Report of the Comptroller and Auditor General of India

for the year ended 31 March 2003

(Civil)

Government of Tamil Nadu

http://www.cagindia.org/states/tamilnadu

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PREFACE

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

2. Chapters I and II of this Report respectively contain audit observations on matters arising from examination of the Finance Accounts and the Appropriation Accounts of the State Government for the year ended 31 March 2003.

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

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

5. The cases mentioned in this Report are among those which came to notice in the course of test-audit of accounts during the year 2002-2003 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports; matters relating to the period subsequent to 2002-2003 have also been included wherever necessary.

OVERVIEW

OVERVIEW

This Audit Report contains 33 Audit Paragraphs and eight Audit Reviews including one long paragraph apart from comments on the Finance and Appropriation Accounts. As per existing arrangement, copies of the draft Audit Paragraphs and draft Audit Reviews are sent to the concerned Secretaries to the State Government by the Principal Accountant General demi-officially with a request to furnish replies within six weeks. The Secretaries are also reminded demi-officially. Despite such efforts, in respect of 14 Audit Paragraphs and two Reviews, no response was received from the Secretaries concerned. The matter was also brought to the notice of the Chief Secretary to the Government.

1 Review of the State's Finances

Revenue receipts of the state increased from Rs 14261 crore in 1998-99 to Rs 20837 crore in 2002-03 at an average trend rate of 9.2 *per cent*. During the current year the revenue receipts grew by 10.7 *per cent* due to 10.2 *per cent* increase in tax revenue and 19.5 *per cent* increase in non-tax revenue. Arrears of revenue were high at Rs 9424 crore and represented 58.2 *per cent* of tax and non-tax revenue receipts of the current year. Both Central tax transfers and grants-in-aid from Government of India increased by 6.2 and 14.9 *per cent* respectively over the last year.

Total expenditure of the state increased from Rs 19361 crore in 1998-99 to Rs 28012 crore in 2002-03 at an average trend rate of 9.7 *per cent*. The rate of growth of expenditure in 2002-03 was 17.3 *per cent* which was much higher than the average trend rate for five years. While the revenue expenditure grew by 19.2 *per cent* in the current year, the revenue receipts grew only by 10.7 *per cent*. This had resulted in huge increase in revenue deficit during 2002-03, and consequent increase in fiscal and primary deficits. The ratio of revenue deficit to fiscal deficit was 72 *per cent*, indicating that 72 *per cent* of the borrowings were applied to revenue expenditure. The fiscal liabilities including the contingent liabilities were more than 2.5 times the revenue receipts. While capital expenditure declined by 8.4 *per cent,* non-development expenditure had increased by 11 *per cent* compared to the last year. The direct fiscal liabilities have grown much faster than the Gross State Domestic Product. The average interest rate on fiscal liabilities (10.10 *per cent*) over the last five years had also exceeded the average rate of growth of the Gross State Domestic Product (8.05 *per cent*) over the same period, violating the cardinal rule of debt sustainability. The net availability of funds after payment of principal on account of the earlier liabilities and interest was only 20.1 *per cent* during 2002-03.

Fifty three Government companies with an aggregate investment of Rs 1216.48 crore were incurring loss and their accumulated losses worked out to Rs 3826.29 crore as of March 2003. Even in companies which were making profit, Government's return on the investments ranged between 0.9 *per cent* and 1.6 *per cent* only during 1998-2003. Thus, while Government was borrowing at high cost (6.75 to 7.80 *per cent* interest) during 2002-03, its investments in Government companies fetched insignificant returns.

Revenue realised from 5 major and 47 medium irrigation projects with a total capital outlay of Rs 2056.74 crore was only 0.36 *per cent* (Rs 7.38 crore) and was not sufficient to cover even the direct working expenses of Rs 48.29 crore. These projects suffered a net loss of Rs 149.31 crore; five major irrigation projects contributed to a substantial portion of this loss (Rs 107.54 crore).

The amount of outstanding guarantees given by Government to various corporations and others as on 31 March 2003 was Rs 8677 crore and the same was on increasing trend since 1998-99. **No ceiling limit for giving guarantee has been fixed.** Rupees 32.96 crore were pending recovery towards guarantee commission.

State Government continued to depend on ways and means advance/overdraft from Reserve Bank of India for managing day to day expenditure.

State Government passed the "Tamil Nadu Fiscal Responsibility Act, 2003" in May 2003 and entered into Memorandum of Understanding with Government of India in September 2003.

(Paragraphs 1.1 to 1.13)

2 Appropriation Audit and control over expenditure

During 2002-03, expenditure of Rs 40165.57 crore was incurred against the total grants and appropriations of Rs 40838.99 crore, resulting in a saving of Rs 673.42 crore. The overall saving was the result of saving of Rs 3110.13 crore in 41 grants and 38 appropriations under Revenue section, 29 grants and one appropriation under Capital section and 10 grants under Loans section, offset by excess of Rs 2436.71 crore in 8 grants and 2 appropriations under Revenue section, 2 grants and one appropriation under Capital section and 3 grants and one appropriation under Loans section. The excess expenditure of Rs 2436.71 crore during 2002-03 requires regularisation under Article 205 of the Constitution of India.

Supplementary provision of Rs 3229.38 crore constituted 9 *per cent* of original budget provision of Rs 37609.61 crore. Supplementary provision of Rs 44.57 crore obtained in March 2003 in 33 grants in Revenue section; 7 grants in Capital section; 5 grants under Loan section; and 5 appropriations proved unnecessary in view of the final saving in each grant/appropriation being more than the supplementary provision. On the other hand, in 7 grants and one charged appropriation, supplementary provision proved insufficient, resulting in uncovered excess expenditure of Rs 366.24 crore and Rs 2069.51 crore respectively.

Substantial surrenders of Rs 5337.67 crore were made in respect of 119 schemes on account of either non-implementation or slow implementation of schemes; cent *per cent* surrender was made in 46 schemes (Rs 3508.82 crore).

Under 32 schemes, the expenditure during March exceeded Rs 10 crore and also was more than 50 *per cent* of the total expenditure, which revealed rush of expenditure of Rs 1383.66 crore. In 15 schemes, expenditure of Rs 12.26 crore was incurred, which attracted the limitations of New service/New Instrument of Service for which approval of Legislature or advance from Contingency Fund should have been obtained.

(Paragraphs 2.1 to 2.9)

3 Working of the Agriculture Department

Agriculture plays a predominant role in the economic growth of the country and provides employment opportunities to sizeable population in rural areas besides fulfilling the food requirement of ever-increasing population. A review of the working of the Agriculture Department revealed that inspite of implementation of various programmes, the total cropped area as well as sown area showed a declining trend over the period 2000-03. The production of major crops also showed a declining trend during 2000-03 despite normal rainfall. Only 10 per cent of the total seed requirement of the State was met with certified seeds. While the production of Oilseeds declined over the period 2000-03, the production of pulses was far less than the target fixed during Ninth plan.

- Persistent surrender of funds under the Agriculture Grant (Revenue) during 2000-03 ranging between Rs 18.27 crore and Rs 319.14 crore showed inaccurate budgeting. Provision made for vacant posts resulted in surrender of Rs 2.68 crore in 2000-01 and Rs 15.83 crore in 2001-02.

- Shortfall in production of oil seeds during 2000-03 ranged from 33 to 40 *per cent* compared to the targets fixed and the quantum of production also declined from 14.71 lakh tonnes in 2000-01 to 10.67 lakh tonnes in 2002-03.

- Against the Ninth plan target of 8 lakh tonnes per annum, the production of pulses fell short by 61 to 70 *per cent* during 1997-2003.

- Training centre built at Salem at a cost of Rs 1.04 crore was not put to use from February 2002 since the pattern of training has not been approved by Government. Procurement of Gypsum through Tamil Nadu Cooperative Oil Seeds Growers' Federation Limited resulted in unnecessary payment of overhead charges of Rs 70.15 lakh during 2000-02. Rupees 9.50 crore received from Government of India in February 2001 for control of Eriophyid mite in coconut trees remained unutilised as the treatment procedure had not been decided.

(Paragraph 3.1)

4 Tamil Nadu Afforestation Project

In order to bring about balanced ecological upgradation and preserving the forest, the Forest Department implemented the Tamil Nadu Afforestation Project with financial assistance from Japan Bank for International Co-operation. The Project aimed at massive tree planting in degraded Reserve Forests and improving the living conditions of forest dependents.

Test-check revealed that there was shortfall in planting and soil and moisture conservation activities and survival of plants was poor. Village Forest Development Fund created to assist forest dependents in order to wean them away from forest was poorly managed. Required staff were not provided for Extension and Interpretation Centres to educate the villagers in the maintenance of forests. These deficiencies affected the achievement of the objective of the Project.

- Funds were not provided based on site specific Micro Plan.

- Excess allotment of funds for planting operations resulted in execution of activities not contemplated in the Project for Rs 12.19 crore.

- There was avoidable expenditure of Rs 8.70 crore due to execution of activities meant for degraded forests in non-forest areas.

- Cost effective method of raising seedlings was not followed, resulting in extra cost of Rs 12 crore.

- Survival rate of plants was poor due to non-execution of water harvesting and soil conservation works to the prescribed level and non-replacement of casualities during maintenance.

- The sustainability of Village Forest Development Fund was doubtful due to poor rate of recovery of loans.

- Delay in the procurement of Remote Sensing and Geographic Information System equipment led to delay in reaping the benefit of advanced technology in forest management.

(Paragraph 3.3)

5 National AIDS Control Programme

National AIDS control programme for prevention and control of Acquired Immuno Deficiency Syndrome is a cent per cent Centrally sponsored scheme *implemented in the State since 1992-93. The programme is implemented in the State by Tamil Nadu State AIDS Control Society except in Chennai Corporation area wherein it is implemented by the Chennai Corporation AIDS Prevention and Control Society. Subsequent to the first phase of the programme implemented during September 1992 to March 1999, the second phase is being implemented since November 1999. The main focus was on priority targeted intervention for groups at high risk, preventive intervention for the general community and low cost AIDS care. Test-check revealed that the incidence of HIV infection was very high in the State and the number of AIDS cases is on increasing trend. Though the sentinel surveillances revealed that the high risk groups of those attending Sexually Transmitted Diseases clinics and intravenous drug users continued to be vulnerable with higher percentage of prevalence of HIV ranging between 7.7 and 13.7 per cent and 24.6 and 33.8 per cent respectively, funds available for targeted interventions among high risk groups were only partially utilised. Due to low coverage of 3.5 to 3.9 per cent of population under Family Health Awareness Campaigns, the strategy of sensitising the target population towards the problems and efforts of early detection and treatment of STD/RTI/HIV cases failed. Poor attendance in Voluntary Testing and Counselling Centres revealed that the message had not reached the public.*

- Out of 31,336 AIDS cases reported in the country upto 2001, 16,677 cases (53 *per cent*) were from the State, which showed that the spread of infection was substantial.

- The attendance in Voluntary Counselling and Testing Centres was below 50 patients per day in 86 to 87 *per cent* of centres; equipment had not been supplied to 25 centres, resulting in their poor functioning. No counselling was done in STD clinics, although a large number of health care workers trained in counselling were available.

- Training of nurses and field health workers in Primary Health Centres and doctors, nurses and field health workers in Medical college hospitals was not adequate. In Chennai Corporation area, entire paramedical staff and 72 *per cent* of existing doctors were not trained.

- Programme funds of Rs 3.74 crore and Rs 1.44 crore were lying with the Tamil Nadu State AIDS Control Society and Chennai Corporation AIDS Prevention and Control Society respectively as of March 2003.

(Paragraph 3.5)

6 Implementation of the Drugs and Cosmetics Act, 1940

Government of India promulgated the Drugs and Cosmetics Act, 1940 and framed Drugs and Cosmetics Rules, 1945 to ensure manufacture, sale and distribution of drugs and cosmetics of prescribed standard and quality. The Act also applies to patent or proprietary medicines relating to Ayurveda and other systems of medicines and to cosmetics. Government of India also issued Drugs (Prices control) Orders from time to time under the Essential

Commodities Act, 1955, for laying down the criteria for identifying the drugs to be kept / brought under price control, fixing of ceiling prices, etc. A review of the implementation of the Acts and Rules revealed that the important legislation has failed due to deficiencies in administrative arrangements, inadequacies in subordinate legislations, lack of deterrent punishments for offenders, lack of control in the grant and renewal of licences of manufacturing/selling units, huge shortfalls in collection of samples for testing and delay in testing such samples, non-withdrawal of drugs not of standard quality in time from the market and shortfall in inspection of manufacturing/selling premises. There was no standardisation of medicines of Indian System.

- Against 368 eligible posts, only 84 posts of drug inspectors were in operation. This led to gross inadequacy in discharge of the statutory functions like inspection, sampling, searching premises.

- There was no proper system for the grant and renewal of licences to the manufacturing/selling units, which led to many irregularities.

- The failure to discharge statutory obligations as evidenced by the huge shortfall in lifting samples and in inspections led to the non-achievement of the social objective of ensuring availability of standard quality drugs to the public.

- Delay in testing and reporting of samples led to consumption of drugs which are not of standard quality. The department has no mechanism to verify the withdrawal of sub-standard drugs from market in time.

- Non-notification/delayed notification of Drug Inspectors resulted in an infructuous expenditure of Rs 52.95 lakh on their salaries.

(Paragraph 3.4)

7 Welfare of the Handicapped

National policy for comprehensive rehabilitation of the disabled sought to enforce Persons with Disabilities (Equal opportunities, Protection of Rights and Full Participation) Act, 1995, and the National Trust for Welfare of Persons with Autism Cerebral Palsy, Mental Retardation and Multiple Disabilities Act, 1999. These Acts contain specific directives to Government (Central and State) to provide facilities such as education, employment, and social security to the disabled, besides affirmative action and non-discrimination.

A review of the schemes implemented for the Welfare of the Handicapped revealed that there were huge shortfalls in providing these services, in conducting block level camps to identify the disabled as well as in supply of aids and appliances, due to inadequate provision of funds in the budget. Out *of Rs 3.79 crore released by Government of India for implementation of the National Programme for Rehabilitation of persons with Disabilities, Rs 2.57 crore remained unutilised as of March 2003, mainly due to non-establishment of State Resource Centre. Ramps to create barrier-free environment to the disabled were not provided in public buildings.*

- Block level camps to identify persons with disabilities were not conducted during 2002-03 due to non-release of funds by Government; there was short supply or non-supply of aids and appliances during 1998-2003.

- Expenditure of Rs 40.65 lakh during 2001-03 on staff and contingencies of Modern Training-cum-Production Workshop meant for production of assistive devices was unproductive, as the production was far below the capacity.

- The Artificial Limb sub-centre at Madurai was not utilised to its optimum level; calipers worth Rs 0.22 lakh only were fabricated during 1998-2003 as against Rs 35.36 lakh spent on salaries of staff during the above period.

- Maintenance allowance to severely disabled persons was disbursed belatedly for 3 to 12 months together due to delay in issue of sanctions by Government; Rs 21.24 lakh was lying undisbursed outside Government account as of April 2003.

- Honorarium of Rs 37.28 lakh was paid from Government of India funds to 844 Community Based Rehabilitation Workers and 22 Multipurpose Rehabilitation Workers, positioned in excess of the ceiling prescribed, instead of from State resources.

- Available data indicated that Orthopaedically Handicapped constituted 54 *per cent* of the total disabled. During the period 1991-2002 only 33 *per cent* of the Orthopaedically handicapped were assisted by the State Government with aids and appliances.

(Paragraph 3.8)

8 Prevention and control of fire

The main objective of the Fire and Rescue Services Department is to rescue life and property from damage/destruction by fire. A review of the activities of the department revealed that the number of fire stations was inadequate as compared to the Government of India's Standing Fire Advisory Committee norms, maximum response time to attend fire calls was not prescribed, purchase of fire fighting equipments was not completed despite drawal of the entire loan amount of Rs 3 crore; the available manpower at the level of firemen was inadequate to combat fire, data on high rise buildings was not available and no action plan was formulated to prevent occurrence of major fire accidents.

No follow up action was taken at department/Government level to minimise the recurrence of serious fires, although the State witnessed 3 major fire accidents in March 1997, June 1997 and August 2001.

- Against the sanctioned strength of 3869 firemen, 13 *per cent* of posts were vacant as of March 2003, thereby the department did not have adequate manpower to combat fire. Out of 5504 executive staff in position, only 777 (14 *per cent*) were provided with rent free accommodation in and around station premises in 19 out of 28 divisions as of March 2003.

- Against Rs 8 crore allotted by Government of India (GOI) on the recommendations of Eleventh Finance Commission for setting up new fire stations, State Government decided to utilise Rs 6 crore for construction of buildings for existing fire stations which are in rented buildings and Rs 2 crore for purchase of body protection equipments.

- Although the entire loan of Rs 3 crore was drawn in advance in March 2002 for purchase of fire fighting equipment, Rs 2.34 crore was lying unutilised and the purchase was not completed even as of March 2003. The drawal of entire loan in advance resulted in avoidable payment of Rs 34.97 lakh towards interest on the unutilised loan.

- Rupees 3.92 crore were pending realisation by the Director of Fire and Rescue Services from the Tamil Nadu Electricity Board in respect of fire stations set up inside the premises of four thermal power stations.

(Paragraph 3.6)

9 Computerisation of Land Records

Government of India initiated a scheme of "Computerisation of Land Records" in January 1990 for the purpose of effective land reforms. The software was developed by National Informatics Centre. Though the scheme encompassed digitization of all details relating to the lands, only details in "A" Register and ownership details (Chitta) were taken up for computerisation in the state. On account of faulty planning, poor implementation and monitoring, the scheme which commenced in 1990 is yet to reach a functional level despite incurring an expenditure of over Rs 13 crore. The data captured had a high percentage of error as there were no adequate controls for ensuring completeness and correctness, rendering it unreliable.

Capture of past data was entrusted to external agencies and therefore repeated corrections had to be made with reference to original records at the village level, leading to delay. No arrangement was made with the Registration Department for continuous flow of records for updation of data.

- The deficiencies noticed in the pilot study in one district were not supplied before extending the scheme to all districts, defeating the very purpose of the scheme.

- The data design adopted was not ideal for achieving the ultimate objectives like consolidation of land holdings, extent of land of different types held by individuals in different places etc.

- Due to incorrect capture of data on relationship, 71 *per cent* of the records captured in the Chitta files required correction; in 3.34 lakh records, the relationship column remained blank.

- Rupees 1.69 crore were diverted for other expenditure not contemplated under the scheme.

- Rupees 61 lakh spent on touch screen kiosks became unfruitful. There was an avoidable expenditure of Rs 28.32 lakh due to entrustment of purchases to a third party.

(Paragraph 3.7)

10 Loans and Investments made by Government in Cooperative Sector

- Dividend received on the investment of Rs 288.47 crore in 9388 Cooperative Societies was meagre, ranging from Rs 0.14 crore to Rs 1.92 crore during 1998-2003.

- Overdue loans from the Cooperative Societies under the control of Registrar of Cooperative Societies constituted 57 to 63 *per cent* of the total demands raised during 1998-2002. Rupees 7.41 crore, Rs 17.23 crore and Rs 114.44 crore were overdue towards loan and interest by Tamil Nadu State Apex Fisheries Cooperative Federation Limited, Tamil Nadu Cooperative Marketing Federation Limited and Tamil Nadu Cooperative Housing Federation respectively.

- Ten cooperative sugar mills had not paid the interest to the tune of Rs 6.61 crore to Government on the loans obtained from National Cooperative Development Corporation (NCDC) for various purposes; six Cooperative Sugar mills had not repaid the loan of Rs 69.29 crore obtained from Government for one time settlement of dues to NCDC.

- Ways and Means advances of Rs 434.18 crore obtained for clearing the cane price dues to cane growers was pending repayment to Government as of December 2002 by Cooperative Sugar mills.

- Out of Rs 5.44 crore due to Government on NCDC loan for establishment of a dairy under Integrated Dairy Development Project, Kamarajar District Cooperative Milk Producers Union paid only Rs 0.23 crore as of March 2002.

- Government had paid Rs 9.75 crore from the Guarantee Fund on behalf of seven defaulting Cooperative spinning mills consequent on invocation of guarantees.

- In four circles, 4892 accounts of cooperative societies remained unaudited as of 31 March 2003; accounts of 2105 societies had not been audited for over 3 years and above. The actual financial position of the cooperative societies was not assessable in the absence of audited accounts. Negligence was also noticed on the part of the societies in compiling the annual accounts within the stipulated time frame of three months from the close of the accounting year.

(Paragraph 3.2)

11 Wasteful/Unfruitful expenditure

(i) Due to defective planning, the Computer Literacy Programme to impart education in Computer Science in Government Arts and Science Colleges was not successful. Expenditure of Rs 11.62 crore on hardware, software and faculties largely remained unfruitful as of May 2003 due to poor enrolment of students; there was also a committed liability of the order of Rs 17.84 crore for the remaining contract period due to be paid to the implementing agencies.

(Paragraph 4.1.1)

(ii) Rupees 3.88 crore spent on two road works under Central Road Fund became unproductive as the connected overbridge work was not taken up for want of funds from State Budget and as the work was abandoned due to design failure. Due to adoption of higher specifications in two other works, there was an avoidable expenditure of Rs 2.35 crore. No system was evolved to spend the funds released by Government of India under Revamped Central Road Fund as per the prescribed guidelines.

(Paragraph 4.1.2)

(iii) Commencement of a reservoir work across Sirumalaiyar in Dindigul district by the Chief Engineer, Madurai Region without investigation of the site and delay in acquiring land for the purpose resulted in unfruitful expenditure of Rs 3.87 crore.

(Paragraph 4.1.3)

(iv) Unnecessary provision of freeboard and adoption of wrong design in the rehabilitation works on the contour canal for carrying water from Sarkarpathy Power House to Thirumoorthy Dam, resulted in wasteful and avoidable expenditure of Rs 2.03 crore besides leakage of water due to defective execution.

(Paragraph 4.1.4)

(v) Failure to follow the prescribed procedures of land acquisition by Revenue Department and formulation of the scheme of developing land in

Vilankurichi village to implement Ganapathy Neighbourhood Scheme (Phase II) in a disputed area by Tamil Nadu Housing Board resulted in unfruitful expenditure of Rs 1.36 crore.

(Paragraph 4.1.5)

(vi) The Director of Medical and Rural Health Services failed to pay the charges for renewal of Integrated Services Digital Network connection required for Telemedicine Project for interlinking Government Hospital (GH), Wallajah with Madras Medical College and Research Institute. This led to suspension of benefits of modern treatment to patients in GH, Wallajah and rendered the investment of Rs 78.26 lakh made on the project unfruitful from January 2002.

(Paragraph 4.1.7)

(vii) Establishment of State Horticulture Farm in Sirumalai hills in Forest area without approach road resulted in unfruitful net expenditure of Rs 63.93 lakh.

(Paragraph 4.1.8)

12 Avoidable / Extra expenditure

(i) Government's decision to borrow in excess of the requirement projected by the Chief Engineer (Highways) for carrying out District Road Works during 1999-2002, resulted in an avoidable interest payment of Rs 92.73 crore. The surplus borrowed funds available with Tamil Nadu Industrial Development Corporation Limited was utilised for payment of interest although Government had ordered that the interest payment is to be met through budget provision.

(Paragraph 4.2.1)

(ii) A review of price adjustments made by seven divisions in executing the works under the Tamil Nadu Water Resources Consolidation Project revealed erroneous computation resulting in overpayment of Rs 1.22 crore in 14 irrigation works.

(Paragraph 4.2.3)

(iii) Due to failure of Tamil Nadu Agro Engineering and Service Cooperative Federation Limited to repay the instalments of loan obtained from National Cooperative Development Corporation (NCDC) for purchase of bulldozers, Government, as the borrower, had to pay Rs 1.11 crore towards loan repayment with interest upto February 2003 to NCDC. The bulldozers were neither used optimally nor given on hire to farmers.

(Paragraph 4.2.7)

(iv) Communication of incorrect schedule of rates for 2000-01 by Public Works Department for earthwork excavation for narrow cutting in respect of works executed in Salem and Namakkal districts during April 2000 to July 2001 resulted in an extra expenditure of Rs 1.09 crore to the Tamil Nadu Water Supply and Drainage Board.

(Paragraph 4.2.4)

(v) Non-reduction of interest rate on loan availed from Housing and Urban Development Corporation during 1999-2000 for construction of Public Asset Buildings, consequent on abolition of interest tax, resulted in avoidable expenditure of Rs 92.57 lakh towards interest tax element during April 2000 to December 2002.

(Paragraph 4.2.2)

(vi) Defective preparation of estimate and tender schedule under the Gadana Reservoir Extension Scheme resulted in allowing higher rates towards supply of earth for various leads and for change in size of the stone for rough stone dry packing. The avoidable extra liability was Rs 89.39 lakh.

(Paragraph 4.2.5)

(vii) Government of Tamil Nadu incurred avoidable liability of Rs 43.11 lakh towards interest due to retention of Rs 6.50 crore released to Tamil Nadu Cooperative Milk Producers Federation, outside Government account.

(Paragraph 4.2.8)

(viii) Delay in claiming reimbursement of expenditure from World Bank under Water Resources Consolidation Project by the Engineer-in-Chief, Water Resources Organisation, Chennai led to financial crunch and resultant avoidable payment of Rs 40.88 lakh in seven works as interest to the contractors.

(Paragraph 4.2.6)

13 Blocking of funds

(i) Poor planning, lack of infrastructure and defective pricing policy of Tamil Nadu Housing Board led to blocking of Rs 96.43 crore on 18,755 plots in 17 schemes completed between March 1996 and December 2002 by nine divisions.

(Paragraph 4.3.1)

(ii) The Shelter Upgradation Programme, a cent *per cent* Centrally sponsored programme for construction and/or upgradation of houses for urban poor was not successful, mainly due to the difficulty in recovering the beneficiary contribution of 10 *per cent* either from own source or by way of loan; huge Central assistance with interest to the tune of Rs 5.95 crore was lying unutilised outside Government account for over one year.

(Paragraph 4.3.3)

(iii) Delay in construction of school buildings for Model Tribal Residential School at Vellimalai resulted in unutilised Central assistance of Rs 2.01 crore; the quality of education was poor due to lack of qualified teachers.

(Paragraph 4.3.4)

(iv) A Corpus Fund of Rs 60 lakh was created by Government for declaring the Chennai Medical College and Research Institute as Deemed University. Even after the withdrawal of Deemed University status by Government of India in March 2001, Rs 85.59 lakh, including the interest earned, remained in the Corpus Fund outside Government account.

(Paragraph 4.3.6)

(v) Failure to provide access to the land acquired at a cost of Rs 55.51 lakh by Tamil Nadu Housing Board resulted in blocking of funds for over 14 years.

(Paragraph 4.3.2)

(vi) Rupees 46.46 lakh drawn from Government account for payment to private Anaesthetists and Obstetricians under Reproductive and Child Health Project remained locked up in Savings Bank accounts, outside Government account for over two years.

(Paragraph 4.3.7)

14 Other points of interest

(i) Failure of Tamil Nadu Housing Board to fix the land cost as per rules and inordinate delay in deciding the cost of land by the Government resulted in non-realisation of Rs 18.24 crore from Sri Ramachandra Educational and Health Trust even after five years.

(Paragraph 4.4.2)

(ii) Failure of the Executive Engineers of Tamil Nadu Housing Board to get refund of Rs 1.89 crore deposited with the Revenue Department for land acquisition in respect of seven schemes in four districts resulted in an interest loss of Rs 1.60 crore.

(Paragraph 4.4.5)

CHAPTER I

FINANCES OF THE STATE GOVERNMENT

In Summary

Huge Revenue and Fiscal deficit year after year indicate continued macro imbalances in the State. In Tamil Nadu Revenue deficit had increased from Rs 2739 crore in 2001-02 to Rs 4851 crore in 2002-03. The fiscal deficit has risen from Rs 4740 crore in 2001-02 to Rs 6742 crore in 2002-03 (current year).

Revenues of the State consist mainly of its own tax and non-tax revenue, central tax transfers and grants-in-aid from Government of India. Overall revenue receipts increased from Rs 14261 crore in 1998-99 to Rs 20837 crore in 2002-03 at an average trend rate of 9.2 *per cent*. There were, however, significant inter year variations in the growth rates. During the current year the revenue receipts grew by 10.7 *per cent*. This was due to 10.2 *per cent* increase in tax revenue and 19.5 *per cent* increase in non-tax revenue. Arrears of revenue were high at Rs 9424 crore and represented 58.2 *per cent* of tax and non-tax revenue receipts of the current year. On an average 76.6 *per cent* of the revenue came from State's own resources. Central tax transfers and grants-in-aid from Government of India increased over the last year by 6.2 and 14.9 *per cent* respectively.

Total expenditure of the State increased from Rs 19361 crore in 1998-99 to Rs 28012 crore in 2002-03 at an average trend rate of 9.7 *per cent*. The rate of growth of expenditure in 2002-03 was 17.3 *per cent* which was much higher than the average trend rate for five years. While the revenue expenditure grew by 19.2 *per cent* in the current year, the revenue receipts grew only by 10.7 *per cent*. This had resulted in huge increase in Revenue deficit during 2002-03, and consequent increase in Fiscal and Primary deficits. There was 8.4 *per cent* decline under capital expenditure and 11.0 *per cent* increase under non-development expenditure during the last year. The interest payments during 2002-03 were Rs 4133 crore and the same grew by 17.6 *per cent* over the last year. The average growth rate of interest payments during the period 1998-2003 was 18.4 *per cent*. Debt burden (fiscal liabilities) of the State was Rs 43915 crore as at the end of the current year which was 15.8 *per cent* more than the corresponding figure last year. The average rate of interest paid on the borrowings of the State during 1998-2003 was more than the average rate of growth of State GSDP, violating the cardinal rule of debt sustainability. The finances of the State continued to be dependent on the ways and means advance/overdraft from Reserve Bank of India for managing day to day expenditure.

Though it is not uncommon for a State to borrow for widening its infrastructure and for creating income generating assets, an ever increasing ratio of fiscal liabilities to GSDP together with a large revenue deficit could lead the State finances into a debt trap. A good signal is that the State Government passed the "Tamil Nadu Fiscal Responsibility Act, 2003" in May 2003 and entered into Memorandum of Understanding with Government of India in September 2003. The State Government proposes to take appropriate measures to reduce the revenue and fiscal deficits and outstanding debt to sustainable level in the coming years.

1.1 Introduction

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

Lay-out of Finance Accounts

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

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

Statement No 2 contains the summarised statement of capital outlay showing progressive expenditure to the end of 2002-03.

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

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

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

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

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

Statement No.8 depicts the summary of balances under Consolidated Fund, Contingency Fund and Public Account as on 31 March 2003.

Statement No.9 shows the revenue and expenditure under different heads for the year 2002-2003 as a percentage of total revenue/total expenditure.

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

Statement No.11 indicates the detailed account of revenue receipts by minor heads under Non Plan, State Plan and Centrally Sponsored Schemes separately.

Statement No.12 provides detailed account of revenue and capital expenditure by minor heads under Non Plan, State Plan and Centrally Sponsored Schemes separately.

Statement No.13 depicts the detailed capital expenditure incurred during and to the end of 2002-2003.

Statement No.14 shows the details of investment of the State Government in statutory corporations, government companies, other joint stock companies, cooperative banks and societies etc. up to the end of 2002-03.

Statement No.15 depicts the capital and other expenditure to the end of 2002-03 and the principal sources from which the funds were provided for that expenditure.

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

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

Statement No.18 provides the detailed account of loans and advances given by the Government, the amount of loan repaid during the year, the balance as on 31 March 2003, and the amount of interest received during the year.

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

1.2 Trend of Finances with reference to previous year

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

(Rupees in crore)

2001-02	Sl.No	Major Aggregates	2002-03
18818	**1.**	**Revenue Receipts**	**20837**
13010	2.	Tax Revenue (Net)	14342
1557	3.	Non-Tax Revenue	1861
4251	4.	Other Receipts	4634
324	**5.**	**Non-Debt Capital Receipts**	**433**
324	6.	Of which Recovery of Loans	433
19142	**7.**	**Total Receipts (1+5)**	**21270**
19478	**8.**	**Non-Plan Expenditure**	**23122**
19130	9.	On Revenue Account	22715
3513	10.	Of which Interest Payments	4133
348	11.	On Capital Account	407
229	12.	Of which loans disbursed	277
4404	**13.**	**Plan Expenditure**	**4890**
2427	14.	On Revenue Account	2973
1977	15.	On Capital Account	1917
318	16.	Of which Loans disbursed	419
23882	**17.**	**Total Expenditure (8+13)**	**28012**
4740	**18.**	**Fiscal Deficit (17-7)**	**6742**
2739	**19.**	**Revenue Deficit (9+14-1)**	**4851**
1227	**20.**	**Primary Deficit (18-10)**	**2609**

1.3 Summary of Receipts and Disbursements

Table 1 summarises the state of Finances of the Government of Tamil Nadu for the year 2002-03 covering revenue receipts and expenditure, capital receipts and expenditure and public account receipts and disbursements made during the year as emerging from Statement-1 of Finance Accounts and other detailed statements.

Table 1: Summary of Receipts and Disbursements for the year 2002-2003

(Rupees in crore)

	Receipts				Disbursements				
2001-2002	Section-A: Revenue		2002-2003	2001-2002	Section-A: Revenue	Non-Plan	Plan	Total	2002-2003
18818.03	Revenue receipts -		20836.74	21556.97	Revenue expenditure-				25687.70
13069.70	-Tax revenue	14341.71		8920.96	-General services	9869.68	25.23	9894.91	
1556.72	-Non-tax revenue	1860.62		7677.06	-Social Services	6389.67	1584.38	7974.05	
2870.07	-Share of Union Taxes/Duties	3047.57		4242.38	-Economic Services	5042.03	1219.59	6261.62	
1381.54	-Grants from Government of India	1586.84		716.57	Grants-in-aid and Contributions	1413.86	143.26	1557.12	
2738.94	Revenue deficit carried over to Section B		4850.96		Total	22715.24	2972.46	25687.70	
21556.97	**Total**		**25687.70**	**21556.97**	**Total**				**25687.70**
	Section-B : Capital and others				**Section-B : Capital and others**				
225.24	Opening Cash balance		81.80	..	Opening Overdraft from Reserve Bank of India-				..
				1777.91	Capital Outlay-				1627.54
324.34	Recoveries of Loans and Advances-		432.69	546.87	Loans and Advances disbursed-				696.65
4521.54	Public debt receipts-		8816.77[e]	2738.94	Revenue deficit brought down-				4850.96
0.61	Amount transferred to Contingency Fund-		..	1076.34	Repayment of Public debt-				2144.49
21209.10	Public Account receipts-		27155.49	20058.97	Public Account disbursements-				27577.39
..	Closing Overdraft from Reserve Bank of India-		579.63	81.80	Cash Balance at end-				169.35
26280.83	**Total**		**37066.38**	**26280.83**	**Total**				**37066.38**
47837.80	**Grand Total**		**62754.08**	**47837.80**	**Grand Total**				**62754.08**

(e) includes net transactions under ways and means advances: Rs 549.79 crore

1.4 Audit Methodology

Audit observations on the statements of the Finance Accounts for the year 2002-2003 bring out the trends in the major fiscal aggregates of receipts and expenditure and wherever necessary show these in the light of time series data (Appendix I) and periodic comparisons. Major fiscal aggregates like tax and non-tax revenue, revenue and capital expenditure, internal debt and loans and advances have been presented as percentages to the Gross State Domestic Product (GSDP) at current market prices. Tax revenue, non-tax revenue, revenue expenditure etc., with their respective buoyancy projections have been provided for a further estimation of the range of fluctuations with reference to the base represented by GSDP. The key indicators adopted for the purpose are: (i) resources by volume and sources (ii) application of resources (iii) assets and liabilities and (iv) management of deficits. Audit observations have also taken into account the cumulative impact of resource mobilisation efforts, debt servicing and corrective fiscal measures. Overall financial performance of the Government as a body corporate has been presented by the application of a set of ratios commonly adopted for the relational interpretation of fiscal aggregates.

1.5 State Finances by key indicators

Resources by volume and sources

1.5.1 Resources consist of revenue receipts and capital receipts. Revenue receipts consist of tax revenue, non-tax revenue, State's share of Union taxes and duties and grants-in-aid from the Central Government. Capital receipts comprise miscellaneous capital receipts like proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/ commercial banks, loans and advances from Government of India as well as accruals from Public Account). Table 2 shows the total receipts of the Government of Tamil Nadu (Rs 57822 crore) for the year 2002-03, by volume and source.

Table 2: Resources of Tamil Nadu

(Rupees in crore)

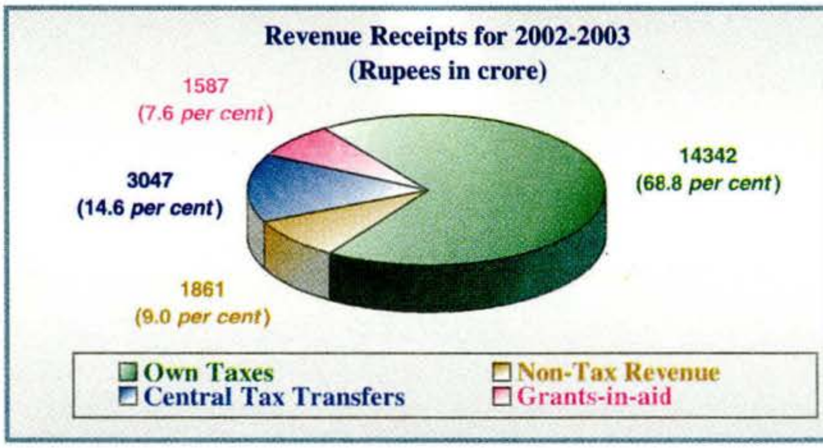
I	**Revenue Receipts**			20837
II	**Capital Receipts**			9829
	a.	Recovery of Loans and Advances	433	
	b.	Debt Receipts	9396	
III	**Public Account Receipts**			27156
	a.	Small Savings and Provident Fund	2895	
	b.	Reserve Funds	(-) 159	
	c.	Deposit and Advances	8113	
	d.	Suspense and Miscellaneous	12044	
	e.	Remittances	4263	
	Total Receipts			**57822**

Revenue Receipts

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

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

	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	Average
Revenue Receipts	14261	16328	18317	18818	20837	17712
Own Taxes	9625	10919	12282	13010	14342	12036
Non-Tax Revenue	1157	1357	1711	1557	1861	1529
Central-Tax Transfers	2409	2667	2784	2870	3047	2755
Grants-in-aid	1070	1385	1540	1381	1587	1392
Rate of growth	5.0	14.5	12.2	2.7	10.7	9.2
Revenue Receipts/GSDP	12.0	12.8	13.3	12.7	13.6	12.9
Revenue Buoyancy	0.34	2.07	1.58	0.33	3.06	1.14
GSDP growth	14.9	7.0	7.7	8.2	3.5	8.05



1.5.3 Overall revenue receipts of the State increased from Rs 14261 crore in 1998-99 to Rs 20837 crore in 2002-2003, at an average rate of 9.2 *per cent* per annum. There were however significant inter year variations in the growth rates which ranged from 2.7 to 14.5 *per cent.*

1.5.4 Overall growth of the four components of Revenue Receipts during 1998-2003 had also differed significantly. While the own taxes of the State recorded a growth of 49 *per cent* during 1998-2003, the non-tax revenue recorded a growth of 60.8 *per cent*. The growth of revenue from Central taxes and grants-in-aid was 26.5 and 48.3 *per cent* respectively.

1.5.5 While on an average 76.6 *per cent* of the revenue had come from the State's own resources, the contribution of Central tax transfers and grants-in-aid together declined from 24 *per cent* of the total revenue to 22 *per cent* during the above period.

1.5.6 The sources of receipts during the period 1998-99 to 2002-03 are given in Table 4 below.

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

Year	Revenue Receipts	Capital Receipts			Total receipts	Gross State Domestic Product
		Non-Debt Receipts including Contingency Fund receipts	Debt Receipts	Accruals in Public Account		
1998-1999	14261	323	2678	15791	33053	119063
1999-2000	16328	314	3711	19545	39898	127438
2000-2001	18317	359	4731	21286	44693	137305
2001-2002	18818	325	4522	21209	44874	148585
2002-2003	20837	433	9396	27156	57822	153729

Arrears of revenue

1.5.7 The arrears of revenue registered an increasing trend from Rs 6325 crore in 1998-99 to Rs 9424 crore in 2002-03. The outstanding revenue as on 31 March 2003 was 58.2 *per cent* of the tax and non-tax revenue realised during 2002-2003. Of the arrears of Rs 9424 crore as of March 2003, Rs 2379 crore (25 *per cent*) were pending for more than five years. The arrears mainly pertained to Sales Tax (Rs 8719 crore) and Mines and Minerals (Rs 463 crore). The deterioration in the position of the arrears of revenue reflected slackening revenue realisation efforts of the State Government.

1.6 Application of resources

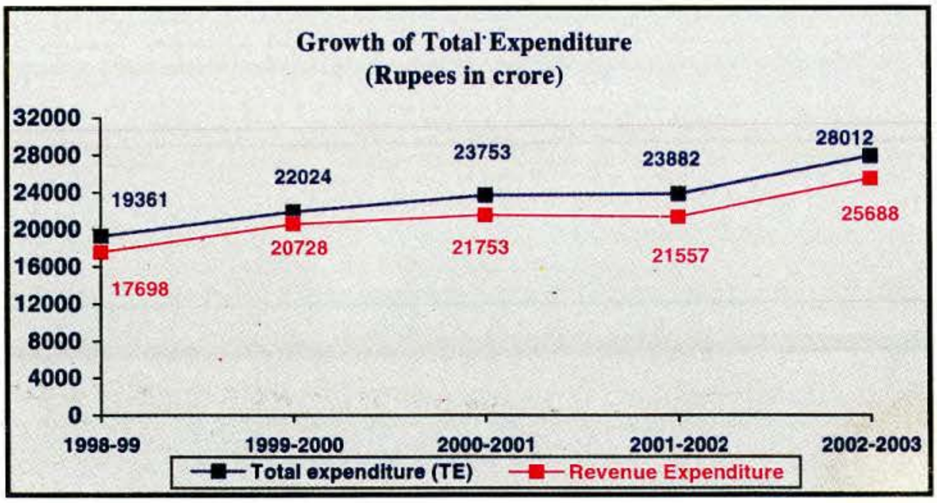
Trend of Growth

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

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

	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	Average
Total expenditure (TE)	19361	22024	23753	23882	28012	23406
Rate of Growth	14.4	13.8	7.9	0.5	17.3	9.7
TE/GSDP	16.3	17.3	17.3	16.1	18.2	17.1
TE/Revenue Receipts	135.8	134.9	129.7	126.9	134.4	132.1
Buoyancy of total expenditure with						
GSDP	0.97	1.97	1.03	0.06	4.94	1.21
Revenue Receipts	2.88	0.95	0.65	0.19	1.62	1.05

1.6.2 Overall expenditure of the State comprising revenue expenditure, capital expenditure and the loans and advances increased from Rs 19361 crore in 1998-99 to Rs 28012 crore in 2002-2003, at an average trend rate of 9.7 *per cent* per annum. The rate of growth of total expenditure declined from 14.4 *per cent* in 1998-99 to 0.5 *per cent* in 2001-2002. However it went upto 17.3 *per cent* in 2002-2003. This was due to 19.2 *per cent* increase in Revenue Expenditure during the year. The average ratio of total expenditure to revenue receipts was 132.1 *per cent,* indicating that only a little over three-fourth of the State's total expenditure was met from its current revenue, leaving the balance to be financed by borrowings.

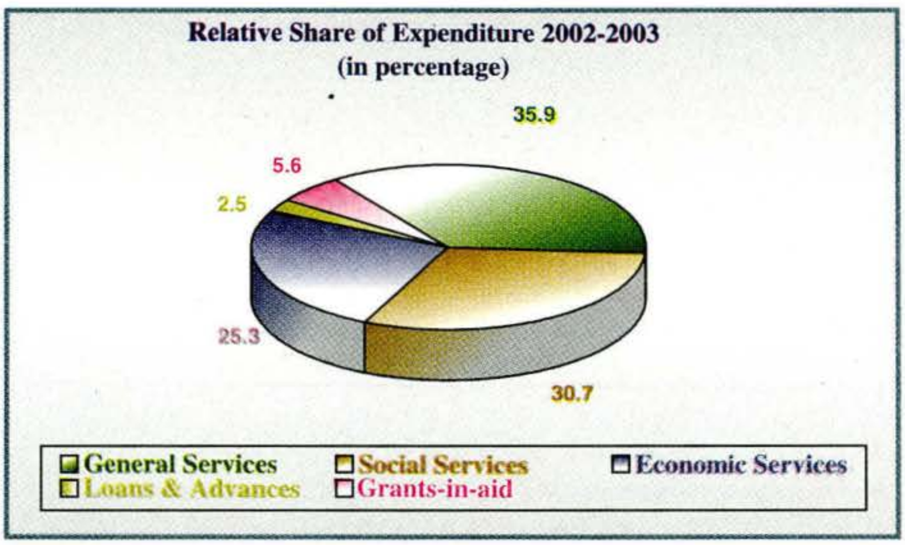


1.6.3 The relative share of activity components in total expenditure is indicated in Table 6.

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

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
General Services	20.0	23.5	22.7	23.3	21.2	22.1
Interest Payments	11.0	12.3	13.1	14.7	14.7	13.2
Social Services	37.9	35.9	35.5	34.9	30.7	35.0
Economic Services	23.2	20.6	22.7	21.8	25.3	22.7
Loans and Advances	2.6	3.0	1.9	2.3	2.5	2.5
Grants-in-aid	5.3	4.7	4.1	3.0	5.6	4.5

1.6.4 Interest payments and expenditure on general services considered as non-developmental, together accounted for nearly 36 *per cent* of total expenditure in 2002-2003. There was a steady decline in the share of Social Services from 37.9 *per cent* to 30.7 *per cent* during the five year period.



Incidence of Revenue expenditure

1.6.5 Revenue expenditure had the predominant share in total expenditure. Revenue expenditure is incurred to maintain the current level of services and does not represent any addition in the State's service network. Overall revenue expenditure, its rate of growth, ratio of revenue expenditure to State's GSDP and revenue receipts are indicated in Table 7 below.

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

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
Revenue Expenditure (RE)	17698	20728	21753	21557	25688	21485
Rate of Growth	18.4	17.1	4.9	(-)0.9	19.2	10.03
RE/GSDP	14.9	16.3	15.8	14.5	16.7	15.7
RE as % of TE	91.4	94.1	91.6	90.3	91.7	91.8
RE as % to Revenue Receipt	124.1	126.9	118.8	114.6	123.3	121.3

1.6.6 Overall revenue expenditure of the State increased from Rs 17698 crore in 1998-99 to Rs 25688 crore in 2002-2003, at an average trend rate of 10.03 *per cent* per annum. As a percentage of GSDP, the revenue expenditure ranged between 14.5 and 16.7. Further, the ratio of revenue expenditure to total expenditure was 91.7 in 2002-03; in other words 91.7 *per cent* of total expenditure of the State was in the nature of expenditure on current consumption. Revenue expenditure increased by Rs 4131 crore during the year. This was mainly due to assistance of Rs 1962 crore to Tamil Nadu Electricity Board (TNEB) to fund an one time settlement of dues with Central utilities, increase in compensation and assignments to Local Bodies and Panchayati Raj Institutions (PRI) by Rs 840 crore, increase in interest payment by Rs 620 crore. The ratio of revenue expenditure to revenue receipt has peaked at 123.3 *per cent* during 2002-03. This indicated increasing dependence of the State on borrowing for even meeting the current expenditure.

High salary expenditure

1.6.7 Salaries alone took away nearly 34.7 *per cent* of the revenue receipts of the Government during 2002-03. The expenditure on salaries increased from Rs 6445 crore in 1998-99 to Rs 7225 crore in 2002-03. However, the salary expenditure as a percentage of Revenue Receipts declined from 45.2 to 34.7 *per cent*.

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

	1998-99	1999-2000	2000-01	2001-02	2002-03	Growth Rate
Salary Expenditure	6445	7242	7169	7265	7225	6.6
As % of GSDP	5.4	5.7	5.2	4.9	4.7	5.2
As % of Revenue Receipts	45.2	44.4	39.1	38.6	34.7	39.9

Huge expenditure on pension payments

1.6.8 Pension payments took away as much as 16 *per cent* of the revenue receipts of the Government during 2002-03 and it increased by 96.7 *per cent* from Rs 1691 crore in 1998-99 to Rs 3327 crore in 2002-03.

Interest payments

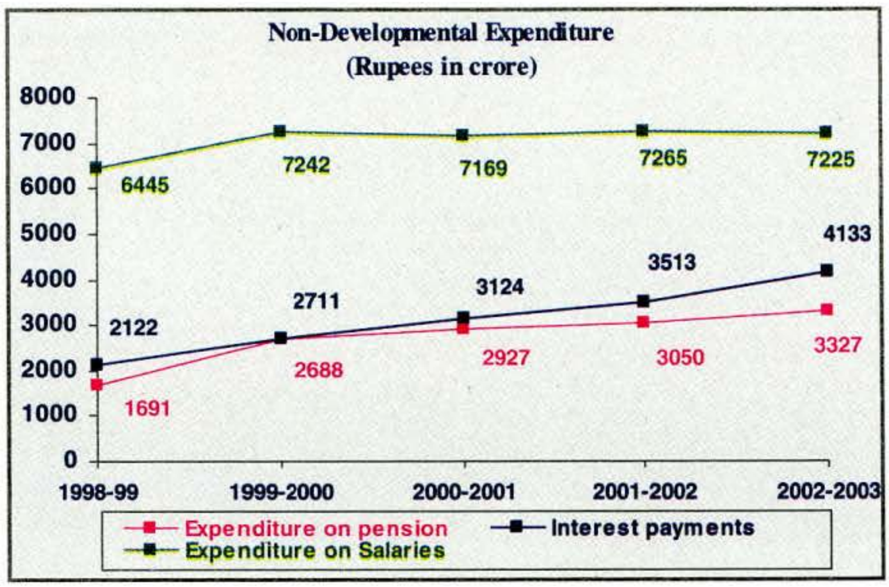
1.6.9 Interest payments made during the period 1998-99 to 2002-03 along with its percentage to Revenue Receipts and Revenue Expenditure are given in Table 9 below:

Table 9: Interest payments

Year	Interest payments (Rs in crore)	Percentage of Interest payments with reference to	
		Revenue Receipts	Revenue Expenditure
1998-1999	2122	14.9	12.0
1999-2000	2711	16.6	13.1
2000-2001	3124	17.1	14.4
2001-2002	3513	18.7	16.3
2002-2003	4133	19.8	16.1

Interest payments increased steadily by 95 *per cent* from Rs 2122 crore in 1998-99 to Rs 4133 crore in 2002-03 (the average growth rate was 18.4 *per cent*) primarily due to continued reliance on borrowings to meet the Fiscal Deficit. State Government raised Rs 2325 crore from open market at a weighted average rate of interest of 7.12 *per cent* per annum. It also borrowed Rs 2200 crore from National Small Savings Fund at 10.5 *per cent* per annum and Rs 920 crore from Government of India during the year.

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



Subsidies

1.6.11 Subsidies can be defined as the difference between the cost of goods and services provided and the actual recoveries made from those using the goods and services. There are two types of subsidies *viz.,* Direct subsidies and Indirect subsidies. While there is a clear identification of beneficiaries and budgetary allocation in respect of Direct subsidies, Indirect subsidies arise due to non-recovery of user charges for the services provided or due to non-recovery of loans from public sector undertakings, cooperative societies etc.

1.6.12 During 2002-03, the Direct subsidies, compiled as per accounts, worked out to Rs 1768.42 crore and the same constituted 6.9 *per cent* of the Revenue Expenditure (Rs 25688 crore). Subsidy to Tamil Nadu Civil Supplies Corporation Limited (TNCSC) towards losses incurred for procurement and supply of food articles under Public Distribution System (PDS) (Rs 1240 crore) and Tariff compensation to the TNEB for the free supply of electricity to farmers (Rs 250 crore) were the major subsidies.

1.6.13 The Budget Speech for 2002-03 stated that untargeted and open-ended subsidy schemes have played havoc with the finances of State Government and that all the departments have been instructed to recalibrate the existing schemes suitably. As a result, the direct subsidies declined from Rs 2206 crore during 2001-2002 to Rs 1768 crore during 2002-2003. The decline was mainly under the following items.

	Nature of subsidy	Amount of subsidy given during	
		2001-02	2002-03
		(Rupees in crore)	
(i)	Subsidy to TNCSC towards losses incurred for procurement and supply of food articles under PDS	1525	1240
(ii)	Tariff compensation to TNEB for the free supply of electricity to farmers	323	250
(iii)	Reimbursement of social cost on student concessions in Bus fares	96	49
(iv)	Free distribution of Handloom cloth to the people below poverty line	89	25

1.7 Expenditure by Allocative Priorities

1.7.1 The Government's plan expenditure, capital expenditure and developmental expenditure emerging from Statement 12 of Finance Accounts reflect the allocative priorities. Higher the ratio of these components to total expenditure better is the efficiency of the State apparatus. Table 10 below gives the ratio of these components of expenditure to State's total expenditure.

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

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
Plan expenditure	19.3	17.7	18.0	17.5	16.4	17.7
Capital expenditure	6.1	3.0	6.6	7.6	6.0	5.9
Development expenditure*	68.2	63.0	63.5	61.1	63.1	63.6

(Total expenditure does not include loans and advances)

Plan expenditure declined from 19.3 *per cent* of total expenditure in 1998-99 to 16.4 *per cent* in 2002-2003. Similarly, capital expenditure ranged between 3.0 and 7.6 *per cent* of total expenditure. There was also a decline in the share of development expenditure in this period.

1.7.2 Major portion of plan expenditure of Rs 1498 crore under capital outlay was under 'Water Supply and Sanitation' (29 *per cent*), 'Roads and Bridges' (25 *per cent*) and 'Irrigation and Flood Control' (20 *per cent*). Of the developmental expenditure, Social Services (Rs 8590 crore) and Economic Services (Rs 7100 crore) accounted for 50 *per cent* and 41 *per cent* respectively. Expenditure on Social Services was mainly under General Education, Social Welfare and Nutrition, Health and Family Welfare and Water Supply and Sanitation. Expenditure under Economic Services was mainly on Energy, Agriculture and Allied Activities, Civil Supplies and Irrigation and Flood Control.

Financial Assistance to local bodies and other institutions

1.7.3 The quantum of assistance provided by way of grants and loans to local bodies etc., during the period of five years ending 2002-03 was as follows:

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

(Rupees in crore)

	1998-99	1999-2000	2000-01	2001-02	2002-03
Universities and Educational Institutions	1527	1531	1676	761	316
Municipal Corporations and Municipalities	217	112	125	505	866
Panchayati Raj Institutions	1402	1430	915	630	1351
Development Agencies	210	474	731	571	186
Hospitals and other Charitable Institutions	9	12	9	2	4
Other institutions	402	662	514	508	3265
Total	3767	4221	3970	2977	5988
Percentage of growth over previous year	85	12	(-) 6	(-) 25	101
Assistance as a percentage of revenue expenditure	21	20	18	14	23

The increase in financial assistance provided during the year is due to release of Eleventh Finance Commission grants.

Excess release of grant and non-adjustment of unspent grant

1.7.4 The erstwhile Tamil Nadu Port Department was converted as Tamil Nadu Maritime Board (Board) with effect from 18 March 1997. Government released grants-in-aid to the Board based on the budget deficit projected by the Board. The funds were credited to its Personal Deposit Account. The Board in their proposals to Government for budgetary support included depreciation on buildings, machinery and furniture etc., also as an item of expenditure for computing the budgetary deficit, to be financed through grant-in-aid. Since depreciation was not a real expense and no outgo of cash was involved, the budget deficit should be arrived at after excluding this. However, Government released during 1997-2002 grants-in-aid totalling Rs 6.87 crore[*] including Rs 1.84 crore[**] towards depreciation.

1.7.5 The Board, while submitting their budget estimates for the year to Government, does not intimate the unutilised grant available. Although balance 'amount of grant due to Government' was exhibited in the annual accounts, the Government also did not adjust this amount while releasing grant for the subsequent year. The unspent amount of Rs 90.37 lakh remaining as of March 2002 needs to be adjusted before releasing subsequent grants.

1.7.6 Thus, in all, there was an excess release of grants-in-aid totalling Rs 2.74 crore[@] to the Tamil Nadu Maritime Board during 1997-2002, due to provision of grant against the ineligible item of depreciation and non-adjustment of unspent grants.

Misappropriation, losses, etc.

1.7.7 Cases of misappropriation of Government money reported to Audit upto March 2003 and on which final action was pending at the end of June 2003 were as under:

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* Consisting of funds as budgetary support and for implementation of Part II schemes of which Rs 5.95 crore credited to PD account and Rs 92.18 lakh released directly.

** Figures as per Profit and Loss Account of the Board

@ Amount allowed as Depreciation : Rs 1.84 crore plus the unspent grant Rs 90.37 lakh

	Number of cases	Amount (Rupees in lakh
Cases reported to end of March 2002 and outstanding at the end of June 2002	402	372.51
Cases reported during April 2002 to March 2003*	32	167.82
Total	**434**	**540.33**
Cases cleared during July 2002 to June 2003	54	2.69
Cases outstanding at the end of June 2003	380	537.64

Department-wise and year-wise analyses of the pending cases are given in Appendix II. In all these cases, report on the departmental action taken and results of the proceedings against Government servants responsible, which are required to be sent to Audit, were still awaited (July 2003).

1.7.8 Further, 280 cases of shortage, theft, damage to property, etc., involving Rs 1.65 crore were reported to Audit upto March 2003 by departments other than Public Works, Highways and Forest Departments. 2,780 cases involving Rs 16.18 crore were either reported by or noticed during audit of Public Works, Highways and Forest Departments upto March 2003. Department-wise and year-wise analyses of these cases are contained in Appendix III.

1.8 Assets and Liabilities

1.8.1 The Government accounting system does not attempt a comprehensive accounting of fixed assets, i.e. land, buildings etc., owned by the Government. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure. Statement 16 and details in Statement 17 of Finance Accounts show the year-end balances under the Debt, Deposit and Remittance heads from which the liabilities and assets are worked out. Appendix IV presents an abstract of such liabilities and the assets as on 31 March 2003, compared with the corresponding position on 31 March 2002.

1.8.2 The liabilities as per Appendix IV mainly comprise money owed by the State Government such as internal borrowings, loans and advances from the Government of India, receipts from the Public Account and Reserve Fund. During 2002-03, the liabilities grew by 15.5 *per cent*.

1.8.3 Similarly, the assets comprise mainly the capital expenditure and loans and advances given by the State Government and grew by 10.8 *per cent* only during 2002-03.

Financial results of irrigation works

1.8.4 Statement 3 of Finance Accounts depicts the financial results of five major and 47 medium irrigation projects with a capital expenditure of Rs 2056.74 crore at the end of March 2002. It showed that revenue realised from these projects during 2001-2002 (Rs 7.38 crore) was only 0.36 *per cent* of the capital expenditure and these were not sufficient to cover even the direct

* Includes one case noticed during test-check of Seed Farm, Tiruvannamalai District (Agriculture Department). An Assistant Director, Seed Processing Unit Tiruvannamalai misappropriated Rs 1.64 crore during 1998-2001. The case is pursued by Vigilance and Anti-Corruption Department. Departmental action was also in progress.

working expenses (Rs 48.29 crore). After meeting the working and maintenance expenditure (Rs 48.51 crore) and interest charges (Rs 107.96 crore), the projects suffered a net loss of Rs 149.31 crore. The loss was substantial (Rs 107.54 crore) in all the major irrigation projects.

Incomplete projects

1.8.5 As per information received from the State Government, there were 45 incomplete projects in which Rs 372.98 crore were blocked as of 31 March 2003. Each of these projects cost more than Rupees one crore and was scheduled for completion before 31 March 2003, but was incomplete, for reasons such as non-receipt of revised Administrative sanction, pending land acquisition, delay in following World Bank procedures and delay in finalisation of tender etc.

Commercial activities

1.8.6 Activities of quasi-commercial nature are performed by the departmental undertakings of certain Government departments. These undertakings are to prepare *pro forma* accounts in the prescribed format showing the results of annual financial operation. The Heads of Departments in Government are to ensure that the undertakings, which are funded by budgetary release, prepare the accounts on time and submit the same to Accountant General for audit.

1.8.7 As of March 2003, there are three such undertakings in the Government of Tamil Nadu. However, only two undertakings had finalised their accounts up to 2000-01. One undertaking had not replied to the audit comments on the accounts for the years from 1997-2001 and therefore these accounts are yet to be certified as of August 2003. The third undertaking, Chank Fisheries, Ramanathapuram has not finalised its accounts from the year 1997-98 onwards. Rupees 9.86 crore have been invested by the State Government in respect of these three undertakings at the end of the financial year up to which their accounts were completed.

1.8.8 The Comptroller and Auditor General of India has commented in the Audit Reports of the State about the failure of the Heads of Departments and the management of the undertakings in timely preparation of the *pro forma* accounts. Accountant General (Audit) II, has reminded the Secretary of the concerned departments periodically in this matter. Government has neither initiated action against the defaulting management for their failure to prepare the accounts nor took any effective initiative to set the position right. As a result, accountability of the management and Government in respect of the public funds spent by these undertakings was not ensured.

1.8.9 The department-wise position of arrears in preparation of *pro forma* accounts, and the financial position of the three undertakings are given in Appendix V and VI respectively.

Fiscal Liabilities – Public Debt and Guarantees

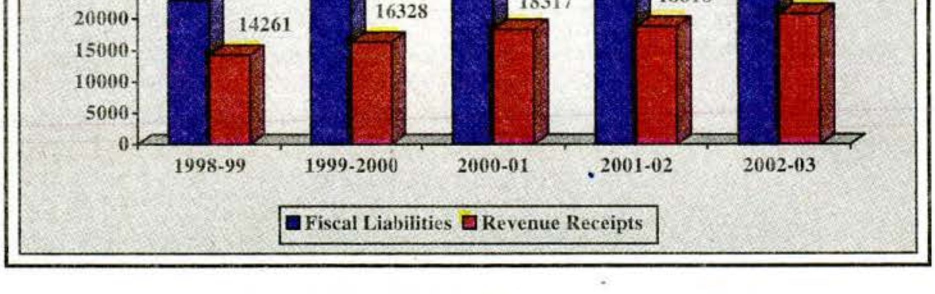
1.8.10 The Constitution of India (Article 293) provides that State may borrow within the territory of India, upon the security of its Consolidated Fund, within such limits, as may from time to time be fixed by an act of Legislature. However, no such law was passed in the State (Article 293) to lay down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

1.8.11 Statement 4 read with Statements 16 and 17 of Finance Accounts show the year-end balances under Debt, Deposit and Remittance heads from which the liabilities are worked out. Table 11 below gives the fiscal liabilities of the State, its rate of growth, ratio of these liabilities to GSDP, revenue receipts and own resources and the buoyancy of these liabilities with respect to these parameters. It would be observed that the overall fiscal liabilities of the State increased from Rs 23058 crore in 1998-1999 to Rs 43915 crore in 2002-2003 at an average annual rate of 17.8 *per cent*. These liabilities as ratio to GSDP increased from 19.4 *per cent* in 1998-99 to 28.6 *per cent* in 2002-2003; their ratio to revenue receipts increased from 161.7 to 210.8 *per cent* over the five year period.

1.8.12 Currently the fiscal liabilities including the contingent liabilities were more than 2.5 times the revenue receipts of the State. The direct fiscal liabilities of the State have grown much faster compared to its rate of growth of GSDP, revenue receipts and own resources. On average for each one *per cent* increase in GSDP, Revenue Receipts and own resources, the direct fiscal liabilities of the State have gone up by 2.2, 1.9 and 1.7 *per cent* respectively.

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

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
Fiscal Liabilities	23058	28430	33421	37933	43915	33351
Rate of Growth	19.0	23.3	17.6	13.5	15.8	17.8
Percentage of Fiscal Liabilities to						
GSDP	19.4	22.3	24.3	25.5	28.6	24.3
Revenue Receipts	161.7	174.1	182.5	201.6	210.8	188.3
Own Resources	213.9	231.6	238.8	260.4	271.0	245.9
Buoyancy of Fiscal Liabilities to						
GSDP	1.28	3.33	2.29	1.65	4.51	2.21
Revenue Receipts	3.80	1.61	1.44	5.00	1.48	1.94
Own Resources	1.92	1.68	1.26	3.29	1.41	1.67



1.8.13 Increasing liabilities raises the issue of its sustainability. Fiscal liabilities are considered sustainable if the average interest paid on these liabilities is lower than the rate of growth of GSDP. However, in Tamil Nadu average interest rate on fiscal liabilities at 10.1 *per cent* during 1998-2003 exceeded the rate of growth of GSDP at 8.05 *per cent* as indicated in Table 12.

Table 12: Debt sustainability – Interest Rate and GSDP growth (in *per cent*)

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
Weighted Interest Rate	10.0	10.5	10.1	9.8	10.1	10.10
GSDP Growth	14.9	7.0	7.7	8.2	3.5	8.05
Interest spread	4.9	(-) 3.5	(-) 2.4	(-) 1.6	(-) 6.6	(-) 2.05

1.8.14 Another important indicator of debt sustainability is net availability of funds after repayment of the principal on account of the earlier contracted liabilities and interest. The Table 13 below gives the position of the receipt and repayment of internal debt over the last five years. The net funds available on account of the internal debt and loans and advances from Government of India, after providing for the interest and repayments, varied from 3.9 *per cent* to 20.1 *per cent* during 1998-2003.

Table 13: Net Availability of Borrowed Funds (Rs in crore)

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
Internal Debt*						
Receipt	1046	6535	11530	12575	17883	9914
Repayment (Principal + Interest)	658	5671	8227	10855	11851	7452
Net Fund Available	388	864	3303	1720	6032	2462
Net Fund Available (*per cent*)	37	13	29	14	34	25
Loans and Advances from GOI						
Receipt	1634	2011	66	913	920	1109
Repayment (Principal + Interest)	1598	1830	1953	2108	3164	2131
Net Fund Available	36	181	(-) 1887	(-) 1195	(-) 2244	(-) 1022
Net Fund Available (*per cent*)	2	9	-	-	-	-
Total Public Debt						
Receipt	2680	8546	11596	13488	18803	11023
Repayment (Principal + Interest)	2256	7501	10180	12963	15015	9583
Net Fund Available	424	1045	1416	525	3788	1440
Net Fund Available (*per cent*)	15.8	12.2	12.2	3.9	20.1	13.1

Guarantees given by the State Government

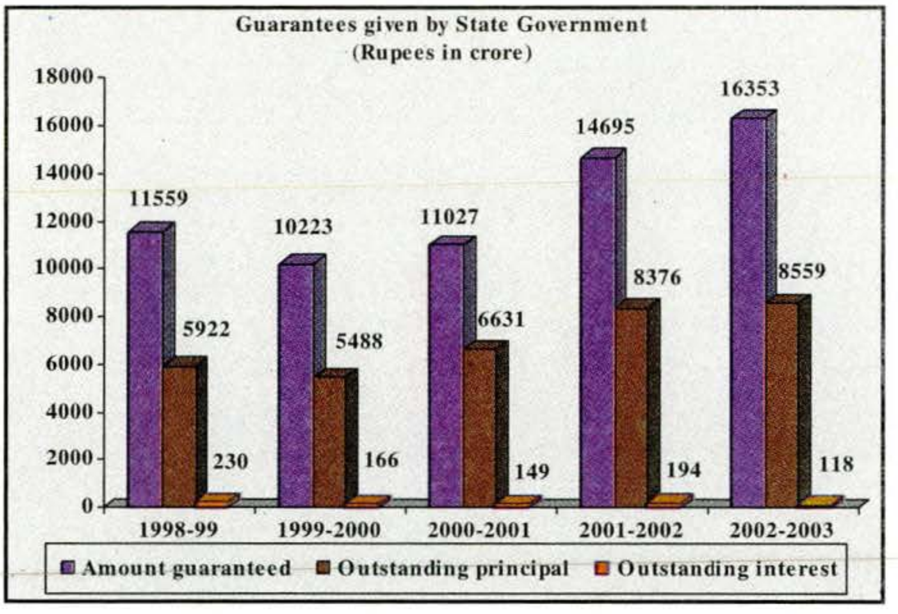
1.8.15 In addition to these liabilities Government had guaranteed loans for its various Corporations and others, which stood at Rs 8677 crore as of March 2003. The guarantees are in the nature of contingent liabilities of the State and in the event of non-payment of loans there may be an obligation on the Government to honour these commitments. According to the Tamil Nadu Fiscal Responsibility Act passed by the State Legislature in May 2003, Government should cap outstanding risk weighted guarantees to 100 *per cent* of the total revenue receipts in the preceding year or at 10 *per cent* of GSDP and whenever the limits specified are exceeded, no fresh guarantee should be given.

1.8.16 The maximum amount for which guarantees were given by the State Government during the last five years was as under:

* There is change in the previous years Audit Reports in respect of Internal Debt figures because of inclusion of Ways and Means Advances and Overdraft for the years 1998-2002.

(Rupees in crore)

Year	Maximum amount guaranteed	Outstanding amount of guarantee at the year end		Percentage to total revenue
		Principal	Interest	
1998-1999	11559	5922	230	81
1999-2000	10223	5488	166	63
2000-2001	11027	6631	149	60
2001-2002	14695	8376	194	78
2002-2003	16353	8559	118	78



1.8.17 The amounts of outstanding guarantees at the end of each year during 1998-2003 showed an increasing trend. While Rs 71.61 crore were received as guarantee commission during 2002-2003, Rs 32.96 crore of guarantee commission were outstanding for recovery from seven Government Companies/ Corporations (Rs 4.20 crore) and from Cooperative Institutions (Rs 28.76 crore) as on 31 March 2003. Government has constituted a Guarantee Redemption Fund in March 2003 for discharge of invoked guarantees.

1.9 Management of deficits

Fiscal Imbalances

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

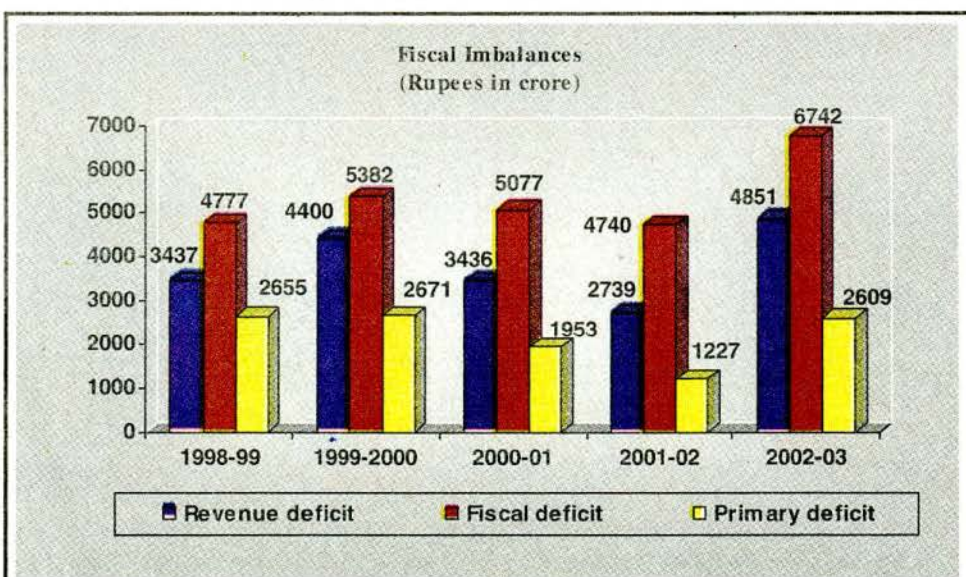
1.9.2 The details of Revenue/Fiscal/Primary Deficits during the period 1998-99 to 2002-03 and their ratio to GSDP, along with the ratio of Revenue Deficit (RD) to Fiscal Deficit (FD) during this period are given in Table 14 below:

Table 14: Fiscal Imbalances– Basic Parameters
(value in crore of Rupees and others in percentage)

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
Revenue deficit	(-) 3437	(-) 4400	(-) 3436	(-) 2739	(-) 4851	(-) 3773
Fiscal deficit	(-) 4777	(-) 5382	(-) 5077	(-) 4740	(-) 6742	(-) 5344
Primary deficit	(-) 2655	(-) 2671	(-) 1953	(-) 1227	(-) 2609	(-) 2223
RD/GSDP	(-) 2.9	(-) 3.5	(-) 2.5	(-) 1.8	(-) 3.2	(-) 2.7
FD/GSDP	(-) 4.0	(-) 4.2	(-) 3.7	(-) 3.2	(-) 4.4	(-) 3.9
PD/GSDP	(-) 2.2	(-) 2.1	(-) 1.4	(-) 0.8	(-) 1.7	(-) 1.6
RD/FD	72.0	81.8	67.7	57.8	72.0	70.6

The revenue deficit of the State, which is the excess of its revenue expenditure over revenue receipts, (Statement 1 of Finance Accounts) was Rs 2739 crore in 2001-2002 and shot up to Rs 4851 crore in 2002-2003. As a percentage of revenue receipts it has gone up from 14.6 *per cent* in 2001-02 to 23.3 *per cent* in 2002-03. The fiscal deficit, which represents the total borrowing of the Government and its total resource gap, was Rs 4740 crore in 2001-2002, but increased to Rs 6742 crore in 2002-2003. The primary deficit of the State was Rs 1227 crore in 2001-2002 but rose to Rs 2609 crore in 2002-2003. The increase in revenue deficit and fiscal deficits during 2002-03 over the figures for 2001-02 clearly showed that the financial position of the State has further worsened.

