SUPREME AUDIT INSTITUTION OF INDIA
लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest

Report of the Comptroller and Auditor General of India Compliance Audit for the period ended March 2022

Government of Tamil Nadu

Report No.7 of 2024

(Compliance Audit – Civil & Commercial)

Report of the
Comptroller and Auditor General of India

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PREFACE

This Report of the Comptroller and Auditor General of India for the year ended March 2022 has been prepared for submission to the Governor of Tamil Nadu under Article 151 (2) of the Constitution of India for being placed in the State Legislature.

Part I of this Report contains significant results of Compliance Audit of Government Companies of the Government of Tamil Nadu under the audit purview of the Principal Accountant General (Audit-II), Tamil Nadu and Puducherry, Chennai.

Part II of this Report contains significant results of the Compliance Audit of Receipts Audit relating to Industries, Investment Promotion and Commerce Department and Home (Transport) Department.

Part III of this Report contains significant results of Compliance Audit of the Departments which included the Departments of Environment, Climate Change and Forests; Home, Prohibition and Excise; and Tourism, Culture and Religious Endowments.

The audit was conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

OVERVIEW

OVERVIEW

This Report contains two Compliance Audits, *viz*., Loss incurring State Transport Undertakings of Tamil Nadu, Environment clearance for conservation of coastal ecosystems in the State of Tamil Nadu and 14 Compliance Audit Paragraphs.

Compliance Audit on Loss incurring State Transport Undertakings of Tamil Nadu

Compliance Audit on Loss incurring State Transport Undertakings (STUs) of Tamil Nadu revealed that the STUs incurred continuous losses in all the years covered by Audit (2017-18 to 2021-22) as the contributions generated from operation of their buses were not sufficient to meet their fixed costs. Employee costs alone constituted 55.20 to 63.55 *per cent* of total expenses during the years 2017-18 to 2021-22.

STUs did not prepare long-term plans (5 to 10 years) despite specific directions of GoTN. Their short-term annual plans did not address any action plan to bring back the passengers, who switched over to other modes of transport. Fleet size of STUs reduced from 22,517 buses to 20,304 during 2017-22 as the number of buses condemned were more than new buses procured. The percentage of overaged buses ranged from 46.47 *per cent* to 69.05 *per cent.* STUs did not have any specific plan to replace them in a phased manner.

STUs cancelled schedules/trips of buses citing non-availability of crew and lost additional revenue to the extent of ₹495.27 crore during the review period which could have been avoided, if the crew were not diverted for non-essential duties. Cost per employee of STUs of Tamil Nadu were higher than STUs of Karnataka and the additional expenditure incurred by STUs of Tamil Nadu, as compared to KSRTC and KKRTC were ₹18,077.98 crore and ₹16,923.81 crore respectively during the review period.

STUs had contributed ₹4,498.19 crore over and above the 12 *per cent* fixed as per the pension rules, which worked out to 31.42 *per cent* of basic and DA. Total loans of STUs have increased three-fold during the review period (from ₹6,467.66 crore to ₹21,980.88 crore), on account of continuous loss caused by unviable operations. Despite facilities to monitor bulk prices and retail prices of High Speed Diesel (HSD), STUs continued to procure HSD at bulk prices which resulted in additional expenditure of ₹26.06 crore.

Instead of making periodical revision, fares were steeply increased by 20 to 88.89 *per cent* in January 2018. This resulted in drop in passenger patronage by 15 *per cent* and 10 *per cent* respectively during 2018-19 and 2019-20 and consequential loss of revenue to the extent of ₹4,076.62 crore. There were disparities in reimbursing concessions given to students between MTC and other STUs and hence, other STUs received lesser revenue to the extent of ₹619.35 crore. Contributory Pension funds to the extent of ₹4,565.67 crore and accident Compensation Cess funds to the extent of ₹492.26 crore were diverted for day to day activities of STUs. The STUs have to bear loss to the extent of ₹2,512.19 crore for not remitting Provident Fund contributions collected from employees.

Deficiencies in making route-wise analysis and delay in implementation of e-ticketing affected better monitoring and control by Management

(Paragraph No. 2.2)

Compliance Audit Paragraphs of PSUs

Tamil Nadu Generation and Distribution Corporation Limited failed to:

- factor the mandatory payment clause stipulated in the MSME Act in the tender document for procurement of conductor which resulted in avoidable additional expenditure of ₹ 57.06 crore

  (Paragraph No. 2.3).

- maintain Gas Turbine due to non-adherence to mandatory Major Inspection schedule which resulted in avoidable additional expenditure of ₹42.73 crore towards repair cost and payment of penalty for short utilisation of natural gas.

  (Paragraph No. 2.4)

- avail the zero cost portal for online bidding process which resulted in avoidable expenditure of ₹17.82 crore.

  (Paragraph No. 2.5)

- Non-revision of the lease rent as per the guideline value and non-claiming of lease rent after the expiry of lease agreement, led to non-realisation of lease rent of ₹11.80 crore.

  (Paragraph No. 2.6)

- Failure of PSUs to restrict their share of contribution towards Employees' Provident Fund to the statutory limit resulted in avoidable excess contribution of ₹5.52 crore (for two years) in **TAMIN, TANMAG and TIDEL PARK Coimbatore Limited.**

  (Paragraph No. 2.7)

Compliance Audit Paragraphs of Receipts Audit

- Penalty not levied for non-filing of the half yearly and annual returns resulted in non-collection of penalty of ₹74.85 lakh in respect of 221 granite lessees.

  (Paragraph No. 3.1)

- VAHAN data of 11 RTOs revealed that out of 36,756 vehicles with registration status shown as 'Active', renewal fees amounting to ₹ 1.22 crore were not levied in 35,576 non-transport vehicles and annual tax amounting to ₹ 3.65 crore was not collected in cases of 1,180 construction equipment vehicles having invalid registration.

  (Paragraph No. 3.2)

Compliance Audit on Environment clearance for conservation of coastal ecosystems in the State of Tamil Nadu

Government of India (GOI) notified the Coastal Regulation Zone (CRZ) Notification, 1991 to ensure the livelihood security of fishermen and other local communities living in the coastal areas and to conserve and protect coastal stretches besides promoting development in a sustainable manner. Compliance Audit on Conservation of marine and coastal ecosystems in the State of Tamil Nadu revealed that the District Coastal Zone Management level authorities were not formed with representative from Local Traditional Coastal Communities even after 11 years from the implementation of CRZ notification, 2011. The Tamil Nadu State Coastal Zone Management Authority (TNSCZMA) delegated their mandated function of grant approval/clearance for constructions to Local Planning Authority and District CZMAs in deviation to the CRZ Notification. It was noticed that during 2015-22, TNSCZMA incorrectly granted CRZ clearance to 114 out of 175 projects during 2015-22 instead of recommending them to the appropriate authority. There were instances of grant of CRZ clearance for non-permissible activities and without erosion assessment. Joint Inspection with departmental officials and analysis of google earth images revealed unauthorised constructions in CRZ area and 90 cases of construction activity in No Development Zone in violation of CRZ notification. Post clearance monitoring was not effective as TNSCZMA did not ensure compliance to the terms of CRZ clearances.

