing and bedding ..	2.46	3.67	4.15	1.98
Manufactory—Raw materials	21.34	44.48	43.16	22.66
Manufactured articles ..	9.60	63.28	64.31	8.57
16. Stationery Office—				
Stationery stores, etc. ..	41.48	98.88	87.73	52.63
17. Government Press—				
Paper	8.09	49.20	47.44	9.85
Binding materials and consumable stores	5.79	9.46	10.15	5.10

(i) The annual verification of stores for 1967-68 and 1968-69 has not been conducted (October 1969) in the Stationery Office.

(ii) The stores and stock accounts of the Agriculture Department has not been received (December 1969).

(B) Differs from the closing balance shown in the Audit Report, 1969 due to exclusion of T.B. Chemotherapy Centre by the Director of Health Services and Family Planning.

56. Stagnant stock

(i) *Cast iron pipes*.—In 1959 the Public Health Engineering Division, Madras, placed orders for supply of 3,000 tonnes of 7" cast iron pipes. With the adoption of the metric system in 1960 this size became odd. 14,647 pipes were received between February 1963 and July 1964 and the order for supply of the balance quantity was cancelled. Of the pipes received, only 5,408 pipes were utilised up to June 1969 and the remaining 9,239 pipes (cost Rs. 12.80 lakhs) were lying unutilised. The Chief Engineer stated in January 1969 that instructions had been issued to subordinate officers to provide for these pipes in the designs of new works wherever advantageous. Information why the entire order was not cancelled in 1960 is awaited.

In the Public Health Division, Salem, also Rs. 2.38 lakhs worth of 7" cast iron pipes (representing 66 per cent of that purchased in 1961-62 and earlier years) were lying unutilised in October 1969.

(ii) *Asbestos cement sheets*.—Seventy-five tonnes of sheets were indented in June 1965 for the Head Works Division, Cherruppaloor and the Pattanamkal Division; based on a review of the stock position and further requirements (made by the Superintending Engineer in August 1965), the entire indented quantity was ordered in October 1965 by the Chief Engineer to be diverted to the Kodayar Hydro-Electric Scheme. Due to belated diversion order, the entire quantity was despatched to the indenting division. Out of sixty-seven tonnes received, only thirty-five tonnes were transferred and the remaining thirty-two tonnes worth about Rs. 16,600 remain unutilised.

57. Idle machinery

Certain instances of machinery remaining unutilised for long are given below :—

Serial number and name of institution/office.	Description of plant and machinery	Value/when acquired	Remarks
		RS.	
1 Industrial Training Institute, Theni	Vertical milling machine	39,350 April 1965	The machine could not be used for want of essential accessories. The Director of Employment and Training stated in September 1969 that proposal for purchase of accessories was under examination.

Serial number and name of institution/office.	Description of plant and machinery	Value/when acquired	Remarks
2 Industrial Training Institute, Erode	Vertical milling machine	63,750 March 1967	For expansion of the Industrial Training Institute, Erode, four milling machines were purchased by the Director of Employment and Training for Rs. 1.30 lakhs. As the expansion programme was not approved by Government (July 1967) two of those machines were transferred (December 1967) to the institutes at Thanjavur and North Madras. The other two machines were retained for use in the machinist (millor) course which was proposed to be introduced in 1968. The course has not been started so far and the machines were ordered to be transferred to other institutes in October 1969.
3 Forest Engineering Division, Tiruchirappalli	Road roller (Tractor operated)	16,800 May 1964	The road roller worked only during November 1964 and was transferred in February 1968 to Coimbatore Forest Division where it worked for a short spell (September 1968—April 1969) and went out of order in April 1969. Repairs are yet to be carried out (November 1969).
4 Government General Hospital, Madras	224 K.V. Diesel generating set	1,25,993 November 1967	The generator purchased from the State Electricity Board in November 1967 is still (November 1969) lying with the Board at Rameswaram for want of a suitable building to house it. The estimate for construction of the building has not yet been prepared.
5 Government quarters Hospital, Coimbatore	Steam Boiler	28,380 September 1964	The boiler installed in July 1965 in place of the boiler condemned in July 1964 has not yet (November 1969) been commissioned. The

<i>Serial number and name of institution/office.</i>	<i>Description of plant and machinery</i>	<i>Value/ when acquired</i>	<i>Remarks</i>
Directorate of Agriculture, Madras.	Plant protection equipment	27,200 <hr/> January 1963 February 1966	<p>electrical fittings were completed only in February 1969. The Superintendent of the hospital stated (June 1969) that the supplier had been addressed to operate the boiler and hand it over to the department and that the Inspector of Steam Boilers was also requested to inspect the boiler and issue necessary certificate.</p> <p>The equipment is lying idle since the date of its receipt and is reported (May 1969) to be not required as power operated equipment had been introduced in 1967-68. Rock sprayers (value Rs. 7,290) are reported to be not in good condition.</p>

CHAPTER VI

FINANCIAL ASSISTANCE TO LOCAL BODIES AND OTHERS

58. Assistance to Panchayats, Panchayat Union Councils and other Local Bodies

In 1968-69 Rs. 26.07 crores (grants : Rs. 25.93 crores ; loans: Rs. 0.14 crore) were paid to the Panchayat Union Councils as follows :—

	(In lakhs of rupees)
Grants for primary education	19,14.85
Grants for public health purposes	8.51
Grants under Community Development Programme	1,97.33
Grants for public works, like roads and buildings ..	1,45.84
Grants for Development Schemes under Animal Husbandry	10.50
Local cess surcharge matching grants	3,11.48
Special grants	4.66
	Total 25,93.17

(i) A test-check of sanctions accorded by the Revenue Divisional Officers disclosed the following irregularities :—

	(In lakhs of rupees)
(a) Sanctions accorded for inadmissible expenditure	10.64
(b) Sanctions accorded in excess of the limits prescribed	3.90
(c) Sanctions accorded without supporting data or on incomplete particulars	0.87
(d) Sanctions accorded without verifying the fulfilment of conditions attached to the grants	0.92

(ii) The salient points noticed from the report of the Examiner of Local Fund Accounts are mentioned below :—

A. Town Panchayats

In 1967-68, Rs. 4.83 lakhs were overdrawn or were found inadmissible.

The accounts of four Town panchayats could not be audited as they were either not produced or the records were in the court.

B. Panchayat Union Councils

(a) In 1967-68 Rs. 1,56.12 lakhs were overpaid, overdrawn or were found inadmissible. The overpayment was particularly heavy in grants for education, school meal and special dearness allowance as below :—

	Number of cases	Amount (In lakhs of rupees)
Education grant	294	69.02
School meal grant	270	26.13
Special dearness allowance grant ..	30	1.88

In 196 cases the grants (Rs. 13.35 lakhs) remained unutilised at the end of March 1969. The accounts of three panchayat union councils were not produced for audit.

(b) Expenditure under objection by the Examiner of Local Fund Accounts to the end of 1966-67 remaining unsettled at the end of March 1969 was Rs. 3,42.40 lakhs as under :—

Year	Rural Develop- ment and Local Administra- tion department	Health department	Education department	Other depart- ments	Total
(In lakhs of rupees)					
1962-63 and earlier years.	12.93	0.06	35.72	3.84	52.55
1963-64	3.57	0.34	21.93	..	25.84
1964-65	1.79	0.14	21.13	..	23.06
1965-66	7.11	1.99	54.07	22.46	85.63
1966-67	9.16	3.08	111.69	31.39	1,55.32
			Total		<u>342.40</u>

C. Municipal Councils and Municipal Township Committee

In 1967-68 Rs. 8.51 lakhs were overdrawn or were found inadmissible.

In thirteen cases, the grants (Rs. 0.98 lakh) remained entirely unutilised at the end of March 1969.

(iii) *Irregularities noticed during local audit.*—Important types of irregularities noticed in local audit of accounts of panchayat union councils are mentioned below :—

	Amount. (In lakhs of rupees)
	Number of Offices
1 Grants/loans remaining unspent not refunded to Government	0.99
	11
2 Grants paid on inadmissible expenditure	7.38
	69
3 Conditions governing the grant not fulfilled ..	1.22
	24
4 Machinery and equipment lying idle	3.46
	26
5 Grants drawn in excess of prescribed limit ..	7.60
	118
6 Shortages of stores noticed during physical verification awaiting regularisation	0.90
	56
7 Stores transferred free of cost not acknowledged by consignees	8.34
	48
8 Loans for which completion reports not received (3,265 cases)	47.92
	32
9 Loans for which works had not been inspected to verify fulfilment of the conditions (3,408 cases)	40.19
	25
10 Loans for which pumpsets remained idle for want of power (74 cases)	1.48
	7
11 Loans for which summary recovery not effected for non-fulfilment of conditions (798 cases)	13.75
	32

	Amount (in lakhs of rupees).
	Number of offices
12 Loans for which subsidy had not been adjusted leading to delay in transfer of loan records to the Revenue department for collection (432 cases)	0.90 <hr/> 8
13 Provident Fund balances not transferred to and securities thereof not endorsed in favour of Government	34.05 <hr/> 35
14 Salestax collected not credited to Government for long (the earliest case noticed was for 1963-64)	0.07 <hr/> 16

59. Utilisation of grants

Consequent on democratic decentralisation from April 1962 local development works such as water supply, construction of schools, bridges and roads (including works which remained incomplete then) were entrusted to panchayats, Government assistance being given in the shape of grants. Government, after a review of incomplete works, ordered in January 1966 that the works remaining incomplete for long should be completed before June 1966; the time-limit was extended upto September 1966 in August 1966. In August 1969 it was noticed that 380 works for which Rs. 14.40 lakhs were paid as Government grant were incomplete. In 116 of those works (Government assistance: Rs. 1.97 lakhs) which were started prior to 1963-64 only 30 per cent of work had been executed. In one district ten works (Government assistance: Rs. 13,443) were proposed to be abandoned.

60. Tamil Nadu Khadi and Village Industries Board

(i) *Hand-made Paper Unit, Poondi*.—Paragraph 80 (4) (c) of the Audit Report 1965 commented on the delay in completing the building for the hand-made paper unit at Poondi. Though the building was completed in March 1966 and the machinery was erected during 1966-67, the unit has not yet (November 1969) been started for want of water supply. No provision for water supply was made in the original estimate on the assumption that the waste water discharged by the Irrigation Research department would be used. It was, however, noticed in September 1965 that

C. Municipal Councils and Municipal Township Committee

In 1967-68 Rs. 8.51 lakhs were overdrawn or were found inadmissible.

In thirteen cases, the grants (Rs. 0.98 lakh) remained entirely unutilised at the end of March 1969.

(iii) *Irregularities noticed during local audit.*—Important types of irregularities noticed in local audit of accounts of panchayat union councils are mentioned below :—

	Amount. (In lakhs of rupees)
	Number of Offices
1 Grants/loans remaining unspent not refunded to Government	0.99
	11
2 Grants paid on inadmissible expenditure	7.38
	69
3 Conditions governing the grant not fulfilled ..	1.22
	24
4 Machinery and equipment lying idle	3.46
	26
5 Grants drawn in excess of prescribed limit ..	7.60
	118
6 Shortages of stores noticed during physical verification awaiting regularisation	0.90
	56
7 Stores transferred free of cost not acknowledged by consignees	8.34
	48
8 Loans for which completion reports not received (3,265 cases)	47.92
	32
9 Loans for which works had not been inspected to verify fulfilment of the conditions (3,408 cases)	40.19
	25
10 Loans for which pumpsets remained idle for want of power (74 cases)	1.48
	7
11 Loans for which summary recovery not effected for non-fulfilment of conditions (798 cases)	13.75
	32

	Amount (in lakhs of rupees).
	Number of offices
12 Loans for which subsidy had not been adjusted leading to delay in transfer of loan records to the Revenue department for collection (432 cases)	0.90 <hr/> 8
13 Provident Fund balances not transferred to and securities thereof not endorsed in favour of Government	34.05 <hr/> 35
14 Salestax collected not credited to Government for long (the earliest case noticed was for 1963-64)	0.07 <hr/> 16

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that water could not be used as it contained certain chemicals. In June 1968 the Khadi and Village Industries Board approved an estimate for Rs. 16,000 (since revised to Rs. 20,000) for digging an open well. The work has not yet been taken up (March 1969). The building (cost : Rs. 34,000) and machinery (cost : Rs. 43,000) are remaining unutilised; besides Rs. 2,000 were spent (upto February 1969) on pay and allowances of the watchman.

(ii) *Dyeing, Bleaching and Printing Unit, Erode.*

A washing machine (cost Rs. 11,375) acquired in October 1959 has remained unused (September 1969). A trial run conducted in October 1966 (seven years after acquisition due to delay in securing proper accommodation, power supply and difficulty in getting permission of municipality for the installation) could not be put through successfully because of damages to the building, etc. The Board reported (September 1969) that the machine would be installed at Bhavanisagar where the unit is proposed to be shifted.

61. Grants to educational institutions

With the introduction of free secondary education in 1964-65 and consequent reduction in office-work in the schools, reduced scales of non-teaching staff for purposes of grant were approved by Government in April 1966. A test-check in fifteen offices of the District Educational Officers/Inspectresses of Girls' Schools disclosed that from April 1964 to June 1969 Rs. 2.73 lakhs had been paid as grants to 98 schools for non-teaching staff appointed after April 1964 but before April 1966, kept in excess of the revised scales.

The Government orders of April 1966 were communicated by the Director only in February 1967 to the District Officers. Due to this delay in communication further overpayment of Rs. 1.17 lakhs (for the period upto June 1969) as grants for non-teaching staff appointed after April 1966 but before February 1967 occurred in nine of those offices.

62. Excess payment of grant

In December 1962 Government ordered that the number of pupils to be fed under the mid-day meal scheme should not exceed 1/3rd of the number of pupils on rolls in Standards I to VIII in elementary schools in each revenue district, except the Nilgiris; additional number of children over and above the ceiling could be fed provided the extra expenditure was met by raising local contributions and no subsidy was claimed from Government. During test-check of the accounts of five District Educational Officers conducted between October 1966 and August 1968 it was noticed that the grants under the mid-day meal scheme had not been regulated with reference to the ceiling fixed by Government resulting in excess payments of Rs. 11.05 lakhs as grants during 1963 to 1967.

Government was requested in September 1969 to review the position in the remaining Revenue districts; information about the action taken is awaited (December 1969).

63. Grants-in-aid to private colleges

According to Government instructions, special fees collected by aided colleges should be reasonable and the collections should be spent for the purposes for which the levy is made and the balance should not be diverted to other purposes or merged with general funds, failing which the entire balance is to be taken as income for purpose of calculating the teaching grant.

During local audit conducted in August-September 1969 it was noticed that in six cases Rs. 5.08 lakhs collected as special fees had been either diverted to meet general expenses of the colleges or had not been accounted for separately and had been merged with general funds of the colleges. But the amount of teaching grant paid by Government to the colleges was not reduced correspondingly (only upto two-thirds of the deficit is given as grant). The grant paid in excess was Rs. 2.95 lakhs.

The case was reported to Government in November 1969; reply is awaited (January 1970).

CHAPTER VIII

AUDIT OF RECEIPTS

SALES TAX RECEIPTS

64. 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 three years ended March 1969, 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.