1.9.3 The existence of revenue deficit indicates that the State Government had to borrow funds to meet its current obligations. The ratio of revenue deficit to fiscal deficit was 57.8 *per cent* in 2001-2002, but went up to 72 *per cent* in 2002-2003. This indicated that 72 *per cent* of the borrowings were applied to revenue expenditure and the debt burden of the Government is high, affecting the repayment capacity of the Government. As a proportion to State's gross domestic product, revenue deficit was 3.2 *per cent* in 2002-2003 and fiscal deficit was 4.4 *per cent.*



Recommendations of Eleventh Finance Commission

Medium Term Fiscal Reforms Programme

1.9.4 Eleventh Finance Commission (EFC) in its report laid down broad parameters of fiscal correction in the State Sector. Each State was required to draw up the Medium Term Fiscal Reforms Programme (MTFRP) to achieve the objective of zero revenue deficit. The MTFRP should form the basis of a Memorandum of Understanding (MoU) between the State and Ministry of Finance, GOI. Further the EFC recommended an Incentive Fund from which grants were to be released to States based on their fiscal programme. The Incentive Fund releases proposed for Tamil Nadu were Rs 402 crore. On the basis of the recommendations of the EFC, Government of India (GOI) created Fiscal Reforms Facility (2000-01 to 2004-05) to motivate the States to undertake MTFRP. Release of the Incentive Fund was to be based on achieving a minimum improvement of five percentage points in the revenue deficit as a proportion of its revenue receipts each year till 2004-05 over the base year 1999-2000.

1.9.5 The Budget Speech for 2002-2003 announced that the Government has prepared a Medium Term Fiscal Reforms Programme aimed at reducing Revenue deficit to zero and Fiscal deficit to two *per cent* of the Gross State Domestic Product (GSDP) by 2006-07. However, for the year 2002-03 the Revenue deficit was Rs 4851 crore which was 23 *per cent* of the total revenue receipts. The Fiscal deficit was Rs 6742 crore or four *per cent* of GSDP. State Government passed the "Tamil Nadu Fiscal Responsibility Act, 2003" in May 2003. The MoU between Government of India and Government of Tamil Nadu was entered into on 2 September 2003.

Utilisation of upgradation/Special problem grants recommended by Eleventh Finance Commission

1.9.6 With a view to modernise and rationalise the administrative set up of the States in the interest of speed, efficiency and sound fiscal management, EFC recommended for the period 2000-05, grants of Rs 202.86 crore for upgradation of standards in twelve non-developmental and social sectors and services* and Rs 49 crore towards slum improvement works in Chennai, Coimbatore and Madurai cities as special problem grant. The grants were to be released by the Government of India (GOI), Ministry of Finance, in a phased manner during 2000-04**, leaving the final year 2004-05.

1.9.7 Out of Rs 137.55 crore released by GOI during 2000-03, Rs 124.78 crore was released to the departments concerned for incurring expenditure and the remaining amount of Rs 12.77 crore (Appendix VII (A)) was kept unreleased by State Government. Details given by Finance Department revealed that though Rs 119.38 crore was shown as expenditure out of Rs 133.53 crore released by GOI under 11 sectors and services, the

* (1) District Administration, (2) Police Administration, (3) Prisons Administration, (4) Fire Services, (5) Judicial Administration, (6) Fiscal Administration, (7) Health services, (8) Elementary Education, (9) Computer training to school children, (10) Public Libraries, (11) Heritage protection and (12) Augmentation of traditional water resources.

** 2000-01: Rs 101.30 crore, 2001-02: Rs 50.65 crore, 2002-03: Rs 50.65 crore and 2003-04: Rs 49.26 crore.

departmental records showed that the utilisation certificates were sent for Rs 82.09 crore only (Appendix VII (B)).

1.9.8 Test-check of records (during July 2003) of five Sectors/Services *viz*., Health Services, Fire Services, Elementary Education and Computer training to school children for which upgradation grants were released and slum improvement works for which special problem grant was released revealed the following:

➢ Under Health Services, Government released Rs 13.17 crore (Rs 1.18 crore towards construction and Rs 11.99 crore towards equipment) to Tamil Nadu Medical Services Corporation Limited (TNMSC) and the same was kept in the Deposit Account of the Corporation. Though TNMSC reported that Rs 3.24 crore alone was utilised and the remaining amount of Rs 9.93 crore was available in their Deposit account as unutilised, Director of Medical and Rural Health Services furnished (November 2002) utilisation certificate for Rs 8.26 crore to Government. While two Ultra sound Machines (cost : Rs 5.80 lakh) purchased were kept in the Drug warehouses of TNMSC, equipment costing Rs 14.50 lakh could not be installed due to non-completion of buildings for seven Regional Diagnostic Centres (RDC). CT scans for three RDCs costing Rs 2.33 crore were installed in the connected hospitals, as the separate buildings intended for housing these CT scans are still under construction.

➢ Under Elementary Education, the Director of Elementary Education (DEE) drew Rs 4.79 crore and released to the District Rural Development Agencies (DRDAs), who were the implementing agencies, in April 2002. While Rs 3.14 crore were utilised during 2002-03, Rs 1.65 crore remained unutilised with DRDAs as of March 2003. Due to belated release of funds by DEE, the works approved for 2001-02 were taken up only during 2002-03. This resulted in postponement of works approved for 2002-03 to the next year *viz.*, 2003-04 and 1906 works are yet to be commenced as of March 2003.

➢ Under Slum improvement works for which a special problem grant of Rs 49 crore was earmarked by EFC, State Level Empowered Committee (SLEC) recommended construction of 2820 tenements (cost : Rs 35.25 crore) and 916 individual houses costing Rs 6.87 crore, both in Madurai and Coimbatore cities. Out of Rs 19.71 crore released by GOI upto March 2003, State Government released Rs 19 crore to the Tamil Nadu Slum Clearance Board (TNSCB) with a direction to keep the same in the deposit account under Public Account as of March 2003. However, the entire amount of Rs 19 crore released and credited to the Deposit account of TNSCB was withdrawn and deposited by TNSCB in Corporation Bank, Kilpauk, outside Government account. Rupees 3.93 crore was lying unutilised in this account as of March 2003. Despite completion of 1620 units in Chennai city, other facilities like water supply, sewer lines etc were yet to be provided (May 2003). In Madurai and Coimbatore cities, the works were yet to be commenced as of May 2003, due to delay in finalising the proposals of construction.

In their reply (October 2003), Government stated that it would endeavour to ensure full utilisation of the outlays provided within the award period, which is upto March 2005.

Irregular utilisation and non-refund of Government of India subsidy

1.9.9 With a view to helping the small mechanised fishing sector, a Centrally sponsored scheme to reimburse fully to the fishermen the Central Excise Duty (CED) payable on High Speed Diesel Oil (HSD) used by small mechanised fishing boats below 20 metre length was being implemented. Under the scheme, 35 paise per litre of HSD used was reimbursed by Government of India (GOI) and the State Government in the ratio of 80:20 (GOI share: 28 paise and State share: seven paise). State Government increased its share of subsidy to 17 paise from 1997-98. The state share along with the central share was credited to the personal deposit account of Director of Fisheries (DOF), from where disbursements to the fishermen were made.

1.9.10 The amount of GOI share released towards reimbursement of CED on HSD for the years 1999-2001, funds reported as utilised during the period, amount eligible for reimbursement from GOI, and the actual unutilised GOI assistance are given below.

(Rupees in lakh)

Reimbursed for the year (month of release)	GOI share released	State share released	Quantity of HSD (in litres)	Amount reimbursed to fishermen	Amount of GOI assistance reported as utilised	Amount of GOI assistance eligible	Actual unutilised GOI assistance
1999-2000 (March 2000 and June 2000)	200.00	50.00	3,53,44,252	159.05	127.24	98.96	101.04
2000-2001 (February 2002)	117.10	50.00	3,68,11,406	165.65	103.07	103.07	14.03

1.9.11 The excess amount of GOI share of Rs 28.28 lakh misreported as utilised for the year 1999-2000, was in fact diverted to meet the State share at enhanced rate (at 17 paise per litre) to the extent of Rs 10.09 lakh* and the remaining amount of Rs 18.19 lakh was remitted to State Government account during March-April 2001.

1.9.12 Similarly, of the unutilised GOI share of Rs 14.03 lakh in respect of 2000-2001, Rs 12.58 lakh** was diverted to meet the State share at increased rate and the balance of Rs 1.45 lakh was remitted to State Government account. Further, although DOF was yet to receive and compile the details of subsidy actually released to the eligible fishermen for the year, the utilisation certificate was furnished to GOI, indicating that Central assistance of Rs 103.07 lakh had been utilised and balance of Rs 14.03 lakh remained unutilised. This amount was yet to be refunded to GOI, despite the fact that the scheme itself came to a close on 31 March 2002.

1.10 Investments and returns

1.10.1 Statement 14 of Finance Accounts showed that as on 31 March 2003, Government had invested Rs 2992.74 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Cooperatives. Government's return

* 3,53,44,252 litres @ 17paise per litre (i.e.) Rs 60.09 lakh - Rs 50 lakh.

** 3,68,11,406 litres @ 17 paise per litre (i.e.) Rs 62.58 lakh - Rs 50 lakh.

on this investment was not only meagre ranging between 0.9 and 1.6 *per cent* during 1998-2003, it was also on a continuous decline as indicated in Table 15 below. 53 Government Companies with an aggregate investment of Rs 1216.48 crore were incurring a loss and their accumulated losses amounted to Rs 3826.29 crore as of March 2003. While Government was borrowing at high rates of interest to finance its expenditure, its investments in companies etc. fetched a meagre return.

Table 15: Return on Investment

Year	Investment at the end of the year (Rs in crore)	Return (Rs in crore)	Percentage of Return	Rate of interest on Government Borrowing (in *per cent*)
1998-1999	1560.63	24.29	1.6	12.50 and 12.15
1999-2000	2702.77	41.95	1.6	12.25, 11.85 and 11.74
2000-2001	2954.21	36.53	1.2	12.00, 11.70, 10.52 and 10.50
2001-2002	2967.46	33.45	1.1	10.35, 9.38, 9.45, 8.30 and 8
2002-2003	2992.74	25.99	0.9	7.80, 7.30, 6.80, 6.95 and 6.75

Loans and Advances by State Government

1.10.2 In addition to its investment, Government has also been providing loans and advances to many of these parastatals. Total outstanding balance of the loans/advances rose steadily from Rs 3694 crore in March 1999 to Rs 4612 crore as on 31 March 2003 (Table 16).

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

(Rupees in crore)

	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003
Opening Balance	3507	3694	4031	4125	4348
Amount advanced during the year	510	651	453	547	697
Amount repaid during the year	323	314	359	324	433
Closing Balance	3694	4031	4125	4348	4612
Net addition	187	337	94	223	264
Interest received	223	178	204	271	311
Average rate of Interest received on loans advanced	6.2	4.6	5.0	6.4	6.9
Average interest rate paid by the State	10.0	10.5	10.1	9.8	10.1
Difference between rate of interest received and paid	(-) 3.8	(-) 5.9	(-) 5.1	(-) 3.4	(-) 3.2

1.11 Management of cash balances

It is generally desirable that the Government's flow of resources should match its expenditure obligations. However, to take care of any temporary mis-matches in the flow of resources and the expenditure obligations, a mechanism of Ways and Means Advances (WMA) from Reserve Bank of India has been put in place. However, the Government has been increasingly using this mechanism over the years. Normally these advances should be liquidated during the year The Government has increasingly been drawing in excess of its WMA limits from RBI, and had outstandings at the end of the year, as indicated in Table 17.

Table 17: Ways and Means Advances and Interest paid thereon

(Rupees in crore)

	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003
Ways and means advances					
Taken in the year	742.34	3761.15	5151.63	4855.47	8624.44
Outstanding	Nil	313.71	241.53	101.63	651.42
Interest paid	..	7.07	14.51	21.88	20.46
Overdraft					
Taken in the year	Nil	1485.97	1712.93	4110.24	1911.22
Outstanding	Nil	98.13	Nil	Nil	579.63
Interest paid	Nil	0.52	1.89	4.72	3.98
Number of days State was in overdraft	Nil	55	76	148	71

Government resorted to overdraft and /or Ways and Means advances on 359 days and 355 days during 2001-2002 and 2002-2003 respectively which indicated the overdependence of the State on RBI for day-to-day financial management.

1.12 Financial performance *vis-à-vis* Budget Speech for the year 2002-03

1.12.1 While presenting the Budget proposals for 2002-2003 in March 2002, Government stated that the growth in receipts comprising Central resource transfers, own tax and non-tax revenues have failed to keep pace with the unprecedented rise in revenue expenditure since 1998, mainly towards employee compensation, interest payments and subsidies, and to cover the mismatch, Government resorted to heavy borrowing to finance the revenue gap, resulting in alarmingly high and unsustainable revenue deficit and fiscal deficit.

Debt management

1.12.2 According to the Budget Speech, long-term loans such as those extended by Central Government and other internal debt sources comprise nearly 2/3 of the Fiscal deficit of the State Government and the rest is financed through the balances in Public Account, which include Small Savings and State Provident Funds.

1.12.3 Consequent to the announcement of GOI permitting the State Government to go in for debt substitution so as to replace the high-interest outstanding loans from the GOI and other financial institutions with the low interest loans, outstanding high-cost debt to GOI to the tune of Rs 1045.89 crore has been swapped in 2002-03. Similarly, in respect of high-cost loans obtained earlier from HUDCO, rate of interest on debt to the tune of Rs 897.18 crore as direct borrowing by Government and Rs 1078.89 crore obtained by

State owned Public Sector Undertakings has been reset to a lower rate in the range of 10.13 to 10.75 *per cent* during 2002-2003.

Power Sector reforms

1.12.4 According to the Budget Speech, there is a commitment to make Tamil Nadu Electricity Board (TNEB), self-supportive and commercially viable while protecting the interest of the people. The State Government has signed a Memorandum of Understanding (MoU) with GOI in January 2002 which envisages reforms in the power sector. The MoU provides that (i) the outstanding dues of TNEB will be securitised. State Government will float tax free bonds with an interest rate of 8.5 *per cent* to fund a one time settlement of dues with the Central utilities. Rupees 1962.14 crore have been given as assistance to TNEB for this purpose during 2002-03. (ii) The State Electricity Regulatory Commission (SERC) will be activated.

1.12.5 SERC has been activated in 2001-02. The revision of tariff during December 2001 and March 2003 yielded additional resource mobilisation to the extent of Rs 1296.44 crore during 2002-2003. The tariff order had brought the agricultural community under tariff net. State Government also decided in August 2003 to provide subsidy to small and marginal farmers as well as hut dwellers for payment of electricity charges.

1.12.6 A comparison of the Budget Estimates of various parameters for 2002-03 *vis-à-vis* actual receipts/expenditure is given in Appendix VIII. The salient observations are given below:

Revenue Receipts

1.12.7 The actual Revenue Receipts (Rs 20837 crore) were marginally higher than the Budget estimates (Rs 20628 crore).

1.12.8 Tax Revenue realised was Rs 14342 crore which exceeded the estimate of Rs 14254 crore. While the realisation under Taxes on Sales, Trades etc, Taxes on Vehicles and Taxes on Goods and passengers exceeded the estimate, revenue under State Excise and Stamps and Registration fees was less than the estimate.

1.12.9 Interest Receipts and Receipts under Economic Services contributed to increase (Rs 400 crore) over the estimates under Non-Tax Revenue. The actuals were less than the projections under share of Central Taxes (Rs 3047 crore against Rs 3199 crore) and Grants-in-aid from GOI (Rs 1587 crore against Rs 1715 crore).

Revenue expenditure

1.12.10 Revenue expenditure under all the services (General, Social and Economic Services) and Grants-in-aid was less than the estimate. The significant shortfall under Social Services was mainly under General Education (Rs 890 crore), Medical and Public Health (Rs 137 crore), which was partly offset by the excess over estimate under Relief on account of natural calamities (Rs 264 crore).

Capital expenditure

1.12.11 The Capital expenditure was far less than the Budget Estimate (BE) mainly under Water supply and sanitation (Rs 110 crore), Roads and Bridges (Rs 344 crore), Flood control projects (Rs 48 crore) and Police (Rs 47 crore)

Loans and Advances

1.12.12 While the estimated net disbursement was Rs 456 crore, the disbursement of Loans and Advances by Government exceeded the recoveries by Rs 264 crore. The recoveries were Rs 433 crore while the estimate was Rs 215 crore.

Public Debt

1.12.13 Internal debt raised during the year was far higher than the BE by 44 *per cent*, while Loans and Advances received from GOI was lower by 28 *per cent*. The repayments exceeded the BE approved by the Legislature.

Public Account

1.12.14 While it was estimated that net inflow from Public Account transactions would be Rs 1459 crore, the actual disbursements exceeded the receipts by Rs 422 crore.

Deficits

1.12.15 The Revenue deficit, Fiscal deficit and the overall surplus/ deficit anticipated for the year and the actuals for the year along with other parameters are as given below:

(Rupees in crore)

Sl.No.		2002-2003	
		BE	**Actuals**
1	Revenue Deficit	6233	4851
2	Public Debt receipts	13698	18803
3	Public Debt disbursements	7592	11551
4	Public Debt (Net)	(+) 6106	(+) 7252
5	Capital expenditure excluding public debts and including net loans and advances	2662	1892
6	Fiscal Deficit (1+5)	8895	6743*
7	Surplus(+)/Deficit(-) in capital account (4-5)	(+) 3444	(+) 5360
8	Net Consolidated Fund (1-7)	(-) 2789	(+) 509
9	Net Public Account	(+) 1459	(-) 422
10	Overall Surplus(+)/Deficit(-)	(-) 1330	(+) 87

1.12.16 The revenue deficit was contained to a value within the budget estimate. The actual fiscal deficit was well below the estimate due to

* Rupees 6742.46 crore higher rounding adopted for agreement.

reduction in revenue deficit and capital expenditure (including net loans and advances). The Public Account disbursements were higher than the receipts by Rs 422 crore, while the budget estimated that receipts would exceed the disbursements by Rs 1459 crore. This resulted in actual overall surplus being Rs 87 crore as against the anticipated budget deficit of Rs 1330 crore.

1.13 Conclusion

1.13.1 Increasing revenue and fiscal deficit indicates growing fiscal imbalances of the State. Similarly, increase in ratio of revenue deficit to fiscal deficit indicates that the application of borrowed funds has largely been to meet current consumption. All the four indicators of fiscal imbalances for 2002-2003 show deterioration compared to 2001-2002 indicating increasing unsustainability and vulnerability of State finances.

1.13.2 Huge increase in revenue deficit from Rs 2739 crore during 2001-2002 to Rs 4851 crore during 2002-2003 was as a result of increase (19.2 *per cent*) in revenue expenditure which far exceeded the growth (10.7 *per cent*) in revenue receipts. Consequently, fiscal and primary deficits also shot up during the year. Revenue deficit as a percentage of revenue receipts increased from 14.6 *per cent* during 2001-2002 to 23.3 *per cent* during 2002-2003. While the fiscal deficit and primary deficit as percentages to revenue receipts were 25.2 and 6.5 respectively during 2001-2002, they went upto 32.4 and 12.5 respectively during the current year, indicating a further deterioration in the fiscal situation in 2002-03. The average rate of interest paid on the borrowing during 1998-2003 has also exceeded the average rate of growth of the State GDP, violating the cardinal rule of debt sustainability. Revenue deficit to fiscal deficit ratio showed that 72 *per cent* of the borrowings were applied to revenue expenditure. Debt burden (fiscal liabilities) of the Government had increased by 15.8 *per cent* compared to the previous year. Interest payments were higher by 17.6 *per cent*. The high buoyancy of fiscal liabilities both with respect to its revenue receipts and to its own resources indicates its increasing unsustainability. There was 8.4 *per cent* decline under capital expenditure and 11 *per cent* increase under non-development expenditure.

1.13.3 The finances of the State continued to be dependent on the ways and means advance/overdraft from RBI for managing day to day expenditure. The State's low return on investment indicates an implicit subsidy and use of high cost borrowing for investments, which yield very little. A greater part of the liabilities of Government are without an asset backup.

CHAPTER II

APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

2.1 Introduction

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

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

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2002-2003 against 51 grants/appropriations was as follows:

(Rupees in crore)

	Nature of expenditure	Original grant/appropriation	Supplementary grant/appropriation	Total	Actual expenditure	Saving (-)/ Excess (+)
Voted	I Revenue	23113.94	791.82	23905.76	22108.86*	(-) 1796.90
	II Capital	2214.84	67.29	2282.13	1626.04	(-) 656.09
	III Loans and Advances	670.80	169.30	840.10	696.65*	(-) 143.45
Total Voted		**25999.58**	**1028.41**	**27027.99**	**24431.55**	**(-) 2596.44**
Charged	IV Revenue	*4017.58*	*302.98*	*4320.56*	*4174.07*	*(-) 146.49*
	V Capital	*0.00*	*9.22*	*9.22*	*9.22*	*0.00*
	VI Public Debt-Repayment	*7592.45*	*1888.77*	*9481.22*	*11550.73*	*(+) 2069.51*
Total Charged		***11610.03***	***2200.97***	***13811.00***	***15734.02***	***(+) 1923.02***
Appropriation to Contingency Fund (if any)		..	..	..	..	..
Grand Total		**37609.61**	**3229.38**	**40838.99**	**40165.57****	**(-) 673.42**

* These were gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure except in respect of grant numbers 7, 20, 26 and 38 where figures are net.

** The total expenditure includes Rs 3473.43 crore transferred to 8443 Civil Deposits 800 Other Deposits in respect of 34 Corporations/Autonomous Bodies.

2.3 Results of Appropriation Audit

The following results emerge from the audit of appropriation accounts.

2.3.1 The overall saving of Rs 673.42 crore was the result of saving of Rs 3110.13 crore in 41 grants and 38 appropriations under Revenue Section, 29 grants and one appropriation under Capital Section and ten grants under Loans Section, offset by excess of Rs 2436.71 crore in eight grants and two appropriations under Revenue Section, two grants and one appropriation under Capital Section and three grants and one Appropriation under Loans Section.

Excess over provision requiring regularisation - previous years

2.3.2 As per Article 205 of the Constitution of India, it is mandatory for the State Government to get the excess over a grant/appropriation regularised by the State Legislature. However, the excess expenditure amounting to Rs 4375.76 crore for the years 1991-2002 was yet to be regularised as detailed in Appendix IX.

Excess over provision during 2002-03 requiring regularisation

2.3.3 The excess (Appendix X) of Rs 2436.71 crore (2002-2003) requires regularisation under Article 205 of the Constitution.

Expenditure incurred without provision

2.3.4 In 81 sub-heads, expenditure of Rs 296.09 crore had been incurred either without budget provision or the entire provision made was withdrawn subsequently through reappropriation.

2.3.5 Under Public Debt-Repayment there was an excess of Rs 2069.51 crore Government provided Rs 7592.45 crore in the original estimate followed by Rs 1888.77 crore in second supplementary estimate in March 2003 while the actual expenditure was Rs 11550.73 crore. As repayment of loans is a known liability, the huge excess under this grant clearly indicated that Government failed to provide adequate funds even at the supplementary stage during March 2003.

Original budget and supplementary provisions

2.3.6 An analysis of the Budget provision made, expenditure incurred and amount surrendered during 1998-2003 disclosed the following:

(Rupees in crore)

Year	Original Provision	Supple-mentary Provision	Amount surrendered	Expenditure	Final saving (-)/ Excess (+)
1998-1999	22513.64	1898.89	3775.81	21364.68	(-) 3047.85
1999-2000	23072.31	7199.20	1076.67	28717.41	(-) 1554.10
2000-2001	26886.68	5125.08	628.46	32256.50	(+) 244.74
2001-2002	37048.29	991.28	3800.12	34304.31	(-) 3735.26
2002-2003	37609.61	3229.38	2611.82	40165.57	(-) 673.42

2.3.7 Supplementary provision obtained during the year constituted nine *per cent* of original provision. In previous years 1998-2002, it was 8, 31, 19 and three *per cent* respectively.

Unnecessary supplementary provision

2.3.8 In 33 voted grants under Revenue Section and seven voted grants under Capital Section and five voted grants under Loans Section which are detailed below, the original provision of Rs 17769.51 crore was augmented by first and second supplementary provisions (November 2002 and March 2003) of Rs 102.02 crore, but the expenditure fell short of even the original provision under each of these grants. Similarly supplementary provision of Rs 44.53 crore obtained (Appendix XI) in March 2003 proved unnecessary in view of the final saving in each grant being more than the supplementary provision obtained in March 2003.

(Rupees in crore)

Grant Number	Original provision	Expenditure
Revenue		
2	9.15	7.54
3	138.90	119.39
5	599.77	500.48
6	167.61	146.17
7	40.36	40.19
9	123.34	119.95
10	240.19	178.30
11	78.20	73.43
12	1606.79	1516.37
17	56.71	44.97
18	1243.79	1121.60
19	792.77	613.42
21	1170.32	1017.31
22	58.88	50.53
23	59.28	53.26
24	45.44	35.29
27	26.46	23.35
28	31.97	11.40
30	10.25	2.52
31	177.69	155.00
32	8.48	6.72
33	1062.86	933.04
34	21.94	21.42
36	25.45	25.06

(Rupees in crore)

Grant Number	Original provision	Expenditure
Revenue (Conld.)		
37	79.57	79.24
39	826.39	746.90
40	1705.28	1581.54
41	4160.65	3482.98
43	411.12	365.40
44	41.64	36.36
45	27.33	24.34
46	150.75	73.41
47	26.14	24.92
Capital		
4	6.74	4.11
14	97.68	91.55
20	719.08	375.10
21	165.69	118.93
23	3.35	3.28
33	568.38	460.86
38	389.93	367.98
Loans		
4	4.62	3.81
13	100.00	55.92
15	21.94	14.62
25	110.76	105.06
33	355.87	302.32
Total	**17769.51**	**15136.34**

2.3.9 In five appropriations, supplementary provision of Rs 0.04 crore (Appendix XI) obtained in March 2003 proved unnecessary, in view of the final saving in each appropriation being more than the supplementary provision obtained. Similarly, in one charged appropriation (under grant number 4), supplementary appropriation of Rs 0.01 crore obtained in March 2003 proved unnecessary as the expenditure (Rs 0.21 crore) fell short of original provision of Rs 4.00 crore, resulting in saving of Rs 3.80 crore.

Insufficient supplementary provision

2.3.10 In seven grants (Appendix XII), supplementary provision obtained during the year proved insufficient (by more than Rs one crore), resulting in excess ranging from Rs 1.78 crore to Rs 144.87 crore; aggregate excess expenditure was Rs 366.24 crore. Similarly, in one charged appropriation (Public Debt-Repayment), supplementary provision obtained proved insufficient, resulting in excess expenditure of Rs 2069.51 crore.

2.3.11 In 24 grants and two appropriations, the expenditure fell short by more than Rs one crore each and also by 15 *per cent* or more of the total provision (Appendix XIII).

Substantial surrenders

2.3.12 Substantial surrenders were made in respect of 119 schemes on account of either non-implementation or slow implementation. Out of the total provision amounting to Rs 5784.49 crore in these 119 schemes, Rs 5337.67crore (92 *per cent*) were surrendered; cent *per cent* surrender was made in 46 schemes (Rs 3508.82crore). Results of review conducted by Audit in respect of a few of these cases are given in Appendix XIV.

Excessive/unnecessary reappropriation of funds

2.3.13 Reappropriation is transfer of funds within a grant from one unit of appropriation where savings are anticipated to another unit where additional funds are needed. There were 570 sub-heads where injudicious reappropriation proved excessive or insufficient and resulted in savings/excess by over Rs ten lakh. Seventy four cases in which the excess/saving was more than Rs two crore are detailed in Appendix XV.

Unexplained reappropriations

2.3.14 According to paragraph 151 of Tamil Nadu Budget Manual, Volume I, reasons for the additional expenditure and the savings should be explained in the reappropriation statement and vague expressions such as "based on actuals", "based on progress of expenditure", etc., should be avoided. However, a scrutiny of reappropriation orders issued by the Finance Department revealed that in respect of 12175 out of 18071 items (67 *per cent*), reasons given for additional provision/withdrawal of provision were of general nature like "actual requirement" and "based on latest assessment".

2.4 Unreconciled Expenditure

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

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

(Rupees in lakh)

Year	Number of controlling officers who did not reconcile their figures	Amount not reconciled
1992-1993	1	65.46
1993-1994	1	0.30
1994-1995	1	4.81
1995-1996	2	66.03
1996-1997	2	46.06
1997-1998	5	84.29
1998-1999	4	43.89
1999-2000	5	235.21
2000-2001	5	375.12
2001-2002	8	809.86
2002-2003	61	78809.51
Total	**95**	**80540.54**

2.4.3 Amounts exceeding Rs ten crore in each case remained unreconciled during 2002-2003 in respect of the following 13 controlling officers.

(Rupees in crore)

Serial Number	Controlling Officers	Amount not reconciled
1.	Director of Agriculture	79.09
2.	Director of Adi Dravidar and Tribal Welfare	64.47
3.	Commissioner of Commercial Taxes	29.57
4.	Registrar of Co-operative Societies	12.04
5.	Director of Collegiate Education	107.34
6.	Director of Local Fund Audit	15.42
7.	Director of Medical Education	36.48
8.	Director of Public Health (Primary Health Centres)	128.65
9.	Director of Medical and Rural Health Services (Employee State Insurance Corporation)	75.54
10.	Director of Stationery and Printing	19.28
11.	Director of Municipal Administration	131.16
12.	Chief Electoral Officer and Joint Secretary to Government, Public (Elections)	19.78
13.	Commissioner of Prohibition and Excise	21.20

2.5 Rush of expenditure

According to Codal provisions, rush of expenditure in the closing month of the financial year should be avoided. Contrary to this, in respect of 32 heads, expenditure exceeding Rs ten crore and also more than 50 *per cent* of the total expenditure for the year was incurred in the month of March 2003 (Appendix XVI). In the case of 15 heads cent *per cent* expenditure was incurred in the month of March.

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

2.6 Budgetary procedure and control over expenditure

Inadequate control over expenditure

2.6.1 The Appropriation Acts specify the sums authorised by the Legislature under each grant for meeting expenditure during a financial year; the final modified grants authorised by Government are the sums to be spent upto 31 March and the difference is resumed to the Consolidated Fund. Such resumptions of funds under the grants were persistent and significant not only during 2002-2003 but also in earlier years. Further, there had also been significant variations (excess or saving) between the final modified grant/appropriation and actual expenditure. Overall position for the five years from 1998-2003 is indicated below:

(Rupees in crore)

Year	Sums authorised by the Legislature	Amount resumed (surrendered)	Final Modified Grant/Appropriation	Actual expenditure	Variation between (4) and (5) Excess (+) / Saving (-)
(1)	(2)	(3)	(4)	(5)	(6)
1998-1999	24412.53	3775.81	20636.72	21364.68	(+) 727.96
1999-2000	30271.51	1076.67	29194.84	28717.41	(-) 477.43
2000-2001	32011.76	628.46	31383.30	32256.50	(+) 873.20
2001-2002	38039.57	3800.12	34239.45	34304.31	(+) 64.86
2002-2003	40838.99	2611.82	38227.17	40165.57	(+)1938.40

2.6.2 Savings compared to the final modified grant showed that estimates of expenditure prepared even in March, the last month of the financial year, were defective. Similarly, excess expenditure over and above the final modified grant indicated that the control over expenditure was inadequate.

2.6.3 Rupees 2611.82 crore were surrendered during 2002-2003 and resumed to Consolidated Fund on 31 March 2003. However, in six Revenue voted grants (1,14,16,20,35 and 38) and two Revenue charged appropriations (1 and 21) total provision of Rs 1306.59 crore was reduced to Rs 1264.17 crore in the final modified grant stage, but expenditure incurred under these grants/ appropriations (Rs 1498.99 crore) was in excess of final modified grant by Rs 234.83 crore.

2.6.4 In 10 Revenue voted[1], 6 Capital voted grants[2], one Loan voted grant (Grant No 19) and three Revenue charged appropriations (numbers 17, 34 and 48) against Rs 803.47 crore surrendered in March 2003, the saving was

[1] Revenue Voted Grant - 4,8,12,19,21,28,33,37,43 and 45

[2] Capital Voted Grant - 4,21,22,25,38 and 40

only Rs 759.44 crore, resulting in excess expenditure over the final modified grant.

2.6.5 In 31 Revenue voted grants[3], 21 Capital voted grants[4], 6 Loans voted grants[5] and 23 Revenue charged appropriations[6], and in one Capital charged appropriation (Grant No.38) against Rs 1623.23 crore surrendered in March 2003, the saving was Rs 2208.02 crore, indicating that the departments had not utilised Rs 584.79 crore out of the final modified grant/appropriation.

Budget Review of Handlooms, Handicrafts, Textiles and Khadi Department

2.6.6 The Handlooms, Handicrafts, Textiles and Khadi Department includes two major wings *viz.* Department of Sericulture and Tamil Nadu Khadi and Village Industries Board covered under Grant No.17.

2.6.7 The Department of Sericulture promotes cultivation of mulberry, silkworm rearing, silk reeling, etc through various schemes. The department provides Training and Assistance to farmers for the above activities and also promotes marketing facilities for cocoons, silk, etc.

2.6.8 The Tamil Nadu Khadi and Village Industries Board (TNKVIB) formed under the Tamil Nadu Khadi and Village Industries Board Act, 1959, is a statutory body for the development of Rural Industries to improve the Rural economy by generating employment opportunities directly and or indirectly through registered Co-operative societies.

Overall position

2.6.9 The total grant, actual expenditure and variation (savings) for the year 2002-03 was as under:

(Rupees in crore)

Year	Total grant	Actual Expenditure	Savings
2002-2003	56.73	44.99	11.74

The huge savings of Rs 11.74 crore indicates that the expenditure could not be estimated with reasonable accuracy.

Expenditure not incurred despite budget provision

2.6.10 Under the following sub-heads, no expenditure was incurred although huge amounts were provided in the budget.

3	Grant (Revenue)	-	2,3,5,6,7,9,10,11,13,15,17,18,22,23,24,25,26,27,29, 30,31, 32, 34, 36, 39,40, 41,42,44,46 and 47
4	Grant (Capital)	-	5,7,9,12,14,16,18,19,20,23,27,28,29,31,33,35,39,41,42,45 and 46
5	Grant (Loans)	-	4,12,15,25,33 and 41
6	Charged appropriation - (Revenue) -		2,3,4,5,6,9,10,11,14,15,18,20,22,23,26,31,37, 38, 39, 41, 42, 44 and 51

(Rupees in lakh)

Head of account	Original	Supplementary	Reappropriation	Total grant	Expenditure	Excess (+)/ Saving (-)
2851.00.105.II.KD	200.00	-	(-) 200.00	-	-	(-) 200.00
2851.00.105.II.KE	500.00	-	(-) 500.00	-	-	(-) 500.00

2.6.11 As the provision of funds under these two heads was not warranted for the following reasons, they were ultimately surrendered in full at reappropriation stage. The two items relate to advance for payment of rebate subsidy share of Khadi to TNKVIB (Rs two crore) and to certified institutions (Rs five crore) during 2002-03. The provision was made although there was an unutilised rebate subsidy amount of Rs 2.89 crore and unspent balance of Rs 5.99 crore available in the deposit account of TNKVIB towards subsidy payable to certified institutions. As such it was enough if Government had made token provision under these heads.

Inclusion of vacant posts for making budgetary provision

2.6.12 As per Rule 37(a) of Tamil Nadu Budget Manual, Volume I, the estimates for salary should be framed based on the number of posts filled up and not on the basis of sanctioned strength. However, it was seen from the Number Statement for 2002-03 of the Director of Sericulture that provision was sought in the Budget Estimate for 48 posts which remained vacant. The actual provision made in the Budget estimate for salary was more than the requirement furnished in the number statement. As a result there was surrender of Rs 1.16 crore in reappropriation under Pay and Dearness Allowance (DA) under the following three heads of account.

(Rupees in thousands)

Sl. No	Head of account	Pay	DA	Total
(i)	2851.00.107.I.AB	2980	1941	4921
(ii)	2851.00.107.I.AU	892	508	1400
(iii)	2851.00.107.I.BB	3017	2307	5324
		6889	**4756**	**11645**

2.7 Irregularities in the maintenance of Personal Deposit Accounts

2.7.1 Personal Deposit (PD) Accounts are created by debit to the Consolidated Fund of the State and should be closed at the end of the financial year by minus debit to the relevant service heads.

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

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

	Remarks
8443 - Civil Deposits – 106 – Personal Deposit Account	
1) Director of Town and Country Planning (DTCP), Chennai.	As against the amount of Rs 22.45 crore to be transferred to Tamil Nadu Urban Finance and Infrastructure Development Corporation (TUFIDCO) for execution of Integrated Development of Small and Medium Towns scheme, Rs 28 crore was transferred by the DTCP in February 1997 without ascertaining the actual amount relating to the scheme. Out of the excess amount of Rs 5.55 crore released, TUFIDCO refunded Rs three crore in February 1999. Balance of Rs 2.55 crore was yet to be refunded to Government (June 2003)
8443 – Civil Deposits – 800 - Other Deposits	
2) Dr. M.G.R. Medical University.	(i) Rupees 12 lakh were released to the University in June 1999 for creation of the Department of Hospital Administration. But the amount was not utilised even after three years. The Registrar stated that the amount was not utilised as the post of Head of the Department was not filled up.
	(ii) Government of India assistance of Rs one crore released for strengthening the Department of Epidemiology and Library Services to be utilised before March 2000 was credited to the PD account of the University in March 2000. But even as of June 2003, an amount of Rs 28.97 lakh remained unutilised due to non-finalisation of the equipment to be purchased.

2.7.4 Government of Tamil Nadu constituted the "Tamil Nadu Manual Workers Social Security and Welfare (TNMWSSW) Board" in March 1999 as a Principal Labour Welfare Board for unorganised workers. The schemes were formulated for unorganised labourers in April 1999, which *inter alia* provided for the establishment of the TNMWSSW Fund and the ways for augmenting the financial position of unorganised workers. Six welfare boards* were formed by Government between July and October 2000 and three more boards** in March 2001.

2.7.5 Government sanctioned (January 2001) a Corpus Fund of Rs one crore as grant to the TNMWSSW Board and to the six other Welfare Boards subject to the condition that the Corpus Fund and the existing TNMWSSW Fund and other unorganised Labour welfare funds (except Tamil Nadu construction workers welfare fund) would be merged into one common fund and maintained as per the provisions of TNMWSSW scheme, 1999. The Government order stated that the fund amount should be deposited in the Personal Deposit account for earning an interest of 11 *per cent* per annum. However, in another paragraph of the same Government order, it was mentioned that the amount sanctioned was to be drawn and credited to a non-interest bearing Head of account.

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* Tamil Nadu Washermen Welfare Board, Tamil Nadu Tailoring Workers Welfare Board, Tamil Nadu Auto rickshaw and Taxi drivers Welfare Board, Tamil Nadu Hairdressers Welfare Board , Tamil Nadu Palm tree Workers Welfare Board and Tamil Nadu Handicraft Workers Welfare Board

** Tamil Nadu Handlooms and Handloom Silk Weaving Workers Welfare Board , The Tamil Nadu foot wear and leather goods manufactory and tannery workers Welfare Board and Tamil Nadu Artist Welfare Board.

2.7.6 The TNMWSSW scheme, 2001 incorporating various benefits for the registered workers falling under the purview of the newly constituted Boards was notified in February 2001, according to which "Funds" were to be constituted separately under TNMWSSW Board and each of the other six Boards. This notification was contrary to Government orders of January 2001.

2.7.7 The Commissioner of Labour, without obtaining clarification on the mode of apportionment of grant and operation of accounts, drew the amount in March 2001 and credited to the Deposit account of the TNMWSSW Board. Only in May 2002, he sought an amendment for crediting the amount to Deposit account bearing interest.

2.7.8 Thus, drawal of funds by the Commissioner without seeking clarifications from Government, resulted in a sum of Rs one crore remaining unutilised for the intended purpose for two years.

2.7.9 The matter was referred to Government in April 2003; Government accepted the facts and stated (May 2003) that in order to set right the discrepancy in the Government order of January 2001, it had issued orders in April 2003 to the effect that the amount of Rs one crore be transferred to the PD account bearing interest. Further, Government stated that it had decided to amalgamate the nine Welfare Boards with the TNMWSSW Board for which necessary Legislation has to be taken up.

2.8 Non-adjustment of temporary advances

2.8.1 Temporary advance can be drawn by Drawing and Disbursing Officers (DDOs) either on the authority of Standing orders or specific sanction of Government. Detailed Contingent (DC) bills in respect of temporary advances drawn more than a month earlier are required to be submitted before the presentation of the next temporary advance bill at the treasury. If a temporary advance is pending for more than four months, the Treasury Officer/Pay and Accounts Officer shall write to the Head of Department concerned to adjust the same with DC bills supported by vouchers within a month. Advance pending for more than five months should be brought to the notice of the Government.

2.8.2 Scrutiny of Register of Temporary advances in respect of 6* offices revealed that the above rules were utterly disregarded by the DDOs. The Controlling officers too failed to enforce accountability for such lapse. Temporary Advances for Rs 5.84 crore pertaining to the period 1984-2003 were pending adjustment for want of submission of DC bills, as seen from the records of the Pay and Accounts Officer (PAO) (East), Chennai as of 31 March 2003. The details are as follows.

* Director of Fire and Rescue Services (DFRS) Department, State Planning Commission, Directorate of Employment and Training, Directorate of Social Welfare, Government museum and Registrar General (High Court).

(Rupees in lakh)

Pending for	Fire and Rescue Services (FRS) Department	State Planning Commission	Employment and Training	Social Welfare	Government museum	High court	Total	Percentage of outstanding of FRS with reference to Total (Col. 2 to 8)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
5 to 10 years	416.56	2.25	7.97	6.63	-	-	433.41	96.11
3 to 5 years	10.27	6.50	0.06	9.89	-	-	26.72	38.44
2000-2001	1.35	26.61	-	6.99	23.51	4.00	62.46	2.16
2001-2002	1.76	-	1.48	23.02	2.44	10.00	38.70	4.55
2002-2003	2.86	-	-	3.40	-	16.10	22.36	12.79
	432.80	**35.36**	**9.51**	**49.93**	**25.95**	**30.10**	**583.65**	**74.15**

2.8.3 Temporary Advances for Rs 4.60 crore (79 *per cent*) were pending for over three years.

2.8.4 Unadjusted temporary advances in respect of Fire and Rescue Services Department alone comprised of four items amounting to Rs 4.17 crore. DFRS had incurred an expenditure of Rs 4.16 crore. However, as the expenditure incurred on three items exceeded the advance drawn (excess expenditure was met from accrued interest), PAO (East) sought ratification orders from Government for admitting these bills. DFRS addressed the Government accordingly in December 2002, but there was no response, as of July 2003. The advance could not therefore be adjusted.

2.8.5 In the objection book maintained in PAO (East), Chennai, 79 items of temporary advances aggregating to Rs 3.07 crore drawn during the period from 1981-1997 are still shown as outstanding. The vital details - names of officers by whom these advances were drawn and dates of drawal were omitted to be noted in the objection book. Therefore the PAO had no idea if these advances had been adjusted subsequently.

2.8.6 Therefore, the record maintenance by PAO was quite unsatisfactory; no alternative action to ascertain the details from the DDOs has been taken by the PAO.

2.9 Expenditure on New Service/New Instrument of Service

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

2.9.2 During 2002-03, expenditure totaling Rs 2.08 crore was incurred in one scheme, where only token provision was made. In 11 schemes, expenditure of Rs 9.57 crore was incurred without any original or supplementary provision or reappropriation and had to be treated as New Service/New Instrument of Service, as the prescribed procedure for drawal had not been followed. In two schemes, an expenditure of Rs 0.44 crore was incurred by utilising the reappropriated funds.

2.9.3 Though only token provision was made in the Budget for one scheme receiving assistance from Government of India and in respect of Grant number 12 (Co-operation, Food and Consumer Protection Department), Rs 0.17 crore were incurred during the year without seeking supplementary grant.

CHAPTER III

PERFORMANCE REVIEWS

This Chapter presents seven Performance Reviews and a long paragraph on Loans and Investments made by Government in Cooperative Sector. The performance reviews include review on working of the Agriculture Department of the Government of Tamil Nadu, a review of the regulatory role of the Government of Tamil Nadu in the implementation of the Drugs and Cosmetics Act and a review on Tamil Nadu Afforestation Project, Prevention and Control of Fire, and an EDP review on Computerisation of Land Records. Reviews on National AIDS Control Programme and Welfare of the Handicapped have been made separately for the Reports of the Union Government and the State.

AGRICULTURE DEPARTMENT

3.1 Working of the Agriculture Department

Highlights

The Department of Agriculture, functions with a staff of 18,477, through its four Directorates. In spite of implementation of various programmes, the total cropped area declined and the area sown also showed a declining trend over the period 2000-03. The total production of major crops also showed a declining trend during 2000-03 despite normal rainfall. Only ten per cent of the total seed requirement of the State was met with certified seeds. The production of oilseeds under the Oilseeds Production Programme declined from 14.71 lakh tonnes in 2000-01 to 10.67 lakh tonnes in 2002-03. Pulses production was only 2.97 lakh tonnes in 2002-03 against the target of eight lakh tonnes fixed in the Ninth Plan. Purchase of gypsum through Tamil Nadu Cooperative Oil Seeds Growers' Federation Limited (TANCOF) resulted in an additional expenditure due to margins added to the procurement price. Government of India assistance received for control of Eriophyid mite in coconut remained unutilised for more than two years, as the procedure for treatment of the disease-affected trees had not been decided.

- **The persistent surrender of funds under the Revenue grant during 2000-03 ranging from Rs 18.27 crore to Rs 319.14 crore showed inaccurate budgeting. Provision made for vacant posts resulted in surrender of Rs 2.68 crore in 2000-01 and Rs 15.83 crore in 2001-02.**

(Paragraphs 3.1.9 and 3.1.10)

- **Shortfall in production of oilseeds during 2000-03 ranged from 33 to 40 *per cent* compared to the targets.**

(Paragraph 3.1.18)

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- **As against the Ninth Plan annual target of eight lakh tonnes for production of pulses, there was huge shortfall ranging from 61 to 70 *per cent* during 1997-2003.**

(Paragraph 3.1.23)

- **The training centre built at Salem at a cost of Rs 1.04 crore was not put to use ever since the building was completed in February 2002 because the pattern of training was not yet approved by the Government.**

(Paragraph 3.1.42)

- **Procurement of Gypsum through Tamil Nadu Co-operative Oilseeds Growers' Federation Limited resulted in unnecessary payment of overhead charges of Rs 70.15 lakh.**

(Paragraph 3.1.53)

- **Government of India assistance of Rs 9.50 crore received in February 2001 for control of Eriophyid mite in coconut trees remained unutilised, since the treatment procedure had not been decided.**

(Paragraphs 3.1.66 and 3.1.67)

Introduction

3.1.1 Agriculture plays a predominant role in the economic growth of the country. It not only fulfils the food requirement of ever-increasing population but also provides employment opportunities to sizeable population in rural areas. The Government had set the goal of achieving an annual growth rate of 4.5 *per cent* in Agriculture in Ninth Plan period. However, the actual growth rate achieved was only 2.72 *per cent* per annum. The net area sown showed a declining trend from 54.6 lakh ha. in 1999-2000 to 51.7 lakh ha. in 2001-02 and this was attributed to dynamic changes taking place in demography, urbanisation and migration of rural people to the urban areas. The total cropped area also declined from 65.2 lakh ha. in 1999-2000 to 62.3 lakh ha. in 2001-02.

3.1.2 The aim was to achieve productivity of 3762 kg per hectare in paddy and 800 kg per hectare in pulses by the end of the Ninth Plan. However, the paddy productivity achieved ranged from 3196 kg to 3579 kg during 1998-2002 and pulses productivity ranged from 426 kg to 478 kg, far below the targets.

3.1.3 Supply of inputs, weedicides, farm implements, water management and soil conservation are important to increase the production and productivity. Deficiencies in these aspects are suitably commented in the succeeding paragraphs.

Organisational set up

3.1.4 The Department of Agriculture is organised into four directorates *viz.* (1) Commissionerate of Agriculture (2) Directorate of Horticulture and Plantation Crops (3) Directorate of Agricultural Marketing and Agriculture Business and (4) Directorate of Seed Certification.

3.1.5 The Chief Engineer (Agricultural Engineering) (CE(AED)) is in-charge of soil conservation, maintenance of agricultural machineries, and Command Area Development Programme (CADP).

3.1.6 At the district level, the Joint Director of Agriculture (JDA) is in-charge of all activities *viz.* Agronomy, seed farms, plant protection, quality control, analytical laboratories, training and visits. Each district has subdivisions and each subdivision is headed by an Assistant Director of Agriculture (ADA). At the Block level, the Agricultural Development Officers (ADO) were in charge of the activities connected with training, field demonstrations and procurement/distribution of inputs through Agricultural Extension Centres (AECs). The Secretary (Agriculture) directs and reviews the activities of all the four directorates and CE (AED), at the Government level. An organisational chart of the Directorates is given in the Appendix XVII.

Audit Coverage

3.1.7 The Integrated Audit of the Agriculture Department was conducted during the period February 2003 to April 2003. The records of the following three Directorates of Agriculture besides Agriculture Department in the Secretariat were generally reviewed.

Commissioner of Agriculture, Chennai

Director of Agricultural Marketing and Agriculture Business, Chennai

Director of Seed Certification, Coimbatore

3.1.8 In the selected districts (Kancheepuram, Villupuram, Tiruchirappalli and Tiruvannamalai) the records of JDA/ADA/AECs were reviewed. The important points noticed during the review are discussed in the succeeding paragraphs.

Financial Management and Control

Budgetary process

Decline of Budget provision for Agriculture

3.1.9 Budget provision for agriculture declined from 4.7 *per cent* of total provision for all the grants in 2000-01 to two *per cent* in 2002-03. Budget provision, actual expenditure and the savings during the years 2000-03 are as under.

Persistent savings indicative of inaccurate estimation

(Rupees in crore)

Year	Budget provision		Actual expenditure		Savings along with *per cent*	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
2000-2001	1198.95	12.77	977.06	12.55	(-) 221.89 (19)	(-) 0.22 (2)
2001-2002	1163.55	11.77	838.04	8.16	(-) 325.51 (28)	(-) 3.61 (31)
2002-2003	611.17	4.64	500.50	4.45	(-) 110.67 (18)	(-) 0.19 (4)

The savings under Revenue heads ranged between 18 and 28 *per cent* of the provisions. Further huge surrenders were observed under Revenue Grant in March during 2000-01 (Rs 18.27 crore); 2001-02 (Rs 319.14 crore); and 2002-03 (Rs 105.48 crore) indicative of inaccurate estimation even at the fag end of the year.

Budget provision for vacant posts.

3.1.10 As per Rule 37(a) of Tamil Nadu Budget Manual Volume I, estimates for salary should be framed based on the number of posts filled up and not on the basis of sanctioned strength. However, vacant posts were also included in budget estimates in the Directorates of Agriculture and

Agricultural Marketing during 2000-02. This resulted in huge surrender of Rs 2.68 crore under salaries during 2000-01 and Rs 15.83 crore in 2001-02.

Non-refund of Rs 1.01 crore by TANCOF to Government

3.1.11 On winding up Tamil Nadu Cooperative Oilseeds Growers' Federation Limited (TANCOF), Rs 2.74 crore was sanctioned (March 2002) for making payment to 147 retrenched employees. TANCOF after spending Rs 1.73 crore deposited (March 2003) the balance of Rs 1.01 crore into its Deposit account instead of refunding the same.

Crediting Rs five crore to deposit account in March to avoid lapse of funds

3.1.12 Rupees Five crore sanctioned in March 2003 for the Comprehensive Wasteland Development Programme in 2002-03 were credited to the Deposit Account of Tamil Nadu Watershed Development Agency on 31 March 2003. Release of funds on 31 March 2003 was evidently to avoid lapse of budget provision.

Programme Management

Procurement and distribution of seeds

3.1.13 Seed is the basic input in Agriculture and adequate quantity of quality seed at the time of sowing is vital for increased agricultural production. The Directorate of Seed Certification certifies the quality of seed for various crops. The seed production and distribution programme has a three-tier system wherein the breeder seeds produced and supplied by Tamil Nadu Agricultural University (TNAU) are multiplied as foundation seeds in 39 State Seed Farms, five State Oilseed Farms and one exclusive pulses farm. The foundation seeds are further multiplied as certified seeds in the registered farmers' holdings. The certified seeds are distributed to farmers through the AECs.

Only ten *per cent* of the total certified seed requirement is met by the Department

3.1.14 Seed certification is a regulatory process designed to secure, maintain and make available the prescribed levels of seed quality. Only about ten *per cent* of the seed requirement in the State is met with certified seeds and six *per cent* with labelled seeds as of December 2001, as seen from the Status paper on "Seed Certification" prepared by Directorate of Seed Certification.

3.1.15 The target and achievement for seed procurement and distribution for the period 1999-2003 is given in Appendix XVIII. The department gave deficient rainfall and drought condition as the main reasons for declining trend in the procurement of certified seeds for Paddy, Pulses, Oilseeds and Cotton, from the year 2001-02 onwards.

Supply of Breeder Seeds by TNAU

Shortfall in supply of breeder seeds by TNAU

3.1.16 TNAU supplied breeder seeds to the State Seed Farms and private agencies for multiplication into foundation seeds. But there was shortfall in supply of certain varieties of breeder seeds *viz.*, sesame, sunflower, castor, cotton, blackgram and cowpea during 2000-03 compared to the indents placed; the shortfall ranged between seven and 71 *per cent*. The University attributed (May 2003) the shortfall to shortage of water supply in the farm area. But no effective steps were taken to augment the water resources for the university farms.

Oilseeds Production Programme

3.1.17 An expenditure of Rs 18.69 crore was incurred during 2000-03 on the Oilseeds Production Programme (OPP).

Diversion of funds to staff and contingencies without approval of GOI.

Though the State Governments were not empowered to make any inter-component adjustment without approval of the Technology Mission on oilseeds and pulses, funds allotted for infrastructure development and weedicide component (Rs 30 lakh) were diverted to 'staff and contingencies' during 1999-2000. Government of India (GOI) disapproved (March 2000) the diversions as the State Government had not taken its permission for increasing the number of posts.

3.1.18 The target and achievement under Area, Production and Productivity under the OPP for the period 2000-03 are as follows:

Shortfall in production of oilseeds.

Year	Area (in lakh ha)			Production (in lakh MTs)			Productivity (kg/ha)		
	T	A	S	T	A	S	T	A	S
2000-2001	14.00	11.40	18.60	22.00	14.71	33.10	1574	1507	4.30
2001-2002	14.00	9.55	31.80	22.00	14.35	34.80	1574	1497	4.90
2002-2003	10.86	6.39	41.20	17.87	10.67	40.30	1646	1668	-

T : Target **A : Achievement** **S : Percentage of shortfall**

The shortfall in production was attributed to decline in 'area coverage' and insufficient seasonal rains. But as per the rainfall data in 'Season and Crop report of Tamil Nadu' for the period 1999-2002 there was normal rainfall during these years.

Shortfall in procurement of seeds by TANCOF.

3.1.19 Rupees 2.40 crore was paid to TANCOF during 2001-02 towards supply of inputs like seeds, gypsum, seed treatment chemicals to the department and also for implementation of OPP, in certain districts. TANCOF furnished (March 2002) utilisation certificate for Rs 2.12 crore. There was shortfall in procurement of seeds, as Rs 28 lakh out of Rs 39 lakh meant for seed component remained unspent as detailed below:

(in quintals)

	Target fixed	Seed procured	Shortfall (Percentage)
Breeder Seed	292	119	173 (59)
Foundation Seed	1500	524	976 (65)
Certified Seed (procured)	2000	176	1824 (91)
Certified Seed (distributed)	2000	867	1133 (57)

Distribution of minikits by TANCOF without Government's approval.

3.1.20 TANCOF deviated from the State Level Sanctioning Committee (SLSC) approved programme under Seed component by distributing (1999-2000) groundnut and gingelly minikits for a value of Rs 31.03 lakh. This was contrary to the policy of the Department that sunflower hybrid minikits alone should be distributed, in order to promote area expansion under sunflower. Further, contrary to GOI guidelines, TANCOF distributed VRI 2 groundnut variety, which was notified over ten years back.

AGROFED did not supply the farm implements instead utilised the funds to meet its establishment cost.

3.1.21 Government sanctioned (September 1999) Rs 20 lakh as subsidy to Tamil Nadu Agro Engineering and Service Cooperative Federation Limited (AGROFED) for purchase of improved farm implements (4000 drill ploughs and 828 plough planter equipments) as per the model given by Central Research Institute for Dryland Agriculture, Hyderabad. The subsidy was paid to AGROFED in January 2000. The implements were, however, not supplied as of May 2003. Managing Director (MD), AGROFED informed Government

(February 2003) that the amount was utilised to meet its establishment cost and that he was not in a position to refund the same, since AGROFED was not in an earning position.

Pulses

3.1.22 During the Ninth Plan period (1997-2002), Tamil Nadu's production of pulses accounted for less than four *per cent* of the country's total production. The average productivity for pulses was 364 kg/ha in 2002-03 while the Ninth Plan target was 800 kg/ha. The major pulses grown in the State are redgram, blackgram, greengram, cowpea and horsegram. The area targeted for coverage was ten lakh hectares in the Ninth Plan period but the actual area covered was only 7.73 lakh hectares in 2002-03.

Shortfall in production of pulses during 1997-2003.

3.1.23 Against the Ninth Plan target for production of pulses (8 lakh tonnes per annum), there was huge shortfall ranging from 61 to 70 *per cent* during 1997-2003. The working group report on crop husbandry furnished by Commissioner of Agriculture (COA) to Government mentioned (February 2002) that shortfall was due to adverse cropping conditions of pulses (95 *per cent* rain fed, mixed and intercropped) and non-introduction of new varieties. Also the productivity/yield was low due to production of pulses with less weight (black gram and green gram).

National Pulses Development Project (NPDP)

Non-distribution of inputs during Kharif season due to belated issue of sanction.

3.1.24 As per guidelines, timely allocation of funds and provision of supporting services is to be ensured by the State Government. Further, GOI requested the States (May 2000) to ensure that the sanctions were issued before the start of Kharif season in April. However, the State Government released the funds only in October/November; and AECs in districts distributed the inputs only during February/March. No inputs were distributed before the start of Rabi season in October each year. The delayed distribution evidently would affect the seasonwise cropping programme planned at the commencement of each year.

Belated distribution of Seed Treatment Chemicals.

3.1.25 Seed Treatment Chemicals (Trichoderma viridi) were to be distributed to the farmers during pre-sowing season - June for Kharif season and September for Rabi season - to make the seed disease-resistant. However, test-check of records in AECs in the districts of Villupuram (8), Kancheepuram (2) and Tiruvannamalai (3) revealed that the sanction order for distribution of seed treatment chemicals for pulses was given in December and distribution was made only in March every year, at the end of Rabi season. Thus the objective of the seeds developing resistance to disease could not be achieved.

Distribution of old varieties of pulses contrary to guidelines.

3.1.26 As per guidelines, only the varieties notified/released within the last ten years were to be supplied. In Villupuram and Tiruvannamalai districts, pulses of varieties more than ten years old and varieties not notified were supplied to farmers through minikits during 2000-02. The Action Plan for pulses for 2002-03 prepared by COA contained many old varieties of pulses released over ten years ago. This would affect the production of quality seeds.

3.1.27 According to GOI guidelines, Compact Block Demonstrations (CBD) should be arranged to popularise newer varieties of seeds. But in the CBDs conducted in Villupuram (4 AECs) and Kancheepuram (one AEC) during 2001-02 pulses of varieties more than ten years old were also distributed.

Water Management

Distribution of Sprinklers

3.1.28 Sprinkler system is ideally suited for closely-spaced crops like vegetables and floriculture in the Horticulture sector and oilseeds, pulses etc., in the Agricultural sector. The objective is to improve water use efficiency and enhance area coverage. Sprinklers are being distributed to farmers with subsidy under Micro Irrigation Scheme (MIS) by the Agricultural Engineering Department as follows:

Name of the scheme	Category of Farmers and eligibility	Quantum of subsidy	Remarks
Micro irrigation scheme for Horticulture crops implemented through Agricultural Engineering Department	(i) Small, Marginal, Scheduled Castes (SC), Scheduled Tribes (ST) and women farmers	50 *per cent* of the cost subject to a maximum of Rs 15000 per hectare from 2000-01	Assistance available for a maximum area of 2 ha per beneficiary family
	(ii) for other categories of farmers	33 *per cent* of the cost subject to a maximum of Rs 10000 per hectare from 2000-01	

The expenditure is shared between GOI and State Government in the ratio 90:10. The subsidy on sprinklers supplied to farmers under MIS was scrutinised in Audit and the following points were noticed.

Additional expenditure on subsidy

Non-adherence of categorywise physical targets in distribution of sprinklers.

3.1.29 The targeted financial outlay on subsidy on sprinklers, the subsidy actually paid, the targeted area to be covered by sprinkler irrigation and the achievement are shown in the table below.

Category of farmers	Financial (Rupees in lakh)		Area covered (in ha)	
	Target	Achievement	Target	Achievement
SF, MF, SC, ST and Women[1]				
2000-2001	60.00	70.71 (2000-01) 328.70 (2001-02) 482.19 (2002-03)	400	501 (2000-01) 2301 (2001-02) 3342 (2002-03)
2001-2002	140.75		1000	
2002-2003	243.90		1626	
Others				
2000-2001	70.00		700	
2001-2002	130.00		1513	
2002-2003	238.60		2386	
	883.25	**881.60***	**7625**	**6144***

* Categorywise break-up of achievement is not available

[1] SF: Small Farmers; MF : Marginal Farmers ; SC : Scheduled Castes ; and ST : Scheduled Tribes.

It is noted that subsidy of Rs 8.82 crore meant for irrigating 7625 ha was spent on sprinklers for irrigating 6144 ha only.

3.1.30 Though Government issued sanction orders every year specifically mentioning the number of hectares to be covered for the two categories of farmers, the Chief Engineer (Agricultural Engineering) failed to communicate the category-wise physical target to his field officers. As a result, the field level officers focussed more on special category farmers, which involved 50 *per cent* subsidy; in two test-checked districts (Tiruvannamalai and Villupuram) only the special category was assisted.

3.1.31 Department did not ensure the continued usage of sprinkler sets by the farmers, nor assessed the impact of sprinkler irrigation on the yield.

Agricultural Marketing

3.1.32 Organised marketing of notified agricultural produce within the Regulated Markets (RMs) established under the administrative control of Market Committees (MCs) was envisaged under the Tamil Nadu Agricultural Produce Marketing (Regulation) Act, 1987. A State Agricultural Marketing Board (Board), which was given statutory powers in June 1995, is the apex body to serve as an effective link between Government and MCs. Levy of market fees and licence fee was the main source of revenue for the MCs; 15 *per cent* of the annual receipts of MCs were to be remitted to the Board. A separate Directorate of Agricultural Marketing and Agriculture Business was established (1977) for helping the MCs to improve their services to agriculturists and for intensifying Agmark grading of agricultural produce. The Directorate's functions include establishment, maintenance and operation of the RMs. Two hundred and seventy two RMs were functioning under the control of 20 MCs in the State (March 2003).

Uniform notification of crops not done

Identified commodities were not uniformly notified in all districts by Government, resulting in reduced collection of market fee.

3.1.33 It was observed that only 40 out of 108 items of agricultural produce identified and listed in the Act were notified by Government for transaction within the RMs. However, only six to 20 crops were notified in the areas of the District Market Committees, instead of all the 40. The Commissioner of Agricultural Marketing and Agriculture Business (CAM), while furnishing his remarks to Government in January and October 2002, stated that commodities like pulses, coconut, etc., were declared as notified commodities only in a few districts and market fees collected only in those districts. As a result, such commodities were being transported from the notified districts and sold in other districts, to avoid payment of market fee. Hence, CAM suggested to Government for uniform notification of all identified commodities, so that market fee could be collected in all districts.

3.1.34 Government addressed (April 2003) CAM to send proposals for issuing uniform notification of all commodities and called for some clarification/particulars, which were yet to be furnished by CAM (June 2003).

Non-enforcement of provisions of the Act

3.1.35 As per CAM's report of November 1999, a marketable surplus of 0.64 lakh tonnes per annum was available in respect of fruits, vegetables, spices, etc. produced in the Nilgiris District.

Regulated markets were not set up in Nilgiris District.

3.1.36 Government issued orders in September 1998 for the formation of a new market committee for Nilgiris District along with four RMs at Ooty, Coonoor, Kothagiri and Gudalur and also sanctioned certain posts. Subsequently, Government issued notification in September 2000 for the functioning of marketing committee for the four RMs. Yet, no RM was set up as of May 2003.

Surplus funds of MCs/Board

3.1.37 MCs are expected to utilise most of the market fee/licence fee receipts for developmental activities such as buildings, maintenance and improvement of markets.

3.1.38 A sum of Rs 84.44 crore was available with MCs and Rs 18.29 crore with the Board as of 31 March 2003 representing the unutilised revenue surplus. The same was invested in various financial institutions and in the Deposit Account as per Government policy.

(Rupees in crore)

Surplus Amount of the	Investments	PD account (interest bearing)	Total
Board	0.93	17.36	18.29
MCs	43.48	40.96	84.44
Total	**44.41**	**58.32**	**102.73**

Only 27 to 34 *per cent* of the available funds during 2000-03 were utilised for development activities, and the rest was invested.

Dues to the Board

Rupees 4.69 crore was due to the Board from MCs. Huge amount of interest on Deposit account is due from Government.

3.1.39 As of March 2003, the Board was yet to realise Rs 4.69 crore due from 15 MCs[2] towards remittance of 15 *per cent* share of their annual receipts. The dues date back to 1990.

3.1.40 The Board, which had its surplus with Government in the interest bearing Deposit account, had not claimed interest from Government on the balance in its Deposit account beyond December 1997. Similarly, interest accrued (Rs 2.96 crore) on the balance in the respective Deposit accounts of MCs for the period January 1998 to June 1999 had not yet been sanctioned by Government. The MCs had not preferred their claim for interest beyond June 1999.

Shortfall in reimbursement

Shortfall in reimbursement of establishment cost of Rs 4.97 crore by Board/MCs to Government.

3.1.41 The services of all employees of MCs and the Board were provincialised with effect from November 1981. Consequent to this, the pay and allowances of the employees were initially met from Government funds and subsequently recovered from the concerned MCs/Board. Rupees 4.97 crore (MCs: Rs 4.29 crore and Board: Rs 0.68 crore) still remained to be recovered from them, for the period 2000-03.

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[2] 1990-91 (Pudukottai), 1998-99 (Kancheepuram), 1999-2000 (Cuddalore, Madurai, Tiruchirappalli and Tirunelveli), 2000-01 (Ramanathapuram, Tiruvannamalai, Vellore and Villupuram), 2001-02 (Thanjavur), 2002-03 (Coimbatore, Dharmapuri, Kanyakumari and Salem).

Training

Training Centre built at Salem at a cost of Rs 1.04 crore was yet to be made use of.

3.1.42 Government approved (December 2000) the construction of a building with all technical facilities to function as a training centre at Salem, at a cost of Rs one crore, utilising the Board funds. The Board released Rs 1.04 crore for the work. The building was ready for occupation in February 2002. However, the training centre was yet to be commissioned as proposals on new pattern of training, revision and upgradation of training courses, sent to Government by the Board in May 2001 have not yet been approved (June 2003). As a result, the training centre constructed at a cost of Rs 1.04 crore was not put to use as of June 2003.

Low arrivals reported in Regulated Markets

Low arrival of Marketable surplus in Regulated markets.

3.1.43 Under the Act, no person shall purchase or sell any notified agricultural produce in a notified market area outside the market in that area. However, it was seen from the records of CAM that only ten *per cent* (on an average) of the estimated marketable surplus of the major notified produce, (groundnut, paddy, cotton, sugarcane-jaggery, chillies and gingelly) were transacted through RMs during 1999-2001. It was evident that the balance quantities were sold outside RMs in violation of the Act. As a result the very purpose of establishing Board/MCs was defeated as majority of the farmers were not assured of realising remunerative prices for their produce.

3.1.44 The CAM in his "Report of working group on Agricultural Infrastructure for the formulation of Tenth Five year Plan" also observed (February 2002) that a major portion of the marketable surplus of the State was sold only outside the RMs, mainly due to small, fragmented and dispersed holding, lack of awareness about the RMs, indebtedness, inadequate transport facility, poor storing capacity, etc. Only in 30 out of 272 RMs, the infrastructure facilities like transaction shed, drying yard and farmers resting place and information centre were available.

Creation of product-wise Market Complexes

Product Specific Market Complexes envisaged in Ninth plan had not materialised.

3.1.45 The Ninth Plan identified nine places[3] for setting up market complexes for specific agricultural products. Of these, only five were taken up. No marketing complex was functional as of May 2003, as detailed below.

3.1.46 The paddy marketing complex at Madurai constructed by Public Works Department at a cost of Rs 10.25 crore, was not functional for want of electrification, approach road and water supply.

3.1.47 Coconut market complex at Pollachi (estimated cost: Rs three crore) and jaggery market at Tiruchirappalli (estimated cost: Rs ten crore) proposed during 2000-01 and 2001-02 respectively were pending due to non-identification/non-allotment of sites.

3.1.48 A modern marketing complex for Turmeric was proposed (2001-02) to be set up at Perundurai through Tamil Nadu Corporation for Industrial Infrastructure Development (TACID). Although 50 acres of land was acquired at a cost of Rs one crore, the work has not been taken up, as the traders wanted the complex to be located at Erode. It indicated lack of planning in selection of the location.

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[3] Chinnamanur, Erode, Krishnagiri, Mettupalayam, Pattukottai, Redhills, Theni, Udumalpet and Vellore.

Sugarcane Cess Fund

Collection of sugarcane cess from Mills was in arrears to the tune of Rs 16.87 crore for the period 1996-97 onwards till March 2003.

3.1.49 According to section 14(1) of Madras Sugar Factories Control Act, 1949, Sugarcane Cess was to be levied on all sugar mills for the sugarcane brought to the factory for crushing. The cess was collected on cane brought from outside the local area at Rs five per tonne, with effect from 1962, from all working sugar mills. However, for the new mills, the cess was to be collected at a concessional rate of Rs two per tonne of cane crushed during the first three years. The cess so collected from the sugar mills was to be credited to "Sugarcane Cess Fund". As per Government order (December 1996) the collections were to be utilised on Road works (80 *per cent*), Research and Development (10 *per cent*) and Miscellaneous purposes (10 *per cent*). The fund is administered by the Commissioner of Sugar (COS).

3.1.50 There were heavy arrears in collection of cess from sugar mills amounting to Rs 16.87 crore as of 31 March 2003, of which Rs 2.52 crore pertained to the period prior to 1997-98.

3.1.51 A proposal for deferring the collection of cess arrears amounting to Rs 6.48 crore has been under consideration of the State Government since November 2000. In June 2001, the COS requested the Government to defer the cess arrears of Rs 8.04 crore for five years and to waive cess payable from crushing season 2000-01. As no decision had been taken the arrears have not been paid by the sugar mills as of May 2003.

Unspent balance under cess fund

3.1.52 The yearwise details of cess fund are as follows:

(Rupees in crore)

Year	Opening balance	Cess collection	Expenditure	Closing balance
1998-1999	8.53	5.52	5.83	8.22
1999-2000	8.22	6.54	8.09	6.67
2000-2001	6.67	12.48	7.31	11.84
2001-2002	11.84	5.48	2.85	14.47
2002-2003	14.47	7.34	7.04	14.77

Unspent balance of Rs 14.77 crore under Sugarcane Cess Fund.

During 1998-2003 the average unspent balance was high. The unutilised balance was as high as Rs 14.77 crore as on March 2003.

Stores and stock

Avoidable expenditure

Procurement of gypsum through TANCOF involved avoidable expenditure of Rs 70.15 lakh.

3.1.53 During 2000-02, Government entrusted the procurement and distribution of gypsum under Oilseeds Production Programme to TANCOF. TANCOF procured the required quantity of 27552 tonnes of gypsum through tendering process and supplied them to JDAs, after adding margins ranging from 16 to 42 *per cent*. This margin amounted to Rs 70.15 lakh for 2000-02. As the Department was already purchasing 'gypsum' under "Saline and Alkaline land Reclamation" scheme, the entrustment of above purchase to TANCOF resulted in avoidable expenditure of Rs 70.15 lakh towards margin charged by them.

Avoidable payment of interest

3.1.54 A comment on Department availing a loan of Rs 4.50 crore from a Nationalised Bank through Tamil Nadu Agro Industries Corporation

(TAI) for the purchase of 30 bulldozers during 1991, which carried an interest liability of Rs 4.36 crore, when the Department had surrendered substantial amount under the capital grant was made in the Audit Report (Civil), Government of Tamil Nadu for the year ending 31 March 1994. The Public Accounts Committee (PAC) in its 326th report (XI Assembly) observed that the Department's action was not justified particularly in the context of availability of sufficient funds under the capital grant.

Avoidable interest burden of Rs 2.08 crore due to availing of bank loan of Rs 3.23 crore.

3.1.55 Despite PAC's observations, 100 tractors and two combined harvesters were purchased in May 2001 by AGROFED by availing a loan of Rs 3.23 crore from a Nationalised Bank. CE (AE) paid Rs 0.76 crore towards loan and interest to the Bank upto June 2002. But there was a surrender of Rs 18.27 crore in the Agriculture grant compared to the Final Modified Grant (FMG) in 2000-01 and Rs 319.14 crore in 2001-02. Thus there was no need for availing the loan at all, which had an interest burden of Rs 2.08 crore over seven years.