(Paragraph No. 4.1)

Compliance Audit Paragraphs of Expenditure Audit

- Unfruitful expenditure of ₹ 0.97 crore due to non-functional Women Annex at Tiruppur resulted in non-achievement of the envisaged objective relating to women prisoners.

(Paragraph No. 4.2)

- Delay in implementation of digital communication system led to avoidable expenditure of ₹ 11.25 crore towards spectrum user charges and non-utilisation of GOI grants of ₹ 32.07 crore.

(Paragraph No. 4.3)

- Finished goods despatched by three central prisons were not received by the user Departments resulting in loss of ₹ 5.91 crore. Raw materials purchased by central prison, Madurai at a cost of ₹ 1.51 crore was found not to have been supplied by the suppliers during cross verification with their monthly GST returns.

(Paragraph No. 4.4)

- Delay in construction of strong room in temples to safeguard the idols resulted in non-achievement of envisaged objectives for more than four years, despite the availability of funds of ₹ 303.48 crore.

(Paragraph No. 4.5)

- Inadequate field survey in the preparation of initial estimate resulted in non-achievement of the objective of provision of transport facilities to the pilgrims visiting the ancient temple despite sanction of ₹ 12.62 crore.

(Paragraph No. 4.6)

- Compliance Audit, proposed on the general superintendence and control of the Commissioner of the HR&CE Department over the temples and their endowments, could not be executed due to non-cooperation and non-production of records by the Department to Audit in violation of the powers to conduct audit by CAG as per the Constitution of India.

(Paragraph No. 4.7)

- Non-compliance of provisions contemplated in the Hindu Religious and Charitable Endowments Act, 1959 and Rules framed thereunder led to non-raising of demands to the tune of ₹ 1.83 crore besides non-realisation of revenue of ₹ 69.69 crore.

(Paragraph No. 4.8)

CHAPTER I

1 GENERAL

1.1 About this Report

The Compliance Audit Report of the Comptroller and Auditor General of India (CAG) relates to matters arising from the Audit by Principal Accountant General (Audit-II), Tamil Nadu and Puducherry relating to 15[1] Government Departments including 68[2] Public Sector Undertakings (PSUs) and 35 Autonomous Bodies (ABs) under the control of these Departments. The Compliance Audit covers examination of the transactions relating to expenditure of the audited entities to ascertain whether the provisions of the Constitution of India, applicable laws, rules, regulations and various orders and instructions issued by the competent authorities are being complied with.

1.2 Profile of Audited Entities

The 15 Departments are headed by Additional Chief Secretaries/Principal Secretaries/Secretaries who are assisted by Commissioners/Directors and subordinate officers under them. The details of expenditures incurred by the 14 Departments (except Revenue Department) in the past five years from 2018-22 are detailed below:

Table No.1.1 – Trend of Expenditure

(₹ in crore)

Sl. No.	Name of the Department	2017-18	2018-19	2019-20	2020-21	2021-22
1	Energy	9,224.61	9,077.30	11,159.58	17,432.53	16,007.08
2	Environment, Climate Change and Forests	539.66	551.96	632.36	591.56	533.04
3	Handloom, Handicrafts, Textiles and Khadi	1,223.53	1,345.59	1,327.82	1,548.82	1,470.03
4	Highways and Minor Ports	8,630.59	9,149.28	10,872.06	14,391.01	15,086.24
5	Home (Police, Prison and Administrative Judiciary)	7,596.58	9,015.94	9,862.96	9,602.44	10,075.52
6	Home (Transport)	4,475.21	2,133.49	2,668.85	5,019.55	5,785.65
7	Housing and Urban Development	3,017.94	3,196.08	2,561.77	3,247.61	4,994.46
8	Industries, Investment Promotion and Commerce	1,702.56	3,794.33	2,803.06	1,581.93	1,847.23
9	Information Technology	67.87	123.50	121.27	113.26	78.11
10	Law	30.36	47.22	54.28	58.68	62.64
11	Micro, Small and Medium Enterprises	377.19	632.93	479.60	523.64	691.06
12	Municipal Administration and Water Supply	8,950.42	13,021.30	13,139.33	15,998.47	18,551.19
13	Public Works (Buildings)	1,169.89	1,368.39	1,264.46	1,710.74	1,558.07
14	Tourism, Art, Culture and Religious Endowments	489.03	718.38	440.84	447.24	375.92
	Total	**47,495.44**	**54,175.69**	**57,388.24**	**72,267.48**	**77,116.24**

(Source: Appropriation Accounts for the years 2017-18 to 2021-22)

[1] Revenue (Urban Land Tax) forms part of Revenue Department.

[2] This includes new PSUs *viz.*, TIDEL Neo Limited, Tamil Nadu Wilderness Experiences Corporation Limited, Tamil Nadu Centre of Excellence for Advanced Manufacturing, Tamil Nadu Startup and Innovation Mission, Vellore Smart City, Tiruchirapalli Smart City, Coimbatore Smart City Limited and Erode Smart City Limited.

In addition, there are 68 PSUs which are established to carry out activities of commercial nature keeping in view the welfare of the people and they occupy an important place in the State economy. The details of investments made in these 68 PSUs, results of their audit during 2021-22 and the related matters are discussed in **Chapter II** of this Report.

1.3 Authority for audit

The authority for audit by the CAG is derived from Articles 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) (DPC) Act, 1971. CAG conducts audit of expenditure of the Departments of Government of Tamil Nadu under Section 13[3] of the CAG's (DPC) Act. CAG is the sole Auditor in respect of Autonomous Bodies which are audited under Sections 19(3)[4] and 20(1)[5] of the CAG's (DPC) Act. In addition, CAG also conducts audit of other Autonomous Bodies, under Section 14[6] of CAG's (DPC) Act, which are substantially funded by the Government.

In respect of PSUs, CAG conducts Audit of the accounts of Government Companies under the provisions of Section 139 and 143 of the Companies Act, 2013. Detailed procedure in respect of audit of PSUs are narrated in **Paragraph Nos. 2.1.3 and 2.1.4 in Chapter II** of this Report.

1.4 Planning of Audit

The primary purpose of this Report is to bring the significant results of audit to the notice of the State Legislature. Auditing Standards require that the materiality level for reporting should be commensurate with the nature, volume and magnitude of transactions. The audit observations are expected to enable the Executive to take corrective action, as also to frame policies and directives that will lead to improved financial management, thus, contributing to better governance.

Audit process starts with the assessment of risks faced by various Departments of Government based on expenditure incurred, criticality/complexity of activities, level of delegated financial powers, assessment of overall internal controls and concerns of stakeholders. Previous audit observations are also considered in this exercise. The frequency and extent of audit are decided based on this risk assessment.

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[3] Audit of (i) all transactions from the Consolidated Fund of the State, (ii) all transactions relating to the Contingency Fund and Public Accounts and (iii) all trading, manufacturing, profit and loss accounts, balance sheets and other subsidiary accounts.

[4] Audit of the accounts of Corporations (not being Companies), established by or under law made by the State Legislature, at the request of the Governor.

[5] Audit of accounts of any body or authority on the request of the Governor, on such terms and conditions as may be agreed upon between the CAG and the Government.

[6] Audit of (i) all receipts and expenditure of a body or authority substantially financed by grants or loans from the Consolidated Fund of the State and (ii) all receipts and expenditure of any body or authority where the grants or loans to such body or authority from the Consolidated Fund of the State in a financial year is not less than ₹one crore.