<i>Year ended March</i>	<i>Madras General Sales Tax</i>		<i>Central Sales Tax</i>	
	<i>Budget estimates</i>	<i>Actual receipts</i>	<i>Budget estimates</i>	<i>Actual receipts</i>
(RUPEES IN CRORES)				
1967 ..	38.55	39.69	7.35	9.08
1968 ..	44.10	46.44	10.21	10.04
1969 ..	53.86	50.75	11.68	10.37
	(Revised estimate 50.35)		(Revised estimate 10.69)	

65. Loss of revenue due to acceptance of defective 'C' forms

It was noticed in 12 cases of assessments completed under the Central Sales Tax Act that concessional rate of tax at 2 per cent had been allowed on defective 'C' forms. On this being pointed out, the department revised the assessments and raised an additional demand (of Rs. 3,812) levying tax at 10 per cent. Report of recovery is awaited.

66. Erroneous exemption

A dealer had a contract with a firm for manufacturing varnish out of raw materials supplied by him and it was held on 9th July 1965 by the Sales Tax Tribunal (for the year 1962-63) that his claim for exemption on the turnover of varnish, treating it as second sales, could not be granted in view of the nature of the contract and that single point tax of 6 per cent was leviable on the sales of the dealer. The ruling was not, however, applied to the assessment of the dealer for 1963-64 (completed on 13th September 1964) amounting to Rs. 62,764 on which exemption was granted; on this being pointed out, demand for Rs. 3,766 was raised.

67. Erroneous exemption

It was noticed in a case that turnover of Rs. 1,39,733, Rs. 1,86,659 and Rs. 1,09,626 representing incidental and handling charges for the years 1962-63, 1964-65 and 1965-66 respectively of a dealer had been exempted incorrectly in assessing Central Sales Tax. When this was brought to the notice of the department the assessing officer revised the assessment for 1965-66 raising an additional demand for Rs. 2,193. The assessment for the year 1962-63 could not be revised as it had become time barred, the resultant loss of revenue being Rs. 2,093. About the assessment for 1964-65 of a turnover of Rs. 1,86,659, the department stated that the assessee had gone in appeal to the Tribunal against the original assessment and that the department was taking steps to file a counter petition for including the turnover, which had been exempted. The additional tax liability is Rs. 3,733.

68. Certain cases of erroneous exemption, etc., involving tax effect of less than Rs. 5,000 are indicated in the following table :—

<i>Amount (Assessment period) Month of revision of assessment</i>	<i>Remarks.</i>
Rs. 2,236 (1963-64) April 1969	(i) Exemption was erroneously granted on turnover of Rs. 22,361 representing sales returns of radios without due verification whether such sales returns represented first sales of radios taxed at the hands of the dealer or second sales of goods on which tax was not payable.
Rs. 3,672 (1967-68) May 1969	(ii) Due to omission to include taxable turnover of Rs. 1,46,861 for assessment, there was an under-assessment in the case of a dealer.
Rs. 4,023 (1963-64) April 1969	(iii) According to Rule 11 of Central Sales Tax (Registration and Turnover) Rules, 1957, the sale price of all goods returned to the dealer by the purchaser of such goods, within a period of three months from the date of delivery of the goods, could be deducted from the turnover. In one case, exemption was given in excess of the value of the returns and on returns made after the specified period totalling upto Rs. 40,229 resulting in under-assessment.
Rs. 3,893 (1963-64) May 1969	(iv) Exemption was erroneously granted on a taxable turnover of Rs. 64,880 representing supply of electrical goods resulting in under-assessment.

Amount
(*Assessment period*)
Month of revision of
assessment

Remarks

Rs. 2,252
(1966-67)
March 1969

(v) According to section 6 (2) of Central Sales Tax Act, 1956 read with Rule 9-B (5) of Central Sales Tax (Madras) Rules, 1957, the second and subsequent sales effected during the Inter-State movement of goods will be exempt from Central Sales Tax subject to the production by the assessee of the prescribed declarations. A turnover of Rs. 95,000 representing sales of fish oil had been exempted without supporting declaration forms.

Rs. 3,000
(1967-68)
August 1969

(vi) Due to arithmetical inaccuracies in calculation and totalling of taxable turnover, there were under-assessments in two cases.

Rs. 2,000
(1966-67)
May 1969

69. Result of Test audit

• As a result of test-audit to end of September 1969 additional demands were raised for a total sum of Rs. 2.00 lakhs during the period October 1968 to September 1969 as indicated below :—

	<i>Madras General Sales Tax</i>	<i>Central Sales Tax</i>
	Rs.	Rs.
Additional demand raised to rectify incorrect exemption or omission to include taxable turnover	1,01,341	2,086
Levy of penalties provided in the Act	22,002	610
Revision of assessment incorrectly made at compounded rates and rectification of arithmetical mistakes	20,381	..
Rectification of mistakes in assessments such as adoption of incorrect rates, etc.	33,527	539
Omission to collect registration and permit fees	3,569	..
Revision of assessments made earlier based on defective declaration forms	..	15,675
Total	1,80,820	18,910

70. Write-off

• During 1968-69 a total tax demand of Rs. 3.17 lakhs was written off in 711 cases, the highest amount in a single case being Rs. 30,464.

71. (a) Arrears in assessment

According to the information furnished by the department, 1,007 assessments under Madras General Sales Tax Act, 1959 and 1,336 assessments under the Central Sales Tax Act, 1956 involving tax effect of Rs. 8.48 crores were stated to be pending on 31st March 1969.

Assessments pending for 1966-67 and earlier years dating back to 1961-62 are 171 cases with a tax effect of Rs. 86.86 lakhs and 349 cases involving a tax effect of Rs. 2,50.70 lakhs in respect of Madras General Sales Tax and Central Sales Tax respectively.

(b) Arrears of revenue

At the end of March 1969, tax of Rs. 8,65.33 lakhs and penalty of Rs. 1,17.32 lakhs were pending collection as shown below :—

			<i>Tax</i>	<i>Penalty</i>
(In lakhs of rupees)				
Madras General Sales Tax	..	..	5,38.18	1,17.32
Central Sales Tax	..	..	1,94.32	..
Motor Spirit Tax	..	..	1,32.83	..

Out of a total sum of Rs. 6,55.50 lakhs due for recovery on account of tax and penalty under the Madras General Sales Tax, a sum of Rs. 2,11.74 lakhs related to 1966-67 and earlier years (dating back to 1946-47).

Out of Rs. 1,94.32 lakhs due for recovery on account of Central Sales Tax, Rs. 71.30 lakhs related to 1966-67 and earlier years dating back to 1957-58.

Rs. 21.68 lakhs under Madras General Sales Tax and Rs. 2.94 lakhs under Central Sales Tax were reported to be irrecoverable as the defaulters had no properties to be attached or the whereabouts were not known.

OTHER RECEIPTS

AGRICULTURE DEPARTMENT

72. Delay in realisation of lease amount

Mention was made in the Audit Report 1966 of the large arrears of lease amount (Rs. 8.80 lakhs) due from a private company for removal of bark from wattle trees in the Nilgiris and Madurai (North) divisions. The Committee on Public Accounts (1967-68)

in its report of November 1967 had recommended that " Government should ensure compliance with the conditions of the agreement by the firm so that the interests of Government do not suffer ". In March-April 1969 it was noticed that for areas allotted during 1964-66 the arrears due from the company had increased to Rs. 12.02 lakhs (excluding interest which is also recoverable from the lessee) as at the end of March 1969. 7,082 acres allotted for the years 1967 and 1968 for which Rs. 28.61 lakhs were payable as lease, had been surrendered by the company (in May 1968). Prompt action was not taken by Government to withdraw those areas and to lease them. Besides non-realisation of revenue, (Rs. 17.33 lakhs in December 1968) the delay in working the areas also affected future regeneration work.

Eventhough the capitalised cost of raising the plantations was Rs. 94 per tonne of green bark, the committee, appointed by Government to consider the company's request for a reduction in rates, recommended the rate of Rs. 80 per tonne of green bark (taking into account the need to assist the company in the initial stages by supplying raw materials at a cost which industry could bear); an agreement was accordingly entered into with the company on 31st March 1969 for 10 years from April 1969. The concessional rate entails a subsidy of Rs. 1.59 lakhs per annum.

PUBLIC WORKS DEPARTMENT

73. Arrears of water charges

An industrial concern was permitted to take water from the Stanley reservoir for 10 years from April 1965. Under the agreement entered into in October 1967 the company has to pay Rs. 16 per 1,000 c.m. of water taken for industrial purposes. However, for water returned unpolluted to the river, the company has to pay only Rs. 4 per 1,000 c.m. Due to a dispute as to the quality and quantity of the effluent water discharged into the reservoir, the company has not paid the full amount demanded by the department and as on 1st September 1969 was in arrears to the extent of Rs. 5.73 lakhs including penal interest.

The agreement provides that the charges for the anticipated drawal should be deposited in advance before 10th April each year. The company also did not remit the advance payment of Rs. 57,000, stipulated in the agreement, from 1966-67 onwards, even though the actual consumption of water by the company justified enhancement of the advance amount to Rs. 2.10 lakhs per annum (worked out according to the terms of the agreement).

GENERAL

74. Arrears of revenue

(i) From the particulars furnished by the departmental officers it was noticed that the total arrears in the collection of land

revenue, taxes, duties and other principal sources of revenue as at the end of March 1969 amounted to Rs. 4,96.36 lakhs; of this, a sum of Rs. 1,56.78 lakhs was pending recovery over 2 years. The details are given below :—

<i>Nature of revenue</i>	<i>Amount of arrears</i>	<i>Remarks</i>
	(In lakhs of rupees)	
(a) Land revenue ..	4,29.47	(i) A sum of Rs. 0.11 lakh was waived during the year. (ii) A sum of Rs. 0.72 lakh was reported to be irrecoverable and awaiting orders of write-off as all attempts for collection have been exhausted. (iii) The arrears were attributed by the department to difficulty in tracing the old defaulters and the inability of the ryots to pay the dues. A sum of Rs. 1,47.87 lakhs related to the period from 1959-60 (and earlier) to 1966-67 as shown below : —

	<i>Amount (In lakhs of rupees)</i>
1959-60 and earlier years	28.02
1960-61	6.28
1961-62	7.72
1962-63	12.14
1963-64	14.73
1964-65	15.68
1965-66	24.52
1966-67	38.78
Total ..	1,47.87

(b) Taxes on motor vehicles.	18.69	A sum of Rs. 1.36 lakhs related to 1966-67 and earlier years. The arrears to end of July 1969 had been reduced to Rs. 9.92 lakhs. A sum of Rs. 1.39 lakhs is pending recovery from the operators of Andhra Pradesh, Mysore and Pondicherry States.
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<i>Nature of revenue</i>	<i>Amount of arrears</i> (In lakhs of rupees)	<i>Remarks</i>
(c) Agricultural Income tax.	48.20	Rs. 7.55 lakhs were pending for over two years. The Commissioner of Agricultural Income tax reported (November 1969) that a sum of Rs. 0.57 lakh had since been collected and that action had been taken for the recovery of the dues under the Revenue Recovery Act (Rs. 27.89 lakhs.)

(ii) The arrears in collection at the end of March 1969 for supplies made and services rendered in respect of a few departments are given below :—

<i>Department</i>	<i>Amount of arrears</i> (In lakhs of rupees)
(a) Stationery	46.91
(b) Industries	44.03
(c) Jails	22.80
(d) Public Health	14.65
(e) Electrical Inspectorate	5.81
(f) Public Works-General	11.58
Irrigation	6.45
Highways and Rural works	8.36
(g) Judicial	3.70
(h) Civil Supplies	41.04
(i) Forest	61.60

• The statement of arrears was not received from the Director of Medical Education and the Transport Department.

CHAPTER VIII

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

SECTION A—GENERAL

75. This chapter deals with the results of audit of—

- (i) Statutory Corporations/Boards,
- (ii) Government Companies,
- (iii) Departmentally managed Government Commercial/Quasi-Commercial Undertakings,
- (iv) Investments in and financial assistance to Co-operative societies, and
- (v) Other investments and guarantees.

SECTION B—STATUTORY CORPORATIONS/BOARDS

76. On 31st March 1969 there were two Corporations/Boards in the State,—viz.

- (i) Tamil Nadu Warehousing Corporation, and
- (ii) Tamil Nadu Electricity Board.

TAMIL NADU ELECTRICITY BOARD

77. Working results

(i) Particulars of capital outlay, loans, reserves, etc., and working results of the Board for the last three years are given below :—

	<i>As on 31st March 1967</i>	<i>As on 31st March 1968</i>	<i>As on 31st March 1969</i>
	(In lakhs of rupees)		
(1) Capital outlay ..	2,78,54.25	3,10,45.07	3,52,12.29
2. Loans—			
(a) From Government of • Tamil Nadu	1,85,96.66	1,99,99.66	2,27,23.79
(b) Public loan under section 65 of the Electricity (Supply) Act, 1948	23,90.23	26,92.73	29,12.79
(c) Mortgage loan from Life Insurance Corporation of India	6,00.00	8,00.00	11,15.00
(d) From commercial banks	..	..	7,80.00

	<i>As on 31st March 1967</i>	<i>As on 31st March 1968</i>	<i>As on 31st March 1969</i>
(3) Overdrawal from Government	..	1,43.53	..
(4) Reserves—			
(a) Depreciation reserve.	39,42.05	46,91.73	55,07.17
(b) Special reserve ..	3,10.20	3,10.31	3,10.31
(c) General reserve ..	6,53.57	7,76.66	9,13.72
(d) Pension reserve ..	1,18.63	1,33.03	1,46.95
(e) Capital reserve ..	2,13.49	2,10.41	6,05.47(A)
(5) Working results—			
(a) Gross revenue ..	40,30.04	44,61.70	50,21.89
(b) Working expenses.	22,56.27	22,63.06	25,87.21
(c) Net Revenue			
(a) minus (b) ..	17,73.77	21,98.64	24,34.68

(ii) The arrears in the recovery of current consumption charges from consumers as on 31st March 1969 amounted to Rs. 4,95.60 lakhs as against Rs. 4,06.83 lakhs on 31st March 1968. Of this, arrears over one year old were Rs. 1,24.75 lakhs, as against Rs. 1,01.74 lakhs on 31st March 1968 and Rs. 44.18 lakhs on 31st March 1967.

78. Extra expenditure

(i) In November 1964 the Superintending Engineer of a construction circle obtained quotations direct from the manufacturers for the supply of essential spares for five air compressors working in the project and forwarded the same to the Chief Engineer for Electricity for placing orders. In February 1965 the Chief Engineer, Electricity directed the Superintending Engineer to restrict the indent to fast moving items alone. A revised list was accordingly sent by the Superintending Engineer on the 10th May 1965. After several reminders from the Superintending Engineer about the urgency of supplies, quotations were called for by the Chief Engineer, Electricity only in February 1966 from a company at Madras who once represented the manufacturers. Having come to know in November 1966 that the company no longer represented the manufacturers, the Chief Engineer, Electricity called for quotations from the manufacturers; the quotations, received in December 1966 were found to be higher by about 225 per cent of the earlier rates.

(A) This includes Rs. 3.95.06 lakhs being the contributions received from consumers for service connection lines.