Huge stock of unusable inputs in the depots

No action was taken to dispose of the chemicals lying in AECs for more than ten years.

3.1.56 In the AECs under JDA, Kancheepuram, time-barred seeds, bio-fertilisers, plant protection chemicals for a value of Rs 55.81 lakh were held in stock in the depots as of March 2003. Of this, plant protection chemicals worth Rs 13.18 lakh purchased during the period 1980 to 1990 were stored in AEC, Chitlapakkam in a dilapidated godown. The chemicals which started leaking out of their containers, polluting the environment and endangering the people living nearby, have not yet been disposed of despite complaints from the town panchayat, Chitlapakkam and the matter was referred (November 1995) to COA by the JDA, Kancheepuram. No action for safe disposal of chemicals was taken, due to non-finalisation of the site for their disposal. Further, chemicals worth Rs 5.86 lakh whose life had expired in 1990-98 remained in various AECs in Kancheepuram District.

Shortage of stores and stock

3.1.57 An amount of Rs 1.03 crore was pending adjustment by recovery or write-off in respect of 151 cases of theft/losses/shortages as of March 2003.

Manpower management

Non-filling up of vacant posts

3.1.58 The department has a sanctioned strength of 18,477 (COA: 15,756; CAM: 2174 and Director of Seed Certification (DSC): 547) posts. The vacancy position and the percentage of vacancy in the three Directorates are COA: 3416 (22 *per cent*), CAM: 226 (10 *per cent*) and DSC: 61(11 *per cent*). In the COA, 1601 (22 *per cent*) posts were vacant under the following important cadres.

	Total number of posts sanctioned	Number of posts vacant
Agricultural Officer	2201	267
Assistant Agricultural Officer	5048	1334
	7249	**1601**

As the incumbents of these posts were responsible for successful implementation of various schemes of the Department, non-filling up of these posts would hamper the execution of schemes.

Creation of posts by transfer of staff from TANCOF

3.1.59 Government decided (November 2001) to wind up Tamil Nadu Cooperative Oilseeds Growers' Federation Limited (TANCOF) in view of continuous loss sustained by the Federation. In June 2002, Government decided to transfer the Area Agronomic Centre and Training Centre at Neyveli, the Area Offices at Tiruvannamalai, Virudhachalam, Cheyyar, Madurai, Erode and Tirunelveli to the control of COA subject to maintaining a separate identity, and the 151 posts of TANCOF in these units along with incumbents were absorbed in the Department of Agriculture. However, Government allowed them to continue in the same places without being redeployed.

151 staff of TANCOF absorbed in the Agriculture Department continued to implement OPP resulting in duplication of activities.

3.1.60 The transferred staff were not brought under the control of JDA of the concerned districts. They were instructed to implement the OPP in the same jurisdiction of erstwhile area offices of TANCOF covering three or more districts and to report to the Deputy General Manager, Extension Wing at Chennai. Thus, there was no monitoring/supervision of the work done by the 151 staff at district level. As the JDA of each district was also implementing the OPP, duplication of this activity in six districts could not be ruled out.

Non-redeployment of surplus office assistants

3.1.61 Government in September 1995 issued orders prescribing a norm of one Office Assistant (OA) for every 15 ministerial staff in Government departments. The Heads of Departments were requested to furnish to the administrative departments of the secretariat concerned and to the Finance Department the number of posts in excess of the norms, so that they could be redeployed.

134 surplus OAs identified in 11 districts were not redeployed.

3.1.62 Even though orders were issued as early as in 1995, it was seen from the records of COA that there were still 134 OAs working in 11 districts, who were found to be in excess. The position in the remaining 18 districts could not be ascertained by Audit as the details were not available at the COA. COA took no action to intimate Government about the number of surplus OAs.

Other points of interest

Equipment kept idle

IPM Centre at Kancheepuram was yet to function.

3.1.63 GOI sanctioned (May 1995) Rs 20 lakh for the establishment of an Integrated Pest Management (IPM) Centre-cum-Bio-control laboratory at Kancheepuram with the objective of producing bio-control agents besides training the farmers in the use of bio-pesticides and demonstrations. For this purpose, the existing pulses godown was got renovated by PWD in April 2000 at a cost of Rs 2.83 lakh. Laboratory equipment of value Rs 11.41 lakh was purchased by JDA, Kancheepuram in March 2000. JDA submitted (August 2000) proposal to the COA for deployment of one Agricultural Officer/two Assistant Agricultural Officers. These posts were not filled up as of May 2003. Thus, laboratory equipment of value Rs 11.41 lakh were lying unutilised for more than three years, and the IPM Centre did not function. The entire expenditure of Rs 14.24 lakh remained unfruitful (May 2003).

Excess expenditure incurred under NWDPRA

Excess expenditure of Rs 1.40 crore incurred on staff cost.

3.1.64 As per GOI instructions issued (September 1999) under National Watershed Development Programme in Rainfed Areas (NWDPRA), the State can incur ten *per cent* of the total expenditure of the scheme on establishment charges. The total expenditure incurred during 1997-2002 was Rs 74.93 crore. Against the eligible staff cost of Rs 7.49 crore, expenditure was Rs 8.89 crore. The excess expenditure of Rs 1.40 crore was to be met from State funds, but was met from the funds received from GOI. This excess has not yet been refunded to GOI.

Collection of centage charges from farmers towards staff cost

Centage charges were added to seed cost thereby burdening farmers.

3.1.65 Every year, Government was communicating the seed price policy for the procurement and distribution of paddy and millets. According to this policy, the sale price of all types of seeds sold to the farmers was fixed by adding 16 *per cent* centage charges to the procurement price, to cover the establishment cost. However, since it is the duty of the Department to supply seeds to the farmers at a reasonable price, adding centage charge in the sale price is not justified.

Blocking of GOI funds provided for the control of Eriophyid mite

Blocking of GOI funds of Rs 9.50 crore with State Government for two years due to formulation of unviable proposal.

3.1.66 To combat severe outbreak of a nut-infesting Eriophyid mite in 1998 causing heavy damage to tender coconuts in their quality and quantity, State Government proposed (January 2001) to GOI for adopting the technology of spraying four rounds of chemicals for the treatment and requested GOI to sanction Rs 65.70 crore. GOI released Rs 9.50 crore in February 2001 as 50 *per cent* of the cost of chemicals with a maximum amount of Rs eight per affected tree for three sprayings. Government sanctioned (March 2001) Rs 19 crore (Rs 9.50 crore each shared by GOI and the state Government) for implementing the scheme covering 1.81 crore trees and directed that the State share of Rs 9.50 crore would be recovered from the beneficiary farmers. Tenders were called for (July 2001) towards the procurement of plant protection chemicals. Meanwhile, it was decided not to go in for the chemical control measures for mite because of insufficient impact produced and it was decided by Government to minimise the use of chemicals for one year.

3.1.67 Subsequently, in September 2001, decision was taken to go in for the application of micronutrient solution as recommended by TNAU along with raising green manure in the basin. Since the above package involved procurement of green manure seeds in huge quantity for distribution, the availability of which could not be ensured by Government, the proposal to grow green manure was dropped (December 2001). Government issued orders (February 2002) for adopting root feeding with micronutrient solutions at 200 ml per tree, three times a year. Certain clarifications were called for (July 2002) from COA by Government relating to the procedure to be adopted for the control of mite but no reply was given. As of May 2003, no progress was made in application of micronutrient solution. Thus, due to formulation of an unviable proposal, the assistance received from GOI remained unutilised for over two years without any step being taken to control the Eriophyid mite in coconut trees.

Impact assessment

3.1.68 The production and productivity during 1997 to 2003 in respect of major crops like paddy, millets, pulses, oilseeds, cotton and sugarcane are as given below

Crop performance

Year	Paddy		Millets		Pulses	
	Production in lakh MT	Productivity yield – kg/ha	Production in lakh MT	Productivity (yield – kg/ha)	Production in lakh MT	Productivity yield – kg/ha
1997-1998	68.94	3050	9.66	883	2.44	413
1998-1999	81.41	3579	9.67	902	3.04	478
1999-2000	75.32	3481	10.19	1311	2.91	420
2000-2001	73.66	3541	9.38	1092	3.13	454
2001-2002	65.83	3196	8.34	1181	2.90	426
2002-2003	48.64	NA	13.62	NA	2.97	364

Year	Oilseeds		Cotton		Sugarcane	
	Production in lakh MT	Productivity yield – kg/ha	Production in lakh MT	Productivity (yield – kg/ha)	Production in lakh MT	Productivity yield – kg/ha
1997-1998	14.77	1623	3.58	267	30.70	11855
1998-1999	16.45	1829	4.06	316	33.76	11026
1999-2000	14.11	1537	3.40	191	34.29	10851
2000-2001	14.71	1507	3.16	316	33.18	10525
2001-2002	14.35	1497	2.30	238	32.61	10155
2002-2003	10.67	1668	1.55	NA	30.82	NA

NA: Not available

It could be seen that the productivity in respect of most of the crops showed only a declining trend in spite of various programmes being implemented over the years, involving huge subsidies. This was due to poor utilisation of irrigation potential created; non-supply of weedicide, improved farm implements and new varieties of seeds; and delayed distribution of seed treatment chemicals as mentioned in the review.

Recommendations

3.1.69 The department has to ensure timely supply of quality seeds and other inputs, optimum utilisation of irrigation potential, effective management and distribution of available water resources (surface and ground water) to optimise the production in respect of all major crops like paddy, millets, pulses, oil seeds, cotton and sugarcane

3.1.70 The above points were referred to Government in August 2003; reply had not been received (January 2004).

CO-OPERATION, FOOD AND CONSUMER PROTECTION DEPARTMENT

3.2 Loans and Investments made by Government in Co-operative Sector

3.2.1 Co-operative sector plays a vital role in the economic upliftment of people particularly the weaker sections of society. State Government invests funds in Co-operative sector every year through release of share capital, loans, subsidies and other assistance to promote various socio-economic activities. It also gives guarantee for the loans obtained by Co-operative societies from other financial institutions. At present there are fourteen functional Registrars besides the Registrar of Co-operative Societies (RCS) under whom various categories of Co-operative societies are functioning. The Circle Deputy Registrars (CDR) were delegated with powers to control societies in their circles. Pending elections to the Board of Management for Co-operative societies, RCS appointed 7967 special officers for administering the societies between May 2001 and March 2002.

3.2.2 The records relating to loans, investments and other financial assistance made by State Government in the Co-operative sector for the period 1997-2003 were generally test-checked in the Co-operative Department of the Secretariat, office of Registrar of Co-operative societies and offices of eight other functional Registrars*. Important points noticed during test-check are discussed in the succeeding paragraphs.

Financial assistance received

3.2.3 The quantum of financial assistance extended by State Government/ Government of India and other financial institutions like National Bank of Agriculture and Rural Development (NABARD) and National Cooperative Development Corporation (NCDC) to Cooperative institutions during 1998-2003 was as follows.

(Rupees in crore)

1998-99	1999-2000	2000-2001	2001-2002	2002-2003
184.96	172.50	48.63	113.56	104.07

3.2.4 Investments made and returns received by way of dividend during the last five years are given below:

* RCS (Housing), Commissioner for Industries and Commerce, Director of Handlooms and Textiles, Commissioner for Milk Production and Dairy Development, Commissioner of Sugar, Director of Social Welfare, Director of Fisheries and Director of Agriculture.

Year	Number of societies	Investment during the year	Investment upto the end of the year	Dividend received during the year as obtained from department	Percentage of return
		(Rupees in crore)			
1998-99	9,403	15.51	302.07	1.92	0.64
1999-2000	9,485	4.77	310.56	1.10	0.35
2000-2001	9,568	0.30	274.18	1.43	0.53
2001-2002	9,388	0.83	293.59	0.14	0.05
2002-2003	9,388	0.17	288.47	0.19	0.07

Dividend on the huge investments made by Government was very poor.

3.2.5 While the investments in 9388 societies stood at Rs 288.47 crore as of March 2003, dividend received on investment during the five year period was meagre ranging between 0.05 and 0.64 *per cent*. Thus, while Government was raising borrowing from open market at rates of interest ranging between 6.75 and 12.50 *per cent* during the above period, its investments in cooperative sector fetched insignificant returns.

Share capital

Share capital utilisation

3.2.6 Under the programme of assistance for strengthening the share capital structure of the Co-operative institutions, State Government extends financial assistance either in cash or by conversion of existing loans.

Government contribution to share capital remained unutilised.

3.2.7 Government approved the proposal for setting up a Grape Processing Unit with NCDC assistance at a cost of Rs 1.25 crore. The project cost was to be met with Government contribution, Members' contribution and Loan from Tamil Nadu Industrial Cooperative Bank Limited (TAICO Bank) of Rs 12.50 lakh each and the remaining amount of Rs 87.50 lakh from NCDC. Government, while sanctioning its share of Rs 12.50 lakh as share capital in May 1999, specifically directed that the amount be drawn in stages for creation of asset and synchronising with the progress of work and release of funds from the financial institutions. However, Industries Commissioner and Director of Industries and Commerce (IC & DIC) disbursed the entire amount to the society in July 1999. The society was able to raise Rs 3.94 lakh only as members' contribution against the envisaged amount of Rs 12.50 lakh as of January 2002. As efforts to get NCDC loans sanctioned directly to the society did not materialise, action was being taken to obtain finance from other financial institutions (May 2002). Thus, as major portion of the project cost could not be raised, the project did not take off. The share capital given by Government, which was invested in a short term deposit with TAICO Bank, was thus lying unutilised (June 2003).

3.2.8 The IC & DIC stated (June 2003) that TAICO Bank and Madurai District Central Co-operative Bank, Madurai had agreed to sanction the loan requirement of Rs one crore under consortium arrangements.

Retirement of share capital

Share capital not retired even after the due date.

3.2.9 State Government provides share capital assistance to Tamil Nadu Cooperative Housing Federation, with the condition of retirement after a specific period of moratorium and payment of dividend. Government while providing a share capital of Rs two crore to the Federation in September 1982, specified that the retirement of the share capital had to commence from October 1993 at the rate of Rs 20 lakh every year.

3.2.10 Though the Federation paid the instalments amounting to Rs 1.40 crore from October 1993 to October 1999, it had not paid the next three instalments due. The Assistant General Manager of the Federation reported (January 2003) that the remaining share capital was not retired as the retention of the remaining shareholding of Government is essential for its credit standing in the absence of Government guarantee from 2002-2003.

Recovery of loans

Overdue loans

Overdue loans constituted 57 to 63 *per cent* of the total demands raised.

3.2.11 The financial stability of any cooperative credit institution has a direct relation with prompt recovery of loans, as persistently high overdues would have crippling effect on the ability of the cooperatives to recycle the funds and expand their business. Also, in order to get refinance from NABARD to the full extent, all the District Central Cooperative Banks have to make concrete efforts to intensify their collection drive and bring down the level of overdues. Particulars collected from RCS during test-check, however, revealed that the percentage of overdue amount of principal to demands raised during the last four years ending March 2002 ranged between 57 and 63 (Appendix XIX). Government stated (November 2003) that the non-recovery of loans was due to drought conditions prevailing in the State and that cooperatives were taking effective, persuasive methods for recovery.

3.2.12 Out of the overdue principal amount of Rs 17.39 crore, Rs 11.62 crore was overdue from Tamil Nadu Cooperative Marketing Federation Limited (TANFED) and Rs 3.85 crore was overdue in respect of nine circles as of December 2002. Government stated (November 2003) that out of Rs 3.85 crore, Rs 8.83 lakh have been collected as of March 2003 and that instructions have been issued to Circle Deputy Registrars for collection of overdues.

3.2.13 Of Rs 29.46 crore overdue towards interest, Rs 20.93 crore was due to Tamil Nadu Cooperative State Agriculture and Rural Development Bank (TANSCARD) and Rs 7.01 crore related to 13 circles. Government stated (November 2003) that a proposal for waiver of loans was turned down by Government in February 2003, but TANSCARD's request to reconsider the waiver proposal in view of its severe financial constraints was under consideration. Government added that of Rs 7.01 crore pending recovery from 13 circles, Rs 7.93 lakh were collected upto March 2003 and instruction have been issued for effective action for recovery.

Overdue loan to be paid by Fisheries Federation under Integrated Marine Fisheries Development Project

3.2.14 Integrated Marine Fisheries Development (IMFD) project (phase I and phase II) was implemented in the State from 1992 through the Tamil Nadu State Apex Fisheries Cooperative Federation Limited (TNSAFCFL).

3.2.15 As shown in the table below Rs 3.65 crore and Rs 3.76 crore were overdue towards principal and interest, while share capital amounting to Rs 1.68 crore was not retired by the Federation.

Rupees 7.41 crore towards loan and interest were due from TNSAFCFL. Share capital of Rs 1.68 crore not retired.

(Rupees in crore)

	Loans given	Demands raised (1996-2003)		Amount overdue as on 31.03.2003		Share capital released (March 1995 to December 1998)	Share capital pending retirement
		Principal	Interest	Principal	Interest		
Phase I	7.87 (March 1994 to November 1998)	4.81	6.73	2.36	2.12	3.43	1.68
Phase II	4.47 (1998 to 2003)	NA	NA	1.29	1.64	-	-
			Total	3.65	3.76	3.43	1.68

NA : Not Available

Non-recovery of loans

TANFED failed to repay loan to the tune of Rs 11.62 crore along with overdue interest of Rs 5.61 crore.

3.2.16 Ministry of Agriculture, Government of India (GOI) was extending Short Term Loan annually to TANFED through the State Government during 1984-94. Of the short term loans of Rs 21.67 crore obtained during 1992-94, Rs 11.62 crore were pending repayment as of February 2002, along with Rs 5.61 crore towards interest. Although GOI discontinued the scheme in 1993, TANFED has not cleared the dues. The RCS had not monitored the timely repayment of such short term loans. Government stated (November 2003) that TANFED has sent a proposal for adjustment of the amount against the dues from Cooperative Spinning Mills and the proposal was under the consideration of the Government.

Tamil Nadu Cooperative Housing Federation failed to repay the interest-free loans to the tune of Rs 114.44 crore under Rural Housing Scheme.

3.2.17 Tamil Nadu Co-operative Housing Federation was implementing Tamil Nadu Rural Housing Scheme which was financed through loan from Housing and Urban Development Corporation (HUDCO). To enable the Federation to meet its repayment obligation to HUDCO, considering the poor collection of loan recoveries from beneficiaries, State Government provided interest-free loan to the Federation. However, no time schedule for repayment was specified. Government also directed the Federation to remit the collections under the scheme first towards repayment of earlier loans which are still due and thereafter to remit the balance amount towards repayment of above interest-free loans. Though State Government directed the RCS (Housing) to take effective steps for recovery of these interest-free loans, no registers had been maintained and no periodical demands raised by RCS (Housing) to watch the repayment of interest-free loans.

3.2.18 After waiver of Rs 44.70 crore (July 1998) by Government, interest-free loans pending recovery from the Federation had accumulated to Rs 114.44 crore as of March 2002.

3.2.19 NCDC sanctioned loans to Co-operative Sugar Mills for various schemes like modernisation, co-generation and bio-compost schemes through the State Government.

Non-payment of interest to the tune of Rs 6.61 crore to Government by ten Sugar Mills on NCDC loans.

3.2.20 A perusal of records concerned revealed that the overdue principal amount of Rs 1.87 crore and interest amounting to Rs 6.61 crore had not been paid by ten sugar mills as of December 2002. The Commissioner of Sugar stated (March 2003) that the sugar mills are not in a position to repay the interest as they are facing severe financial crisis.

Co-operative Sugar Mills failed to repay Rs 69.29 crore.

3.2.21 NCDC had sanctioned (1992 and 1993) loan assistance of Rs 77.72 crore for modernisation/expansion of six Cooperative Sugar mills**. Government in Industries Department accepted (February 2001) the proposal of NCDC for a package of one time settlement and paid Rs 69.29 crore in four instalments in full settlement of dues to NCDC. Government treated this amount as loans to the above six Cooperative Sugar mills. As the mills were already in default of earlier loans and were running at loss, the possibility of recovering the loans from the mills was remote.

Ways and Means advances of Rs 434.18 crore was pending repayment to Government.

3.2.22 Government provided ways and means advances to the sugar mills every year to clear the cane price dues to cane growers. Rupees 434.18 crore was pending repayment to Government as of December 2002 (Appendix XX).

3.2.23 As most of the cooperative sugar mills are facing acute financial crunch continuously due to negative growth, the recovery of above ways and means advances appears remote.

3.2.24 Under the Integrated Dairy Development project financed by NCDC and the State Government, Government released the loan amount of Rs 1.40 crore, along with subsidy to Tamil Nadu Cooperative Milk Producers' Federation during April 1992 to February 1997.

3.2.25 The project was incomplete even as of March 2003, as certain essential works could not be completed and required machinery could not be procured for want of additional funds. The expenditure incurred on the project was Rs 4.68 crore upto December 2000. Proposals for additional funds of Rs 98.69 lakh were made by the union in July 1999, but no decision has been taken by Commissioner for Milk Production and Dairy Development (CMPDD) as of March 2003. Though the dairy started functioning from December 1998, the average daily procurement of milk was only 11,937 litres per day (LPD) 13,372 LPD and 15015 LPD during 1999-2002 respectively, which was far below the break-even level of 29,912 LPD.

Out of Rs 5.44 crore due, only Rs 23.22 lakh was repaid by KDCMPU, reportedly due to their poor financial position.

3.2.26 Out of Rs 3.26 crore obtained as loan from NCDC for the project, CMPDD repaid the entire due amount of Rs 1.72 crore with interest of Rs 2.29 crore upto March 2002. This amount was passed on as term loan with same rate of interest charged by NCDC to Kamarajar District Cooperative Milk Producers Union (KDCMPU). Out of Rs 5.44 crore overdue towards principal and interest as of March 2002, KDCMPU had paid only Rs 23.22 lakh (4 *per cent)* towards the interest upto 1994-95 and no payment was made thereafter, reportedly due to its poor financial position. The Union had been continuously incurring cash loss and the net loss was Rs 5.91crore as of 31 March 2002. In view of such huge loss, the repayment of loan with interest did not appear feasible.

Guarantees given by Government

3.2.27 Guarantees were given by Government for due discharge of liabilities like repayment of loans raised by Cooperative Institutions.

3.2.28 Details of maximum amount guaranteed and outstanding guarantees with interest as of March 2003 are given below:

** Amaravathy, Kallakurichi, Madurantagam Cooperative Sugar Mills, NPKR Ramasamy, Salem and Tiruttani.

(Rupees in crore)

As of	Maximum amount guaranteed	Sums guaranteed outstanding	
		Principal	Interest
March 2003	2191.87	1520.41	9.65

Huge arrears of guarantee commission.

3.2.29 Out of the Guarantee Commission of Rs 28.76 crore due to be realised, Rs 24.41 crore was due from Tamil Nadu Co-operative Housing Federation Limited and Rs 4.35 crore from the Co-operative sugar mills. It was also noticed that during 1999-2001, Government had paid Rs 9.75 crore from the Guarantee Fund on behalf of seven defaulting cooperative spinning mills[a] consequent on invocation of guarantee.

Audit of cooperative institutions

3.2.30 In accordance with the provisions of the Tamil Nadu Cooperative Societies Act, the accounts of co-operative societies which received financial assistance from Government are required to be audited annually. The Director of Cooperative Audit is responsible for the audit.

In four circles, accounts of 2105 societies had not been audited for over three years and above.

3.2.31 As per the information made available by four Circle[#] Deputy Registrars, 4892 accounts of societies remained unaudited as on 31 March 2003. Audit of 602 societies was pending for more than five years, 686 societies for more than four years and 817 societies for more than three years.

3.2.32 The percentage of societies for which audit was not conducted as of March 2003 in the above four circles are given in Appendix XXI. Non-conduct of audit was attributed by Director of Co-operative Audit to non-production of books and records to Audit, books of the societies being under the custody of enquiry officers and to incomplete accounts.

3.2.33 In the absence of audited accounts it is not possible to assess the financial results of the cooperative societies. There was negligence in compiling the annual accounts promptly within the stipulated time frame of three months from the close of the accounting year. The delays in audit and certification of accounts by the Director of Cooperative Audit need to be addressed and a solution found to ensure certification by the due date.

3.2.34 Government stated (November 2003) that effective steps were being taken for early completion of Audit of the Cooperatives.

Recommendations

3.2.35 All the prescribed registers like share capital register, Investment register, register of guarantees, loan register etc., should be maintained with all relevant and required details to serve as a Management Information System. Prompt preparation of a consolidated Demand, Collection and Balance statement and regular issue of demands for repayment of loans due together with interest is essential and must be ensured. Otherwise, the exact position of overdue loan repayments cannot be assessed.

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[a] Erode, Kancheepuram, Kanyakumari, Nagappattinam, Srivilliputhur, and Villupuram District Cooperative Spinning Mills and Cauvery Spinning and Weaving Mill, Pudukottai.

[#] Coimbatore, Kancheepuram, Tiruvallur and Vellore.

3.2.36 Loans may be given to cooperative institutions only on examination of the intended purpose of the loan and repaying capacity. Monitoring the utilisation of the loan is a necessary activity and the officers concerned must be held responsible for the same.

3.2.37 The officers of the Registrar of Cooperative Societies, including the functional Registrars, must be held accountable to maintain accurate records of loans sanctioned, repayments due and realised, interest due and realised from each cooperative society. Computers may be used for this purpose.

3.2.38 The above points were referred to Government in July 2003; a complete reply for all the points had not been received (January 2004).

ENVIRONMENT AND FORESTS DEPARTMENT

3.3 Tamil Nadu Afforestation Project

Highlights

The Tamil Nadu Afforestation Project funded by Japan Bank for International Co-operation aimed at massive tree planting in degraded Reserve Forests to bring about balanced ecological up-gradation and preserving the forest. There was shortfall in planting; and soil and moisture conservation activities; and there was poor rate of survival of the plantations. The sustainability of the Village Forest Development Fund created for maintenance, protection and improvement of the forest area and extending assistance to forest dependents was doubtful due to its poor management. Inadequate staff in the Extension and Interpretation Centres had contributed to the failure to motivate villagers to develop a tree growing culture. The Department lost the benefit of technical advancement in effectively managing forest resources due to the delay in installation of Remote Sensing and Geographic Information System equipment. Such deficiencies in the execution affected the achievement of the primary objective of the Project.

- **Neither provision of funds nor execution of works were based on site-specific Micro Plan.**

(Paragraph 3.3.10)

- **Execution of activities meant for degraded forests in non-forest areas and non-utilisation of root trainers for raising seedlings resulted in extra expenditure of Rs 20.70 crore.**

(Paragraphs 3.3.12 and 3.3.15)

- **There was a huge shortfall in planting seedlings due to non-availability of space fit for planting owing to dense forest cover and existence of rocky areas.**

(Paragraph 3.3.17)

- **Extra activities not contemplated in the Project were carried out in order to utilise the excess allotment resulting in unnecessary/extra expenditure of Rs 12.19 crore.**

(Paragraph 3.3.18)

- **Survival rate of plants was poor due to non-execution of water harvesting and soil conservation structures to the prescribed level and non -replacement of casualties during maintenance.**

(Paragraph 3.3.23)

- **There was huge pendency in recovery of loans from Village Forest Council members; the Department had not formulated any marketing strategy for the products manufactured by the members.**

(Paragraphs 3.3.27 and 3.3.28)

- There was poor participation of Village Forest Council members in Joint Forest Management activities.

(Paragraphs 3.3.30 to 3.3.35)

- Delay in the procurement of Remote Sensing and Geographic Information System equipment by the Department led to delay in reaping the benefit of advanced Technology.

(Paragraph 3.3.39)

Introduction

3.3.1 Tamil Nadu Afforestation Project (Project) aims at massive tree planting programme in the State to bring about balanced ecological upgradation and to meet the requirements of the local people for forest products. The Project, which was implemented from 1997-98 for a period of five years covering 1000 villages, was extended for two more years covering 258 additional villages. The main objectives of the Project are (i) improving the productivity of forest (ii) preserving areas which are rich in biodiversity (iii) motivating people to adopt tree-growing culture (iv) optimising use of land resources and (v) enhancing the capability of the Department. To achieve these objectives, the Project envisaged taking up afforestation and soil and moisture conservation activities in a holistic manner for each watershed through people's participation on the concept of Joint Forest Management (JFM) and improving the socio-economic status of local communities by creation of alternative sources of employment. The Project comprises of 'Plantation Activities' and 'Human Capability Development'.

3.3.2 Under 'Plantation Activities', the Project envisaged (i) planting operations in degraded reserve forests dividing it into upper, middle and lower zones, (ii) Buffer Zone activities to improve the living condition of forest dependents, (iii) constructing water harvesting structures in Water Augmentation Zone, and (iv) carrying out afforestation activities in community lands. Under 'Human Capability Development', the Project envisaged (i) establishment of 'Remote Sensing and Geographic Information System' (ii) purchase of computers, vehicles etc. (iii) establishment of extension and interpretation centres and (iv) administrative expenditure.

3.3.3 The physical targets fixed and funds allocated for various components of the Project and the achievements thereagainst during 1997-2003 are given in Appendix XXII.

Organisational set up

3.3.4 The Principal Chief Conservator of Forests (PCCF) is the overall in-charge of the Project. He was assisted by the Chief Conservator of Forests (CCF) and 15 Conservators of Forests (COF), 64 District/Divisional Forest Officers (DFO) and four Forest Extension Officers (FEO). The overall administrative control rests with the Secretary to Government, Environment and Forests Department.

Audit Coverage

3.3.5 The records of the Forests Department at Secretariat, Offices of the PCCF and six COFs and 25 divisions for the period from 1997-2003 were test-checked during February 2003 to May 2003. The significant points noticed in audit are discussed in the succeeding paragraphs.

Financial Performance

3.3.6 The Project costing Rs 499.20 crore has been funded by Japan Bank for International Co-operation (Bank) to the extent of 13324 million Yen (Rs 424.33 crore). Government of Tamil Nadu initially financed the expenditure and claimed reimbursement through Government of India (GOI) at the stipulated rates for each activity. The assistance was received as grant (30 *per cent*) and loan (70 *per cent*) from GOI. Government had incurred an expenditure of Rs 538.60 crore upto March 2003. This included Rs 70.87 crore spent on items like redeployed staff and duties and taxes, etc. which were not covered for reimbursement under the Project. Of the balance amount, the Government filed reimbursement claim for Rs 418.67 crore at the stipulated rates and received Rs 375.09 crore from the Bank.

The following observations are made:

Wrong classification of expenditure

3.3.7 Though Rs 62.84 crore spent on Buffer zone activities and incentive for local tree cultivation had not created any asset to Government, the expenditure was classified as 'Capital'.

Short claim on reimbursement of expenditure

3.3.8 The loan agreement with the Bank did not provide for reimbursement of taxes and duties. Though the Bank clarified (January 2002) that excise duty on materials purchased by the Department was eligible for reimbursement, the PCCF failed to make supplemental claim in respect of excise duty which was not claimed prior to receipt of the clarification. Similarly, Income Tax and Sales Tax deducted at source from the bills of the contractors, though eligible for reimbursement, was not claimed by PCCF. The total short claim disclosed during test-check was Rs 86.17 lakh (Excise Duty: Rs 42.55 lakh; Income Tax: Rs 40.08 lakh and Sales Tax: Rs 3.54 lakh). In reply, Government assured that the amount would be claimed.

Fraudulent payments

Rupees 87.98 lakh were paid for works not executed.

3.3.9 The special squads of the Department, which conducted physical verification of the plantations and soil and water conservation assets, pointed out that payments were made for works not actually executed. Test-check conducted in 21 divisions disclosed that physical verification by special squads brought out fraudulent payments for Rs 87.98 lakh. The Department had initiated disciplinary action and commenced recovery of overpayment after fixing responsibility. Rupees 5.86 lakh recovered by December 2002 was, however, credited to revenue of the Department, thereby overstating the expenditure on the Project. Government assured that the recoveries would be deducted from subsequent reimbursement claims.

Planning

Funds were not obtained based on Micro Plans.

3.3.10 The Project Report provided for cost ceiling for plantation activities like planting operations, civil works[1] and maintenance and envisaged preparation of site-specific Micro Plans for implementation of these activities. As such, PCCF should have prepared estimates based on Micro Plans and

[1] Gully plugging, Check dams, Contour trenches and Vegetative barriers.

obtained funds based on these estimates. PCCF, however, obtained Government orders fixing the unit cost of various components based on the cost specified in the Project and the COFs prepared model estimates for each operation within the unit cost sanctioned by Government. The divisions, prepared the Micro Plans, but executed the works only as per the model estimates. Test-check revealed that the execution of works commenced even before the approval of Micro Plan and the civil works were not executed as per the Micro Plan. PCCF stated that as the process of budgeting starts much earlier than the preparation of Micro Plan, it was not possible to obtain funds based on Micro Plan. In such circumstances, PCCF should have allocated funds based on Micro Plan for each division.

Activities meant for degraded Reserve Forests were executed in non-forest areas.

3.3.11 The Project envisaged planting operations and civil works in lower, middle, upper and Water Augmentation zones of degraded Reserve Forests (RF) having crown density of less than 40 *per cent* and carrying out Buffer zone activities in the villages adjacent to RF areas. The Project also proposed to increase the tree cover by planting trees in community lands and sand dune areas. The unit cost for activities in RF was higher than that in community lands and sand dune areas.

3.3.12 The PCCF, instead of re-organising the divisions to cover the degraded areas, planned to execute the works through the existing divisions. Consequently, due to non-availability of degraded RF, the divisions selected community and private lands, sand dune areas and areas with more than 40 *per cent* crown density for executing activities relating to degraded RF. Besides, the divisions also executed Buffer zone activities in wild life sanctuaries where there was no scope for JFM activity. Test-check revealed that 7142 hectares which were not degraded RF, were covered with activities meant for degraded RF and Buffer zone activities were executed in 39 villages adjacent to wildlife sanctuaries resulting in avoidable expenditure of Rs 8.70 crore.

3.3.13 Government stated that only lands, which were under various stages of reservation process, sandy areas and RF with less than 40 *per cent* crown density (*viz*., Gandamanur East RF) were selected. This contention was not tenable as (i) the Project Report mentioned existence of about 6.42 lakh ha of degraded forests of which only 3.82 lakh ha were proposed to be covered under the Project and the community land could have been covered under 'Greening of community lands' incurring lesser expenditure, (ii) the Micro Plan, specifically mentioned that the areas in Ramanathapuram Districts were sand dune and (iii) DFO, Madurai in his detailed report (July 2000) had stated that the available area in Gandamanur East RF was in high plateau, inaccessible with density of more than 80 *per cent* in some places or the ground was rocky.

3.3.14 Test-check disclosed that PCCF sanctioned Rs 53.30 lakh for carrying out Buffer zone activities in ten villages, which were already covered under another scheme 'Interface Forest Programme' (IFP).

Root trainers were not used for raising seedlings.

3.3.15 The Special Assistance for Project Implementation (SAPI) Mission for Overseas Economic Co-operation Fund studied the implementation of the Project. The recommendation by the SAPI Mission included the use of root trainers instead of polythene bags in nurseries for raising seedlings as it would be economical and the root system would be developed. The PCCF assured GOI (December 1998) to try it on experimental basis to study its efficacy and economy. Though MSCS Division, Salem raised seedlings in root trainers from 1997-98 onwards and achieved excellent results with a cost advantage of Rs 1.44 per seedling, PCCF failed to instruct COFs to raise the seedlings in root trainers. Had the seedlings been raised in root trainers from 1999-2000 onwards Rs 12.00 crore would have been saved in raising 8.33 crore seedlings (approximately).

Project Implementation

3.3.16 Deficiencies noticed in the implementation of the Project are discussed below:

Planting operations

Shortfall in planting seedlings.

3.3.17 Against the target of carrying out plantation activities in 4.13 lakh ha, the Department covered 4.10 lakh ha during 1997-2003. Though the Department achieved the target in terms of area, there was huge shortfall in terms of number of seedlings to be planted. Test-check revealed that 33 divisions planted only 204.39 lakh seedlings as against the prescribed number of 328.61 lakh. The shortfall was mainly due to non-availability of space fit for planting owing to dense forest cover and existence of rocky areas. This indicates wrong selection of areas for afforestation, defeating the objective of increasing tree cover. Government stated that audit had worked out the shortfall based on a few instances where less number of seedlings were planted than norms and contended that there was no major shortfall during 1997-2001 as verified from the data collected from the divisions. The contention of Government was not correct as the data furnished by PCCF to Government differed from that of basic records maintained by the divisions and the working by Audit was not based on selective approach but on basic records of the divisions. Further, the model estimates prepared by the COFs during 1997-2000 provided for planting fewer number of seedlings than the norms and the norms were adhered to only after PCCF issued instructions (March 2000).

Rupees 12.19 crore were spent on activities not contemplated in the Project.

3.3.18 The Project Report specified various activities to be undertaken under planting operations, fixed cost limits for planting operations and civil works for various zones. The COFs had not followed these limits while preparing the Model Estimates and provided more funds than that contemplated in the Project Report for planting operations. The excess provision of funds was utilised to execute various items of work* at a cost of Rs 12.19 crore which were not contemplated in the project.

Civil works

Shortfall in execution of civil works.

3.3.19 The Project Report allocated Rs 146.16 crore for civil works in RF areas during 1997-2002. The COFs, however, increased the allocation for planting operations by reducing the funds meant for civil works. To compensate this, the COFs diverted funds meant for "Maintenance", "Greening of community lands" and "Tribal Life Support" for execution of civil works. In spite of this, the Department spent Rs 111.41 crore only on civil works. Of this, Rs 20.36 crore only were spent on construction of gully plugging, forming contour trenches and vegetative barriers against Rs 81.53 crore provided in the Project In a study conducted by a consultant on soil and water conservation and water harvesting structures under the Project, it was observed that these cost effective structures were essential in upper and middle

* forming additional catch water pits: Rs 5.06 crore; larger size bags and pits: Rs 4.22 crore; provision of individual fencing, planting palmyrah seeds, tending and forming semi-circular bunds/catch water pits for natural seedlings and sowing of seeds: Rs 1.40 crore; employment of protection watchers: Rs 1.10 crore; and providing rain water drain: Rs 41.01 lakh.

zones. Government stated that there was no shortfall in construction of civil works as semi-circular bunds and catch water pits were executed for Rs 32.69 crore during this period. This contention was not correct as the Project Report classified these works under planting operations only.

3.3.20 Test-check revealed that the diversion of funds to civil works resulted in lesser number of casualties replaced under 'Maintenance', planting of fewer number of seedlings than contemplated under 'Greening of community lands' and planting of miscellaneous seedlings instead of bamboo/fruit bearing trees under 'Tribal Life Support'. This affected the achievement of objectives of these components. Government contended that execution of civil works were necessary for achievement of objective of these three components. This contention was not tenable as Project Report did not envisage execution of civil works under these components and not all divisions executed civil works under these components.

3.3.21 It was seen that the hydrological data necessary for planning watershed management was not available (except in a few isolated cases). The estimates for construction of check dams were prepared on the basis of assumptions. In the absence of basic design parameters, correct selection of site and techno-economic consideration of the structures and effect on the down stream irrigation system could not be ascertained. During field inspection, the PCCF observed (September 2000) that water harvesting was not very effective.

Maintenance

Casualties not replaced.

3.3.22 The Project provided 20 *per cent* of the unit cost of planting operations in degraded forests for maintenance during the first year and ten *per cent* for subsequent two years. Maintenance work included replacement of the casualties and execution of micro soil conservation works. The model estimates prepared by the COFs provide for replacement of casualties upto ten *per cent* during the first year (permission of COF necessary for replacement in excess of ten *per cent*) and only soil works during second and third year. The savings were to be utilised for executing civil works. Consequently, casualties were not replaced at regular intervals and the Department took up consolidation of plantation raised during 1997-99 at a cost of Rs 3.53 crore during 2002-03. Test-check revealed that out of the total casualty of 28.76 lakh plants, only 4.38 lakh plants were replaced in 72 villages. Thus, poor maintenance resulted in non-increase of density of forest to the extent envisaged in the Project.

Survival of plantation

Poor survival rate.

3.3.23 Test-check in 17 divisions revealed that in 359 plantations covering 28,474 ha on which expenditure of Rs 9.20 crore was incurred, the survival rate was below 60 *per cent*, which resulted in a loss of Rs 5.22 crore. Government stated (December 2003) that the survival percentage for all the divisions ranged between 63 and 73 and attributed the casualties to drought, competition from other vegetation and domination by certain species. These contentions are not tenable as (i) the survival percentage reported by PCCF to Government was not worked out from the basic records maintained by the divisions, (ii) the Project contemplated execution of sufficient civil works and maintenance for three years including replacement and (iii) the divisions should have ensured enough space between the seedlings and existing trees and proper selection of species. As such, the poor survival was mainly due to non-execution of civil works to the prescribed level and non-replacement of casualties. The better survival percentage in earlier schemes indicated that the execution of works, which were not contemplated in the Project, had no impact on the plantations.

Buffer zone activities

3.3.24 To wean the villagers and forest dependents away from the forest and to provide other avenues for improving their living conditions, the Project provided funds for Buffer zone activities of which 70 *per cent* was earmarked for income generation activities and 30 *per cent* for community development. Under income generation activities, each village was to be provided Rs six lakh for releasing loan to the members of VFCs. The amount recovered from the beneficiaries was to be credited to the Village Forest Development Fund (VFDF). After closure of the Project, this fund would form a revolving fund, to be utilised for maintenance, protection and improvement of the forest area and extending assistance to forest dependents. During 1997-2002, the Department spent Rs 44.28 crore under this component. Audit scrutiny revealed the following:

Funds meant for income generation activities were used for community development works.

3.3.25 Test-check disclosed that 15 divisions diverted Rs 1.21 crore provided for income generation activities, to community development works. Consequently, the revenue to the VFDF had been reduced and the mobilisation of funds to that extent would be reduced after closure of the Project.

3.3.26 Twelve divisions treated a part of the loan as subsidy (Rs 99.22 lakh) based on the instructions of PCCF (July 1999) and 17 divisions supplied agricultural implements free of cost (Rs 46.67 lakh). Treating loan as subsidy and free supplies, which were not contemplated in the Project, would deprive funds to VFDF for future intended purposes.

Poor recovery of loan paid to members of Village Forest Council.

3.3.27 Out of Rs 25.59 crore disbursed to 68992 beneficiaries during the period 1997-2002, Rs 14.05 crore remained to be recovered as of March 2003. The pendency was more than 50 *per cent* of the loan released in each year from 1997-98. The non-recovery of the outstanding loan would reduce the sustainability of VFDF after closure of the Project.

3.3.28 The Department had not formulated any marketing strategy for the products manufactured by the VFC members.

3.3.29 Government stated that the diversion of funds meant for income generation activities was made on request from VFCs and this would not affect the VFDF as the revolving fund would generate financial flow. Government also stated that subsidies and free supplies were made to weaker sections, recovery of loan was affected due to poverty and drought conditions, the major activity of dairying did not require any marketing arrangement and efforts were made by the Department to offer marketing tie up for other products. The contentions of Government were not tenable as (a) diversion of funds earmarked for providing loan to the members of VFCs for other activities would reduce the financial flow of VFDF (b) specific components to benefit weaker sections were contemplated in the Project, (c) PCCF had not issued specific guidelines regarding the operation of VFDF, resulting in poor recovery and (d) in the absence of proper marketing strategy, the members of VFDF were forced to sell the products locally.

Joint Forest Management

Ineffective Joint Forest Management.

3.3.30 The Project envisaged involvement of VFC's in planning and execution of works, protection, harvesting and benefit sharing with focus on degraded forest. Test- check of VFC records disclosed the following:

3.3.31 Loan Register, Recovery Register and Receipt Books were not maintained properly by the Rangers, who are responsible for them. The DFO, SF Division, Tiruchirappalli released Rs 1.81 lakh to the President of Veeramalaipalayam, VFC instead of to the Ranger for disbursement of loan to the beneficiaries and the President had not rendered the accounts (March 2003). Besides, Presidents of two VFCs misappropriated Rs 1.28 lakh from the recoveries.

3.3.32 The VFC meetings, which were to be held at least once in three months, were not held for years together. The Executive Committees (EC), which were to meet at least once in a month, did not meet periodically in many villages. This shows poor participation of the VFC members on JFM activities.

3.3.33 The annual membership fee of Rs two (Re one from SC/ST), a revenue to the VFDF, was not recovered in 109 test-checked villages.

3.3.34 It was noticed that VFCs formed under IFFP from 1996 to 1998 were not functioning after closure of the project. In view of this, sustainability of the VFCs formed under this Project and also afforestation work to be carried out by them after closure of the Project are doubtful.

3.3.35 Government stated that (i) the VFC Presidents maintained financial records in stray cases as the villages were located in remote areas (ii) VFC meetings could not be conducted as prescribed due to local conditions and the villagers were new to organised institutional set up (iii) steps were being taken to collect the annual membership fee and (iv) the VFCs under this project were registered bodies and would be sustainable. Thus, it was agreed by Government that the functioning of VFCs required improvement. Further, mere registration of VFCs would not ensure its sustainability.

Incentive for local tree cultivation

No arrangement was made for marketing the seedlings raised by private landowners.

3.3.36 To encourage tree planting in private lands, the Project proposed giving incentives to private landowners for raising seedlings for sale. The Department paid incentives of Rs 3.44 crore for raising 2.47 crore seedlings but had not ensured whether the seedlings raised were actually marketed and planted. PCCF admitted (February 2001) that marketing of the seedlings was not tied up, as a result of which their disposal was difficult. He also admitted that this component did not measure up to the desired expectation in a number of villages. As massive afforestation works were taken up by Forest Department under the Project, seedlings raised by the villagers under this component could have been procured by the Department and used for planting, which would not only motivate the villagers, but also involve them actively in JFM activities.

Generation of Local Employment

Planting operations and civil works were carried out by engaging contractors instead of local people.

3.3.37 Though only local people are to be engaged in Project works, test-check revealed that three divisions (Tiruchirappalli, SF, Tiruchirappalli and Vellore) had carried out the entire work of planting operations and civil works by engaging contractors on tender system. In most of the other divisions, civil works were carried out through petty contractors. PCCF stated (September 2003) that only local people were employed by the contractors. The fact, however, remains that the local people would be affected by employment of middlemen.

Extension and Interpretation Centres

3.3.38 To take up massive afforestation and to motivate the people to grow more trees, the Department established 15 Extension and Interpretation Centres. Buildings were constructed at a cost of Rs 1.68 crore during 2000-2002, and 15 publicity vans procured for Rs 50.82 lakh during 1997-2000. Besides, Rs 56.57 lakh were spent on purchase of audiovisual equipment during 1998-2002. But due to the ban on recruitment, two posts of Rangers and 21 Foresters, sought for by COF in January 2002, had not been sanctioned and the posts of ten operators and seven drivers sanctioned by Government in February 1998 were also not filled up (March 2003). Government accepted the non-appointment of technical staff due to general ban on recruitment but contended that the centres established in 2000-01 were effectively functioning utilising the services of existing staff, locally available technical persons and drivers on daily wages. The fact, however, remained that the centres were established belatedly and were not provided with the required staff to effectively utilise the infrastructure created.

Remote Sensing and Geographical Information System

3.3.39 To enhance the capability of the Tamil Nadu Forest Department, the Project contemplated establishment of Geographic Information System (GIS). Remote Sensing and GIS equipment, scheduled to be procured during 1997-98, were purchased (Rs 1.03 crore) and installed in PCCF office only in July 2001 due to delay in appointment of selection committee for selection of hardware and software. However, the staff required for GIS Cell was employed from 1998-99. The delay in selection and procurement of equipment for GIS Cell delayed the benefit of advanced technology. Department stated that the delay in purchase of equipment was due to non-finalisation of agency for consultancy work and in the meantime the staff were given training and preparation for using the equipment were undertaken.

Other points of interest

3.3.40 The Department incurred additional expenditure on the following works by not following the prescribed procedure.

3.3.41 Tamil Nadu Building Practice provides for finishing the joints of Random Rubbles while executing masonry works to arrest any leakages. Test-check showed that three divisions made separate payment for 'pointing' the surface to arrest the leakages in addition to finishing the joints resulting in avoidable expenditure of Rs 14.28 lakh.

3.3.42 The work of construction of rough stone dry packing/gully plugging, was carried out by collecting rough stone from the reserve forest.

The works were executed by engaging petty contractors and the payments were made also for the stones. This resulted in an overpayment of Rs 58.01 lakh in three divisions. Government assured to examine the matter and recover the cost from the officials.

3.3.43 According to the orders of Finance Department cement should be procured from open market by floating tenders from 1998-99. It was noticed that the DFOs had purchased cement from Tamil Nadu Cement Corporation Limited (TANCEM) at prices ranging from Rs 2700 to Rs 3160 per metric tonne (MT) without inviting tenders. A comparative analysis of the price of cement purchased by Tamil Nadu Water Supply and Drainage Board during the same period disclosed that the purchase price of cement from various manufacturers including TANCEM for supply to various districts ranged from Rs 2358 to Rs 3020 per MT. Failure of the DFOs to purchase cement by floating tenders after consolidating the requirements, resulted in extra expenditure of Rs 26.52 lakh on purchase of 5858.61 MT of cement by 21 divisions during the year 1998-99. In reply, the Government contended that purchase through tender would be a time consuming process and would affect the progress of work. This contention was not tenable as the tender process could be initiated well in advance.

3.3.44 Based on the instructions of PCCF (November 2000), poultry manure was applied while planting the seedlings and during maintenance period from 2000-01 onwards. In 11 test-checked divisions, 3283 tonnes of poultry manure was applied at a cost of Rs 66.53 lakh by following petty contract system and directly by the divisions. Purchases were made without following tender system. Government contended that there were no large suppliers for adopting centralised tender system and manure was purchased locally. This contention was not acceptable since the divisions utilised nearly 220 tonnes per annum which could not be procured locally as poultry farms were concentrated only in certain districts; further, the micro plans did not indicate existence of any poultry farms in the Project villages.

Evaluation

3.3.45 The independent agency for mid-term evaluation of the Project suggested (September 2000) by Bank was not appointed as of April 2003. PCCF stated that the internal evaluation in 80 randomly selected JFM areas pertaining to the years 1997-2001 showed that there was an increase in tree cover by 60 *per cent* and tree species by 15 *per cent*, soil erosion was prevented, overall survival of saplings planted was 85 *per cent*, water table levels increased in the villages, area under cultivation had increased, household below poverty line had reduced by 35 *per cent* and dependency on forest was eliminated. Test-check by Audit, however, indicated that there were shortfall in plantation and execution of civil works, survival of planted saplings was poor and villagers continued to be poor and could not repay loans. Government claimed that the Report of Forest Survey of India (FSI), 2001 disclosed increase of tree cover by 4.42 lakh hectares between 1997 and 2001 and increase in dense forest (over 40 *per cent* crown density) was 3802 square kilometre and attributed the increases to the successful implementation of the Project. However, in fact only gap plantation and not new areas were covered under the Project and FSI report specifically mentioned that the increase in forest cover was mainly due to adoption of digital technique which identified forest cover not included in earlier reports and inclusion of coconut, coffee and tea estates in the latest report. The report also stated that comparison of the results of the latest survey with earlier reports would not be valid.

HEALTH AND FAMILY WELFARE DEPARTMENT

3.4 Implementation of the Drugs and Cosmetics Act, 1940

Highlights

The Drugs and Cosmetics Act, 1940 (Act) is a Central Act and is applicable to the whole of India. This Act alongwith the other associated Acts and the rules made thereunder regulate the manufacture, sale, import, export and clinical research of drugs and cosmetics in India. While the parameters of control are devised by the Central Government, these are required to be actually implemented by the State Government. Dereliction occurs in the implementation of regulatory parameters especially in the areas of licensing, approval, monitoring, prosecution, inspection and recall of substandard/ spurious drugs.

A review of the implementation of the Act revealed that the important legislation has failed due to deficiencies in administrative arrangements, inadequacies in subordinate legislations, lack of deterrent punishments for offenders, lack of control in the grant and renewal of licences of manufacturing/selling units, huge shortfall in collection of samples, delay in testing the samples collected, non-withdrawal of drugs not of standard quality in time from the market and shortfall in inspection of manufacturing/selling units. In sum, lack of administrative will to discharge the statutory obligations resulted in non-enforcement of the Act in letter and spirit.

- There was lack of deterrent punishment for offences under the Act and there was no coordination among various departments for effectively enforcing the Act.

(Paragraphs 3.4.11 and 3.4.20)

- Only 84 posts of Drug Inspectors were sanctioned against the eligible 368 posts; Government failed to augment manpower availing World Bank assistance.

(Paragraph 3.4.22)

- Absence of a proper system for the grant and renewal of licences to the manufacturing/sales units led to irregularities.

(Paragraphs 3.4.25 to 3.4.35)

- Huge shortfalls in lifting samples from manufacturing/sales premises for test indicated the department's failure to ensure availability of standard quality drugs to the public.

(Paragraphs 3.4.36 to 3.4.42)

- Due to shortfalls in inspection of manufacturing/sales units by Drug Inspectors, cent *per cent* potency and purity of the drugs manufactured and sold could not be ensured.

(Paragraphs 3.4.43 to 3.4.46)

- Out of 7679 samples tested in Government Drug Testing Laboratory during 2000-2003, test reports were delayed for over one year in respect of 1884 samples; 1911 samples were pending to be tested in the laboratory as of June 2003.

(Paragraph 3.4.50)

- Due to delayed test reports, substandard drugs were sold and consumed.

(Paragraphs 3.4.58 to 3.4.63)

- The mobile squad at Madurai did not function during November 1999 to March 2002 since there was no vehicle and no notified Drug Inspector.

(Paragraphs 3.4.65 to 3.4.67)

- Non-notification/delays in notification of Drug Inspectors resulted in an infructous expenditure of Rs 52.95 lakh.

(Paragraphs 3.4.14 and 3.4.72)

Introduction

3.4.1 Government of India (GOI) promulgated the Drugs and Cosmetics Act, 1940 (the Act) and framed Drugs and Cosmetics Rules, 1945 (the Rules) to ensure manufacture, sale and distribution of drugs and cosmetics of prescribed standard and quality. The Act also applies to patent or proprietary medicines relating to Ayurveda and other systems of medicine and to cosmetics. At present, the following Acts and Rules made thereunder apart from the Drugs and Cosmetics Act, 1940 govern the dispensation, manufacture, sale, import, export and clinical research of drugs and cosmetics in India : The Pharmacy Act, 1948; The Drugs and Magic Remedies (Objectionable Advertisement) Act, 1954; The Narcotic Drugs and Psychotropic Substances Act, 1985; The Medicinal and Toilet Preparations (Excise Duties) Act, 1956; The Drugs (Prices Control) Order, 1995 (Under the Essential Commodities Act). But the main Act continues to be the 'The Drugs and Cosmetics Act, 1940'.

3.4.2 Main features of the Drugs and Cosmetics Act, 1940 were (i) Regulatory measures to ensure standards of Drugs and Cosmetics, Diagnostics and Devices; (ii) Monitoring of quality of drugs and medicines imported, manufactured, distributed and sold to public; (iii) Punitive measures for dereliction of provisions of the Act; and (iv) Regulation of clinical research and publication of Indian Pharmacopocia.

Scope of Statutory Functions

3.4.3 This is a Central Act and is applicable to the whole of India. The main functions of Central Government are (a) laying down standards of drugs, cosmetics, diagnostics and devices, (b) laying down regulatory measures, amendments to Acts and Rules, (c) to regulate market authorisation of new drugs, clinical research in India, and standards of imported drugs, (d) to approve licences to manufacture certain categories of drugs as Central

Licence Approving Authority i.e. for Blood Banks, Large Volume Parenterals and Vaccines and Sera, (e) work relating to the Drugs Technical Advisory Board and Drugs Consultative Committee, (f) testing of drugs by Central Drugs Laboratories and (g) publication of Indian Pharmacopoeia, etc.

3.4.4 The main functions of the State Government are (a) licensing of drug manufacturing and sales establishments, (b) licensing of drug testing laboratories, (c) approval of drug formulations for manufacture, (d) monitoring of quality of Drugs and Cosmetics, manufactured by respective state units and those marketed in the State, (e) investigation and prosecution in respect of contravention of legal provisions, (f) administrative actions to regulate the standards of imported drugs, (g) pre- and post-licensing inspection and (h) recall of sub-standard drugs.

Scope of Audit

3.4.5 From the above it is clear that while parameters of control are devised by the Central Government, these are required to be actually implemented by the State Government, excepting areas of standard setting for imported drugs, regulations of clinical research and market authorisation of new drugs. It is in the implementation of the regulatory parameters that dereliction occurs, particularly in the areas of licensing, approval, monitoring, prosecution, inspection and recall of sub standard/spurious drugs.

3.4.6 Audit examination of the implementation of the Drugs and Cosmetics Act, 1940, adopts these areas of possible dereliction as critical indicators for the level of implementation.

3.4.7 A review of the implementation of the Act and Rules was conducted[1] during October 2002 to December 2002. Records relating to the period 1997-2003 were reviewed in general and the important points noticed are discussed in the succeeding paragraphs.

Implementation Arrangement

3.4.8 Director of Drug Control (DDC) is the controlling and licensing authority for drug manufacturing units in the State. The State is divided into 13 zones, each headed by an Assistant Director of Drugs Control (ADDC), who is the authority for grant and renewal of sale-licences in his zone. DDC is assisted by one Joint Director and three Deputy Directors and one ADDC (Administration) in Headquarters. There is a Legal *cum* Intelligence Wing headed by one of the Deputy Directors, with one Legal Adviser.

3.4.9 One Mobile Squad headed by an ADDC is functioning from Madurai. There is one Drug Testing Laboratory (DTL) headed by a Government Analyst (GA) at Chennai for testing the samples of drugs and cosmetics. The Biological Control Wing (BCW) of the King Institute,

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[1] Test-check of records of (i) Health and Family Welfare Department (Secretariat) (ii) Office of Director of Drug Control; four selected zones (Zone III and IV of Chennai Region, Coimbatore and Madurai) Mobile squad, Madurai, Drug Testing Laboratory and Biological Control Wing at Chennai.

Chennai was entrusted with testing and reporting on samples of Schedule "C" and "C(1)" drugs.

Standing of the law

Adequacy of subordinate legislations

3.4.10 DDC's powers have not been defined in the Act. DDC was the administrative head entrusted with the responsibility of enforcing the Act and rules as well as the Drugs (Prices control) Order. He was to ensure availability of standard and safe drugs and cosmetics at fair prices. The DDC drew his authority from the Central Act/ Rules. No rules have been framed nor any code compiled laying down the mode of enforcing the Act. Deficiencies in the implementation of the Act as discussed in succeeding paragraphs lead to the conclusion that most of the provisions of the Act remained largely unenforced.

Relationship with other laws

Lack of deterrent punishments and absence of co-ordination among various departments.

3.4.11 A list of some of the important allied Acts to the Drugs and Cosmetics Act with their objectives is given in Appendix XXIII. Despite all the enactments, dispensation of drugs under all systems of medicine by unqualified persons has not been made a cognisable offence with deterrent punishments. The Drugs and Magic Remedies Act prohibits only the advertisements which lure the lay public claiming cure of various diseases, but does not curb quackery.

3.4.12 The DDC informed Audit (October 2002) that there was no coordination with other departments, no police help was provided and there was no interaction with Airport, Seaport, Customs, Central Excise and Vigilance authorities in Tamil Nadu.

Analysis of major caveats

3.4.13 The post of Drug Inspector (DI) is very important for enforcing the Act and he is vested with statutory powers for inspection, sampling and initiating prosecution.

3.4.14 GOI amended Rule 49 of the Act in October 1993, prescribing a degree in Pharmacy or Pharmaceutical Science or Medicine with specialisation in Clinical Pharmacology or Microbiology as qualification for appointment as DIs. State Government appointed eight Junior Analysts (JAs) with B.Sc. qualification as DIs (December 1998), relaxing the educational qualification prescribed. Though seven officers joined between December 1998 and April 1999, the Government could not notify them under the Act due to various legal cases filed against the appointments. The Tamil Nadu Administrative Tribunal held (August 2003) that the appointment of the JAs as DIs was not valid and set aside the relaxation of qualification as it was against public interest. Because of non-notification, these DIs could not discharge their statutory functions. Rupees 36.17 lakh incurred on salaries of these seven DIs thus became infructuous.

3.4.15 All India Association of Private Medical Practitioners, Chennai (a Registered Society) filed a petition in the High Court of Madras to issue a writ of Mandamus to Government of Tamil Nadu (GTN) to issue necessary certificates (complying with the circular issued by GOI in June 1998) enabling its members to continue practice in modern medicine. The members were practising in modern medicine for more than 15 years though they have not secured any degree or diploma prescribed by any University for qualifying as a registered medical practitioner. The High Court held (November 2002) that it was not open to GOI to supplement the provisions of the Act and Rules by executive orders which has the effect of nullifying or modifying the statutory provisions and dismissed the petition. Thus, it was evident that unqualified persons were dispensing drugs in the State till November 2002.

Statistics of prosecution vis-à-vis cases filed

3.4.16 Details of cases filed for violation of the Act during 1997-2002 were as follows. This includes 12 cases filed under Drugs and Magic Remedies Act (DMR Act).

Year	Prosecutions		Acquittal		Penalty imposed		Under trial	
	D	C	D	C	D	C	D	C
1997-1998	136	2	6	-	105	2	25	-
1998-1999	112	4	2	-	92	4	18	-
1999-2000	108	-	1	-	69	-	38	-
2000-2001	104	2	1	-	74	2	29	-
2001-2002	65	1	1	-	39	1	25	-
Total	**525**	**9**	**11**	**-**	**379**	**9**	**135**	**-**

D: Drugs **C: Cosmetics**

Yearwise analysis and nature of offence committed are detailed in Appendix XXIV. 220 cases related to dispensing medicine without a pharmacist or without maintaining a prescription register. Out of 388 cases in which penalty was imposed, only three offenders were imprisoned upto one year and in 359 cases the punishment imposed was fine together with imprisonment till the rising of court. In one case, the DDC sanctioned prosecution (September 2001) under Sections 3(3) and 3(d) read with Sections 12 and 13 of the DMR Act for objectionable indication on the label ; but the case was not filed in court by the DI, Vellore Range II in time and it became barred by time limitation.

Infirmities in the Act/Rules for prosecution

3.4.17 Under the Drugs (Prices control) Order, it has to be ensured that the drugs are sold at the prescribed prices, and availability of the drugs monitored. According to paragraph 21 of the Drugs (Prices control) order, any gazetted officer (of State/Central Government) authorised by a general or special order of GTN, may, for implementation of the provisions of the order, enter, search and seize drugs. However audit observed that GTN issued orders only in December 2002 (after seven years) authorising certain officers under paragraph 21.

3.4.18 The Act and Rules provide for tests by Government analyst, with the objective of standardisation of drugs. Medicines of allopathy system, after testing by Government Analyst (GA) are required to be certified as 'standard' or 'not of standard' (form 13) under the Act. However, in Tamil Nadu for medicines of Indian system the GA gives only 'no opinion' report after analysis of Ayurveda, Siddha, Unani and Homeopathy medicines; but the samples are classified by the analyst as 'standard drugs' based on the 'no opinion' report. Thus, practically there is no standardisation of drugs of these systems of medicine.

Inadequacy of powers of Drug control authorities as enforcing agencies

3.4.19 The DDC has administrative powers but no magisterial powers. Except for cancellation of licenses and suspending the manufacture of drugs in case of any offence, no punitive powers vest with him. Absence of any provision in the Act/Rules prescribing scientifically evolved time schedules for testing samples has resulted in most of the test results not being available in time to withdraw substandard drugs from the market.

3.4.20 The Mashelkar Committee set up by GOI in 2002 recommended through an interim report on allopathic drugs, that all offences under the Legislation be made cognisable and non-bailable irrespective of the gravity of the offence and setting up a National Drug Control Organisation. GOI plans to bring legislation in this regard.

Enforcement

Deficiencies in implementation arrangements

3.4.21 Under section 22 of the Act, the Drug Inspectors (DIs) are empowered to (i) inspect any premises wherein any drug or cosmetic is being manufactured or sold or stocked or offered for sale or distributed, (ii) draw samples of the drugs/cosmetics, (iii) enter and search places where an offence under the Act, has been, or is being committed, (iv) examine any record/ document etc., found in the premises of search and (v) require any person to produce any record/document relating to manufacture/sale/distribution of drugs/cosmetics.

Huge shortage of Drug Inspectors due to non-observance of prescribed staffing pattern.

3.4.22 The Task Force appointed by GOI (June 1982) for examining the adequacy of drug control set up in the States and measures to strengthen it, had recommended (October 1982) a norm of one DI for every 25 manufacturing units and one DI for 100 sale premises. The above recommendation was also accepted by GOI. With reference to the above norms, Tamil Nadu would require 368 DIs to cover 1128 manufacturing units and 32,345 sales premises in the State as on 31 March 2002. However, the sanctioned strength of DIs was only 84 (of which 74 were only operational) leaving a shortfall of 284 posts (77 *per cent)*. This led to gross inadequacy in discharge of the statutory functions like inspection, sampling, searching premises, etc.

Government failed to augment manpower availing World Bank assistance.

3.4.23 GOI proposed (September 1996) a project for strengthening of enforcement staff and augmentation of analytical testing facilities with cent *per cent* assistance from World Bank for the cost of staff recruited, for five years. GOI required (September 1996) commitment from the State Government for bearing the recurring cost from the sixth year. GOI's proposal included (November 1998) provision of 145 additional posts for the State (89 DIs, nine Supervisory and 47 other staff). The expenditure on these additional staff was to be met out of the earnings generated through upward revision of licensing fees, after the project period was over. However GTN finally decided (February 2002) not to implement the project, due to the prevailing financial position.

3.4.24 GTN decided not to implement the scheme, despite the fact that number of DIs available in the State was grossly inadequate. As a result various statutory functions entrusted to them regarding testing of drugs and inspection of the concerned premises could not be performed adequately.

Survey and Licencing procedures

3.4.25 Any person engaged in manufacture, sale or stocking of drugs is required to obtain a licence on payment of prescribed fees. The licence issued by Drug Control Department was valid upto 31 December of the succeeding year. From August 2001, GOI revised the validity period of the licence to five years from the date of issue in respect of Allopathy, Homeopathy and cosmetics.

Improper system for watching granting/ renewal of licences.

3.4.26 DDC grants and renews licences in respect of manufacturing units in the State and the ADDC in respect of selling units in his zone. However, Audit observed that DDC did not maintain any record containing information of licencees under his control. There was no systematic watch over their periodical renewal and the DDC could not say whether all the functioning units had valid licences. Besides, DDC had no complete record of events (such as change in constitution, premises or in name style and renewal of licences) pertaining to each unit.

3.4.27 The ADDCs of the sample zones also had not maintained any detailed record of licences issued. Though a register containing the details of applications received and renewals issued was maintained, there was no system to watch whether all the sales premises under their control had renewed their licences. Total number of manufacturers/sales outlets reported to the Legislature through the policy note differed widely from the annual reports sent to Government of India as detailed below:

(Figures in Numbers)

Year	Manufacturers in the State		Licences issued to manufacturers		Sales outlets		Licences issued to sales outlets	
	As per policy note	As per annual reports	Fresh	Renewal	As per the policy note	As per the annual reports	Fresh	Renewal
1997-1998	2908	2035	167	571	26673	29363	2493	9723
1998-1999	3037	1482	223	535	28746	31851	2781	8213
1999-2000	1657	1277	229	658	31207	31275	3102	11630
2000-2001	1881	2300	180	559	33157	31665	3023	11462
2001-2002	2057	1128	173	588	33354	32345	3140	11745

Huge fluctuations in the reported number of manufacturers in successive years showed that neither the DDC nor the Government had accurate data. The renewal of licenses of manufacturers/sales outlets, which should be nearly 50 *per cent* during 1997-2000 (considering the validity of two years for licenses), actually was in the range of 17 to 40 *per cent* in respect of manufacturers and 29 to 37 *per cent* in respect of sales outlets. Thus it is evident that there was no proper system to verify whether all the units renewed their licences. Government stated (November 2003) that six computer systems with requisite software for updating the manufacturing licences were since installed and the particulars were being updated. The variations between the policy note and annual reports were attributed to different cut-off dates adopted for compiling the reports. However, the wide fluctuations in successive years were not explained by Government.

3.4.28 Also the ADDCs did not have a complete list of manufacturers as licenced by DDC and operating in their jurisdiction. Therefore, ADDC could not ascertain whether any unit is functioning without a licence. Government stated (November 2003) that necessary instructions were issued to all the ADDCs to maintain master records of sale licences issued as well as for manufacturers operating under each ADDC, as licenced by DDC.

Irregularities in issue of the licences.

3.4.29 According to proviso to Rule 63 of Drugs and Cosmetics Rules, if the application for renewal of licence in force was made before its expiry/within six months of its expiry, after payment of additional fee, the licence shall continue to be in force until orders are passed on the application. The licence shall be deemed to have expired if application for its renewal was not made within six months after its expiry

3.4.30 A test-check of 345 renewals in three zones[2] revealed that the licencing authorities entertained applications beyond the prescribed period of six months and renewed the licence in 15 cases after periods ranging between 202 and 309 days.

3.4.31 As per the conditions of licence, the licensee shall inform the Licencing Authority in writing, in the event of any change in the constitution of the firm and in such cases, the licence in force would be deemed to be valid for a maximum period of three months from the date on which the change took place, unless in the mean time, a fresh licence was taken from the licensing authority.

3.4.32 During test-check of records in four selected zones[3], irregularities were noticed in 13 cases in that the change was intimated to the ADDC much after three months and yet the licence was issued by him. Concerned DIs did not inspect the premises before issue of such licences.

3.4.33 Perusal of renewal documents and connected records in Coimbatore Zonal Office revealed that the renewal papers were not forwarded to the concerned DIs for verification and all the sales premises were not inspected. Inspection of premises was done without collecting/obtaining the papers submitted by the licensees for renewal; the authenticity of the information given by the licensees was therefore not verified.

3.4.34 Test-check of records of 198 cases of renewals revealed that (i) in none of the cases documents filed by licensees along with renewal application were forwarded to DIs for verification, (ii) only 108 cases were inspected by the DIs of which 29 cases were inspected before the renewal was due (iii) 90 cases were renewed without inspection; of these, in 31 cases, the DIs had simply given a certificate on the renewal documents indicating that there was no change in premises/ constitution/registered pharmacist.

3.4.35 Hence, the licensing authority had failed to satisfy itself about the conditions stated in Rule 64 of Drugs and Cosmetic Rules regarding the adequacy of infrastructure and qualified person-in-charge, before the renewal was effected. Government stated (November 2003) that if any manufacturing activity continued after the expiry date, necessary legal action would be initiated and that minor contraventions which are either due to ignorance or are unintended should not be recommended for prosecution. Also to avoid delay, the licences were renewed without inspection, in view of the shortage of DIs and in view of the declaration that there was no change in constitution. Thus the licences were renewed without satisfying the provisions of Rule 64 in such cases.

Adequacy of sampling and inspection

Shortfall in collection and testing of samples due to inadequate staff.

3.4.36 No scientific method of sampling with reference to number of manufacturing/ selling units/quantity of medicines produced has been evolved by the DDC.

3.4.37 DIs were required to draw seven samples (including cosmetics) per month upto April 2000, which was reduced to four samples per month from May 2000 without assigning any reasons. While the DIs drew samples from wholesale/retail units and hospitals, senior DIs were required to draw samples only from the manufacturing units. At the instance of Audit, the

[2] Coimbatore, Madurai and Zone IV at Chennai.

[3] Coimbatore, Madurai and Zone III and IV of Chennai.

number of samples per month was increased again to seven for DIs and five for Senior DIs from January 2003.

3.4.38 The number of manufacturing units (Allopathy and Cosmetics) was 1,128 during 2001-02 as per the annual report of DDC. As the Senior DIs were only permitted to draw samples from the manufacturing units, the number of samples that could be drawn by the ten Senior DIs available was only 480 per year. At the rate of one sample per manufacturing unit, less than 50 *per cent* of existing manufacturing units would be covered in a year through sampling, indicating inadequate manpower.

3.4.39 The number of sales outlets in the State was 31,665 in 2000-01 and 32,345 in 2001-02. The total number of samples that could be drawn annually by the existing 74 DIs would only be 3552 and at this rate it would require about nine years to take one sample from all the existing 32,345 sales outlets. Thus, the number of DIs was grossly inadequate. The reduction in the quantum of samples to be drawn from seven per month to four from May 2000 was ill conceived, further worsening the sampling scenario.

3.4.40 The actual number of samples (including cosmetics) drawn by the DIs was less than even this inadequate target, with shortfall ranging between 27 and 36 *per cent* during the period 1997-2002 as given in Appendix XXV (a). Further, no samples were drawn for a continuous period of more than a year and upto 68 months during April 1997 to November 2002 in 11 ranges, as given in Appendix XXV (b).

3.4.41 Department attributed the shortfall in drawal of samples mainly to delay in notifying the DIs, vacant posts, and non-notification of DIs due to legal problems. The reply was not acceptable as targets were fixed considering the available manpower only and the shortfall was due to the fact that the Department failed to notify a DI immediately after transferring him to a particular range. Government stated (November 2003) that scientific method of sampling has since been evolved by DDC, but gave no details.

3.4.42 By not drawing samples for test, the Department had failed to discharge its statutory obligations and the social objective of ensuring availability of standard quality drugs to public was not achieved.

Shortfall in conducting inspections.