Inspection Reports (IRs) containing audit observations are issued to the Heads of the Department/field officers after completion of audit. The Departments are requested to furnish replies to the audit observations within one month of receipt of the IRs. Whenever replies are received, audit observations are either settled or further action for compliance is advised. Important audit observations arising out of these IRs are processed for inclusion in the Audit Reports, which are submitted to the Governor of the State under Article 151 of the Constitution of India for laying on the table of the house of the State Legislature.

The total audit universe was 2,431 units of 15 departments including 68 PSUs. Out of which, 179 units and 8 PSUs were audited during 2021-22. All the 35 Autonomous Bodies under the control of these departments qualified for conduct of audit under Sections 14, 19 (2), 19 (3) and 20 (1) of the CAG's (DPC) Act, 1971 and these 35 Autonomous bodies were also audited during 2021-22.

1.5 Draft Paragraphs and Compliance Audit

16 Draft Paragraphs including two Compliance Audit paragraphs (i.e., Loss incurring State Transport Undertakings of Tamil Nadu and Environment clearance for conservation of coastal ecosystems in the State of Tamil Nadu) were forwarded to the Principal Secretaries of the Departments concerned between December 2022 and June 2023, with the request to send their responses. Government replies to 13 Draft Paragraphs were received (including two Compliance Audits) and the replies have been suitably incorporated in the Audit Report.

1.6 Follow-up action on Audit Reports

With a view to ensuring accountability of the Executive in respect of the issues dealt with in the Audit Reports, the Public Accounts Committee (PAC)/ Committee on Public Undertakings (COPU) directed that the Departments concerned should furnish remedial Action Taken Notes (ATNs) on the recommendations of PAC/COPU, relating to the Paragraphs contained in the Audit Reports, within six months. We reviewed the outstanding ATNs on the Paragraphs included in the Reports of the Comptroller and Auditor General of India relating to the Departments under the Audit purview of this office and found that 816 and 412 recommendations pertaining to the Audit Paragraphs discussed by PAC and COPU respectively were pending as on 31 March 2022.

1.7 Outstanding replies to Inspection Reports

On behalf of the CAG, the Principal Accountant General conducts periodical inspections of the Government Departments to test check transactions and verify maintenance of important accounts and other records as prescribed in the rules and procedures. These inspections are followed up with issue of IRs, incorporating irregularities detected during the inspection and not settled on the spot, which are issued to the Heads of the offices inspected with copies to the next higher authorities for taking prompt corrective action. The Heads of the offices/Government are required to promptly comply with the observations contained in the IRs, rectify the defects and omissions and report compliance through replies. Serious financial irregularities are brought to the notice of the Heads of the Departments and the Government.

Inspection Reports issued upto 31 March 2022 were reviewed and found that 13,993 Paragraphs relating to 3,498 IRs remained outstanding at the end of September 2022 **(Annexure-1)**. This includes the pendency position of IR relating to PSUs also.

This large pendency of IRs, due to lack of corrective action or non-receipt of replies, was indicative of the fact that Heads of the offices and Heads of the Departments did not take appropriate action to rectify the defects, omissions and irregularities pointed out in the IRs.

Part I – Public Sector Undertakings

CHAPTER II

2.1 Introduction

State Public Sector Undertakings (PSUs) are established to carry out activities of commercial nature keeping in view the welfare of people and occupy an important place in the State. State PSUs consist of Government Companies and Statutory Corporations. As on 31 March 2022, there were 68 PSUs under the audit jurisdiction of this office[1] as given in **Annexure-2**. These include 53 Government Companies[2] (including two Non-functional companies) and 15 Government Controlled Other Companies[3]. The annual accounts of the State PSUs for the period ending 2020-22 (to the extent received) have been reviewed and the results are included in a separate report titled 'General Purpose Financial Report'.

2.1.1 Investment in PSUs and its performance

A comparative position of Equity, Long term loans, Turnover, Annual growth rate of turnover and Net Profit/Loss for 68 PSUs during the five years ending 2021-22 are given in **Table 2.1**.

Table No. 2.1: Details of Equity, Long term loans, Turnover and Net Profit/Loss of PSUs during 2018-22

(₹ in crore)

Sl. No.	Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
1	Equity	54,435.95	58,892.94	62,921.85	64,112.00	64,982.53
2	Long Term Loans	91,356.25	1,35,037.23	1,77,410.29	1,61,700.56	1,80,239.61
3	Turnover	64,493.54	79,575.71	80,297.49	71,330.64	83,216.70
4	Annual Growth rate of turnover (in percentage)	(-) 7.07	23.38	0.91	(-)11.17	16.66
5	Net Profit/Loss after Tax	-17,521.50	-17,025.67	-17,243.38	-24,123.53	-20,502.72

(Source: Data of Annual Accounts of PSUs)

At the end of March 2022, the total investment in 68 State PSUs[4] stood at ₹2,45,222.14 crore (Equity: ₹64,982.53 crore and Long term loans: ₹1,80,239.61 crore). The growth rate of the turnover of the State PSUs during

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1 Office of the Principal Accountant General (Audit-II), Tamil Nadu and Puducherry, Chennai-18.

2 As per Section 2(45) of the Companies Act, 2013, Government company means any company in which not less than fifty-one *per cent* of the paid-up share capital is held by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments and includes a company which is a subsidiary company of a Government company.

3 As per the Companies (Removal of Difficulties) Seventh Order, 2014 issued by Ministry of Corporate Affairs vide Gazette Notification dated 4 September 2014, any other company, owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments are referred to in this Report as Government controlled other Companies.

4 Including two non-functional companies and two companies for which first accounts are due.

these five years was fluctuating in the range of (-) 7.07 to 23.38 *per cent.*

Out of the 68 State PSUs, 32 PSUs earned a profit of ₹1,650.65 crore during 2021-22, three PSUs reported no profit or loss, 29 PSUs reported a total loss of ₹22,153.37 crore, first accounts were due for two PSUs and the remaining two are non-functional PSUs during the same period.

2.1.2 About this part of the Report

This part of Report of the Comptroller and Auditor General of India (CAG) relates to results of Compliance Audit of 68 PSUs under the audit jurisdiction of this office. Compliance Audit covers the examination of the records relating to revenue and expenditure of the audited entities to ascertain whether the transactions of the Company were in compliance with the objectives of the Company and the provisions of applicable laws, rules, regulations and various orders and instructions issued by the competent authorities.

2.1.3 Accountability Framework

The authority for audit by the CAG is derived from Articles 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) (DPC) Act, 1971. The procedure for audit of Government companies are laid down in Sections 139 and 143 of the Companies Act, 2013 (Act 2013).

Further, as per sub-Section 7 of Section 143 of the Companies Act 2013, the CAG of India may, in case of any company covered under sub-Section (5) or sub-Section (7) of Section 139 of the Companies Act, 2013, if considered necessary, cause test audit to be conducted of the accounts of such Company and the provisions of Section 19A of the CAG's (DPC) Act, 1971 shall apply to the report of such test Audit. Thus, a Government Company or any other Company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments or partly by Central Government and partly by one or more State Governments is subject to audit by the CAG of India.