By this time, due to completion of the project, the compressors had been transferred to other projects and the quotations received from the manufacturers were forwarded to the concerned projects for intimating the quantities required. The validity of the quotations (received in December 1966) was got extended from 11th March 1967 to end of May 1967. As even by that time the concerned projects had not communicated their requirements, the manufacturers were addressed for extending the validity of the quotation till end of July 1967; this was not accepted by the manufacturers who in September 1967 sent their revised quotation instead, which was about 15 per cent higher than their earlier quotation. The orders (value Rs. 70,469) were placed in October 1967 on the manufacturers on the basis of the revised quotation thus involving an avoidable extra expenditure of about Rs. 30,000 (representing the difference between the rates offered by the manufacturers in November 1964 and September 1967).

(ii) The work of "feeding crusher for the manufacture of crusher sand for Upper Aliar Dam" was allotted to four contractors in September, 1965 at the rate of Rs. 40 per 100 c.ft. for departmental supply of stones and at Rs.60 per 100 c.ft. where the stones were quarried by the contractors. Till May, 1967, Rs. 1.69 lakhs were paid for supplying 4,464 c.ft. of crusher sand from departmental stones and 2,78,730 c.ft. of crusher sand from stones quarried by the contractors. The Board had at its disposal about 15.00 lakhs c.ft. of excavated stones from the foundation of the dam which could have been utilised for crushing, thus resulting in a saving of Rs. 55,750.

According to the explanations given by the Board (November 1969), the excavated stones were of disintegrated rock, sand from which was not fit for use for construction on the dam. The payment for blasting of rock was, however, made as for hard rock (at Rs. 20/100 c.ft.) and not for disintegrated rock. The Board did not also entirely use the excavated stones available with it for other works. 13.43 lakhs cft. of excavated stones were stated (October 1969) to have been dumped as waste.

(iii) Claims of contractors for transporting materials to Sholiar. Power House I from Pollachi were settled (during September 1965 to October 1967) by the Board by allowing longer route (*via Attakkatti*) instead of the shorter route (*via Topslip*) though the shorter route executed by the Board at a cost of Rs. 3.05 lakhs was available for use from September 1965. The extra expenditure incurred between September 1965 and October 1967 due to not restricting the claim by the shorter route amounted to about Rs. 25,700.

79. Loss due to purchase of insulators without adequate testing and delay in replacement

During September, 1957 and January, 1958 three orders were placed on a company (lowest tenderer) for the supply of 30,000 L.T.

and 5,000 H.T. pin insulators (value Rs. 1.57 lakhs). The supplies were completed in July, 1958, October, 1958 and January, 1959 and Rs. 1.54 lakhs representing 90/100 per cent value of the supplies were also paid to the company. Soon after the supplies were made, there were number of reports of failure of the insulators. After protracted correspondence the company, however, assured in April 1964 that the entire insulators originally supplied by it would be replaced but upto June 1966 only 20,513 L. T. insulators were actually replaced. 9,487 L.T. insulators and 5,000 H.T. insulators for which Rs. 76,000 have been paid are awaiting replacement (May 1969).

The Board stated (May 1969) that the matter was being pursued with the company.

80. Avoidable payment

A foreign firm, which had supplied generating plant and indoor switch-gear against an order placed on it on 29th September, 1962, claimed reimbursement of ocean freight amounting to Rs. 1,09,161 in respect of four consignments between 3rd February, 1966 and 22nd April, 1966; these were settled by the Board on 8th June 1966, i.e., after two days of the devaluation of rupee. The delay in settling the claim thus resulted in an avoidable excess payment of Rs 62,768 representing the difference in rupee value due to devaluation.

The Management stated (October 1968) that the delay was due to making entries in the measurement book after verification of the receipt of materials. It was, however, observed in audit that the terms of contract with foreign firm provided for payment of ocean freight within 30 days of presentation of shipping documents and relevant vouchers.

81. Idle tractors

The Board placed orders for supply of three tractors with trailers for use in the Parambikulam-Aliyar Hydro Electric Project at Rs. 1.05 lakhs. The tractors were received between September, 1963 and April, 1964 and the trailers were received in August, 1964, January, 1965 and May, 1965. During the three years ending March, 1967 the tractors worked for less than 20 per cent of the normal working period as indicated below :—

Date of receipt of		Idle period.	Period of repair.
Tractor	Trailer		
1. September 1963,	August 1964, ..	September, 1963 to April, 1964.	August, 1964 to March 1966.
2. April, 1964 ..	January, 1965.	April, 1964 to March, 1965.	October, 1966 to June, 1967.
3. March, 1964	May, 1965	..	February, 1966 onwards.

A sum of Rs. 20,300 was also spent as repair charges upto March, 1967.

According to the Superintending Engineer of the Project, the tractors were not found to be suitable for Project work due to sharp hair pin bends and steep gradients of Project roads resulting in breakdown of the vehicles; two tractors are stated to have been transferred to another circle in May/August, 1967 and the third is stated to be under repairs for being transferred outside the Project.

SECTION C—GOVERNMENT COMPANIES

82. Government companies—

The shareholding by Government in five Government companies in the State amounted to Rs. 1,090.02 lakhs out of the total paid-up Capital of Rs. 12,86.75 lakhs. During the year 1968-69, two companies (Madras Agro Industrial Corporation Limited and the Madras Industrial Investment Corporation Limited) earned a total profit of Rs. 31.56 lakhs while two companies (Tamil Nadu Small Industries Corporation Limited and Banana and Fruit Development Corporation Limited) sustained a total loss of Rs. 25.01 lakhs. One company (Madras State Industrial Development Corporation Limited) is in construction stage.

TAMIL NADU SMALL INDUSTRIES CORPORATION LIMITED

83 (i) *Financial results* :—

The financial results of the company for the last three years are given below :—

Date of incorporation:—10th September 1965.

	<i>As at 31st March</i>		
	1967	1968	1969
	(In lakhs of rupees.)		
1. Paid up capital	4,00.00	4,00.00	4,00.00
2. Long term loans	6,96.01	5,69.98	6,05.09
3. Free reserves	21.04	(—) 13.55	(—) 39.93
4. Total capital invested ..	11,17.05	9,56.43	9,65.16
5. Profit (+)/Loss (—)	+ 9.97	(—) 33.88	(—) 24.52
6. Total interest charged to profit and loss account	39.06	32.80	29.87
7. Interest on long-term loans	36.39	32.80	29.87
8. Total return on capital in- vested (5+7)	46.36	(—) 1.08	5.35
9. Percentage of total return on capital invested	4.15	..	0.55
10. Capital employed	11,09.50	9,41.52	9,57.33
11. Total return on capital em- ployed (5+6)	49.03	(—) 1.08	5.35
12. Percentage of total return on capital employed	4.42	..	0.55

As on 31st March 1969 Rs. 82.37 lakhs were due for payments by the Corporation towards interest for the three years ending 1st December 1968 on the loan sanctioned by Government in December 1965 towards cost of assets of the small scale industrial units transferred to the Corporation.

(ii) *Units incurring losses.*—Out of 61 units under the control of the Corporation as on 31st March 1969, 30 units incurred losses (Rs. 26.30 lakhs, excluding proportionate central office charges, interest on loans, etc.) during 1968-69.

Nine Tool Room Shops and two Forge Shops are continuously incurring losses, which are attributed to by the Management to heavy capital investment in costly machinery and lack of orders for tooling; the losses for 1968-69 alone (excluding proportionate central office charges, etc.) amounted to Rs. 3.10 lakhs. The Management has decided (July 1969) that a consultancy firm be asked to give a report on the working of those units.

(iii) *Idle labour.*—Idle labour paid for in the Textile Mill Part Unit, Madurai and Common Facility Centre for Leather Goods, Madavaram amounted to Rs. 34,000 and Rs. 26,100 respectively and represented 60 per cent/44 per cent of the total labour employed in 1968-69. In the latter unit the labour strength had been increased from 35 to 51 in June 1968.

(iv) *Finished goods.*—The value of closing stock was Rs. 1,74.06 lakhs as compared to Rs. 1,35.10 lakhs in the previous year. This included deteriorated/defective stocks valued at Rs. 23.33 lakhs held in three units as detailed below :—

<i>Name of Unit*</i>	<i>Value in lakhs of rupees</i>	<i>Remarks</i>
(1)	(2)	(3)
(a) Handloom Parts Factory, Salem.	1.08	Defective C.I. pipes and specials and handloom slays held for more than six years.
(b) Foot-wear Unit, Triplicane.	5.15	Comprising mostly chappals in an unsaleable condition due to long storage.
(c) Tool Room Shop, Erode.	14.83	Finished goods remaining undisposed off; reported to be not in a saleable condition.
	2.27	Defective castings lying unused.

(v) *Shortages in stock.*—Physical verification was conducted only in 37 units during the year; shortages of Rs. 26.78 lakhs and excesses of Rs. 4.16 lakhs were noticed, of which shortages of Rs. 23.52 lakhs pertain to three units alone.

Mention was made in paragraph 83 (i) of Audit Report, 1969 regarding the shortages in stock valued at Rs. 8.43 lakhs noticed in the Tool Room Shop, Erode during 1967-68 and also of Management's non-acceptance of the results of verification. The verification conducted in 1968-69 again revealed shortages of Rs. 9.62 lakhs in stock. This report was also not accepted by the Management and no provision (which would increase the net loss) was made in the accounts towards the shortages; it was stated by the Management (September 1969) that a re-verification has again been ordered.

(vi) *Delay in setting up a unit.*—For starting a timber treatment plant in Pollachi, land was acquired at a cost of Rs. 0.57 lakh in March 1963. Equipments valued at Rs. 0.17 lakh were obtained prior to 1961. The plant has, however, not been started so far for want of complete equipments to be supplied by the Public Works Department (July 1969).

84. Supply of ammunition boxes to the Defence Department

In June 1964 the Director General of Supplies and Disposals placed orders with the Press Shop, Guindy (now a unit of the Madras State Small Industries Corporation Limited) for the supply of 2,98,800 number of ammunition boxes at Rs. 6.03 each for use by the Defence Department; the supplies were to be completed in 24 months commencing from July 1965. On account of certain practical difficulties the period of delivery was extended upto October 1968; the company's request (of 28th December 1968) for further extension of time till October 1969 was turned down by the D.G.S.D. (in April 1969) as the boxes had been redesigned. The company supplied 1,40,000 boxes upto March 1969; thereafter the order for the balance quantity of 1,58,800 numbers was cancelled in April 1969 at the company's risk and cost. In this connection the following points were noticed:—

(i) As against the estimated cost of Rs. 6.00 per box the actual cost of production of the company worked out to Rs. 8.03 per box, due to the low rate of production and consequent increase in overheads, inadequate and defective tooling and untrained labour; this resulted in a loss of Rs. 2.80 lakhs on 1,40,000 boxes supplied upto March 1969.

(ii) 5,500 completed boxes (value Rs. 44,200), which were kept unsold due to cancellation of the contract, are still lying with the company (November 1969). Of these, 4,000 boxes were rejected by the Defence Department as not upto specifications.

(iii) Raw materials valued at Rs. 4.50 lakhs specially procured during February 1966 to December 1967 for the manufacture of these boxes are still held in stock (November 1969).

(iv) Rs. 73,800 being the proportionate value of dies specially designed for the job, could not be recovered from the Department due to cancellation of the order.

(v) Five machines (depreciated value Rs. 51,700) were specially acquired in August 1964 and August 1965 for the job; these are stated by the unit officer to be not useful for other works.

MADRAS INDUSTRIAL INVESTMENT CORPORATION LIMITED

85. (i) *Financial results.*—The financial results of the company for the three years ending 30th June 1969 are given below :—

Date of incorporation.—26th March 1949.

	1967	1968	1969
	(In lakhs of rupees)		
1. Paid up capital	2,84.56	2,89.56	2,94.56
2. Bonds, debentures, deposits and borrowings	19,87.94	19,97.32	20,77.96
3. Free reserves	20.25	17.38	37.65
4. Fixed deposits with a periodicity of not less than 5 years (included in item 2 above)	9,41.72	9,24.24	9,49.55
5. Total capital invested ..	22,92.75	23,04.26	24,10.17
6. Trade dues and other current liabilities	21.46	43.51	58.15
7. Block assets (net)	0.87	0.88	0.88
8. Depreciation	0.42	0.52	0.62
9. Total excess of income over expenditure	9.52	0.30	26.01
10. Interest on bonds, etc. ..	1,15.13	1,27.12	1,29.72
11. Total return (9+10) ..	1,24.65	1,27.42	1,55.73
12. Percentage of return on capital invested	5.44	5.53	6.46

The net profit for the year ending 30th June 1969 after provision for bad and doubtful debts and taxation and writing off loss on sale of investments was Rs. 23.51 lakhs as against Rs. 0.30 lakh in the previous year. The increase in profit is attributable mainly to the increase in interest and dividend receipts. The company has proposed to pay the minimum dividend of Rs. 3.41 lakhs to share-holders other than the Government of Tamil Nadu.

The dividends amounting to Rs. 35.93 lakhs on the shares held by the Government of Tamil Nadu were in arrears for nine years ending June 1969. Orders of Government on the company's request for providing interest-free subvention for payment of dividend to Government are awaited (November 1969).

(ii) *Investments.*—(a) The table below indicates the investments made by the company in the shares of companies and dividends received thereon during the three years ending 30th June 1969.

<i>Investment as at 30th June</i>			<i>Receipt of dividends during the year</i>	
<i>Number of companies</i>	<i>Amount paid-up</i>	<i>Market value</i>	<i>Number of companies</i>	<i>Amount (In lakhs of rupees)</i>

(In Lakhs of rupees).

1966-67

(July to June) 41 7,12.89 5,93.73 10 21.34

1967-68

(July to June) 46 7,37.48 5,89.92 8 8.85

1968-69

(July to June) 47 7,48.46 7,27.85 11 40.82

Thirty four companies in which the company had invested Rs. 4,49.29 lakhs during 1961 to 1969 have not paid any dividends so far (June 1969). A pipe manufacturing company, in the shares of which the company has invested a sum of Rs. 18.55 lakhs in 1964, commenced production in June 1967 but closed down in May 1968 for want of working capital and demand for its products.

(b) The Corporation sold during June—July 1969 cumulative preference shares (dividends ranging from 7.8 per cent to 9.3 per cent) held by it in four companies for Rs. 43.79 lakhs at a loss of Rs. 64,800.

(iii) *Loans.*—(a) As on 30th June 1969, 99 borrowers were in default in repayment of loan instalments and interest amounting

to Rs. 2,65.47 lakhs. The collection against the demand is indicated below :—

<i>Total demand.</i>	<i>Amount collected (percentage over total demand)</i>	<i>Collection postponed due to rescheduling (percentage over total demand)</i>	<i>Amount pending recovery as on 30th June 1969 (percentage over total demand)</i>
(Amount in lakhs of rupees)			
Principal 3,46.63	81.61 (23%)	1.12.61 (33%)	1,52.41 (44%)
Interest 1,77.38	64.32 (37%)	..	1,13.06 (63%)

The amounts are outstanding from 1964-65 onwards.

(b) Rs. 75.72 lakh out of Rs. 1,10.09 lakhs paid by the company upto 30th June 1969 under guarantee obligations remain to be recouped by the debtors.

(c) The Company gave assistance (loan Rs. 22.50 lakhs and share capital Rs. 5.65 lakhs) to three concerns engaged in the manufacture of electrodes. The assistance was given despite the fact that the licensed capacity of the industry was in excess of the demand. One of the concerns went into voluntary liquidation in April 1969; another concern is working at 20 per cent of its capacity; the third unit has not been commissioned so far (June 1969). All the three concerns defaulted in the repayment of loan amounting to Rs. 5.53 lakhs. There has been no return on the share capital investment either.