3.4.43 As per Rules 52 and 51 of the Drugs and Cosmetics Rules, it shall be the duty of an Inspector authorised to inspect, not less than twice a year (once a year since September 2001), all premises licenced for manufacture/sale of drugs within the area allotted to him. While the inspection of manufacturing premises was entrusted to the Senior DI, the inspection of sales outlets was assigned to DIs.

3.4.44 The number of inspections carried out in the manufacturing/sales premises during 1997-2002 as per the annual reports sent to GOI/State Government along with the number of manufacturing/sales premises existing in the State and break-up details of inspections carried out by Senior DIs/DIs are given in Appendix XXVI (a). This revealed the following.

3.4.45 Manufacturing/sales premises were not inspected twice a year as required under the rules. Though the number of inspections to be conducted was reduced to one per year from September 2001, the department had not maintained any records to ensure that all the available units were covered by inspection every year.

3.4.46 A target of 60 inspections per month was prescribed by DDC for each Senior DI/DI. Even this target was not adhered to (Appendix XXVI (b)).

Working of Drug Testing Laboratories

3.4.47 Section 23 (clause (i) of subsection 4) of the Act stipulates that the samples drawn, for test or analysis, should be sent to the Government Analyst immediately on drawal. However, no time limit was fixed for testing the samples received.

3.4.48 Out of 7229 samples and 935 samples sent to DTL and BCW during April 2000 to March 2003, delays were noticed in sending samples for analysis as follows:

Delays in sending samples for testing.

Period of delay	Number of samples	
	sent to DTL	sent to BCW
15 days to 30 days	257	118
31 days to 60 days	98	10
61 days to 120 days	24	4
More than 120 days	21	-
	400	**132**

The reasons for the delays, though called for (December 2002) are yet to be made available to Audit (March 2003).

Testing arrangements for schedule C drugs kept unutilised

3.4.49 A Deputy Government analyst of DTL, a science graduate, was directed (January 1993) to undergo training in testing of schedule C drugs[4] in BCW and after completing two years of training was promoted to the only post of GA (DTL). Though notification was issued (November 1996) to report on all drugs including schedule C drugs, the GA was not allowed by DDC to report on schedule C drugs due to non-completion of statutorily required training of three years. Thus instruments acquired at a cost of Rs 3.19 lakh for DTL were not put to use; the Pharmacology Lab room, Kymograph recording room, Pyrogen testing room, undue toxicity testing room, etc., set apart for biological wing in the DTL were unutilised.

Testing of samples

Delays in testing samples.

3.4.50 During 2000-03, DTL received 9001 samples, of which 7082 samples were statutory samples drawn by the DIs. There were delays in testing the samples and in reporting, as given below.

Period of delay	Number of samples		
	2000-2001	2001-2002	2002-2003
Upto 3 months	401	404	685+682*
More than 3 and upto 6 months	175	242	253+483*
More than 6 and upto 12 months	311	973	440+661*
More than 12 and upto 18 months	543	626	36+85*
More than 18 and upto 24 months	608	28	Nil
More than 24 months	43	Nil	Nil
	2081	**2273**	**1414+1911**
Total number of samples			**7679**

* Pending as on 18 June 2003

4 Schedule 'C' drugs: Biological and Special products such as Sera, solution of serum proteins intended for injection, toxins, antigens etc.

3.4.51 Results of testing are tabulated below:

Sl. No.	Drawn during	Tested samples		NSQ samples of drugs and cosmetics (out of column (4)) manufactured	
		Number	Found to be not of standard quality	in the State	outside State
1	2000-2001	2081	167	80	87
2	2001-2002	2273	174	91	83
3	2002-2003	1414	95	48	47

3.4.52 In respect of 18 samples Not of Standard Quality (NSQ) the test reports were issued just one to two months before the date of expiry of drugs, allowing little time for withdrawal of drugs.

3.4.53 As of June 2003, 1911 samples[5] were lying untested with DTL. GA, DTL attributed the delay mainly to dearth of staff and diversion of Analysts as DIs.

3.4.54 BCW received 1660 samples during the period 1997-2003 for testing. Time taken for testing and reporting on the samples was as below:

Time taken for testing and reporting	Number of samples
Upto 3 months	425
More than 3 months but upto 6 months	561
More than 6 months but upto 12 months	467
More than 12 months but upto 18 months	71
More than 18 months	6
Total	**1530**

3.4.55 The delay was more than three months for about 71 *per cent* of the samples received. The BCW stated (May 2003) that the delay in reporting was mainly due to time taken for sterility, biological and chemical tests.

3.4.56 A proposal suggesting time limit for various tests was called for (January 2002) by Government but the DDC is yet to respond. Government needs to take urgent steps to curtail such delays.

3.4.57 Delay in testing of drug samples by DTL and BCW would eventually result in not ascertaining the quality of drugs before its expiry date. Therefore, NSQ drugs would be distributed and consumed by the public. Such inordinate delays in testing samples defeat the objective of preventing sub-standard and spurious drugs being sold in the market. Government stated (November 2003) that the delay in testing samples in DTL was mainly due to manpower shortage. Further the delay in testing in both DTL and BCW was due to time taken for providing solvents, chemicals, reference/working standards, animals of particular age group and of particular species etc.

Follow-up action on samples of drugs not of standard quality

Delayed reporting about the quality of drugs.

3.4.58 When a sample is found to be NSQ, action has to be initiated to withdraw the entire batch of the drugs. The authorities concerned are to be informed, if the drugs were manufactured outside the State.

3.4.59 The number of samples found to be NSQ during the period 1997-2003 was as given below:

[5] 85 samples for more than 12 months, 661 samples for more than six months, 483 samples for more than three months and 682 samples for less than three months

Year	Samples tested			Number of samples NSQ			Percentage to sample tested (statutory)
	Statutory[6]	Non-statutory[7]	Total	Statutory	Non-statutory	Total	
1997-1998	4793	21	4814	284	3	287	6
1998-1999	3706	97	3803	274	38	312	7
1999-2000	2044	954	2998	129	145	274	6
2000-2001	3081	746	3827	269	246	515	9
2001-2002	3212	778	3990	178	165	343	6
2002-2003*	3711	330	4041	269	82	351	7

* Figures compiled by Audit, as the Annual report is yet to be compiled by the Department

3.4.60 Though 96 samples tested were found to be NSQ, test reports were issued just one or two months before the date of expiry of the drugs, allowing little time to withdraw such NSQ drugs from the market.

3.4.61 In respect of 79 samples tested which were NSQ during 2000-03, the samples were drawn after a lapse of more than a year from the date of manufacture. In such cases it is likely that the drugs from the lot would have been consumed. The late testing of samples in the above cases was futile.

3.4.62 A detailed review of 93 cases of NSQ samples (46 samples of Tamil Nadu and 47 samples of other States) revealed that (i) of the 46 samples of the drugs manufactured in the State, warning was issued in 16 cases, show cause memo issued in three cases, licence was suspended in 24 cases and licence cancelled in three cases; (ii) in 38 out of 47 drugs manufactured outside the State, reference to the Drug control authorities of the concerned States was issued after the date of expiry of drugs; and (iii) similarly in respect of 81 samples out of the 93, no stock of drugs was available in the market to withdraw after testing. Of these 81 samples, time taken for testing 69 samples ranged from three months to 26 months. This indicated that the entire quantity of those NSQ drugs was consumed by the public, defeating the very purpose of testing.

3.4.63 DDC stated that delay in testing samples was mainly due to paucity of staff. Government accepted (November 2003) that the procedure adopted took a long time. The fact remains that due to such delays, the consumption of NSQ drugs could not be prevented. The department did not have any mechanism to verify whether the NSQ drugs were withdrawn from the market/hospitals in time.

Establishment of Intelligence-cum-legal cells

3.4.64 Functions of Intelligence Unit were (i) organising raids to unearth illegal activities involving manufacture/sale of drugs; (ii) organising joint inspection of licenced premises; (iii) investigation of any complaint; (iv) processing of cases for prosecution and (v) drawal of non-target sample. Details of number of complaints received and number of cases investigated during 1997-2001 are given in Appendix XXVII.

Unfruitful utilisation of Mobile squad at Madurai.

3.4.65 With a view to investigate complaints referred by the Directorate and conduct surprise raids, a mobile squad at Madurai was created in September 1993. The mobile squad had 17 districts under its jurisdiction.

3.4.66 The mobile squad was utilising a vehicle from March 1994 to November 1999. Consequent to premature condemnation of the vehicle, the mobile squad had no vehicle since December 1999 for its activities till date

6 Samples drawn by the DIs under section 23 of the Act.

7 Samples from other sources like Director of Public Health, Tamil Nadu Medical Services Corporation; referred by NGOs, Courts, etc., under section 26 of the Act.

(December 2002). A meagre number of 16 complaints were only received by the mobile squad during the three years *April* 1997 - March 2000 and all of them had been investigated and disposed of. No complaints were reported to have been received by it during April 2000 to December 2002

3.4.67 In the absence of notified DIs, no samples were drawn by the squad during April 1997 to September 1998 and November 1998 to January 2002. Of the meagre 55 samples collected by the mobile squad (upto December 2002), 31 were found to be of standard quality and five were of NSQ; result of 19 samples was awaited. No samples were drawn from January 2003 due to posting of unnotified DIs. A mobile squad without vehicle and adequate manpower revealed absence of concerted efforts to enforce the Act. Government stated (November 2003) that steps were being taken to provide a vehicle and post a notified DI.

3.4.68 The only post of Legal Adviser was vacant since December 1999. The DDC stated (August 2003) that the Department was facing difficulties in prosecution of cases, appeals and other legal matters without a legal adviser. Proposal for filling the post was pending with Government as of August 2003.

Training

3.4.69 Out of the existing 74 DIs (including ten Senior DIs), only 16 had been given training during the period 1997 to 2003. No regular training programme was organised for upgradation of skills of the DIs.

Financial arrangement

3.4.70 Government accounts reflected the following receipts and expenditure in respect of the department during 1997-2003:

(Rupees in lakh)

Year	Receipts	Expenditure under			Total	Percentage of Non-plan to total expenditure
		Non-Plan	Plan	Centrally sponsored		
1997-1998	17.54	269.80	85.88	-	355.68	76
1998-1999	21.09	359.90	40.22	-	400.12	90
1999-2000	27.52	384.30	55.10	-	439.40	87
2000-2001	39.91	384.59	42.88	-	427.47	90
2001-2002	515.93	380.18	41.92	29.99	452.09	84
2002-2003	584.36	411.10*	--	(-) 9.49**	401.61	100

* During 2002-2003 all expenditure was classified under non-plan by GTN.

** Expenditure during 2002-03: Rs 4.69 lakh less abatement due to unutilised amount of Rs 14.18 lakh remitted back during the year.

3.4.71 Consequent to revision of licensing fees from August 2001 and revision of the validity period of licence from two years to five years in respect of a majority of the drugs (except for Siddha, Ayurveda and Unani drugs), the receipts during 2001-2002 recorded a manifold increase.

Delayed notifications of Drug Inspectors.

3.4.72 DIs could perform their statutory duties only after they were notified. Delays in notifying the DIs at the time of their initial appointment or during their transfer from one range to another were noticed in nine cases in the sample zones covered by audit. As a result Rs 16.78 lakh incurred on pay and allowances of such DIs during the period before they were notified was unfruitful. Government accepted (November 2003) that the DIs could not carry out mandatory duties for want of notification in respect of 27 out of 74 DIs.

Central assistance lying unutilised for over 18 months.

3.4.73 GOI released Rs 30 lakh in October 2000 to GTN for 'augmentation of drug testing facilities' for purchase of five earmarked equipments. GTN released the amount only in November 2001. As the amount was insufficient DDC proposed (January 2002) purchase of only three items. Even out of this, only two equipments were purchased at a cost of Rs 15.81 lakh due to lack of funds. Thus, even after two years since the release of Rs 30 lakh as Central assistance, only Rs 15.81 lakh was utilised. The drug testing facilities were yet to be augmented to the extent anticipated.

Monitoring

3.4.74 The lacunae discussed in preceding paragraphs regarding inadequate control over renewal of licenses, irregularities in issuing licenses, poor sampling and inspections clearly indicate gross systemic failure.

3.4.75 As provided in the Act, a licensee has to maintain in his premises an inspection book in the prescribed form (Form 35) to enable the DI to make his notings of defects noticed, a copy of which has to be sent to ADDC/ DDC for further follow-up. From January 1997 to February 2003, printed books were not available with the department and hence not distributed to the licensees, indicating laxity in monitoring and follow-up of inspection of licensees' premises.

3.4.76 Records did not indicate any action initiated by DDC for coordinating with other departments as well as other State authorities for effectively checking spurious/ fake drugs.

3.4.77 Records produced to Audit did not indicate any action by DDC for compiling cases of important judgements and issuing appropriate instructions to DIs for preventing recurrence of offences.

3.4.78 The above points were referred to Government in May 2003; Government accepted (November 2003) generally all the audit observations on shortfall in issue of licences, sampling and inspection and delay in testing samples and in decisions for withdrawal of drugs of sub-standard quality.

Recommendations

3.4.79 The following measures are recommended for the proper compliance of various sections of Drugs and Cosmetics Act and Rules.

3.4.80 (a) Surprise spot checking in manufacturing/sales units; (b) Random sampling at pharmacies. (c) Random samples of reputed brands in order to detect duplication, (d) Measures to ascertain that the units are manufacturing only those medicines for which they are licensed and they are not indulging in any unethical practices; (e) The practice of regular picking up of random samples of the products by the manufacturers themselves for testing; (f) Awareness among public for making complaints regarding spurious drugs to the Police and (g) Formation of a separate wing for the purpose of identifying unscrupulous operators and punishing them severely.

3.5 National AIDS Control Programme

Highlights

The programme for prevention and control of Acquired Immuno Deficiency Syndrome is a cent per cent Centrally sponsored scheme implemented in the State since 1992-93. The first phase of the National AIDS Control Project was implemented during September 1992 to March 1999 and the second phase is being implemented since November 1999. The main focus was on priority targeted intervention for groups at high risk, preventive intervention for the general community and low cost AIDS care.

Incidence of the HIV infection was very high in the State and the number of AIDS cases is increasing. Despite incurring huge expenditure on the main components of blood safety measures and standardisation of blood banks, no proper evaluation was done to streamline the system. The sentinel surveillance conducted in the State revealed that the high risk groups of Sexually Transmitted Diseases (STD) clinic attendees and Intravenous Drug Users (IVDU) continued to be vulnerable with higher percentage of HIV prevalence; funds available for targeted interventions among high risk groups were only partly utilised and so several HIV cases remained undetected. The coverage of population under Family Health Awareness Campaigns was low. Poor attendance in Voluntary Testing and Counselling Centres revealed that the message had not reached the public. The above deficiencies must be viewed from the angle that people carrying AIDS could spread the infection to others resulting in more number of AIDS cases.

- **Out of 31336 AIDS cases reported in the country upto December 2001, 16677 cases (53 *per cent*) were from Tamil Nadu, indicating that the spread of infection was substantial in the State.**

(Paragraph 3.5.11)

- **The expenditure on targeted interventions among high risk groups ranged between 54.9 and 72.2 *per cent* of the approved outlay during 1998-2001. Also the number of targeted interventions was less than planned. Key indicators relating to the Non-Government organisations were not compiled in order to evaluate their performance.**

(Paragraphs 3.5.16 and 3.5.17)

- **Only 3.5 to 3.9 *per cent* of the targeted population attended the Family Health Awareness Campaigns conducted for early detection and treatment of STD/Reproductive Tract Infection.**

(Paragraph 3.5.35)

- **86 to 87 *per cent* of the Voluntary Counselling and Testing Centres had attendance below 50 patients per day during 2000-2003. Equipment had not been supplied to 25 centres, resulting in their poor functioning. Although a large number of health care workers were trained in counselling on HIV/AIDS, no counselling was done in Sexually Transmitted Infection clinics.**

(Paragraphs 3.5.42 to 3.5.45)

- **Sentinel Surveillance revealed that the prevalence of HIV positive cases among the high risk group of STD clinic attendees has increased from 7.7 *per cent* in 1996 to 13.70 in 2002. HIV positive cases among Intravenous Drug Users group was 24.6 to 33.8 *per cent* needing more targeted interventions.**

(Paragraph 3.5.53)

- **Training of nurses and field workers in Primary Health Centres and Doctors, Nurses and Field Health workers in Medical college hospitals was not adequate. 72 *per cent* of existing Doctors were untrained in Chennai Corporation area, whereas none of the para medical staff was trained till date (March 2003).**

(Paragraph 3.5.54)

- **Utilisation certificates for Rs 5.22 crore had not been received by the State Society as of March 2003.**

(Paragraph 3.5.69)

Introduction

3.5.1 Acquired Immuno Deficiency Syndrome (AIDS) is a fatal disease caused by a virus called Human Immuno Deficiency Virus (HIV), which is transmitted through sexual contact, sharing blood contaminated needles and syringes, multiple blood transfusion of infected persons and transmission from infected mother to child before, during or shortly after birth. There is no effective drug for treatment of this disease or vaccine for protection against HIV infection. The most advanced stage of HIV infection when the patients contract variety of opportunistic infections like TB due to destruction of the immune system of the infected persons is known as AIDS. The 2001 estimate for the HIV/AIDS infected adult population in the country stood at 3.97 million. As per the present scenario published by National Aids Control Organisation (NACO), the cumulative number of AIDS cases in India, upto September 2002 was 40708 (Males: 30643 and Females: 10065). In Tamil Nadu 25779 AIDS cases have been reported as of December 2002.

3.5.2 For containing AIDS in the country, Government of India (GOI) approved National AIDS Control Project (NACP) with assistance from the World Bank. The first phase of the project was implemented during September 1992 to September 1997 as a cent *per cent* Centrally Sponsored Scheme and was later extended upto 31 March 1999.

3.5.3 National AIDS Control Programme – Phase II (NACP-II) was launched by GOI in November 1999. The objectives of the programme are grouped into five sub-components (a) priority targeted intervention for groups at high risk; (b) preventive intervention for the general community; (c) low cost AIDS care; (d) institutional strengthening and (e) intersectoral collaboration.

Organisational set up

3.5.4 The Programme is implemented through the National AIDS Control Organisation (formed during 1992) at the National level and Tamil Nadu State AIDS Control Society (TNSACS) (formed during 1995) at the State Level. Secretary, Health and Family Welfare (H&FW) Department is the President of the Governing Body and the Executive Council of the State Society while Project Director of the Society is the Member Secretary.

3.5.5 The various programmes for prevention and control of HIV/AIDS are implemented by TNSACS directly and through the Directorate of Medical and Rural Health Services (DMRHS), Directorate of Medical Education (DME), Directorate of Public Health and Preventive Medicine (DPHPM) and District Collectors. TNSACS released funds to the officers/institutions directly or through the respective Directorates. Consumables for blood banks and drugs for STD clinics are purchased by TNSACS through Tamil Nadu Medical Services Corporation (TNMSC). Funds to Non-Governmental Organisations (NGO) were released directly by TNSACS.

3.5.6 In Chennai there was a separate society registered (August 1998) as Chennai Corporation AIDS Prevention and Control Society (CAPACS). The Commissioner, Corporation of Chennai is the President of the Society and the Deputy Commissioner (Health) is the Project Director who implements the programme.

Audit coverage

3.5.7 A review of the project appeared in the Report of the Comptroller and Auditor General of India – Government of Tamil Nadu (Civil) – 1995-96 (Para 6.8); Public Accounts Committee (PAC) of the State discussed the Report in December 2000; its recommendations are awaited.

3.5.8 During the current review, records relating to the implementation of NACP for the period 1998-2003 were generally reviewed during December 2002 to April 2003 in H&FW Department in the Secretariat, TNSACS, CAPACS and Directorates[1]. The records of District officers *viz.*, Joint Director of Health Services and Deputy Director of Health Services in five sample districts (Kancheepuram, Namakkal, Madurai, Tiruchirappalli and Salem) and in Chennai Corporation were also reviewed.

Prevalence of HIV/AIDS

3.5.9 There is no mandatory testing of a person for HIV/AIDS. To assess the magnitude of HIV infection in the community, there is a system of Sentinel Surveillance in selected sites, usually the hospitals, whereby the blood samples of high risk and low risk groups of population attending the sites are collected and analysed. AIDS cases are reported by Government Hospitals where patients with HIV and opportunistic infections come for treatment.

3.5.10 Tamil Nadu was classified into Group I along with other States like Maharashtra, Karnataka, Andhra Pradesh, Manipur and Nagaland where HIV infection had crossed one *per cent* or more in antenatal women.

3.5.11 The following statistical details compiled by NACO in respect of AIDS cases in the country and in Tamil Nadu as on December 1999-2001 reveal that the spread of infection was substantial in the State.

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1 Directorates of Medical Education, Medical and Rural Health Services, Public Health and Preventive Medicine and Drugs control.

Number of AIDS cases is on increasing trend in the State.

As on	All India	Tamil Nadu	Percentage
31.12.1999	9966	4354	44
31.12.2000	17997	8979	50
31.12.2001	31336	16677	53

Government stated (November 2003) that special action to deal with HIV infection, by establishing community care centres and drop-in centres in high prevalence districts was being taken.

Performance under various components/activities

Priority targeted intervention for groups at high risk

3.5.12 The project aims to reduce the spread of HIV in groups at high risk[2] by identifying target populations and providing peer counselling, condom promotion, treatment of Sexually Transmitted Infection (STI) and client programmes. This component is implemented through NGOs. Rupees 7.19 crore were sanctioned during 1998-2002 to 183 NGOs for 254 programmes. The details regarding physical and financial achievement on the targeted interventions made during 1998-2003 are furnished in Appendix XXVIII.

The following remarks are offered in this connection.

Release of funds to NGOs was not based on the number of AIDS cases prevalent in the district.

3.5.13 A comparison of district-wise release of funds to NGOs under this component *vis-à-vis* the number of cases revealed that in Salem District with second largest number of AIDS cases reported (1098), only Rs 16.25 lakh were released to five NGOs during the period 1998-2002. However in four other districts[3] more funds were sanctioned despite less number of reported AIDS cases.

3.5.14 Government stated (November 2003) that reported AIDS cases are not a correct indicator for launching targeted interventions. Targeted interventions are launched in places where there is a high concentration of high risk groups. It is the contention of Audit that high prevalence district ought to be high risk district requiring targeted intervention.

Ineligible NGO was sanctioned with two projects.

3.5.15 As per guidelines of NACO, only those NGOs which had been registered for a minimum period of three years have to be considered for projects. However, one NGO (Health First, Chennai), registered in May 1999 was sanctioned two projects by TNSACS under this component in July 1999 (cost Rs 7.50 lakh) and in January 2001 (cost Rs 7.50 lakh). The second project was sanctioned despite NACO directing (May 2000) that the approval be withdrawn. Government stated (November 2003) that TNSACS sanctioned the projects to the NGO only after the approval of the Executive Committee (EC). It is however reiterated by Audit that the sanction was contrary to NACO instructions.

[2] Commercial Sex Workers (CSW), Truck Drivers (TD), Intravenous Drug Users (IVDU), Industrial Workers, Migrant workers, Slum Population and Men having Sex with Men (MSM).

[3] Coimbatore, Kanyakumari, Thanjavur and Tirunelveli

Utilisation of funds for targeted interventions ranged only between 54.9 and 72.2 *per cent* during 1998-2001. Planned number of targeted interventions were not conducted for certain high risk groups.

3.5.16 The utilisation of funds for "Targeted Interventions through NGOs" as compared to the approved outlay for the component, ranged only between 54.9 and 72.2 *per cent* during the period 1998-2001. This was in spite of the fact that the total funds available with TNSACS were more than the approved outlay. The planned number of targeted inventions were not conducted for commercial sex workers during 1999-2003, truck drivers during 1999-2000 and 2001-2003, MSM during 1998-2003. For IVDUs, against 30 targeted interventions proposed during 1998-2003, only one was conducted. The poor performance under this important component would defeat the very purpose of the programme. The results of the targeted interventions already conducted disclosed increase in the prevalence of HIV infection among such high risk groups. Government in reply (November 2003) stated that NACO has fixed cost per intervention as between Rs 6.04 lakh and Rs 12.08 lakh whereas cost per NGO as fixed by TNSACS was very low and ranged between Rs 1.50 lakh and Rs five lakh. It is observed that the discrepancy under this vital component needed to be addressed for taking suitable remedial action for improving the performance.

Non-evaluation of the performance of NGOs due to non-compilation of key indicators by TNSACS.

3.5.17 Certain key indicators under demonstration, condom distribution, out-reach activities, health education, Information, Education and Communication (IEC) activities were incorporated by TNSACS in the agreements with NGOs. However, TNSACS had not made any efforts to compile these key indicators, so as to evaluate the performance of these NGOs till December 2002. TNSACS began the compilation of these key indicators only from January 2003.

No studies were conducted for assessing the effectiveness of NGOs role.

3.5.18 There was no study on the effectiveness of role of the NGOs till 2001-2002. Behavioural Surveillance Survey-Rural Round II conducted in February-June 2002 by an agency stated that NGO's role regarding creating awareness on HIV/AIDS was poor with only four *per cent* of the respondents mentioning that their source of information on HIV/AIDS was NGOs.

No target fixed for targeted intervention by CAPACS.

3.5.19 No targets were fixed by CAPACS for conducting the targeted intervention programme among high-risk groups, although the Metropolitan Urban area was prone to easy spread of infection.

Condom promotion

3.5.20 85 *per cent* of HIV infection is transmitted through sexual route. Condoms play a vital role in preventing the spread of HIV and other sexually transmitted diseases. The specific goals of condom promotion are to improve accessibility and availability of condoms at affordable cost to the community.

3.5.21 Condoms are distributed by GOI for the programme under two categories. Under free distribution, condoms are supplied by GOI at 100 *per cent* subsidy for distribution to the needy, through dispensaries, hospitals, PHCs and Health Sub Centres, Government clinics, NGOs etc. Under social marketing, condoms are provided by GOI at highly subsidised price through the designated social marketing organisations.

3.5.22 Details of condoms distributed in the State during 1998-2003 under the two modes are as given below:

(Number in lakh)

Mode	TNSACS					CAPACS	
	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2001-2002	2002-2003
Free distribution	35.71	24.73	10.08	15.54	8.28	0.46	4.82
Social Marketing	-	-	10.08	23.80	1.61	Nil	1.09
	35.71	**24.73**	**20.16**	**39.34**	**9.89**	**0.46**	**5.91**

Decrease in condom distribution.

3.5.23 There was a sharp decrease in condom distribution by TNSACS during 2002-03. Although TNSACS was to purchase the entire requirement of condoms directly from the manufacturers from April 2002, no procurement was made as of July 2003 due to delay in following the purchase procedures prescribed by NACO.

3.5.24 No condoms were distributed through CAPACS upto March 2001. Even subsequently the distribution of condoms was very poor. Finance Manager, CAPACS stated (April 2003) that a tender for 15 lakh condoms had been floated in March 2003.

STD clinics

3.5.25 As Sexually Transmitted Diseases (STD) increase the chances of HIV infection, STD control occupies a major role in the programme strategy. The risk of becoming HIV infected after a single sexual exposure is increased 10-30 fold in the presence of genital ulcer.

Various kinds of STD diseases are increasing.

3.5.26 Details of various STD cases treated in STD clinics during 1999-2001 indicated that STD cases are on the increase from 42063 to 66694 during 1999-2001. The number of cases with genital ulcer has increased[4] substantially, which is likely to eventually lead to more number of HIV cases. Government stated (November 2003) that action was being taken by TNSACS to strengthen and monitor the STD clinics.

Non-release of funds of Rs 11.12 lakh intended for STD clinics by TNSACS.

3.5.27 TNSACS released (December 1999) Rs 12 lakh to DMRHS for civil works for setting up five new STD clinics in the newly created district headquarters hospitals. The civil works were completed during November 2000 to September 2001. NACO had also approved Rs 11.12 lakh towards appointment of counsellors, furniture and equipment, etc. TNSACS had not released the amount to DMRHS. However, Government stated (November 2003) that the STD clinics have been set up and functioning.

Preventive Intervention for General Community

IEC and awareness campaigns

3.5.28 This component includes activities of conducting campaigns through media and various platforms and organising family health awareness campaigns on a regular basis to generate awareness and provide service delivery for control of Sexually Transmitted Infection (STI) and Reproductive Tract Infection (RTI). Expenditure totalling Rs 15.66 crore was incurred on this component during 1998-2003.

3.5.29 Important observations under this component are given in the succeeding paragraphs.

[4] 1999: 3776; 2001: 8042.

Of Rs one crore released in May 2001 without the approval of NACO, for conducting awareness programme in 24 districts, Rs 36.81 lakh only was utilised upto November 2002.

3.5.30 TNSACS had submitted to NACO, a proposal for conducting awareness programmes in 24 districts (low and moderate risk districts) at a cost of Rs one crore during 2001-2002. Even though the action plan approved by NACO for 2001-2002 did not include this programme, TNSACS released (May 2001) Rs one crore to the District Collectors of 24 districts.

3.5.31 TNSACS gave instructions (August and September 2001) to the district Collectors to utilise the amount for various purposes *viz.*, conduct of blood donation day, setting up Voluntary Counselling and Testing Centres (VCTCs) and conduct of World AIDS day. Only Rs 36.81 lakh[5] were utilised and the balance amount of Rs 63.19 lakh was lying unutilised with various District Collectors as of November 2002. TNSACS clarified (November 2002) that the balance funds could be utilised towards activities like repainting of worn-out wall paintings in PHCs, Government Hospitals, Block Development Offices, Municipalities etc. The diversion of the funds was made without the approval of NACO, and was therefore irregular.

3.5.32 Government in reply (November 2003) stated that funds were released from IEC head and since the diversion was within the component, NACO's prior approval did not arise. However, it is pointed out by Audit that NACO while approving action plan clearly stated that no change in the allocation among different components shall be made except with the approval of NACO. As NACO allotted funds activity wise under each component based on priorities, it is the contention of Audit that approval of NACO would be required for taking up a different activity.

Family Health Awareness Campaign

3.5.33 Family Health Awareness campaign (FHAC) is an effort to address some of the key issues related to reproductive health in the community, especially in rural areas. It is a strategy through which target population is sensitised towards the problems and efforts are made for early detection and treatment of STD/RTI by full involvement of the community.

3.5.34 The campaign was conducted in three rounds during 1999-2002. The number of persons who attended all the three rounds of the campaign and received treatment are given in Appendix XXIX.

Following observations are made in this regard.

Population coverage by the campaigns was poor.

3.5.35 The number of persons who attended the three rounds of campaign was only 3.5 to 3.9 *per cent* of the target population. As a result, 96 *per cent* of the population remained unscreened for STD/RTI.

Attendance of females ranged between 4.5 to 6.6 *per cent* while that of males was poor at 1.3 to 1.7 *per cent.*

3.5.36 While 4.5 to 6.6 *per cent* of the targeted female population attended the camps, the attendance of the male population was even poorer at 1.3 to 1.7 *per cent.* Thus despite instructions to make all efforts to involve male health workers/supervisors as well as male workers in other departments and NGOs in these campaigns to motivate men to attend the camps in large numbers, the attendance of males was poor.

3.5.37 Intersectoral coordination at various levels should be strengthened so as to mobilise more people to attend these camps.

[5] Utilised for Blood Safety on Blood Donation Day: Rs 5.95 lakh; Training: Rs 19.86 lakh; World AIDS Day: Rs 11.00 lakh

3.5.38 Government stated (November 2003) that the attendance during 2003 campaign has increased to 10.94 lakh. It is observed by Audit that the increase from 9.23 lakh in 2002 to 10.94 lakh was very marginal compared to the total estimated targeted population.

AIDS Prevention Education Programme in Schools

3.5.39 Its main objective was to create awareness about HIV/AIDS among school students of age group 15-18 by imparting basic knowledge, basic information about blood donation and STD/RTI and to nurture positive and healthy sexual behaviour. The programme, commenced during 1999, was implemented by Directorate of Teacher Education, Research and Training (DTERT).

Even after five years, 80 *per cent* of schools were not covered.

DTERT studies revealed that the awareness of students was low in eight districts.

3.5.40 DTERT selected ten schools in each district consisting of boys and girls in rural/urban areas on random sampling basis. During 1997-2002, about five lakh students in 1662 schools of 29 districts have been covered. An expenditure of Rs 48.14 lakh was incurred on the programme. It is observed that (i) out of 8309 High Schools and Higher Secondary Schools in the State as of March 2002, only 1662 schools (20 *per cent*) were covered during five years. There was no action plan for covering all the schools within a given time frame. Government stated (November 2003) that TNSACS has planned to cover all the Government and Aided Schools next year; and (ii) though the programme has a significant impact on students, an analysis done by DTERT indicated that the awareness of students was low in eight districts, which needed special attention for chalking out programme strategies in future. It was suggested that blood donation camps and poster competitions be conducted in schools.

Voluntary testing and counselling

3.5.41 The activities under this component involve increasing availability of and demand for voluntary testing, especially joint testing of couples, training of grass root level health care workers in HIV/AIDS counselling and providing counselling services through all blood banks and STI clinics. To achieve this purpose, it was envisaged that one Voluntary Counselling and Testing Centre (VCTC) would be established in each district.

Equipment not supplied to 25 VCTCs.

3.5.42 Though NACO's guidelines specifically envisaged provision of one time grant in the form of equipment like Elisa Reader, Micro Pipettes, Centrifugal Machine, Incubator, etc., no such equipment were supplied to 25 VCTCs established in District Headquarters Hospitals, during 1998-2002. In the absence of such equipment, VCTCs could not function effectively.

3.5.43 The number of cases tested positive for HIV at VCTCs was found to have increased substantially during the period 1998-2003 , from 1701 out of 26208 (7 *per cent*) to 13948 out of 56757 (25 *per cent*) cases.

The attendance in VCTCs very poor.

3.5.44 Further, it was observed from the information furnished by TNSACS that the attendance during 2000-2003 in 86 to 87 *per cent* of existing VCTCs was poor (below 50 patients per day) needing immediate steps for increasing the coverage of the population. Poor attendance was attributed (November 2003) by Government to lack of infrastructure facilities such as separate place in the hospital, equipment and staff. Government also stated that effective steps were being taken to improve the functioning of the VCTCs.

Despite availability of huge number of trained health care workers, no counselling was done in STI clinics.

3.5.45 2,56,679 health care workers had been trained in HIV/AIDS counselling. Yet no counselling was done in the STI clinics as of March 2003.

3.5.46 In Chennai Corporation area, no counselling was provided in the 13 STI clinics.

Blood safety

Functioning of blood banks

3.5.47 A well-organised Blood Transfusion Service (BTS) with integrated strategy for Blood Safety is required for elimination of transfusion-transmitted infections.

3.5.48 One hundred and ninety three licenced blood banks[6] were functioning in the State as of 31 March 2003, under Government/private sectors and voluntary organisations, of which 73 were functioning under Government. This included 62 Government blood banks functioning without renewal of licence. Though Director of Drug Control (DDC) stated (June 2003) that the applications were already submitted to Government, specific reasons for the non-renewal of licences have not been made available (June 2003) by him.

3.5.49 Details of blood units collected and the results of testing blood samples in the blood banks in the State during the period 1998-2003 are given in Appendix XXX. The number of HIV positive cases have been continuously increasing during the period 1998-2002.

Low cost AIDS care

3.5.50 Under this component, funds were provided to home-based and community-based care, including increasing the availability of cost-effective interventions for common opportunistic infections, and for establishing small community-based hospitals and drop-in care centres.

Refund of Rs 14.41 lakh given for Pilot care centre at Namakkal without utilisation.

3.5.51 TNSACS released Rs 31 lakh (Civil work: Rs 13 lakh and furniture and medicines: Rs 18 lakh) to DMRHS in November 1999 to establish a pilot care centre at the District Headquarters Hospital at Namakkal. Civil works were completed during 1999-2000 at a cost of Rs 12.96 lakh. DMRHS released Rs 18 lakh in March 2000 to the JDHS, Namakkal. However, JDHS spent only Rs 3.59 lakh and refunded the balance amount of Rs 14.41 lakh to TNSACS instead of utilising it for medicines for the pilot care centre. Government stated (November 2003) that most of the needed furniture had been purchased by JDHS. However, it is observed that the funds were meant for purchase of medicines also. Moreover, the poor utilisation of funds in high -risk district Namakkal indicated laxity in implementation of the project.

STI/HIV/AIDS Sentinel Surveillance

3.5.52 Sentinel surveillance involves collection and testing of samples in selected sites representing various groups. These sites were in medical college hospitals and district headquarters hospitals and surveillance is conducted every year from August to October, generally. The target was to

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[6] Government sector: 73 (including 11 in Chennai Corporation area); Private sector including quasi Government: 120 (including 25 in Chennai Corporation area).

cover 400 Antenatal mothers, 250 STD patients, 250 MSM, 250 TB patients, 250 IVD users in each site every year.

Prevalence of HIV among STD clinic attendees continued to be high.

Higher prevalence of HIV infection among antenatal mothers in Namakkal and Tirunelveli.

HIV positive cases among IVDU group were 24.6 to 33.8 *per cent* needing more targeted intervention.

3.5.53 During 1998-2002, sentinel survey was conducted in 84 sites. It was observed that in eight out of 84 sites, fewer samples were taken for testing as compared to the target fixed in respect of IVD users and STD group. Government attributed (November 2003) the shortfall under IVDU to difficulty in identifying a dependable agency to conduct the survey. The data of HIV positive cases among the various sentinel groups revealed the following (i) STD clinic attendees are very vulnerable as the percentage of HIV positive cases in this group had increased from 7.7 in 1996 to 24.40 in 2000 and 13.7 in 2002. The high increase was due to the newly selected (1999) site at Tiruchirappalli during 2000 which showed the highest prevalence of 48 *per cent*; (ii) Though Antenatal cases (ANC) were considered to be the low risk groups in the community, the sentinel survey revealed an increase in percentage of HIV positive cases from 0.50 in 1996 to 1.4 in 2001 and 1.0 in 2002. This clearly indicated that the infection is spreading. In Namakkal and Tirunelveli, the percentage of HIV positive cases during 1999 was as high as 6.30 and 1.25; these areas need special emphasis and extra efforts; (iii) For arresting this infection, programme of prevention of mother to child transmission of HIV was being implemented in various medical college hospitals and District Headquarters hospitals in the State since January 2000 (phase I) and October 2001 (phase II). As per information compiled by TNSACS from various Government Hospitals, against 144315 antenatal cases the number of women counselled was 100418. Of this, only 67411 (67 *per cent*) women accepted HIV test, and 407 were positive. The counselling activity needs to be intensified; and (iv) Similarly, the sentinel survey conducted among IVDU group in Chennai revealed that the HIV positive cases ranged between 24.6 and 33.8 *per cent*. These groups are vulnerable, due to their risk behaviour, sexually active age and their potential to spread the infection to general population. This high risk group needed to be targeted for intervention.

Training

Percentage of training of nurses in PHCs and Field Health Workers in Medical College Hospitals was very poor.

3.5.54 NACO envisaged imparting training to all medical and para medical staff upto grass root level, besides training of NGOs on various aspects through various agencies. Only an insignificant proportion of nurses in PHCs (2 *per cent*) and Field Health Workers in Medical College hospitals (four *per cent*) were trained upto December 2002. The training of Doctors, Nurses and Field Health Workers needs to be accelerated as seen from the table below:

Category		Sanctioned Strength	Trained upto 12/2002	Percentage yet to be trained
Doctors in Medical College Hospitals (MCHs)		2240	626	72
Nurses (MCHs)		1600	878	45
(PHCs)		11000	202	98
Lab Technician	(PHCs)	650	478	26
Field Health Workers	(MCHs)	2500	89	96
	(DHs)	2000	1430	28
	(PHCs)	3000	1143	62

In Chennai, 72 *per cent* of Doctors and entire para medical staff not given training.

3.5.55 Government stated (November 2003) that every year various categories of staff are being trained within the budget allocation.

3.5.56 In the Chennai Corporation area, 72 *per cent* of 1700 Doctors and the entire para medical staff (1015) were yet to be given training as of March 2003.

Procurement of equipment and other stores

3.5.57 Under NACP II, NACO was responsible for procurement of HIV test kits, equipment and certain drugs. AIDS Control Societies were responsible for civil works, installation of the equipments, procurement of drugs and NGO services for various activities.

3.5.58 TNSACS did not have any information regarding the equipment supplied to blood banks, as the same were supplied by NACO directly to the concerned institutions. Thus, although TNSACS was responsible for monitoring the implementation of the programme in the State, it had no system to ascertain the details of equipment available with various agencies/units and their working condition. Government replied (November 2003) that hospital authorities in districts have been requested to furnish the information at the year end.

Financial Arrangements

Funds received and expenditure incurred by TNSACS

3.5.59 NACO released funds under the programme to TNSACS through State Government till 1997-98 and directly to TNSACS after 1997-98. The budget approved every year by NACO, funds released and expenditure incurred by TNSACS during the period 1998-2003 were given in Appendix XXXI (a). Componentwise expenditure incurred under the programme during the above period is also given in Appendix XXXI (b).

Poor utilisation of programme funds by TNSACS

3.5.60 Although NACO released less funds than the approved outlay, TNSACS had sufficient funds with them taking into account the huge unutilised balances of earlier years. However the expenditure was only in the range of 77 to 89 *per cent* of the approved outlay during 1998-2003 except in 2001-2002, leading to unutilised funds amounting to Rs 3.74 crore as of March 2003.

3.5.61 Government in reply (November 2003) stated that the funds released are for a specific campaign and so funds that could not be utilised in a particular year had to be spent during the subsequent years; also NACO released funds at the fag end of the year.

3.5.62 Audit's contention is that the funds are released for expenditure to be incurred during the particular year for which action plan is approved. Further, as commented above, in spite of the availability of funds at the beginning of each year the utilisation was poor.

Funds received and expenditure incurred by CAPACS

3.5.63 Details of allocation and funds released by NACO to CAPACS during 1998-2003 along with the expenditure incurred are given in Appendix XXXII (a).

3.5.64 Component-wise allocation and expenditure incurred by CAPACS during the above period is also given in Appendix XXXII (b).

Poor utilisation of programme funds by CAPACS.

3.5.65 Funds released by NACO were much less than the outlay approved by it and was in the range of 15 to 80 *per cent* of the allocation during 1999-2003. However the expenditure incurred by CAPACS was poor as compared to the available funds and ranged between 19 and 65 *per cent*. Such poor utilisation of funds hampered the pace of the programme.

No expenditure under certain components by CAPACS during 1999-2002; expenditure under two major components was poor even after 2001.

3.5.66 CAPACS incurred no expenditure during 1999-2002 under the components Blood Safety, Low cost AIDS care, Intersectoral collaboration. The PD, CAPACS stated (April 2003 and August 2003) that the requisite officers and staff were appointed only in June 2001 after the activities within Chennai city limit was transferred from TNSACS to CAPACS during February 2001. However, the expenditure under major components like 'priority targeted intervention' and 'preventive intervention for the general community' was very poor even after June 2001. As a result, Rs 1.44 crore was lying unutilised with CAPACS as of March 2003.

Parking of funds

Programme funds credited to Personal Deposit Account of TNSACS till March 2001 in violation of NACO guidelines.

3.5.67 Consequent to the release of funds directly to TNSACS, NACO issued instructions (August 1998) that a current account should be opened in the name of the state society in any nationalised Bank. However TNSACS opened a current account only in March 2001. Rupees 8.04 lakh being the balance amount in Personal Deposit account was transferred to the current account only in March 2002. TNSACS also kept funds in two savings bank accounts till transfer to Current Account. An amount of Rs 22.01 lakh accrued as interest in the savings bank account during 1998-2002 was retained by TNSACS till date without transfer to NACO contrary to NACO instructions. Government stated (November 2003) that due to administrative reasons current account could not be opened immediately. It further stated that GOI instruction for remitting the interest earned on SB Account was not received. Audit noticed that NACO had instructed (August 2001) the Director of TNSBTC who is also the PD of TNSACS to refund the interest amount already earned on NACO funds released to TNSBTC and kept in Savings Bank Account.

Non - receipt of Utilisation Certificates

Advances to agencies treated as final expenditure.

3.5.68 TNSACS treated all funds released by it to implementing agencies as final expenditure. Audit observed that the unutilised funds amounting to Rs 2.56 crore refunded to TNSACS during 1999-2003 were taken as receipts. The expenditure reported by TNSACS in the earlier years was thus inflated to the extent of such receipts shown in subsequent years. Government replied (November 2003) that from 2003-2004 releases to implementing agencies would be treated as advances.

Utilisation certificates for Rs 5.22 crore not received by TNSACS.

3.5.69 Test-check revealed that utilisation certificates (UCs) have not been received by TNSACS for Rs 5.22 crore as of March 2003 (Appendix XXXIII). While Government stated (November 2003) that UCs from NGOs, DPH, DMRHS and other Medical College Hospitals were received, particulars of receipt of UCs were not furnished to Audit. Government added that reminders are being sent periodically for UCs from the remaining institutions.

3.5.70 Though the closing date of the project for 14 NGOs expired in February and March 2003, the UCs for the grants of Rs 42.37 lakh released to them are yet to be received by CAPACS (May 2003).

3.5.71 Due to non-receipt of UCs, it could not be ensured whether the purposes for which the funds were released to various executing agencies were actually achieved.

Advances given by CAPACS

3.5.72 Out of advances given by CAPACS, Rs 76.57 lakh was pending as of March 2002.

Advances to the tune of Rs 16 lakh were pending from 1999-2000.

3.5.73 Two advances totalling Rs 16 lakh paid to Communicable Diseases Hospital, Tondiarpet towards civil works (Rs ten lakh) and Corporation of Chennai towards India Population Project V (Rs six lakh) during 1999-2000 were pending adjustment. No reasons were given by CAPACS for the non-adjustment of these advances.

Advances given by CAPACS without requirement.

3.5.74 Corporation of Chennai refunded (May 2002 and March 2003) the entire amount of Rs 48.50 lakh received from CAPACS during December 2001, towards AIDS School Education Programme, conducting workshop for employees working in companies and factories, improvements to Central Blood Bank, renovation works in CAPACS building and printing of modules and IEC materials. This showed that the feasibility of its utilisation was not studied before the release of advance. As a result, the intended components were not at all implemented.

Irregular utilisation of NACO funds

In contravention of NACO's directions, Rs 14 lakh was spent by TNSACS towards purchase of refrigerators and A/C machines.

3.5.75 DMRHS addressed (February 1998) the Government in Health and Family Welfare Department to arrange for supply of refrigerators to 32 Blood Banks to enable them to get the licence. Government sought (April 1998) concurrence for this proposal from NACO. TNSACS without waiting for the approval from NACO released Rs 14 lakh to DMRHS towards purchase of 20 refrigerators required for as many blood banks. Subsequently NACO refused sanction. Meanwhile the refrigerators and air conditioners had been purchased by DMRHS at a cost of Rs 14 lakh.

Monitoring and Evaluation

Monitoring

Non-appointment of M & E officer.

3.5.76 As per the guidelines issued by GOI, each AIDS Control Society should have a Monitoring and Evaluation (M & E) officer. Monitoring and evaluation should be conducted by outside agencies at baseline, interim and final years. However, no M & E officer had been appointed in the State. Government stated (November 2003) that the post would be filled up if and when necessity arises.

3.5.77 Government constituted (May 1998) a Technical Sub-committee (TSC) to assist TNSACS on technical matters and settle inter-departmental issues. The Health Secretary to Government is the Chairman of the TSC and the PD, TNSACS is its convener. Though TSC was to meet once in three months or as often as required to discuss the technical aspects of the implementation of the programme, procurement of materials etc., only two meetings were held during July 1998 and June 2000.

3.5.78 Government also reconstituted (July 1996) the District Level AIDS Advisory Committees, with the District Collector as Chairman, JDHS as the member-secretary with various other District Officers and representatives of various organisations. The Committee was required to meet at least once in three months. However, perusal of records revealed that these District

Committees had been activated only after the issue (February 2001) of a Government order. In test-checked districts, the District Committee at Kancheepuram held only six meetings during 2000-2003. The particulars regarding number of meetings held were not furnished by District Collector, Salem.

Evaluation

3.5.79 A complete evaluation of the implementation of NACP Phase I in the State was not conducted either by any agency of State Government or by TNSACS, although such an evaluation was required at three points of time - baseline, interim and final year.

Absence of evaluation of the major component of "Blood Safety".

3.5.80 As a huge expenditure of Rs 6.42 crore was incurred during 1998-2002 (upto March 2002) under the main component of "Blood safety measures and standardisation of blood banks", a proper evaluation of this important component is necessary with a view to streamline the system and overcome the deficiencies.

Findings of Second round Behavioural Surveillance Survey - Rural.

3.5.81 The second round of Behavioural Surveillance Survey (BSS) Rural was planned by TNSACS across the State in 40 villages in 20 Community Development Blocks to obtain information on trends of high-risk behaviour and to assess the impact of the targeted intervention programmes. The survey conducted by a company (February-June 2002) pointed out certain major deficiencies and recommended certain measures as detailed below.

	Deficiency pointed out	Recommendation made
(i)	Awareness about at least two acceptable prevention methods of STD among total number of various target group respondents (6131) ranged only between 43 *per cent* in case of female workers and 84 *per cent* in case of clients of CSW.	Publicity should be increased and more information on various STDs should be made available. The preventive use of condoms for STDs and the symptoms of STDs can be disseminated to the masses through specific STD awareness camps in villages
(ii)	RTI/Urethritis disease symptoms among female workers are high across all the selected zones, as 20 *per cent* among the 2000 female workers covered reported disease symptoms.	Separate medical camps, prevention programmes should be conducted exclusively for females with the participation of numerous Self Help Groups operating in the villages.
(iii)	Though knowledge of condoms as prevention method ranged between 79 and 96 *per cent* among various groups, only 17 to 52 *per cent* reported having used the condoms.	Efforts have to be made in educating the public by emphasising on the risk aspect of sexual behaviour and psychological experts could be consulted in designing publicity materials, posters, pamphlets etc.
(iv)	Very few of the respondents (four *per cent*) had mentioned NGOs as source of information on HIV/AIDS	The operation of the NGOs has to be further streamlined and adequate monitoring needs to be done.
(v)	The awareness level among 200 practitioners of Indigenous system of Medicine surveyed regarding critical issues are much lower – Post exposure prophylaxis (PEP) (12 *per cent*), VCTCs (24 *per cent*), NACO guidelines (39 *per cent*) and opportunistic infection (65 *per cent*).	Specific training camps had to be organised exclusively for them.
(vi)	Out of 600 respondents, 22 *per cent* among allopathic doctors and five *per cent* among indigenous practitioners were not willing to treat HIV/AIDS cases. 35 *per cent* of the doctors who had fear/doubts about contracting HIV/AIDS had actually been trained in handling such cases.	TNSACS should play a decisive role in selecting appropriate doctors, re-examining the training modules and designing the training methodologies.

3.5.82 Government replied (November 2003) that necessary action was being taken on all aspects of the recommendations.

3.5.83 Government reply was received in November 2003, but the points relating to CAPACS have not been covered.

Recommendations

3.5.84 Special camps and prevention programmes should be conducted for early detection and treatment of STD/RTI cases with the full involvement of the community in areas that have high risk groups.

3.5.85 Targeted intervention programmes through NGOs have to be conducted for the high risk groups of commercial sex workers, intravenous drug users, truck drivers, etc.

3.5.86 A study on the effectiveness of the role of NGOs under various components of the programme should be conducted in districts with high prevalence of HIV positive cases. The performance of the NGOs has to be closely monitored to ensure that the grants are utilised fruitfully.

3.5.87 The deficiencies in Blood safety measures and standardisation of blood banks should be removed.

HOME DEPARTMENT

3.6 Prevention and control of fire

Highlights

Fire prevention and related safety measures are an integral part of town planning and construction activity. ***Whenever there is a calamity, fire services are organised as first responder to save life and property.***

A review of the activities of the Fire and Rescue Services Department revealed that the number of fire stations was inadequate compared to prescribed norms. Maximum response time to attend to fire calls was not prescribed. Purchase of fire fighting equipments was not completed even though entire loan amount of Rs three crore was drawn and interest of Rs 34.97 lakh also paid. Further, the department had inadequate manpower at the level of firemen to combat fire. Data on high rise buildings was not available and no action plan to prevent occurrence of major fire accidents was formulated.

- The Department had inadequate manpower particularly at the level of firemen, who combat fire.

(Paragraph 3.6.10)

- Only 777 executive staff out of 5504 in position (14 *per cent*) were provided with rent-free accommodation in 19 out of 28 divisions as of March 2003.

(Paragraph 3.6.11)

- All the fire fighting equipments planned had not been procured as of March 2003, even though the entire loan of Rs three crore was drawn in March 2002 and interest of Rs 34.97 lakh paid upto March 2003.

(Paragraph 3.6.49)

- Rupees 3.92 crore was yet to be realised by Director of Fire and Rescue Services from Tamil Nadu Electricity Board for four fire stations set up inside the premises of four thermal stations.

(Paragraph 3.6.51)

Introduction

3.6.1 The main objectives of the Fire and Rescue Services Department (formerly known as the Fire Services Department) are "rescuing life and property from damage/destruction by fire; assisting Police Department during elections, riots, fairs and festivals and VIP bandobust; and helping the Public Health Department during epidemics." The Department is governed by the provisions of Tamil Nadu Fire Service Act, 1985. It also advises on fire protection measures for high-rise buildings, factories and places of public resort etc. Under Section 13 of the Act, the Government may, by notification, require the owners or occupiers of any premises, which in its opinion are a fire hazard, to take precautions as may be prescribed in such notification. However, no such notification has been issued so far. The yearly average of fire calls attended during 1998-2002 was 16815. During 2003, 14434 fire calls were attended upto October 2003.

3.6.2 The Government constituted a Fire and Rescue Services Commission (FRSC) in November 2002, to examine the conditions of service, duties and responsibilities, modernisation etc. of Tamil Nadu Fire and Rescue Services. Its term was extended for a period of six months from 25 May 2003.

Organisational set up

3.6.3 The Fire and Rescue Services (FRS) Department functions under the control of the Secretary to Government, Home Department in the Secretariat. Director of Fire and Rescue Services (DFRS) is the Head of the Department. He is assisted by four Regional Deputy Directors (DDs) at Chennai, Coimbatore, Madurai and Tiruchirappalli. An Organisational Chart is given in Appendix XXXIV.

Audit Coverage

3.6.4 A review of records relating to the period 1998-2003 was conducted by Audit during October 2002 to April 2003 in Home Department of the Secretariat, offices of the DFRS, DD (North) at Chennai, DD (West) at Coimbatore, six Divisional Offices[1] (DOs) and all the 72 Stations thereunder, State Training Centre and the State Workshop. Records of four other offices[2] connected with FRS activities were also scrutinised and/or information obtained. The important findings of the review are given in the succeeding paragraphs.

Major Fire Accidents

3.6.5 Three major fire accidents occurred in March1997, June 1997 and August 2001. Audit scrutiny revealed that no follow up action was taken at DFRS/ Government level to minimise the recurrence of serious fires although the Divisional Officers' reports on the three serious fire accidents contained some recommendations, as shown in the table below:

[1] Chennai (North), Chennai (South), Coimbatore-Nilgiris, Kancheepuram, Tiruvallur and Villupuram.

[2] Chennai Metropolitan Development Authority, Tamil Nadu Police Housing Corporation, Directorate of Town and Country Planning and Tamil Nadu Uniformed Services Recruitment Board

Particulars	Place of Accident		
	Government sandalwood Depot, Tirupattur	**Thanjavur Big Temple**	**Erwadi, Ramanathapuram district**
Date of Fire	16.03.1997	07.06.1997	06.08.2001
Nature of Loss	Rs 68.2 crore worth sandalwood and other properties	44 persons died and 79 injured	25 mentally ill people kept chained died
Property saved	Rs 2.07 crore	-	-
Action taken	Accident spot inspected (March 2001) by DOs along with officials of Forest Department. Report containing suggestions (Provision of pillar hydrants, sprinklers connected to automatic sensors and proper training to employees to use fire extinguishers) for preventive steps sent (March 2001) to Principal Chief Conservator of Forets.	A five member committee constituted (June 1997) by Government suggested precautionary measures. Based on their report DFRS proposed (May 2001) a bill on Regulation of temporary structures and pandals in Tamil Nadu	A commission of enquiry constituted in August 2001 suggested certain remedial measures.
Follow up action taken at DFRS level	None	The bill on regulation of temporary structures and pandals has not been passed.	None

3.6.6 Details regarding fire calls attended, human lives lost, property lost and property saved between January 1998 and December 2002 in the State as reported to Audit by DFRS are given below:

Item	1998	1999	2000	2001	2002	Total
Fire calls attended	14,758	16,367	16,987	17,697	18,264	84,073
Human lives lost	45	72	47	112	79	355
Property lost (Rs in crore)	87.62	19.45	13.99	15.80	14.11	150.97
Property saved (Rs in crore)	217.40	131.93	157.24	138.00	114.41	758.98

Serious fire calls – no effective follow up

3.6.7 Of the 84,073 fire calls in the State during 1998 to 2002, 875 calls[3] were serious[4]. The number of serious fires in the six sample Divisions was as follows:

Sl. No.	Division	1998	1999	2000	2001	2002
1	Chennai North	11	13	14	9	13
2	Chennai South	5	15	9	7	9
3	Coimbatore-Nilgiris	9	6	17	10	11
4	Kancheepuram	5	6	4	4	5
5	Tiruvallur	11	5	5	6	4
6	Villupuram	9	7	6	16	4
	Total	**50**	**52**	**55**	**52**	**46**

[3] 1998 - 180, 1999 - 174, 2000 - 184, 2001 - 161 and 2002 - 176.
[4] involving loss of property worth over Rs 50,000 or human life.

3.6.8 However, although the DO's reports on the fires contained suggestions for some preventive measures, no follow up action was taken to minimise the recurrence of serious fires.

3.6.9 Review disclosed that the department did not have adequate manpower to combat fire, required number of quarters to accommodate the firemen within or near the fire stations, proper communication facilities or a system to monitor fire preventive/safety measures through periodical inspection, as brought out in the succeeding paragraphs.

The department had inadequate manpower at the lowest but important cadre (fireman) to combat fire.

3.6.10 Recruitment of Firemen is done by Tamil Nadu Uniformed Services Recruitment Board. Based on Government's instructions (November 1999), the Board initiated the recruitment process for 1057 Firemen (vacancies as on 1 November 1999). Eventually only 808 firemen joined as of December 2002. Against the sanctioned strength of 3869 Firemen, 513 (13 *per cent*) were vacant as of March 2003. Thus the Department had inadequate number of firemen, i.e. those who actually combat fire.

Only 14 *per cent* of the executive staff in position have been provided with rent-free accommodation in the station premises.

3.6.11 Standing Fire Advisory Committee (SFAC) recommended provision of rent-free accommodation at the station premises for all executive members, so as to attend to fire calls quickly. As on 31 March 2003 in 19 out of 28 divisions, accommodation had been provided for only 777 persons (14 *per cent*) against 5504 executive staff in position.

3.6.12 In the six sample Divisions, 21 out of 72 fire stations did not have quarters. Quarters attached to three fire stations in Coimbatore division were occupied by staff of other divisions/stations.

Wireless Communication Facility (WCF)

3.6.13 Timely service is essential in fire-fighting and rescue operations. Wireless communication is essential to keep in touch with the officers and staff when out of the station. However, out of 280 fire stations in Tamil Nadu 240 stations did not have even a single WCF.

Communication network not provided in rural areas

3.6.14 With a view to reducing the average response time in rural areas DFRS proposed (February 2001) purchase of static and mobile Very High Frequency (VHF) sets and walkie-talkies for 233 stations, at an estimated cost of Rs 2.06 crore. Government sanctioned (December 2001) Rs 50 lakh, in the first phase, and instructed DFRS to give top-priority to cyclone and flood prone areas in allotment of the sets.

3.6.15 However, the Committee set up for purchase and installation of these sets concluded (October 2002) that the entire project needs re-examination due to the very fast spread of cell phone network. Therefore, the modernisation of communication network was restricted (November 2002) to Chennai city and other important urban centres. Rs 1.55 crore out of General Insurance Corporation (GIC) loan of Rs three crore obtained for purchase of VHF sets was diverted in January 2003 for procuring 15 water lorries. Consequently, the modernisation of communication network to reduce the average response time in rural areas remained unattended.

Response Time

3.6.16 Response Time is the time taken for a fire tender to reach the fire accident spot after receipt of the call. However, 160 out of 280 fire stations did not have free call facility to receive report of the incidence of fire

The minimum and maximum response time as per data furnished to Audit for different categories of fire stations worked out as under.

Category of fire stations	2000		2001	
	Maximum	Minimum	Maximum	Minimum
	Minutes	Minutes	Minutes	Minutes
Chennai city	14	1	9	2
Major cities	11	7	14	4
Town	22	3	24	0
Rural	32	4	285	1

3.6.17 SFAC had suggested the maximum response time of 3, 5 and 20 minutes respectively for "A" (High risk zone), "B" (Medium and low risk zone) and "C" (Rural groups). This classification was not followed in Tamil Nadu. It could be seen that the maximum response time was much more than that recommended by SFAC. The lack of free dial facility to receive the report in most of the fire stations and lack of communication network in rural areas contributed to the delay in response.

3.6.18 In the Citizen's Charter of the Department for 2001-2002, one goal is stated as 'to reach the scene of accident or fire as early as possible and to try to keep the response time within ten minutes and to take all steps needed to achieve this aim'. This has not been achieved so far.

Fire Stations

3.6.19 As per Government of India's SFAC norm of one station per ten sq. kms. in urban areas and one station per 50 sq. kms. in rural areas, the State should have 617 urban and 2478 rural fire stations. The above norms were not accepted due to huge recurring cost involved. In Tamil Nadu Fire stations are classified as Major city (6 Stations), Chennai City (23), Town (59) and Rural (192). There are at present only 88 urban stations and 192 rural stations. Though there are 385 blocks in the State there are only 192 rural fire stations as on 31 March 2003. Only three new stations were sanctioned and set up in five years 1998-2003 (two at Chennai and one at Coimbatore).

Funds allotted by GOI for opening new stations were utilised for construction of new buildings for existing fire stations

3.6.20 Based on Eleventh Finance Commission recommendations, Rs eight crore were allotted by Government of India (GOI) to Tamil Nadu for setting up new fire stations. However, DFRS suggested (August 2000) to Government not to open new stations because of huge recurring cost involved and the existing 280 Stations were adequate.. Hence the State Government ordered (August 2001) that Rs six crore be used for the construction of buildings for 34 out of the 129 fire stations presently in rented buildings and the balance Rs two crore for purchase of body protection equipment. This diversion was made without the approval of GOI. Rupees 4.60 crore have been spent for construction of 33 buildings as on 31 March 2003. Body protection equipments were yet to be procured.

Vehicles/Equipments

3.6.21 The sanctioned number of fire fighting vehicles/ambulances and their running condition as on 31 March 2003 were as under:

(No. of vehicles)

Type	Sanctioned	In running condition	Not in running condition			
			Repairs	CD	RD	Total
Water Tender (WT)	331	305	8	2	16	26
Water Lorry (WL)	36	33			3	3
Foam Tender	11	11				
Crash Tender	2	2				
ERT	5	5				
Hose Laying Tender	1	1				
High rise ladders						
(i) Snorkel	1	1				
(ii) Skylift	2	1	1			1
(iii) TTL	1	1				
Ambulance	80	69	4	4	3	11
Total	**470**	**429**	**13**	**6**	**22**	**41**

ERT – Emergency Rescue Tender; TTL – Turn Table Ladder;
CD – Condemnation due; RD – Replacement due for condemned vehicles

High rise ladders were held in stock only at Chennai (2) and Coimbatore (1). But no such ladders were available in Tiruchirappalli and Madurai although these cities do have high rise buildings.

3.6.22 Water Tenders/Lorries (WT/WL): 29 vehicles out of 367 were not functional as on 31 March 2003. Eight were under repair, 19 vehicles were condemned but not yet replaced and two vehicles were beyond repair but yet to be condemned.

3.6.23 Chennai City: In Chennai North and South Divisions, seven out of 45 WT/WL condemned between 1996 and 2003 were yet to be replaced, and to that extent Chennai city was under-equipped to handle fire accidents.

3.6.24 SFAC recommended that each station should have additional vehicles to the extent of 20 *per cent* of the sanctioned strength of vehicles subject to at least one additional vehicle. However, 59 stations in the six[5] divisions had only one usable WT/WL.

3.6.25 Failure of the single water tender can paralyse a station. During Erwadi Mental Asylum fire accident, (August 2001) Erwadi Station's vehicle was under repair, and the water tender from Ramanathapuram Station had to be deployed, which took 32 minutes to reach the accident spot.

3.6.26 In the other 20 divisions, there were 238 units (WT/WL) in working condition; 17 were not functional for periods ranging from one year to five years.

Prevention of Fire

3.6.27 The Department so far had not compiled the data on the number of high rise buildings, warehouses, railway stations, explosive manufacturing units, factories, workshops, major oil installations etc. so as to formulate an action plan to prevent major fire accidents. Sandalwood depots, customs clearing/forwarding points, postal parcel warehouses etc, having high value assets need fire safety measures. Details of such places were not available either in the Directorate or in the sample divisions, although such data was necessary to ensure that all of them had fire protection measures in place.

[5] Erode, Namakkal, Perambalur, Ramanathapuram, Tiruvallur and Tiruvarur.

General Post Office

3.6.28 After the major fire accident on 23 October 2000 in the General Post Office Chennai, Postmaster General (PMG) requested DFRS for round the clock vigil and fire protection to GPO to prevent recurrence. DFRS directed the DO to re-inspect the Post Office complex and suggest suitable protection measures. The DO gave a review report in November 2000 to PMG, but did not monitor if the fire safety systems were put in place.

3.6.29 PMG also requested DFRS for advice on fire protection for Meenambakkam Airport Sorting Office, Automatic Mail Processing Office, Chennai, and Chennai Sorting Office. DFRS requested (November 2000) DD (North Region) to provide standby arrangements and send a report. Whether any fire protection measures were actually taken was not monitored by the DFRS.

Inspection of Government buildings

3.6.30 Government buildings have records of economic, administrative, legal, social importance and service records of lakh of Government employees. Most of such records have no back up copy, if lost in fire or other mishaps.

3.6.31 FRS personnel inspected 3424 and 4461 Government offices in 1998 and 1999 respectively. Such information for 2000 and 2001 called for by Audit (October 2002) was not furnished (April 2003).

The deficiencies noticed in the six sample Divisions were:

3.6.32 The Divisions did not have accurate/complete data on the location and number of Government buildings in their jurisdiction.

3.6.33 In the register of 'Inspection of Government buildings' maintained in the divisions it was merely indicated "Inspected" by the inspecting officer without any reference to advice rendered. The inspections were therefore only perfunctory.

Inspections

3.6.34 According to order number 250 of Tamil Nadu Fire Services (TNFS) Manual, when applications are received for issue or renewal of licenses, the Fire Officers should inspect the premises and suggest requisite measures to ensure public safety.

3.6.35 The Rules prescribe maintenance of register of licence. However, in none of the sample Divisional Offices was the register maintained in the prescribed format. Details of the nature of fire risk, preventive measures/fire fighting measures provided, post-licence inspections, defects noticed, follow up action taken, renewal of licence etc. were not noted.

No target fixed for inspection by Deputy Directors.

3.6.36 Even though DDs were required to conduct inspection and issue remarks to subordinate officers for follow up action, no target was fixed for such inspections.

Annual inspection of factories not conducted regularly.

3.6.37 Divisional Officer was to obtain a list of factories within his jurisdiction and send the list to the Station Officer in the municipal town for inspection at least once a year. Any defect was to be reported to the licensing authority (Chief Inspector of Factories). Further, DO was to inspect at least once a year factories located in towns without fire stations.

3.6.38 In the six sample divisions the list of factories in each town was not obtained and annual inspections were not conducted regularly. Sample divisions could only furnish the data of total number of licenses issued/renewed, but not the break up in terms of number of factories or number of places storing explosives/petroleum products, films etc.

Chennai South division had not inspected the cinema studios for fire safety.

3.6.39 According to TNFS Manual order number 254, Government have directed that before the district authority grants licence under Rule 33(i) or a 'No objection certificate' under rule 33 of the Cinematograph Film Rules 1948, the authority should consult the Divisional Officer regarding the advisability of locating a film vault at the proposed site. The list in Appendix I of TNFS Rules includes cinema studios, storage places of combustible materials like cinematographic film, ordinary cinema roll films and X-ray films. For decades, Chennai had been a major film production centre with many studios involving use, storage, transportation etc. of the listed items. Chennai South Division has four cinema studios under its jurisdiction as on date, but none of the studios was inspected. DFRS reported to Audit (May 2003), that the matter would be referred to Fire and Rescue Services Commission for scrutiny and taking decision.

3.6.40 Tamil Nadu has 2200 cinema halls, including 103 in Chennai. In August 2000, Government constituted a 7-member multi-departmental local committee for each district to inspect the cinema halls and report to the Licensing Authority (District Collector/Police Commissioner) for taking fire prevention measures. The Committee was required to inspect all the cinema halls at least once a year.

Shortfall in inspections of cinema halls

3.6.41 It was observed that the shortfall in inspections was very alarming and ranged from 14 to 100 *per cent* during 2000-02 in five Divisions. The reasons for shortfall in inspection are not available on record. DOs were not informed of the action taken by the licensing authorities on the inspection notes of the local committee.

3.6.42 The Annual Report of DFRS for 2001 in respect of Cinema Halls submitted to Government listed the following deficiencies with regard to fire safety measures.

3.6.43 (i) The cinema halls' entrances were too small to allow fire service vehicles' entry; (ii) Fire extinguishers were not adequate and re-filled; (iii) Fire buckets were few, not painted, and the word 'Fire" was not written in big size; (iv) Water tank was not filled; (v) Absence of 'No smoking' board inside; (vi) Non-installation/non-maintenance of strap pump; (vii) Emergency exit were not distinctly marked "FIRE EXIT"; (viii) Absence of sand buckets; (ix) Cinemas' doors and ceiling were not painted with fire-retardant paint; (x) Emergency pathways were not maintained properly; in some cinemas, chairs were put up on the pathways; (xi) Separate water tank for fire-fighting was not kept and maintained; (xii) Some cinemas did not have sufficient space on the four sides of the building for movement of fire service vehicles.

3.6.44 Evidently, the licencing authorities had not ensured adequate fire protection measures in the cinema halls in their jurisdiction.

No objection certificates – deficiencies in system

3.6.45 In respect of places and trades mentioned in Appendix XXI of the TNFS Manual and in places where the fire station exists, corporation/municipalities should insist on 'No Objection Certificate' (NOC) from the Fire Officer, before a licence is issued for such trades in such places. They should also consult Fire Officers for renewal of such licences in certain cases as mentioned therein. However, the department did not have the details of units requiring NOC; there was no system to ensure that all such units obtained the NOC.

Fire Service Officers had not launched any prosecution against the offenders.

3.6.46 Even though TNFS Rules provide for lodging a complaint before a court against the offender under section 15, 16, 17 and 19 of the Act, after obtaining sanction for prosecution from DFRS, the fire service officers did not launch any prosecution against the offenders so far. Even the formats in which sanction for prosecution and report to court have to be made were not specified in the rules. No action was taken although this was pointed out by DFRS to Government in February 2001.

Adequacy of fire prevention and safety measures

No annual action plan indicating the target for the year given to any of the existing FPWs.

3.6.47 Only twelve out of the 28 Divisions have Fire Prevention Wings (FPWs) whose main function is to propagate fire prevention methods to rural and urban population so that fire risks are minimised. Audit observed that in two out of four sample divisions which had FPW, there was no annual action plan indicating the target for the year.

Financial Profile

3.6.48 Details of budget grant and expenditure incurred by the Department during 1998-2003 are given below:

(Rupees in crore)

Year	Non-Plan			Plan		
	Final Modified Grant	Actual expenditure	Savings (-)/ Excess (+)	Final Modified Grant	Actual expenditure	Savings (-)/ Excess (+)
1998-1999	48.44	48.19	(-) 0.25	-	-	-
1999-2000	54.73	53.73	(-) 1.00	1.96	1.76	(-) 0.20
2000-2001	54.03	49.93	(-) 4.10	-	-	-
2001-2002	48.78	47.89	(-) 0.89	1.10	0.72	(-) 0.38
2002-2003	50.17	50.53	(+) 0.36	2.97	3.87	(+) 0.90

According to DFRS, the persistent savings upto 2001-02 were mainly due to inclusion of budget provision for salary of 1057 firemen expected to be recruited. Provision for vacant posts was not to be made in the budget, as per para 37 of Tamil Nadu Budget Manual. The steep increase in plan expenditure in 2002-03 was due to expenditure on construction of buildings for fire stations with the grant received from Eleventh Finance Commission.

Procurement of fire fighting equipment was not completed even though the entire loan was drawn from GIC in March 2002 and interest paid upto March 2003.

3.6.49 Government approved (July 2002 and January 2003) the purchase of modern fire fighting equipments with the help of GIC loan of Rs three crore. Entire loan was drawn and credited to Government account on 27 March 2002. DFRS utilised only Rs 65.56 lakh (22 *per cent*) as of March 2003. The balance amount of Rs 2.34 crore meant for purchase of 18 Water Lorries and one Small Foam Tender remained unutilised as of March 2003. Since the entire loan was drawn in advance of requirement, interest of Rs 34.97 lakh paid upto March 2003 was avoidable. DFRS stated (November 2003) that these water lorries can also be used during flood and cyclone to drain out water in the inundated areas in Chennai city in addition to their use for extinguishing fire.

3.6.50 Government opened fire stations inside the premises of thermal power stations of Tamil Nadu Electricity Board (TNEB) at Ennore, Mettur, Tuticorin and North Chennai on the understanding that TNEB would bear part of recurring cost and the full non-recurring cost.