2.1.4 Statutory Audit

The financial statements of the Government Companies are audited by Statutory Auditors, who are appointed by the CAG as per the provisions of Section 139 (5) or (7) of the Act 2013. The Statutory Auditors submit a copy of the Audit Report to the CAG of India including, among other things, financial statements of the Company under Section 143 (5) of the Act 2013. These financial statements are also subject to supplementary audit by the CAG within sixty days from the date of receipt of the audit report under the provisions of Section 143 (6) of the Act 2013.

2.1.5 Role of Government and Legislature

The State Government exercises control over the affairs of these PSUs through its administrative departments. The Chief Executive and Directors to the Board are appointed by the State Government. The State Legislature also monitors the accounting and utilisation of Government investment in the

PSUs. For this, the Annual Reports together with the Statutory Auditors' Reports and comments of the CAG of India, in respect of State Government Companies are placed before the State Legislature under Section 395 of the Companies Act, 2013.

2.1.6 Planning and Conduct of Audit

The audit observations are expected to enable the Management of the PSUs to take corrective action, as also to frame policies and directives that will lead to improved financial management, thus, contributing to better governance.

The primary purpose of this Report is to bring significant results of audit, to the notice of the State Legislature. Audit process starts with the assessment of risks faced by various PSUs based on expenditure incurred, criticality/complexity of activities, level of delegated financial powers, assessment of overall internal controls and concerns of stakeholders. Previous audit observations are also considered in this exercise. The frequency and extent of audit are decided based on this risk assessment. Based on such risk assessment, out of the total audit universe of 68 PSUs, 8 PSUs[5] were audited during 2021-22.

Inspection Reports (IRs) containing audit observations are issued to the Chief Executive of the PSUs after completion of audit. The PSUs are requested to furnish replies to the audit observations within one month of receipt of the IRs. Whenever replies are received, audit observations are either settled or further action for compliance is advised. Important audit observations arising out of these IRs are processed for inclusion in the Audit Reports, which are submitted to the Governor of the State under Article 151 of the Constitution of India for laying on the table of the house of the State Legislature.

2.1.7 Response to audit

Draft Paragraphs and Compliance Audit

Six Draft Paragraphs (including a Compliance Audit on Loss incurring State Transport Undertakings of Tamil Nadu) containing serious financial irregularities were forwarded to the Principal Secretaries of the Departments concerned of the PSUs between December 2022 and March 2023, with the request to send their responses. Government replies to all the six Draft Paragraphs (including a Compliance Audit) were received between February 2023 and March 2023 and have been suitably incorporated and included in this Audit Report.

Follow-up action on Audit Reports

As per the directions of the Committee on Public Undertakings (COPU), Explanatory Notes (EN) on the important points on the Audit Report should be furnished within a period of two months. Similarly, the Departments concerned should furnish remedial Action Taken Notes (ATNs) on the recommendations of COPU, relating to the Paragraphs contained in the Audit Reports, within six months. However, the outstanding position of ENs and ATNs on the Paragraphs included in the Reports of the CAG of India relating

[5] Including 14 units of two PSUs *viz*., TANGEDCO and TANTRANSCO.

to the PSUs indicated that ENs in respect of 14 audit paragraphs and ATNs for 421 recommendations of COPU were outstanding as on 31 March 2022.

Outstanding replies to Inspection Reports

On behalf of the CAG of India, the Principal Accountant General conducts periodical inspections of the PSUs to test check the transactions and verify maintenance of important accounts and other records as prescribed in the rules and procedures. These inspections are followed up with issue of IRs to the Chief Executive of the respective PSUs for taking prompt corrective action, rectify the defects and omissions pointed out in the IRs and report compliance through replies.

Inspection Reports issued up to 31 March 2022 were reviewed and found that 2,875 Paragraphs relating to 665 IRs remained outstanding at the end of September 2022 **(Annexure 2)**. Out of these, 326 IRs containing 935 Paragraphs were pending for more than five years and 339 IRs containing 1,940 Paragraphs were pending between one and five years.

This large pendency of IRs, due to lack of corrective action or non-receipt of replies, was indicative of the fact that Chief Executive of the PSUs did not take appropriate action to rectify the defects, omissions and irregularities pointed out in the IRs.

2.1.8 Coverage of this Report

This chapter contains six Compliance Audit paragraphs (including Compliance Audit on Loss incurring State Transport Undertakings of Tamil Nadu) in respect of twelve PSUs involving a financial effect of ₹5,033.14 crore. These paragraphs highlight the deficiencies in the management of PSUs resulting in serious financial implications as given below:

1. TANGEDCO failed to:
    - factor the mandatory payment clause stipulated in the MSME Act in the tender document for procurement of conductor which resulted in avoidable additional expenditure of ₹ 57.06 crore.
    - maintain Gas Turbine due to non-adherence to mandatory Major Inspection schedule which resulted in avoidable additional expenditure of ₹42.73 crore towards repair cost and payment of penalty for short utilisation of natural gas.
    - avail the zero cost portal for online bidding process which resulted in avoidable expenditure of ₹ 17.82 crore.
    - claim lease rent as per guideline value and non-raising of demand for the validity expired agreement period which resulted in loss of revenue of ₹11.80 crore.

2. Failure of PSUs to restrict their share of contribution towards Employees' Provident Fund to the statutory limit resulted in avoidable excess contribution of ₹5.52 crore (for two years) in TAMIN, TANMAG and TIDEL PARK Coimbatore Limited.

Compliance Audit observations

2.2 Compliance Audit on Loss incurring State Transport Undertakings of Tamil Nadu

2.2.1 Introduction

The Public Transport System plays a vital role in the overall development of a State. In Tamil Nadu, the State Transport Undertakings (STUs) provide Town, Mofussil, Ghat and Express services as well as Inter-State services to neighbouring States of Andhra Pradesh, Karnataka, Kerala and Puducherry. Apart from the STUs, the Government of Tamil Nadu (GoTN) allows operation of transport services by private operators in the State.

2.2.1.1 At present, there are eight STUs functioning in Tamil Nadu. Out of these, State Express Transport Corporation Tamil Nadu Limited (SETC) operates long distance and inter-state services. Metropolitan Transport Corporation (Chennai) Limited (MTC) covers Chennai city and surrounding areas with town buses only. Other six STUs[6] operate mixture of town, mofussil and ghat[7] services in and around their respective regions.

2.2.1.2 As on 31 March 2022, the STUs had a fleet strength of 20,304 buses. As has been ascertained from the database of the STUs, a total number of 314.72 crore passengers were carried by these STUs during 2021-22. The annual turnover of these STUs was ₹ 9,661.26 crore during 2021-22. As on 31 March 2022, GoTN had made equity contribution of ₹6,293.06 crore. However, the entire equity contribution was eroded by the accumulated loss of ₹48,478.50 crore due to continuous losses incurred by the STUs year after year.

2.2.1.3 The GoTN supports STUs in the form of equity contributions, loans, reimbursement of concessions in fares and High Speed Diesel (HSD) subsidy. Besides the Government's direct support, STUs also get loan from Tamil Nadu Transport Development Finance Corporation Limited (TDFC), a sister PSU, for procurement of chassis and for building of bus body on the chassis besides working capital requirement. The STUs get procurement and training support from the Institute of Road Transport (IRT) and technical support from Pallavan Transport Consultancy Services Limited (PTCS), another State PSU.