MADRAS STATE INDUSTRIAL DEVELOPMENT CORPORATION

86. The company was incorporated in May 1965. The paid-up capital (Rs. 4,36.74 lakhs—March 1969) was contributed by State Government. The two units of the company viz., the Tamil Nadu Cement Factory near Rajapalayam and the Continuous Steel Casting Plant at Arkonam are under construction.

The company paid a commission of Rs. 56,250 on the issue of debenture for Rs. 75 lakhs in December 1968 to a bank. The payment of commission was not authorised under the Companies Act,

SECTION D—GOVERNMENT COMMERCIAL AND QUASI-COMMERCIAL DEPARTMENTS/UNDER TAKINGS.

87. On 31st March 1969 there were 18 departmentally managed commercial and quasi-commercial undertakings. The *pro-forma* accounts for 1968-69 have been furnished only by eight concerns. Six of these in which the mean capital employed was Rs. 5.54 crores earned a net profit of Rs. 21.79 lakhs (3.93 per cent) while the other two in which the mean capital employed was Rs. 11.65 lakhs incurred a loss of Rs. 1.20 lakhs (10.30 per cent). A synoptic statement showing the financial results of the 8 concerns is given in Appendix VII.

The *pro-forma* accounts for 1968-69 of the following units have not been submitted to Audit (November 1969) :—

- (i) Madras Dairy and Milk Project ;
- (ii) State Trading Scheme—Scheme for the purchase and distribution of chemical fertilisers ;
- (iii) Sales-cum-procurement depots of Industries Department (nine units from 1965-66 onwards).
- (iv) Servicing Corporation, Guindy ;
- (v) Raw materials Depot, Madurai (1967-68 and 1968-69).
- (vi) Intensive Egg and Poultry production—cum-Marketing Centres (six centres) since inception in 1964).

TAMIL NADU TRANSPORT DEPARTMENT

88. Non-collection of revenue

(a) Consequent on the nationalisation of certain district routes in January 1968, facilities for conveying news paper parcels, postal mail bags and out-agency work (in respect of Nagercoil) were also provided by the Transport department from January 1968. The revenue accruing therefrom has neither been assessed nor the demands raised ; the extent of arrears is indicated below :—

(i) *News paper parcels*.—Rates were prescribed in August 1968 for conveyance of paper parcels but no demand has been raised so far (October 1969). Rs. 18,000 were due for recovery in one depot alone for the period from January 1968 to April 1969 though, according to rules governing the carriage of news paper parcels approved by Government, payment for each month should have been made by the news paper concerns before the 15th of the succeeding month.

(ii) *Postal mail bags*.—Agreement with the Postal department stipulating the rates of conveyance, etc. of the mail bags carried has not been finalised so far (November 1969). There is also no centralised record for the number of bags conveyed on the basis of which demands have to be raised though instructions were issued to the depots by the Director in February 1968 for furnishing monthly returns.

(iii) *Out-agency work*.—Rs. 15,500 were due for recovery in respect of the out-agency work done at Nagercoil upto March 1969.

(b) Police bus warrants were also not being adjusted promptly. In Madras branch, claims had not been raised after February 1968 while Rs. 55,600 relating to earlier periods (November 1967 to February 1968) were pending recovery. In Kanyakumari branch Rs. 51,000 relating to March 1969 and earlier periods dating back to 1963-64 were pending recovery.

89. Purchase of batteries

An order was placed in July 1968 on firm 'A' for the supply of 300 batteries (12 volts—25 plates) at the rate of Rs. 518.60 (inclusive of taxes) per battery although another firm 'B' was on rate contract with the D.G.S. and D during 1st February 1968 to 31st January 1969. Firm A supplied 299 batteries during August—November 1968. Had the order been placed on firm 'B' on rate contract, the department could have saved extra expenditure of about Rs. 32,200. The department stated (May 1969) that it was not aware of the rate contract.

90. Purchase of paints

Based on the recommendations of the technical committee of the department, Government approved in February 1967 a panel of eight firms for the purpose of inviting limited tenders for supply of paint. Six of these firms were exempted from furnishing samples, as they were well reputed firms and their products had been tested and found satisfactory by the department. Two other firms were also exempted from furnishing samples as their products were branded by I.S.I.

Tenders for the supply of materials (estimated cost Rs. 7.37 lakhs) were called for by the Department in March 1968 from eight firms; in respect of seven items (out of seventeen items), the lowest offers of three firms were rejected on the ground that their samples were not found satisfactory; orders were, therefore, placed in August 1968 on higher tenderers at an extra cost of Rs. 73,000.

It was, however, noticed in audit that based on satisfactory results of their samples obtained over a period of six months (from May 1968 to November 1968) all these three firms were included in the list of approved firms for supply of paint during 1969-70.

91. Purchase of retreading materials.

Tread gum and cushion gum (value Rs. 71,600) purchased during 1962 and 1965 from a rubber company for retreading of tyres were found to be defective (in February 1967). The matter was taken up

with the company only in 1967; the company, however, tried to remill certain quantity but subsequently reported (June 1969) its inability to salvage them as the same were found to be in a very bad condition. The company has not so far replaced the defective supplies which are still lying with the department (December 1969). Government stated (September 1969) that the question of replacing the entire quantity of cushion gum and tread gum or to refund their cost to the department is under negotiation with the company.

92. Excess payment of Motor Vehicles Tax

(i) In respect of 'stage carriages' plying on inter-state routes on temporary permits tax is payable at Rs. 45 per seat per quarter if the buses are permitted to operate inside the State a daily service of more than 270 K.Ms. and Rs. 40 per seat per quarter if the distance covered is less than 270 K.Ms. Tax was, however, paid at Rs. 55 per seat per quarter on certain inter-state services operated from April 1968 onwards resulting in an excess payment of Rs 1.23 lakhs.

(ii) Taxes of Rs. 9,500 were paid twice in the case of three vehicles in January 1969. The matter was reported to the department in April 1969 and June 1969; action to obtain refund has, however, not been taken so far (December 1969).

(iii) According to the Motor Vehicles Taxation Act, taxes on vehicles are payable at different rates with reference to the distance permitted to be covered by each vehicle per day. In respect of 677 buses covering shorter distances on city routes, tax was, however, paid at the maximum rate of Rs. 38 per seat from October 1968 onwards as against Rs. 28 and Rs. 33 per seat payable on them. The failure of the department to apply for specific route permits for these buses thus resulted in an extra payment of tax amounting to Rs. 1.70 lakhs per quarter upto June 1969. Action to fix responsibility for this extra payment has not been initiated by the departments so far (December 1969). The matter was reported to Government in October 1969; reply is awaited (December 1969).

93. Fair price shops

In accordance with the suggestion of the Indian Labour Conference 1962, Government set up a departmental fair price shop in the Headquarters Office (Transport House) of the department in May 1964, as a first step in the direction of setting up consumer co-operatives for industrial workers. Government sanctioned in March 1964 Rs. 10,000 initially as working capital, which was increased to Rs. 1.00 lakh in August 1965 with the opening of branches at three more places in the city. The amounts were to be held in personal deposit accounts and accounted for monthly for incorporation in the Government accounts.

The following points were noticed during the review of the working of the fair price shops.

A. Madras—(i) Conversion of fair price shops into co-operatives had not been done as majority of the members did not favour it mainly because they would have to contribute to share capital and that credit facilities would not be available to them.

(ii) Although, according to the orders of Government, the scheme was to run 'on no profit no loss' basis, the loss sustained by it during 1967-68 and 1968-69 amounted to Rs. 73,000; the loss is attributable mainly to high overhead expenditure on staff required for maintaining the accounts.

(iii) Monthly statements of receipts and expenditure have not been furnished to Accountant General for incorporation in accounts as prescribed in Government orders.

B. Tiruchirapalli.—The fair price shop at Tiruchirapalli depot started functioning from March 1968. With only 35 (out of 135) members availing of the facilities in the shop, the value of sales between 23rd March 1968 and 20th March 1969 was Rs. 16,207 while the administration expenses during the same period amounted to Rs. 5,000 (30 per cent of the turnover). The Government order, however, contemplated setting up of fair price depots only in industrial establishments with a strength of 250 and above.

94. Irregular payment of house rent allowance

Mention was made in paragraph 99 (iv) (1) of the Audit Report 1966 regarding payment of full house rent allowance to certain non-eligible workers of the department who were allotted houses (constructed under the 'Subsidised Industrial Housing Scheme') at concessional rate resulting in extra expenditure to the department by way of house rent allowance.

In July, 1967 Government issued orders withdrawing payment of house rent allowance to such workers but these were not implemented by the department despite reiteration of earlier orders by Government in January 1969. This has caused the department extra expenditure of Rs. 16,600 by way of house rent allowance paid to the ineligible workers during the period from July 1967 to May 1969.

95. Temporary advances

Mention was made in paragraph 99 (iii) of Audit Report, 1966 about the long delays in adjustment of advances given to the Stores Officers for making advance payments to the principal suppliers of spare parts. In this connection, the Public Accounts Committee had recommended (November, 1967) that the department should take immediate steps to expedite clearance of all pending items.

A review conducted in the Headquarters section, Kanyakumari branch and the Chromepet units disclosed that such delays still continued as indicated below:—

(i) At the end of October 1969, Rs. 33.16 lakhs, out of the advances sanctioned upto March 1969, were pending adjustment as indicated below :—

	<i>Madras Head- quarters</i>	<i>Kanya- kumari</i>	<i>Chromepet</i>	<i>Total</i>
	RS.	RS.	RS.	RS.
1965-66 and earlier years.	60,069	..	1,400	61,469
1966-67	6,667	30,167	19,614	56,448
1967-68	1,38,953	3,378	20,591	1,62,922
1968-69	19,81,472	6,12,776	4,41,266	30,35,514
		Total ..		33,16,353

Though a register of advances is being maintained, the same is neither being reviewed nor the balances are being tallied; a centralised watch on the outstanding balances in the branches is also not being kept.

(ii) Rs. 10,185.38 paid in 1963-64 to a firm in Bombay towards supply of materials which were rejected, have not been recovered so far (October 1969).

(iii) Rs. 18,500 paid in 1964-69 are recoverable from certain companies for the short supplies made by them.

(iv) Contrary to the instructions contained in the Financial Code, four advances had been sanctioned to both Gazetted and non-Gazetted officers from this amount; more than one advance had also been sanctioned without adjusting the amounts of previous outstanding advances. Out of the advances paid to end of March 1969 Rs. 4,629 were pending recovery/adjustment in July 1969. In the case of an officer to whom Rs. 610 has been advanced on seven occasions during July to December 1967, orders for recovery in instalments of Rs. 50 were issued in January 1969 only.

(v) Rs. 11,600 had been paid as advance to the Fair Price Shop, Chromepet for purchase of foodgrains.

FOOD DEPARTMENT

GRAIN SUPPLY SCHEME

96. Issue of rationed commodities to bulk consumers

Orders were issued in September 1966 by the Civil Supplies Department that for issue of rationed commodities, bulk consumers in Madras city should be charged the same rate as were applicable to

ordinary consumers but these orders were extended to the bulk consumers in the districts only in December 1966. The delay in extending the orders to the districts resulted in under-recovery of about Rs. 52,000 in four districts alone.

Further, the revised orders issued by the Commissioner, Civil Supplies in December 1966 contemplated recovery of the price differential directly by the district officers from bulk consumers who drew their requirement from wholesalers. In Tiruchirappalli district demands resulting from these revised orders were not raised; the non-recovery of price differential from bulk consumers of sugar alone amounted to Rs. 42,000.

97. Excess payment

During local audit of the accounts of Grain Supply Scheme, South Arcot District, conducted in June 1965 it was noticed that while making payment to suppliers between January and March, 1965 the net weight of foodgrains was arrived at by deducting from the gross weight, the weight of gunnies calculated at 600 grams instead of 700 grams each, as fixed by the Government earlier. This resulted in excess payment of Rs. 10,000 (approximately).

The District Supply Officer, South Arcot stated (January 1969) that proposals for ratification of his action have been sent up, as it was impracticable to recover the excess payments made.

98. Loss due to incorrect classification of rice

Certain consignments of first sort paddy despatched from Thanjavur district to the Nilgiris during April-May 1967 were sold as second sort rice after hulling in the absence of stencil marks on bags and classification in rail receipts. The loss sustained on 4,545 quintals of rice sold as such amounted to Rs. 31,815.

The Collector stated (August 1969) that the loss was irrecoverable and action to write off of the same was being taken; the matter was stated to be under consideration of Government (October 1969).

99. Overpayment of transport charges

(i) In January 1968 the Commissioner of Civil Supplies, while communicating the approved rates of transport charges for movement of paddy and rice by road, intimated the ceiling rate for the slab 251-300 miles as Rs. 4.80 per quintal instead of Rs. 4.50 per quintal. This mistake was, however, rectified subsequently in March, 1968. In the meantime, payment at higher rate resulted in overpayment of Rs. 23,911 in two districts. The department felt that the amount overpaid was irrecoverable and had approached the State Government (April, 1969) for regularisation. Orders of Government are awaited (December 1969).

(ii) The road transport charges payable to agents, who procure and supply foodgrains to Government at their godowns, include charges for unloading and weighing at the godown. In the Avadi godown unloading and weighing was done by godown contractors without effecting any reduction in the transport rate of the agents. Rs. 6,393.75 were overpaid on this account upto 31st March 1965. The overpayment was noticed by the department in June 1965, of which only Rs. 902 have been recovered so far (July 1969).

100. Excess payment due to short supply of rice by millers

As per instructions issued (in September 1967) by the Commissioner of Civil Supplies, millers entrusted with hulling operations were to deliver the resultant rice according to the percentage of out-turn fixed and in respect of quantities short delivered recovery was to be made on the basis of Government issue rate for rice to retailers plus 25 per cent thereof towards penalty. During the local audit of the accounts of the District Supply Officer, Salem, it was noticed that in the case of certain payments made during February to August 1968, recoveries for short supply of rice had not been correctly effected in that only 25 per cent towards penalty had been recovered without recovering in addition the cost element. This resulted in short recovery of Rs. 1.02 lakhs from the millers; Government reported (December 1969) that a sum of Rs. 23,582 has since been recovered.

101. Alleged defalcation

In a district godown, issues of foodgrains to wholesalers were made on chalangans which turned out to be forged. The value of foodgrains so issued during February-November 1968 in 482 cases amounted to Rs. 3.36 lakhs; of this Rs. 1.13 lakhs are stated to have been recovered from them so far (November 1969). The Department stated that an Assistant working in the godown had been arrested and two Junior Accounts Officers suspended for failure of duty. The case is reported to be pending in the Court (November 1969).

It was reported by the department that the fraud was rendered possible due to non-adherence by the officials concerned to the procedure prescribed for reconciliation of stock issues with financial records.

AGRICULTURE DEPARTMENT

102. Madurai Milk Conservation Project

The project started functioning from March 1967. *Pro forma* accounts have not been prepared so far (December, 1969) as the form in which the accounts of the project is to be prepared is yet to be approved by the State Government.

The following points were noticed in audit :—

(i) Against the maximum capacity of 50,000 litres per day the average quantity of milk processed by the project was only 14,000 litres during April, 1967 to September, 1968. The department stated (October, 1968) that the maximum capacity could be reached only over the course of a few years.