Huge amount of Rs 3.92 crore was yet to be realised by DFRS from TNEB.

3.6.51 Against Rs 6.43 crore due from TNEB for the period 1996-2002, DFRS received Rs 2.51 crore leaving a balance of Rs 3.92 crore, as of September 2003. TNEB had referred (February 2001) the matter to the Chief

Secretary to Government to decide the level of reimbursement, but there was no response.

Conclusion

3.6.52 The Tamil Nadu Fire and Rescue Services Department is ill-equipped in terms of manpower, especially Firemen. The number of stations was inadequate compared to prescribed norms. No maximum response time has been prescribed to attend to fire calls. The Directorate had no complete/accurate data regarding the number of high-rise buildings and other places requiring fire safety measures; consequently the department did not inspect and assess the fire protection measures in all of them. The system of issue of fire licence or 'No Objection Certificate' did not ensure that all the units were operating with a licence There was no review of serious fire-call reports at the level of the Directorate and no consequent guidance/instructions to the field officers.

3.6.53 The above points were brought to the notice of Government in June 2003. Government generally accepted the facts and stated (October 2003) that these aspects have been referred to FRSC constituted in November 2002. Some of the important items referred are (i) norms for opening of fire stations; (ii) improving response time; (iii) modernising Fire and Rescue equipments/ appliances, vehicles etc.; (iv) strengthening of communication network; (v) recruitment policy and (vi) removal of defects in the Fire Services Act/Rules and making the personnel more efficient in implementing them.

Recommendations

3.6.54 The department has to provide adequate manpower and latest communication network facilities to achieve the goal of keeping the response time within ten minutes as stated in its Citizen's Charter for 2001-2002.

3.6.55 Government should issue notification under Section 13 of TNFS Act, 1985 so that DFRS can direct the removal of objects or goods likely to cause a risk of fire to a place of safety and in case of failure by the owner/occupier seize, detain or remove such object or goods from owner or occupier after giving a reasonable opportunity.

3.6.56 In case of negligence, carelessness, wilful commissions and omission of the holders of the licence under rule 2 (g) and sections 15, 16, 17and 19 of the TNFS Act, Department should take action to serve, detain or remove such objectionable objects or goods under Section 13 (2) of the Act after getting approval of DFRS and after giving the owner or occupier a reasonable opportunity under Rule 9 (1) of the TNFS Rules 1990 without prejudice to any prosecution that may be launched under Sections 15, 16, 17 and 19 of the Act.

3.6.57 A suitable system has to be evolved (i) with regard to issue of NOC to ensure that all units were operating with licence and (ii) to monitor all aspects of fire preventive/safety measures as enjoined in the Fire Services Act and Rules to reduce the number of fire accidents which is on the increase since 1998.

REVENUE DEPARTMENT

3.7 Computerisation of Land Records

Highlights

For the purpose of effective land reforms, the Government of India, Ministry of Rural Development initiated a Scheme for the "Computerisation of Land Records (CLR)" in January 1990. The software was developed by National Informatics Centre. On account of faulty planning, poor implementation and monitoring, the CLR scheme which commenced in 1990 is yet to reach a functional level after incurring an expenditure of over Rs 13 crore. The data organisation was deficient and not conducive for achievement of the ultimate objectives of the scheme. The data captured had a high percentage of error rendering it unreliable. The purchase procedures followed and entrustment of purchase to a third party resulted in avoidable expenditure of over Rs 28 lakh. Unless a better integrity level of data is established by providing suitable controls, the CLR scheme cannot become operational.

- **Although a period of three years was fixed initially for the completion of the scheme, it was extended repeatedly without adhering to the target. The scheme is still in the initial stage even after 13 years.**

(Paragraph 3.7.7)

- **The data computed by the external agencies were with lot of errors. To ensure correctness of the data a fresh check-list was prepared and the process of correcting the errors were commenced in 1998 and still going on and only 65 out of 206 taluks the process of correction is complete.**

(Paragraph 3.7.8)

- **The system was not provided with adequate controls to ensure completeness and correctness of data rendering the data unreliable. Land Taxes were incorrectly projected. Categories and types of land were not correct. Government lands were declared as private lands and vice versa. Names of property owners were left blank.**

(Paragraphs 3.7.19 to 3.7.33)

- **71 *per cent* of the records required correction, as the relationship (like son of, daughter of, wife of, etc.) was captured incorrectly. The relationship also remained blank in 3.34 lakh records.**

(Paragraph 3.7.36)

Introduction

3.7.1 Considering the importance of a computerised land records system and in view of the problems inherent in the manual system of maintenance and updating of land records, the Government of India (GOI), Ministry of Rural Development, Department of Land Resources, initiated

(January 1990) a Scheme for the "Computerisation of Land Records" (CLR). The scheme was fully sponsored by Government of India and in respect of Tamil Nadu it was to commence with a pilot project in Salem District and then to be extended to the rest of the State. The computerisation was intended to store and retrieve land related data with very little processing involved. It was implemented in two phases with the first phase covering 50 Taluks and the second phase, the remaining 156 Taluks. The software for the capture and updation of data and retrieval was developed by National Informatics Centre (NIC). Though the Scheme encompassed digitisation of land details, ownership details, crop patterns, village field measurement books, etc., only two functions *viz.* land details ('A' Register) and ownership details (Chitta) were taken up for computerisation in Tamil Nadu.

3.7.2 The CLR, which commenced in 1990, is still under implementation and Rs 13 crore have been spent upto June 2003. Despite the huge expenditure incurred and the fact that it is under implementation for over 13 years, the scheme is yet to reach a stage where the intended benefits of computerisation could be made available to the general public or even to the department. The reasons for the delayed implementation and the deficiencies observed therein have been brought out in the succeeding paragraphs.

Organisational set up

3.7.3 Department of Survey and Settlement of Government of Tamil Nadu was responsible for implementation of the scheme. It functions under a Commissioner heading the department, assisted by one Officer on Special Duty (Computerisation) at the State level. Each district unit is headed by one Assistant Director for supervision of the functions at the Taluk level.

3.7.4 The Taluk offices, where the data capture/maintenance is carried out, are under the control of the Department of Revenue. The Tahsildar, heading the Taluk office, is in charge of the updation and maintenance of data at the Taluk level.

3.7.5 Both departments *viz.* Revenue and Survey and Settlement, share the implementation and maintenance of the scheme and are equally responsible for its effective functioning. However, most of the source documents required for the updation of data have to be furnished by the Department of Registration.

Scope of Audit

3.7.6 The nodal office for the implementation of the scheme being the Commissionerate of Survey and Settlement, the planning and implementation related documents held in that office were scrutinised. The purchase documents at the Electronics Corporation of Tamil Nadu (ELCOT) were also examined as procurement worth Rs 7.06 crore was made through that agency. The application software was to be examined for its correctness, suitability and availability of controls. The data in ten selected Taluk offices (out of 65 offices where CLR was declared operational) was downloaded and examined in audit using SQL Queries and specially developed application programs.

Lack of definite time frame

The three year period awarded for completion of the scheme was repeatedly extended and the scheme is in its initial stages even after 13 years of its inception.

3.7.7 Initially, the GOI had set a three-year time limit for completion of the project and reserved the authority for extension of the same. However, when the set time limit was exceeded, the implementation was allowed to take an open ended course with a revised deadline set for implementation with each release of fund by the GOI. Apart from the usual instruction that the amount was to be spent within the financial year, GOI did not set any specific target date for completion of the project. Government of Tamil Nadu (GTN) also did not frame any time bound action plan. This was one of the major factors, which contributed to the indefinite delay in the implementation of the scheme.

Delay in Capture of data and lack of continuous updation

Delay in capture of past data and purification thereof contributed greatly to delay in the implementation of the scheme

3.7.8 The capture of past data from the manual 'A' Register and the Chitta was entrusted to external agencies on a piece rate basis at 15 paise per record. Such payments were made without attention to the correctness of the data captured as the personnel involved in such data capture were not familiar with the departmental records. To ensure correctness of the data, a checklist was sent to the Village Administrative Officers for check and return. The corrections were to be incorporated and a fresh checklist prepared. The process was to be repeated till all the errors were corrected. This procedure commenced in 1998 is still going on and only in 65 out of the 206 Taluks, the process of correction is stated to be complete (March 2003). Since the project essentially was about capturing the land records, correct data entry was key to the successful completion of the project.

3.7.9 The source documents from which the existing data can be upgraded have to come from the Registration Department or from the party acquiring the property. In either of these cases, the Revenue Department, the owner of the data has no control or system to ensure that the receipt of source documents is complete and timely. Audit scrutiny revealed that no procedure has been laid down to ensure that all source documents are received and the data is updated promptly. The accuracy and completeness of electronic data in the Taluk offices will thus always be suspect.

3.7.10 Further, the Revenue Department alone is authorised to certify the Record of Rights in respect of landed property to a court or any other agency on any given date. In the manual system, the records being permanent, the history of ownership of any piece of land was not lost in the process of updation. However, in the computerised scenario, no facility has been created for storage/retrieval of earlier ownerships through the application software. The denial of an essential facility available in the manual system after computerisation reflects a serious lacuna in the application.

Deficiencies in the database design

No provision in computer system to ensure that the extent of available land was not increased or decreased during its subdivision.

3.7.11 In the manual 'A' Register, the total area of land under respective Survey Numbers was indicated at the end of the entries relating to each Survey Number. This helped in ensuring the correctness of the individual areas in spite of repeated splitting or merger. Examination of the data structure in audit revealed that no provision has been made for the capture and storage of such total. As a result, there was no control to ensure that the areas of all the subdivisions were captured correctly in the computerised system. The system, on the other hand, permitted subdivision of land with total disregard to the area of the original land, resulting in errors. A test-check in audit of 15 survey-numbers in the stored data with the concerned manual 'A' Register disclosed errors in five cases. As a result of the deficiency, it is possible to have a piece of land added to or removed from the records without the transaction being detected by the computer system.

Deficiencies noticed in the Pilot District not corrected during implementation

Deficiencies noticed in pilot study not supplied while actual implementation.

3.7.12 It was decided to take up Salem as a pilot district for implementing the project and then extend it to other districts. After the implementation of the scheme in Salem District, the departmental officials had cited several deficiencies for correction while extending the scheme to other districts. However, it was observed that (i) in Salem district the address field provided to hold the address of each landowner was left blank, the address column was left blank for the entire State as well; (ii) it was mandatory that there should be only one patta for an individual for all his land holdings in the village. But, the manual records contained more than one patta for the same individual in the same village. This error was captured as such to the computer database. The error was pointed out and required to be corrected before further digitisation. This recommendation was not implemented. In a sample study in ten Taluks, it was seen that in 1.03 lakh instances the same person held more than one patta within the same village; and (iii) it was pointed out after the Salem experiment, that contrary to the expected norms, the software and the data organisation facilitated the issue of only separate pattas for different types of ownerships like individual holdings and joint holdings. This deficiency has not been addressed while extending the scheme to other districts.

Data design not conducive for attaining set objectives

3.7.13 Computerisation of Land Records has been contemplated with the larger objective of facilitating easy land reforms. Land reforms can be made on

3.7.14 Consolidation of land types, such as dry lands, wet lands and government owned lands under each village, Taluk etc. and

3.7.15 Consolidation of land holdings like, extent of land of different types held by each individual in different places in the State for purposes of land ceilings etc.

Database design not conducive of achieving of the ultimate objectives of the scheme

3.7.16 Though the present database caters to the requirements of paragraph 3.7.14 above, it has absolutely no provision for fulfilling any of the requirements under 3.7.15. For example, while a piece of land could be perfectly identified through the computer system, an individual owner cannot be identified with precision. Thus, the lands owned by an individual cannot be grouped. This will result in non-achievement of objectives such as issue of only one patta per person or compilation of the extent of land held by any individual for purposes of land ceilings. Thus, no additional benefit has accrued as a result of computerisation.

Deficiency in design of application software - Incomplete capture of data

3.7.17 Any updation of the land records data will not be complete unless data in both the Chitta and 'A' Register files have been updated. Hence, the program should have been designed to ensure that, either both these files are updated or no change is effected at all. Against such requirement, it was noticed that the software was designed to capture data in respect of the 'A' Register first, and capture data for the Chitta file through another data entry screen and save the data separately. This could result in disparities between different data files.

3.7.18 Examination of data obtained from ten Taluks disclosed that in respect of 10,678 cases of private lands in the 'A' Register, ownership details were not available in the Chitta file. Similarly for 60,535 landowners in the Chitta file, land details were not available in 'A' Register.

Discrepancies in the CLR database due to lack of validation control

3.7.19 It is apparent that the key to the success of the CLR Scheme lies in the reliability of data captured. An examination of the sample CLR data (14.88 lakh records in "A" Register and 13.06 lakh records in Chitta file relating to ten Taluks) disclosed several inconsistencies in the data captured rendering the data undependable. Most of the errors were due to lack of appropriate validation controls at the data entry stage.

Data were unreliable due to inconsistencies in data capture. These include wrong taxes, duplicate records, no names for land owners, incorrect land category, junk data etc.

3.7.20 In respect of 48,615 cases, the total land tax to be collected was not the product of the extent of land and the rate of tax, indicating that one of these figures was incorrect.

3.7.21 In 2,229 instances, there were duplicate records in the 'A' Register file whereby issue of Pattas and generation of Managerial Information System (MIS) information from the data file would be faulty.

3.7.22 In 3,475 cases, the Chitta file did not provide the names of the owners.

3.7.23 In 3,629 cases, the names of the owners or relatives contained junk characters, rendering the issue of Pattas or other documents impossible.

3.7.24 Land category was to be indicated by the code '1', '2' or '3' standing for 'Government' or 'Private' or 'Inam' respectively. However in 1,92,133 cases, category was indicated by some other meaningless character or figure.

3.7.25 In respect of 11,085 cases of 'Ryotwari' lands attracting land tax, concerned patta number was not indicated whereby the owner cannot be identified.

3.7.26 Land types such as wet land, dry land, poramboke, etc. are codified under numerals "1 to 7". However, against 1,85,586 cases, the land type was indicated by other meaningless figure or character whereby the land type in respect of these lands was not available in the database.

3.7.27 In respect of 1,976 cases of Ryotwari land, land tax levied was not captured in the data.

3.7.28 In respect of 1,200 records, the extent of land was given as 0; but in 338 of these records some amount of tax was indicated.

3.7.29 In respect of 1,790 cases, lands belonging to private individuals have been declared as 'Poramboke' and in respect of 9,222 some tax was indicated against government owned lands

3.7.30 In respect of 49 cases, the extent of land was given in the negative.

3.7.31 Provision is available in the computerised 'A' Register to indicate if land under a survey number has been further subdivided. This provision however furnished false information. In 11,717 cases, it contained meaningless characters. In 7.67 lakh instances, subdivided lands were shown as undivided. In 185 cases, land under an undivided survey number has been shown as sub-divided.

3.7.32 There were around 1.7 lakh duplicate entries in the Chitta file. Duplication in this file also had several consequences like incorrect generation of Pattas and provision of faulty information for MIS.

3.7.33 Though the patta number should be unique, the same patta numbers were given to more than one landowner in more than 4400 instances. This will result in the computer system assigning wrong ownership to certain pieces of land.

Mix-up of relationship due to error in program logic

3.7.34 In respect of land records, the name of a male owner is always associated with the name of his father and the name of a female owner is linked to the name of her father or her husband and referred to as "Son of" or "Daughter of" or "Wife of" respectively. Contrarily, the designers of the CLR software planned to have seven different types of relationships namely Father, Mother, Husband, Wife, Son, Daughter and Guardian in their system, of which four were without authority and against established norms.

Wrong and incomplete capture of relationship made it impossible to identify a land owner with the name of his father, husband etc.

3.7.35 Even though, the name of the owner and the name of the relative were captured correctly, relationships like father/son, father/daughter, husband/wife were inter-changingly captured. For example where 'X' is the father of 'Y', the same relationship has been captured as 'father' in some instances and as 'son' in some other instances. Correcting the software to allow the capture of permitted relationships *viz.* "Son of", "Daughter of" and "Wife of" alone would eliminate such error.

3.7.36 A test-check of 13 lakh records in Chitta file disclosed that (i) 3.34 lakh records did not furnish the relationship details at all. Apart from a few stray cases of institution owned properties, this is a serious omission on the part of data capture; (ii) in respect of 7248 cases, the relationship between the individuals was furnished without the name of the relative; (iii) in 4.44 lakh cases, the relationship was given as 'Father' which in fact should have been either 'Son of' or 'Daughter of'. All these records would require manual correction; (iv) in respect of 44,000 records, the relationship was given as 'Mother', which should again be corrected manually as 'Son of' or 'Daughter of'; (v) in respect of 95,000 cases, the relationship was given as 'Husband'. In all these cases, the relationship should be corrected as 'Wife of'; and (vi) in order to ensure data integrity, about 9.14 lakh (4.88 + 0.95 + 3.34) records representing 71% of the total records in the Chitta files will have to be corrected. Such large scale error has been overlooked by the user departments and also by NIC. It will not be proper to issue Record of Rights (Pattas) to individuals with such faulty data.

Deficiencies noticed in the utilisation of GOI funds

3.7.37 Though the GOI had sanctioned funds against specific proposals from the GTN, it was observed that huge savings were made by short purchasing. Such savings were diverted for other purposes not provided in the scheme.

Incorrect procedure followed in the utilisation of GOI funds

3.7.38 Government of Tamil Nadu permitted Government Departments to use the assistance of ELCOT for procurement of Computer Hardware and Software for a service charge of up to five *per cent* for which advance payment can be made. Based on this ruling, Rs 7.06 crore released by the GOI under the CLR Scheme was released to ELCOT during the period February to November 2002. ELCOT had spent only Rs 4.61 crore on the purchase of hardware and software for the 206 taluk offices. The entire saving of Rs 2.45 crore was allowed to remain with ELCOT for the purchase of any future requirement of the department.

Surplus scheme funds of Rs 2.45 crore allowed to remain with ELCOT for purchases not contemplated under the scheme.

3.7.39 From this saving, purchases like furniture, vehicles, stationery etc. were made for the Commissionerate, the Secretariat and other offices. Expenditure on telephone bills, salaries etc. were also incurred from the savings. Thus Rs 1.69 crore was diverted from the saving, leaving a balance of Rs 76 lakh (June 2003) with ELCOT.

3.7.40 The stipulations of purchasing only specified items and within a specified timeframe were both circumvented. Funds relating to the CLR Scheme were diverted for several other purposes misusing the facility of ELCOT.

Furnishing incorrect information to GOI

UC furnished to the GOI after depositing the scheme funds with ELCOT.

3.7.41 The placement of entire scheme funds outside government accounts with ELCOT gave room for the department to project to the granting Government that the amount of grant was fully spent. A specific instance is given below.

3.7.42 An amount of Rs 1.33 crore released (March 2000) by the GOI for purchase of computers for the CLR Scheme was placed with ECLOT. Equipment for Rs 1.17 crore was procured leaving a balance of Rs 15.69 lakh. At this stage, a communication was sent to GOI stating that the entire amount of Rs 1.33 crore was fully utilised. Furnishing of a utilisation certificate (UC) to the GOI, after placing the amount with an intermediate agency, amounts to furnishing incorrect information to the GOI.

Interest realised on unspent balance not passed on to department by ELCOT

3.7.43 The funds released by the GOI for the CLR Scheme were placed with ELCOT for purchase of hardware and software. However, consistent short purchasing generated a huge balance of fund remaining with the agency. The funds were invested in short-term deposits by ELCOT and the interest realised thereon appropriated by them. The interest realised by them could not be quantified as no separate accounts have been maintained in respect of each scheme. Placing of GOI funds with an intermediate agency for indefinite periods and allowing them to utilise the interest realised thereon are against the canons of financial propriety.

Deployment of computer touch screen Kiosks

3.7.44 The Department generated a saving from the CLR funds by scaling down purchases after obtaining requisite funds. Utilising the saving, Computer Touch Screen Kiosks were introduced in 30 Taluks at a cost of Rs 61 lakh, claiming this to be a 'Logical extension of the Scheme'. The

Kiosks were expected to provide the public, direct access to data relating to Land Records, Birth and Death, Old Age Pensions, Guide Line value for land, etc.

In this connection, it is observed as follows:

3.7.45 Though, Kiosks were introduced in April 2002, only data relating to land holdings was available in the computer system for viewing and no other data had yet been captured.

Expenditure of Rs 61 lakh used on the introduction of touch screen kiosks remained unfruitful. Kiosks were used for purposes other than CLR.

3.7.46 It was originally planned to provide a printer along with each touch screen computer for the public to get copies of documents, without intervention of the departmental staff. However, based on later decisions, the kiosks were to be used only for viewing and the public could get documents only through regular channels.

3.7.47 Inclusion of details of Birth and Death, Old Age Pensions, Insolvency details, etc. in the computer systems is not in line with policies or guidelines issued by the GOI.

3.7.48 It has been established that the data in the CLR scheme lacked integrity on several counts. Such data will not permit successful use of Kiosks.

Lack of documentation

Non furnishing of documentation by NIC for its software resulted in several long term impediments to the department.

3.7.49 NIC has been involved in the CLR scheme right from its inception in 1990 as the technical partner and developer of software. The district units of NIC were made in charge of assisting/supervising the implementation of the CLR in various Taluks and even on date, they were technically in control of the implementation of CLR. They have however not developed technical documentation like data organisation, data flow, structural design, modular structure etc. Lack of documentation will make the dependence of the Land Records department on NIC inevitable and system support or updation will not be possible in-house or through any other agency.

Deficiencies in procurement

3.7.50 Procurement of hardware, software, etc. for the CLR Scheme was entrusted to ELCOT for a service charge of four to five *per cent* of the purchase value. A scrutiny of the purchase files disclosed losses and overpayments to the tune of Rs 28.32 lakh as brought out in the following paragraphs.

Incorrect selection of supplier - faulty comparative statement – loss Rs 23.95 lakh

A faulty comparison of costs quoted resulted in the supply order being awarded to HCL whereby the department suffered a loss of Rs 23.95 lakh.

3.7.51 During the comparison process of tenders, for procurement for the first phase of the CLR Scheme, the quote offered by HCL was for computers without operating systems, and the quotes offered by others were with operating systems. The rates were compared alike and the order for supply was awarded to HCL for a total cost of Rs 95.95 lakh. The bids were levelled with the cost of the operating system reduced from all other quotes and compared in Audit. It was noticed that HCL was not the lowest bidder. Due to faulty comparison, HCL had bagged the order, despite its rate being higher than that of the lowest bidder by Rs 16.84 lakh. Lapse on the part of ELCOT had resulted in avoidable expenditure to the department.

3.7.52 Similarly, fifty numbers of HP make DAT Drives were purchased for Rs 19.66 lakh from HCL with the computers. The quote of another supplier at Rs 12.55 lakh for the same item was rejected on the ground that the device had to be procured only from the supplier of computers. It is construed in Audit that, since the drive is of HP manufacture fitted on to a HCL machine, it need not necessarily be procured from the supplier of computers.

Unauthorised profit made by ELCOT in purchase of software – Rs 4.37 lakh

Unauthorised sale of software by ELCOT making a profit in the process, resulted in a loss of Rs 4.37 lakh

3.7.53 The Government of Tamil Nadu, considering the technical expertise of ELCOT, nominated them to play a supporting role in all purchases of hardware and software for it. As the Government routed all purchases of computer hardware and software through ELCOT, the latter was able to get attractive prices in consideration of the huge and continuous purchases. Accordingly, Microsoft had supplied their products to ELCOT at comparatively lower prices. ELCOT posed itself as a dealer started buying the software from Microsoft and selling it to the Government with a ten *per cent* profit margin, claiming that in spite of the profit, their cost was the lowest. Over and above their selling price, they also charged four *per cent* service charges on the selling price.

3.7.54 The manoeuvre enabled ELCOT to make a profit of Rs 4.37 lakh on the sale of 156 copies of NT Server and 312 copies of Windows Workstation to the Department, as furnished below.

Profit on Server software	Rs	2,77,680
Service charges on the profit	Rs	11,107
Profit on the Workstation software	Rs	1,42,272
Service charges on the profit	Rs	5,691
Total	**Rs**	**4,36,750**

Excess number of staff trained under CLR Scheme

3.7.55 The funds sanctioned by the GOI for CLR did not include any allocation for training. But the department, taking advantage of the huge surplus fund available, trained 40 persons per Taluk Office at an overall cost of Rs 38.96 lakh.

3.7.56 In addition to the above expenditure, GTN proposed (October 2001) to GOI and obtained a sanction for Rs 68.36 lakh for training its staff in Taluk offices under the CLR Scheme. While the expenditure required for the training was already arranged for from the savings in the CLR Scheme in September 2001 itself, demanding and accepting a sanction from the GOI and placing the fund with ELCOT is a gross violation of financial discipline. The fund remains idle with ELCOT as on date.

Conclusion

3.7.57 Thus, on account of faulty planning, poor implementation and monitoring, the CLR scheme which commenced in 1990 is yet to reach a functional level after incurring an expenditure of over Rs 13 crore. Even in respect of a small segment of the scheme taken up for implementation, the data captured had a high percentage of error (over 35 *per cent* records in the 'A' register) rendering the data unreliable and not fit for immediate benefit to the public. Hence, the manual system is still in use for all practical purposes.

The software developed by NIC was devoid of system controls and the application programs were yet to stabilise. The data organisation was deficient and not conducive to the achievement of the ultimate objectives of the scheme. The purchase procedures followed and entrustment of purchase to a third party resulted in avoidable expenditure of over Rs 28 lakh.

3.7.58 In view of the foregoing, it is concluded in audit that unless a better integrity level of data is established and the general and application controls are toned up to ensure correctness and completeness of data capture and updation, the CLR scheme cannot be said to have become operational.

3.7.59 The above points were referred to Government in June 2003; Government's reply (December 2003) has been taken into account in the above discussion.

Recommendations

3.7.60 Ensuring integrity of data is vital for the successful computerisation of any function. It is more so in respect of the CLR scheme in view of the criticality of the data involved. It is hence recommended that the data already captured may be purified 100 *per cent* in addition to ensuring completeness.

3.7.61 It is also essential that proper arrangement be made with the Registration Department for continuous and timely furnishing of land transfer details.

3.7.62 Now that the department has sufficient number of trained computer personnel, purchases relating to the scheme may be done direct without the involvement of intermediate agencies.

3.7.63 Time bound targets may be fixed for implementation of the scheme and its progress ensured through adequate monitoring.

SOCIAL WELFARE AND NUTRITIOUS MEAL PROGRAMME DEPARTMENT

3.8 Welfare of the Handicapped

Highlights

Welfare of the Handicapped is a complex social issue involving coordination of curative, promotional and rehabilitational activities directed at different forms of handicap and a multitude of measures. Further, the definition of handicapped for the purpose of coverage is so widely dispersed over such a large area of disabilities that no single focus emerges automatically from the disparate efforts undertaken by different agencies entrusted with the delivery of programme objectives.

In Tamil Nadu, a separate Directorate for Rehabilitation of the Disabled was formed in the State in 1993 to provide comprehensive rehabilitation services which include early detection of disability, special education, vocational training, job placement, assistance for self-employment, free supply of aids and appliances, with the objective of making the handicapped self - reliant and economically independent.

A review of implementation of these measures revealed that due to inadequate provision of funds in the budget, there were huge shortfalls in providing these services - in conducting camps to identify the disabled, as well as in supply of aids and appliances; State Resource Centre under the NPRPD scheme had not been set up; ramps to create barrier - free environment to the disabled were not provided in pubic buildings and level of assistance with aids and appliances was inadequate.

- **Block level camps to identify persons with disabilities were not conducted during 2002-03 due to non-release of funds by Government; there was short supply or non-supply of aids and appliances during 1998-2003.**

(Paragraphs 3.8.5 to 3.8.7)

- **Modern Training-cum-Production Workshop meant for production of assistive devices did not function to its capacity during 2001-03 due to inadequate allotment of funds; expenditure of Rs 40.65 lakh on staff and contingencies was unproductive.**

(Paragraphs 3.8.8 and 3.8.9)

- **The Artificial Limb sub-centre at Madurai was not utilised to its optimum level; the value of calipers fabricated was Rs 0.22 lakh only compared to Rs 35.36 lakh incurred on staff salary during 1998-2003.**

(Paragraph 3.8.19)

- **Maintenance allowance to severely disabled persons was not paid monthly, but was disbursed for 3-12 months together, due to belated issue**

of sanctions by Government; Rs 21.24 lakh remained undisbursed and was also kept outside Government account as of April 2003.

(Paragraphs 3.8.28 to 3.8.30)

- Out of Rs 3.79 crore released by GOI during 1999-2002 for implementation of National Programme for Rehabilitation of Persons with Disabilities, Rs 2.57 crore remained unutilised as of 31 March 2003, mainly because the State Resource Centre had not yet been set up.

(Paragraph 3.8.42)

Introduction

3.8.1 According to the National Sample Survey, the disabled constituted 1.9 *per cent* of the total population of the country in 1991. Persons with locomotor disabilities constituted 49.2 *per cent* and 80 *per cent* of the disabled lived in rural areas while services, institutional and infrastructure facilities were confined to urban areas. The survey conducted by the State Commissioner for the Disabled (SCD) in March 2001 revealed that Orthopaedically handicapped were the majority (53.7 *per cent)* followed by persons with other types of disabilities[1].

3.8.2 National policy for comprehensive rehabilitation of the disabled sought to enforce Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act 1995 (PWD Act) and the National Trust for Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities Act 1999. These Acts contain specific directives to Government (Central and State) for providing facilities such as education, employment, affirmative action and preferential allotment in certain areas, non-discrimination and providing social security to the disabled.

Organisational set up and Audit Coverage

3.8.3 Schemes for the disabled were implemented by Social Welfare and Nutritious Meal Programme Department of Government through the SCD at State level and District Disabled Rehabilitation Officers (DDROs) at district level. Details of Government of India (GOI) schemes implemented in the State either directly or through Non-Governmental Organisations (NGOs) are given in Appendix XXXV.

3.8.4 Implementation of these schemes during 1998-2003 was reviewed through test-check of records of Secretariat, SCD, six[2] DDROs, 34 Special schools and ten Non-Governmental organisations (NGOs).

Services for the disabled

Aids and appliances to orthopaedically disabled

3.8.5 Petitions were received by DDROs/Chief Minister's Cell/District Collectors on grievance days from the disabled. The DDROs assessed the requirement based on the petitions and placed indents with SCD

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1 Deaf 15.7 *per cent*; Blind 7.71 *per cent*; Low Vision 4.65 *per cent;* Mentally retarded 9.7 *per cent*; Mentally ill: 2.25 *per cent*; Leprosy cured 2.70 *per cent* and others 3.58 *per cent*

2 Chennai, Cuddalore, Chengalpattu, Madurai, Tirunelveli and Tiruvannamalai.

for supply of aids and appliances. Shortfall ranging from 25 to 100 *per cent* was noticed in supply of aids and appliances.

Year	Tri-cycle			Wheel chair			Folding sticks and Goggles			Braille watches		
	A	B	C	A	B	C	A	B	C	A	B	C
1998-1999	2919	1500	49	252	150	40	2583	1500	42	1955	1000	50
1999-2000	3518	2000	43	398	150	62	2260	1500	34	2052	900	56
2000-2001	5728	2000	65	675	150	78	2391	1500	37	NA	NIL	-
2001-2002	2380	500	79	300	100	67	1867	1400	25	1000	1000	Nil
2002-2003	3721	NIL	100	535	NIL	100	2115	NIL	100	1327	NIL	100

A – Indented B – Supplied C – Percentage of shortfall

3.8.6 The SCD attributed (May 2003) the shortfall mainly to inadequate allotment of funds by the Government.

Comprehensive assessment camps not conducted in 2002-2003.

3.8.7 Besides, block-level comprehensive assessment camps were to be conducted in each district annually to identify persons with disabilities and to render suitable rehabilitation services. While camps were held in 1998-2002, no such camps were conducted (except Kancheepuram District) during 2002-03 due to non-allotment of funds. Purchase of aids and appliances was also restricted to the amounts provided in the budget, resulting in short supply during 1998-2001 and non supply for assessments made in block level camps held during 2001-02, as detailed in Appendix XXXVI. The shortfall ranged from five to 100 *per cent*. Further, there was a delay ranging from ten to 39 months in providing rehabilitation services to disabled persons in four test-checked districts. The delay was due to time taken in supplying the aids/appliances. In view of short supply/non-supply of aids and appliances and belated provision of required services, the main objective of conducting comprehensive camps was not fully achieved.

Shortfall in supply of aids and appliances vitiated the objective of comprehensive camps.

Despite expenditure of Rs 40.65 lakh on establishment, performance of MTPW during 2001-2003 was poor/nil.

3.8.8 In order to produce tri-cycles and wheel chairs required for free distribution, a Modern Training-cum-Production Workshop (MTPW) is functioning at Guindy, Chennai. The workshop had capacity to manufacture 3000 tricycles and 150 wheel chairs in a year. But the target fixed for tricycles was less than 3000. The production of tricycles was only 500 in 2000-2001 and nil in 2001-2002. The statistics are as follows:

Year	Tri-cycles				Wheel chairs			
	Physical		Financial (Rs in lakh)		Physical		Financial (Rs in lakh)	
	A	B	A	B	A	B	A	B
1998-1999	1500	1500	28.00	27.92	150	150	2.40	2.40
1999-2000	2000	2000	40.00	39.57	150	150	2.40	2.40
2000-2001	2000	2000	28.00	28.00	150	150	2.40	2.40
2001-2002	2000	500	28.00	26.50	150	100	2.40	1.60
2002-2003	2000	Nil	13.54	11.74	150	Nil	-	-

A – Target B - Achievement

3.8.9 Inadequate allotment of funds was adduced (May 2003) by the SCD as the reason for lowering the target/poor/nil performance during 2001-03. During 2002-03, the entire expenditure of Rs 11.74 lakh was only to settle the pending bills of the previous year and no tricycles were produced. In view of the poor production, expenditure of Rs 40.65 lakh incurred on staff salary and other contingencies of the MTPW during 2001-03 remained under-utilised.

Aids and appliances to hearing impaired

Type of hearing aids supplied did not match the disability.

3.8.10 Hearing aids were issued based on the assessment of extent of hearing loss. In five districts[3], though the type of hearing aids to be given was prescribed in the medical certificate, no mention was made in the issue register as to which type was provided. As a result, it could not be ascertained by Audit whether the right type of hearing aid was provided. In DDRO, Madurai correct type of hearing aids was not supplied in 18 out of 23 cases during 2000-02.

3.8.11 For perfect fixation of hearing aids in the ears, ear moulds are necessary. In three districts (Chennai, Cuddalore and Madurai), ear moulds were not made even though raw materials were supplied by the SCD and one Multipurpose Rehabilitation Aide (MPRA) was trained in making the moulds. DDRO Madurai reported (March 2003) that ear moulds were not made because the ear mould hanging motor did not function and no technical person was available. DDRO Chennai did not respond to Audit.

28 posts of Audiologists not filled up for six years. As a result, equipment costing Rs 20.95 lakh were kept idle.

3.8.12 Mention was made in paragraph 3.4.5.3 of the Report of the Comptroller and Auditor General of India for the year 1998-99 that machinery and equipment procured during December 1997 – March 1998 for a value of Rs 32.95 lakh (in 28 districts) for establishing Audiology and Speech Therapy Units were not functional as the posts of Audiologists (created in May 1997) had not been filled up. These posts had not been filled up even as of May 2003 due to ban on recruitment. The Chengalpattu unit also did not function for the same reason; the unit was being looked after by a technician from April 1997 who was not qualified for the task.

3.8.13 Out of 28 desk model and 28 portable Audio meters, DDRO, Chennai transferred (June 2002) two (one desk model and one portable model) for use in Little Flower Convent, Chennai. The remaining 27 desk models (cost: Rs 16.37 lakh) were idle. The portable models were put to minimum use, only in the comprehensive health camps.

3.8.14 Similarly five Impedance Audio Meters procured (February 1998) at a cost of Rs 5.73 lakh were kept idle in five District Disabled Rehabilitation Centres (DDRCs) for want of Audiologists. One such meter was transferred (June 2002) by DDRO Chennai to Little Flower Convent, Chennai and the remaining four (cost: Rs 4.58 lakh) were kept idle (May 2003).

3.8.15 Thus, equipments purchased at a total cost of Rs 20.95 lakh were kept idle.

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[3] Chennai, Cuddalore, Madurai, Tirunelveli and Tiruvannamalai

Aids and appliances to visually handicapped

1000 visually handicapped deprived the benefit of Braille watches.

3.8.16 Under the scheme of "Supply of Braille watches to visually handicapped persons", Braille watches were to be supplied to 1000 persons every year. Due to belated supply by the manufacturer watches indented for the year 1999-2000 were distributed only in 2000-01 and no proposal was made for 2000-01. Thereby 1000 visually handicapped persons were deprived of Braille watches. Further, no Braille watches were supplied during 2002-03 as funds were not provided in the budget.

Special schools for the handicapped

Admission in Government school for visually handicapped was dwindling as there were better facilities available in schools run by NGOs.

3.8.17 There are 242 special schools for the disabled of which 25 are Government schools (visually handicapped – 11; speech and hearing impaired – 12; physically handicapped – 1 and mentally challenged – 1), 58 are Government aided schools, 157 are unaided schools and two are municipal schools. A review of the functioning of these schools in the selected districts revealed the following:

Name of school	Remarks
1. Government school for the Blind, Madurai	During 1998-2003, number of new admissions was low and declined from ten to four; like wise students' strength steadily decreased from 37 to 19 against the sanctioned strength of 60 students. The poor rate of admission was attributed (March 2003) by the Headmaster of the school to the fact that NGOs were also running schools for the visually handicapped in Madurai district and there were 22 integrated schools wherein the visually handicapped could study along with normal students. Also students were unwilling to seek admission in the school which had only upto VI Standard. No vocational training was being imparted. Since modern equipment and other vocational training facilities were available in schools run by NGOs in Madurai, the admission in this school was dwindling rapidly, leading to doubt about the very necessity of continuing this school.
2. Government school for severely orthopaedically handicapped children, Madurai	The number of students ranged from 61 to 78 during 1998-2003 as against the sanctioned strength of 100. The number of new students admitted every year also ranged from 15 to 19 only during 1998-2003. The Head Master attributed (March 2003) the poor student strength to the fact that similar private schools run by NGOs were functioning nearby.
3. Government school for the deaf, Cuddalore	25 out of 87 students in various classes were without hearing aids, which were essential for them.
4. Rangammal Memorial Higher Secondary school for the deaf, Tiruvannamalai	A school run by NGO; 118 students out of 212 were without hearing aids, as of April 2003.

Scholarships to physically handicapped students

809 students provided with free study materials were also given scholarship in violation of PAC recommendation

3.8.18 Against budget provision of Rs 5.73 crore, expenditure of Rs 5.55 crore was incurred during 1998-2003 towards scholarships for handicapped children for purchase of text books and note books. Mention was made in Paragraph 3.20.6.3(c)(iii) of Report of the Comptroller and Auditor General of India – Civil-Government of Tamil Nadu for the year ended 31 March 1992 regarding irregular disbursement of scholarships to students who were provided with free boarding and lodging in the hostels attached to the institutions for the disabled. The Public Accounts Committee (PAC) also observed in its 53rd Report[4] (XI Assembly) that provision of free books, hostel facilities as well as payment of scholarship to the same student was irregular. But in six schools of four test-checked districts[5], 809 students in classes I to XII staying in hostel were also given scholarships totalling Rs 4.03 lakh during 1998-2003 even though they were provided with free supply of books and note books.

Functioning of Artificial Limb Sub-Centre

Though expenditure of Rs 35.36 lakh was incurred on the establishment of ALC only 39 calipers were fabricated at the expenditure of Rs 0.22 lakh during 1998-2003.

3.8.19 The State Government established an Artificial Limb Sub-centre (ALC) at Madurai in June 1984 to provide surgical corrections, physiotherapy, calipers etc to the children of Government school for the severely orthopaedically handicapped and sanctioned 11 posts. DDRC Madurai was established in May 1997 and was providing artificial limbs in the district. Hence the ALC at Madurai did not function to its capacity. As the aids/appliances were also provided by the DDRC, Madurai the SCD proposed to Government (August 1999 and June 2003) to close the unit; Government's decision was still awaited. Out of Rs 3.35 lakh allotted for equipment and materials during 1998-2003, only Rs 0.22 lakh was spent for fabricating 39 calipers. Expenditure on salary of ALC staff during 1998-2003 was Rs 35.36 lakh. The only Prosthetic Craftsman was transferred in August 1998.

Non–establishment of rehabilitation homes for mentally retarded girls of over 14 years of age

Homes for rehabilitation of mentally retarded girls of above 14 years not set up.

3.8.20 Government approved (July-November 2000) starting of three rehabilitation homes for mentally retarded girls of over 14 years of age, in three districts, to impart vocational training. Government also sanctioned (July 2000) Rs 2.50 lakh for each home towards rent, boarding charges, medical expenses, dress, training materials and wages of workers; but no budget allotment was made for three years (2000-03). Therefore the homes were not setup. For six NGOs who were running such homes (in six districts[6]) with 180 beneficiaries, eligible Government assistance of Rs 30 lakh was not released during 2001-03 due to financial crunch.

Self-employment Programme

SCD's report that subsidy under self-employment programme for disabled was disbursed fully was incorrect.

3.8.21 In order to improve the economic condition of the disabled and make them self-sufficient, the Department was arranging loan from Nationalised Banks towards self-employment ventures with a subsidy of Rs 1000 (increased to Rs 2000 from 2000-01) or one-third of the loan amount, whichever was less. For setting up a bunk stall, the maximum subsidy was fixed as Rs 5000. SCD informed Audit that the target for disbursement of subsidy was achieved in full.

3.8.22 Although SCD allotted Rs 25000 to DDRO Tirunelveli for the year 2001-02 towards subsidy under this programme, the DDRO was not aware of the allotment. DDRO Tiruvannamalai drew (March 2003) Rs 60,000 allotted for 2002-03, and kept it in a bank account. DDRO Chennai obtained 11 cheques from Pay and Accounts Officer for Rs 21,666 in favour of various banks towards subsidy, but did not disburse the same to the banks as of May 2003. Thus, the claim of having disbursed subsidy in full for the years 1998-2003 totalling Rs 81 lakh was not factually correct.

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[4] Presented to the Legislature in April 1999

[5] Chennai, Kancheepuram, Tirunelveli and Tiruvannamalai

[6] Madurai, Salem, Sivagangai, Thanjavur, Thoothukudi and Vellore Districts

No machinery was there to verify actual utilisation of subsidy by beneficiaries and creation of assets.

3.8.23 In the six sample districts, subsidy of Rs 12.52 lakh was given to banks in respect of 813 disabled persons during 1998-2003 under self employment scheme. Similarly, under Bunk Stall Scheme, subsidy of Rs one lakh was given to 22 cases in five districts[7] during 2000-03. However, no information was available in the departmental records to show whether the loan assistance together with subsidy was finally released by the banks and whether the beneficiaries were running self-employment ventures. Thus, it was not ensured that the subsidy released was actually utilised by the beneficiaries for the intended purpose. DDROs, Chengalpattu and Tiruvannamalai reported (April - May 2003) that physical verification of assets created would be done in future. Though DDRO Tirunelveli reported (April 2003) that during field visit these were inspected by him, no recorded evidence was produced to audit to confirm this.

Assistance to disabled through "National Handicapped Finance and Development Corporation"

Nearly one third of applicants for self employment only were provided loans.

3.8.24 Government of India set up (January 1997) National Handicapped Finance Development Corporation (NHFDC) for extending loans to handicapped to promote employment. DDRC sent 145 applications (loan: Rs 55.34 lakh) to NHFDC which sanctioned a loan of Rs 36.65 lakh in respect of 109 applications. Of this Rs 21.39 lakh was disbursed to 59 applicants during September 2002 to July 2003. 36 applications were pending with NHFDC due to various defects.

3.8.25 In test-checked districts (details *vide* Appendix XXXVII) out of 328 applications received by DDRC during 2001-03, 300 applications were not forwarded to NHFDC for reasons such as applicants did not possess property, disinterest on the part of applicants to obtain loan, non-viability of the trades proposed etc. Thus the NHFDC scheme formulated for ensuring employment of the disabled in compliance with section 38 of the PWD Act did not fully achieve the objective.

Maintenance allowance to severely disabled persons

3.8.26 Persons who could not be rehabilitated otherwise by giving education, training and assistance for self-employment, placement etc were each paid maintenance allowance at Rs 150 per month. From 1 January 2003, this allowance is payable to the disabled persons through money order every month.

3.8.27 Physical and financial targets and achievements during 1998-2003 reported by SCD and expenditure as per Government accounts are given below.

(Rupees in lakh)

Year	Physical		Financial		Expenditure as per Government accounts
	Target	Achievement	Allotment	Expenditure as reported by SCD	
1998-1999	4900	4900	88.20	88.20	85.90
1999-2000	6400	6400	115.20	115.20	114.10
2000-2001	7400	7400	115.20	133.20	129.07
2001-2002	8400	8400	115.80	151.20	0.45
2002-2003	8400	8400	115.80	151.20	302.70

7 Chennai, Cuddalore, Madurai, Tirunelveli and Tiruvannamalai.

Orders for payment of maintenance allowance of Rs 151.20 lakh to 8400 severely handicapped persons during 2001-2002 were issued by Government in March 2002 and June 2002, but the amount was released to DDROs in September 2002 only. As such there was no disbursement of maintenance allowance at all during 2001-2002.

Disbursement of maintenance allowance was not timely; huge amounts were unutilised.

3.8.28 The maintenance allowance for the years 2001-2003 together with the money order commission (from January 2003) in the sample districts were drawn by the DDROs and credited to the Savings Bank (SB) Accounts maintained by them with Nationalised Banks. Payments were made to the beneficiaries through cheques. Rupees 21.24 lakh remained undisbursed (in the SB Accounts) outside Government account (details *vide* Appendix XXXVIII) as of 30 April 2003.

Maintenance allowance not disbursed.

3.8.29 DDRO, Tiruvannamalai did not disburse maintenance allowance of Rs 5.76 lakh meant for 320 severely handicapped persons for the year 2002-03, although he drew the same from Government account in February- March 2003.

3.8.30 The maintenance allowance was not disbursed to the beneficiaries every month as intended. Instead, it was disbursed for 3-12 months together due to belated issue of sanctions/allotment orders by Government/SCD.

Free travel concession to disabled persons

Claims of transport corporations for free travel concession to disabled persons were settled on different criteria.

3.8.31 Under the scheme of free travel concession to disabled persons, 6100 to 11378 disabled were benefited during 1998-03 and the expenditure ranged from Rs 29.20 lakh to Rs 79.96 lakh.

3.8.32 Government prescribed (August 1992) a formula for computing the claim for reimbursement to the transport corporations and ordered that 80 *per cent* of the claim was to be borne by Government and 20 *per cent* by the transport corporations. The travel entitlement underwent changes as regards number of trips and distance. In December 1996 Government stated that a revised formula would be separately brought out. The SCD also proposed (December 2001) a revised formula for uniform adoption by all transport corporations. Government had not yet decided on the matter as of April 2003, and the DDROs were reimbursing the transport corporations adopting different criteria.

Non-utilisation of funds mobilised through raffle

Funds mobilised for welfare of disabled through raffle was not utilised for over one year.

3.8.33 For mobilising funds to implement special schemes, the Director of Tamil Nadu Raffles conducted a special draw in March 2002 and remitted the net receipts of Rs 51 lakh to Government account. The State Government ordered (August 2002) transfer of the amount to Welfare Fund for the Disabled. The amount was drawn only in March 2003 by SCD and credited (May 2003) to the Welfare Fund. Thus, funds mobilised as early as in March 2002 to implement the special schemes remained idle (May 2003).

National Trust for Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities Act, 1999

Enforcing the provision of the Act was tardy; LLCs were yet to fully discharge their function.

3.8.34 To implement the National Trust for Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities Act (National Trust Act), SCD has been nominated as the State Level Coordinator and the District Collectors as the District Coordinators. As per Section 13 of National Trust Act, a Local Level Committee (LLC) was to be formed to create awareness about the National Trust and the four disabilities served by it and also to receive applications for appointment of Legal Guardians to persons with autism, cerebral palsy, mental retardation and multiple disabilities requiring protection. According to Section 13(4) of the National Trust Act, LLC should meet once in every three months or at such interval as might be necessary to carry out its activities.

3.8.35 LLCs were formed in all districts except Tirunelveli, between September 2001 and August 2002. In the four sample districts, though sixteen meetings should have been conducted in compliance with the provisions of the Act, only seven meetings were held.

3.8.36 Sixteen applications were received by DDRO, Chengalpattu and guardianship was under process as of May 2003. Out of 260 applications received by DDROs in five sample districts, guardianship was conferred only in seven cases in Chennai and Vellore Districts, as of May 2003. Thus, the LLCs formed were yet to fully discharge the functions entrusted to them under the Act.

National Programme for Rehabilitation of Persons with Disabilities

3.8.37 The National Programme for Rehabilitation of Persons with Disabilities (NPRPD) was launched by the Ministry of Social Justice and Empowerment, GOI to provide comprehensive rehabilitation services to the people with disabilities in rural areas. The services would cover all aspects of rehabilitation *viz.*, prevention, early intervention, economic rehabilitation and integration in the society. To implement the scheme, GOI provided Rs 3.79 crore[8] through demand drafts (DD) to the SCD which were credited to Government account. Though DD for Rs 1.56 crore was received from GOI in March 2002, it was kept in Savings bank account and was remitted to Government account only in August 2002. The interest earned was not credited to Government account.

Non-adherence to Government of India guidelines in selection of districts

Selection of districts was not according to Government of India guidelines.

3.8.38 According to GOI, two districts were to be covered under the scheme during 2000-2001 and three during 2001-2002 with first priority to be given to districts with existing DRCs/DDRCs, and then to districts where little or no services existed. In Tamil Nadu DDRCs under GOI scheme are functioning in five districts[9] and DRC in Kancheepuram District. The selection of Kancheepuram District was in keeping with the guidelines. But the other three districts (Ramanathapuram, Theni and Tiruvannamalai) were selected contrary to the guidelines.

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[8] 1999-2000: Rs 25 lakh; 2000-2001: Rs 198.35 lakh; 2001-02: Rs 156.05 lakh.

[9] Madurai, Salem, Thoothukudi, Vellore and Virudhunagar.

844 CBRWs and 22 MRWs positioned in excess resulting in Rs 37.28 lakh paid to them from GOI funds.

3.8.39 The scheme provided for two Community-based Rehabilitation Workers (CBRWs) at Gram Panchayat (GP) level and two Multipurpose Rehabilitation Workers (MRWs) at Block level. GOI stipulated (February 2001) that the districts where some rehabilitation services had already been provided will be sanctioned only one CBRW and MRW per GP and Block respectively. In case of districts having GPs more than 400 and Blocks more than 10, additional GPs and Blocks should be covered by the State Government through their own resources.

3.8.40 But, it was seen that 844 CBRWs and 22 MRWs had been positioned in excess of the ceiling prescribed (in four districts[10]) by GOI and their monthly honorarium amounting to Rs 37.28 lakh for the period from 15 July 2002 to 15 March 2003 (8 months) had been paid from GOI funds instead of from State resources. Government stated (December 2003) that based on GOI guidelines issued in November 2001 the four NPRPD districts in Tamil Nadu can have 3200 CBRWs as against 2177 positioned and 60 MRWs was well within the limits. The reply is not tenable as according to para 3.2 of the same guidelines GOI resources are available only on the estimation of 400 GPs and ten blocks in each district. Any excess was to be met out of States' resources or from savings from other districts. Audit has taken these guidelines into account and quantified the excess positioning only after considering the savings from other districts.

Urban areas were also covered instead of rural areas

3.8.41 Though as per GOI guidelines (October 2001), CBRWs and MRWs were to be positioned at GP and Block levels, it was noticed in two test-checked districts[11] that 68 CBRWs and two MRWs were positioned in Municipal Wards and Town Panchayat areas.

Rupees 2.57 crore being GOI funds released under NPRPD scheme remained unutilised as of March 2003.

3.8.42 Out of Rs 3.79 crore released by GOI during 1999-2002 for implementation of NPRPD, Rs 39.63 lakh was for setting up a State Resource Centre. However, the Resource Centre was yet to be set up as of July 2003. The proposal submitted in July 2000 was still under consideration. Out of the balance of Rs 3.39 crore, Government sanctioned Rs 1.89 crore during June 2002 (Rs 1.78 crore) and March 2003 (Rs 10.78 lakh) for conducting camps and training to MRWs and CBRWs and implementation of NPRPD in the four districts, against which the actual expenditure was only Rs 1.22 crore as of 31 March 2003. Thus, GOI funds of Rs 2.57 crore were lying unutilised with the State Government.

3.8.43 The DDRCs were to send utilisation certificates (UCs) for the amounts released to them along with physical and financial progress made under the scheme on quarterly basis to the SCD, who should send bi-annual reports to the Central Government. However, no such reports were sent as of 31 March 2003.

3.8.44 Under the scheme, a target of 50 camps per district was fixed for the year 2002-03 for assessing and providing rehabilitation services to persons with disabilities. In Kancheepuram and Tiruvannamalai districts, 32330 persons[12] with disabilities were identified during 2002-03 for providing rehabilitation services such as tri-cycle, wheel chair, hearing aid, bus pass etc.

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10 Kancheepuram, Ramanathapuram, Theni and Tiruvannamalai.

11 Kancheepuram and Tiruvannamalai.

12 Kancheepuram: 7073; Tiruvannamalai: 25257.

Of this only 641 persons in Kancheepuram District were provided with rehabilitation services, as of April 2003.

Implementation of the Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995

Provisions of the PWD Act are yet to be enforced in full, comprehensive rules were yet to be framed and access audit was not conducted at all.

3.8.45 Section 60 (i) of the PWD Act stipulates that every State Government may by notification appoint a Commissioner with special knowledge or practical experience in respect of matters relating to rehabilitation to assist the persons with disabilities for the implementation of the Act. However, no separate Commissioner was appointed, but the existing Director for Rehabilitation of the Disabled was appointed (April 1999) to work also as State Commissioner for the Disabled.

3.8.46 Section 73 of the Act provides that State Governments may, by notification, make rules for enforcing the provisions of the Act. The State Government framed and notified (August 2002), 'The Tamil Nadu Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Rules, 2002' based on the draft model rules circulated by the Ministry of Welfare. However these rules did not cover the important aspects of the Act as detailed in Appendix XXXIX. After the fire accident at Erwadi in which several mentally ill persons had perished in August 2001, Government notified (October 2002) rules[13] (after the emergency arose) for registration of homes for the mentally ill persons only. However, no such rules for homes for other disabled persons had yet been framed. Similarly, under Section 63 of the Act, SCD is empowered to take legal action under the Code of Civil Procedure while trying a suit in respect of the matters specified in the Act. A proposal for creation of the legal cell to enforce the rights of SCD was turned down by Government due to financial crunch.

3.8.47 The Act (Sections 44 to 47) provides that appropriate Governments/Local authorities shall take up special measures to enable persons with disability to have easy access to buses, toilets and waiting rooms by using wheelchairs etc. conveniently.

3.8.48 Steps were to be taken for providing auditory signals; engraving on the surface of zebra crossings; ramps in public buildings, hospitals and primary health centres; suitable adjustment of an employee to some other available post, if the employee acquiring disability is found not suitable for the post he was holding etc. But, no action was initiated to provide these facilities, except ramps in public buildings.

3.8.49 To construct ramps in all District Collectorates and Secretariat, the State Government sanctioned Rs 65 lakh in October 2001. Government stated (December 2003) that ramps were constructed in 15 district Collectorates. In three districts construction was in progress; for eight districts it was in proposal stage and the remaining three district Collectorates do not require ramps. Thus two years have elapsed after the sanction of Government for creation of barrier-free environment in 15 districts; in 11 districts it still remained to be created.

3.8.50 As per section 33 of the Act every Government shall reserve in every establishment not less than three *per cent* of vacancies for persons with disability of which one *per cent* each shall be reserved for persons suffering

13 The Tamil Nadu Registration of Psychiatric Rehabilitation Centres of Mentally Ill Persons Rules.

from (i) blindness or low vision (ii) hearing impairment and (iii) locomotor disability or cerebral palsy. Section 36 provides for carrying forward the reservation in the succeeding recruitment year and for interchange among the three categories of disabled if suitable persons were not available. Orders for reservation of vacancies were issued by the State Government (for Group 'C' and 'D' posts) even earlier in August 1981 and February 1988. Though the SCD stated that totally 3486 posts had been filled up during 2000-2002 he did not give any specific reply for carry forward of vacancies provided for in the Act.

3.8.51 An Access Audit Committee was formed (September 2002) to undertake every month access audit of at least two public buildings to find out the buildings' accessibility to the disabled and, if not, to suggest curative measures. As of date (March 2003), no access audit had been conducted though 14 audits should have been conducted. Further, the training given by GOI to three officers[14] to conduct access audit remained unproductive.

Monitoring and evaluation

Monitoring

State plan for monitoring yet to be drawn up.

3.8.52 In August 1998, the Director for Rehabilitation of the Disabled issued instructions that DDROs should inspect five *per cent* of all schemes. This was not done by the DDROs Chengalpattu and Madurai. Though DDRO Tirunelveli reported (April 2003) that during field visit DDRO/Orthotic Technician/ MPRA verified the beneficiaries, no recorded evidence was produced to Audit. Further, in order to draw up an action plan of the schemes for the State, SCD required (April 2002) the DDROs to submit district plans highlighting the requirements of disabled indicating the strategy and sources of funding. This State plan was yet to be drawn up by the SCD as of May 2003.

Impact Assessment

3.8.53 Apart from the points discussed above, State Government did not take effective steps for enforcing provisions of Section 25, 27 to 30, 40, 48, 49 and 51 of the PWD Act as detailed in Appendix XL.

3.8.54 Based on National Sample Survey and 1991 Census, population of disabled in Tamil Nadu was estimated at 10,61,320. A survey in February 2000 conducted by the department estimated it as 3,71,697 (0.60 *per cent* of total population) and a resurvey in March 2001 at 4,00,817 (0.65 *per cent* of total population). The disabled population in four districts where NPRPD was launched, (Kancheepuram, Theni, Tiruvannamalai and Ramanathapuram) was estimated as 79,561 after a survey in August 2002 against 52,685 estimated in the resurvey of March 2001 indicating a huge variation of 51 *per cent*.

3.8.55 The wide variations and inconsistent estimations indicate that the department did not adopt reliable scientific methods of survey for estimating the population of the disabled. The available data indicated that population of orthopaedically handicapped persons was the highest in the State constituting 54 *per cent* of the total disabled. During the ten years 1991-2002 only 70,577 orthopaedically handicapped constituting 33 *per cent* (total

[14] Joint Director, Technical Officer, and District Disabled Rehabilitation Officer, DRC Chengalpattu

215280) were assisted by the State Government with aids and appliances. This trend is indicative of inadequate level of assistance.

3.8.56 The above points were referred to Government in June 2003; Government generally accepted the facts (December 2003), except as discussed.

Recommendations

3.8.57 The department has to (i) adopt scientific methods of survey for estimating the population of the disabled in the State; (ii) ensure timely supply of aids and appliances and monthly payment of maintenance allowance to severely disabled; (iii) set up homes for rehabilitation of mentally retarded girls of above 14 years; and (iv) ensure implementation of the various sections of the PWD Act, which have been neglected so far.

CHAPTER IV

AUDIT OF TRANSACTIONS

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

4.1 Wasteful/unfruitful expenditure

HIGHER EDUCATION DEPARTMENT

4.1.1 Failure of computer literacy programme due to defective planning

Due to defective planning, Computer Literacy Programme was not successful. Expenditure of Rs 11.62 crore on hardware, software and faculty largely remained unfruitful as of May 2003.

For imparting education in Computer Science to students in Government Arts and Science Colleges, Government approved (May 2000) introduction of Computer Literacy Programme (CLP) at an estimated expenditure of Rs 30 crore over five years. It was proposed that 30,000 students studying in second year degree course would be given training every year. Course fee of Rs 2,000 was to be collected from each student so that the entire cost of the programme could be recovered. The computer hardware, software and computer education services in the colleges were to be leased from selected agencies for a period of five years. Thereafter the hardware and infrastructure were to be retained by the respective colleges. Based on the maximum number of students expected to be enrolled, the 60 colleges selected were classified into five groups*, and tenders were to be invited separately for each category. The Electronics Corporation of Tamil Nadu Limited (ELCOT), appointed as Nodal Agency, entrusted the project to three firms**, with contract value for five years being Rs 28.06 crore. The Director of Collegiate Education (DCE) entered into an agreement (September 2000) with ELCOT and the selected agencies. ELCOT was to be paid a service charge at five *per cent* of contract value.

The actual enrolment of students and fees collected from them as against the target are as below:

* Category A: nine colleges with 160 students each, Category B: 23 colleges with 400 students each, Category C: 14 colleges with 560 students each, Category D: 11 colleges with 800 students each and Category E: three colleges with 1200 students each.

** NIIT Limited, Chennai: Rs 20.67 crore, Ravichandra Systems and Services: Rs 4.12 crore and SRM Systems Software Limited: Rs 3.27 crore.

Year	Physical (Number)			Financial (Rupees in lakh)			Percentage of shortfall with reference to targeted collection
	Targeted enrolment	Actual enrolment as per DCE	Percentage of shortfall	Targeted fees collection	Fees to be collected from the enrolled	Fees actually collected	
2000-2001	30,000	27,078	10	600.00	541.56	351.25	41
2001-2002	30,000	9,198	69	600.00	183.96	59.30	90
2002-2003	30,000	8,104	73	600.00	162.08	21.40	96
	90,000	**44,380**	**51**	**1800.00**	**887.60**	**431.95**	**76**

Rupees 11.62 crore were paid as of May 2003 to the agencies (through ELCOT) and ELCOT for eight quarters and the committed liability for the remaining contract period was of the order of Rs 17.84 crore[@]. As seen from the table the enrolment during 2001-03 was very poor; the fees remaining uncollected from enrolled students amounted to Rs 4.56 crore; the objective of imparting computer training to 30,000 students every year has not been achieved and the facilities leased in have largely remained unutilised during 2001-2003. Thus the cost of the project could not be recovered through fees collected from the students and being a contractual commitment, will ultimately be met by the Government.

The projection of 30,000 students joining the course was unrealistic, especially as the majority of students studying in Government colleges are economically backward and private institutions also offer similar courses, besides the fact that the course was optional. Further, absence of a suitable clause to accommodate such contingency of poor enrolment resulted in an avoidable payment of Rs 2.69[*] crore to the firms upto May 2003 in respect of four quarters, April 2001 – March 2002, worked out with reference to actual enrolment.

On the matter being referred, Government accepted (June 2003) the facts of the case and stated that Computer Literacy Programme has been made compulsory for the first year non-Computer Science degree students from the academic year 2003-04.

HIGHWAYS DEPARTMENT

4.1.2 Execution of works under Central Road Fund

There was an unproductive expenditure of Rs 3.88 crore on two incomplete works and avoidable expenditure of Rs 2.35 crore on two other works due to adoption of higher specifications. Besides, no system was evolved to incur expenditure under Revamped Central Road Fund as per the guidelines issued by Government of India.

Government of India (GOI) established Central Road Fund (CRF) by earmarking a portion of the proceeds of excise and import duties on motor spirits and released money to the States from the fund for road development.

@ Committed expenditure for the period upto March 2003: Rs 0.18 crore and for the period April 2003 – March 2005: Rs 17.66 crore.

* Worked out adopting appropriate slab rate for actual strength based on rates approved for category A to E.

Till 1999-2000, the funds received from GOI for executing the works under CRF were transferred to a Reserve Fund and the eligible expenditure incurred on works approved by GOI were met from this Fund. The guidelines issued by GOI stipulated that the expenditure in excess of ten *per cent* of administrative sanction was to be borne by the States. From 2000-01, GOI revamped the scheme of CRF and released grants from the Fund for State Plan Schemes. A review of the implementation of CRF and Revamped Central Road Fund (RCRF) revealed the following:

Central Road Fund

- There was a balance of Rs 5.46 crore under the Reserve Fund as of March 2003 mainly due to savings. Test-check revealed that savings amounting to Rs 1.89 crore were due to non-execution of four works* that were sanctioned during 1992-93. Besides, the work of 'Construction of two high level bridges in Edachery Road' was completed at a cost of Rs 82 lakh against the administrative sanction of Rs 1.95 crore. As the expenditure on another two works under execution had already exceeded the eligible limit, no further expenditure could be incurred from the Reserve Fund on CRF works. Hence, the balance in the Reserve Fund had to be remitted to GOI.

- Rupees 2.41 crore spent on 'Formation of road for 4.9 kilometre (km) from Picharavam- Thandavarayan - Chozhangampettai road to Kodiyampalayam village' became unproductive, because the over-bridge was not taken up for want of funds from the State Budget. Further, Rs 1.47 crore spent on the construction of the causeway across Palar connecting Athur and Orakkadupet in Kancheepuram District also became unproductive as the work was abandoned due to design failure.

- The Department adopted higher specifications for two works resulting in avoidable extra expenditure of Rs 2.35 crore (Appendix XLI).

Revamped Central Road Fund

- GOI sanctioned 252 works under RCRF and released Rs 124.82 crore during 2000-03. The Department spent Rs 114.36 crore and completed 232 works; the remaining works were under execution. The works were not executed as approved by the GOI, and there were savings and excesses compared to the sanctioned amount. The Department reduced the total length of the road from that sanctioned by GOI in respect of 22 works without obtaining revised administrative sanction from GOI. There was an excess expenditure of Rs four crore in respect of 11 of these works, if the sanction was reduced proportionately. In respect of 190 works, there was a saving of Rs 11.70 crore. Thus, the Department had not evolved any system to ensure that money released under RCRF is spent in accordance with the guidelines issued by GOI.

The matter was referred to Government in June 2003; reply had not been received (January 2004).

* Construction of bridge across Ambanar river on Vanagiri - Manickkappangu; Construction of bridge at km 1/4 of Bommidi - Lokkur Road; Forming of bye-pass to Pondicherry town; and Reconstruction of bridge at km 72/10 of Madurai -Thondi road

PUBLIC WORKS DEPARTMENT

4.1.3 Unfruitful expenditure due to poor planning

Commencement of a reservoir work without investigation and delay in acquiring land for the purpose resulted in unfruitful expenditure of Rs 3.87 crore.

The work of formation of a reservoir across Sirumalaiyar near Rajadhanikottai in Dindigul district was awarded (August 1999) to a contractor for Rs 3.56 crore. The work, scheduled for completion by March 2001, was delayed and only 60 *per cent* of work was completed by March 2003. The delay was mainly due to the following reasons.

➢ Though Government sanctioned (September 1998) Rs 4.91 crore for the work (including land cost), only Rs 1.17 crore was provided for this work during these years. The contractor executed work valuing Rs 5.19 crore including additional items of work valuing Rs 2.77 crore and stopped the work in March 2001 as only Rs 1.05 crore was paid to him.

➢ The work involved acquisition of 20.37 hectare (ha) of private land for headworks and the Department commenced the work by obtaining consent of the land owners pending settlement of compensation. Though the Land Acquisition (LA) Act provided for acquisition of private land within six months under the 'urgency clause' by paying 80 *per cent* of compensation before passing the award, the Department resorted to acquisition by negotiation. There was inordinate delay in fixing the compensation amount and the land owners obstructed the progress of work. In May 2003, land owners of 12.49 ha alone agreed for negotiated settlement and the land acquisition proceedings in respect of the remaining 7.88 ha had not started. Besides, the land required for formation of channels was not yet identified (July 2003). Thus, the failure of the Department to acquire the land under 'urgency clause' of LA Act resulted in non-acquisition of land required for the work and retarded the work.

➢ The estimate for the work was prepared by the Chief Engineer, Madurai Region (CE) without conducting investigation of the site. Consequently, within two months after commencement of work, execution of additional items of work was found necessary based on the site condition. This led to preparation of revised estimate for Rs 8.87 crore which was sanctioned by Government in January 2001. After exploring the possibility of obtaining loan assistance from National Bank for Agriculture and Rural Development for the work, the Government provided Rs 2.93 crore during 2001-03. The work was not commenced since the revised rates for additional quantities and items had not been approved and part of the land required for headworks was not acquired. Rupees 3.87 crore was spent (including cost of land acquisition) till June 2003.

Thus, the failure of the CE in not conducting investigation of the site before commencing the work, non-settlement of bills of the contractor and inordinate delay in payment of compensation to land owners resulted in stoppage of work. Further, the expenditure of Rs 3.87 crore remained unfruitful and there was little possibility of completing the work in the near future.

The matter was referred to Government in May 2003; reply had not been received (January 2004).

4.1.4 *Defective rehabilitation of canal and wasteful expenditure on raising free board*

Unnecessary provision of free board and adoption of wrong design resulted in avoidable expenditure of Rs 2.03 crore besides leakage of water due to defective execution.

The contour canal, which was constructed in 1965 for carrying 1150 cusecs of water from Sarkarpathy Power House to Thirumoorthy Dam, developed large scale leakages due to breakages in the linings, resulting in reduction of the carrying capacity by 250 cusecs. In order to bring the canal to its original standard, rehabilitation works were carried out at a cost of Rs 17.19 crore during June 1998 to August 2000. Even after rehabilitation with additional lining, the leakages were not arrested in the reach 0/0 to 25/490 kilometre (km). The Department, after carrying out rectification in 67 locations, reported that the leakages were nominal. The records relating to the execution of the work in this reach revealed the following:

- The estimate for the work provided for execution of certain repair works before lining the bed and side slopes of the canal to arrest the leakages. It was, however, seen that there were shortfalls to the extent of 25 to 76 *per cent* in the execution of these leakage prevention items* and the resultant savings of Rs 1.35 crore were treated as authorised omissions. After the completion of the work (August 2000), a leakage of 21 to 41 *per cent* was noticed mainly in locations identified for repair works in the estimate. The Department took up rectification works only in August 2002. Thus, shortfall in the leakage prevention works resulted in continued leakage for more than two years.

- The canal has earthen, rock and earth-cum-rock sections with varying bed width and height. As the carrying capacity of the canal would get reduced by 31 cusecs due to provision of additional lining, the estimate provided for raising the free board to offset this reduction. It was seen from the designs evolved for raising the free board that the earthen and earth-cum-rock sections (9 km) did not require increase in free board as the existing full supply level could carry the designed 1150 cusecs even after rehabilitation. The Department, however, raised the free board in these sections also resulting in wasteful expenditure of Rs 1.17 crore. Besides, instead of raising the free board as an extension of slope in these sections, the Department carried out vertical raising of free board involving huge expenditure (Rs 86.42 lakh) on centering work.

- In September 2002, the Superintending Engineer (SE) initiated disciplinary action against the Executive Engineer (EE) for false reporting by providing misleading facts, wrong technical data and boosted rates in respect of raising the free board and non-bonafide payments in respect of certain items♦ causing loss of Rs 1.90 crore. The Committee constituted (December 2002) to inspect and examine the technical aspects of shortcomings in the execution of the work did not examine the failures but recommended (January 2003) release of final payment to the contractor if the losses were within

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* Levelling course with cement concrete 1:4:8 (25 *per cent*); pointing in Random Rubble (RR) masonry with cement mortar 1:3 (30 *per cent*); repair grouting in RR masonry (76 *per cent*); Canal Bed Reinforced Cement Concrete (RCC) M15 (54 *per cent*), and steel for RCC works (73 *per cent*).

♦ Guniting vertical rock cutting surfaces, fabricating, supplying and fixing of Trash Rack, hard rock blasting with non-explosive agents and spreading gravel in jeep track reasonable limit after completion of the rectification works. The Committee also recommended revision of calibration charts for measuring water flow. However, based on the recommendations of the Committee, the Chief Engineer dropped the disciplinary action against the EE. Thus, action was not initiated against persons responsible for the failures.

➢ As the water carried in contour canal is governed by Parambikulam - Aliyar Project Agreement between Tamil Nadu and Kerala, the calibration charts to be used for measuring water flow was to be approved by the Joint Water Regulatory (JWR) Board of Kerala and Tamil Nadu. The rehabilitation and rectification works were taken up based on the water loss found using such approved calibration. Based on the recommendation of the Committee, the Department, without the approval of JWR Board, evolved new gauging calibration charts and closed the accounts of the contractor (March 2003) stating that the water loss was within the limit. This action which was based on unapproved calibration charts was not correct. It was seen that the accounts of water regulation sent to JWR Board after rehabilitation were based on the approved calibration only and the water loss in August 2003 based on the unapproved calibration was eight *per cent,* whereas the loss as per approved calibration was 33 *per cent*. Thus, the achievement of objective of the work was doubtful even after spending Rs 17.19 crore.

The matter was referred to Government in May 2003; reply had not been received (January 2004).

HOUSING AND URBAN DEVELOPMENT AND REVENUE DEPARTMENTS

TAMIL NADU HOUSING BOARD

4.1.5 Unfruitful expenditure due to execution of development works on land under litigation

Failure to follow the prescribed procedures of land acquisition and formulating a scheme covering the disputed area resulted in unfruitful expenditure of Rs 1.36 crore.

The Revenue Department passed an award for Rs 16.64 lakh for acquiring 10.15 hectares (ha) of land in Vilankurichi Village in Coimbatore District for implementing Ganapathy Neighbourhood Scheme Phase II by Tamil Nadu Housing Board (Board). The Land Acquisition Officer handed over the land to the Board on 9 December 1994. When the Board was considering the formulation of an Area Development Scheme covering the entire land, the land owners of 1.65 ha informed (October 1998) that their land was covered by dispossession stay order of High Court issued on 8 December 1994. In October 1998, the land owners of another 2.87 ha also obtained a similar stay.