2.2.2 Organisational Structure

The STUs function under the administrative control of the Transport Department of the State Government. The management of each STU is vested with a Board of Directors appointed by the State Government. The Secretary of Transport Department also functions as the Chairman of the STUs. The day-to-day operations of the STUs are carried out by the respective Managing Directors, with the assistance of General Managers, Divisional and Branch Level Managers.

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6 Tamil Nadu State Transport Corporation (TNSTC), Villupuram; TNSTC, Salem; TNSTC, Coimbatore; TNSTC, Kumbakonam; TNSTC, Madurai and TNSTC, Tirunelveli.

7 Four STUs namely TNSTC, Villupuram; TNSTC, Salem; TNSTC, Coimbatore and TNSTC, Madurai operate ghat services and the balance 2 STUs do not operate ghat services.

2.2.3 Audit Objectives

The Compliance Audit was carried out to assess whether:

- STUs had adequate planning for efficient operation;
- Effective measures were taken by the GoTN and STUs for reduction of loss through revenue augmentation, efficient operation and effective utilisation of resources; and
- STUs had efficient and effective control mechanisms to monitor the activities.

2.2.4 Audit Criteria

The criteria adopted for assessing the achievement of the audit objectives were:

- Provisions of law including Motor Vehicles Act, 1988;
- Recommendations of Committee on Public Undertakings (COPU);
- Government Orders issued from time to time;
- Decisions of the Board of Directors of individual STUs; and
- Orders and circulars issued by individual STUs.

2.2.5 Audit Scope and Methodology

Prior to this Compliance Audit (CA), two Performance Reviews were carried out on STUs of Tamil Nadu and included in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2000 and 31 March 2009, which were discussed by the Committee on Public Undertakings (COPU) in July 2003 and May 2018 respectively. COPU has given its recommendation (October 2013) based on the above Review included in the Report for the year ended 31 March 2000, but was yet to give recommendation for the other Review, reported in the year 2009. The details are exhibited in **Annexure 3.** The recommendations of COPU in October 2013 inter alia was to concentrate on the vital areas by STUs so as to reduce their losses.

Despite recommendations of the COPU, the financial performance of STUs has not improved and hence, the present CA was taken up covering the period from 2017-18 to 2021-22 to analyse the reasons for poor financial performance of STUs and to suggest measures to improve the financial health of STUs. The present CA mainly focused on revenue earnings, operational efficiency and financial management of all the eight STUs. It also includes comparison of performance of STUs of neighbouring States and conducting of passenger survey.

The audit examination involved scrutiny of records maintained by Transport Department, Chairman's Office at Chennai, all STUs and IRT. The objective, scope and methodology for the audit were explained during the Entry Conference held on 25 August 2022 with the Principal Secretary to Government/ Transport Department. Audit findings were discussed with the Additional Chief Secretary to Government/Transport Department in the Exit Conference held on 10 February 2023. Views expressed by the officials of

STUs and GOTN in the exit conference, the replies furnished by the Management of STUs (January 2023) and the response of the GoTN (March 2023) have been considered and incorporated in the report appropriately.

2.2.6 Financial Performance of STUs

The Financial performance of the eight STUs during the last five years ended 31 March 2022 is given below:

Table 2.2: Financial Performance of STUs

(₹ in crore)

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
Revenue from operations	8,807.48	10,539.07	10,207.14	5,048.67	8,387.10
Other income	929.25	543.02	384.61	417.81	1,274.16
Total revenue	**9,736.73**	**11,082.10**	**10,591.75**	**5,466.48**	**9,661.26**
Cost of materials consumed	4,049.76	4,535.16	4,173.37	2,090.23	4,143.97
Employee benefit expenses	8,919.35	8,571.72	8,849.05	8,766.94	8,987.68
Finance cost	1,017.83	1,002.27	1,288.17	1,581.40	1,818.14
Depreciation	191.35	206.43	540.66	635.99	384.09
Other expenses	1,066.14	1,001.02	971.08	720.46	949.45
Total expenses	**15,244.42**	**15,316.60**	**15,822.32**	**13,795.02**	**16,283.34**
Loss for the year	**-5,507.69**	**-4,234.50**	**-5,230.57**	**-8,328.54**	**-6,622.08**
Accumulated Loss	**-24,718.15**	**-29,035.58**	**-34,334.61**	**-41,825.74**	**-48,478.50**

Source: Audited Annual Accounts of STUs

It could be seen from the above that:

- Employee benefit expenses ranged from ₹8,571.72 crore to ₹8,987.68 crore constituting 55.20 to 63.55 *per cent* of total expenses. Reasons for higher cost of the same are discussed in the subsequent paras 2.2.12.1 to 2.2.12.3.
- Finance cost, after a marginal decrease in 2018-19 from ₹1,017.83 crore to ₹1,002.27 crore, showed an increasing trend and in 2021-22 it increased to ₹1,818.14 crore, which constituted 6.54 to 11.46 *per cent* of total expenses. Reasons for the same are discussed in Para 2.2.13.1.
- Total Revenue for the year 2018-19 increased to ₹11,082.10 crore, being 13.82 *per cent* increase over the previous year despite revision of fares ranging from 20 to 88.89 *per cent* in January 2018. Reasons for the same are discussed in the subsequent paras 2.2.14.1 to 2.2.14.4.

2.2.6.1 Infusion of funds by GoTN

Details of share capital and loan funds infused by GoTN to the STUs during the last five years ended 31 March 2022 is given below:

Table 2.3: Infusion of Share capital and Loan funds by GoTN in STUs during the period 2017-22

(₹ in crore)

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
Share capital	662.88	1,163.70	1,080.82	604.75	72.12
Loans	172.83	2,900.78	1,377.51	770.73	231.30
Total	**835.71**	**4,064.49**	**2,458.33**	**1,375.48**	**303.42**

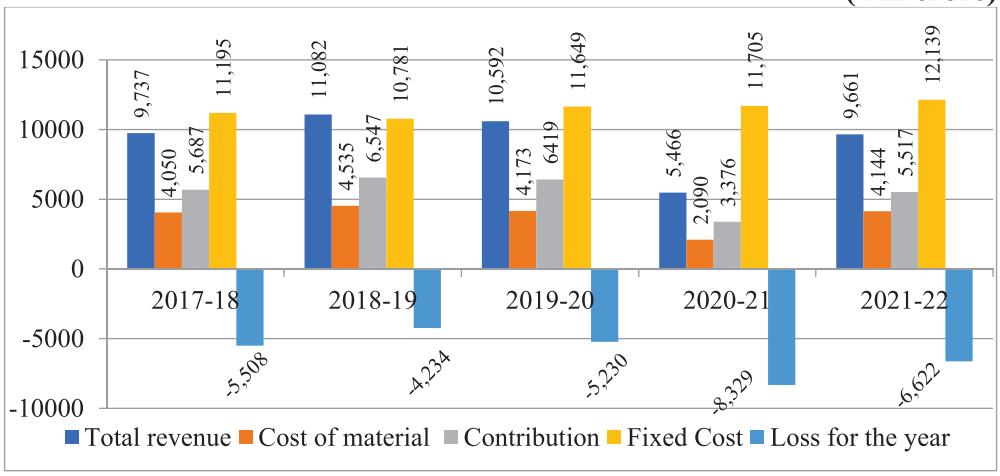
From the above table, Audit observed that during the period 2017-22, GoTN infused share capital of ₹ 3,584.28 crore and Loan funds of ₹ 5,453.16 crore, totalling ₹9,037.44 crore into the STUs. However, it is pertinent to note that the Government funding will not help the STUs until the operational issues of the STUs are addressed properly.