(ii) (a) During the "flush season" of January-July 1968, 13.10 lakhs litres of milk (value Rs. 15.20 lakhs) out of 45.78 lakhs litres collected was converted into bye-products like ghee, casein, etc., (value Rs. 8.09 lakhs) due to lack of demand for milk, resulting in a loss of Rs. 7.11 lakhs.

(b) There was large accumulation of stocks of ghee (balance at end of September, 1968 being 9,800 kgs. valuing Rs. 92,500) resulting in deterioration in quality. The price of old ghee was reduced from Rs. 11 per kg. to Rs. 9.50 per kg. in June, 1968 and further to Rs. 8.60 per kg. in August 1968. The loss due to revision of the selling price of old ghee (6,353 kgs. in September 1968) was Rs. 15,300.

(c) 20,500 kgs. of casein (value Rs. 84,000) produced upto July, 1968 remained unsold (October, 1968).

(d) No percentage of loss in conversion of butter to ghee or production of casein had been fixed so far (December 1968).

(iii) Owing to breakdown and belated arrival of vehicles and power failures in the dairy, 22,000 litres of milk (cost Rs. 17,700) were spoilt during March to September, 1968.

(iv) 31,500 kgs. of milk powder (manufactured during November, 1966 and July, 1967 with a warranty period of 6 months) were received from the Madras Dairy and Milk Project during September, 1967—March, 1968. Only 6,700 kgs. were used upto September, 1968 leaving 24,800 kgs. (value Rs. 74,400) in stock for which the warranty period had expired.

GENERAL.

103. Idle machinery

Plant and machinery (costing about Rs. 0.64 lakh) purchased for various industrial units were lying unutilised (September 1969) as indicated below :—

<i>Serial number and name of the Industrial Unit</i>	<i>Description of plant and machinery</i>	<i>Value/Date of purchase/receipt by transfer</i>	<i>Remarks</i>
<i>Madras State Small Industries Corporation Limited.</i>			
(i) Bolts and Nuts Unit, Erode.	Nut tapping machine Traub M.G.A. 1024.	Rs. 11,795 November 1963.	The machine could not be used as the unit is manufacturing forged nuts and not machinised nuts for which this is intended. Resale of the machine through the supplier is stated to be under consideration (September 1969).
(ii) Tool Room Shop, Coimbatore.	Punch and form shaping machine. Pillar type drilling machine (3 numbers).	Rs. 17,776 February 1966 Rs. 12,383 November 1965	The machines are lying idle since the date of their transfer to the unit. The Management stated that a decision on the disposal of the machines would be taken on receipt of the report of the consultants who were going into the future set up of these units.
(iii) Tool Room Shop, Ambattur.	Oil quenching bath.	Rs. 6,069 April 1965.	

Industries and Commerce Department.

(iv) Common Lease Shop, Podanur.	Radial drilling machine.	Rs. 15,700 April 1965.	The machine is idle from the date of receipt for want of orders. The Management stated in September 1969 that the machine was not required in any of the units of the Corporation or the other industrial units and that action was being taken to dispose it off in public auction along with others.
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SECTION E.

INVESTMENTS IN AND FINANCIAL ASSISTANCE TO CO-OPERATIVE SOCIETIES.

104. Madras Taxi Drivers' Co-operative Society

In November 1963 Government ordered the conversion of the Auto-Rickshaw Drivers' Co-operative Society (formed in December 1961) into a Taxi Drivers' Co-operative Society. Out of the loan

assistance of Rs. 1,53,225 already provided by Government in March 1962, Rs. 1.40 lakhs were treated as interest bearing loan towards the cost of ten taxis and capital requirements, Rs. 0.10 lakh as interest-free share capital loan to 20 driver-members of the society and the balance amount of Rs. 3,225 was ordered to be refunded to Government. Besides, Rs. 4,000 were invested by Government in the shares of the Society; services of a Senior Inspector (actual expenditure upto August 1968 : Rs. 13,256) were also provided free of cost. The Society incurred losses constantly; the cumulative loss sustained during the period November 1963 to the end of June 1968 was about Rs. 1.65 lakhs. The loss was attributed by the Registrar of Co-operative Societies to heavy repairs and replacement and lack of interest and loyalty on the part of driver members, who were only paid monthly wages. As a remedial measure, Government, however, ordered in July 1968 that fifteen taxis owned by the Society may be allotted to the senior members of the Society on hire purchase terms, the cost to be fixed being higher of the two amounts, viz.—

(a) the outstanding Government loan; or

(b) the depreciated cost of the vehicle plus the net loss incurred by the society, so as to enable the society to repay the loan due to Government.

The following points were noticed in audit (November 1968):—

(i) Interest due on the loan of Rs. 1.52 lakhs advanced to the Auto-Rickshaw Drivers' Co-operative Society from April 1962 to October 1963 (Rs. 12,635) had not been recovered.

(ii) (a) The loan of Rs. 1.40 lakhs (at 5½ per cent per annum) towards capital cost of the taxis was repayable in eight equated instalments from the third year of drawal of the amount with simple interest for the first two years. Of three instalments of annuity amounting to Rs. 66,780 to end of November 1968 and interest for the first two years amounting to Rs. 16,100, Rs. 58,500 had not been paid by the Society.

(b) The interest-free share capital loan (Rs. 0.10 lakh) given to the driver members was recoverable from them over a period of eight years from the third year of drawal of the amount. Upto November 1968 Rs. 3,750 fell due for repayment to Government, of which Rs. 3,075 recovered from the members had not been paid to Government.

(iii) The daily collections remitted by the hire purchasers from September 1968 were utilised by the society for carrying out repairs to other vehicles and no amount was paid to Government towards repayment of the loan.

(iv) The taxis allotted to the members were valued by the Society with reference to the condition of the vehicles and not according to method prescribed by Government. The deviation from the recommended method of valuation has resulted in under-valuation by Rs. 0.68 lakh in respect of 13 taxis so far allotted (November 1969).

105. Jambuvanodai Co-operative Land Colonisation Society

The society which was established in 1952 for the resettlement of 120 ex-servicemen on 742 acres of land, received (in 1954 and 1962) grants totalling Rs. 2.10 lakhs (Rs. 0.90 lakh from the Government of India and Rs. 0.60 lakh each from the Government of Tamil Nadu and the Post-war Reconstruction Committee Fund); free services of a Co-operative Sub-Registrar/Senior Inspector (expenditure to end of December 1968 being about Rs. 0.66 lakh) and irrigation facilities at a cost of Rs. 0.47 lakh were also provided by the Government in 1952 and in 1954 respectively. As water had to be taken through a channel seven miles long passing through sandy soil and as there was obstruction by local ryots in the upper reaches who put up cross bunds for getting supply to their lands, only 350 acres (out of 742 acres of land) could be developed by the society upto 1958-59. Another scheme (estimated cost : Rs. 1.40 lakhs) was, therefore, sanctioned by the Government in 1964; the work was completed in April 1968 at a cost of Rs. 1.65 lakhs, being the actual expenditure booked upto February 1969. A third scheme (estimated cost : Rs. 42,000) for providing protective bund and drainage facilities to the colony was approved by the Chief Engineer in March 1967 and Rs. 27,477 were spent upto February 1969 on this scheme.

In this connection, the following points were noticed :—

(i) Out of 120 members to whom lands were allotted, only 36 cultivating members were residing in the colony (July 1969).

(ii) Rs. 31,234 were disbursed to 81 members during June 1957 to January 1963 as subsidy for the construction of houses. Of the 60 houses constructed, 24 collapsed; no recovery was made from 21 persons who did not construct houses.

(iii) Rs. 41,889 were due (June 1968) from the members towards interest on loans.

(iv) At the end of June 1968 the society owed to the Co-operative Central Bank Rs. 95,569 towards principal and Rs. 21,483 towards interest.

(v) According to the Agriculture department the colony lands needed desalination by "leaching process" due to the saline nature of the soil for which copious supply of water was required. The scheme executed by the Public Works department, not having taken this factor into account, required revision.

(vi) There was gradual decline in the area cultivated from 350 acres during 1959-60 to 100 acres during 1967-68.

It would appear from the above that the scheme had not been implemented successfully; this was attributed (May 1968) by the Registrar of Co-operative Societies to—

- (i) the saline nature of the soil;
- (ii) inadequate irrigation and drainage facilities;
- (iii) natural calamities like cyclone, floods, droughts, etc.;

(iv) antagonistic attitude of the local ryots to the establishment of the colony; and

(v) the uneconomically poor status of the colonists.

106. Assistance to co-operative marketing societies

(a) The Dindigul Co-operative Marketing Society was granted an assistance of Rs. 84,350 (share capital : Rs. 69,250 ; loan : Rs. 11,325 and subsidy : Rs. 3,775) during March 1958 to December 1959 for the establishment of two processing units, viz., groundnut decorticators and cotton ginning units, as it was felt by the Registrar of Co-operative Societies that the units would enable the members to process their produce and obtain better prices. The units however, remained idle ever since their installation in 1959 for want of work; this was attributed (April 1968) by the society to—

(i) preference of the ryots to dispose of the groundnut pods, without processing, to private oil mill owners; and

(ii) the transfer of cotton growing areas to the jurisdiction of Palani Co-operative Marketing Society.

Two out of the four gins purchased (in 1959) for Rs. 11,000 were disposed of by the society (in June 1966) and a sum of Rs. 5,650 only was remitted to Government towards repayment of share capital. The disposal of the remaining machinery (value : Rs. 11,000) is under consideration (June 1969).

(b) The Palani Co-operative Marketing Society to whom share capital assistance of Rs. 24,000 was given in March 1961 for establishing a groundnut decorticator unit, purchased and installed machinery (value : Rs. 6,000) during 1961-62; the machinery remained largely unutilised. As there was not adequate work for the unit to run profitably, the society resolved (September 1967) to close the unit; final orders of Registrar of Co-operative Societies are awaited (June 1969).

107. Excess payment of subsidy

Under the package programme introduced in Thanjavur district in 1960-61, the Co-operative Central Banks were entrusted with the work of providing timely credit to the farmers through co-operative societies. For effective supervision over the utilisation and recovery of loans disbursed under the scheme, the banks were required to appoint additional supervisors on a fixed pay (Rs. 65 p.m. upto May 1960 and Rs. 95 p.m. thereafter) with the usual dearness and other allowances, the extra expenditure being reimbursed by Government. During a test check of the accounts of the Deputy Registrar of Co-operative Societies, Kumbakonam in May 1966, it was seen

that Rs. 19,935 had been reimbursed to a bank in excess (Pay : Rs. 2,569 and House Rent Allowance : Rs. 17,366) upto December 1965. The excess payment arose due to omission to restrict the pay and allowances of the supervisors to rates approved by the Government.

The matter was reported to the department in June 1966 and to Government in May 1969. The department stated (January 1969) that a sum of Rs. 2,569 (pay) was recovered in January 1969; final reply regarding recovery of the balance amount is awaited (December 1969).

108. Primary labour contract co-operative societies

For the welfare and uplift of the unskilled and skilled labour and to provide them continuous employment, primary labour contract co-operative societies were set up during II and III plan periods and financial assistance was given to them by Government in the form of loans and grants for purchase of implements meeting the cost of establishment, etc., 121 societies were formed till March 1968 and Rs. 10.10 lakhs were given as loans and Rs. 5.99 lakhs as grants (including cost of establishment : Rs. 5.07 lakhs) to these societies. Orders were also issued by Government in 1966 that works in the Public Works department costing upto Rs. 25,000 should be allotted to these societies on nomination basis and a price preference upto 5 per cent be also allowed in such cases.

A review of the working of the societies revealed the following :—

(i) Twenty societies which received assistance of Rs. 1.77 lakhs (Loan: Rs. 1.27 lakhs; subsidy : Rs. 0.06 lakhs; cost of establishment : Rs. 0.44 lakh) were dormant; the cumulative loss sustained by these societies upto 1968-69 was about Rs. 76,000. Out of the loan advanced, Rs. 1.15 lakhs (excluding interest) were also recoverable from the societies.

(ii) Most of the societies were working at loss as indicated below :—

<i>Period upto which tentative working results are available.</i>	<i>Societies working at loss at the end of the year.</i>	
	<i>Number.</i>	<i>Cumulative loss.</i>
		(In Lakhs of rupees.)
1965-66]	5	0.68
1966-67	25	0.87
1967-68	38	1.69

(Two societies were wound up; working results of other societies not available)

Out of 68 societies mentioned above 20 societies which received assistance of Rs. 2.83 lakhs (Loan: Rs. 1.91 lakhs, cost of establishment: Rs. 0.92 lakh) were working at loss continuously for three years or more, the cumulative loss sustained by them upto June 1968 being Rs. 1.17 lakhs.

(iii) The progress report of the work executed by the societies for the half-year ending 31st December 1966 indicated that 107 societies executed works worth Rs. 7.91 lakhs only; the value of work in hand at the end of the year was Rs. 20.66 lakhs.

(iv) At the end of 30th June 1968 Rs. 0.93 lakh (excluding interest) were overdue for recovery from these societies against the demand of Rs. 1.16 lakhs.

It will be seen from the above that the performance of the societies has not been satisfactory; this was attributed by the departmental officers to

(1) inefficient management and lack of interest shown in the affairs of the societies by the Board of Directors

(2) ineffective supervision, lack of guidance and technical ability to take up work contracts

(3) misuse of society funds and improper maintenance of accounts in certain societies

(4) excessive establishment and contingent charges incurred and increased labour charges.

109. Working of Co-operative sugar mills

There were seven co-operative sugar mills in the State as on 30th June 1968. The total investment of Government in the share capital of these mills was Rs. 2,02.93 lakhs as on 31st March 1969.

The audited accounts for the year ending 30th June 1968 have not been received in respect of three mills. The financial results of the mills are tabulated below :—

Year of accounts received	Number of mills	Total share capital.	Government Investment		Profit (+) Loss (-)	Remarks
			Share capital	Loan		
(In Lakhs of Rupees)						
1966-67 ..	6	3,52.97	1,52.50	6.81	+ 21.75	2 Mills.
1967-68 ..	3	1,85.18	77.98	14.50	+ 51.99	4 Mills.
1967-68 ..	1	40.08	20.00	..	+ 19.39	2 Mills.
1967-68 ..	1	40.08	20.00	..	- 20.62	1 Mill.
1967-68 ..	1	40.08	20.00	..	+ 0.24 *	

* Not started production-represents surplus of interest income.

The accumulated loss upto 30th June 1967 in the case of two mills, and upto 30th June 1968 in two other mills (share capital Rs. 2,23.91 lakhs) amounted to Rs. 1,91.09 lakhs; in two mills the accumulated loss of Rs. 1,30.51 lakhs exceeded the share capital of Rs. 1,13.23 lakhs.

One mill (the North Arcot Co-operative Sugar Mills) waived in October 1967 a shortage of 5,500 tonnes of molasses (value Rs. 2.75 lakhs at the minimum price of Rs. 50 per tonne fetched during the year). The auditors of the mill reported in March 1969 that the waiver was made without verifying the stock physically.

110. Working of co-operative spinning mills

The total investment of Government in the twelve co-operative spinning mills in the State amounted to Rs. 2,16.28 lakhs (share capital contribution Rs. 1,68.78 lakhs and loan Rs. 47.50 lakhs) as on 30th June 1968. The Government have also guaranteed the repayments of loans taken by these mills from financial institution and deferred payment instalments in respect of machinery imported to the extent of Rs. 8,63.00 lakhs.