In spite of the litigation, the Board approved the scheme for developing the entire land (November 1998) at a cost of Rs 3.83 crore and obtained a loan of Rs 1.22 crore from Housing and Urban Development Corporation Limited. When the work was in progress, the High Court ruled (July 2000) that the acquisition of 2.87 ha was valid as the petitioners were given opportunity as per Land Acquisition (LA) Act. The Court, however, struck down (September 2000) the acquisition of 1.65 ha on the ground that the petitioners were not served with personal notices and the acquisition notification was not published in newspapers circulated in the locality. The appeal filed by the Board was dismissed (August 2002) by the High Court and the Board obtained (March 2003) stay in Supreme Court. In the meanwhile, the land owners of another

3.03 ha also obtained stay (February 2001) in the High Court citing similar ground that they were not given opportunity before acquisition of their land. The High Court also issued interim stay (December 2001) on LA proceedings in respect of 0.48 ha covered in the scheme. The Board carried out development works in the scheme area, excluding 1.65 ha covered by court stay, at a cost of Rs 1.36 crore by May 2001.

Thus, the failure of the Revenue Department in not following the prescribed procedure for acquisition of land resulted in unnecessary litigation. Further, the developed portions of the scheme area could not be sold as the infrastructure like roads, water supply mains and drains were incomplete; they could not be carried out in the disputed area. Thus, execution of development works, fully aware of the litigation, resulted in an unfruitful expenditure of Rs 1.36 crore. When the matter was reported, the Board stated (July 2003) that development works were carried out only in the litigation free land in order to avoid escalation in cost. The fact, however, was that the expenditure on development works remained unfruitful.

The matter was referred to Government in May 2003; Government concurred (October 2003) with the views of the Board.

CO-OPERATION, FOOD AND CONSUMER PROTECTION DEPARTMENT

4.1.6 Aborted work of enumeration of families for issue of new family cards

Due to reversal of Government decision, expenditure of Rs 87.82 lakh on an aborted enumeration became infructuous.

Government of India (GOI) introduced (January 1997) Targeted Public Distribution System (TPDS) under which GOI released food grains from Central Pool to the State at specially subsidised prices for distribution to people Below Poverty Line (BPL). TPDS envisaged their precise identification and issue of separate cards to them. Subsequently, BPL families in Tamil Nadu were identified through a survey during 1997. Government ordered (April 1998) that people who wanted to draw rice and other essential commodities are to be issued red/pink cards, while the families that did not want to draw rice are to be given yellow cards. Under TPDS, the GOI releases rice from the Central Pool to the State at a special subsidised rate of Rs 5.65 per kg. However, the rice was being sold to public under PDS at further subsidised rate of Rs 3.50 per kg, the State Government bearing the difference in cost.

Since rice was being supplied at a greatly subsidised price without differentiation between BPL and APL families, resulting in huge subsidy burden, and loopholes in the existing system needed to be plugged the State Government ordered (December 2001) fresh enumeration of BPL families and issue of new ration cards. Government also ordered that families earning income below Rs 24,000 per annum and satisfying certain other specified criteria be treated as BPL. The enumeration work was to be completed by February 2002 and new cards issued by April 2002. The enumeration began on 1 January 2002 and while it was in progress, Government ordered (8 January 2002) its suspension, on the ground that there were practical problems in identifying the BPL families correctly under the prescribed criteria. It was also stated that the guidelines needed a change. Government proposed to resume the enumeration only after consultation with the representatives of various groups to identify genuine BPL families. However, no further action has been taken as of July 2003. An expenditure of Rs 87.82 lakh[@] had already been incurred towards remuneration to enumerators, printing of enumeration forms and supply of stationery items to enumerators.

The earlier instance of infructuous expenditure during 1997-98, on printing of separate cards differentiating the BPL and Non-BPL due to change in Government policy was already pointed out in the Audit Report of the Comptroller and Auditor General - Government of Tamil Nadu (Civil) for the year ended 31 March 2000 (Paragraph 3.14). In the light of previous experience, Government should have exercised due care and held discussions with those required to be consulted before ordering re-enumeration in December 2001 for categorisation of BPL and APL population. Suspending the enumeration within a week resulted in infructuous expenditure of Rs 87.82 lakh.

On the matter being referred (May 2003), Government in its reply accepted the facts and stated that it has introduced a rice coupon system by which only about 120 lakh card holders out of 136 lakh received rice coupons, resulting in saving of subsidy and that survey can not be conducted for massive schemes like PDS and Government had to be flexible towards public criticism. Government has further ordered (August 2003) that the ration card holding families which have one or more income tax / sales tax assesses and families having monthly income of Rs 5000 and above would not be entitled to draw commodities from the PDS.

Though the actions of the Government would reduce subsidy burden to a certain extent, fact remained that enumeration of families based on proper criteria for plugging loopholes in existing system had not been completed. Expenditure on survey suspended mid way also proved infructuous.

HEALTH AND FAMILY WELFARE DEPARTMENT

4.1.7 Denial of modern treatment to patients through Telemedicine project

Non-payment of ISDN connectivity charges led to suspension of benefits of modern treatment to patients in Government Hospital, Wallajah.

Government sanctioned (November 1999) the implementation of "Telemedicine project" at a cost of Rs 87 lakh for interlinking Government Hospital (GH), Wallajah through "Integrated Services Digital Network" (ISDN) with Madras Medical College and Research Institute (MMC), Chennai. Electronics Corporation of Tamil Nadu (ELCOT) was to procure and install the equipment.

The Director of Medical and Rural Health Services (DMRHS) paid Rs 87 lakh to ELCOT in January 2000. The tender of Bharat Electronics Limited (BEL) was accepted and agreement was signed (June 2000) between BEL and DMRHS. BEL commissioned the project in December 2000. 184 patients at GH, Wallajah benefited from the project upto November 2001.

ELCOT informed (September and December 2001) DMRHS that the connectivity charges for the ISDN line installed for the project between MMC and GH, Wallajah was paid upto 30 November 2001. ELCOT after incurring an expenditure of Rs 78.26 lakh on the project requested (February 2002) the concurrence of DMRHS for utilising the balance amount of Rs 8.74 lakh

[@] Remuneration to enumerators: Rs 42.44 lakh for work done during 01.01.2002 to 08.01.2002; Stationery items supplied to enumerators: Rs 6.54 lakh and printing of enumeration forms: Rs 38.84 lakh.

available with them to make payment of ISDN charges for one year from December 2001. But there was no response from DMRHS.

DMRHS proposed (December 2001) for continuance of the project at an estimated annual recurring cost of Rs 2.23 lakh (including Rs 90,000 for payment of ISDN charges). Government opined (December 2002) that this was on the higher side and required it to be scaled down to the minimum, but DMRHS did not respond, as of March 2003. Consequently the ISDN link was disconnected and the project did not function from January 2002 onwards.

Thus the failure of the department to renew ISDN connection despite availability of funds with ELCOT, or make a separate provision of funds, rendered the investment of Rs 78.26 lakh unfruitful from January 2002. Further, the laudable objective of providing modern treatment with latest technological advances to the patients through 'Telemedicine project' was also not achieved.

The matter was referred to Government in May 2003; Government generally accepted the facts in October 2003.

AGRICULTURE DEPARTMENT

4.1.8 Construction of State Horticulture Farm in Forest area without approach road

Establishment of State Horticulture Farm in Forest area without approach road resulted in unfruitful net expenditure of Rs 63.93 lakh.

Based on Government approval (August 1980) a Giant Orchard was established (December 2000) over an area of 202.40 hectare (ha) (500.10 acres) of land in Sirumalai Hills in Dindigul Taluk. Under Section 4 of Tamil Nadu Forest Act, Government had notified in 1977 its intention to declare the farm area forming part of the Sirumalai West Forest as reserve forest area. Proposal had been submitted (October 2001) to Principal Chief Conservator of Forest (PCCF) to exclude this land and notify only the land surrounding this land as reserve forest under Section 16. However notification has not been issued, as of August 2003.

According to the Assistant Director of Horticulture, Dindigul (November 1996, April 1997) receipts from the farm produce were not commensurate with the expenditure incurred right from its formation. Farm cultivation was not possible because of (i) the ban of felling of trees under the Forest Conservation Act 1980 (ii) lack of basic amenities like electricity, quarters and office building in the farm area and (iii) lack of motorable approach roads through forest area to bring in inputs and take out farm produce for marketing. To avoid further loss he desired that the land can be handed over to forest department. The Commissioner sought orders of Government to hand over the entire land to Forest Department only in August 2003.

The total area brought under cultivation was 14.40 ha in 1981-82 which dwindled to 7.20 ha in 1984-85. 7.20 hectares alone was maintained with available funds upto March 2003. While the receipts from sale etc was Rs 29.48 lakh for the period from December 1980 to March 2003, an expenditure of Rs 93.41 lakh was incurred on the farm during the same period.

Thus, setting up of a State Horticulture Farm in an area proposed to be declared as Reserve forest area was ill-conceived, rendering the transhipment of inputs and the farm produce difficult. This resulted in an unfruitful net expenditure of Rs 63.93 lakh.

The matter was referred to Government in June 2003; reply had not been received (January 2004).

ANIMAL HUSBANDRY AND FISHERIES DEPARTMENT

4.1.9 Quality testing equipment lying idle

Equipment costing Rs 30.40 lakh procured out of Rs 77.88 lakh released as Central assistance for ensuring quality of milk and milk products was idle due to non-sanction of qualified technical staff.

Government of India (GOI) promulgated the Milk and Milk Product Order (MMPO) in June 1992 under the provisions of the Essential Commodities Act 1955. One of the major objectives of this order is to ensure quality of milk and milk products produced by the registered units. The order also provides for regular inspection of the registered units and testing of samples.

GOI announced (November 1996) financial assistance to State Governments for strengthening the existing laboratory facilities for testing milk and milk products, employing specialised technical staff for periodic inspection of registered units, and training of staff for inspection and quality control under MMPO 1992.

A proposal was submitted (January 2000) towards establishment of a separate full-fledged laboratory at a cost of Rs 69.78 lakh and for strengthening the laboratory facilities in the Laboratory at Madhavaram for analysing the samples collected and for training of staff. GOI while agreeing to finance the Central laboratory under the MMPO, laid certain conditions like availability of building for housing the laboratory and staff expenses would not be provided by GOI. GOI sanctioned Rs 34.16 lakh (March 2001) and Rs 35.62 lakh (March 2002). The amounts were drawn and given to the Managing Director (MD), Tamil Nadu Cooperative Milk Producers Federation (TNCMPF) in March 2002 and April 2003.

GOI recognised (November 2002) the laboratory to conduct analysis of milk and milk products under Section 23 of MMPO.

The Commissioner for Milk Production and Dairy Development requested as early as in June 2001 the Government to sanction seven technical posts, the minimum staff required to man the laboratory, at a cost of Rs 6.81 lakh per annum. He repeatedly informed (January and April 2002) that there was no possibility of deploying existing staff of the department to man the laboratory and that creation of such technical posts was essential. However, Government took no decision in view of the ban on creation of posts in force since 1992. Considering the inescapable need for the seven posts to run the laboratory, the ban could have been relaxed to enable creation of the required minimum number of posts.

The MD, TNCMPF intimated Audit that materials and equipment were received for Rs 30.40 lakh between April 2002 and December 2002. Orders were placed for materials worth Rs 0.49 lakh and tenders/ quotations were called for procurement of equipment/ materials for Rs 17.87 lakh as of August 2003.

Thus, although Rs 77.88 lakh* was received from GOI as Central assistance and equipment worth Rs 30.40 lakh including major and costly equipment like

* January 1998: Rs 8.10 lakh; March 2001: Rs 34.16 lakh; and March 2002: Rs 35.62 lakh

Milkoscan, Analytical balances, Spectro photometer, Microscopes were procured and electrification and airconditioning of the laboratory building completed, the laboratory could not function due to non-availability of qualified technical staff. The equipment was lying idle. The social objective of ensuring quality of milk and milk products was not achieved, as of August 2003.

The matter was referred to Government in April 2003; reply had not been received (January 2004).

4.2 Avoidable/excess expenditure

FINANCE DEPARTMENT

4.2.1 Excess borrowing of funds for road works

Government's decision to borrow in excess of the requirement projected by Chief Engineer (Highways) for carrying out District Road Works during 1999-2002 resulted in avoidable interest payment of Rs 92.73 crore.

The Government issued orders (October 1999) permitting Tamil Nadu Industrial Development Corporation Limited (TIDCO) to raise resources through issue of bonds, on Government guarantee, for payment of Government share for Railway Projects in the State and for financing the upgradation of roads. Chief Engineer (CE), Highways and Rural Works (H & RW) submitted proposals (September 1999) to Government for carrying out works to improve 14,139 kilometers of Other District Roads (ODR) at an estimated cost of Rs 606.67 crore in a phased manner during 1999-2002.

The details of funds required, ordered by Government to be mobilised and actually mobilised and funds released from the PD Account during 1999-2003 for ODR works are as given below:

(Rupees in crore)

Year	Unutilised amount available in the PD Account	Required by C.E.	Amount for which administrative sanction for the work issued by Government	Amount ordered to be mobilised by Government	Amount actually mobilised by TIDCO and credited to PD Account	Actual release for the works from PD Account	Balance amount available in PD Account	Borrowings in excess of requirement
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8) (Col. 2 + 6 – 7)	(9) (Col. 9 of Previous year + Col. 6 - Col. 3)
1999-2000	-	159.09 (December 1999)	159.09 (January 2000)	400.00	424.86 (21.12.1999)	100.00	324.86	265.77
2000-2001	324.86	320.00@ (April and June 2000)	320.00@ (July 2000)	135.00	173.45 (24.10.2000) 12.25%	229.00*	269.31	119.22
2001-2002	269.31	363.93 (February 2002)	Administrative sanction Not received**	374.00	268.37 (9.3.2002) 10.75%	150.00	387.68	23.66
2002-2003	387.68	-	-	-	-	-	387.68	-
Total		**843.02**		**909.00**	**866.68**	**479.00**		

@ Rs 120 crore for mechanised relaying of roads, Rs 200 crore for ODR Phase II works

* Includes release to Divisional Engineer (Highways) Sugarcane Road Development: Rs 20 crore

** As per information furnished by CE (H & RW)

As seen from the above table, the CE (H & RW) sought only Rs 159.09 crore for carrying out improvement in ODR during 1999-2000; the decision of Government permitting TIDCO to borrow Rs 400 crore for this purpose during the year was imprudent.

Comparison of the funds requisitioned with the funds mobilised shows that there was excess borrowing of Rs 408.65 crore during 1999-2002 .

Rupees 301.39 crore was met from PD Account towards other liabilities like arrangers fee and issue expenses (Rs 1.14 crore[**]) and payment towards interest (Rs 300.25 crore[**]) during the period 1999-2003.

As the interest rate on market borrowings has been declining over the years[*], Government could have restricted the borrowing to the actual requirement for the year and thereby reduced the interest liability to the extent of Rs 50.80 crore[@] towards interest (upto March 2003) on excess borrowing. A further amount of Rs 100 crore was mobilised during 1999-2000 for Rural Roads but no funds were released for the work as of February 2003. The avoidable interest on this borrowing was Rs 41.93 crore[#].

Payment of interest to the tune of Rs 300.25 crore was made from the PD Account of TIDCO utilising the surplus borrowed funds. This was in contravention of earlier Government orders to meet the interest through budget provision and indicated financial imprudence.

On the matter being referred (March 2003) Government stated (November 2003) that TIDCO retained the extra subscription because of uncertain market conditions and since the interest rate obtained for flotation of the bonds appeared to be advantageous. Further the reply stated that in Road Projects, interest during construction has to be sustained by investment and hence the interest burden was met from Bond money. The reply was not tenable, since in the background of falling interest rates over the years and the project being implemented in phases as explained in the foregoing paragraphs, Government's decision to ask TIDCO to raise more funds than warranted was unjustified. Further, payment of interest from bond proceeds was contrary to specific instructions (October 1999) of Government to meet the same from budget provision.

4.2.2 Avoidable payment of interest tax on Government loans

Non-reduction of interest rate on loan availed, consequent on abolition of interest tax, resulted in avoidable expenditure of Rs 92.57 lakh.

Government availed loan of Rs 140 crore from Housing and Urban Development Corporation (HUDCO) during 1999-2000 for construction of Public Asset Buildings like Police Stations, Hospitals, Medical Colleges, Schools, etc. under Urban Infrastructure Scheme. Loan amounts of Rs 100 crore and Rs 40 crore were drawn during January 2000 and March 2000

[**] Proportionate amount as combined issue was made for funding Railway and Road work projects.

[*] From 12.25 *per cent* in 1999-2000 to 10.35 *per cent* in 2001-2002.

[@] Rs 265.77 crore x 12.90 *per cent* for ten months + Rs 119.22 crore x 12.25 *per cent* for 16 months + Rs 23.66 crore x 10.75 *per cent* for 13 months.

[#] For 39 months at 12.90 *per* cent on Rs 100 crore respectively. The loan carried an interest rate of 13.75 *per cent* per annum inclusive of interest tax[$].

The levy of interest tax was withdrawn by GOI with effect from 1 April 2000. However HUDCO did not reduce the rate of interest (which included the element of interest tax at two *per cent* on interest). Though interest rate of 13.75 *per cent* should have been reduced to 13.48 *per cent*[**] with effect from 1 April 2000, HUDCO continued to charge interest at the original rate of 13.75 *per cent*.

In spite of the abolition of interest tax, the Department continued to make payment of interest at original rates as per schedule of payments and this resulted in avoidable payment to the tune of Rs 92.57 lakh towards interest tax element, during April 2000 to December 2002[@].

On the matter being referred (May 2003) Government in reply (August 2003) stated that as ascertained (July 2003) from HUDCO, the inclusion of interest tax in the rate of interest on loan was a conscious decision of the institution so that it would continue as rate of interest after abolition of interest tax. The reply of the Government is not tenable in view of the intention of the loan agreement which clearly stated that the rate of interest included interest tax, without any further conditions.

PUBLIC WORKS DEPARTMENT

4.2.3 Avoidable payment of price variation

Erroneous computation of price adjustment resulted in overpayment of Rs 1.22 crore in 14 irrigation works.

The World Bank-aided Tamil Nadu Water Resources Consolidation Project aimed at water resources planning, improvement of agricultural productivity, sustainability of water infrastructure and improvement of institutional and technical capability. The contract for the works executed under the project provided for price adjustment clause to compensate changes in rates of labour, material, fuel and lubricants. A review of the records relating to price adjustments made in respect of seven divisions[*] revealed the following:

➢ The contract provided for payment of price adjustment for 85 *per cent* of actual value of work done during each quarter. The work done would include value of materials for which secured advance was paid, less the secured advance recovered and would exclude the value of works executed as additional and substituted items. The contract also stipulated that price adjustment for materials should be based on All India average wholesale price index for each quarter and the price index of bars and rods should be considered for the price adjustment for steel. The base index for High Speed Diesel oil was its retail price 30 days prior to the date of opening the bid.

$ As per Interest Tax Act, 1974, companies providing finance were to pay interest tax at two *per cent* on interest charged.

** 13.75% x 100/102

@ on 1.1.2003 the entire loan outstanding was reset @ 10.25% per annum.

* Parambikulam Division, Nambiar Reservoir Project Division, Adavinainar Koil Reservoir Project Division, Vadaku Pachaiyar Reservoir Project Division, Mordhana Reservoir Project Division, Sothuparai Reservoir Project Division and Periyar Improvement Division VII

➢ Contrary to these provisions, the Executive Engineers computed price adjustments (a) based on the actual payment made during the quarter, without considering the secured advance paid and recovered during the quarter, (b) adopting the price index of the subsequent quarter for the portion of work actually executed and measured during the quarter, (c) adopting the month end/year end All India wholesale price index instead of average index, (d) adopting the price index of steel instead of bars and rods and (e) adopting the retail price of High Speed Diesel oil on the date of opening of the bid as base index. This resulted in overpayment of Rs 1.22 crore to the contractor in respect of 14 test-checked works as detailed in the Appendix XLII. When pointed out, three divisions[**] stated (June and August 2003) that they have recovered the overpayment.

The matter was referred to Government in May 2003; reply had not been received (January 2004).

4.2.4 Extra expenditure due to incorrect fixation of rates

Communication of incorrect Schedule of Rates resulted in extra expenditure of Rs 1.09 crore to the Tamil Nadu Water Supply and Drainage Board.

The High Level Committee constituted for administrative reforms and prevention of corruption recommended that the Public Works Department (PWD) would be responsible for the preparation and maintenance of Schedule of Rates (SOR) for all general engineering works. Government Departments and Public Undertakings might prepare their own special SOR relevant to engineering works involving the use of sophisticated equipment or technology peculiar to their needs. Accordingly, the Tamil Nadu Water Supply and Drainage Board (Board) should adopt the SOR of PWD for earthwork excavation for laying water supply pipes. Test-check revealed the following:

➢ The SOR of Upper Cauvery Basin Circle, Salem (Salem Circle) for 1999-2000 allowed double the basic rate for earth work excavation for narrow cutting. In the Zonal conference convened by the Chief Engineer (CE), Tiruchirappalli (February 2000) for deciding the SOR for 2000-01, it was decided to increase the basic rate of 1999-2000 by ten *per cent,* retaining double the rate for narrow cutting, for Salem, Tiruchirappalli and Thanjavur Circles. The Special CE, PWD, Salem Circle while communicating the SOR for 2000-01 for Salem - Namakkal districts incorrectly allowed triple the basic rates for narrow cutting after increasing the basic rate of 1999-2000 by ten *per cent.* The Board adopted the SOR for this item in respect of works executed on percentage tender system during April 2000 to July 2001 in Salem and Namakkal districts. Thus, the communication of incorrect SOR for 2000-01 by PWD resulted in extra expenditure of Rs 1.09 crore to the Board.

➢ The Superintending Engineer, PWD, Salem Circle, stated (August 2003) that the Circle level conference unanimously recommended adoption of triple the basic rate considering the highly skilled labour involved for narrow excavation. The contention was not tenable as Zonal level conference decided to allow only double the basic rate with ten *per cent* increase over 1999-2000 SOR whereas the Special CE, PWD, Salem Circle increased the basic rate by ten *per cent* and also allowed triple the rate. Further, though the SOR 2000-01 allowed triple the basic rates for narrow cutting, only double the rates was

[**] Adavinainar Koil Reservoir Project Division, Vadaku Pachaiyar Reservoir Project Division and Periyar Improvement Division VII.

adopted by PWD in Salem and Namakkal districts. As the Special CE had not issued any amendment to SOR 2000-01, the Board adopted the triple the basic rate resulting in extra expenditure of Rs 1.09 crore.

The matter was referred to Government in May 2003; reply had not been received (January 2004).

4.2.5 Avoidable extra liability due to defective preparation of estimate and tender

Allowing higher rates during execution due to defective preparation of estimate and tender schedule resulted in avoidable extra liability of Rs 89.39 lakh.

The Gadana Reservoir Extension Scheme in Ambasamudram Taluk of Tirunelveli District entrusted to a contractor for Rs 10.38 crore in January 2000, was under progress and expenditure of Rs 9.09 crore was incurred as of March 2003. The records relating to the execution of the work revealed the following:

➢ The tender documents specified that the contractor should satisfy himself about the availability of various materials in the stipulated quarry before tendering and any claim for payment of extra cost on account of increase in the lead for materials at a later stage would not be accepted. Further, it was also stipulated that seigniorage charges due for the use of private quarries should be paid by the contractor.

The estimate provided that 6.60 lakh cubic metre (cu.m) of earth required for formation of earth dam was to be obtained from the designated borrow areas with a lead of three kilometre (km). However, the Superintending Engineer (SE) had not specified the borrow areas in the tender schedule to enable the contractor to assess the availability of earth within the lead. The SE had also not called for rates for supply of earth for various leads, to prevent payment at higher rates for increase of lead at a later stage. During execution, the contractor claimed higher rate for a quantity of 1,15,600 cu.m of earth on the ground that only 5.44 lakh cu.m of earth was available within three km lead and he had to incur extra expenditure towards additional lead of another two km and payment of seigniorage charges to Government and royalty to land owners for the earth. The SE justified the higher rate based on the Schedule of Rates for 2001-02 and entrusted the work as a substituted item of work.

The acceptance of higher rate (Rs 141 per cu.m) based on 2001-02 Schedule of Rates was not justified as the agreement rate for three km lead (Rs 50.90 per cu.m) was inclusive of royalty payable to private land owners and the rate for earthwork with five km lead based on this agreement rate would have been Rs 80.50 per cu.m only. The failure of the SE in not obtaining the rate for various leads at the initial stage itself led to an avoidable extra liability of Rs 69.94 lakh to Government. The contractor executed 73,003 cu.m of earth work with five km lead as of May 2003. Government justified (November 2003) the payment of higher rate stating that the availability of suitable earth could not be assessed as the requirement was very high and earth conveyed from private quarry involved payment of cost of earth. These contentions were not tenable since the Superintending Engineer could have obtained rates for various leads if the quantity was not assessable and the agreement rate was inclusive of cost of earth payable to private land owners.

➢ The estimate contemplated rough stone dry packing of 17,370 cu.m with 450 mm thick stone. While preparing the tender schedule, the size of the stone was, however, specified as 300 mm and agreement was concluded with the contractor for this item at Rs 420 per cu.m. The SE got the work executed using 450 mm stones as per approved drawings and allowed higher rate of Rs 532 per cu.m based on the Schedule of Rates for 2000-01, treating the change in size of stone as substituted item of work. As the agreement rate was for 'cu.m' irrespective of the size of the stone, allowing higher rate for change in size of the stone was incorrect and resulted in an avoidable extra liability of Rs 19.45 lakh. Government stated (November 2003) that the cost of 450 mm Jeddy stone and 300 mm rough stone and the labour involved in placing them were different. The reply was not correct as the rate for 'hard granite for stone revetment works' was adopted while revising the contract rate which was the same for 300 mm and 450 mm stones.

4.2.6 Delay in claiming reimbursement of expenditure

The delay in claiming reimbursement of expenditure from World Bank resulted in financial crunch and avoidable payment of interest of Rs 40.88 lakh to contractors.

According to the project agreement entered into with World Bank (Bank) for implementing Water Resources Consolidation Project (WRCP), the State Government had to provide funds required for the project and claim reimbursement through Government of India (GOI). To overcome cash flow problems, the Bank released, in advance, four months' average project cost to GOI which was to be kept in a Special Account. As and when the monthly claims for reimbursement of expenditure was admitted by the Bank, GOI released the assistance in the form of loan and grant to the State Government from the Special Account which was replenished by the Bank. The agreement for WRCP works approved by the Bank, stipulated payment of interest to the contractor for the delay in settling his claim beyond 28 days of the date of the Engineer's certificate.

A review of the above provisions of the agreement in the implementation of WRCP during 1996-2002 revealed that the Engineer-in-Chief, Water Resources Organisation, Chennai (EIC) had filed 141 reimbursement claims amounting to Rs 702.80 crore and got reimbursement of Rs 669.56 crore. While there was no delay in reimbursement of eligible expenditure by GOI, there were delays in raising the claims of reimbursement by the EIC leading to cash flow problem for the project. The EIC did not evolve any system for making the reimbursement claim to GOI within the stipulated time. Out of 132 claims, only 22 claims were made within a month of incurring the expenditure. Fifty two monthly claims were made after one to six months and Rs 265.70 crore obtained belatedly. Besides, EIC raised 58 supplementary claims and obtained Rs 156.93 crore after a delay of one to 64 months as indicated below:

Period of delay in raising claim (in months)	Number of claims	Amount involved (Rupees in crore)
1 - 5	18	58.10
6-10	14	50.29
11-20	17	35.27
21-30	4	11.37
31-64	5	1.90
Total	**58**	**156.93**

It was also seen that EIC failed to claim reimbursement of mobilisation and equipment advance as soon as it was paid, but claimed reimbursement as works expenditure only when the advance was recovered from the contractors. The Bank also pointed out (May 2002) that the expenditure reporting mechanism and the claim preparation process was poor and that the EIC had not regularly reconciled the expenditure reported with the reimbursement claims.

EIC attributed (February 2003) the delay to non-receipt of required details from field officers and shortage of staff. This contention was not tenable as the claims were made based on the actual expenditure incurred by the field staff and hence the details could have been collected within a period of one month for raising claims. Due to overall financial crisis of the State Government, the Department had to pay interest of Rs 40.88 lakh to the contractors on account of delay in settlement of bills in respect of seven test-checked works, under the project. Thus, the poor system of claiming reimbursement contributed to financial constraint and resulted in avoidable payment of Rs 40.88 lakh as interest to the contractors.

The matter was referred to Government in May 2003; reply had not been received (January 2004).

AGRICULTURE DEPARTMENT

4.2.7 Unnecessary burden to Government in the purchase of bulldozers by AGROFED

Bulldozers were purchased by AGROFED through loan obtained from National Co-operative Development Corporation. Due to failure of AGROFED to repay the instalments, Government as borrower, had to pay Rs 1.11 crore to NCDC. The bulldozers were neither used optimally nor given on hire to farmers.

Government accorded (April 1997 and May 1998) sanction for purchase of six bulldozers at a cost of Rs 1.98 crore, of which 80 *per cent* (Rs 1.58 crore) was to be met through loan from National Cooperative Development Corporation (NCDC) and the balance by AGROFED* from its own funds. The bulldozers were to be given on hire to farmers. The loan together with interest (16.75 *per cent*) was repayable in seven years from the first anniversary of its deemed date of drawal.

Government released Rs 40 lakh to AGROFED in December 1997. NCDC reimbursed this amount to Government in January 1998. Thereafter NCDC released Rs 1.18 crore to Government in March 1998. Government passed on this amount to AGROFED clearly stating that the principal and interest were to be paid by the latter to NCDC. In the meantime, all the six bulldozers were purchased by AGROFED between July 1997 and September 1997 at a cost of Rs 2.22 crore.

AGROFED remitted Rs 85.03 lakh, the principal and interest due upto January 2000, to Government which in turn paid the same to NCDC. As AGROFED failed to pay the principal (Rs 67.89 lakh) and interest (Rs 45.48 lakh) for subsequent period upto February 2003, Government as the borrower paid Rs 1.11 crore to NCDC availing 0.75 *per cent* rebate for prompt payment. Government did not insist on repayment by AGROFED as it was not generating adequate surplus due to heavy fixed costs.

* Tamil Nadu Agro Engineering and Service Cooperative Federation Limited.

While sending the proposals for purchase of four bulldozers (out of 6), AGROFED reported that the existing bulldozers had earned a net profit of Rs 10.91 lakh during 1996-98. But Audit observed that the actual performance report of these four existing bulldozers for the period 1996-98 showed a net loss of Rs 0.38 lakh. They were also under-utilised to the extent of 31 *per cent* during 1996-97. Thus, the proposals of AGROFED for purchase of bulldozers were defective, in that they depicted that existing bulldozers were earning a profit, which was not true.

Thus, AGROFED defaulted in repayment of principal and interest of Rs 1.11 crore and therefore Government had to make the payment. Even the six bulldozers procured were operated at a loss of Rs 57.25 lakh during the period 1996-2002. Further, these bulldozers were hired out only to Government departments and not to individual farmers, thereby defeating the very objective of the assistance.

The matter was referred to Government in March 2003; reply had not been received (January 2004).

ANIMAL HUSBANDRY AND FISHERIES DEPARTMENT

4.2.8 Premature release of grant

Government of Tamil Nadu incurred avoidable liability of Rs 43.11 lakh towards interest due to release of Rs 6.50 crore to Tamil Nadu Cooperative Milk Producers Federation even before Government of India approved the scheme.

Government of India (GOI) approved (January 2000) a rehabilitation plan for loss-making Dairy Unions and Federations to make them viable. Grant assistance on 50:50 basis was to be provided by GOI and the State Government upto a maximum limit of the Union/Federations' accumulated cash losses. GOI assistance was subject to the main condition (among others) that the State Government should provide matching contribution.

National Dairy Development Board (NDDB) communicated (October 2000) to the State Government that Erode and Villupuram District Cooperative Milk Producers Unions (Unions) were eligible for rehabilitation assistance. Tamil Nadu Cooperative Milk Producers Federation (TNCMPF) also sent proposals (December 2000 and March 2001) to Government of Tamil Nadu (GTN) for providing Rs 6.50 crore in the annual budget for 2001-2002 for rehabilitating Erode and Villupuram Unions. GTN sanctioned Rs 6.50 crore and released Rs 0.89 crore in March 2001 and Rs 5.61 crore in March 2002. The funds were kept by TNCMPF in a savings bank account with a nationalised bank.

GOI approved (January 2003) rehabilitation of the Unions at a cost of Rs 13 crore*; spread over three years, and released Rs 3.75 crore in April 2003. In the meantime, TNCMPF disbursed Rs 4.50 crore to the Erode Union during November-December 2002.

Following observations are made.

* Erode Union : 2002-03 Rs 2.25 crore, 2003-04 Rs 1.50 crore and 2004-05 Rs 0.75 crore by GOI with matching share by GTN; Villupuram Union : 2002-03 Rs 1.50 crore, 2003-04 : Rs 0.50 crore by GOI and with matching share by GTN.

➢ According to financial rules, grants-in-aid should not be drawn in advance of requirement and only so much of the grant should be paid during any financial year as is likely to be expended during the year. But even before GOI's approval, GTN released Rs 6.50 crore for the rehabilitation of two district Unions, in contravention of the rules.

➢ Further, as per the pattern approved by GOI in July 2002, the State share of Rs 4.50 crore proposed for the scheme for Erode union had to be released over three years**. However, the entire State share of Rs 4.50 crore for this Union was released in the first year, much in advance and before receipt of GOI share. As a result huge money was locked outside Government account, till its release (December 2002) by TNCMPF to Erode union.

➢ Out of Rs 6.50 crore released by GTN, Rs two crore was with TNCMPF, kept outside Government account (March 2003).

While the ways and means position of GTN was deteriorating during 2000-2002 and its cash position was very critical, Rs 6.50 crore was released far in advance of requirement. Moreover as Government resorted to borrowings to meet revenue expenditure, by retaining Rs 6.50 crore outside Government account, GTN would have incurred avoidable interest burden of Rs 43.11 lakh, calculated at the rate of interest on market borrowings.

The matter was referred to Government in April 2003; Government accepted the facts (December 2003) and stated that anticipating approval of the rehabilitation plans by GOI before the end of the financial year, funds were released in March 2002.

4.3 Blocking of funds

HOUSING AND URBAN DEVELOPMENT DEPARTMENT

TAMIL NADU HOUSING BOARD

4.3.1 Blocking of funds on unsold plots

Poor planning, lack of infrastructure and defective pricing policy led to blocking of Rs 96.43 crore on 18,755 plots in 17 schemes.

The Tamil Nadu Housing Board (Board) took up land development schemes, including provision of roads, streets, open spaces, drainage, water supply and street lighting and other amenities for the scheme area. The schemes were mostly executed with borrowed funds. It was noticed that a total number of 29,893 plots in the developed areas remained unsold as of March 2003.

A test-check of 17 schemes completed between March 1996 and December 2002 by nine Divisions* revealed that out of 25,787 plots measuring 22.95 lakh square metre (sq.m) developed at a cost of Rs 121.18 crore, 18,755 plots measuring 18.53 lakh sq.m remained unsold (March 2003). The details of schemes and the reasons for poor sale are given in the Appendix XLIII. Sixty six *per cent* of the plots (11,993) remained unsold for more than five years and

** Rs 2.25 crore in 2002-2003, Rs 1.50 crore in 2003-2004 and Rs 75 lakh in 2004-2005

* Coimbatore, Hosur, Madurai, Ramnad, Salem, Thanjavur, Tirunelveli, Trichy and Villupuram Housing Units

in 11 schemes, more than 75 *per cent* of plots remained unsold. The accumulation of 18,755 unsold plots resulted in blocking of borrowed funds to the extent of Rs 96.43 crore. Further, interest amounting to Rs 25.74 crore was paid to lending agencies for the period upto September 2002.

The poor sale was mainly due to non assessment of demand before taking up the schemes, execution of schemes in low-lying and remote areas, absence of infrastructure such as transport facilities, schools, shops, etc., development of plots although there were unsold plots in the neighbouring schemes, high price of unsold plots due to capitalisation of interest from time to time and increasing the price of Middle and High Income Group plots to keep the price of Low Income Group plots low.

The Board stated (June 2003) that the five schemes (serial numbers 1, 13, 14, 15 and 16) taken up with World Bank assistance were meant for economically weaker sections and they were implemented in Government land/abandoned lakes in order to keep the cost low. As to the remaining 12 schemes implemented with borrowed funds, surveys were not conducted because the policy of the Board was to conduct demand survey only for developed lands. The prices of these plots were high compared to market value because the courts awarded higher compensation (serial numbers five and 11), the Board had to leave reserved area for public purpose and create external amenities like water supply, drains, roads. The Board assured to take steps to revise the pricing policy, adopt proper marketing strategy and take up housing schemes in a phased manner depending on demand to utilise the unsold plots.

It was, however, seen that though the Board rolled back the price of plots in six schemes (serial numbers 1, 6, 13, 15, 16 and 17) only 1064 out of 13,727 plots were sold between February 2002 and August 2003, indicating that the unsold plots might not be disposed off in the near future.

The matter was referred to Government in May 2003; reply had not been received (January 2004).

4.3.2 Acquisition of land without approach

Failure to provide access to the land acquired at a cost of Rs 55.51 lakh resulted in blocking of funds for over 14 years.

The Tamil Nadu Housing Board (Board) acquired 126 grounds* of land at a cost of Rs 55.51 lakh (December 1988) in Purasawakkam village, Chennai for constructing Middle Income Group flats. The original acquisition proposals included 36.5 grounds of land, which provided access from the existing road and a proposed new road. The Board, at the time of passing the award, excluded (August 1988) these lands from acquisition based on the representations made by the owners to the Government. Only after super structures were erected in these excluded lands, the Board realised that there was no approach to the acquired land.

In August 1993, the Board sent requisition to Revenue Department to acquire 42 grounds of land adjoining the acquired land so that access could be provided for implementing the scheme. The acquisition proposal was, however, returned by the Special Commissioner and Commissioner for Land Administration for want of particulars like administrative approval for the

* 1 Ground = 2400 Square feet.

scheme. The Board did not respond. In the meantime, the Trust which owned this land transferred certain portions to its tenants and some of them offered (February 2002) to exchange land for providing approach road. There was also another proposal (February 2003) to acquire 30.5 grounds of land for providing approach. The proposals are pending with the Board.

Thus, the failure of the Board to provide access to the land even after 14 years of acquisition resulted in blocking of Rs 55.51 lakh and escalation in the cost of land required for approach road. The Board replied to Audit (August 2003) that efforts were being made to acquire the land for the approach road.

The matter was referred to Government in May 2003; Government concurred (October 2003) with the views of the Board.

MUNICIPAL ADMINISTRATION AND WATER SUPPLY DEPARTMENT

4.3.3 Poor implementation of shelter upgradation programme

Shelter Upgradation Programme implementation was poor and Rs 5.95 crore received from Government of India was lying unutilised.

National Slum Development Programme (NSDP) is a cent *per cent* Centrally sponsored programme implemented in the State from 1996-97. State Government was to utilise not less than ten *per cent* of the Central assistance for Shelter Upgradation Programme (SUP), i.e. for construction and/or upgradation of houses for the urban poor. The allotment under SUP for Tamil Nadu was Rs 12.53 crore* for the period 1998-2003.

As per State Government guidelines (March 1999), subsidy of 25 *per cent* of the estimated cost, subject to a maximum of Rs 2500 was admissible for upgradation of existing houses, at a cost not exceeding Rs 10000. Government enhanced (February 2001) the subsidy to 90 *per cent* and extended the assistance for constructing new houses also at unit cost of Rs 20,000 per house. The balance amount in either case was to be met by the beneficiaries from their own sources or borrowings. The subsidy was to be released to Municipalities in a single instalment on completion of 75 *per cent* of the work and certification by the Municipal Engineer.

Audit scrutiny of implementation of the scheme revealed the following:

- Director of Town Panchayats (DTP) had utilised Rs 1.91 crore out of Rs 2.47 crore released to him in April 1999 on 3144 works, of which 2929 works had been completed as of March 2003. DTP however furnished (May 2003) utilisation certificate to Government for the entire amount.
- Tamil Nadu Slum Clearance Board (TNSCB) constructed 2000 houses in Tiruchirappalli with the assistance of Rs 2.71 crore received in March 2000. TNSCB did not collect the beneficiary contribution. The entire cost of construction was met by Government, without restricting its commitment to subsidy at 25 *per cent* of the cost. As a result there was an avoidable expenditure of Rs 2.02 crore. Government replied (January 2004) that Government of India has been addressed for ratifying their action of not

* 1998-1999 Rs 2.47 crore; 1999-2000 Rs 2.71 crore; 2000-2001 Rs 2.71 crore; 2001-2002 Rs 2.71 crore and 2002-2003 Rs 1.93 crore.

recovering the beneficiary contribution and treating the entire expenditure as subsidy.

- The Commissioner of Municipal Administration (CMA) drew Rs 6.06 crore allotted to him during 2000-2003 and deposited it in a Savings Bank Account. During this period 85 Municipalities submitted their proposals and work orders were issued in all cases. However, only Rs 36.20 lakh was released in December 2002 to two Municipalities which had completed the work. The balance together with interest (Rs 24.78 lakh) amounting to Rs 5.95 crore was lying unutilised outside the Government account.

CMA informed Audit (May 2003) that the main reason for not utilising the funds and poor progress during 2000-2003 was difficulty in getting the beneficiary's contribution of ten *per cent*; either from his own source, or by way of loan; there was no tie-up with banks. Further, release of subsidy was dependent on the certificate of completion of 75 *per cent* of the work by the Municipal Engineer.

Consequently, as of March 2003, Central assistance of Rs 5.95 crore was lying unutilised outside Government account for over one year.

ADI DRAVIDAR AND TRIBAL WELFARE DEPARTMENT

4.3.4 Unutilised central assistance and objective not achieved

Delay in construction of school buildings for Model Tribal Residential School resulted in unutilised Central assistance of Rs 2.01 crore. The quality of education was poor, due to lack of qualified teachers.

Government of India (GOI) sanctioned Rs 2.50 crore for setting up a residential school with classes VI to XII to provide quality education to the tribal students. GOI released Rs one crore in March 1998 and wanted the State Government to set up a registered society for management of the school.

As per Government order (July 1998) the school (classes VI, IX, XI) started functioning from September 1998 in an old Panchayat Union building with a strength of 95 students and four teachers deputed from other tribal residential schools. By the academic year 2002-2003, the student strength increased from 95 to 281. Tamil Nadu Adi Dravidar Housing and Development Corporation (TAHDCO) was asked (July 1998) to prepare the estimates for construction of the school building, hostel and staff quarters. TAHDCO, however, submitted plans and estimates for the buildings in December 1999 only. Government sanctioned (August 2001) Rs 80 lakh for the construction of school building alone.

GOI released the balance non-recurring grant of Rs 1.50 crore and recurring grant of Rs 0.45 crore for the years 1998-2001 for meeting expenditure on staff salary, mess charges etc in February 2002. The same was released to the Society in June 2002. The society incurred an expenditure of Rs 16.52 lakh from the non-recurring grant as of March 2003.

The following observations are made:

- Though the residential school started functioning from September 1998, no teaching and non-teaching staff were sanctioned. Against the requirement of ten teachers only five (postgraduate: one graduate: one secondary grade: 3) were diverted from two nearby schools. The pass percentages for the academic years 1999-2003 were as follows:

Year	Pass percentage	
	X Standard	XII Standard
2000	9	48
2001	27	Nil
2002	50	Nil
2003	55	Nil

None of the 15 candidates who took the class XII examination in 2001, 2002 and 2003 had passed. This was partly due to the absence of postgraduate teachers to handle the subjects.

- Though the school started functioning from September 1998, the society to manage the school was formed only in December 2000.

- TAHDCO incurred an expenditure of Rs 77.39 lakh on construction of school building which was occupied from June 2003. Proposal for construction of hostel building and staff quarters at a cost of Rs 1.70 crore has not yet been sanctioned, as of July 2003.

- Notwithstanding the fact that students were eligible for free boarding and GOI released recurring grants for meeting the mess expenses, Rs 17.77 lakh had been recovered towards food charges from the students during 1999-2002, and credited to Government account.

- The National Commission for Scheduled Castes and Scheduled Tribes which reviewed the working of the school in March 2000 observed that lack of facilities like pucca building, regular teaching staff, laboratory facilities, badly affected the education quality.

Thus, the quality of education remains poor, with no regular qualified teachers having been appointed. The Central assistance remained unutilised to the extent of Rs 2.01 crore as of March 2003.

The matter was referred to Government in March 2003; Government generally accepted (April 2003) the facts and stated that action is being taken to post the teaching and non-teaching staff to full strength and to credit the food charges recovered from students into Society's Account.

MUNICIPAL ADMINISTRATION AND WATER SUPPLY DEPARTMENT

TAMIL NADU WATER SUPPLY AND DRAINAGE BOARD

4.3.5 Poor planning in the implementation of Water Supply Scheme

Evolving an unviable water supply scheme without considering the ground realities resulted in stoppage of work and blocking of borrowed funds to the extent of Rs 1.41 crore.

The Tamil Nadu Water Supply and Drainage Board (Board) implemented (1976) a scheme to supply 11.66 million litres per day (mld) of water to Kovilpatti Municipality, two Town Panchayats and ten wayside habitations for meeting the requirement of the projected population in 2001. However, due to inclusion of additional local bodies and wayside habitations as beneficiaries of this scheme during 1977 and 1979 and drawal of more water by the wayside habitations, the actual supply to the Kovilpatti Municipality was reduced. In order to supply the designed quantity of water to the Municipality, the Board approved (April 1997) another Combined Water Supply Scheme (CWSS) exclusively to benefit wayside habitations for Rs 4.13 crore. While approving the CWSS, the Board failed to consider the following technical deficiencies:

- The water saved on account of implementation of the CWSS would be sufficient only for the population of Kovilpatti for the year 2001 and thereafter another improvement scheme would have to be taken up for Kovilpatti Municipality.

- The total quantity of water required for CWSS was much less and it would be impossible to control and convey the rated flow to all the habitations for a length of 50 kilometres.

- The pumping main for the CWSS was to be laid in rocky area parallel to the existing line, which would be damaged during blasting.

The Board executed works valuing Rs 1.41 crore and when the tenders for the pumping main were under consideration, the Chief Engineer, Southern Region (CE) reported (June 2000) to the Managing Director (MD) that the scheme was technically not viable. The MD stopped (August 2000) the works and cancelled the tenders. However, even before finalising an alternative proposal to utilise the infrastructure so far created, the MD reversed the decision and ordered (September 2001) to complete the CWSS. Efforts to finalise the contract for all the pending works by grouping them in one package did not bear fruit as of March 2003 due to high tender premium.

Thus the failure of the Board to consider the ground realities before evolving the scheme resulted not only in continued short supply of water to Kovilpatti Municipality but also in blocking of borrowed funds to the extent of Rs 1.41 crore.

The matter was referred to Government in May 2003; while furnishing reply (December 2003) Government failed to give specific reply regarding the action taken to rectify the technical difficulties before recommencing the work, thereby accepting the audit observation.

HEALTH AND FAMILY WELFARE DEPARTMENT

4.3.6 Unnecessary creation and retention of Corpus Fund

A Corpus Fund of Rs 60 lakh was created by Government; when the fund was no longer necessary, it was not refunded to Government. Rs 85.59 lakh (including interest) remained outside Government account for over three years.

The State Government agreed in principle to convert Chennai Medical College and Research Institute (MMC), Chennai to a Deemed University in February 1997. The Special Officer, MMC stated (December 1997) that one of the conditions laid down by the University Grants Commission (UGC) for declaring MMC as a Deemed University was to have a Corpus Fund. Accordingly Government sanctioned (January 1998) Rs 60 lakh towards creation of a Corpus Fund. The amount was paid to MMC in January 2000.

Government did not issue any guidelines for the retention/utilisation of this Corpus Fund. However, MMC deposited (January 2000) the amount with Tamil Nadu Power Finance and Infrastructure Development Corporation (POWERFIN) for a period of five years commencing from January 2000 with interest at 13 *per cent* per annum. The interest amount of Rs 65,000 p m was being credited to a separate savings bank account. A balance of Rs 25.59 lakh was available in the savings bank account as of March 2003.

Government of India (GOI), in a Notification issued in July 1998, declared the MMC as Deemed-to-be University, subject to a review after three years.

Due to various practical difficulties, the deemed university concept could not be operationalised and implemented. Soon after the declaration of deemed university status, a section of Medical Officers of MMC demanded UGC scales of pay and for raising the retirement age from 58 to 60 years. As this would result in two sets of service conditions among the same category of Medical Officers in the Tamil Nadu Medical Services, Government decided to discontinue the deemed university status to MMC, and requested GOI (August 2000) for its withdrawal. This was withdrawn in March 2001.

Consequent on the withdrawal of the deemed university status, there was no necessity for the Corpus Fund. Even though Director, MMC took up the matter with Government during April 2001 to decide what was to be done with the Corpus Fund, no decision was taken by Government. After the withdrawal of deemed university status the entire Corpus Fund with interest should have been refunded to Government. Instead Rs 85.59 lakh (including the interest earned) remained unutilised outside Government account for more than three years, as of March 2003.

The matter was referred to Government in April 2003; Government generally accepted the facts in November 2003.

4.3.7 Funds drawn kept outside Government account

Rupees 46.46 lakh drawn for payment to private anaesthetists and obstetricians remained unutilised outside Government account for over two years

Government of Tamil Nadu sanctioned (September 2000) hiring private anaesthetists and obstetricians at a cost of Rs 1.01 crore in 75 First Referral Units (FRUs) in 24 districts. Government also permitted (December 2000) Project Director, Reproductive and Child Health Project (PD, RCHP) to incur an expenditure of Rs 16.90 lakh for hiring private anaesthetists and obstetricians in 44 Primary Health Centres of seven districts. Specialists were to be hired only where Government Anaesthetists/ obstetricians were not available to attend to emergency cases of obstetric care, medical termination of pregnancies and tubectomies. Honorarium was fixed at Rs 100 per case subject to a minimum of Rs 500 per visit and transport allowances at Rs 100 per visit. The Government order did not specify the time limit within which the amount was to be utilised.

On the basis of the two government sanctions, PD, RCHP drew and disbursed Rs 12.67 lakh in January and May 2001 to seven Deputy Directors[1] of Health

[1] Dharmapuri, Krishnagiri, Madurai, Nagapattinam, Thanjavur, Theni and Thiruvarur.

Services (DDHS) and Rs 76.05 lakh to 24 Joint Directors[2] of Health Services (JDHS). The amount released to each DDHS/JDHS was calculated on the basis of requirement for nine months, assuming 15 cases per month. The amounts so received were deposited in Savings bank accounts by the DDHS/JDHS.

Test-check of records of PD, RCHP and information collected revealed the following:

- While justification was given to hire private specialists due to shortage of specialists in the government hospitals, no assessment was made regarding availability of private specialists in the respective stations where they were to be hired.

- PD, RCHP after reviewing the performance of the scheme in FRUs till October 2001, reported to Government (January 2002) that utilisation of funds was very poor, as private anaesthetists were reluctant to work in PHCs due to the low rate of incentive. The Government (April 2002) increased the honorarium to a minimum of Rs 1000 per visit for anaesthetists and Rs 800 for obstetricians; yet the response continued to be poor.

- 51 JDHS/DDHS in 25 districts were given Rs 91.72 lakh; as of March 2003, only Rs 45.26 lakh had been spent. Balance of Rs 46.46 lakh was lying unutilised in bank accounts.

- The entire amount of Rs 10.14 lakh released for hiring private anaesthetists to four JDHS could not be utilised due to (a) operation theatres being under repair or (b) anaesthetists were already available on rolls or (c) private anaesthetists were not willing for low rate of honorarium.

Thus, approval of the scheme without assessing the availability of private specialists resulted in blocking of Government money to the tune of Rs 46.46 lakh outside Government account for more than two years as of March 2003.

When the matter was referred to Government in February 2003, Government in their reply (April 2003) generally accepted the facts and stated that the initial poor response was due to resistance from the Government doctors' association and the low rate of incentive paid to the specialists. Further, funds have been provided to the Public Works Department to repair the operation theatres.

PUBLIC WORKS DEPARTMENT

4.3.8 Failure to follow codal provision

Failure to revise the estimate based on site condition and to get the revised estimate sanctioned in time resulted in stoppage of construction of circuit house after spending Rs 41.77 lakh.

Departmental code stipulated that estimates should be prepared based on detailed investigation on the site and if the cost as per the detailed estimate exceeded the administrative sanction by more than ten *per cent*, revised administrative sanction should be obtained before according technical sanction. In the case discussed below, violation of these codal provisions led

[2] Cuddalore, Dharmapuri, Dindigul, Kancheepuram, Karur, Madurai, Nagapattinam, Namakkal, Perambalur, Pudukkottai, Ramanathapuram, Salem, Sivaganga, Thanjavur, The Nilgiris, Theni, Thiruvarur, Tiruvellore, Tiruvannamalai, Tiruchirappalli, Tirunelveli, Vellore, Villupuram and Virudhunagar.

to delay in sanction of revised estimate by Government and consequent stoppage of work, thereby blocking Rs 41.77 lakh for more than two years.

In May 1997, Government sanctioned Rs 46.70 lakh for the construction of circuit house at Thiruvarur and the Chief Engineer (Buildings), Chennai (CE) accorded technical sanction in July 1997. As the site identified was encroached and was under litigation, the Superintending Engineer, Thanjavur (SE) changed (January 1999) the location. Though the new site was low lying with clay soil, requiring change in foundation design and increase in basement height, the SE failed to revise the estimate and obtain revised technical sanction. After awarding the civil work to a contractor (March 1999) for Rs 37.89 lakh, the SE proposed (March 2000) a revised estimate for Rs 58 lakh. The revised estimate recommended by the CE (December 2000) was not sanctioned by Government, as the CE had not furnished the reasons for change of site without the specific order of Government.

In the meantime, the contractor completed the work for a value of Rs 38.96 lakh (September 2000) and was paid Rs 37.45 lakh. As further payments could be made only after the approval of the revised estimate, the contractor stopped the work and sought termination of the contract (April 2001). The contract was not terminated as of July 2003. In addition, electrical works have been executed for a value of Rs 4.32 lakh.

Thus, the action of the SE in taking up the work without obtaining sanction for the revised estimate resulted in stoppage of work and blocking of Rs 41.77 lakh for over two years.

The matter was referred to Government in May 2003. Government stated (October 2003) that action was being taken to issue revised administrative sanction.

4.4 Other Points

REVENUE AND MUNICIPAL ADMINISTRATION AND WATER SUPPLY DEPARTMENTS

4.4.1 Utilisation of Calamity Relief Fund

Funds given towards Calamity Relief Fund were not invested. Government failed to pay interest to the tune of Rs 8.33 crore on the amount of Calamity Relief Fund kept in Public Account during 2000-2003. Works executed at a cost of Rs 19.60 crore utilising the Fund were in violation of the guidelines of Government of India.

On the basis of the recommendations of the Eleventh Finance Commission, the scheme for "Constitution and Administration of Calamity Relief Fund (CRF) and Investment thereof" was notified by the Ministry of Finance in November 2000. Ministry of Agriculture, the nodal Ministry for coordinating the CRF issued revised guidelines (August 2001) to be followed by the States for incurring expenditure from CRF; it was not to be used on items like restoration of infrastructure and capital assets, which should ordinarily be met from the normal budgetary heads. The exception was for immediate repair/restoration of the damaged infrastructure relating to communication, power, public health, drinking water supply, primary education and community owned assets.

The contributions of Central and State Government to CRF and withdrawals from the Fund during 2000-2003 are given in Appendix XLIV (A).

Failure to invest CRF assistance

Government of India (GOI) directed that the State Level Committee (SLC) constituted with the Chief Secretary to Government as the ex-officio Chairman should keep the periodic contributions to the Fund as well as other income to the Fund, outside Public Account of the State and invest the same in Government securities, treasury bills, interest bearing deposits, bonds etc according to the norms communicated from time to time. However, State Government had kept the amount released towards CRF only in a non-interest bearing Reserve Fund under Public Account and had not invested it. In November 2000 GOI instructed that, if for some reason, the CRF assistance could not be invested in the manner prescribed, it could be kept in Public Account on which the State Government should pay interest at one and half times the rate applicable to overdrafts; yet no interest was given for the amount kept in Public Account. The interest due for the period 2000-03 was Rs 8.33 crore.

Adjustment of expenditure of previous years

The intention of setting up a separate Fund is to meet the expenditure for providing immediate relief to the victims of natural calamities.

However, no SLC meetings were convened till 1999-2000. All the expenditure incurred towards relief activities was booked under "Relief on account of Natural Calamities" and the amount available in CRF was adjusted against the expenditure, at the end of the year. As such expenditure was higher than the amount available under the Fund; the excess expenditure was carried over for adjustment against the Fund in the succeeding year. After April 2000, SLC meetings were held and based on their recommendations; sanctions were issued for meeting the relief expenditure from the Fund account. Rupees 269.36 crore was still pending adjustment at the end of March 2003 as detailed in Appendix XLIV (B).

Test-check of records revealed that payment could not be made for works completed at a cost of Rs 1.41 crore in Thiruvarur and Thanjavur districts during 2001-2002, due to non availability of funds. Further, out of Rs 3.27 crore allotted to Cuddalore district for 2001-2002, Rs 1.47 crore could not be utilised reportedly due to non receipt of LOC from Government due to cash crunch. Similarly Rs 60 lakh sanctioned (December 2000) by Government for the relief of fishing materials, repair to bridges and roads affected by cyclone in November 2000, had not been drawn by Director of Fisheries during 2000-2001 since ways and means clearance was not given by Government. Thus, the key objectives of assured liquidity in times of calamity and securing a streamlined relief administration were defeated.

Expenditure incurred in violation of GOI norms

Perusal of connected records revealed violation of norms prescribed by GOI, in incurring relief expenditure to the tune of Rs 19.60 crore on the works listed in Appendix XLV.

The matter was referred to Government in April 2003; reply had not been received (January 2004).

HOUSING AND URBAN DEVELOPMENT DEPARTMENT

TAMIL NADU HOUSING BOARD

4.4.2 Non realisation of land cost

Failure of the Board to fix the land cost as per rules and inordinate delay in deciding the cost by the Government resulted in non-realisation of the land cost from Sri Ramachandra Educational and Health Trust even after five years.

The Tamil Nadu Housing Board (Board) categorised land into residential and commercial for the purpose of sale and fixed the sale price based on actual cost of land, development expenses, interest on capital, profit, category and location in the scheme area. As the Board could acquire only about 11 acres out of proposed 96.92 acres for Besant Nagar (BN) Phase II scheme at Chennai, it had not fixed separate rate for the scheme area and instead adopted the rate fixed for the nearby Thiruvanmiyur Neighbourhood Extension (TNE) scheme.

Based on the request of Sri Ramachandra Educational and Health Trust (Trust), Government ordered (June 1998) allotment of 7.44 acres (135 grounds*) of land, which was acquired by the Board for BN Phase II scheme, on collection of cost as per Board's rules. The Board allotted the land and demanded the rate of Rs 9.02 lakh per ground which was fixed for residential plots in TNE scheme. The Trust appealed (July 1998) to Government to fix the rate (Rs 4.38 lakh per ground) applicable to Kamaraj Nagar scheme, which was adjacent to the land, after deducting development charges. The Board rejected the appeal on the ground that the scheme was of 1973. The Board also informed (October 1998) the Government that the cost of land, if the BN Phase II scheme was implemented, would have been Rs 6.01 lakh per ground. Government ordered (October 1998) to fix the cost as per current ruling rate fixed for BN Phase II scheme taking into account the purpose for which the land was to be used.

As the rate of TNE scheme was adopted for other plots in the BN Phase II scheme and the land was proposed to be used by the Trust for non-residential purposes, the Board adopted the current ruling rate for commercial plots in TNE scheme excluding development charges (Rs 17.70 lakh per ground). The Board informed (September 1999) the rate to the Government and raised a demand on the Trust for payment of Rs 23.90 crore by March 2000. The Trust again requested (May 2000) the Government to fix a concessional rate of Rs 3.54 lakh per ground and to restrict the demand to 81 grounds as the remaining land was to be used as roads and open space. The Board rejected this request as the road and open space would not be handed over to the local bodies by the Trust and the rules did not permit fixing of concessional rates. The Board sought (July 2000) orders of Government and did not cancel the allotment, pending Government decision.

Audit found that the cost of the land at the rate for commercial purpose in BN Phase II scheme should have been Rs 18.24 crore, but the Board reported the cost as Rs 23.90 crore to Government. The Government, even after the receipt of the remarks of the Board on the requests of the Trust, failed to fix the cost.

* One ground = 2400 Square feet.

Consequently, the Trust enjoyed the possession of the land without paying the cost to Board. The Board stated (August 2003) that the matter was taken up with Government repeatedly and final orders of Government were not received.

Thus, allotment of land without fixing the cost, failure of the Board in not fixing the rate as per the orders of Government and the inaction of the Government in not deciding the cost resulted in non-realisation of the cost of the land for more than five years. The present market value of the land as per the guideline value fixed by the Registration Department is Rs 55.84 crore.

The matter was referred to Government in May 2003; reply had not been received (January 2004).

HOME DEPARTMENT

4.4.3 Purchase and utilisation of arms/ammunitions and other stores in Police department

Test-check of stores of Police Department revealed that Rs 5.24 crore were drawn in March 2003 to avoid lapse of budget provision; system adopted for bulk purchase was defective; extra expenditure of Rs 43.01 lakh was incurred in purchase of equipment; and stores costing Rs 1.19 crore was kept undisbursed for 12 to 96 months.

Drawal of funds for avoiding lapse of budget provision

Government sanctioned (28 March 2003) Rs 5.24 crore for purchase of arms and ammunitions for 2002-03. The same was drawn before 31 March 2003 and Rs 4.46 crore disbursed after 2-3 months. In fact Rs 77.84 lakh remained undisbursed as of June 2003. Thus, drawal of funds at the end of the year was to avoid lapse of budget provision and late disbursement indicated that the drawal was far in advance of requirement. Government accepted (November 2003) that the funds were drawn to avoid lapse of budget sanction.

Injudicious selection of supplier

Director General of Police (DGP) issued (March 2001) purchase orders for the supply of 2.50 lakh metres khaki uniform cloth at a cost of Rs 1.42 crore at Rs 56.75 per metre (m) to Firm "A". The procurement was based on the backlog requirement for 1999-2000 and the supply should have been completed before 31 May 2001. Of the 2.35 lakh m of Terry Cotton (TC) cloth khaki supplied between 9 April 2001 and 18 July 2001, 1.04 lakh m alone was accepted; 1.31 lakh m was rejected as it did not meet the specifications. The supply order for the remaining quantity of 1.46 lakh m was cancelled (August 2001). Even *ab initio*, the tender committee had selected firm 'A' subject to improving the quality of cloth to meet the IS specifications, and this condition was included in the purchase order.

The Firm "A" had capacity to produce 60,000 meters of 180 cm width. Thus in three months it could produce only 1.80 lakh m, whereas the order was for 2.5 lakh m. Order was placed in spite of the fact that the firm had a lower capacity compared to the requirement; and that the quality of the cloth did not meet the IS specifications. The tender committee did not consider the production capacity of the firm in its evaluation and thus the system adopted for purchase of bulk quantities was defective.

Similarly, against the purchase order for Rs 1.76 crore to firm "B" for supply of 3.05 lakh meters of TC cloth Khaki (double width) issued in January 2001, the firm supplied 2.16 lakh metres between February 2001 and July 2001. Of this 1.62 lakh metres alone were accepted and 0.54 lakh metres were rejected since it did not meet the specifications. As the performance of the supplier was not satisfactory, the supply order for the remaining quantity of 1.44 lakh m was cancelled in August 2001. As a result of cancellation of the supply order, uniforms were not supplied in 13 districts against indent for 1999 and in 19 districts against indent for 2000. Government accepted (November 2003) that repeated cancellation of purchase orders resulted in non-supply of uniforms to Police personnel in 1999 and 2000.

Open tender system not followed

Government sanctioned (February 2002) Rs 3.60 crore towards the purchase of tents. Additional Director General of Police (ADGP) placed (January 2003) direct purchase orders for 200 tents and 400 tents from Ordnance Factories (OF) at Hazaratpur and Kanpur respectively, treating the tents as security items. He also paid (March 2003) Rs 1.81 core to the two OFs. Since they were available in open market, tents should not have been classified as security items. The purchases also involved huge cost and as per Rule 125 of Tamil Nadu Financial Code (Volume I), an open tender should have been resorted to.

As early as in July 2002, the Commandant, TSP VIII Battalion, Tihar Jail, New Delhi reported to Deputy Inspector General of Police, that the quality of tents, pegs and ropes supplied by the OFs Hazratpur and Kanpur was inferior and that the rates of the tents quoted by them were on the higher side as compared to open market prices. Further in September 2002, ADGP obtained quotations for tents from open market for emergency use. Compared to the rates in September 2002; the rates of OF were higher; still order was placed with OF in January 2003, leading to extra expenditure of Rs 19.97 lakh. Government stated (November 2003) that the decision of purchase of tents from OFs was taken after a detailed discussion in the working group committee consisting of various officers.

Non-negotiation of price reduction

Under the scheme "Modernisation of Police Force", DGP called for (September 2001) tenders for supply of 12 Explosive Vapour Detectors (EVD) (Model MO-2M-Tvin). The tender committee suggested to the sub-committee to negotiate with the lowest tenderer (rate Rs 12.48 lakh each) for free supply of laptop computers along with the equipment. After negotiation with the tenderer, DGP purchased 16 EVDs at a cost of Rs two crore, with four laptop computers free (April to July 2002).

According to section 10 (3) of Tamil Nadu Transparency in Tenders Act, the Tender Accepting Authority may negotiate for a reduction of price only with the lowest tenderer if the price of the lowest tenderer was higher with reference to market rate. The Act does not envisage negotiation for a purpose other than price reduction. The DGP negotiated with the supplier for free laptops in April 2002. He received delivery of another two EVDs (April 2002) based on purchase order of December 2001 at a lower price of Rs 11.04 lakh each from the same supplier. As the same equipment was supplied by the same company at a lower rate, negotiation for reduction in price would have been financially prudent and avoided an additional expenditure of Rs 23.04 lakh on the purchase of 16 EVDs. Government stated (November 2003) that the laptops were supplied as a goodwill, free of cost, by the firm to have personal computer connectivity with EVD. The reply is not acceptable as if it was essential, it should have formed part of the tender itself.

Excess stocking of stores

Perusal of stores records revealed that 13 items valued at Rs 1.19 crore were in stock, undistributed for periods ranging from 12 to 96 months (as of April 2003) as shown in Appendix XLVI. Government stated (November 2003) that these would be issued to needy units based on increase in strength as and when Police personnel were appointed.

Persistent excess stocking of TC cloth in Kancheepuram and Villupuram Districts was observed as detailed in Appendix XLVII. Against 15094.35 m and 27124.79 m of cloth available in Kancheepuram and Villupuram, as of March 2003, the requirement for 2003-04 was assessed as 9483.65 m and 3995.25 m. Thus 5610.70 m in Kancheepuram (value: Rs 1.89 lakh) and 23129.54 m in Villupuram (value: Rs 7.79 lakh) was in excess. Government stated (November 2003) that after supply for 2004 is complete, excess if any would be transferred to other needy districts.

HEALTH AND FAMILY WELFARE DEPARTMENT

4.4.4 Idle equipments

Equipments costing Rs 1.82 crore were kept idle in Government General Hospital, Chennai.

Heart Lung Machines (HLM), Arthroscope and nine other equipments costing Rs 1.82 crore were lying idle for long periods in Government General Hospital, Chennai due to inaction of officials, as detailed in the table below:

Name of the equipment	Cost (Rs in lakh)	Date from which kept idle	Remarks
1. Heart Lung Machine (2 Nos)	26.60	June 2000	Head of Cardio Thoracic Surgery (CTS) requested (June 2000) the Dean to arrange for repairing the equipment as adequate number of open heart surgeries could not be performed. Offer by a service agent at US$ 10764 in March 2001 (with validity of 90 days) for repairing one of the machines could not be availed in time. When the Dean asked the agent to take up the work in April 2002, he refused on the ground that the contract with the foreign supplier was not in force. No action was taken to repair the other machine. Thus, two HLMs purchased during 1990-93 at a cost of Rs 26.60 lakh remained out of order for more than two years. If repaired they were expected to serve for another five years as stated by the Head of CTS. Incidentally the number of open heart surgeries performed in the CTS had declined from 622 in 1999 to 212 in 2002 (upto September 2002).
2. Arthroscope	9.95	July 2001	The purchase committee recommended (October 2000) purchase of the Arthroscope from the third lowest bidder as he claimed to have a service centre in Chennai and confirmed availability of spares locally. The equipment was purchased in March 2001 at a cost of Rs 9.95 lakh. But when the equipment went out of order in July 2001 the main accessory of the equipment (Camera console) had to be sent to Germany and it had not been repaired (August 2003). The equipment remained unutilised since July 2001.

Name of the equipment	Cost (Rs in lakh)	Date from which kept idle	Remarks
3. Nine X-ray Equipments	145.39	Between October 1995 and September 2000	Nine out of 17 X-ray equipments (purchased during 1986-1998) in Bernard Institute of Radiology (BIR) were kept idle for periods ranging from two to seven years due to lack of repairs. Records did not indicate any efforts made to identify the unserviceable equipment for condemnation and disposal. One of these, 1000 mA DSA X-ray system had been procured in 1986 at a cost of Rs 68.14 lakh, installed in July 1990 but put to regular use only from September 1991 due to delay in completing electrical and civil works. The equipment went out of order in May 1994. Government sanctioned in November 1995, Rs 33 lakh for executing Annual Maintenance Contract (AMC) with a firm for one year. It was re-commissioned in November 1996, but again went out of order in January 1999. The firm refused to extend the AMC beyond 1998 since the model was obsolete.

The matter was referred to Government in March 2003; Government stated (November 2003) that steps are being taken to rectify the defects in the Heart Lung Machines and Arthroscope; one X-ray equipment (cost: Rs 1.67 lakh) has been repaired to working condition and the remaining equipments await condemnation.

HOUSING AND URBAN DEVELOPMENT AND REVENUE DEPARTMENTS

TAMIL NADU HOUSING BOARD

4.4.5 Loss of interest on deposits with Revenue department

The failure of the Board to get the refund of Rs 1.89 crore deposited with Revenue Department for land acquisition resulted in interest loss of Rs 1.60 crore.

The Tamil Nadu Housing Board (Board) acquired land for their schemes under Land Acquisition Act. The prescribed procedure contemplated that the Board was to deposit the cost of the land as assessed by the Land Acquisition Officer (LAO) for passing the award. The LAO would keep the amount in "8443 - Civil Deposits", pass the award and make payment to the land owners. This procedure ensured that the Board would deposit only the amount required for disbursement to land owners.

Test-check of the records of the Board and LAOs of four districts* showed that in seven schemes, the LAOs could not pass the award due to stay obtained against the acquisition proceedings or they passed award for a lower amount than the funds obtained from the Board or could not disburse the amount due to quashing of acquisition proceedings. The Board also released more funds than that demanded by the LAO. Consequently, Rs 1.89 crore deposited by the Board was kept unutilised. The details are given in the Appendix XLVIII. The LAOs failed to refund the amount deposited in excess of requirement. The Executive Engineers of Divisions also did not take effective steps to get the

* Dharmapuri, Tirunelveli, Tiruvallur and Vellore

refund. As the Board implements the schemes with borrowed funds, this failure caused interest loss of Rs 1.60 crore to the Board as indicated in the Appendix XLVIII

The matter was referred to Government in May 2003. Government stated (September 2003) that necessary action was being taken by the Board to get the refund from the Revenue Officials.

MUNICIPAL ADMINISTRATION AND WATER SUPPLY DEPARTMENT

TAMIL NADU WATER SUPPLY AND DRAINAGE BOARD

4.4.6 Wrong fixation of lease rent

Fixing the royalty without following the norms prescribed by Government resulted in short collection of Rs 88.49 lakh and additional expenditure to local bodies on maintenance.

Under Salem Water Supply Sub Project (Project), the Tamil Nadu Water Supply and Drainage Board (Board) constructed a bridge across Cauvery River and laid water pipeline and service road over it. Southern Iron and Steel Company Limited (SISCOL), which formulated a water supply project for their industrial requirement, approached the Board for permission to lay their water supply line over the bridge and to use the service road on payment of proportionate cost. The Board permitted SISCOL to utilise the infrastructure on payment of royalty.

Though Government had prescribed norms for fixing royalty for leasing land to private parties, the Board fixed (October 1993) royalty of Rs three lakh *per annum* on *ad hoc* basis. The agreement entered into with SISCOL provided for enhancement of royalty at the time of annual renewal but the Board failed to renew the agreement and continued to recover the *ad hoc* amount. Only in July 1998, the Board fixed the royalty at Rs 11.55 lakh *per annum* adopting the norms. As the Project was implemented on behalf of local bodies, the Board sought the approval of Government for the rate of royalty fixed. Government, while accepting the recommendation, ordered (October 1998) to adjust the royalty received against the operation and maintenance charges payable by the local bodies.

SISCOL represented to the Board not to revise the *ad hoc* royalty already fixed. The Board then proposed (July 1999) to reduce the royalty to Rs 5.78 lakh *per annum* on the ground that SISCOL laid only single pipeline instead of two pipelines originally envisaged. The Government, however, rejected (April 2000) this proposal. SISCOL requested for reconsideration and continue to pay the *ad hoc* amount. Consequently, the enhanced rate of royalty approved by Government was not collected by the Board as of March 2003.