2.2.7 Analysis of contribution of STUs

The details of total revenue, cost of materials, contribution[8], fixed cost and loss of the STUs during the five-year audit period are depicted in the chart below:

Chart 1: Contribution Analysis of STUs

(₹ in crore)



Source: Data evaluated from Annual Accounts of STUs

Even though the contribution of STUs ranged between ₹3,376 crore and ₹6,547 crore during the audit period, fixed costs remained significantly higher than the contribution due to higher employee expenses and finance cost, which resulted in losses ranging from ₹4,234 crore to ₹8,329 crore during 2017-22. For break-even[9], the STUs have to fill the wide gap between their contribution and overheads through various measures.

[8] Contribution is the difference between total revenue and variable cost.

[9] Break-even means a point where cost equal to revenue.

2.2.8 Financial Performance of Individual STUs

Details of financial performance of individual STUs showing revenue earned, contribution, fixed cost and loss for the years 2017-18 to 2021-22 are given in **Annexure 4.** All STUs are making contribution from operation of buses whereas they incurred heavy losses due to higher fixed cost. The total loss incurred by all the STUs was ₹29,923.36 crore during the five year review period. Employee cost is the major contributor which constituted 57.67 *per cent* of total costs.

TNSTC, Coimbatore incurred the highest loss (₹4,819.81 crore) among all STUs mainly due to operation of more ghat services (commented vide para 2.2.11.3) and higher employee cost. SETC incurred loss of ₹1,962.46 crore, which was the least among all STUs because of lower employee costs on account of deploying driver cum conductor instead of separate driver and conductor and lesser finance cost, when compared to other STUs.

The need for revising the norm for staff per bus has been discussed in para 2.2.12.2 separately.

2.2.9 Comparison of Performance of Tamil Nadu STUs with neighbouring STUs

The vital parameters viz, Kilometer per litre (KMPL), Earning per Kilometre (EPKM), Cost per Kilometre (CPKM) and Loss per Kilomere (LPKM) of the STUs of Tamil Nadu (TNSTUs) in comparison with neighbouring States[10] STUs are given below:

Table 2.4: Comparision of performance of TNSTUs with neighbouring STUs

Parameter	Metros		Non-metros			
	MTC	BMTC	TNSTUs	KSRTC	KKRTC	APSRTC
KMPL	4.44	3.75	5.15 – 5.75	4.85	5.24	5.10
EPKM (₹)	48.61	52.15	30.80 – 34.17	36.56	36.28	38.66
CPKM (₹)	76.11	65.66	43.08 – 58.11	38.08	38.04	46.67
LPKM (₹)	27.50	13.51	9.67 – 24.51	1.52	1.76	8.01

1. *Data for the period 2019-20 was compared because of the pandemic situation in 2020-21 and 2021-22.*
2. *TNSTUs in non-metro area exclude SETC and MTC due to their special nature of operation.*
3. *BMTC – Bangalore Metropolitan Transport Corporation; KSRTC – Karnataka State Road Transport Corporation, KKRTC- Kalyana Karnataka Road Transport Corporation, APSRTC – Andhra Pradesh State Road Transport Corporation*

Source: Annual Accounts of TNSTUs, BMTC, KSRTC, KKRTC and APSRTC

It was observed during the course of audit that no analysis or study had been made to improve the fuel efficiency. In order to improve KMPL efficiency, training is given to the drivers and performance of the drivers are monitored based on KMPL achieved. In case of lack in fuel efficiency, the drivers are asked to give explanations. During the review period, it was noticed that the

[10] Karnataka and Andhra Pradesh

KMPL performance of STUs generally showed an increasing trend during 2017-22. Even though MTC/TNSTUs performed better than neighbouring States STUs by way of higher KMPL, they earned lesser EPKM due to lower fares and incurred higher CPKM on account of higher employee cost and interest burden, which resulted in higher LPKM. Apart from the above, it was noticed that KMPL performance of the TNSTUs showed an increasing trend over the period 2017-22 except in the case of Madurai and Coimbatore (which showed a marginal decrease in 2021-22).

2.2.10 Audit Findings

The major factors, which affected the contribution and the hindrances in reducing the fixed overheads, which resulted in continuous losses by STUs are explained in the succeeding paragraphs by highlighting the issues in planning, revenue augmentation, operational efficiency, monitoring and control.

Planning for efficient operations

A comprehensive study of planning by STUs revealed the following discrepancies:

2.2.10.1 Absence of Long-term Planning

The GoTN had directed (April 1989) that the Public Sector Enterprises shall prepare a long term (5 to 10 years) Corporate Plan setting out their goals and objectives, strategy to achieve them and detailed annual operational plans. The Corporate Plan should also include forecasts for sales, production, etc., and long-term financial plans consisting of the Projected Income Statement, Sources and Uses of Funds Statements and Capital Expenditure Programme. Audit observed that no long-term plans were prepared by the STUs during the period 2017-22. Such plans would have provided better vision and autonomy in the functioning of the STUs.

The management replied (January 2023) that as per Government direction (February 2022), the STUs prepared the five-year Long-Term Plan and placed (April 2022) in the Board meeting for implementation from 2022-23. The Government (March 2023) confirmed the same in its reply.

2.2.10.2 Deficiencies in Annual Plans

STUs prepare annual plans in the form of budgets, which are approved by the Board of Directors. These annual plans *inter alia* include operational and financial plans. Audit noticed that due to inefficient operation of scheduled services, the number of passengers in STUs was on declining trend. Annual plans of STUs did not address any action plan to bring back the passengers who switched over to other modes of transport, particularly personal modes. Apart from retaining existing passengers, STUs need to focus on passengers, who value time and comfort more than price, as envisaged in Para 16 of the National Urban Transport Policy[11] in order to improve their financial performance.

[11] Para 16 states that fares for public transport have been kept low for poor. In order to make the public transport viable, the other segment of public, who are better off, would switch to public transport from personal vehicles if high quality systems are available to them. Hence, it insists on different level of service – basic service with subsidized fares for poor as well as high quality service for better off with higher fares with no subsidy.

The management replied (January 2023) that due to fare revision and Covid-19, the passenger patronage has come down. It was also stated that the passenger trend is increasing and has reached pre-COVID period level. The Government stated (March 2023) that STUs have been taking continuous efforts to draw the passengers from other mode of transport to public transport and thereby significant increase in number of passengers travelled per day increased from 1.42 crore during 2018-19 to 1.74 crore in January 2023.

As the increase in passenger patronage shows that the STUs have more potential to improve public transport, it is essential for the Management to draw Action plan to make use of the full potential to augment revenue and improve public transport.

2.2.10.3 Non-implementation of environment friendly transport services and IT enabled services

The Mission statement of GoTN, inter alia, envisages on promoting environment friendly transport services and providing IT-enabled citizen services in the transportation sector to increase service-delivery quality. In this regard, Audit observed that neither GoTN nor STUs planned and implemented environment friendly transport services like E-buses, CNG buses etc, and STUs are yet to introduce e-ticketing.