The financial results of the mills for the year ending 30th June 1968 are given below :—

	(In lakhs of rupees)
Total paid up capital as on 30th June 1968	3,31.02
Net loss	62.50

The accumulated loss of these mills upto the end of 30th June 1968 amounted to Rs. 2,07.71 lakhs, of which Rs. 1,31.82 lakhs was sustained in six mills having a paid up capital of Rs. 1,45.70 lakhs; in one mill the accumulated loss (Rs. 24.94 lakhs) exceeded the paid up capital (Rs. 20.96 lakhs). The loss has been attributed by the departmental auditors to high price of cotton, slump in yarn market, high percentage of wastage and increased payment of wages.

Dividend of Rs. 3.27 lakhs due to Government for the years 1960-61 to 1964-65 from one mill (South India Co-operative Spinning Mills Limited, Pettai), was treated as short-term loan to the mill in October 1968.

111. Working of the Tamil Nadu Handloom—weavers' Co-operative Society Limited.

On 30th June 1967, Government's investment in the share capital of the Society (Rs. 36.38 lakhs) amounted to Rs. 18.00 lakhs; loans and ways and means advances aggregating Rs. 32.34 lakhs and subsidy of Rs. 16.70 lakhs were also paid to it upto that date. The working of the Society, according to the audited accounts for the year ending 30th June 1967 (latest available), resulted in a loss of Rs. 2.63 lakhs, the accumulated loss being Rs. 7.20 lakhs.

Certain points noticed from the audited accounts and reports of the Registrar of Co-operative Societies are mentioned below :—

(i) Effective steps had not been taken to close down the several uneconomic selling units.

(ii) Due to overstocking of certain varieties of cloth, sales at reduced prices had to be made, involving loss of Rs. 3.19 lakhs.

(iii) The yarn and cloth processing centre, Erode was working at loss since 1961-62, the accumulated loss being Rs. 4.40 lakhs. The quantity processed by the unit was 21.62 lakh metres during 1966-67 against the rated capacity of 54 lakh metres.

(iv) There were no sales of " Bleeding Madras " in 1966-67 due to lack of demand; the stock was revalued at Rs. 11.20 lakhs, the loss in revaluation being Rs. 1.84 lakhs.

112. Working of co-operative central banks

(i) There were sixteen co-operative central banks in the State as on 30th June 1968, which acted as financing agencies of primary societies. Besides these banks, there was one apex institution (the Madras State Co-operative Bank Limited) to provide medium and long term loans to the co-operative institutions.

The details of investments made and loans given by Government to these institutions as on 30th June 1968 and the profits earned upto the end of that year are given below :—

	Share capital		Net profit	Reserve Fund	Loans by Government
	Government investment	Total			
	(In lakhs of rupees.)				
1. 16 Central banks ..	1,95.30	9,86.67	76.01	2,18.87	4.15
2. Madras State Co-operative Bank Limited.	1,26.00	3,36.86	29.53	83.29	1,22.62

The overdue loan and interest due to the banks as on 30th June 1968 amounted to Rs. 4,96.13 lakhs and Rs. 4.37 lakhs respectively including Rs. 69.11 lakhs due from liquidated societies. In four banks the overdue loans exceeded 20 per cent of the total demand during the year.

(ii) In three banks the bad and doubtful debts were estimated at Rs. 41.20 lakhs by the auditors, but provision was made for Rs. 18.36 lakhs only. During 1968-69, the Reserve Bank of India reported, after inspection of the banks under Section 35 of the Banking Regulation Act, 1949, that bad and doubtful debts amounted to Rs. 49.11 lakhs as against the provision of Rs. 26.73 lakhs made in the accounts of four other banks,

(iii) The department noticed in December 1968 that a central bank had allowed weavers' co-operative societies to open current accounts with it in which amounts from the cash credit accounts of the societies which were not fully utilised were frequently transferred. Consequently, at the expense of the societies, the bank earned a net interest of Rs. 5,600, being the difference between the interest charged for cash credit accounts and that allowed for current accounts. In addition, the Central Bank also availed of the interest subsidy of Rs. 4,400 from the Government on the cash credit accounts, which has since been required to be refunded to Government (March 1969).

113. Working of State and District Co-operative Marketing and Supply Societies

Details of total paid up capital, Government investment, profit earned or loss sustained in 12 District Co-operative Supply and Marketing Societies including the Triplicane Urban Co-operative Society and the Madras State Co-operative Supply and Marketing Society Limited, Madras audited by the Chief Auditor, Co-operative Department are given below :—

Year of latest accounts certified	Number of societies	Paid up share capital	Government investment.			Profit + Loss —		
			Share capital	Loan	Subsidy			
(Amount in lakhs of rupees)								
1964-65	..	2	3.42	1.00	3.92	0.93	+ 0.62 — 0.43	1 Society. 1 Society.
1965-66	..	1	6.07	3.00	0.31	..	+ 0.02	1 Society.
1966-67	..	8	41.21	24.62	31.68	9.56	+ 7.83 — 3.37	5 Societies. 3 Societies.
1967-68	..	1	36.28	6.63	8.91	3.00	+ 1.34	1 society.

Certain points noticed in the audited accounts and reports of these societies are mentioned below :—

(i) The sale of a building for Rs. 90,000 in April 1967 by a District Co-operative Supply and Marketing Society is under departmental investigation on the ground that higher offers were not considered

(ii) The Thanjavur District Co-operative Supply and Marketing Society with a paid up share capital of Rs. 1.09 lakhs incurred a cumulative loss of Rs. 7.94 lakhs to end of 1964-65 and is under liquidation from February 1968.

(iii) Shortages of stores awaiting adjustment in these societies amounted to Rs. 25.04 lakhs. In four societies shortages pertaining to 1946-56 had not been set right.

114. 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 December 1969 the accounts of 7,107 societies (of fourteen audit circles) remained to be audited as indicated below :—

1964-65 and earlier years	1965-66	1966-67	1967-68
608	748	1,079	4,672

In respect of audits completed Rs. 12.24 lakhs representing cost of audit were pending recovery.

(ii) Recovery of cost of special staff sanctioned for co-operative societies :—Rs. 4.94 lakhs were pending recovery as on 31st December 1969 from co-operative societies on account of cost of special staff lent to them.

SECTION F.

OTHER INVESTMENTS AND GUARANTEES

115. Investments by Government

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

Year	Statutory Corporations, Government Companies and Joint Stock Companies	Co-operative institutions
	(In lakhs of rupees)	
1966-67	8,66.45	10,07.85
1967-68	11,53.45	10,59.55
1968-69	12,07.19	12,00.31

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

	1966-67	1967-68	1968-69
	(In lakhs of rupees)		
Statutory Corporations, Government Companies and Joint Stock Com- panies.	2.97	1.57	1.40
Co-operative institutions.	14.95	8.23	30.62
Total ..	<u>17.92</u>	<u>9.80</u>	<u>32.02</u>

116. Guarantees given by Government

Guarantees have been given in respect of share capital and loans raised by the Statutory Corporations, Government Companies, Co-operative institutions etc. to the extent of Rs. 1,77.19 crores to end of 1968-69; of this Rs. 1,37.62 crores were outstanding on 31st March 1969.

CHAPTER IX

OUTSTANDING AUDIT OBJECTIONS AND INSPECTION REPORTS

117. Outstanding Audit Objections

(a) The irregularities and defects noticed in audit are reported to departmental officers and periodical reports of outstanding audit objections are forwarded to the heads of departments for taking steps to expedite their settlement. With lapse of time, settlement is likely to become more difficult. Financial rules of Government require that departmental officers should attend to audit objections promptly; the Public Accounts Committee has also been repeatedly stressing the need for expeditious settlement of objections. However, clearance of objections through the years has not been appreciable.

(b) The following table shows the number of audit objections issued to the end of March 1969 and outstanding at the end of September 1969 compared to those included in the previous two Audit Reports :—

	<i>Objections shown outstanding in the Audit Report</i>		
	1968	1969	1970*
Number of objections outstanding ..	29,303	27,347	29,495
Amount (in crores of rupees) ..	10.56	10.51	16.17

Yearwise analysis of the outstanding is given below :—

<i>Year</i>	<i>Number</i>	<i>Amount</i> (in lakhs of rupees)
1964-65 and earlier years	5,101	3,18.41
1965-66	1,849	1,02.11
1966-67	5,521	1,56.24
1967-68	5,378	4,53.05
1968-69	11,646	5,86.93
Total ..	29,495	16,16.74

* The figures include objections for want of estimates/excess over estimates for the first time.

(Number; 3194 and amount; Rs. 4.44 crores)

Departmentwise and yearwise analysis of the main classes of objections together with amount thereof are given in appendix IX.

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

(i) *Non-submission of detailed contingent bills, vouchers, payees' receipts, stamped acknowledgments, or other documents (Rs. 6.62 crores).*—The objections on account of non-submission of detailed contingent bills relate to the 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 of the expenditure) have not been furnished to Audit besides non-receipt of vouchers, payees' receipts, stamped acknowledgments or other documents. The outstandings are particularly heavy in the following departments:—

	Number	Amount (In lakhs of rupees)
Agriculture	1,962	1,57.19
Industries	1,200	1,02.04
Public Works	2,530	69.17
Health	2,321	63.88
Labour	194	58.29

The unduly long delay in submission of the documents in proof of payments made results in large expenditure escaping audit scrutiny for long and there is likelihood of serious irregularities remaining undetected.

(ii) *Want of sanctions to estimates or excess over sanctioned estimates.*—(Rs. 4.44 crores).—There were 3,194 objections for Rs. 4.44 crores for want of sanctions to estimates or excess over sanctioned estimates.

118. Outstanding Inspection Reports

(a) Important irregularities and defects noticed during local audit and inspection are included in inspection reports which are sent to departmental officers for expeditious settlement and to also the heads of departments and Government, where necessary. These reports should be settled promptly if the object of the inspections is to be fully achieved; otherwise, there is likelihood of irregularities persisting with attendant risk of loss to Government.

Settlement of 3,227 inspection reports containing 14,726 paragraphs issued to the end of March 1969 was pending in October 1969. Some of these have been outstanding for long. Yearwise analysis of the outstanding is given below:—

Year	Number of outstanding	
	Inspection Reports	Paragraphs
1964-65 and earlier years	543	1,073
1965-66	350	968
1966-67	569	2,134
1967-68	873	4,323
1968-69	892	6,228
Total	3,227	14,726

359 inspection reports containing 734 paragraphs issued upto March 1964 (more than five years old) are awaiting settlement. Even first replies have not been received to 141 reports issued upto March 1969.

Important types of irregularities noticed in 1968-69 are given in appendix XI. Departmentwise/yearwise details of the outstanding reports are given in appendix X.

CHAPTER X.

OTHER TOPICS OF INTEREST

119. Delay in issue of sanctions to continuance of temporary posts and posting orders.

(i) In accordance with the orders issued by Government in March 1962, sanctions to continuance of temporary posts are to be issued expeditiously, well in advance of the expiry of sanctioned period, so as to obviate delay in drawal of pay and allowances by the incumbents of the posts. Out of 2,476 temporary gazetted posts which were continued beyond February 1969, delay of more than one month occurred in about 1,200 cases as shown below :—

<i>Delay.</i>	<i>Number of cases.</i>
More than 1 month but less than 2 months	1,062
More than 2 months but less than 3 months	104
More than 3 months	18
Total ..	1,184

Sanctions for continuance of 16 temporary posts during 1969-70 are still to be received (November 1969).

(ii) Due to delay in issue of posting orders 26 gazetted government servants had to be granted special joining time or treated as on "compulsory wait" for 8 to 111 days. Twenty-two of these officers belonged to the Revenue department. The delay in deciding posting of the officers entailed infructuous expenditure of Rs. 17,413 on pay and allowances for the period of special joining time and compulsory wait.

MADRAS,

The 6th February 1970

(T. NARASIMHAN)

Accountant General, Tamil Nadu.

Countersigned.

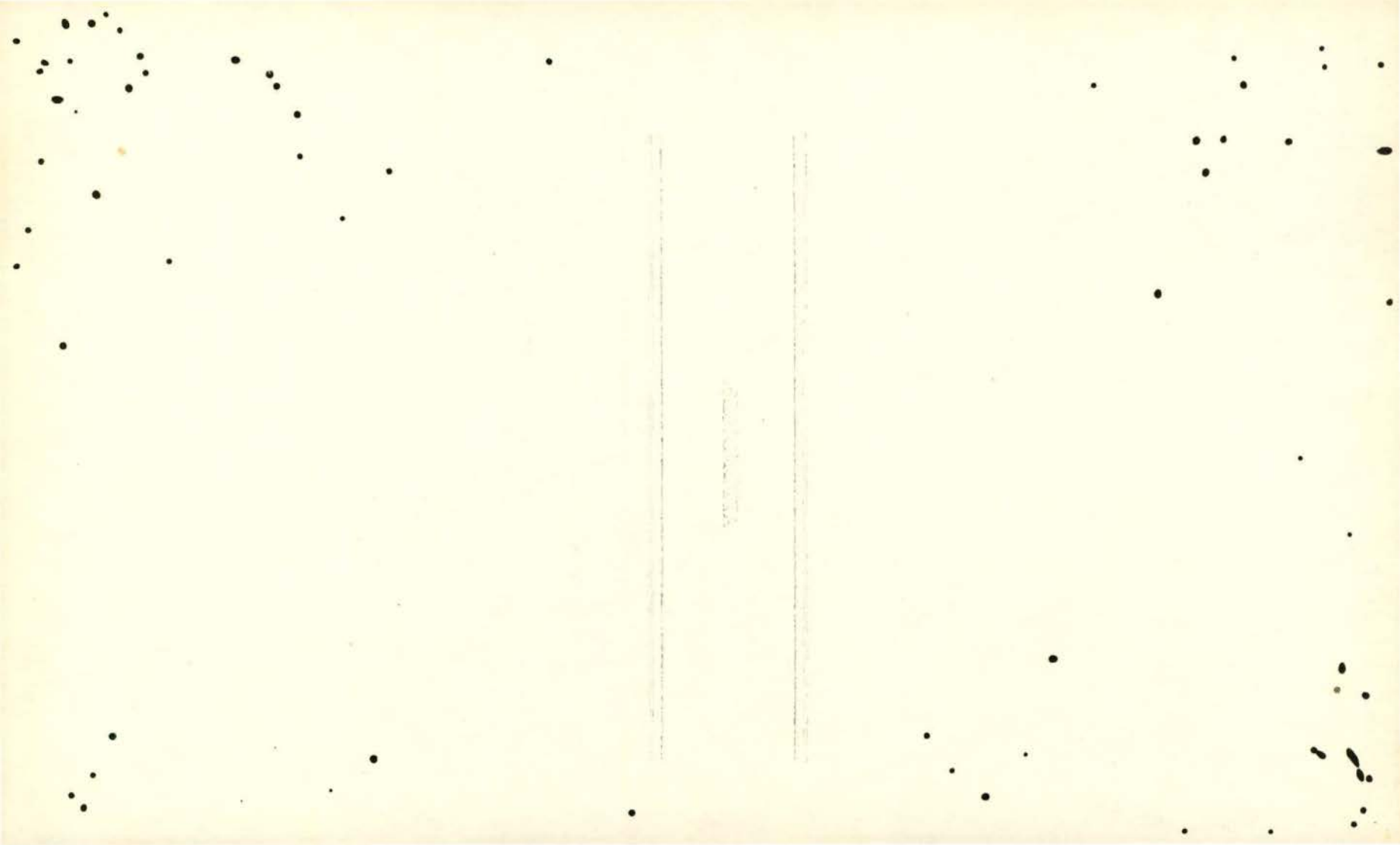
NEW DELHI,

The

(S. RANGANATHAN)

Comptroller and Auditor General of India.