The Board should have fixed the royalty as per Government norms and obtained Government approval before permitting the company to utilise the infrastructure created for the Project. Failure to do so resulted in collection of only Rs 27 lakh instead of Rs 115.49 lakh as royalty up to March 2003. The short collection of Rs 88.49 lakh, in turn, resulted in additional expenditure to the local bodies on maintenance of the Project.

The matter was referred to Government in May 2003; reply had not been received (January 2004).

GENERAL

4.4.7 Financial assistance to local bodies and others

Autonomous bodies and authorities receive substantial financial assistance from Government. Government also provides substantial financial assistance to other institutions such as those registered under the State Cooperative Societies Act, Companies Act, etc., to implement certain programmes. During 2002-03, financial assistance of Rs 5988 crore was given to various autonomous bodies and other institutions as detailed in Paragraph 1.7.3 of this report. Audit of accounts of the bodies mentioned in the Appendix XLIX has been entrusted to the Comptroller and Auditor General of India. Primary audit of local bodies, educational institutions and others is conducted as detailed below.

Sl. No.	Name of the Institution	Audit conducted by
1.	Panchayat Raj Institutions	Director of Local Fund Audit
2.	Educational Institutions	
	a) Schools	Internal audit of the Directorate of School Education
	b) Colleges	Internal audit of the Directorate of Collegiate Education
	c) Polytechnics	Chief Internal Auditor and Chief Auditor of Statutory Boards.
	d) Universities	Director of Local Fund Audit
3.	Cooperative Institutions	Director of Audit of Co-operative Societies
4.	Miscellaneous Institutions	Chartered Accountants

4.4.8 Delay in furnishing utilisation certificates

Financial rules of Government require that, where grants are given for specific purposes, certificates of utilisation should be obtained by departmental officers from grantees and after verification, these should be forwarded to the Accountant General within one year from the date of sanction, unless specified otherwise.

Of 18,797 utilisation certificates due in respect of grants aggregating Rs 989 crore paid prior to April 2001 and further grants of Rs 146.37 crore (884 cases) given during 2001-2002, only 13892 utilisation certificates for Rs 341.42 crore had been furnished by 30 July 2003 to the Accountant General. 5789 certificates for an aggregate amount of Rs 793.95 crore were in arrears. Department-wise break-up of outstanding utilisation certificates is given below.

Serial Number	Department	Number of Certificates	Amount (Rupees in lakh)
1.	Adi Dravidar and Tribal Welfare	273	27.49
2.	Agriculture	1	167.39
3.	Animal Husbandry and Fisheries	6	9.04
4.	Backward classes and Most Backward classes	2462	4436.03
5.	Co-operation, Food and Consumer Protection	24	21.92
6.	Handlooms, Handicrafts, Textiles and Khadi	23	295.34
7.	Higher Education	1	20.00
8.	Municipal Administration and Water Supply	1359	12022.42
9.	Revenue	176	4454.68
10.	Rural Development	1364	57576.34
11.	Social Welfare and Nutritious Meal Programme	100	364.34
	Total	**5789**	**79394.99**

FINANCE DEPARTMENT

4.4.9 Failure to protect the interests of Government

Important irregularities detected by Audit during periodical inspection of Government offices through test-check of records are followed up with Inspection Reports (IRs) issued to the Heads of offices with a copy to the next higher authorities. Government issued orders in April 1967 fixing a time limit of four weeks for prompt response by the authorities to ensure corrective action in compliance of the prescribed rules and procedures and accountability for the deficiencies, lapses, etc. A half-yearly report of pending inspection reports is sent to the Secretary of the Department by the Accountant General to facilitate monitoring of action on the audit observations.

As of June 2003, out of the IRs issued upto December 2002, 18,435 paragraphs relating to 5,978 IRs remained to be settled for want of satisfactory replies. Of these, 549 IRs containing 1,376 paragraphs had not been replied to/settled for more than ten years. Year-wise position of the outstanding IRs and paragraphs is detailed in the Appendix L.

A review of the pendency in respect of Adi Dravidar and Tribal Welfare, Public Works and School Education Departments revealed the following.

- Even the initial replies were not received as of June 2003 in respect of 335 paragraphs contained in 64 IRs issued between January and December 2002.

- As a result of the long pendency, serious irregularities as detailed in Appendix LI had not been settled as of June 2003.

- The Heads of Department did not reply to 2,081 paragraphs contained in 653 IRs.

Government constituted at both State level and Department level, Audit and Accounts Committees for consideration and settlement of outstanding audit observations. At the instance of Audit, during joint sittings with departmental officers, 1346 paragraphs were settled during 2002-2003.

CHAPTER V

INTERNAL AUDIT SYSTEM

HIGHER EDUCATION DEPARTMENT

5.1 Internal Audit System of the Directorate of Collegiate Education

A review of the effectiveness of the Internal Audit Organisation of the Directorate of Collegiate Education revealed large number of vacant posts due to diversion, huge arrears in audit, delayed issue of Audit Reports and non-settlement of pending audit objections due to ineffective monitoring.

Introduction

5.1.1 In response to the growing concerns of financial analysts, governance experts and the civil society at large with regard to the debilities of internal control system in governance structures, increasing attention is being paid by audit to the efficacy of the internal control systems. Evaluation of the effectiveness of internal audit forms part of a wide spectrum of measures devised for the purpose by the Comptroller and Auditor General of India. It has been considered useful to select a single department every year for evaluating the Internal Audit System. Evaluation of the Internal Audit System of the Directorate of Collegiate Education of the Government of Tamil Nadu is the first in this chain. It is clarified that internal audit is an integral part of the Administration that carries out the basic internal auditorial functions for the management. Unlike statutory audit, it is not independent of the management control and hence debilities in the internal audit system would have to be seen as debilities in the administrative accountability structure. Greater effectiveness of internal audit, by implication, would ensure greater efficiency of Administration and consequently would attract lesser criticism from Statutory Audit. Systems and procedures would be corrected on an ongoing basis, providing a concurrent support system to administration.

Organisational set up

5.1.2 The Directorate of Collegiate Education (DCE) is functioning from 1965 to cater specifically to the needs of the University Higher Education in Tamil Nadu. All the Government Arts and Science Colleges are administered directly by the Director of Collegiate Education and the Aided Colleges are administered through the Joint Directors located at Chennai, Madurai, Tiruchirappalli, Tirunelveli, Coimbatore and Vellore. The number of colleges in the state was 229 (67 Government Colleges and 162 Aided Colleges) as of March 2003.

5.1.3 The Director is the Head of the Department. He is assisted by the Joint Director (Planning & Development), Joint Director (Finance), Financial Adviser & Chief Accounts Officer etc. The Regional Offices are located at six centres and each is headed by a Regional Joint Director, with one Assistant Director and one Accounts Officer.

5.1.4 Each Government Arts and Science College is headed by a Principal who is assisted by one Bursar in financial matters. Similarly, Government Colleges of Education are administered by the respective Principals. The private aided colleges are administered by the Secretaries and Principals of the respective colleges. The Regional Joint Director is required to inspect and check the financial accounts and other records maintained by the Colleges.

Internal Audit set up

5.1.5 The Directorate of Collegiate Education has one Internal Audit Section under the control of the Financial Adviser & Chief Accounts Officer (FA&CAO), who is assisted by one Assistant Director assisted by one Superintendent, one Assistant and one Junior Assistant. The Internal Audit Wing is required to conduct the audit of 14 Grade I Government Arts and Science Colleges, audit of Directorate and audit of the six Regional Offices. The audit party located in each regional office is required to conduct the audit of the accounts of the private aided colleges every year and also the audit of the Grade II Government Arts and Science Colleges. Each audit party consists of one Superintendent, one Assistant and one Junior Assistant and the audit report is submitted to the Regional Joint Director through the Accounts Officer. All the 229 Colleges under the Department are covered by seven Internal Audit Parties.

Scope of review

5.1.6 The scope of the review was to evaluate the functioning of the Internal Audit Organisation (IAO) of the Department. The review was conducted during September 2003 in the Offices of the Director of Collegiate Education, Regional Joint Director of Collegiate Education and eleven colleges (8 Government and three private aided colleges) functioning in Chennai*.

Performance of the IAO

5.1.7 The staff strength of the Internal Audit parties was 42 (14 Superintendents, 14 Assistants and 14 Junior Assistants). However there is no specific order either from the DCE or from the Government for this norm. As against this strength, the number of vacant posts was 16 (38 *per cent*) since 1999. The Director attributed the vacancies to diversion of the staff for other purposes. This has an adverse impact on the effectiveness of the Internal Audit Wing as would be evident from the subsequent paragraphs.

5.1.8 Though the Directorate envisages that previous year's transactions are to be audited in the current year, this was not ensured, as would be evident from the following table, as of August 2003. A total of 620 accounts were yet to be audited, the earliest relating to 1998–99.

* Presidency College, Bharathi Women's College, Queen Mary's College, Government Arts College (Men), Quaid-e-Millet Government College (Women), Dr. Ambedkar Government Arts College, Lady Wellington Institute of Advanced Study in Education, Institute of Advanced Study in Education, Stella Maris College, Ethiraj College for Women and Women's Christian College

Sl. No.	Name of the Region	Number of Colleges		Completed upto			
		Government	Aided	Government		Aided	
				No. of Colleges	Year	No. of Colleges	Year
1	Chennai	5	27	4	2001 - 2002	4	1999 2000
						12	2000 2001
						10	2001 2002
2	Vellore	8	10	4	1998 - 1999	5	1998 - 1999
				4	1999 - 2000	5	1999 - 2000
3	Madurai	10	42	6	1999 - 2000	12	1999 - 2000
				4	2000 - 2001	30	2000 - 2001
4	Tiruchirappalli	15	22	1	1997 - 1998	1	1997 - 1998
				6	1998 - 1999	2	1998 - 1999
				3	1999 - 2000	1	1999 - 2000
				3	2001 - 2002	2	2000 - 2001
						12	2001 - 2002
5	Coimbatore	14	24	10	1998 - 1999	13	1999 - 2000
				3	1999 - 2000	9	2000 - 2001
				1	2000 - 2001	2	2001 - 2002
6	Tirunelveli	1	37	1	1999 - 2000	7	1997 - 1998
						25	1998 - 1999
						5	1999 - 2000
7	Directorate Audit Party	14	-	Regular			
				2	1997 - 1998		
				3	1999 - 2000		
				1	2000 - 2001		
				8	2001 - 2002		
				Autonomous			
				5	1999 - 2000		
				2	2000 - 2001		
				1	2001 - 2002		

5.1.9 Internal Audit of the offices of the Regional Joint Directors was also in arrears, as of August 2003.

Region	Year upto which audit completed
Madurai	1997 - 1998
Tiruchirappalli	1998 - 1999
Chennai	1999 - 2000
Coimbatore	2000 - 2001
Tirunelveli	2001 - 2002
Vellore	2001 - 2002

5.1.10 Due to delay in completion of audit not only is the effectiveness of the audit lost but also the objectives are not achieved. To the extent of arrears in audit in respect of private colleges, the possibility of release of excess grant cannot be ruled out.

5.1.11 Generally five days are programmed for the audit of one year's accounts. The adequacy of this norm was not reviewed by the Directorate.

Delay in issue of audit reports

5.1.12 No specific time limit has been fixed for issue of audit reports on completion of audit. There was delay of more than one month in the issue of audit reports as mentioned below:

Sl. No.	Name of the College	Years of accounts audited	Audit completed in	Date of receipt of audit report by the institution
1.	Queen Mary's College	1998 – 2001	March 2002	18.7.2002
		2001-2002	January 2003	5.3.2003
2.	Lady Wellington Institute of Advanced Study in Education	1996 – 1999	October 2002	31.3.2003
		1999 – 2002	December 2002	
3.	Stella Maris College	1986 – 1992 (Re audit)	May 2000**	8.9.2000
		1997 – 1999	February 2001	6.9.2001
		1999 – 2001	August 2001	6.9.2001
4.	Bharathi Women's College	1998 – 1999	February 2000	12.5.2000
		1999 – 2002	July 2002	11.10.2002
5.	Women's Christian College	2000 – 2001	March 2003	30.4.2003

5.1.13 Audit reports have not been received by two Colleges, even after a lapse of more than one year from the dates of audit as of September 2003. The details are indicated below:

Sl. No	Name of the College	Year of Accounts audited	Audit completed in
1	Institute of Advanced Study in Education	1997 – 1999	December 2001
		1999 – 2002	October 2002
2	Government Arts College (Men)	1998 – 1999	December 2001
		1999 – 2002	May 2002

Such delay in issue of audit report will diminish the efficacy of internal audit, since action on the deficiencies pointed out will be correspondingly delayed.

Status Report of Internal Audit

5.1.14 The Status Report for 2000-2001 on the internal audit functions in the Directorate of Collegiate Education was submitted in November 2001. The Status Report dealt with the activities, schemes, serious irregularities noticed in audit, results of stock verification, pendency of audit objections etc.

5.1.15 The Status Report for the year 2001-2002 has not been prepared by the Assistant Director (I.A) so far (September 2003)

Main irregularities found during Internal Audit

5.1.16 An amount of Rs 2.75 lakh was defalcated by the Assistant working in the Government Arts College, Ooty during 1995–98. He failed to remit Rs 1.71 lakh collected into the Personal Deposit account. He also entered in the cash book less amount than what was withdrawn from the Personal Deposit account, to the extent of Rs 1.04 lakh. Similarly, the same official had defalcated Rs 18,000 during July and August 1998. Although he

** Audit for these years was conducted from 5.7.1993 to 30.7.1993 and 2.8.1993 to 13.8.1993. No Reports were, however, received by the College.

collected Rs 54,037 from students towards tuition fees, laboratory fines etc., only Rs 36,037 was remitted into the bank. This was possible since the Bursar did not reconcile the figures with the treasury as required.

5.1.17 The Personal Deposit Accounts are maintained in every Government College to accommodate Personal Deposit I account (extracurricular activities) and Personal Deposit II account (non - extracurricular activities). The balance in the Personal Deposit account as per the college records had not been reconciled with the treasury balance in respect of three colleges. Audit found that there were differences as shown in the table below. This indicated negligence.

Sl. No.	Name of the College	Year of the Audit report	P.D account	Figures as per	
				Cash Book Rs.	Pass Book Rs.
1	Sethupathi Government Arts College, Ramanathapuram	1998 - 1999	I	3,38,034	22,26,195
			II	7,91,641	-4,58,963
2	V.S.S Government Arts College, Pulankurichi (Sivagangai district)	1997 – 1998	I	1,22,373	1,19,272
			II	1,31,950	1,72,531
3	Government Arts College, Melur	1998 - 1999	I	2,11,296	2,22,210
			II	3,57,362	3,01,104

5.1.18 The Internal Audit Wing failed to conduct stock verification although it was required.

5.1.19 No consolidated report about the pending paragraphs of internal audit as of March 2003 was available in the Directorate. Further, the yearwise details of paragraphs were not available, indicating weakness in monitoring compliance to the objections raised. As per the Status Report for 2000 – 2001 the number of paragraphs pending as on 31.3.2001 was 10,259 involving an amount of Rs 4.80 crore.

5.1.20 There is no sound system either in the Directorate or in the Regional Joint Director of Collegiate Education in Chennai to watch the issue of audit reports, watch replies and settle the objections.

Deficiencies noticed by Audit but not by the internal audit

Differences between expenditure figures of Colleges and Pay and Account Offices (PAOs)

5.1.21 Audit observed that there were differences between the expenditure figures in the records of two colleges test-checked (Queen Mary's College and Bharathi Women's College) and the expenditure figures booked by the PAOs. These differences are shown in Appendix LII. After reconciliation of figures, colleges send Alteration Memoranda to the PAOs to rectify the misclassification; but the colleges did not ensure that the PAO rectified the errors. In fact, the PAO was required to communicate the corrections made by him in the accounts to the departmental officers, as laid down in the Madras Account Code Volume II.

Difference between balances in the Personal Deposit Accounts with the figures in PAO

5.1.22 Amounts received by way of SC/ BC/ MBC scholarship, library fees, sale of application forms, examination fees etc., are deposited in PD account II. Withdrawals are made from this account to disburse scholarships and to meet other expenses. Audit check of records disclosed that the PD Account II balances were not reconciled with the PAO from 1992–93 onwards in respect of Presidency College. In Queen Mary's College there was a difference of Rs 8,370 as of March 2002 under Personal Deposit Account I (college figure Rs 27,82,621 and the PAO figure Rs 27,74,251). The Government Arts College (Men) and the Bharathi Women's College had not given the certificate of acceptance of balance as on 31.3.2003 to the PAO.

5.1.23 Audit found that in the PD Account II maintained by the Presidency College there was an item "Suspense Account" with the balance of Rs 4,26,059 as on 31.3.2002. The College did not know the circumstances under which the suspense account was created.

5.1.24 Scrutiny of the PD Account II cash book maintained by the Queen Mary's College disclosed that there were differences between the figures of the college and that of the PAO for a long time. To rectify this, a decision was taken by the Principal to accept the PAO balance as on 30.9.1998 so as to avoid the differences between the two figures in future. However, the difference continues to be shown as Rs 99,592. The Principal of the college stated that the records of the transactions which related to old periods were being traced.

5.1.25 No joint sitting was convened with the college authorities since 1998 for settlement of pending audit objections. The diversion of 16 posts out of 42 sanctioned ministerial posts to other purposes indicates that due importance was not given to Internal Audit diluting its effectiveness.

5.1.26 The above points were referred to Government in November 2003; Government generally accepted the facts and stated (January 2004) that the Director of Collegiate Education has taken effective steps to set right the deformities/discrepancies in the accounts matter of Director of Collegiate Education/Regional Joint Director of Collegiate Education/Colleges.

REVENUE DEPARTMENT

5.2 Internal Audit in Registration Department

5.2.1 The Internal Audit Wing of the Registration Department is functioning since September 1981 under the overall control of Inspector General of Registration. The objectives of internal audit include plugging of leakage of revenue.

5.2.2 The Deputy Inspector General of Registration of each zone, under whom the auditee institution *viz.*, Registrar/Sub-Registrar Offices are functioning, monitor the performance of 45 audit parties by conducting monthly Audit Committee meetings. The reports of the Audit Committee meetings are reviewed periodically by the Inspector General of Registration.

5.2.3 However, it is observed that pendency of internal audit reports in 50 Registration District Offices as on 31 March 2003 was as follows:

Year	Number of Inspection Reports	Number of objections	Amount (Rupees in crore)
Upto 1999-2000	846	3230	2.49
2000-2001	243	864	0.21
2001-2002	230	1108	0.45
2002-2003	386	2196	0.61
Total	**1705**	**7398**	**3.76**

5.2.4 The above arrear position reveals that there was no effective monitoring of the performance of the internal audit parties, despite the fact that it was being reviewed monthly by Audit Committee of the Department.

5.2.5 The matter was reported to the Department/Government in October 2003; reply had not been received (January 2004)

C.V. Avadhani

Chennai
The 2 0 MAR 2004

(C.V. AVADHANI)
Principal Accountant General (Audit)I
Tamil Nadu and Pondicherry

Countersigned

Kaul

New Delhi
The 5 APR 2004

(VIJAYENDRA N. KAUL)
Comptroller and Auditor General of India

APPENDICES

Appendix I

(Reference: paragraph 1.4; page 4)

(a) Time series data on State Government finances

(Rupees in crore)

	1998-99	1999-2000	2000-2001	2001-2002	2002-2003	Average
Part A. Receipts						
1. Revenue Receipts	**14261 (43)**	**16328 (41)**	**18317 (41)**	**18818 (42)**	**20837 (36)**	**17712**
(i) Tax Revenue	**9625 (67)**	**10919 (67)**	**12282 (67)**	**13010 (69)**	**14342 (69)**	**12036**
Taxes on Agricultural Income	39	18	5	2	2	13
Taxes on Sales, Trade, etc	6113	7024	8197 (67)	8386 (65)	9590 (67)	7862
State Excise	1710	1834	1869 (15)	2058 (16)	2114 (15)	1917
Taxes on vehicles	518	578	590 (5)	648 (5)	746 (5)	616
Stamps and Registration fees	673	818	910 (7)	1138 (9)	1079 (8)	924
Land Revenue	28	47	56 (1)	50	8	38
Taxes on goods and passengers	183	223	242 (2)	283 (2)	489 (3)	284
Other Taxes	361	377	413 (3)	445 (3)	314 (2)	382
(ii) Non Tax Revenue	**1157**	**1357**	**1711 (9)**	**1557 (8)**	**1861 (9)**	**1529**
(iii) State's share of Union taxes and duties	**2409**	**2667**	**2784 (15)**	**2870 (15)**	**3047 (15)**	**2755**
(iv) Grants in aid from Government of India	**1070**	**1385**	**1540 (8)**	**1381 (8)**	**1587 (7)**	**1393**
2. Miscellaneous Capital Receipts	--	--	--	--	--	--
3. Recoveries of Loans and Advances	323	314	359	324 (1)	433 (1)	351
4. Total Revenue and Non debt capital receipts (1+2+3)	14584	16642	18676	19142	21270	18063
5. Public Debt Receipts	**2678 (8)**	**3711 (9)**	**4731 (11)**	**4522 (10)**	**9396 (16)**	**5008**
Internal Debt (excluding Ways and Means Advances and Overdrafts)	1044	1288	4665	3609	7347	3591
Net transactions under Ways and Means Advances and Overdrafts	--	412	--	--	1129	308
Loans and Advances from Government of India	1634	2011	66	913	920	1109
6. Total Receipts in the Consolidated Fund (3+4+5)	17262	20353	23407	23664	30666	23070
7. Contingency Fund Receipts	--	--	--	1	--	--
8. Public Account Receipts	15791	19545	21286	21209 (47)	27156	20998
9. Total Receipts of the State (6+7+8)	**33053**	**39898**	**44693**	**44874**	**57822**	**44068**
Part B. Expenditure/Disbursement						
10. Revenue Expenditure	**17698 (94)**	**20728 (97)**	**21753 (93)**	**21557 (90)**	**25688 (92)**	**21485**
Plan	2431	2341	2336 (11)	**2427 (11)**	**2973 (12)**	**2502**
Non Plan	15267	18387	19417 (89)	19130 (89)	22715 (88)	18983
General Services (including interest payments)	5880	7743	8354	8921	9895	8158
Social Services	7101	7644	7792	7677	7974	7638
Economic Services	3682	4316	4628	4242	6262	4626
Grants-in-aid and contributions	1035	1025	979	717	1557	1063
11. Capital Expenditure	**1153 (6)**	**645 (3)**	**1547 (7)**	**1778 (8)**	**1628 (6)**	**1350**
Plan	1199	1447	1867	1659 (93)	1498 (92)	1534
Non Plan	(-) 46	(-) 802[#]	(-) 320[#]	119 (7)	130 (8)	(-) 184
General Services	114	156	152	151	174	149
Social Services	228	270	634	666	616	483
Economic Services	811	219	761	961	838	718
12. Disbursement of Loans and Advances	**510**	**651**	**453**	**547 (2)**	**696 (2)**	**571**
13. Total (10+11+12)	**19361**	**22024**	**23753**	**23882**	**28012**	**23406**
14. Repayments of Public Debt	**519 (2)**	**603 (2)**	**855(2)**	**1076(2)**	**2144 (4)**	**1040**
Internal Debt (excluding Ways and Means Advances and Overdrafts)	**110**	**132**	**163**	**346**	**537**	**258**
Net transactions under Ways and Means Advances and Overdraft	--	--	**170**	**140**	--	**62**
Loans and Advances from Government of India	**409**	**471**	**522**	**590**	**1607**	**720**
15. Appropriation to Contingency Fund	--	--	--	--	--	--
16. Total disbursement out of Consolidated Fund (13+!4+15)	**19880**	**22627**	**24608**	**24958**	**30156**	**24446**
17. Contingency Fund disbursements	--	--	**1**	--	--	--
18. Public Account disbursements	**14201**	**17213**	**19944**	**20059**	**27578**	**19799**
19. Total disbursement by the State (16+17+18)	**34081**	**39840**	**44553**	**45017**	**57734**	**44245**
Part C. Deficits						
20. Revenue Deficit (1-10)	**3437**	**4400**	**3436**	**2739**	**4851**	**3773**
21. Fiscal Deficit (4-13)	4777	5382	5077	4740	6742	5344
22. Primary Deficit (21-23)	2655	2671	1953	1227	2609	2223
Part D. Other data						
23. Interest Payments (included in revenue expenditure)	2122	2711	3124	3513	4133	3121
24. Arrears of Revenue (Percentage of Tax and non-tax Revenue Receipts)	6325(59)	8664(71)	8707 (62)	9171(63)	9424 (58)	8458
25. Financial Assistance to local bodies etc..	3767	4221	3970	2977	5988	4185
26. Ways and Means Advances/Overdraft availed (days)						
Ways and Means Advances availed (days)	742(38)	3761(202)	5152 (219)	4855 (206)	8624 (284)	4627
Overdraft availed (days)		1486(55)	1713 (76)	4110 (148)	1911 (71)	1844
27. Interest on Ways and Means Advances/Overdraft	@	8	16	27	24	15
28. Gross State Domestic Product (GSDP)	119063	127438	137305	148585	153729	137224
29 Outstanding Fiscal liabilities (year end)	23058	28430	33421	37933	43915	33351
30. Outstanding guarantees (year end) (including interest)	6151	5654	6780	8570	8677	7166
31. Maximum amount guaranteed (year end)	11559	10223	11027	14695	16353	12771
32. Number of incomplete projects	17	16	20	59	45	31
33. Capital blocked in incomplete projects.	215	215	304	824	373	386

Figures in brackets represent percentages (rounded) to total of each sub-heading

 # Minus figures mainly due to conversion of equity in Tamil Nadu Electricity Board to tariff compensation

@ not debited to account during 1998-99

(b) List of rates/terms used in the Chapter I and basis for their calculation

Terms	Basis for calculation
Buoyancy of a parameter	Rate of Growth of the parameter / GSDP Growth
Buoyancy of a parameter (X) with respect to another parameter (Y)	Rate of Growth of the parameter (X)/ Rate of Growth of the parameter (Y)
Rate of Growth (ROG)	[(Current year Amount/Previous year Amount) – 1] * 100
Trend / Average rate of growth over a period of five years	(LOGEST (Amount of 1997-98:Amount of 2002-2003) – 1) * 100
Average ratio of one parameter to another over five years	Average of parameter (x) over five years / Average of parameter (y) over five years
Development Expenditure	Social Services + Economic Services+ grants in aid
Weighted Interest Rate (Average interest paid by the State)	Interest payment/ [(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/2] * 100
Interest spread	GSDP growth – Weighted Interest rates
Interest received as *per cent* to Loans Advanced	Interest Received [(Opening balance + Closing balance of Loans and Advances)/2] * 100
Revenue Deficit	Revenue Expenditure-- Revenue Receipt
Fiscal Deficit	Revenue Expenditure + Capital Expenditure + Net Loans and Advances given – Revenue Receipts – Miscellaneous Capital Receipts
Primary Deficit	Fiscal Deficit – Interest Payments

Appendix II

(Reference: paragraph 1.7.7; page 13)

Cases of misappropriation pending action as on 30 June 2003

(i) Departmentwise analysis

(Rupees in lakh)

Sl. No.	Department	Number of cases	Amount
1.	Agriculture	38	215.18
2.	Animal Husbandry and Fisheries	1	87.85
3.	Commercial Taxes and Religious Endowments	8	100.96
4.	Co-operation, Food and Consumer Protection	1	0.14
5.	Education	24	22.44
6.	Environment and Forests	1	0.30
7.	Finance	7	6.97
8.	Handloom, Handicrafts, Textiles and Khadi	3	0.71
9.	Health and Family Welfare	29	35.51
10.	Home	3	7.45
11.	Labour and Employment	1	0.04
12	Public	1	1.92
13.	Revenue	245	45.33
14.	Rural Development	11	12.19
15.	Social Welfare and Nutritious Meal Programme	6	0.62
16.	Transport	1	0.03
	Total	**380**	**537.64**

(ii) Yearwise analysis

(Rupees in lakh)

Year	Number of cases	Amount
Upto 1996-97	321	127.49
1997-98	20	30.37
1998-99	13	10.32
1999-2000	7	13.72
2000-2001	3	99.92
2001-2002	5	88.78
2002-2003	11	167.04
Total	**380**	**537.64**

Appendix III

(Reference: paragraph 1.7.8; page 13)

Cases of shortages, etc., reported to Audit

(i) Departmentwise analysis

(Rupees in lakh)

Sl. No.	Department	Number of cases	Amount
1.	Agriculture	153	103.51
2.	Animal Husbandry and Fisheries	42	5.41
3.	Backward classes and Social Welfare	2	2.73
4.	Education	24	4.04
5.	Environment and Forests	7	8.61
6.	Finance	5	5.77
7.	Health and Family Welfare	25	21.17
8.	Home	1	..
9.	Labour and Employment	1	2.61
10.	Public	1	0.03
11.	Public Works	2780	1618.13
12.	Revenue	8	1.67
13.	Rural Development	10	7.76
14.	Transport	1	1.97
	Total	**3060**	**1783.41**

(ii) Yearwise analysis

(Rupees in lakh)

Year	Number of cases	Amount
Upto 1996-97	134	133.17
1997-98	1960	640.44
1998-99	468	470.81
1999-2000	120	205.52
2000-2001	103	49.10
2001-2002	137	78.05
2002-2003	139	206.32
Total	**3060**	**1783.41**

Appendix IV

(Reference: paragraphs 1.8.1 and 1.8.2; page 13)

Summarised Financial Position of the Government of Tamil Nadu as on 31 March 2003

(Rupees in crore)

As on 31.03.2002	Liabilities		As on 31.03.2003
14058.56	**Internal Debt -**		**21997.64**
6860.86	Market Loans bearing interest	8999.85	
5.24	Market Loans not bearing interest	4.34	
789.02	Loans from Life Insurance Corporation of India	958.88	
6301.81	Loans from other Institutions	10803.52	
101.63	Ways and Means Advances	651.42	
--	Overdrafts from Reserve Bank of India	579.63	
12251.91	**Loans and Advances from Central Government -**		**11564.74**
105.95	Pre 1984-85 Loans	85.90	
3915.18	Non-Plan Loans	2839.53	
8111.51	Loans for State Plan Schemes	8520.11	
32.06	Loans for Central Plan Schemes	30.79	
87.21	Loans for Centrally Sponsored Plan Schemes	88.41	
150.00	**Contingency Fund**		**150.00**
6380.55	**Small Savings, Provident Funds, etc.**		**6669.44**
4059.90	**Deposits**		**3092.81**
1215.84	**Reserve Funds**		**623.68**
251.20	**Remittance Balances**		205.49
38367.96			**44303.80**
As on 31.03.2002	**Assets**		**As on 31.03.2003**
12588.67@	**Gross Capital Outlay on Fixed Assets -**		**14216.21**
	Investments in shares of Companies, Corporations, etc.	2992.74	
	Other Capital Outlay	11223.47	
4347.58	**Loans and Advances -**		**4611.54**
262.45	Loans for Power Projects	256.86	
3530.81	Other Development Loans	3799.39	
554.32	Loans to Government servants and Miscellaneous loans	555.29	
33.33	**Reserve Fund Investments**		**33.15**
6.53	**Advances**		**6.85**
(-) 370.14	**Suspense and Miscellaneous Balances**		**(-) 549.52**
81.81	**Cash -**		**169.35**
119.28	Cash in Treasuries and Local Remittances	6.55	
(-) 44.39	Deposits with Reserve Bank	155.69	
1.13	Departmental Cash Balance	1.21	
5.79	Permanent Advances	5.90	
--	Cash Balance Investments	--	
21681.75	**Deficit on Government Account -**		**25816.22**
2738.94	(i) Revenue Deficit of the current year	4850.96	
(-) 40.68	(ii) Miscellaneous Deficit	(-) 714.92	
18983.49	**Accumulated deficit up to 31 March 2002**	21680.18@	
38369.53^			**44303.80**

@ **Differs from the figures shown in the last years' Account due to proforma correction**

^ **Difference between assets and liabilities on 31.03.2002 is due to proforma corrections as stated at @**

Appendix V

(Reference: paragraph 1.8.9; page 14)

Details showing department-wise position of arrears in preparation of pro forma accounts

Sl.No.	Department	Number of under-takings under the department	Name of undertaking	Year from which accounts are due	Investment as per last accounts (Rupees in crore)	Remarks
1.	Agriculture	1	Government Agricultural Engineering Workshop, Chennai	2001-02	7.38	Replies for the comments on the proforma accounts for the year 1997-98 have not been received in complete shape. Replies to the audit comments in respect of 1998-99 accounts issued in March 2001 still awaited (August 2003). Replies to the audit comments issued in February/ March 2003 on the accounts for the year 1999-2000 and 2000-01 are still awaited (August 2003).
2.	Animal Husbandry and Fisheries	2	Chank Fisheries, Tuticorin	2001-02	1.17	Accounts awaited
3.			Chank Fisheries, Ramanathapuram	1997-98 to 2001-02	1.31	Accounts awaited

Appendix VI

(Reference: paragraph 1.8.9; page 14)

Summarised financial position of the Government Commercial/Quasi Commercial undertakings

(Rupees in lakh)

Sl. No.	Name of the Department	Year of commencement	Period of accounts	Capital at close	Net block of assets	Cumulative Depreciation	Turn-over	Net profit(+)/ Loss(-)		Mean capital	Percentage of return on mean capital		Remarks
								Before charging interest on capital	After charging interest on capital		Before charging interest on capital	After charging interest on capital	
I.	Agriculture												
1.	Government Agricultural Engineering Workshop, Chennai	1952	2000-01	737.64	10.10	*	18.72	(-) 63.76	(-) 75.13	710.09	-	-	-
II.	Animal Husbandry and Fisheries												
2.	Chank Fisheries, Tuticorin	1909	2000-01	117.04	2.31	2.33	0.44	(-) 1.73	(-) 1.73	115.72	-	-	-
3.	Chank Fisheries, Ramanathapuram	1978	1996-97	130.67	0.27	0.66	-	(-) 10.21	(-) 24.90	117.92	-	-	-
			Total						(-) 101.76				

* The workshop had not been providing depreciation as the provision towards depreciation made up to the year 1995-96 had exceeded the historical cost of the fixed assets. The depreciation reserve fund account was therefore closed.

Appendix VII

(Reference: paragraph 1.9.7; pages 19 and 20)

A Details of Upgradation/Special Problem Grants received and expenditure incurred for the period 2000-03

(Rupees in crore)

Year	Amount of Grant				
	Recommended by EFC	Actually released by GOI	Budget provision made by State Government	Expenditure incurred by State Government	Kept by State Government without release to implementing department
2000-2001	101.30	36.28	0.19	0.15	36.13
2001-2002	50.65	71.02	35.43	25.31	81.84
2002-2003	50.65	30.25	106.36	99.32	12.77
Total	**202.60***	**137.55**	**141.98**	**124.78**	**12.77**

* Remaining amount of Rs 49.26 crore has been proposed to be released during 2003-04.

B Breakup details of Upgradation and Special Problem Grants - Period 2000-03

(Rupees in crore)

Sl. No.		Grants recommended by EFC	Grants released by GOI	Expenditure as per accounts	Expenditure reported as incurred by the departments
	Upgradation grant -				
1.	District Administration	44.00	17.69	10.75	10.43
2.	Police Station Buildings	27.00	4.82	2.40	1.75 (upto 9/2002)
	Forensic Science Lab		0.34	0.14	0.49
	Equipment and Weapons for Police		3.71	2.31	0.97
	Grants for Women Police Personnel		3.09	1.03	4.31 (upto 9/2002)
3.	Prison Administration	8.00	3.22	5.01	4.28
4.	Fire Services	8.00	4.83	4.60	2.41 (upto 12/2002)
5.	Judicial Administration	14.12	11.52	5.26	2.11 (upto 5/2002)
6.	Fiscal Administration	20.00	20.00	8.37	3.83
7.	Health Services	21.00	12.67	13.17	8.26
8.	Elementary Education	13.00	5.23	9.55	2.35 (upto 12/2002)
9.	Computer training to School Children	12.47	12.47	12.47	12.47
10.	Public Libraries	6.80	6.80	6.85	6.80 (Not available)
11.	Augmentation of Traditional Water Sources	18.47	7.43	18.47	8.13
	Special Problem grant -				
	Slum Improvement Works	49.00	19.71	19.00	13.50
	Total	**241.86****	**133.53**	**119.38**	**82.09**

** Apart from above Rs 10 crore was earmarked by EFC for Heritage Protection and a grant of Rs 4.02 crore was released by GOI towards this purpose upto March 2003. Though Rs 5.40 core was shown as expenditure in the accounts towards this purpose, no details were furnished by the department to Finance Department in respect of actual expenditure incurred and furnishing of utilisation certificates.

Appendix VIII

(Reference: paragraph 1.12.6; page 24)

Comparison of Budget Estimates *vis-à-vis* actuals for the year 2002-2003

(Rupees in crore)

	Budget Estimates	Actuals
Revenue Receipts (a) Tax Revenue		
Taxes on Sales, Trades etc.,	9071	9590
State Excise	2358	2114
Taxes on vehicles	701	746
Stamps and Registration fees	1285	1079
Taxes on Goods and Passengers	307	489
Other taxes	532	324
Total Tax Revenues	**14254**	**14342**
Revenue Receipts (b) Non-tax revenue and other receipts		
(a) Non-Tax Revenue	1461	1861
(b) Share of Central Taxes	3199	3048
(c) Grants-in-aid from GOI	1715	1587
Total Non-tax revenue and other receipts	**6375**	**6495**
(c) Revenue Expenditure		
Expenditure on Tax collection		
Collection of taxes on income and expenditure	1.95	1.62
Land Revenue	107.38	79.78
Stamps and Registration	76.07	71.85
State excise	23.37	23.15
Sales Tax	131.15	96.38
Taxes on vehicles	40.20	30.50
Other taxes and duties	9.24	7.57
Total of Expenditure on Tax collection	**389.36**	**310.85**
Other General Services		
Debt Services	3970.71	4133.41
State Legislature	11.98	12.61
Council of Ministers	3.66	3.04
Administration of Justice	171.40	149.60
Elections	17.71	23.16
General Administration	512.11	441.39
Police	1123.32	971.46
Jails	59.11	52.94
Stationery and Printing	56.96	56.26
Public Works	103.85	95.62
Pensions and other Retirement benefits	3175.55	3326.53
Others	307.04	318.04
Total of Other General Services	**9513.40**	**9584.06**
Total General Services	**9902.76**	**9894.91**
Social Services		
General Education	4843.93	3953.93
Technical Education	143.78	114.14
Medical and Public Health	1086.98	949.97
Family Welfare	236.06	237.91
Water Supply and Sanitation	220.51	216.30
Housing	30.76	61.73
Urban Development	192.87	165.50
Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	495.96	505.13
Labour and Employment	124.61	114.62
Social Security and Welfare	614.98	626.60

(Rupees in crore)

	Budget Estimates	Actuals
Nutrition	578.78	527.63
Relief on account of Natural Calamities	113.27	377.32
Others	142.73	123.27
Total	**8825.22**	**7974.05**
Economic Services		
Crop Husbandry	581.20	537.99
Soil and Water Conservation	85.48	49.25
Animal Husbandry	128.76	109.95
Fisheries	28.76	32.45
Forestry and Wild life	85.44	86.67
Agricultural Research and Education	100.96	98.90
Cooperation	243.56	157.61
Other Agricultural Programmes	34.53	31.97
Special Programme for Rural Development	37.34	28.03
Rural Employment	185.35	165.59
Other Rural Development Programmes	465.16	414.62
Hill Areas	18.10	15.74
Major and Medium Irrigation	310.08	403.27
Minor Irrigation	33.65	34.27
Command Area Development	48.98	45.97
Power	2063.14	2001.16
Industry and Minerals	223.12	300.30
Roads and Bridges	304.26	366.20
Civil Supplies	1271.16	1268.84
Others	122.00	112.84
Total	**6371.02**	**6261.62**
Grants-in-aid and contributions	1762.53	1557.12
Total Revenue Expenditure	**26861.53**	**25687.70**
(d) Capital Expenditure		
General Services	244	174
Social Services	718	616
Economic Services	1244	838
Total Capital Expenditure	**2206**	**1628**
(e) Loans and Advances		
Loans and Advances by State Government - Loans disbursed	671	697
Loans recovered	215	433
Net	**456**	**264**
(f) Public Debt		
Internal Debt raised	12425	17883
Internal Debt repaid	6948	9944
Net	**5477**	**7939**
Loans and Advances from GOI -		
Received	1273	920
Repaid	644	1607
Net	**629**	**(-)687**
(g) Public Account		
Public Account - Receipts	24700	27638
Disbursements	23241	28060
Net	**1459**	**(-)422**

Appendix IX

(Reference: paragraph 2.3.2;page 28)

Excess over provision of previous years requiring regularisation

(Rupees in crore)

Year	Number of grants/ appropriations	Grant/ appropriation numbers	Amount of excess	Stage of consideration by Public Accounts Committee (PAC)
1991-1992	15 Grants	5,10,11,17,19,20, 35,37,39,44,46, 48,50,57 and 58	167.82	Discussed by the PAC and recommendations of the PAC are awaited.
	8 Appropriations	7,15,18,31,37,44, 46 and 59		
1992-1993	14 Grants	5,7,19,20,24,34 35,37,42,44,46, 57,60 and 62	49.37	Discussed by the PAC and recommendations of the PAC are awaited.
	8 Appropriations	2,7,11,15,18,19, 37 and 55		
1993-1994	9 Grants	11,19,20,22,37, 38, 45,49 and 56	39.42	Discussed by the PAC and recommendations of the PAC are awaited.
	6 Appropriations	Debt Charges, 7, 15, 18, 31 and 36		
1994-1995	15 Grants	7,8,20,21,31,33, 36,38,41, 42, 53, 56, 57,60 and 61	208.21	Discussed by the PAC and recommendations of the PAC are awaited.
	8 Appropriations	7,15,35,36,38,41, 45 and 52		
1995-1996	8 Grants	30,31,34,38,40, 41,45 and 56	112.51	Discussed by the PAC and recommendations of the PAC are awaited.
	11Appropriations	7,11,15,16,18,19, 35,36,37,42 and 43		
1996-1997	17 Grants	5,8,11,20,26,31, 33,35,36,39,41, 45,50,53,56,57 and 59	284.32	Discussed by the PAC and recommendations of the PAC are awaited.
	8 Appropriations	1,15,18,19,35,45, 46 and 47		
1997-1998	7 Grants	19,20,23,26,35, 38 and 45	299.42	Explanatory notes awaited. Not yet discussed by PAC
	5 Appropriations	15,29,35,45 and 55		
1998-1999	16 Grants	3,5,6,17,20,27, 30,33,35,38,39, 40,48,50,52 and 57	232.85	Explanatory notes awaited. Not yet discussed by PAC
	2 Appropriations	Debt Charges and 45		

(Rupees in crore)

Year	Number of grants/ appropriations	Grant/ appropriation numbers	Amount of excess	Stage of consideration by Public Accounts Committee (PAC)
1999-2000	9 Grants	2,17,26,33,35,38, 41,45 and 46	362.99	Explanatory notes awaited Not yet discussed by PAC
	1 Appropriation	29		
2000-2001	6 Grants	6, 21, 29, 35, 47 and 61	2239.47	Explanatory notes awaited Not yet discussed by PAC
	7 Appropriations	Debt Charges, 29, 35, 41, 42, 54 and Public Debt-Repayment		
2001-2002	3 Grants 4 Appropriations	32, 35 and 41 16, 42, 54 and Public Debt-Repayment	379.38	Explanatory notes awaited Not yet discussed by PAC
		Total	**4375.76**	

Appendix X

(Reference: paragraph 2.3.3; page 28)

Grants/Appropriations where excess requires regularisation

Serial number		Number and title of grant/appropriation	Total grant/ appropriation (Rs)	Expenditure (Rs)	Excess (Rs)
		Voted Grants -			
1.	1	State Legislature (Revenue)	12,38,28,000	12,49,27,828	10,99,828
2.	5	Agriculture Department (Loans)	3,24,24,000	3,24,79,000	55,000
3.	6	Animal Husbandry and Fisheries Department – Animal Husbandry (Capital)	1,000	1,200	200
4.	14	Environment and Forests Department (Revenue)	96,88,52,000	98,66,53,357	1,78,01,357
5.	16	Handlooms, Handicrafts Textiles and Khadi Department – Handlooms and Textiles (Revenue)	1,92,54,23,000	1,94,70,62,044	2,16,39,044
6.	20	Highways Department			
		(Revenue)	4,56,41,75,000	4,97,94,90,758	41,53,15,758
		(Loans)	..	30,00,000	30,00,000
7.	26	Industries Department (Capital)	24,42,67,000	24,44,30,055	1,63,055
8.	35	Planning and Development Department (Revenue)	31,88,96,000	33,77,94,038	1,88,98,038
9.	38	Public Works Department (Revenue)	5,15,32,07,000	6,60,19,21,046	1,44,87,14,046
10.	40	Rural Development Department (Loans)	50,00,00,000	50,48,66,688	48,66,688
11.	48	Pensions and Other Retirement Benefits (Revenue)	32,48,10,41,000	33,39,34,94,629	91,24,53,629
12.	49	Relief on Account of Natural Calamities Department (Revenue)	5,40,78,76,000	6,23,54,11,091	82,75,35,091
		Charged Appropriations -			
13.	1	State Legislature (Revenue)	*22,95,000*	*26,11,390*	*3,16,390*
14.	20	Highways Department (Capital)	*46,47,000*	*46,47,475*	*475*
15.	21	Home Department – Police (Revenue)	*92,86,000*	*94,72,497*	*1,86,497*
16.		Public Debt – Repayment (Loans)	*94,81,22,32,000*	*1,15,50,72,94,410*	*20,69,50,62,410*
	Total	**Voted**	**51,71,99,90,000**	**55,39,15,31,734**	**3,67,15,41,734**
		Charged	***94,82,84,60,000***	***1,15,52,40,25,772***	***20,69,55,65,772***
Grand Total			**1,46,54,84,50,000**	**1,70,91,55,57,506**	**24,36,71,07,506**

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Appendix XI

(Reference: paragraphs 2.3.8 and 2.3.9; page 29)

Grants/Appropriations where Supplementary provision obtained in March 2003 proved unnecessary

(Rupees in lakh)

Sl. No.	Number and title of grant/appropriation		Supplementary provision (March 2003)	Final saving
	Voted Grants -			
		Revenue		
1.	2	Governor and Council of Ministers	0.01	161.55
2.	3	Administration of Justice	0.08	2075.10
3.	5	Agriculture Department	0.53	11066.89
4.	6	Animal Husbandry and Fisheries Department-Animal Husbandry	0.17	2143.61
5.	7	Animal Husbandry and Fisheries Department-Fisheries	795.63	837.45
6.	9	Backward Classes, Most Backward Classes and Minorities Welfare Department	0.32	420.71
7.	10	Commercial Taxes Department – Commercial Taxes	0.03	6188.91
8.	11	Commercial Taxes Department – Stamps and Registration	0.06	477.18
9.	12	Co-operation, Food and Consumer Protection Department	0.14	9971.38
10.	17	Handlooms, Handicrafts, Textiles and Khadi Department – Khadi, Village Industries and Handicrafts	0.04	1173.86
11.	18	Health and Family Welfare Department	1.54	12829.40
12.	19	Higher Education Department	0.23	18009.83
13.	21	Home Department – Police	1.19	15656.20
14.	22	Home Department – Fire and Rescue Services	0.07	875.26
15.	23	Home Department – Prisons	0.07	673.22
16.	24	Home Department – Motor vehicles Acts – Administration	0.03	1015.07
17.	27	Information and Tourism Department - Information and Publicity	0.04	630.63
18.	28	Information and Tourism Department – Tourism	0.12	2057.20
19.	30	Information Technology Department	0.02	772.69
20.	31	Labour and Employment Department	0.16	2269.59
21.	32	Law Department	11.14	186.54
22.	33	Municipal Administration and Water Supply Department	0.07	12982.19
23.	34	Personnel and Administrative Reforms Department	0.05	51.67
24.	36	Prohibition and Excise Department	14.75	69.11
25.	37	Public Department	762.12	794.72

(Rupees in lakh)

Sl. No.	Number and title of grant/appropriation		Supplementary provision (March 2003)	Final saving
26.	39	Revenue Department	0.25	7949.46
27.	40	Rural Development Department	0.38	12374.13
28.	41	School Education Department	0.19	68252.66
29.	43	Social Welfare and Nutritious Meal Programme Department	0.34	5227.41
30.	44	Tamil Development - Culture and Religious Endowments Department - Tamil Development - Culture	0.10	528.54
31.	45	Tamil Development - Culture and Religious Endowments Department - Hindu Religious and Charitable Endowments	0.04	373.46
32.	46	Transport Department	0.04	7734.32
33.	47	Youth Welfare and Sports Development Department	0.04	178.90
		Capital		
1.	4	Adi Dravidar and Tribal Welfare Department	262.79	525.53
2.	14	Environment and Forests Department	0.08	612.99
3.	20	Highways Department	0.12	34398.39
4.	21	Home Department - Police	0.01	4676.07
5.	23	Home Department - Prisons	125.63	133.01
6.	33	Municipal Administration and Water Supply Department	0.02	10751.78
7.	38	Public Works Department	0.69	2640.74
		Loans		
1.	4	Adi Dravidar and Tribal Welfare Department	14.32	94.57
2.	13	Energy Department	2158.90	6666.71
3.	15	Finance Department	200.00	1082.15
4.	25	Housing and Urban Development Department	100.00	669.83
5.	33	Municipal Administration and Water Supply Department	0.01	5355.10
		Total	**4452.56**	**273615.71**
		Charged Appropriations -		
		Revenue		
1.	2	Governor and Council of Ministers	0.02	24
2.	4	Adi Dravidar and Tribal Welfare Department	1.01	379.60
3.	9	Backward Classes, Most Backward Classes and Minorities Welfare Department	1.70	1.78
4.	19	Higher Education Department	0.05	0.06
5	44	Tamil Development - Culture and Religious Endowments Department - Tamil Development - Culture	1.25	1.25
		Total	**4.03**	**406.69**
Grand Total			**4456.59**	**274022.40**

Appendix XII

(Reference: paragraph 2.3.10; page 30)

Grants/Appropriation where Supplementary provision obtained during 2002-2003 proved insufficient by more than Rs one crore each

(Rupees in lakh)

Serial Number	Number and title of grant/ appropriation		Total Supplementary grant/ appropriation	Final excess
	Voted Grants -			
1.	14	Environment and Forests Department	0.16	178.01
2.	16	Handlooms, Handicrafts, Textiles and Khadi Department - Handlooms and Textiles	10276.30	216.39
3.	20	Highways Department	2836.39	4153.15
4.	35	Planning and Development Department	0.11	188.98
5.	38	Public Works Department	79.82	14487.14
6.	48	Pension and other Retirement benefits	5673.51	9124.54
7.	49	Relief on account of Natural Calamities	42610.97	8275.35
	Charged Appropriation -			
8		Public Debt - Repayment	*188876.88*	*206950.62*
Total		**Voted**	**61477.26**	**36623.56**
		Charged	***188876.88***	***206950.62***

Appendix XIII

(Reference: paragraph 2.3.11;page 30)

Statement showing cases where expenditure fell short by more than Rs one crore each and also by 15 *per cent* or more of the total provision

Serial Number	Number and title of grant/appropriation		Amount of saving (Rupees in crore) (Percentage of provision) and reasons for saving
Voted Grants -			
1.	2	Governor and Council of Ministers (Revenue)	1.62 (18)

Main reasons for saving: Savings mainly occurred under (i) Personal staff of Ministers (Rs 0.09 crore) (ii) Other expenditure (Rs 0.69 crore) (iii) Salary of Ministers and Deputy Ministers (Rs 0.30 crore) specific reasons for which have not been communicated (June 2003). Savings were offset by excess in certain heads shown in Appropriation Accounts.

2.	4	Adi dravidar and Tribal Welfare Department (Capital)	5.26 (56)

Main reasons for saving: Savings mainly occurred under (i) Contribution towards the share capital of Tamil Nadu Adi dravider Housing and Development Corporation (Rs 3.32 crore); (ii) Construction of hostel building for students – Assistance to Tamil Nadu Adi dravidar Housing and Development Corporation for repayment of loan to Housing and Urban Development Corporation (Rs 1.46 crore) and (iii) Construction of hostels for scheduled castes (Rs 0.46 crore) specific reasons for which have not been communicated (June 2003).

3..	5	Agriculture Department (Revenue)	110.67 (18)

Main reasons for saving: Savings mainly occurred under (i) Waste Land Development Programme (Rs 35 crore); (ii) Assistance to District Rural Development Agencies under Drought Prone Areas Programme (Rs 4.32 crore) Grants to Tamil Nadu Agriculture University (Rs 1.5 crore) (iii) Training and visits (Rs 17.14 crore) (iv) Scheme for Drip Irrigation and Drip Demonstration for Horticulture Crops (Rs 6.22 crore) Intensive Cotton Development Programme (Rs 1.90 crore) Integrated Cereals Development Programme in Rice Based Cropping system Areas (Rs 1.19 crore). (v) Establishment of seed centres for procurement and distribution of seeds (Rs 4.12 crore) Establishment of state seed form (Rs 1.23 crore) Soil conservation schemes for assisting small farmers of coffee tea plantation in the Nilgiris Districts (Rs 3.61 crore) schemes for the Development of plantation crops under hill area development programme (Rs 3.16 crore) (vi) Procurement and distribution of paddy and millet seeds (Rs 2.64 crore) Development of Horticulture in Districts (Rs 1.02 crore) (vii) Sinking of private tube wells (Rs 2.58 crore) Development of Horticulture in Districts (Rs 1.74 crore) (viii) Command Area Development Programme in Cauvery Command (Rs 2.46 crore) (ix) Agriculture Extension centre (Rs 2.31 crore) (x) Tractor Hiring Scheme (Rs 2.07 crore) (xi) Command Area Development Programme in Kothaiyar, Chittur, Pattanamkal Command (Rs 2.25 crore) and (xii) Agricultural Engineering Department – District staff (Rs 2.08 crore). The reasons for surrender under items (i) and (ii) were due to non-taking up of works and non-payment of surrender leave salary, pongal bonus, exgratia, austerity measures taken on travel expenses, telephone and electricity charges under items (iii), (v), (vi), (vii), (viii), (ix), (x), (xi) and (xii).

4.	7	Animal Husbandry and Fisheries Department – Fisheries (Revenue)	8.37 (17)

Main reasons for saving: Savings in the revenue grant occurred mainly under (i) Construction of houses for fishermen (Rs 5.81 crore) and (ii) Relief scheme for Tamil Nadu Marine Fishermen during lean month (Rs 2.21 crore) District establishment (Rs 1.52 crore) Fisheries Development mission (Rs 0.55 crore). The reason for surrender was due to lesser release of GOI share under item (i) and lesser release of subsidy under item (ii).

Serial Number	Number and title of grant/appropriation		Amount of saving (Rupees in crore) (Percentage of provision) and reasons for saving
5.	10	Commercial Taxes Department - Commercial Taxes (Revenue)	61.89 (26)

Main reasons for saving: Savings mainly occurred under (i) Entertainment Tax (Rs 27.68 crore) (ii) District Establishment (Rs 25.14 crore) and (iii) XI Finance Commission Grant-Fiscal Administration-Computerisation of Commercial Taxes Department (Rs 9.05 crore). Savings under (ii) was mainly due to adoption of strict economy measures under Travel expenses, office expenses, POL and maintenance of vehicle. Specific reasons for savings under item (i) and (iii) have not been communicated (June 2003).

6.	13	Energy Department (Capital)	75.00 (75)
		(Loans)	66.67 (54)

Main reasons for saving: Savings under the capital grant was due to lesser release of share capital assistance to TNEB taking into account its financial position.

Savings under loan budget was under Loan to TNEB for Accelerated Power Development Programme (Rs 61.72 crore); (ii) Loans to TNEB for implementation of system improvement in power sector with loan assistance from NABARD (Rs 3.12 crore) and (iii) Loan to TNEB for implementing Rural Electrification Programme under PMGY 2001-02 (Rs 1.83 crore) specific reasons have not been communicated (June 2003).

7.	15	Finance Department (Loan)	10.82 (43)

Main reasons for saving: Savings mainly occurred under (i) other advances controlled by the Commissioner of Treasuries and Accounts (Rs 7.55 crore) (ii) Marriage advance controlled by the Secretary to Government Finance Department (Rs 2.21 crore) and (iii) Loans to Government servants for purchase of computers (Rs 1.03 crore). Reasons for saving under item (i) was due to reclassification. Saving under item (iii) was due to receipt of lesser number of applications from various departments. Specific reason for saving under item (ii) have not been communicated (June 2003).

8.	17	Handloom, Handicrafts Textiles and Khadi Department - Khadi, Village Industries and Handicrafts (Revenue)	11.74 (21)

Main reasons for saving: Savings mainly occurred under (i) Rebate on sale of Khadi cloth to other certified Institutions (Rs 5.00 crore) and (ii) Rebate on sale of Khadi cloth to Khadi Board (Rs 2.00 crore)specific reasons for which have not been furnished (June 2003). Saving also occurred under (a) Grants to TN Khadi & Village Industries Board (Rs 1.00 crore), (b) Establishment of Sericulture Extension and Development Centre (Rs 0.78 crore). Specific reasons for savings under items (a) and (b) have not been communicated (June 2003). Saving under item (c) Silk reeling units in the State (Rs 0.72 crore) was due to minimised purchase of raw materials and due to low price of cocoons and drought condition.

9.	19	Higher Education Department (Revenue)	180.10 (23)

Main reasons for saving: Savings mainly occurred under (i) Grants to private colleges (Ars and Oriental colleges) (Rs 76.97 crore); Grants to private colleges of education (Rs 1.68 crore) (ii) Arts college (Men) (Rs 36.30 crore); (iii) Arts college (Women) (Rs 20.72 crore); (iv) Government Polytechnic colleges (Men) (Rs 10.90 crore) (v) Anna University (Rs 4.64 crore) (vi) Engineering colleges (Rs 4.25 crore); Madurai Kamaraj University (Rs 3.31 crore); (vi) Grants-in-aid to Aided Polytechnic colleges (Rs 2.84 crore) (vii) Annamalai University (Rs 2.19 crore), (viii) Government Polytechnic colleges (Women) (Rs 2.16 crore) (ix) Construction wing (Rs 1.96 crore) (x) Special Diploma Institution (Rs 1.94 crore) (xi) Colleges of Education (Men) (Rs 1.55 crore (xii) Bharathiyar University, Coimbatore (Rs 1.53 crore) (xiii) Mother Theresa Women's University, Kodaikanal (Rs 1.36 crore) and (xiv) Bharathidasan University, Tiruchirappalli (Rs 1.32 crore). Savings under items (i), (v) & (vii) were due to withdrawal of surrender leave salary Savings under items (ii), (iii), (iv), (vi), (viii), (ix), (x) & (xi) were due to lesser requirement of dearness allowance based on actual staff strength. Specific reasons for savings under (xii), (xiii) and (xiv) have not been communicated (June 2003).

Serial Number	Number and title of grant/appropriation	Amount of saving (Rupees in crore) (Percentage of provision) and reasons for saving
10.	20 Highways Department (Capital)	343.98 (48)

Main reasons for saving: Savings mainly occurred under (i) Tamil Nadu State Highways Project (Rs 111.37 crore); (ii) Construction of Road over bridge/Road under bridge with loan assistance from HUDCO (Rs 71.40 crore); (iii) Madurai Radial Roads (Rs 41.51 crore); (iv) Construction/Reconstruction of bridges and improvement of roads with loan assistance from HUDCO Limited (Rs 39.09 crore); (v) Provision for road works under TNUDP (Rs 24.32 crore) (vi) Construction of over and under bridges in lieu of existing level crossings (Rs 12.56 crore) (vii) Margin money to CMDA for improvement to radial roads with HUDCO loan assistance (Rs 15.09 crore) and (viii) Margin money to TNSCC Limited for construction of bridges with HUDCO loan assistance (Rs 6.23 crore). (ix) Improvement to Rural Roads with loan assistance from NABARD (Rs 7.59 crore). (x) Improvement to Rural Roads with loan assistance from NABARD under Special component plan (Rs 5.87 crore). (xi) Improvement to Bus routes with loan assistance from NABARD (Rs 2.48 crore). Withdrawal of provision under items (vi) and (viii) was mainly due to delay in acquisition of lands, finalisation of tenders etc., for the works executed with loan assistance from HUDCO. Reasons for savings under (i) to (vi) and (ix) to (xi) have not been communicated (June 2003)

11.	21 Home Department - Police (Capital)	46.77 (28)
	(Loan)	1.00 (50)

Main reasons for saving: Saving occurred mainly under the head 'payment to Tamil Nadu Police Housing Corporation towards construction of quarters for police personnel (Rs 49.95 crore) due to lesser requirement of repayment of equated monthly instalments for the loans obtained by the TN Police Housing Corporation. Eleventh Finance Commission – Upgradation and special problem grant – construction of police station buildings (Rs 3.20 crore) Specific reason for savings have not be communicated (June 2003).

Saving under loan budget occurred under 'Loans to TN Police Hosing Corporation for construction of Houses to Police Personnel Controlled by Director General of Police (Rs 1.00 crore) specific reasons for which have not been communicated (June 2003).

12.	22 Home Department - Fire and Rescue Services (Capital)	1.42 (27)

Main reasons for saving: Saving occurred under XI Finance Commission – Upgradation and special problem grant-setting up of Fire Service Stations (Rs 1.42 crore) due to non-utilisation of funds.

13.	23 Home Department - Prisons (Capital)	1.33 (29)

Main reasons for saving: Saving occurred under XI Finance Commission – upgradation and special problem grant – upgradation of testing security arrangements and improvement of facilities in Prison Department (Rs 1.33 crore) specific reasons for which have not been communicated (June 2003).

14.	24 Home Department - Motor Vehicles Acts – Administration (Revenue)	10.15 (22)

Main reasons for saving: Saving occurred mainly under (i) Regional Transport Authority Mofussil (Rs 5.01 crore) (ii) Regional Transport Authority Chennai city (Rs 0.53 crore) and (iii) Computerisation of Registration and Licensing of Motor Vehicles in Transport Department (Rs 2.75 crore). Saving under item (iii) was due to delay in getting Government's approval for implementation of phase II computerisation of regional transport office, Valasarawakkam in Collaboration with NIC, New Delhi. Specific reasons for saving under item (i) and (ii) have not been communicated (June 2003).

15.	27 Information and Tourism Department - Information and Publicity (Revenue)	6.31 (21)

Main reasons for saving: Saving occurred mainly under (i) Publicity (Rs 3.84 crore) and (ii) Incentive Scheme for promoting low budget Tamil Film of High Quality with a social content (Rs 1.05 crore) specific reasons for which have not been communicated (June 2003).

Serial Number	Number and title of grant/appropriation		Amount of saving (Rupees in crore) (Percentage of provision) and reasons for saving
16.	28	Information and Tourism Department – Tourism (Revenue)	20.57 (64)
Main reasons for saving: Savings occurred under (i) Providing basic amenities in Tourist centre (Rs 11.51 crore) and (ii) Promotion and Publicity of Tourism (Rs 11.25 crore) specific reasons for which have not been communicated (June 2003)			
17	30	Information Technology Department (Revenue)	7.73 (75)
Main reasons for saving: Saving occurred mainly under (i) grants to ELCOT for improving information technology (Rs 8.81 crore) due to surrender of grants-in-aid (ii) Information and Technology Department (Rs 0.15 crore). Withdrawal of provision was the net result of increase and decrease under various heads.			
18.	32	Law Department (Revenue)	1.87 (22)
Saving occurred under 'Law Colleges' (Rs 1.56 crore) specific reason for which have not been communicated (June 2003)			
19.	33	Municipal Administration and Water Supply Department (Capital)	107.52 (19)
		(Loan)	53.55 (15)
Main reasons for saving: Savings occurred mainly under (i) Share capital assistance to CMMWSSB for Chennai Water Supply Augmentation Project I (Rs 59.64 crore) (ii) Capital grants to Urban Local Bodies for Water Supply Schemes (Rs 50.00 crore) (iii) Share capital assistance to Chennai Metropolitan Water Supply and Sewerage Board for Chennai Water Supply Augmentation Project II (Rs 5 crore) (iv) Contribution to TNUDF from out of dividend (Rs 4.46 crore) withdrawal of provision was due to delay in award of contracts for various works under item (i); non-finalisation of proposals for Chennai Water Supply Augmentation Project II under (iii) reduction in the dividend rate under (iv) and specific reasons for savings under item (ii) have not been communicated (June 2003). Saving under loan head occurred under (i) Loans to Metro Water for upgradation of Water supply distribution (Rs 30.73 crore) and (ii) Loans to local bodies for water supply scheme controlled by Commissioner of Municipal Administration (Rs 14.07 crore) withdrawal of provision was due to lesser provision required for repayment of loans to HUDCO and LIC and for resetting of loans availed from HUDCO; saving also occurred under 'loans to TNUDP II' (Rs 20 crore) specific reasons for which have not been communicated (June 2003).			
20.	35	Planning and Development Department (Capital)	1.21 (16)
Main reasons for saving: Saving occurred mainly under (i) Improvement of road works under Hill Area Development Programme (Rs 0.69 core) and (ii) Percentage charges for establishment transferred from 3054.Roads and Bridges (Rs 0.52 crore). Specific reasons for which have not been communicated (June 2003).			
21.	39	Revenue Department (Capital)	16.32 (65)
Main reasons for saving: Saving occurred under 'XI Finance Commission – Upgradation and Special Problem grants – Construction of Buildings in the newly created Districts (Rs 16.32 crore). Specific reasons for which have not been communicated (June 2003).			

Serail Number	Number and title of grant/appropriation	Amount of saving (Rupees in crore) (Percentage of provision) and reasons for saving
22.	40 Rural Development Department (Capital)	17.60 (91)

Main reasons for saving: Saving occurred under 'Improvement of Rural Roads, bridges and drainage structures under RIDF – controlled by Director of Rural Development (Rs 17.10 crore). Specific reasons for which have not been communicated (July2003).

23.	41 School Education Department (Revenue)	682.53 (16)
	(Loan)	4.54 (100)

Main reasons for saving: Saving occurred under revenue grant mainly under (i) Salaries to Panchayat Union Elementary School Teachers (Rs 216.20 crore) (ii) general (2202.02.110.AA) (Rs 51.28 crore); (iii) general (2202.02.109.AA) (Rs 161.66 crore); (iv) grants to Non-Government Elementary Schools (Rs 89.40 crore) (v) Sarva Siksha Abhiyan (Rs 52.33 crore); (vi) Assistance for Primary Education under PMGY Scheme (Rs 15.16 crore) (vii) District Elementary Educational Subordinate Officers (Rs 40.44 crore); (viii) Salaries for Municipal and Corporation Secondary / Higher Secondary School Teachers (Rs 23.03 crore); (ix) Charges on account of the Tamil Nadu Public Libraries Act, 1948 (Rs 7.18 crore); (x) Special PF-cum-Gratuity Scheme for Aided Education Institution controlled by the Director of Elementary Education (Rs 1.06 crore); (xi) School Education Department (Rs 1.04 crore); (xii) Salaries of Municipal Corporation Elementary School Teachers (Rs 7.04 crore); (xiii) Government Elementary Schools (Rs 6.84 crore); (xiv) Provision of computers in Higher Secondary Schools (Rs 5.73 crore); (xv) Supply of uniforms to pupils (Rs 4.69 crore); (xvi) Redressal of the problem of Affected students of Teachers Training Institute (Rs 3.06 crore); (xvii) Setting up of District Institute of Education and Training in Tamil Nadu (Rs 1.03 crore) and (xviii) Institutionalized Vocational Training institutions (Rs 1.00 crore). Reasons for savings under items (i), (ii), (iii), (iv), (vii), (ix), (xi), (xii), (xiii), (xvi) and (xvii) were due to non-filling up of posts based on latest assessment of staff strength. Reasons for saving under (xv) was due to reduction in cost of cloth under free supply of uniform to students. Specific reasons for savings under item (v), (vi),(viii), (x) & (xiv) have not been communicated (June 2003)

Saving under the loan grant mainly occurred under 'Marriage Advance Controlled by the Secretary to Government Finance Department (Rs 4.50 crore) was due to transfer of provision to demand No.15.

24.	46 Transport Department (Revenue)	77.34 (51)

Main reasons for saving: Saving occurred mainly under (i) Reimbursement of Social cost on students concessions in bus fares (Rs 75.59 crore) and (ii) Reimbursement of sales tax and surcharge to Transport Corporation (Rs 1.11 crore) specific reasons for which have not been communicated (June 2003)

Charged Appropriations -

1.	4 Adi Dravidar and Tribal Welfare Department (Revenue)	3.80 (95)

Savings mainly occurred under House sites/Infrastructure facilities for Adi Dravider (Rs 3.79 crore) specific reasons for which has not been communicated (June 2003).

2.	34 Personnel and Administrative Reforms Department (Revenue)	4.28 (30)

Main reasons for saving: Savings mainly occurred under 'Tamil Nadu Public Service Commission' (Rs 4.28 crore) due to fluctuating nature of staff strength of the commission which depended on the creation of temporary posts for conducting examinations by the commission.

Appendix XIV

(Reference: paragraph 2.3.12;page 30)

Statement showing cases where substantial surrenders were made during the year

Serial number	Number and title of Grant	Name of the scheme (Head of Account)	Amount of Surrender (Rupees in lakh)	Percentage of Surrender
1)	5 Agriculture Department	Waste Land Development Programme (2402.00.103.II.JD)	3500.00	88
Withdrawal of provision was mainly due to works not taken up under Wasteland Development Programme.				
2)	7 Animal Husbandry and Fisheries Department - Fisheries	Construction of Houses for Fishermen (2216.80.800.VI.UA)	581.25	79
Withdrawal of provisions were due to lesser release of GOI assistance/subsidy.				
3)	13 Energy Department	Share Capital Assistance to Tamil Nadu Electricity Board (4801.80.101.II.JA)	7500.00	75
Withdrawal of provision was due to improved financial position of TNEB.				
4)	14 Environment and Forests Department	Forest Research (4415.06.004.II.JA)	120.00	100
The entire amount was surrendered due to non-approval of the scheme.				
5)	16 Handlooms, Handicrafts, Textiles and Khadi Department – Handlooms and Textiles	Weavers' Housing Scheme (2851.00.103.VI.UA)	252.00	100
Withdrawal of provisions were due to non-receipt of sanction orders of subsidies from Government of India.				
6)	18 Health and Family Welfare Department	Setting up of the National Institute of Siddha (4210.03.104.VI.UA)	400.00	100
Withdrawal of the entire provision was due to want of permission from the State Government to release the State funds to the Institute.				
7)	20 Highways Department	Tamil Nadu State Highways Project (5054.80.800.III.PB)	10877.50	95
Withdrawal of funds was due to want of World Bank approval and also due to delay in acquisition of lands.				
8)	20 Highways Department	Construction of Road over bridge/Road under bridge with loan assistance from HUDCO (5054.80.800.II.JT)	7152.91	95
9)		Madurai Radial Roads (5054.80.800.II.JU)	4175.00	84
10)		Construction/Reconstruction of Bridges and Improvement of Roads with Loan assistance from HUDCO Ltd. (5054.80.800.II.JV)	4507.24	100

Serial number	Number and title of Grant	Name of the scheme (Head of Account)	Amount of Surrender (Rupees in lakh)	Percentage of Surrender
11)	20 Highways Department	Margin Money to Chennai Metropolitan Development Authority by improvement to Radial Roads with Housing and Urban Development Corporation Loan assistance (5054.04.337.II.JP)	1474.15	92
Withdrawal of provision was mainly due to delay in acquisition of lands, delay in finalisation of tenders etc.				
12)	21 Home Department - Police	Modernisation of Police Force with 50 *per cent* assistance from GOI (2055.00.115.I.AA)	6229.37	63
13)		Airport Security (2055.00.109.I.AF)	567.52	100
14)		Tamil Nadu Police Health Fund (2235.60.200.I.CH)	100.00	100
Withdrawal of provision was mainly due to non-filling up of vacant posts.				
15)	22 Home Department - Fire and Rescue Services	Eleventh Finance Commission – upgradation and special problem grants – setting up of fire service station (4070.00.800.II.JQ)	271.57	51
Withdrawal of provision was due to non-utilisation of funds sanctioned under Eleventh Finance Commission towards construction of fire stations.				
16)	33 Municipal Administration and Water Supply Department	Share Capital Assistance to Chennai Metropolitan Water Supply and Sewerage Board for Chennai Water Supply Augmentation Project I (4215.01.101.II.JM)	5964.41	77
17)		Capital grant to Urban Local Bodies for Water Supply Scheme (4215.01.101.II.JJ)	4700.00	94
18)		Share Capital assistance to Chennai Metropolitan Water Supply and Sewerage Board for Chennai Water supply Augmentation Project II (4215.01.101.II.JN)	500.00	100
Withdrawal of provision was due to delay in award of contract for various works and due to non-finalisation of proposals.				
19)	40 Rural Development Department	Credit-cum-subsidy scheme for construction of houses in Rural Areas (2515.00.789.VI.UA)	109.68	100
Withdrawal of provision was due to annual allocation made by GOI in certain schemes and reduced provision made in Annual Plan outlay in State funded scheme.				
20)	41 School Education Department	Sarva Shikha Abhiyan (2202.01.101.VI.UA)	3788.00	51
Withdrawal of provision was based on share from Government of India				
21)	47 Youth Welfare and Sports Development Department	Grants to SDAT for maintenance of Sports Stadium (2204.00.104.II.JU)	130.70	62
Withdrawal of provision was due to austerity measures adopted.				