The Government replied (March 2023) that process is in progress to purchase 500 low floor e-buses and tender for e-ticketing has been floated.

2.2.11 Efficiency in operations

The issues identified in the operation of buses, engagement of employees, and financial management by STUs are discussed in the ensuing paras:

Fleet utilisation

2.2.11.1 Reduction in fleet size and delay in replacement of old buses

Details regarding fleet size, kilometres (KMs) operated, and age profile of fleets are given in the Table below:

Table 2.5: Fleet details of STUs

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
Number of buses in operation at the beginning of the year	22,517	21,744	21,542	21,629	20,670
Number of buses added during the year	343[12]	2,329	4,429	326	Nil
Number of buses Condemned during the year	1,116	2,530	4,341	1,274	364
Number of buses transferred for other uses	Nil	1	1	11	2
Number of buses in operation at the end of the year	21,744	21,542	21,629	20,670	20,304
Number of idle buses at the end of the year due to major/minor repairs, fitness certificate etc.	252	651	433	257	114
Number of over aged buses	15,014	14,466	12,368	11,549	9,435
Percentage of overaged buses	**69.05**	**67.15**	**57.18**	**55.87**	**46.47**

[12] Includes one old bus

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
Operated buses per day (Nos.)	19,490	19,489	19,290	19,290	19,290
Operated KMs[13] (in lakh)	31,837	31,110	29,957	13,496	22,684
Decrease in operated KMs (in lakh)[14]	-	727	1,880	18,341	9,153
Decrease in operated KMs (in percentage)	-	2.28	5.91	57.61	28.75

Source: Data furnished by STUs

It could be seen from the above Table that:

- The STUs have not procured any buses during 2020-21 and 2021-22. Periodic addition of new buses not only induce passengers to travel in public transport, but also results in fuel efficiency and reduction on maintenance cost. However, Audit noticed that the 326 buses added in the fleet in the year 2020-21 are spill over of order issued for the year 2019-20. Even though the STUs condemned 9,625 buses and transferred 15 buses to other uses during the period from 2017-18 to 2021-22, they procured only 7,427 buses during this period resulting in reduction in number of buses operated by 2,213 buses. Consequently, the KMs operated also showed a declining trend every year as compared to the previous year[15]. This is indicative of the fact that there was no demand assessment analysis on actual requirement of the buses.
- There was no proper plan to replace the condemned/overaged buses and the STUs depended on the Government grants and loan fundings. Due to this, the STUs continued with the overaged buses. Proper planning for demand assessment and replacement of buses commensurate with the criteria set need to be framed and implemented.
- The percentage of overaged buses ranged from 46.47 *per cent* to 69.05 *per cent* which showed a declining trend during the 2017-18 to 2020-21 due to addition of new buses and not for the year 2021-22 due to revision in norms[16]. The overaged fleet requires high maintenance and would result in extra cost, which ultimately affects the operational efficiency and increase the losses. Buses ranging from 114 to 651 numbers were idle at the end of the years 2017-22 for major/minor repairs, FC requirements etc. However, the STUs do not have any specific plan to replace the age-old buses in a phased manner and the additions made to the operating fleet were not sufficient enough to replace the overaged buses.

13 Effective KMs i.e excluding dead KMs
14 As compared to the year 2017-18
15 Except in 2021-22 due to COVID-19 lock downs in 2019-20
16 As per the norm existed from 1991, buses were considered as overaged at the end of 6 years or on completion of 7 lakh Kilo meters, whichever is earlier (in respect of SETC, it was 3 years or 7 lakh Kilo meters, whichever is earlier) and as per revised norm (from July 2021), this was revised as 9 years or 12 lakh Kilo meters, whichever is earlier (in respect of SETC, it was 7 years or 12 lakh Kilo meters, whichever is earlier).

- Audit observed from the details of growth in vehicles in the State[17] (**Annexure 5)** that the number of buses operated by private stage carriers increased by 1.76 *per cent* in 2021-22 when compared to 2017-18 whereas the number of buses operated by STUs has decreased by 6.76 *per cent* during the same period. Further, the number of omni (private) buses operated had increased by 99.86 *per cent* in case of State permit buses and by 47.62 *per cent* in case of All India permit buses during the above period whereas there was no increase in long route buses (SETC). Thus, the STUs failed to cater to the demand of public for increased public service whereas the private operators took benefit of this. This proved that the number of passengers carried by STUs were declining and the market is being shifted towards private and personal transport service.

The management replied (January 2023) that action had been taken to introduce 4,713 new buses in the coming years. The Government stated (March 2023) that new buses were not purchased in 2020-21 and 2021-22 due to COVID –19 and purchase of new buses is in process.

However, the fact remained that, the STUs have not framed any action plan to replace overaged buses for better efficiency.

2.2.11.2 Cancellation of services/trips

STUs are operating buses based on services scheduled by them. For each service, number of trips and KMs to be run per day are also scheduled. Audit noticed that STUs could not operate the schedules due to want of crew, want of buses, etc. which ranged between 1,013.24 lakh KMs and 15,244.72 lakh KMs as detailed in the Table below:

Table 2.6: Details showing the cancellation of scheduled trips

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
Loss of scheduled kilometers due to:					
Want of buses (KM in lakh)	4.10	0.34	0.14	0.02	0.34
Want of crew (KM in lakh)	366.11	481.25	473.79	87.17	433.33
Others[18] (KM in lakh)	1,262.82	531.65	1,173.78	15,157.52	6,934.41
Total	**1,633.03**	**1,013.24**	**1,647.71**	**15,244.72**	**7,368.08**
Percentage of loss due to want of crew to total	22.42	47.50	28.75	0.57	5.88
Revenue lost for want of crew (₹ in crore)	98.76	147.56	137.34	16.05	95.56
Total revenue lost for want of crew (₹ in crore)	**495.27**				

Source: MIS Reports of STUs

[17] Maintained by the Commissioner of Transport

[18] Includes want of spare parts, repair/breakdowns, accidents, roadblock, strike/bandhs, etc.

It could be seen from the above table that the STUs lost 1,841.65 lakh kms for want of crew (6.8 *per cent*) during the audit period. Audit further observed that this loss had occurred on account of diversion of available crew[19] (more than 3 *per cent* of crew available for work) for other duties (shunting of buses for diesel filling within the depot, operation of light vehicle, cash counting, administrative works etc.) instead of regular fleet operation despite GoTN orders[20] (October 2018) that drivers and conductors should not be used for non-essential services. Due to cancellation of scheduled kilometres for want of crew, the STUs lost additional revenue of ₹495.27 crore during the review period. Further, non-operation of buses as per schedule has affected the reliability of services by the passengers.