APPENDICES.



APPENDICES—

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GRANTS/APPROPRIATIONS IN WHICH SUPPLEMENTARY PROVISION WAS

(Reference : Paragraph 18,

Particulars of grant/appropriation(i) *Grants/Appropriations in which the supplementary provision proved wholly unnecessary—*

20. Industries (Voted)	..	..	..	..	..	..
21. Cinchona (Voted)	..	..	..	..	..	..
24. Labour including factories (Voted)	..	..	..	..	..	..

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

5. Registration Department (Voted)	..	..	..	..	..
9. District Administration and Miscellaneous (Voted)	..	..	..	..	..
27. Public Works (Voted).	..	..	..	..	..
(Charged) ..	..	..	..	..	..
40. Capital Outlay on Industrial Development (Voted)	..	..	..	..	..
(Charged)	..	..	..	..	..
42. Capital Outlay on Public Works (Charged)	..	..	..	..	..

DIX I.

OBTAINED AND THE EXTENT TO WHICH IT WAS UTILISED.

page 16 of Chapter II).

<i>Amount of grant/appropriation.</i>			<i>Actual expenditure.</i>	<i>Saving.</i>	
<i>Original.</i>	<i>Supplementary.</i>	<i>Total.</i>		<i>Amount.</i>	<i>Percentage.</i>
(In lakhs of rupees)					
3,93.09	4.17	3,97.26	3,01.84	95.42	24
46.52	0.05	46.57	45.30	1.27	27
2,38.32	2.94	2,41.26	2,05.38	35.88	15
82.29	11.01	93.30	82.60	10.70	11
16,90.15	1,51.79	18,41.94	17,29.66	1,12.28	6
7,06.34	83.44	7,89.78	7,24.22	65.56	24
2.45	1.38	3.83	2.59	1.24	32
8,29.86	4,92.12	13,21.98	11,94.84	1,27.14	10
2.41	7.97	10.38	8.68	1.70	16
..	5.84	5.84	1.31	4.53	78

GRANTS/APPROPRIATIONS IN WHICH THERE WERE SAVINGS

(Reference : Paragraph 21,

Number and name of grant

(In lakhs

(1)	5.	Registration Department—			
		(Voted)	..	..	..
(2)	20.	Industries—			
		(Voted)	..	..	..
(3)	24.	Labour Including factories—			
		(Voted).	..	..	..
(4)	27.	Public Works—Works—			
		(Charged).	..	..	..
(5)	29.	Public Works—Grants-in-aid—			
		(Voted).	..	..	..
(6)	30.	Road Transport Schemes—			
		(Charged).	..	..	..
(7)	31.	Famine Relief—			
		(Voted)	..	..	..
(8)	37.	Compensation to Zamindars—			
		(Voted).	..	..	..
(9)	39.	Capital Outlay on Agriculture—			
		(Voted).	..	..	..
(10)	40.	Capital Outlay on Industrial .. Development—			
		(Voted).	..	..	..
(11)	42.	Capital Outlay on Public Works—			
		(Charged)	..	..	..

DIX II.

EXCEEDING 10 PER CENT OF THE TOTAL GRANT/APPROPRIATION.

Page 20-22)

<i>Total grant</i> of rupees)	<i>Expenditure</i>	<i>Saving</i>	<i>Percentage</i>
93.30	82.60	10.70	11
3,97.26	3,01.84	95.42	24
2,41.26	2,05.38	35.88	14
3.83	2.59	1.24	32
2,74.98	2,34.09	40.89	15
2.50	1.37	1.13	45
1,72.80	1,01.20	71.60	41
1,84.00	52.93	1,31.07	71
45.30	18.05	27.25	60
13,21.98	11,94.84	1,27.14	16
5.84	1.31	4.53	78

APPENDIX III.

NON-UTILISATION OF PROVISION.

(Reference: Paragraph 21, pages 20-22)

Serial number.	Grant number and name.	Description of scheme, item, etc	Funds provided	Amount and percentage of saving
(IN LAKHS OF RUPEES)				
1	9. District Administration and Miscellaneous.	19. E.I.c. Proprietary Estate Village Service. Reasons are awaited.	52.56	11.57 <hr/> (22)
2	Do.	19. e.q. J. Establishment for the acquisition of land for Nuclear Power Station in Chingleput district.	30.77	22.10 <hr/> (72)
Mainly due to non-finalisation of awards for land acquisition.				
3	Do.	26. e. IX. Food Subsidy.	8,22.00	1,03.56 <hr/> (12)
The provision was based on estimated cost. The adjustment of subsidy was on the basis of actual cost of procurement and other operations. This resulted in savings.				
4	13. Education	F. General—x. Miscellaneous — A. General.	3,09.19	75.24 <hr/> (24)
Mainly due to (i) suspension of National Cadet Corps training and non-incurring of expenditure such as refreshment allowances and washing allowances for Cadets and reduction of staff (Rs. 31.36 lakhs) (ii) decrease in the number of pupils proposed to be fed under the Midday Meals Scheme (Rs. 8.50 lakhs) and (iii) non-presentation by Panchayat Union Councils of adjustment bills for advance midday meals grant and decrease in the number of pupils actually fed (Rs. 12.89 lakhs) and non-receipt of claims towards educational concession (Rs. 0.72 lakh). Reasons for the balance saving are awaited.				
5	14. Medical	Intensive Scheme for popularisation of surgical methods of Family Planning (Crash Programme)— District Headquarters Hospitals.	24.81	17.24 <hr/> (69)
		Taluk Headquarters Hospitals.	34.35	16.43 <hr/> (48)
Mainly due to shortfall in the number of operations.				
6	15. Public Health	61. Grants to Panchayat Unions.	32.00	23.49 <hr/> (73)
Reasons are awaited.				
7	Do.	A. XIII. (i) State Family Planning Bureau.	46.36	22.38 <hr/> (48)
Mainly due to free supply of contraceptives by Government of India, non-receipt of advice of debit of cost of chassis supplied by Government of India and shortfall in the number of operations in the primary health centres.				

Serial number.	Grant number and name.	Description of scheme, item, etc.	Funds provided.	Amount and percentage of saving
(IN LAKHS OF RUPEES)				
8	16. Agriculture ..	c. H. Multiplication of paddy and other seeds.	1,02.19	14.54 <hr/> (14)
		Mainly adverse seasonal conditions and non-availability of good and viable seeds.		
9	Do.	CC. Co-ordinated Cotton Development Scheme	30.24	15.64 <hr/> (51)
		Savings [under these cases were mainly due to adverse seasonal conditions and non-availability of good and viable seeds.		
10	Do ..	(iii) ZZJ. Scheme for introduction of mobile soil testing.	16.00	16.00 <hr/> (100)
		Due to non-implementation of the scheme.		
11	20. Industries ..	(i) b. (ii). XX. Raw materials depots, Madurai and Coimbatore.	32.02	15.51 <hr/> (48)
		Mainly due to non-receipt of scarce materials and non-appointment of the entire staff.		
12	24. Labour including Factories.	e. B. VI. Industrial Training Institutes.	39.34	12.65 <hr/> (32)
		Mainly due to (i) non-sanction of scheme for introducing additional seats in the industrial training institutes (Rs. 9.56 lakhs) and (ii) less payment of stipends owing to strike and discontinuance, etc. (Rs. 1.81 lakhs).		
13	26. Irrigation ..	43. I. A. b. (i). d. Maintenance and repairs.	1,02.09	14.74 <hr/> (14)
		Mainly due to the provision proving excessive to actual requirements.		
14	29. Public Works— Grants-in-aid.	v. Grants to Madras Corporation for improvements to Metropolitan roads.	14.60	10.60 <hr/> (70)
		Due to a post-budget decision to pay grants to the Corporation on a post-execution basis.		
15	39. Capital Outlay on Agriculture.	C. VIII. Cost of land for Agricultural College at Madurai.	25.77	16.86 <hr/> (65)
		Mainly due to non-utilisation of provision for cost of building and electrification (Rs. 13.64 lakhs) and (ii) want of sanction orders (Rs. 2.12 lakhs).		
16	40. Capital Outlay on Industrial Development.	96. Contributions towards the share capital of Madras State Co-operative Bank and Village Credit Societies.	20.00	12.27 <hr/> (61)
		Mainly due to less investment in shares of co-operative central banks and village credit societies owing to their non-eligibility for assistance.		

Serial number.	Grant number and name.	Description of scheme, item, etc.	Funds provided.	Amount and percentage of saving.
(IN LAKHS OF RUPEES)				
17	40. Capital Outlay on Industrial Development.	(i) 96. III. (iii) 3. (ii) Contributions to the share capital of co-operative marketing societies of rice mills under the liberalised financial assistance programme of the Co-operative Development Corporation	1,06.75	29.62 (28)
Due to less contributions pending decision on the type of machinery to be installed by co-operatives.				
18	Do.	(ii) 109. II B.d. (iii) Chief Electrical Inspector to Government-compensation to Mayavaram - Mannargudi Thanjavur Electrical Undertaking acquired by Government.	74.00	18.31 (25)
Mainly due to less payment of compensation pending finalisation of amount.				
19	Do.	(iii) 109. III. (ii) a Tractor Hiring Scheme.	39.00	16.32 (42)
Mainly non-materialisation of import of crawler tractors from the United States of America and non-payment in full for trailers pending fixation of prices.				
20	Do.	(iv) 109. III. (ii) c. II (i) Industrial estates and colonies.	38.64	10.79 (28)
Mainly slow progress of work owing to non-acquisition of land in some cases.				
21	Do.	(v) 109. III. (iii) b, (vii) Deep Sea Fishing	10.35	10.35 (100)
Mainly due to non-receipt of trawlers indented for.				
22	Do.	(vi) 109. III. (ii) c. II (xvi) Developed Plots.	30.00	19.72 (66)
Mainly non-acquisition of lands at Tuticorin and non-implementation of scheme at Mettur dam due to administrative difficulties				
23	41. Capital Outlay on Irrigation	100. A. 2. Madras area (General Superintendent, Public Works workshops).	12.24	12.75 (100)
Reasons for the saving have not been furnished.				
24	Do.	9. B. Modernising the old Cauvery Delta Irrigation System—e. Works.	23.91	17.41 (73)
Reasons for the saving are awaited.				

Serial number.	Grant number and name.	Description of scheme, item, etc.	Funds provided.	Amount and percentage of saving
(IN LAKHS OF RUPEES)				
25.	42. Capital Outlay on Public Works	a. Original Works—Buildings—B. Police Voted.	33.12	19.93 <hr/> (30)
	Mainly due to slow progress of works.			
26.	Do.	(i) a. Original Works—Buildings—F. Education.	64.50	20.68 <hr/> (32)
	Mainly slow progress of certain building works.			
27.	Do.	(ii) Original Works—Miscellaneous Works—Public Works Department.	1,84.21	43.44 <hr/> (24)
	Mainly slow progress of the work "Providing water for Madras Oil Refineries Limited, Madras" (Rs. 24.27 lakhs); reasons for the balance saving are awaited.			
28.	44. Capital Outlay on Forests.	a. I. 15. Ceylon repatriates—Rehabilitation—Starting of tea plantations on departmental basis.	28.04	23.28 <hr/> (90)
	Mainly due to reduction of the area taken up for planting and non-execution of building works, non-purchase of tractors and road rollers etc.			
29.	47. Loans and Advances by the State Government.	A. 2. State Housing Board.	90.00	35.00 <hr/> (39)
	Mainly due to less payments to State Housing Board owing to less expenditure on slum clearance scheme.			
30.	Do.	h. A. 3. Minor Port Fund.	42.50	14.20 <hr/> (33)
	Less sanction of loans by the State Government based on the loans sanctioned by the Government of India,			

APPENDIX IV.

MISAPPROPRIATION PENDING FINALISATION

(Reference : Paragraph : 39 Pages 32-33).

(a) Departmentwise analysis—

<i>Department/Office.</i>	<i>Number</i>	<i>Amount</i> (in thousands of rupees.)
Land Revenue	290	7,92.80
Medical	11	86.63
Judicial	3	6.63
Education	4	14.38
Fisheries	1	0.74
Forest	6	86.06
Agriculture	11	37.08
Police	4	11.28
Treasury	4	48.07
Industries and Commerce	5	23.64
Commercial Taxes	8	23.19
Milk Commissioner	4	8.89
Rural Development	1	39.40
Animal Husbandry	1	1.25
Board of Revenue (other than cases relating to Land Revenue).	6	18.51
Other departments	3	4.82
Total ..	362	12,03.37

APPENDIX IV—*concl'd.*MISAPPROPRIATION PENDING FINALISATION—*concl'd.*(Reference : Paragraph : 39 Pages 32-33)—*concl'd.*(b) *Yearwise analysis—*

Year.	<i>Amount misappropriated, recovered but departmental action, etc., pending.</i>		<i>Pending for other reasons.</i>	
	<i>Number</i>	<i>Amount (in thousands of rupees.)</i>	<i>Number</i>	<i>Amount (in thousands of rupees).</i>
1963-64 and earlier years.	21	42.29	84	4,19.33
1964-65	4	5.23	24	60.85
1965-66	8	9.07	16	50.49
1966-67	20	42.22	17	80.10
1967-68	18	26.54	34	1,30.42
1968-69	41	73.99	44	1,50.94
1969-70 (upto 30th June 1969).	20	37.88	11	74.02
Total ..	132	2,37.22	230	9,66.15

APPENDIX V.

SHORTAGES AND THEFT OF STORES, DAMAGES TO
PROPERTIES, ETC.

(Reference : Paragraph : 39 Page : 33).

(a) Departmentwise details—

<i>Department/Office.</i>	<i>Number</i>	<i>Amount</i> (In thousands of Rupees)
Agriculture	81	3,96.94
Board of Revenue (other than cases relating to Land Revenue).	5	13.59
Cinchona	3	11.54
Education	4	12.72
Fisheries	5	1,03.17
Forest	8	1,96.81
Industries and Commerce	11	34.24
Judicial	1	1.06
Milk Commissioner	6	20.03
Police	4	59.05
Rural Development	1	1.73
Animal Husbandry	11	2,14.27
Medical	12	90.17
Other departments	10	8,32.25
Total ..	162	19,87.57

(b) Yearwise details—

<i>Year</i>	<i>Number</i>	<i>Amount</i> (in thousands of rupees)
Up to 1964-65	52	12,06.86
1965-66	8	16.56
1966-67	25	3,42.57
1967-68	28	1,61.38
1968-69	41	2,33.63
1969-70 (upto 30th June 1969)	8	26.57
Total ..	162	19,87.57

APPENDIX VI.

STATEMENT SHOWING LOSSES, WRITE-OFF, ETC.

(Reference : Paragraph : 40 page 33).