Appendix XV

(Reference: paragraph 2.3.13; page 30)

Excess/Unnecessary/Insufficient Reappropriation of funds

(Rupees in lakh)

Sl. No.	Grant number and title of grant / appropriation	Head of Account	Reappropriation	Final Excess(+)/ Savings (-)
1.	5 Agriculture Department	2551.60.101.II.JS	34.03	(-) 395.17
2.		2551.60.101.II.KG	(-) 46.54	(-) 269.42
3.	6 Animal Husbandry and Fisheries Department - Animal Husbandry	2403.00.101.I.AA	(-) 65.59	(-) 831.20
4.	10 Commercial Taxes Department - Commercial Taxes	2040.00.101.I.AB	(-) 3302.72	788.65
5.	11 Commercial Taxes Department - Stamps and Registration	2030.03.001.I.AD	(-) 174.35	(-) 343.72
6.	14 Environment and Forests Department	2406.01.001.I.AB	(-) 194.82	202.42
7.	15 Finance Department	2075.00.797.I.AA	(-) 2058.33	(-) 708.62
8.		7610.00.800.I.AB	(-) 411.00	(-) 344.20
9.	19 Higher Education Department	2202.03.102.I.AC	14.99	(-) 346.51
10.		2202.03.103.I.AA	(-) 4785.52	1,155.25
11.		2202.03.103.I.AB	(-) 2582.40	510.83
12.		2202.03.104.I.AA	(-) 8766.47	1,069.13
13.	20 Highways Department	3054.03.337.I.AA	(-) 1068.13	(-) 585.15
14.		3054.04.337.I.AB	(-) 1170.19	(-) 224.76
15.		3054.80.797.I.AA	(-) 20.92	6,198.24
16.		3054.80.797.I.AC	(-) 139.93	2,661.93
17.		5054.80.800.II.JJ	(-) 1775.73	519.70
18.		5054.80.800.II.JN	(-) 2907.31	475.28
19.		5054.80.800.II.JV	(-) 4507.24	598.07
20.		5054.80.800.II.PB	(-) 10877.50	(-) 259.04
21.	21 Home Department - Police	2055.00.109.I.AA	(-) 6810.97	656.16
22.	25 Housing and Urban Development Department	7610.00.201.II.JA	(-) 142.90	(-) 526.92
23.	30 Information Technology Department	2852.07.800.I.AA	(-) 600.00	(-) 281.46
24.	33 Municipal Administration and Water Supply Department	3604.00.191.II.JA	1198.87	(-) 1,198.87
25.		3604.00.192.II.JA	1314.90	1,865.86

(Rupees in lakh)

Sl. No.	Grant number and title of grant / appropriation	Head of Account	Reappropriation	Final Excess(+)/ Savings (-)
26.	33 Municipal Administration and Water Supply Department	4215.01.101.II.JJ	(-) 4700.00	(-) 300.00
27.	35 Planning and Development Department	2551.60.110.II.JA	(-) 37.25	687.30
28.	37 Public Department	2015.00.103.I.AA	(-) 122.04	233.45
29.	38 Public Works Department	2701.80.800.I.AA	640.30	(-) 16,333.71
30		4701.03.217.II.PA	0.10	209.94
31.		4701.03.299.II.JB	371.64	889.68
32.		4701.03.299.II.JC	774.84	(-) 782.35
33.	39 Revenue Department	2235.60.102.II.JA	11835.92	(-) 266.51
34.		4070.00.800.II.JO	(-) 1000.00	(-) 632.41
35.	40 Rural Development Department	2236.02.102.II.KL	12149.22	515.32
36.		2515.00.800.II.JV	4817.49	(-) 2,499.99
37.		2515.00.800.II.KB	(-) 495.00	(-) 495.00
38.		3451.00.090.I.AE	170.72	(-) 204.03
39.	41 School Education Department	2202.01.101.I.AB	(-) 911.30	227.23
40.		2202.01.101.I.AC	(-) 16168.25	(-) 5,451.87
41.		2202.01.101.VI.UA	(-) 3788.00	(-) 1,445.27
42.		2202.01.102.I.AD	(-) 2179.67	(-) 6,760.17
43.		2202.01.103.I.AB	(-) 250.00	219.02
44.		2202.01.104.I.AA	(-) 3426.56	(-) 617.67
45.		2202.02.109.I.AA	(-) 8341.97	(-) 7,823.80
46.		2202.02.109.I.AB	(-) 3565.67	1,262.92
47.		2202.02.110.I.AA	(-) 4406.28	(-) 721.63
48.	48 Pension and Other Retirement Benefits	2071.01.101.I.AA	1294.80	2,009.81
49.		2071.01.101.I.AC	(-) 1351.14	(-) 1,623.16
50.		2071.01.104.I.AB	(-) 3444.09	4,538.24
51.		2071.01.105.I.AA	1719.96	477.81
52		2071.01.115.I.AA	5067.27	2,415.18
53.	Debt Charges	2049.01.101.I.BD	361.63	373.54
54.		2049.01.101.I.CA	(-) 22.50	238.61
55.		2049.01.101.I.CD	0.59	(-) 683.79
56.		2049.01.101.I.CE	(-) 0.67	(-) 351.04

(Rupees in lakh)

Sl. No.	Grant number and title of grant / appropriation	Head of Account	Reappropriation	Final Excess(+)/ Savings (-)
57.	Debt Charges	2049.01.200.I.AB	(-) 62.41	1,783.36
58.		2049.01.200.I.AC	(-) 115.07	292.47
59.		2049.01.200.I.AV	256.73	(-) 274.45
60.		2049.01.200.I.BM	945.81	(-) 287.44
61.		2049.01.200.I.BN	1802.72	(-) 1,425.24
62.		2049.01.200.I.BP	(-) 1.84	353.37
63.		2049.01.305.I.AA	281.18	2,294.06
64.		2049.03.101.I.AB	201.33	(-) 4,149.72
65.		2049.03.104.I.AA	(-) 5272.00	(-) 200.18
66.		2049.03.109.I.AK	(-) 157.35	4,975.24
67.		2049.60.101.I.AE	(-) 200.00	(-) 265.84
68.		2049.60.101.I.AN	(-) 85.41	(-) 763.43
69.		2049.60.101.I.AT	239.91	(-) 539.92
70.	Public Debt - Repayment	6003.00.105.I.AB	12093.02	594.17
71.		6003.00.110.I.AA	35201.34	133,387.00
72.		6003.00.110.I.AB	(-) 71285.00	4,444.58
73.		6004.01.102.I.AA	25251.09	68,582.57
74.		6004.02.101.I.AA	1645.54	591.05

Appendix XVI

(Reference: paragraph 2.5; page 31)

Rush of Expenditure

(Rupees in lakh)

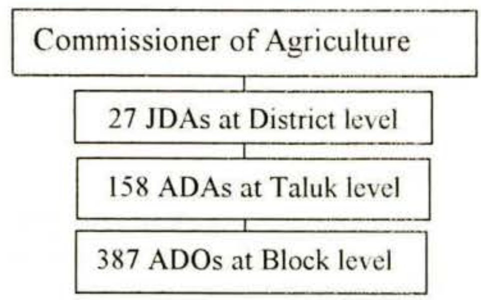
Serial number	Grant/ Appropriation Number	Head of account Scheme/Service	Total expenditure	Expenditure incurred in March 2003	Percentage of expenditure in March 2003 to total expenditure
1.	13	2801.80.101.II.JD	3828.50	2222.50	58
2.	13	6801.00.800.II.JB	3828.50	2222.50	58
3.	15	2047.00.103.I.AI	1600.00	1600.00	100
4.	16	2851.00.103.II.KH	4741.00	4741.00	100
5.	18	2211.00.101.II.JC	2932.16	2479.08	85
6.	18	4210.02.103.II.JF	1438.41	1019.94	71
7.	19	2202.03.102.I.AA	1891.02	1270.84	67
8.	19	2202.03.102.I.AC	1683.49	1393.66	83
9.	20	5054.80.800.II.JJ	2070.91	1429.19	69
10.	20	5054.80.800.II.JN	1396.14	1010.36	72
11.	21	4055.00.207.VI.UA	3637.42	3139.77	86
12.	33	2215.01.190.VI.UB	1158.29	1158.29	100
13.	33	2217.01.191.II.PC	3716.00	1866.00	50
14.	33	2217.03.191.VI.UA	1738.24	1008.29	58
15.	33	2217.04.191.II.JR	1927.50	1285.00	67
16.	33	3604.00.191.I.AA	19107.00	19107.00	100
17.	33	3604.00.192.I.AA	20708.75	20708.75	100
18.	33	3604.00.192.II.JA	3180.76	3180.76	100
19.	33	3604.00.193.I.AA	19090.48	19090.48	100
20.	33	3604.00.193.II.JA	1349.41	1349.41	100
21.	39	2235.60.102.II.JA	11569.42	11569.42	100
22.	40	2236.02.102.II.KL	12664.58	12422.31	98
23.	40	2236.02.102.II.KN	2226.05	2168.09	97
24.	40	3604.00.196.I.AA	4710.64	4710.64	100
25.	41	2202.01.108.II.JC	1749.41	1746.64	99
26.	43	2236.02.102.II.KD	2934.83	2934.83	100
27.	43	2236.02.102.II.KJ	1196.51	1196.51	100
28.	43	2505.01.702.II.JK	1953.62	1227.07	63
29.	49	2245.01.101.I.AB	3390.00	3390.00	100
30.	49	2245.01.102.I.AK	1000.00	1000.00	100
31.	49	2245.01.800.I.AC	2062.49	1667.44	81
32.	49	2245.01.800.I.AD	3050.00	3050.00	100
		Total		**138365.77**	

Appendix XVII

(Reference: paragraph 3.1.6; page 41)

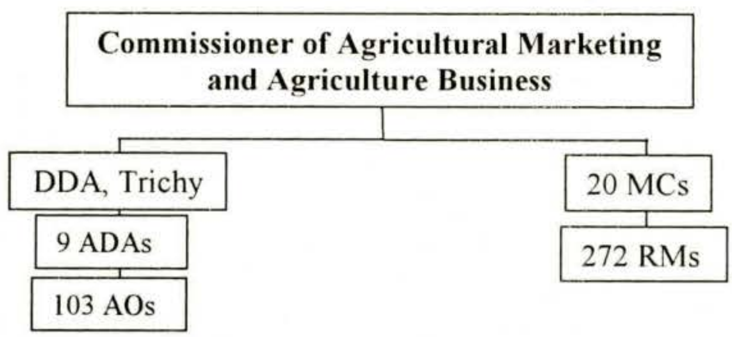
Organisational chart of the Directorates

(a) Commissioner of Agriculture - Organisation



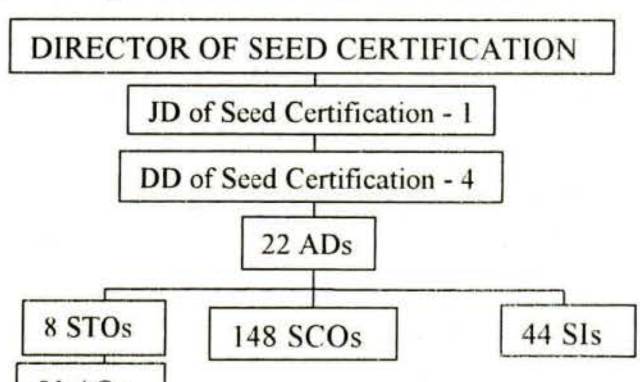
JDA – Joint Director of Agriculture
ADA – Assistant Director of Agriculture
ADO – Agriculture Development Officer

(b) Organisation of Agricultural Marketing



DDA – Deputy Director of Agriculture
ADA – Assistant Director of Agriculture
AO – Agricultural Officer
MCs – Market Committees
RMs – Regulated Markets

(c) Organisation of Seed Certification



AD – Assistant Director of Seed Certification/ Seed Inspection
SI – Seed Inspector
STO – Seed Testing Officer
SCO – Seed Certification Officer
AO – Agricultural Officer

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Appendix XVIII

Reference: paragraph 3.1.15; page 42)

Target and achievement for seed procurement and distribution

(In Metric Tonnes)

Sl.No.	Crop	1999-2000		2000-2001		2001-2002		2002-2003	
		Target	Achievement (Upto February 2000)	Target	Achievement	Target	Achievement	Target	Achievement
A.	**Procurement**								
1.	Paddy	18000	15800	18000	19895	18000	17806	18000	15009
2.	Millets	400	340	400	410	400	400	400	349
3.	Pulses	2600	1720	2600	1734	2600	1651	2600	1288
4.	Oilseeds	11912	4124	11912	4671	11913	4258	9097	3616
5.	Cotton	375	193	375	245	375	205	322	167
B.	**Distribution**								
1.	Paddy	18000	17450	18000	18518	18000	18799	18000	15483
2.	Millets	400	310	400	420	400	404	400	363
3.	Pulses	2600	1450	2600	1759	2600	1513	2600	1145
4.	Oilseeds	11912	4675	11912	4381	11913	4202	9097	4269
5.	Cotton	375	179	375	225	375	174	355	125

Appendix XIX
(Reference: paragraph 3.2.11; page 56)
Overdue loans from Societies under RCS

(Rupees in crore)

Year	Demand raised				Collected during the year		Overdue Balance at the end of the year				Percentage of	
	Principal	Interest	Penal interest	Total	Principal	Interest + Penal interest	Principal	Interest	Penal interest	Total	Total overdue to demands raised	Principal overdue to demand raised
1998-1999	39.06	35.79	0.77	75.62	16.62	2.38 + 0.14	22.44	33.41	0.63	56.48	75	57
1999-2000	30.46	35.68	0.82	66.96	13.23	8.10 + 0.12	17.23	27.58	0.70	45.51	68	57
2000-2001	31.28	35.82	5.24	72.34	13.49	6.70 + 0.06	17.79	29.12	5.18	52.09	72	57
2001-2002	28.34	36.08	6.89	71.31	10.54	6.18 +0.04	17.80	29.90	6.85	54.55	76	63
2002-2003	N.A						53.28	88.20	16.16	74.77		

NA: Not Available

Appendix XX
(Reference: paragraph 3.2.22; page 58)
Pending Ways and Means advances from Sugar Mills

(Rupees in crore)

Period	Amount of Ways and Means advance sanctioned	Amount repaid	Amount pending repayment			Remarks
			Principal	Interest	Penal interest	
1996-2000	275.96	43.61	232.35	114.88	4.82	Commissioner of Sugar stated (March 2002) that the sugar mills were under severe financial crunch from 1995-96 season due to payment of State Advised Price which was higher than the SMP fixed by GOI and the low price of sugar. Though GOS addressed (May 2002 and December 2002) Government for waiver of interest and penal interest and for conversion of the pending ways and means advance as interest free long term loan from April 2002, no decision was taken by Government (May 2003).
2000-2001	30.00	Nil	30.00	*	*	Government ordered (October 2000) to recover this ways and means advances given to 14 Co-operative Sugar mills and 3 Public Sector mills from the advance payment of Rs 36.66 crore to be received from Tamil Nadu Civil Supplies Corporation Limited towards supply of 26000 tonnes of levy sugar in respect of 7 sugar mills; No details of recovery of this advance was made available to audit.
2001-2002	27.13 25.00	NIL	52.13	**	**	
	358.09	**43.41**	**314.48**	**114.88**	**4.82**	

* Yet to be worked out by the Department, ** Details are not made available

Appendix XXI

(Reference: paragraph 3.2.32; page 59)

Pending audit position of Co-operative Societies

Year	Vellore				Coimbatore				Tiruvallore				Kancheepuram			
	A	B	C	P	A	B	C	P	A	B	C	P	A	B	C	P
1997-1998	877	-	208	24	924	-	117	13	793	-	170	21	723	-	107	15
1998-1999	879	-	225	26	935	-	133	14	802	-	200	25	727	2	126	18
1999-2000	885	2	245	28	952	1	189	20	827	-	236	29	729	3	141	20
2000-2001	887	28	236	30	959	3	224	24	852	2	280	33	729	2	161	22
2001-2002	892	279	236	58	955	388	230	65	858	234	280	60	721	43	161	28
Total	**4420**	**309**	**1150**	**33**	**4725**	**392**	**893**	**27.2**	**4132**	**236**	**1166**	**33.9**	**3629**	**50**	**696**	**20.6**

A Societies due for Audit
B Audit under progress and Audit to be commenced;
C Audit could not be conducted
P Percentage of societies not audited with respect to the total number of societies

Appendix XXII

(Reference: paragraph 3.3.3; page 62)

Details of progress with Physical and Financial Targets and Achievements

Serial number	Component of the Project	Physical		Financial (Rupees in crore)	
		Target @	Achievements	Target*	Achievements
	A. Local Biodiversity Conservation				
1	Lower Zone (in ha)	99720	99720	90.14	87.96
2	Middle Zone (in ha)	88640	88591	63.09	58.64
3	Upper Zone (in ha)	88640	88660	24.21	22.47
4	Buffer Zone activities (in villages)	1108	1108	61.66	59.40
5	Tribal life support (in ha)	2,000	2,025	2.86	2.81
6	Incentive for local tree cultivation (Million number of seedlings)	25	24.68	3.41	3.44
7	Greening of Community Land (in ha)	25500	23180	23.20	22.07
8.	Preparatory works carried out**	--	--	--	0.11
	B. Managing Forest Resource				
	i) Conservation Programme				
9	Water augmentation in micro water sheds (in ha)	105400	104860	175.62	171.26
10	Sand dune stabilization (in ha)	500	500	1.06	1.17
11	Shelter belt plantation (in kilometre)	500	488	1.34	1.24
	ii) Production Programme				
12	Timber growing stock improvement (in ha)	730	730	1.19	1.06
13	Teak Canal bank plantation (in kilometre)	1,000	1,000	0.71	0.70
	C. Conserving Species				
14	Wet land conservation (in ha)	1,226	1,193	1.96	1.89
15	Dry ever green forest conservation (in ha)	650	495	0.50	0.41
16	Consolidation Plantation	--	--	3.53	3.64
	Plantation Activities			454.48	438.27

Serial number	Component of the Project	Physical		Financial (Rupees in crore)	
		Target [@]	Achievements	Target [*]	Achievements
	D. Expanding human capacity* **				
17	Data based management and resource inventory	--	--	1.47	5.44
18	Interpretation Programme	--	--	6.37	7.34
19	Training	--	--	1.69	1.11
20	NGO Participation	--	--	1.29	0.99
	E. Vehicle and Equipment* **				
21	Vehicle and Equipment	--	--	1.49	1.69
22	Buildings	--	--	0.74	0.60
23	Maintenance	--	--	4.97	2.70
	F. Administration* **				
24	Redeployment and incremental project management cost	--	--	73.67	79.53
25	Training (abroad)	--	--	1.36	0.93
	Human Capability Development* **			93.05	100.33
	Total			**547.53**	**538.60**
	Total planting area (in lakh ha)	4.13	4.10	--	--
	(in Kilometre)	1500	1488	--	--
	Supply of seedlings (in million)	25	24.68	--	--
	Number of villages	1108	1108	--	--

@ . **As per sanction of the Government and Revised cost estimate**

* **As per unit cost sanctioned by Government**

** **Expenditure relates to pre-project period**

*** **No Physical targets fixed**

Appendix XXIII

(Reference: paragraph 3.4.11; page 74)

List of Allied Acts to Drugs and Cosmetics Act, 1940

Sl.No.	Name of the Rule/Act	Objectives
1.	Drugs and Magic Remedies (Objectionable Advertisements) Act, 1954	To control the advertisement of drugs in certain cases, to prohibit the advertisement for certain purposes of remedies alleged to possess magic qualities and to provide for matters connected therewith.
2.	Pharmacy Act, 1948	For prescribing minimum professional qualification for pharmacists and to prohibit dispensing of medicines on the prescription of a medical practitioner otherwise than by or under direct and personal supervision of a registered pharmacist.
3.	The Poisons Act, 1919	To consolidate and amend law regulating the importation, possession and sale of poisons
4.	Indian Medical Council Act, 1956	Regulation of medical practice and laying down the rights and privileges of registered medical practitioners as well as rights of patients.
5.	Narcotic Drugs and Psychotropic Substances Act, 1985	To consolidate and amend the laws relating to narcotic drugs, make stringent provision for the control and regulation of operations relating to narcotic drugs (cocoa leaf, cannabis, opium and poppy straw and drugs manufactured from them), and psychotropic substances specified in the Act.

Appendix XXIV

(Reference: paragraph 3.4.16; page 75)

Details of yearwise analysis and nature of offence committed

Sl.No.	Nature of Offence	1997-1998	1998-1999	1999-2000	2000-2001	2001-2002
1.	Sale/manufacture without Licence	32	26	20	26	22
2.	Sale without Pharmacist	2	-	2	2	1
3.	Sale without Prescription Register	5	10	2	11	5
4.	Sale without Pharmacist's Supervision; Prescription Register not maintained upto date	57	43	44	25	11
5.	Sale without records	13	12	15	15	6
6.	Sale of NSQ drugs	5	6	4	-	1
7.	Sale/Manufacture of spurious drugs	2	3	15	12	2
8.	Manufacture of Misbranded adulterated drugs	3	-	-	3	4
9.	Stocking Physician's sample; date expired drugs	13	10	2	5	7
10.	Others	6	6	4	7	7
		138	**116**	**108**	**106**	**66**

Appendix XXV

(Reference: paragraph 3.4.40; page 79)

(a) Details of Shortfall in drawal of samples by DIs

Year	Number of samples			Percentage of shortfall
	To be drawn as per norms	actually drawn	Shortfall	
1997-1998	5,628	4,132	1,496	27
1998-1999	5,712	3,668	2,044	36
1999-2000	5,950	4,298	1,652	28
2000-2001	3,621	2,448	1,173	32
2001-2002	3,504	2,552	952	27
2002-2003	Yet to be compiled by DDC			

(b) Non-drawal of samples by DIs for long periods

Name of the Zone	Name of the Range	Period during which no samples taken
Zone III at Chennai	Adyar	April 1998 to April 1999 (13 months)
		October 2000 to January 2002 (16 months)
	Saidapet	November 1999 to June 2001 (20 months)
	T.Nagar	June 1999 to June 2001 (25 months)
	Triplicane	May 1999 to February 2001 (22 months)
	Vadapalani	April 1999 to February 2001 (23 months)
		April 1997 to March 1999 (only 4 sample drawn during 24 months)
Coimbatore	Coimbatore I	July 2000 to November 2002 (29 months)
	Ooty	June 1999 to November 2002 (30 months)
	Tiruppur	May 1999 to June 2001 (26 months)
Madurai	Dindugul II	April 1997 to November 2002 (68 months)
	Madurai I	January 1999 to March 2001 (27 months)
	Madurai III	April 2001 to November 2002 (20 months)

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Appendix XXVI

(Reference: paragraphs 3.4.44 and 3.4.46; page 79)

(a) Number of inspections carried out on manufacturing/sales units

	Number of manufacturing units	Number of inspections carried out in manufacturing premises	Number of sales outlets	Number of inspections carried in sales outlets
1997-1998	2908	2583	26673	30177
1998-1999	3037	2595	28746	32938
1999-2000	1657	2615	31207	44062
2000-2001	1881	2405	33157	42692
2001-2002	2057	2708	32354	40193

(b) Departmental targets and achievement of inspection

Year	Number of Senior DIs	Number of inspections of manufacturers		Number of DIs	Number of inspections of sales units		After Inspection licences	
		To be carried out	Actually carried out		To be carried out	Actually carried out	Suspended No.	Cancelled No.
1997-1998	13	9360	2583	55	39600	30177	NIL	NIL
1998-1999	11	7920	2595	67	48240	32938	NIL	NIL
1999-2000	10	7200	2615	64	46080	44062	68	13
2000-2001	10	7200	2405	64	46080	42962	28	10
2001-2002	10	7200	2708	64	46080	40192	49	32

Appendix XXVII

(Reference: paragraph 3.4.64; page 82)

Number of complaints received and investigations done by Intelligence Unit

Year	Number of complaints received	Number investigated	Number of cases for which result			Prosecution sanctioned		Pending in the Court
			Pending	Closed	Lodged	Launched	decided	
1997	151	129	Nil	129	6	16	13	3
1998	290	251	10	241	3	36	32	4
1999	236	193	17	176	18	25	23	2
2000	250	219	27	192	27	4	3	1
2001	260	214	63	151	14	32	23	9

Appendix XXVIII

(Reference: paragraph 3.5.12; page 88)

Details of Targeted Interventions conducted during 1998-2003

Physical

Year	Commercial sex workers (CSW)		Truck Drivers (TD)		Intravenous Drug users (IDU)		Men having sex with men (MSM)		Industrial workers (IW)		Migrant workers (MW)		Prisoners		Care		Research study		PLWHAs network		Others	
	Planned (P)	Actually covered (C)	P	C	P	C	P	C	P	C	P	C	P	C	P	C	P	C	P	C	P	C
1998-1999	25	32	-	11	5	-	10	1	-	15	12	14	5	-	-	4	-	-	-	3	6	26
1999-2000	15	11	10	5	3	1	6	2	-	5	10	5	-	-	-	-	-	2	-	2	15	7
2000-2001	18	14	13	13	10	-	10	2	-	10	21	5	-	1	-	3	-	2	-	7	10	4
2001-2002	18	12	13	7	10	-	10	-	-	11	21	12	-	-	3	2	2	3	7	3	10	-
2002-2003	26	15	20	15	2	-	3	2	22	11	20	6	4	3	3	1	7	1	10	6	5	2
Total	**102**	**84**	**56**	**51**	**30**	**1**	**39**	**7**	**22**	**52**	**84**	**42**	**9**	**4**	**6**	**10**	**9**	**8**	**17**	**21**	**46**	**39**

Financial **(Rupees in lakh)**

Year	CSW		TD		IDU		MSM		IW+MW		Prisoner, Care, Research study, PLWHAs network and others		For all targeted interventions	
	Allotted (A)	Utilised (U)	A	U	A	U	A	U	A	U	A	U	A	U
1998-1999	Break up details not available												311.00	235.67
1999-2000	Break up details not available												207.32	116.59
2000-2001	50.00	33.31	50.00	31.65	25.00	0.44	25.00	4.60	30.00	9.57	62.50	69.46	242.50	149.03
2001-2002	40.00	55.36	30.00	51.45	10.00	-	15.00	4.59	60.00	94.16	35.00	45.96	190.00	251.52
2002-2003	90.00	43.19	45.00	32.33	5.00	-	5.00	4.61	115.00	55.46	96.00	45.34	356.00	180.93
											Total		**1306.82**	**933.74**

Appendix XXIX

(Reference: paragraph 3.5.34; page 91)

Family Health Awareness Campaign

(Numbers in lakh)

Sl.No.			(By TNSACS) I round	II round	III round	(By CAPACS) I round	II round	III round
1.	Total estimated target population	Male	144.62	118.38	134.38	22.92	23.73	24.22
		Female	141.24	118.29	131.38	22.08	22.94	23.44
		Total	**285.86**	**236.67**	**265.76**	**45.00**	**46.67**	**47.66**
2.	Number of persons actually attended the camps	Male	1.92(1.3)	1.69(1.4)	2.26(1.7)	0.21	0.42	0.60
		Female	9.31(6.6)	6.65(5.6)	6.97(5.3)	1.38	0.81	1.33
		Total	**11.23(3.9)**	**8.34(3.5)**	**9.23(3.5)**	**1.59**	**1.23**	**1.93**
3.	Number of RTI/STI cases treated	Male	1.15	0.97	1.36	0.02	0.06	0.04
		Female	7.60	5.15	5.27	0.46	0.30	0.47
		Total	**8.75**	**6.12**	**6.63**	**0.48**	**0.36**	**0.51**
	(a) Treated for ulcers	Male	0.09	0.05	0.05	0.002	0.004	0.004
		Female	0.18	0.11	0.08	0.004	0.004	0.002
		Total	**0.27**	**0.16**	**0.13**	**0.006**	**0.008**	**0.006**
	(b) Treated for discharges	Male	0.55	0.22	0.31	0.004	0.006	0.017
		Female	3.32	3.83	3.86	0.348	0.239	0.390
		Total	**3.87**	**4.05**	**4.17**	**0.352**	**0.245**	**0.407**
	(c) Treated for other STD/RTI cases	Male	0.51	0.71	1.01	0.013	0.046	0.016
		Female	4.10	1.20	1.35	0.111	0.060	0.079
		Total	**4.61**	**1.91**	**2.36**	**0.024**	**0.106**	**0.095**

(figures in bracket indicate percentage)

Appendix XXX

(Reference: paragraph 3.5.49; page 93)

Screening of Blood units collected

Year	Nature of Donors	Blood units collected		HIV positive		HBs Ag		VDRL		Malaria		Other diseases	
		Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
	Voluntary	98388	47.7	224	0.23	1207	1.23	102	0.10	47	0.05	-	-
1998	Replacement	108018	52.3	463	0.43	1656	1.53	491	0.45	53	0.05	-	-
	Total	**206406**		**687**	**0.33**	**2863**	**1.39**	**593**	**0.29**	**100**	**0.05**	**-**	**-**
	Voluntary	110939	45.7	296	0.27	1513	1.36	146	0.13	39	0.04	-	-
1999	Replacement	132080	54.3	536	0.41	2240	1.70	545	0.41	34	0.03	-	-
	Total	**243019**		**832**	**0.32**	**3753**	**1.54**	**691**	**0.28**	**73**	**0.03**	**-**	**-**
	Voluntary	151006	49.7	413	0.27	2037	1.35	227	0.15	93	0.06	-	-
2000	Replacement	153091	50.3	490	0.32	2082	1.36	560	0.37	17	0.01	-	-
	Total	**304097**		**903**	**0.30**	**4119**	**1.35**	**787**	**0.26**	**110**	**0.04**	**-**	**-**
2001	Voluntary	180751	50.4	414	0.22	2936	1.62	344	0.19	49	0.03	436	0.24
	Replacement	177863	49.6	693	0.38	2036	1.14	544	0.31	209	0.12	467	0.26
	Total	**358614**		**1107**	**0.31**	**4972**	**1.39**	**888**	**0.25**	**258**	**0.07**	**903**	**0.25**
2002	Voluntary	237778	50.9	1213	0.26	6272	1.34	1273	0.27	43	0.01	858	0.18
	Replacement	229746	49.1										
	Total	**467524**											

Appendix XXXI

(Reference: paragraph 3.5.59; page 95)

(a) Details of funds released and expenditure incurred by TNSACS

(Rupees in lakh)

Year	Outlay approved by NACO	Opening balance	Funds received from NACO	Other receipts	Total available funds	Project Expen-diture	Other Expen-diture	Closing balance	Percentage of Project expenditure to allotment
1998-1999	1595.13	858.43	1100.00	8.84	1967.27	1383.20	35.77	548.30	87
1999-2000	1571.99	548.30	885.58	66.68	1500.56	1400.13	10.93	89.50	89
2000-2001	999.40	89.50	1027.00	77.29	1193.79	769.15	3.69	420.95	77
2001-2002	1619.38	420.95	1490.65	92.66	2004.26	1621.11	5.05	378.10	100
2002-2003	1524.88	378.10	1295.50	90.15	1763.75	1349.15	40.81	373.79	88

(b) Component wise allocation and expenditure (TNSACS)

(Rupees in lakh)

Name of the component	1998-1999			1999-2000		
	Allocation	Expenditure		Allocation	Expenditure	
Blood Safety	333.50	155.96	(47)	437.78	211.57	(48)
STD	126.50	255.21	(100)	262.50	435.95	(100)
Training	128.00	142.58	(100)	71.10	46.69	(66)
IEC	600.00	512.52	(85)	214.00	365.39	(100)
NGOs	311.00	224.40	(72)	207.32	119.74	(58)
Surveillance	13.13	5.70	(43)	5.79	7.84	(100)
Programme management expenses	83.00	86.84	(100)	148.00	80.86	(55)
Care, continuance and support	-	-	-	205.50	132.10	(64)
Intersectoral collaboration	-	-	-	20.00	Nil	Nil
Total	**1595.13**	**1383.21**	**(87)**	**1571.99**	**1400.14**	**(89)**

Name of the component	2000-2001		2001-2002		2002-2003	
	Allocation	Expenditure	Allocation	Expenditure	Allocation	Expenditure
Priority Targeted Intervention against HIV/AIDS	478.80	317.06 (66)	313.00	334.36 (100)	511.42	460.50 (90)
Preventive interventions for the general community	306.36	275.77 (90)	568.89	581.12 (100)	605.09	562.59 (93)
Low cost AIDS care	20.00	42.00 (100)	242.20	136.23 (56)	214.05	134.68 (63)
Institutional strengthening	184.24	119.53 (65)	126.79	132.39 (100)	145.11	142.17 (98)
Intersectoral collaboration	10.00	14.80 (100)	50.00	50.75 (100)	25.00	25.00 (100)
Family Health Awareness campaign	-	-	318.50	386.26 (100)	24.21	24.21
Total	**999.40**	**769.16 (77)**	**1619.38**	**1621.11 (100)**	**1524.88**	**1349.15 (88)**

(Figures in brackets indicate percentage of expenditure to allocation)

Appendix XXXII

(Reference: paragraphs 3.5.63 and 3.5.64; pages 95 and 96)

(a) Details of allocation, funds released and expenditure incurred by CAPACS

(Rupees in lakh)

Year	Outlay approved by NACO	Opening balance	Funds received by CAPACS from NACO and TNSACS	Other receipts	Total funds available	Expen-diture incurred	Advances	Closing balance	Release percen-tage to allocation	Percentage of expen-diture incurred to available funds (col. 3 and 4)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1998-1999	NA	NIL	3.00	0.01	3.01	1.00	-	2.01	-	-
1999-2000	223.72	2.01	147.51	1.20	150.72	55.12	-	95.60	66	37
2000-2001	127.50	95.60	101.50	8.43	205.53	36.51	-	169.02	80	19
2001-2002	446.55	169.02	64.95	34.22	268.19	92.20	114.14	61.85	15	39
2002-2003	450.09	61.85	162.45	64.85*	289.15	145.57	-	143.58	36	65

NA: Not Available;

* balancing figure worked out by Audit as Annual Accounts not finalised by CAPACS.

(b) Component wise allocation and expenditure in respect of Chennai Corporation AIDS Prevention and Control Society

During 1998-99 for the component 'Training': Allocation – NIL; Expenditure - Rs 1 lakh.

Name of the component	1999-2000		2000-2001	
	Allocation	Expenditure	Allocation	Expenditure
Targeted Intervention through NGOs	135.72	36.24	2.70	6.68
NGO support	-	-	7.51	7.65
IEC activities	7.50	5.72	6.41	5.05
Training	-	-	7.68	5.94
Family Health Awareness campaign	7.50	4.76	22.00	Nil
Programme management expenses	37.00	4.50	35.70	11.19
Low cost AIDS care	19.00	Nil	5.50	Nil
Intersectoral collaborations	6.00	3.90	-	-
Blood safety	10.00	Nil	40.00	Nil
Incremental salaries and operational expenses	1.00	Nil	-	-
Total	**223.72**	**55.12**	**127.50**	**36.51**

Name of the component	2001-2002		2002-2003	
	Allocation	Expenditure	Allocation	Expenditure
Priority targeted intervention	114.50	31.26	124.52	36.59
Blood safety	-	-	-	-
NGO support	-	-	-	-
Low cost AIDS care	68.00	Nil	60.00	0.15
Training	25.00	3.58	-	-
Institutional strengthening	50.00	16.32	72.45	42.09
Family Health Awareness Campaign	Nil	23.89	-	-
Preventive intervention for the general community	165.05	17.75	188.12	66.74
Intersectoral collaboration	24.00	Nil	5.00	Nil
Increase in stock of medicines and manuals	-	(-) 0.60	-	-
Total	**446.55**	**92.20**	**450.09**	**145.57**

1 Advance made to NGOs and other agencies not reported as expenditure.

Appendix XXXIII

(Reference: paragraph 3.5.69; page 96)

Position regarding utilisation certificates

(Rupees in lakh)

Sl. No.	Details of funds released				Amount for which UCs received	Amount for which UCs pending to be received
	Component	Released to	Period	Amount released		
1.	Training	DPH & PM, DME, DFW, CMA, DMRHS and Medical Institutions	1999-2000 to 2002-2003	120.31	33.38	86.93
2.	Grants released to NGOs	NGOs	1998-1999 to 2002-2003	952.33	926.55	25.78
3.	Purchase of Drugs, Civil works, out reach camps, provision for Furniture and Fixtures, treatment of PLWHA	DMRHS, DME, MMC, Chennai, Government Hospitals and Medical College Hospitals	1998-1999 to 2001-2002	230.00	10.78	219.22
4.	Civil Works - improvement to the wards for AIDS patients	Contractors	1999-2000	7.00	Proper UC not received	7.00
5.	IEC	District Collectors	1998-1999 to 2001-2002	200.78	34.70	166.08
6.	Strengthening of STD clinics	JDHS, Tiruchirappalli	1999-2000	2.40	-	2.40
7.	Formation of Blood donor clubs	6 Universities* and District Collector, Salem.	1998-2000	39.55	25.12	14.43
			Total	1552.37	1030.53	521.84

* Periyar University, Salem. Madurai Kamaraj University, Madurai, Tamil Nadu Agricultural University, Dr. MGR Medical University, Bharatidasan University, Tiruchirappalli and Madras University.

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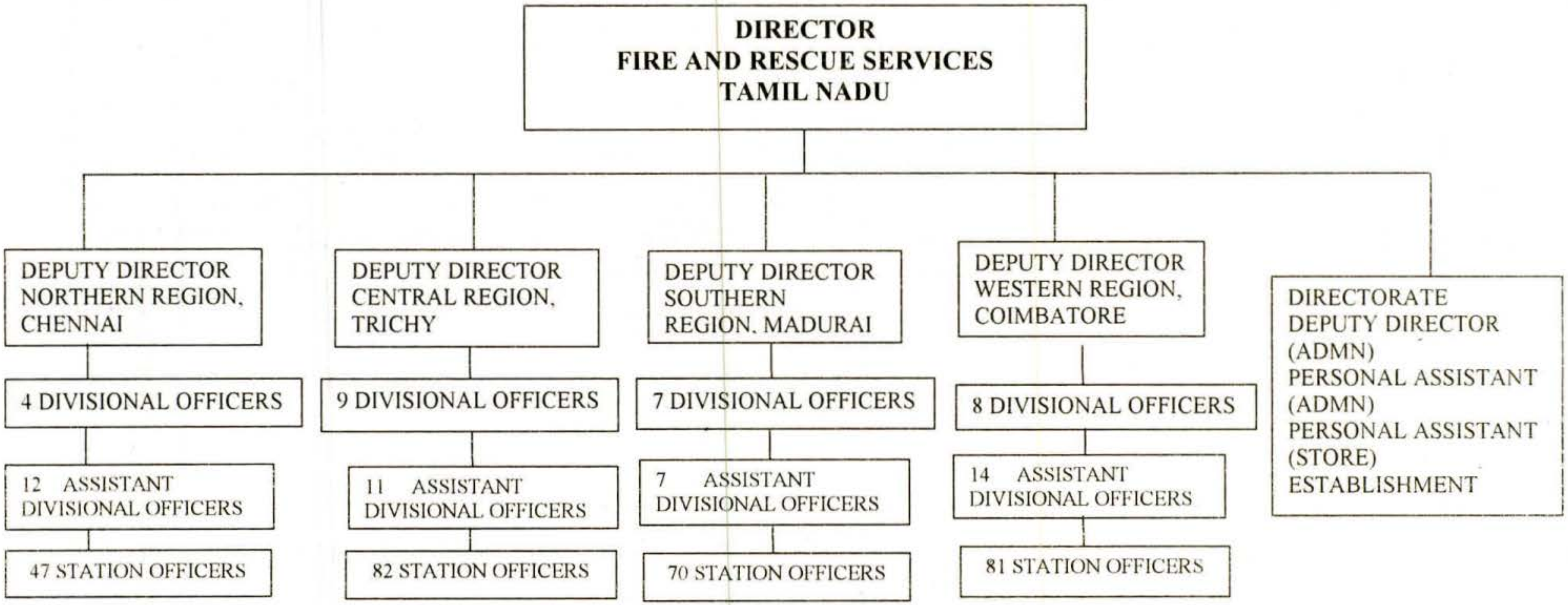
Appendix XXXIV
(Reference: paragraph 3.6.3; page 101)

Organisation Chart



Appendix XXXV

(Reference: paragraph 3.8.3; page 121)

List of Centrally Sponsored Schemes implemented in Tamil Nadu

(i) District Disability Rehabilitation Centre Programme in 5 districts (Madurai, Salem, Thoothukudi, Vellore and Virudhunagar).

(ii) Scheme to promote voluntary action for persons with disabilities, through NGOs

(iii) Scheme of assistance to disabled persons for purchase/fitting of aids and appliances (ADIP Scheme), through NGOs

(iv) National Programme for Rehabilitation of Persons with Disabilities (NPRPD) in four districts (Kancheepuram, Ramanathapuram, Theni and Tiruvannamalai).

Appendix XXXVI

(Reference: paragraph 3.8.7; page 122)

Requirement assessed in camps, supplies made and shortfall

Sl.No.	Name of the aid/appliance	1998-1999			1999-2000			2000-2001			2001-2002			2002-2003		
		A	B	C	A	B	C	A	B	C	A	B	C	A	B	C
1.	Calipers	1862	2063	Nil	1400	1337	5	1400	1100	21	2800	Nil	100	Nil as Camp not conducted		
2.	Crutches	1141	1466	Nil	840	1124	Nil	896	1259	Nil	1120	Nil	100			
3.	Tri-cycles	1359	Nil	100	420	420	Nil	364	Nil	100	420	Nil	100			
4.	Wheel chairs	252	Nil	100	84	84	Nil	84	Nil	100	140	Nil	100			
5.	Hearing aids	2475	1773	28	980	980	Nil	980	Nil	100	840	Nil	100			
6.	Solar Batteries	2475	Nil	100	Nil	Nil	Nil	-	Nil	-	840	Nil	100			
7.	Goggles and folding sticks	593	Nil	100	504	504	Nil	504	Nil	100	560	Nil	100			

A – Indented; B – Supplied; C – Percentage of shortfall

Appendix XXXVII

(Reference: paragraph 3.8.25; page 126)

Details of loan disbursed for self employment under National Handicapped Finance and Development Corporation Scheme

District	Year	No. of applications received	No. of applications selected by DSC	No. of applications forwarded by DCCB to the Nodal Agency	No. of applications forwarded by the Nodal Agency to NHFDC	No. of applications sanctioned by the NHFDC	Loan sanctioned and Loan released Rs
Chennai	2001-02	88	88	1	-	-	-
Cuddalore	2001-02	160	138	8	-	-	-
Kancheepuram	2002-03	69	32	7	1	1	50,000
Madurai	2002-03	123	7	4	-	-	-
Tiruvannmalai	2001-02	55	28	3	3	-	-
	2002-03	7	7	-	-	-	-
Tirunelveli	2001-02	39	28	5	-	Not available	-
Total			**328**	**28**	-	-	-

Appendix XXXVIII

(Reference: paragraph 3.8.28; page 127)

Maintenance allowance released by Government and kept in Savings Bank Accounts

(Amount in Rupees)

District	Year	Month of credit to SB Account		Undisbursed amount		Total undisbursed amount
		Month	MA/MOC	MA	MOC	
Chennai	2001-02	September 2002	5,76,000	1,56,150	-	1,56,150
	2002-03	NA	5,76,000 7,920	5,35,500	7,920	5,43,420
Kancheepuram	2002-03	March 2003	5,76,000 7,920	5,71,950	7,920	5,79,870
Madurai	2002-03	January-February 2003	5,04,000	75,600	-	75,600
Tirunelveli	2001-02	September 2002	4,68,000	54,000	-	54,000
	2002-03	February 2003	4,68,000 6,435	81,000	6,435	87,435
Tiruvannamalai	2001-02	September 2002	5,76,000	43,200	-	43,200
	2002-03	February-March 2003	5,76,000 7,920	5,76,000	7,920	5,83,920
		Total	**43,50,195**	**20,93,400**	**30,195**	**21,23,595**

MA – Maintenance allowance MOC – Money order commission NA – Not Available

Appendix XXXIX

(Reference: paragraph 3.8.46; page 130)

Important aspects of the PWD Act not covered by Rules

Serial Number	Aspect of the Act not covered by Rules	Sections of the PWD Act
1.	Prevention and early detection of disabilities	Section 25
2.	Education	Sections 26 – 30
3.	Employment	Section 41
4.	Affirmative action	Sections 42-43
5.	Non-discrimination	Sections 44-47
6.	Research and Manpower Development	Sections 48-49
7	Institution for persons with severe disabilities	Section 56
8.	Social security	Sections 66-67

Appendix XL

(Reference: paragraph 3.8.53; page 131)

Scope of important sections of PWD Act and inadequate action by SCD/Government

Sl. No.	Section of the PWD Act	Remarks
1.	**Section 25** This section provides for undertaking comprehensive surveys, investigations and research on the cause of occurrence of diseases, adoption of suitable methods for preventing disabilities and screening of all children at least once in a year for the purpose of identifying "at risk" cases.	The SCD stated (July 2003) that action was being taken in Health Department. Training of Master Trainers to train Anganwadi workers on disability issues including prevention and early detection was under progress. The SCD did not have details of number of Primary Health Centres (i) where trained staff existed and (ii) where facilities for pre-natal, perinatal and post-natal care of mother and child existed.
2.	**Section 27** The State Government and local bodies should, by notification, formulate schemes for conducting part time classes for disabled children who have completed education upto class fifth and could not continue their studies, and for providing functional literacy to children in the age group of sixteen and above; impart non-formal education by utilising manpower in rural areas after giving them appropriate orientation; impart education through open schools/open universities and conduct classes/discussions through interactive electronic and other media.	DDROs of all the 6 test-checked districts had stated that no action had been taken in this regard. The SCD stated (July 2003) that three NGOs were imparting non-formal training to mentally retarded children above 16 years of age in various trades.
3.	**Section 28** This section provides that State Government should initiate research by official agencies and NGOs for designing and developing new assistive devices, teaching aids, special teaching materials etc. to give the disabled child equal opportunity in education.	In all the six test-checked districts and also throughout the State, Government of Tamil Nadu had not initiated any action in this regard. The SCD stated (July 2003) that no funds were allocated by the Government till now and proposals would be sent to Government for allocation of funds.
4.	**Section 29** Government should set up adequate number of teacher's training institutions and assist the institutes and voluntary organisations so that requisite manpower is available for special schools and integrated schools for disabled children.	In Tamil Nadu, three institutions were run by Government (with a capacity of 75 trainees per year) and five were run by NGOs. The annual expenditure as per Government accounts for these schools was Rs 18.42 lakh. Test-check revealed that number of teacher trainees in each institution was significantly less during 1998-2003 as shown below.

Institution	Strength	Trainees	Reasons
Regional Training Centre for teachers for the blind	10	2 to 6	There is no job guarantee as stated by Principal of the centre.
Balavihar Training School, Chennai	25	12 to 19	Non-release of stipend by Government and availability of better pay scales to teachers in regular schools than in special schools.
Little Flower Convent Higher Secondary School for the Deaf (training section)	40	10 to 34	Not furnished.

Sl. No.	Section of the PWD Act	Remarks
5	**Section 30** Government should have prepared a comprehensive education scheme providing for transport facilities/ alternative financial incentives, removal of architectural barriers, supply of books, uniforms and other materials, grant of scholarships, setting up of appropriate fora for redressal of grievances, suitable modification in the examination system and suitable restructuring of curriculum to meet the needs of disabled.	In Tamil Nadu, facilities were provided identifying them as activities under different schemes, but as of June 2003, no comprehensive education scheme had been evolved.
6.	**Section 40** Government/ Local body should reserve not less than three *per cent* in all poverty alleviation schemes for the benefit of disabled	The SCD, however, furnished particulars under the schemes for (i) Old age pension for disabled (ii) Loan/subsidy for self-employment and (iii) Group houses for disabled. Even the particulars furnished were not conducive to assess the compliance with the provisions of section 40 of the Act. Thus Audit could not ensure to what extent the disabled were benefited in the State under poverty alleviation programme during 1998-2003. However test-check revealed that in Tiruvannamalai District under the SGSY (IRDP) Scheme, during 1998-2003, the number of disabled beneficiaries was very low ranging from 'nil' to 129 as against 202 to 7227 beneficiaries of the scheme.
7.	**Section 48 and 49** Government/Local bodies should promote and sponsor research on (i) prevention of disability, (ii) rehabilitation including community based rehabilitation, (iii) development of assistive devices including psycho-social aspects, (iv) job identification and on-site/modifications in offices and factories. Section 49 of the Act provides that Government should provide financial assistance to Universities/institutions of higher learning etc., for undertaking research for special education rehabilitation and manpower development	In Tamil Nadu no scheme was taken by Government during 1998-2003 for initiating any research on these aspects. The SCD stated (July 2003) that this aspect of rehabilitation would be taken care of by the State Resource Centre proposed to be established in Chennai. However, eventhough GOI assistance of Rs 39.63 lakh was received for setting up the State Resource Centre under NPRPD as discussed in Para 5.4 of this review, the centre was not set up as of July 2003.
8.	**Section 51** All the existing institutions were to apply for recognition certificate within six months of commencement of the Act	Government of Tamil Nadu has not clearly defined nor notified a Competent Authority under these sections except upgrading the post of Director for Rehabilitation of the Disabled as the SCD, under section 60 of the Act.

Appendix XLI

(Reference: paragraph 4.1.2; page 135)

Avoidable extra expenditure due to adoption of higher specifications

Name of work	Details of specifications to be adopted and actually adopted	Avoidable extra cost (Rupees in crore)
Strengthening Inner Ring Road from km 0/0 to 17/7 - Chennai city	Indian Road Congress specifications prescribe provision of thin surfacing to improve the riding quality if structural deficiency was not indicated from deflection values. The Director, Highways Research Station recommended not to conduct deflection test as the road was improved in 1997-98 with designed life upto 2014. Thus, there was no structural deficiency. However, Semi-Dense Bituminous Concrete of 40 millimetre (mm) thick instead of 25 mm was provided.	0.97
Widening and strengthening the East Coast Road from km 11/8 to 22/3	The Department adopted the design curve for California Bearing Ratio value of 7 *per cent* instead of 10 *per cent* and provided pavement thickness of 605 mm instead of 500 mm. According to Ministry of Road Transport and Highways specifications, Granular Sub Base of 250 mm, Water Bound Macadam of 225 mm and Semi-Dense Bituminous Concrete of 25 mm were to be provided whereas the Chief Engineer (General) provided Granular Sub Base of 200 mm, Water Bound Macadam of 250 mm, Dense Bituminous Macadam of 115 mm and Semi-Dense Bituminous Concrete of 40 mm.	1.38
	Total	**2.35**

Appendix XLII

(Reference: paragraph 4.2.3; page 146)

Statement showing the overpayments made due to erroneous computation of price adjustment

Sl. No.	Name of the Division	Name of the work	Reason for over payment	Amount of over payment (Rupees in lakh)
1.	Parambikulam Division	Rehabilitation of Contour Canal LS 0/0 - 25.49 KM	Incorrect calculation of total value of work done during the quarter, non-consideration of secured advance and erroneous adoption of index for steel	12.79
		Rehabilitation of Pollachi canal LS 0/0 - 48/0 KM		1.65
		Rehabilitation of Old Aliyar Canal		1.45
2.	Nambiyar Reservoir Project Division, Valliyoor	Formation of earth dam, uncontrolled spill way, etc., of Kodumudiyar Reservoir Project	Non consideration of secured advance and erroneous adoption of index for steel	48.28
3.	Adavinainar Koil Reservoir Project Division, Kudiyiruppu, Courtallam	Construction of Masonry Dam for Adavinainar Koil Reservoir Project	Incorrect calculation of total value of work done during the quarter and non-consideration of secured advance paid and recovered	4.67
4.	Vadaku Pachaiyar Reservoir Project Division, Valliyoor	Formation of head works, earth dam, etc for Vadaku Pachaiyar Reservoir Project	Incorrect calculation of total value of work done during the quarter, non-consideration of secured advance paid and recovered and erroneous adoption of index for steel	5.48
5.	Mordhana Reservoir Project Division, Gudiyatham	Balance work for completion of spill way, body wall etc., for Mordhana Reservoir Project	(i) Non-consideration of secured advance and erroneous adoption of index for steel.	7.09
		Formation of Left Main Canal from LS 0-11.45 KM of Mordhana Reservoir Project	(ii) Erroneous adoption of year/month end index instead of average whole sale price index for each month	27.32
		Formation of Left Main Canal LS 11.45 KM to 32.25 KM		1.92
		Formation of Right Main Canal from LS 20.1 Km to 34.00 Km		4.42
6.	Sothuparai Reservoir Project Division, Periyakulam	Construction of Masonry dam for Sothuparai Reservoir Project	(i) Incorrect calculation of total value of work done during the quarter without considering secured advance and erroneous adoption of index for steel. (ii) Failure to work out escalation at different rates as prescribed in agreement for civil works and other items	2.49
		Completion of balance excavation, lining and cross masonry work in Main canal and Distributaries in Sothuparai Reservoir Project	Incorrect calculation of total value of work and erroneous adoption of index for steel	1.45
7.	Periyar Improvement Division VII, Madurai	Construction of Branch Canal III to XII to Link Canal	Erroneous adoption of index for steel	0.73
		Construction of Branch Canal I and II	Erroneous inclusion of additional items of work paid at current rate and erroneous adoption of index for steel	1.83
			Total	**121.57**

Appendix XLIII

(Reference: paragraph 4.3.1; page 151)

Details of unsold plots as of March 2003 in the test-checked schemes

Sl. No.	Name of the scheme	Completed in	Expenditure on the scheme	Number of Plots laid and area (in sq.m)	Average cost per Sq.m	Number of Plots unsold and area (in sq.m)	Amount blocked up	Interest paid to lending agency	Reasons for unsold stock
			(Rupees in lakh)		Rs		(Rupees in lakh)		
1.	Thirumalgiri	November 1996	271.01	1058 (74,590)	363	610 (53,772)	195.37	184.64	The cost of the plots was capitalised and sold, which was too high while comparing the market rate. Even though the cost was frozen to the original cost, the plots were not sold as there was water stagnation during rainy season.
2.	Attur – Phase III	May 1997	181.81	243 (39,767)	457	240 (39,326)	179.79	101.46	Selling price proposed is too high when compared to market rate.
3.	Sankagiri - SMT	May 1998	157.46	430 (53,420)	294	419 (51,543)	151.92	118.00	Land cost was more than the market rate.
4.	Kalanivasal, Karaikudi	April 1999	154.17	470 (59,688)	258	236 (29,322)	75.74	37.70	Escalation in cost due to capitalisation was higher than the market rate for unapproved plots. The demand was not assessed and the response from public was poor.
5.	Maharajapuram	October 1999	176.87	234 (33,018)	536	204 (27,438)	146.98	54.91	The cost of plot was more than the private promoter's rate
6.	Periyanacken-palayam	October 2000	1976.74	2311 (4,28,894)	461	2264 (4,20,417)	1937.67	706.38	The scheme was located 22 km away from Coimbatore city. The cost of adjoining undeveloped plots was less than that of the Board's plot.
7.	Mannargudi–Phase II	November 2000	112.67	220 (28,629)	394	213 (27,612)	108.67	32.80	Demand was not assessed. Capitalised cost of the plots was 50 *per cent* higher than the market rate.

Sl. No.	Name of the scheme	Completed in	Expenditure on the scheme	Number of Plots laid and area (in sq.m)	Average cost per Sq.m	Number of Plots unsold and area (in sq.m)	Amount blocked up	Interest paid to lending agency	Reasons for unsold stock
			(Rupees in lakh)		Rs		(Rupees in lakh)		
8..	Vellakinar - Phase III	March 2001	206.06	455 (49,401)	417	447 (48,105)	200.65	63.56	Demand was not assessed and rate was higher than the market rate.
9..	Attur - Phase IV	June 2001	441.58	613 (70,344)	628	254 (31,464)	197.51	103.03	Selling price proposed is too high when compared to market rate.
10.	Vagurampatty - Phase II	June 2001	136.30	303 (33,930)	402	205 (22,523)	90.47	33.40	Selling price proposed is too high when compared to market rate.
11.	Salamedu	August 2001	367.94	638 (97,884)	376	628 (96,399)	362.36	65.50	The undeveloped plots sold by the private plot promoters are 40 to 50 *per cent* less than the Board's cost
12.	Hosur - Phase XVI	October 2001	1283.06	1146 (2,12,468)	604	1145 (2,12,333)	1282.24	727.69	Demand not assessed.
13.	Navalpattu - Phase II	March 1996	1292.41	3644 (2,45,652)	526	1817 (1,16,208)	611.39	18.23	The plots were not sold due to poor demand.
14.	Thoppur	September 1996	1132.84	2635 (1,61,972)	699	620 (66,852)	467.57	71.09	The location of the site was remote and lack of transport facilities/ infrastructure like shops and schools.
15.	Tiruppur - Mudalipalayam	December 1997	3173.83	8302 (4,61,524)	688	6560 (3,88,038)	2668.48	66.53	Due to adoption of cost subsidy methods i.e. the plot cost of EWS and LIG would be reduced and compensated by increasing the cost of MIG and HIG plots. The rates of private layout were lesser.
16.	Narannamalpuram - Phase II	December 1997	637.96	2147 (1,36,160)	469	2146 (1,36,120)	637.77	--	Demand assessment was not made. Poor demand among public.
17.	Valavanthankottai	December 2002	415.15	938 (1,07,955)	385	747 (85,365)	328.28	188.98	Due to poor demand the plots were not sold.
	Total		**12,117.86**	**25,787 (22,95,296)**		**18,755 (18,52,837)**	**9642.86**	**2573.90**	

Appendix XLIV

(Reference: paragraph 4.4.1; page 160)

(A) Details of contribution from Central and State Governments to Calamity Relief Fund and expenditure incurred under the Fund

Year	Opening Balance in the Fund	GOI Share		State share		Amount Credited to Fund		Amount withdrawn from fund (Rs in crore)	Expenditure reported under the Grant for Relief on account of natural calamities (Rs in crore)
		Date of release by GOI	Amount released (Rs in crore)	Date of release	Amount released (Rs in crore)	Month of Credit	Amount (Rs in crore)		
2000-2001	Nil	April 2000, October 2000 and March 2001	76.98	January 2001	25.66	January 2001	102.64	102.64	10.77
2001-2002	Nil	October 2001 and November 2001	80.83	November 2001	26.94	November 2001	107.77	107.77	125.72
2002-2003	NIL	November 2001	84.87	November 2002	28.29	March 2003	113.16	113.16	113.16

(B) Expenditure pending adjustment in Calamity Relief Fund

(Rupees in crore)

Year	Expenditure			Expenditure pending adjustment and carried over
	Pending adjustment in the beginning of the year	Incurred on Relief during the year	Adjusted from Fund during the year	
2000-2001	294.78	10.77	102.64	202.91
2001-2002	202.91	126.07	107.77	221.21
2002-2003	221.21	161.29	113.16	269.36

Appendix XLV

(Reference: paragraph 4.4.1; page 160)

Expenditure incurred in violation of norms

(Rupees in lakh)

Sl.No.	Period of calamity and nature	Name of the District	Details of works executed and amount involved			Remarks
			Nature of work	Executed by	Amount involved	
1)	2000-2001 Floods	7 districts (Chennai, Cuddalore, Kancheepuram, Nagapattinam, Namakkal, Thiruvallur and Villupuram)	Carrying out immediate relief for restoration and rehabilitation works in the cyclone affected districts	District Collectors	700.00	Amount allotted by Government in December 2000 was drawn and distributed only in April 2001 due to the issue of required amendment on 31 March 2001, defeating the objective of providing immediate relief.
2)	2001-2002 Floods	2 districts (Pudukottai and Nagapattinam)	Relief to farmers for crop damages due to unseasonal rain in first week of February 2002	District Collectors	464.00	Out of Rs 13.53 crore sanctioned as first instalment, Rs 13.10 crore was spent and Rs 0.43 crore surrendered in March 2002. Second instalment of Rs 4.64 crore sanctioned in February 2002 was not drawn and the entire amount surrendered in March 2002 indicating that the extent of crop damage was not assessed.
3)	2001-2002 Floods	3 districts (Thanjavur, Pudukkottai and Nagapattinam)	Assistance for repair / restoration of damaged houses	District Collectors	13.37	Lesser relief assistance to the tune of Rs 13.37 lakh was extended to 342 fully damaged huts and 1051 partially damaged huts in February 2002 at rates lesser than prescribed by GOI in the norms communicated.
4)	2000-2001 Floods	Chennai	Restoration of Bus route roads during March 2001 to June 2001	Chennai Corporation	103.21	All these works related to permanent restoration only.
		Cuddalore	Repair of School Building during May 2001 to July 2001	BDO, Kurinchipadi	1.90	Though the funds received in February 2001, works not commenced till July 2001, indicating that the works were not of immediate restoration.
			Purchase of material for laying of road and construction of a small bridge during July 2001	Executive Officer, Parangipettai Town Panchayat	1.96	The amount was paid in advance for purchase of material and the work not commenced upto July 2001.

(Rupees in lakh)

Sl.No.	Period of calamity and nature	Name of the district	Details of works executed and amount involved			Remarks
			Nature of work	Executed by	Amount involved	
			Provision of street lights during March 2001	BDOs Cuddalore, Parangipettai Kammapuram Kurinjipadi	18.70	Reimbursement of advances made from Panchayat funds for the repairs of street lights in village panchayats. This category of works was not included in GOI norms.
		Vellore Thiruvannamalai Ramanathapuram Tuticorin	Provision of Borewells, construction of open wells, platforms, replacement of electric motors etc.	Rural and Urban Local bodies	300.00	None of these districts had been declared as drought hit during 2000-2001.
5)	2001-2002 Floods	Thanjavur Thiruvarur Nagappattinam	Repair and restoration of damaged roads	DE (H&RW) Thanjavur	300.00	Though the amounts were sanctioned in February 2002, the relief works were commenced only in August 2002. As such the works could not be construed as of immediate nature. Also all these works are of permanent restoration.
		Pudukottai Dindigul Kancheepuram Namakkal Virudhunagar	Provision of Water supply	Executive Officers of Town Panchayats	31.53	All the works are permanent capital works and not for providing immediate relief.
		Coimbatore	Restoration works in the contour canal of PAP, Pollachi	Executive Engineer, PWD, water resource consolidation project, Parambikulam	25.20	All the works are permanent capital works which has to be met only from normal budgettary provision.
			Total		**1959.87 or 19.60 crore**	

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Appendix XLVI

(Reference: paragraph 4.4.3; page 164)

Stores remaining undistributed for long periods

Item	Quantity (end of June 2003)	Month of last issue	Value (Rs in lakh)
	Stores at Avadi		
Pistol auto 9mm 1A	237	March 2002	52.92
Rifle 7.62 mm 1AI (SLR)	88	June 2002	20.91
7.62mm Ball CTN for SLR use	64415	March 2002	6.72
Magazine for CM 9mm 1A	729	June 2002	3.34
Magazine for GM 7.62 SLR	429	April 2002	2.92
Magazine for Bren 303"	1028	September 2000	0.48
Magazine for 7.62mm Self Loading Rifle (SLR) 2A	672	June 2002	1.31
410" Buck shot	14134	October 2000	0.88
Gun Machine Bren with S/B. 303"	13	June 2001	0.15
G.F Rifle 303"	23	June 1998	0.08
Pistol Revolver 380" All Makes	11	..	0.03
	Total		**89.74**
	Kancheepuram		
Rifle 7.62 mm 1A1 (SLR)	74	December 1995	17.76
	Villupuram		
Rifle 7.62mm 1A1 (SLR)	50	March 1994	12.00
	Grand Total		**119.50**

Appendix XLVII

(Reference: paragraph 4.4.3; page 164)

Persistent excess stocking of cloth

(in metres)

	Kancheepuram			Villupuram		
	2001	**2002**	**2003**	**2001**	**2002**	**2003**
Opening Balance	2654.70	6973.40	6364.25	6.00	16638.94	12891.54
Receipts	14232.00	13717.35	9927.50	18915.07	8157.60	23644.00
Total available	16886.70	20690.75	16291.75	18921.57	24796.54	36535.54
Issues	9913.30	14326.50	1197.40	2282.63	11905.00	9410.75
Closing Balance	6973.40	6364.25	15094.35	16638.94	12891.54	27124.79

Appendix XLVIII

(Reference: paragraph 4.4.5; pages 165 and 166)

Statement showing the amount kept by Revenue Department without requirement

Name of the scheme (Division)	Amount kept undisbursed (Rs in lakh)	Period in months	Interest* loss (Rs in lakh)	Remarks
Keelkattalai/Madipakkam Block-I (Korattur Division)	47.84	114	74.39	Compensation for structures not included in the award. Amount lapsed to Government in April 2001.
Edapaddy-Tiruchengode (Salem Housing Unit)	12.40	161	26.94	Consolidated amount of Rs 45 lakh paid. Award was passed for Rs 32.60 lakh only. Amount lapsed to Government in March 1994.
Jagirammapalayam (Salem Housing Unit)	4.01	175	9.41	Rs 35.72 lakh was deposited but award was passed for Rs 31.71 lakh. The excess amount lapsed to Government in March 1994.
Sathuvachari, Block 3/6 (Vellore Housing Unit)	12.00	30 (Rs 12 lakh) 138 (Rs 4.16 lakh)	12.42	Land owners obtained stay before passing the award.Rs 7.84 lakh was utilised for Thirupattur scheme in September 1991.The LAO failed to respond to the request for refund of unutilised amount.
Hosur Neighbourhood Scheme, Phase II/ Block VI (Hosur Housing Unit)	9.43	33	4.49	Though the LAO revised the demand to Rs 19.50 lakh , the Board released Rs 28.93 lakh resulting in excess deposit.
Kulavanigapuram Block III (Tirunelveli Housing Unit)	90.79	11	11.40	After passing the award, the land owners got court orders (October 2001 to April 2002) quashing the acquisition proceedings. The Board failed to get refund on grounds of filing appeal. The appeal was not filed as of March 2003.
Sathuvachari (Vellore Housing Unit)	12.69	48 (Rs 6.08 lakh) 101 (Rs 6.61 lakh)	21.27	Award of Rs 12.69 lakh was passed for acquiring 22.52 acres. Of this 12.09 acres were excluded by Government in November 1990 as the land owner had already sold the land and the balance 10.43 acres were excluded by the Board in October 1994 on the ground that land belonging to Adi-dravidars should not be acquired.
Total	**189.16**		**160.32**	

* The rates of interest applicable for the schemes executed by the Board from time to time has been adopted

Appendix XLIX

(Reference: paragraph 4.4.7; page 167)

Details of Audit entrusted by Government

Name of Body	Section under which entrusted	Period of entrustment	Date of entrustment
Tamil Nadu State Legal Services Authority, Chennai	19(2)	1997-98 onwards	03 December 1997
State Human Rights Commission, Chennai	19(2)	1997-98 onwards	07 June 1997
Tamil Nadu State Aids Control Society, Chennai	20(1)	1994-95 onwards	15 February 1996
Tamil Nadu State Blindness Control Society, Chennai	20(1)	1997-98 onwards	23 June 1997
Tamil Nadu Maritime Board, Chennai	19(3)	2002-2007	8 May 2003
District Legal Services Authority, Chennai	19(2)	01 November 1997 onwards	23 May1997
District Legal Services Authority, Chengelpat	19(2)	01 November 1997 onwards	23 May 1997
District Legal Services Authority, Cuddalore	19(2)	01 November 1997 onwards	23 May 1997
District Legal Services Authority, Villupuram	19(2)	01 November 1997 onwards	23 May1997
District Legal Services Authority, Vellore	19(2)	01 November 1997 onwards	23 May 1997
District Legal Services Authority, Thiruvannamalai	19(2)	01 November 1997 onwards	23 May 1997
District Legal Services Authority, Thanjavur	19(2)	01 November 1997 onwards	23 May 1997
District Legal Services Authority, Nagapattinam	19(2)	01 November 1997 onwards	23 May 1997
District Legal Services Authority, Madurai	19(2)	01 November 1997 onwards	23 May 1997
District Legal Services Authority, Dindigul	19(2)	01 November 1997 onwards	23 May 1997
District Legal Services Authority, Ramanathapuram	19(2)	01 November 1997 onwards	23 May 1997
District Legal Services Authority, Srivilliputhur	19(2)	01 November 1997 onwards	23 May 1997
District Legal Services Authority, Sivaganga	19(2)	01 November 1997 onwards	23 May 1997
District Legal Services Authority, Krishnagiri	19(2)	01 November 1997 onwards	23 May 1997
District Legal Services Authority, Salem	19(2)	01 November 1997 onwards	23 May 1997
District Legal Services Authority, Coimbatore	19(2)	01 November 1997 onwards	23 May 1997
District Legal Services Authority, Kaniyakumari	19(2)	01 November 1997 onwards	23 May 1997
District Legal Services Authority, Erode	19(2)	01 November 1997 onwards	23 May 1997
District Legal Services Authority, Tirunelveli	19(2)	01 November 1997 onwards	23 May 1997
District Legal Services Authority, Tuticorin	19(2)	01 November 1997 onwards	23 May 1997
District Legal Services Authority, Tiruchirappalli	19(2)	01 November 1997 onwards	23 May 1997
District Legal Services Authority, Pudukkottai	19(2)	01 November 1997 onwards	23 May 1997
District Legal Services Authority, Nilgiris	19(2)	01 November 1997 onwards	23 May 1999
District Legal Services Authority, Perambalur	19(2)	1999-2000 onwards	27 April 1999
District Legal Services Authority, Karur	19(2)	1999-2000 onwards	27 April 1999
Regional Engineering College, Tiruchirappalli	20(1)	1998-2003	22 December 1998
Regional Institute of Correctional Administration, Vellore	20(1)	2000-2005	3 October 2001

Appendix L

(Reference: paragraph 4.4.9; page 168)

Inspection Reports issued to various offices upto December 2002 and pending as at the end of June 2003

Sl. No.	Year	Total	
		IRs	Paras
1.	1984-1985	1	2
2.	1985-1986	-	-
3.	1986-1987	2	9
4.	1987-1988	17	33
5.	1988-1989	13	23
6.	1989-1990	26	55
7.	1990-1991	45	95
8.	1991-1992	64	130
9.	1992-1993	201	617
10.	1993-1994	180	412
11.	1994-1995	222	438
12.	1995-1996	298	665
13.	1996-1997	371	847
14.	1997-1998	457	1,007
15.	1998-1999	457	1,365
16.	1999-2000	617	1,679
17.	2000-2001	857	2,771
18.	2001-2002	1,085	3,889
19.	2002-2003 (up to December 2002)	1,065	4,398
	Total	**5,978**	**18,435**

Appendix LI

(Reference: paragraph 4.4.9; page 168)

Serious irregularities pending settlement as of June 2003

(Rupees in lakh)

Sl. No.	Nature of Irregularities	Number of paragraphs	Amount
I	**Adi Dravidar and Tribal Welfare Department**		
1.	Advance/loan/scholarship pending recovery	19	2064.85
2.	Infructuous/Excess expenditure	10	145.44
3.	Non-utilisation/non-refund of funds	16	452.35
4.	Locking up of funds	13	296.46
5.	House sites patta not issued	4	220.22
6.	Land Acquisition	16	178.36
7.	Purchase of furniture/vessels/mats/ Diet articles/non-repair of wet grinders	16	132.73
8.	Incorrect fixation/incentive increment	15	94.33
9.	Book bank	7	14.79
	Total	**116**	**3599.53**
II	**School Education Department**		
1.	Release of grant without renewal of recognition/incorrect release/ incorrect appointment of staff	14	2903.73
2.	Release of grant for surplus posts	2	49.38
3.	Distribution of unsuitable size of footwear	1	9.36
4.	Vocationalisation of HSS-infructuous expenditure	1	54.15
5.	Non-creation of endowment/ working capital	6	155.26
6.	Incorrect fixation of pay/incorrect drawal of pay/ incentive increment	5	12.04
	Total	**29**	**3183.92**
III	**Public Works Department**		
1.	Excess payment	27	986.24
2.	Excess over estimate	24	2380.07
3.	Want of sanction	11	288.78
4.	Irregular expenditure to be recovered	11	123.16
5.	Expenditure to be ratified by Principal Chief Conservator of Forests/ Government	56	1588.01
6.	Overpayment of salaries to be recovered	123	172.82
7.	Loss, etc.	64	1056.31
8.	Recovery from contractors	56	562.59
9.	Advances pending adjustment	18	384.42
10.	Miscellaneous recoveries / objections	381	9102.73
	Total	**771**	**16645.13**

Appendix LII

(Reference: paragraph 5.1.21; page 173)

Details of differences between the college figures of expenditure and the PAO figures

Sl. No	Name of the College	Month	College figures Rs	PAO figures Rs	Difference Rs
1	Queen Mary's College	August 2001	64,21,725	64,34,528	12,803
		September 2001	67,62,019	67,63,821	1,802
		November 2001	63,81,929	64,30,414	48,485
		March 2002	32,35,220	32,35,584	364
2	Bharathi Women's College	April 2001	88,62,372	88,84,508	22,136
		May 2001	56,18,786	56,37,904	19,118
		July 2001	32,28,455	31,10,359	1,18,096
		December 2001	33,43,193	33,42,193	1,000
		May 2002	51,05,734	50,69,119	36,615
		July 2002	46,12,184	46,30,387	18,203
		September 2002	45,12,123	45,25,088	12,965
		October 2002	32,69,100	32,82,486	13,386
		February 2003	30,61,288	30,75,023	13,735
		March 2003	7,64,918	7,79,393	14,475