In 2,413 cases (Rs. 55.13 lakhs) losses due to theft, fire, etc., irrecoverable revenue, duties, advances, etc., were written off or revenue remitted or claims to revenue abandoned/waived during the year by the competent authorities. The details are as follows:—

Department	Write off of losses, irrecoverable revenue, duties, advances, etc.		Ex-gratia payment		Waiver of recovery	
	Number	Amount	Number	Amount	Number	Amount
		RS.		RS.		RS.
Agriculture	434	2,04,451	..	..	33	21,964
Education	8	9,452	..	..	8	28,814
Food	1,378	39,98,550	..	..	..	..
Finance .. ..	..	..	1	2,600	..	..
Health and Family Planning.	25	1,37,928	1	1,000	15	2,244
Home	117	1,54,730	1	2,000	39	26,543
Industries	82	1,04,347	1	150	3	703
Labour and Housing.	9	34,098	..	..	22	12,916
Public	1	5,168	1	200	4	1,126
Public Works ..	61	4,56,434	..	..	..	..
Revenue	98	1,16,793	2	5,373	6	2,795
Rural Development and Local Adminis- tration	17	19,477	..	..	3	1,881
Social Welfare ..	36	1,57,673	..	..	7	3,880
Total ..	2,266	53,99,101	7	11,323	140	1,02,866

APPENDIX

Important Cases of Balances outstanding under

(Reference : Paragraph :

<i>Serial number</i>	<i>Division.</i>	<i>Amount.</i>	<i>Date from which outstanding.</i>
		RS.	
1	Public Works Workshop	8,65,000	....
2	Public Health Engineering Division, Tirunelveli	6,612	September 1967
3	Public Health Engineering Division, Madras	74,736	March 1966
4	Do.	22,653	August 1966
5	Regional Engineering College Division, Tiruchirappalli	8,209	March 1969
6	Public Health Engineering Division, Madras	1,11,845	January 1968
7	Salem Highways and Rural Works Division	2,17,478	March 1967
8	Madurai Highways and Rural Works Division	16,750	March 1964
9	Kanyakumari South Public Works Department	10,752	November 1963
10	Do.	11,575	June 1963
11	Tiruchirappalli Division, Public Works Department	27,893	June 1963 ..
12	Public Health Engineering Division, Thanjavur	5,58,653	March 1968

VII

'Miscellaneous Public Works Advances'

54 Page ; 45).

Particulars.

Represents outstanding debits transferred from workshop suspense account to Miscellaneous Public Works Advances pending recovery from other departments, etc. This included Rs. 1.53 lakhs relating to 1958-64. Rs. 3.43 lakhs represented under recovery of overheads on jobs executed during 1965-66 and 1966-67. Proposals sent to Government for increasing the overheads from 39 to 40 per cent in September 1964 are stated to have been approved in August 1969.

Represents demurrage charges paid to the Southern Railway for delay in clearing the materials. Responsibility for the delay has not yet been fixed and recovery effected.

Represents 90 per cent payment made to four firms against supply of materials. No information is available whether the firms have completed the supply.

Advance payment made to a firm for meeting the wages of workmen for the removal of sheet piles from Harbour.

The amount is due from a firm.

Represents credit sale of pipes in April 1967 to the Corporation of Madras

Represents the expenditure on the work "Construction of a new bridge in lieu of level crossing on Lenglay Road, east of Salem Market Railway Station" on behalf of the local body.

Being the cost of 83 tonnes of cement not accounted for by an Assistant Engineer.

Being the value of rods, cement, pipes, copper sheets, outstanding under works to be accounted for by a Section Officer.

Represents the cost of 1,403 bags of cement to be accounted for by a Section Officer.

Represents expenditure incurred on the investigation works undertaken on behalf of High Pressure Boiler Plant. The amount has not yet been recovered from it. The connected records are stated to be with the Vigilance Department.

Represents the discrepancies noticed in October 1968 between the divisional half-yearly register of stock and the half-yearly register of stock of the sub-divisions. Items in the divisional register were not traceable in the sub-divisional records.

APPENDIX

SYNOPTIC FINANCIAL PICTURE OF GOVERNMENT COMMERCIAL AND

(Reference : Paragraph 87)

Serial number and name of the Department/Unit.	Year of commencement.	Period of A count,	Capital at close.	Net block assets.
(IN LAKHS OF RUPEES.)				
1 Government Cinchona Department, Ootacamund.	1871	1968-69	2,02.98	95.13
<i>Tamil Nadu Transport Department—</i>				
2 State Transport Central Workshop, Chrompet.	1917	1968-69	1,28.53*	22.88
3 Kanyakumari Branch ..	1956	1968-69	1,53.19	79.51
4 Ranithottam Workshop ..	1961	1968-69	42.43	13.87
5 Madras Dairy and Milk Project, Madhavaram.	1963	1967-68	55.68	63.12
6 Agricultural Engineering Workshop, Madras.	..	1968-69	10.08	3.50
7 Wool Processing Centre, Vinnamangalam.	1960	1968-69	11.97	9.81
8 Chank Fisheries, Tuticorin	..	1968-69	8.17	3.59
9 Pearl Fisheries, Tuticorin	..	1968-69	— 0.05	0.02

NOTE—The proforma accounts of the following units have been checked by Audit and returned to the departments with remarks for rectification.

- (i) Government Bus Service
- (i) Long Distance Service
- (iii) Grain Supply Scheme
- (iv) Raw Materials Depot, Coimbatore.

VIII.

QUASI-COMMERCIAL UNDERTAKINGS.

page 76).

Cumulative Depreciation.	Outturn. ₹	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.
(IN LAKHS OF RUPEES.)					
33.91	49.47	+ 7.46	+ 24.09	3.25	10.50
22.03	83.60	+ 4.11	+ 9.75	3.50	8.31
85.89	2,23.55	+ 4.44	+ 11.64	3.25	8.52
4.11	49.03	+ 2.83	+ 5.06	6.45	11.53
82.48	1,49.55	+ 0.71	+ 5.98	1.09	9.16
4.15	11.30	+ 0.03	+ 0.85	0.27	7.80
3.66	5.16	- 1.03	- 0.65	..	..
2.48	6.61	+ 2.92	+ 3.42	32.99	38.76
0.02	..	- 0.17	- 0.17	..	..

APPENDIX

Audit objections issued to

(Reference : Paragraph :

I Analysis showing nature

Department	<i>Want of Detailed Contingent bills, vouchers, Stamped receipts, etc</i>		<i>Want of sanction to establishment or continuance thereof</i>		<i>Want of sanction to miscellaneous and contingent expenditure</i>		<i>Recoverable advances not recovered and adjusted.</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>	<i>Items.</i>	<i>Amount.</i>
(AMOUNT IN LAKHS OF RUPEES.)										
Agriculture	1,962	1,57-19	20	0-25	85	5-16	938	7-39		
Co-operation	131	23-69	..	..	..	..	..	..	..	..
Education	576	16-16	..	..	37	4-43	351	0-21		
Finance	195	31-80	..	..	8	0-31	101	0-06		
Food	308	24-23	..	..	1	0-03	1,350	1-75		
Health	2,321	63-88	7	0-09	225	9-30	431	0-40		
Home	1,134	40-92	..	..	23	0-43	473	1-62		
Industries	1,200	1,02-04	..	..	156	39-85	396	0-39		
Labour	194	58-29	..	..	..	..	78	0-05		
Public Works	2,530	69-17	..	..	50	36-87	248	0-19		
Revenue	670	41-47	..	..	32	1-45	1,889	2-01		
Rural Development and Local Administration.	292	6-68	26	1-95	8	0-12	903	1-06		
Social Welfare	233	16-43	..	..	18	1-28	330	0-73		
Other Departments	261	10-31	..	..	..	..	2,316	6-42		
Total	12,007	6,62-26	53	2-29	643	99-23	9,804	22-28		

IX

end of March 1969 awaiting settlement in October 1969

117 Pages 95-96)

of Audit Objections

<i>Non-recovery of overpayments or amounts disallowed</i>		<i>Want of sanction to write-off, losses, etc</i>		<i>Want of estimate or excess over estimate</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>	<i>Items</i>	<i>Amount</i>
(AMOUNT IN LAKHS OF RUPEES.)									
7	0-01	..	..	..	..	554]	5-47	3,566	1,75-47
..	..	..	..	..	..	40	0-04	171	23-73
..	..	3	0-04	..	..	138	0-90	1,105	21-74
1	0-02	..	..	..	..	40	0-06	345	32-25
2	..	..	..	..	..	6	10-30	1,667	36-31
5	0-02	..	..	167	99-02	309	85-09	3,465	257-80
..	..	3	0-01	..	..	172	2-68	1,805	45-66
..	..	..	..	..	..	253	1,60-88	2,005	3,03-16
1	0-01	..	..	..	..	5	0-01	278	58-36
..	..	..	..	3,027	3,45-20	251	48-35	6,106	4,99-78
9	0-28	..	..	..	..	897	0-86	3,497	46-07
54	0-11	3	0-02	..	..	976	70-77	2,262	80-71
..	..	..	..	..	..	65	0-53	646	18-97
..	..	..	..	..	..	..	..	2,577	16-73
<u>79</u>	<u>0-45</u>	<u>9</u>	<u>0-07</u>	<u>3,194</u>	<u>4,44-22</u>	<u>3,706</u>	<u>3,85-94</u>	<u>29,495</u>	<u>16,16-74</u>

APPENDIX IX

Audit objections issued to end of March 1969

II Department wise and yearwise

Department.	1964-65 and earlier years.		1965-66.	
	Items.	Amount.	Items.	Amount.
(AMOUNT IN LAKHS OF RUPEES.)				
Agriculture	1,096	18-18	367	26-29
Co-operation	4	0-17	6	0-02
Education	103	2-23	64	0-82
Finance	95	30-49	11	0-11
Food	45	0-05	91	1-48
Health	271	28-55	204	13-45
Home	490	3-58	98	1-69
Industries	633	65-42	140	20-07
Labour	45	32-82	32	6-44
Public Works	307	1,09-14	220	21-17
Revenue	737	21-23	392	8-44
Rural Development and Local Admi- nistration.	1,085	4-41	135	0-51
Social Welfare	113	1-60	73	1-54
Other Departments	77	0-54	16	0-08
Total	5,101	3,18-41	1,849	1,02-11

—Concl'd.

awaiting settlement in October 1969

Analysis of Audit Objections

1966-67		1967-68		1968-69		Total	
Items.	Amount.	Items.	Amount.	Items.	Amount.	Items.	Amount
(AMOUNT IN LAKHS OF RUPEES).							
302	10.11	524	52.91	1,277	67.98	3,566	1,75.47
14	4.42	37	5.41	110	13.71	171	23.73
122	0.83	217	4.54	599	13.32	1,105	21.74
10	0.13	61	0.47	168	1.05	345	32.25
316	10.06	461	20.42	754	4.30	1,667	36.31
426	24.81	945	60.61	1,619	1,30.38	3,465	2,57.80
121	2.07	290	7.11	806	31.21	1,805	45.66
235	8.89	403	1,27.16	594	81.62	2,005	3,03.16
38	6.44	54	0.11	109	12.55	278	58.36
681	60.33	1,473	1,27.11	3,425	1,82.03	6,106	4,99.78
640	13.76	468	0.54	1,260	2.10	3,497	46.07
267	4.63	314	40.34	461	30.82	2,262	80.71
109	3.10	98	5.78	253	6.95	646	18.97
2,240	6.66	33	0.54	211	8.91	2,577	16.73
<u>5,521</u>	<u>1,56.24</u>	<u>5,378</u>	<u>453.05</u>	<u>11,646</u>	<u>586.93</u>	<u>29,495</u>	<u>16,16.74</u>

APPENDIX

Inspection reports Issued to End of March 1969

(Reference : Paragraph : 118

Department	1964-65 and earlier years		1965-66	
	Reports	Para- graphs	Reports	Para- graphs
	Agriculture	66	159	45	97
Co-operation	53	121	28	134
Education	28	54	20	42
Finance	3	4	..	..
Food .. .. .	..	..	..	..
Health and Family Planning ..	41	89	31	99
Home	2	2	3	4
Industries	52	117	41	125
Labour	2	2	3	4
Public .. .. .	..	..	..	..
Public Works	109	171	74	230
Revenue	14	24	12	23
Rural Development and Local Administration.	159	301	79	172
Social Welfare	14	29	14	38
Total	<u>543</u>	<u>1,073</u>	<u>350</u>	<u>968</u>

X

Awaiting Settlement in October 1969

Pages 96-97.)

1966-67		1967-68		1968-69		Total	
<i>Reports paragraphs</i>		<i>Reports paragraphs</i>		<i>Reports paragraphs</i>		<i>Reports paragraphs</i>	
50	159	100	419	106	498	367	1,332
33	324	37	366	31	421	182	1,366
43	143	61	240	52	369	204	848
1	2	5	13	10	41	19	60
..	..	1	1	..	..	1	1
52	244	123	490	141	617	388	1,539
8	18	16	48	33	135	62	207
51	241	104	594	90	622	338	1,690
7	11	9	31	11	49	32	97
2	3	2	8	..	..	4	11
92	361	93	734	103	1,493	471	2,989
41	84	83	245	130	576	280	952
169	454	220	1,014	163	1,222	790	3,163
20	90	19	120	22	185	89	462
569	2,134	873	4,323	892	6,228	3,227	14,726

APPENDIX XI.

IMPORTANT IRREGULARITIES NOTICED DURING INSPECTION

(Reference : Paragraph : 118 Page 97)

<i>Nature of irregularity.</i>	<i>Number of Offices</i>	<i>Amount (IN LAKHS OF RUPEES)</i>
<i>A. Public Works Offices—</i>		
(1) Wasteful/infructuous expenditure due to defective plans and designs and abandonment of works.	7	0.50
(2) Excess payments due to non-observance of conditions of contracts or non-provision of the requisite conditions in the contract agreements.	14	0.81
(3) Unauthorised financial aid to contractors ..	3	0.08
(4) Delay in effecting recoveries due from contractors.	19	1.74
(5) Non-maintenance or imperfect maintenance of accounts and registers.	58	..
(6) Non-verification of unused materials charged to works.	4	..
(7) Delay in recovery of rent of residential building	21	2.84
(8) Arrears in recovery of hire charges of tools and plant.	9	0.37
(9) Non-recovery of lease amounts for miscellaneous properties.	9	0.34
(10) Infructuous expenditure on idle staff ..	9	0.68

<i>Nature of irregularity</i>	<i>Number of Treasuries in which irregularities were noticed</i>
<i>B. Treasuries—</i>	
Failure to send plus and minus memoranda of postal stamps/half-yearly certificate of balance of stamps.	8

<i>C. Other Civil Departments—</i>	<i>Number of Officers.</i>
(1) Defective maintenance of cash books	75
(2) Physical verification of cash not conducted ..	4
(3) Defective maintenance of stock registers ..	21
(4) Stores not physically verified	11
(5) Purchases made without inviting tenders or acceptance of higher tenders without recording reasons.	9
(6) Security not obtained from persons handling cash and stores.	35

	No.	<i>(Total amount in lakhs)</i>
(7) Delay in recovery of Government dues	57	Rs. 71.24
(8) Defective maintenance of log books and misuse of staff cars/trucks.	3	
(9) Overpayments/irregularities connected with sanctions to grants-in-aid.	7	
(10) Drawal of funds in advance of requirements	4	