The verification of data furnished by four STUs regarding engagement of drivers and conductors for other duties in March 2022 revealed that actual numbers of drivers and conductors engaged for other duties as revealed from the operation data and attendance sheets maintained by Depots were more than the numbers furnished by the STUs. The details of the same are depicted in the following Table:

Table 2.7: Mis-match of data in respect of drivers and conductors not engaged in bus operation

Figures: in numbers

Name of the STUs	Drivers and conductors not engaged in bus duty			
	As per Audit		As per STUs	
	Drivers	Conductors	Drivers	Conductors
MTC	627	757	549	573
TNSTC, Kumbakonam	640	647	218	255
TNSTC, Madurai	366	207	322	162
TNSTC, Villupuram	585	512	132	58

Source: Operation data, attendance sheets and data furnished by STUs

Thus, the STUs have under-reported the data on crew not performing their basic duty of operation of buses which revealed the un-reliablility of data being furnished by STUs. The Government replied (March 2023) that the diversion of drivers and conductors was resorted to considering their old age, fatigue and medical unfitness and steps have been taken to reduce medically unfit persons.

The reply lacked justification due to the reason that the diversion pointed out by Audit mainly included fit persons. For example, in TNSTC, Kumbakonam, only 129 drivers and 45 conductors were unfit for bus duty as on 31 March 2022 as against 640 drivers and 647 conductors pointed out by the Audit and the Corporation had reported lesser number of diversions than the actual persons diverted.

[19] Ranging from 894 to 2093 drivers, 696 to 2056 conductors and 92 to 753 drivers-cum-conductors during the Review period of 2017-22.

[20] G.O 321 to 328 dated 31 October 2018

2.2.11.3 Loss in operating Ghat services

Analysis of financial performance of individual STUs **(Annexure 4)** revealed that TNSTC, Coimbatore had incurred highest loss (₹4819.81 crore) among all the STUs during 2017-22. Further scrutiny in this regard revealed that the STU was operating 387 (77 *per cent*) out of total 505 ghat services, in Ooty Region. On account of operating ghat services, the Region achieved lesser KMPL (ranged between 4.19 and 4.37) when compared to 5.24 to 5.50 achieved by other Regions[21]. The CPKM was also high when compared to other Regions due to lesser tyre life (short by 27,319 KM per tyre), payment of hill allowances, consumption of more fuel, lesser seating capacity, frequent occurrence of natural calamities etc. Even though the fare structure for ghat services was higher by 20 *per cent* of plain road services, the difference in fare was not sufficient to fill up the wider gap between CPKM and EPKM and resulted in huge loss in operating ghat services. During the audit period, the loss incurred by Ooty Region was ₹615.93 crore, out of which loss of ₹194.12 crore was attributable to operation of ghat services.

To a request by TNSTC, Coimbatore (June 2019) to sanction a special fund to compensate the losses incurred due to operation of ghat services, the Government replied (March 2023) that action was in process to compensate the loss of operating ghat services in Ooty Region.

2.2.11.4 Analysis of route-wise performance

STUs prepare route-wise revenue and expenses for analysing and ascertaining loss making routes. For the purpose of analysing the route-wise performance, total costs are considered by apportioning fixed overheads such as employee costs, interest cost etc.

- As per the report of STUs, only three out of 877 routes operated were making profits for the quarter ending 31 March 2022.The STU has apportioned the fixed costs on average basis to derive this report. Using the same data, audit worked out the performance of fleets by considering the variable cost instead of total cost and noticed that only 13 routes made negative contribution and 74 routes made lesser contribution (below 25 *per cent*). Thus, the management can focus on these lesser contributing routes and improve their performance by analysing the reasons for incurring loss.
- The scheduled KMs of higher contributing routes were not operated fully which contributed to loss in these routes. To illustrate, the performance of one route (16B) was analysed which has contribution of 67 *per cent* and noticed that out of scheduled 11,358 KMs, the STU had operated only 4,768 KMs resulting in loss of 6,590 KMs. Similarly for another route (134 SFSF), the contribution was 40 *per cent* whereas the route was operated only for 248 KMs as against the scheduled 15,376 KMs. Had these two routes been operated fully, the STU would have earned additional revenue of ₹2.23 lakh during the month of March 2022 alone.

[21] Coimbatore, Tiruppur and Erode Regions

Thus, the STUs can focus on operation of such high contributing routes on priority basis to avoid loss of additional revenue. This shows that there was lack of study about the contribution from routes. Government replied (March 2023) that action is being taken to operate more fleet in the high collection yielding routes to avoid losses.

2.2.11.5 Implementation of e-ticketing system

M/s Pallavan Transport Consultancy Services (PTCS), an organisation under Transport Department, floated tender for implementation of Global Positioning System (GPS) and General Packet Radio Service (GPRS) based e-ticketing system in September 2012 for real-time tracking of the location of the buses on individual routes and Geo-fencing on the maps, interface for real-time passenger information system including internet/SMS based deliveries. Even though the work order was issued in 2013 with the project period of five years, the project could not be implemented so far (January 2023) due to failure/deficiency of the contractor to execute the project. Further, it became a dispute between STUs and the contractor with each party making counter claims. After failure of the e-ticketing tender, STUs have not taken any alternative actions for obtaining the envisaged benefits.

The Government replied (March 2023) that TDFC is taking steps to purchase and supply GPS and GPRS based e-ticketing system to MTC, TNSTC/Madurai and TNSTC/Coimbatore.

2.2.12 Engagement of employees

Issues faced by the STUs in engagement of employees, including reasons for higher cost of employees are discussed below:

2.2.12.1 Higher employee cost

The total number of employees on rolls of STUs stood at 1,20,354 as on 31 March 2022. Audit compared the cost per employee in TNSTUs with the STUs of neighbouring State (Karnataka) and the details are depicted in **Annexure 6.** It could be seen that cost per employee of KSRTC and KKRTC was lower than cost per employee of TNSTUs. The difference in costs per employee of KSRTC, when compared with TNSTUs were in the range of ₹2.60 lakh to ₹3.21 lakh per annum and that of KKRTC with TNSTUs were in the range of ₹2.45 lakh to ₹3.00 lakh per annum, during 2017-18 to 2021-22.The additional expenditures of TNSTUs, as compared to KSRTC and KKRTC during the period 2017-22, was ₹18,077.98 crore and ₹16,923.81 crore respectively, which showed the need for STUs to utilise their costlier workforce effectively for the viability of operation.

2.2.12.2 Non-revision of norms of staff per bus

Even though the GoTN fixed norms for staff strength from time to time up to October 2010, the norm was not revised subsequently. As per this norm, aggregate of all categories of employees should be 7.18 per schedule service whereas the actual was 6.23 as of March 2022. Audit noticed that the norm was not revised by the Government based on the current operation of bus services.

However, the GoTN directed (September 2018) the STUs to prepare a number statement[22]and the same was prepared by the STUs and submitted to the Government. In the number statement, the STUs had fixed the requirement of staff based on their scheduled services and the actual men-in position. This was approved (October 2018) by GoTN subject to the condition that the number of employees should not be increased without approval of Government. Government noticed excess manpower (44 traffic supervisory staff, 545 technical staff, 1,435 drivers and 1,269 conductors) from the number statement furnished by STUs and hence, Government has ordered not to recruit further staff till the excess staff balances through retirements.

It was noticed from the approved number statements that aggregate of all categories of employees in seven STUs[23] ranged from 6.41 to 6.61 employees per schedule service which shows that each STU has fixed different numbers without common base. Hence, the norm needs to be revised by the Government based on the actual requirement with single base instead of multiple bases.

The Government replied (March 2023) that the number statements were made after considering the prevailing conditions of STUs and there are no issues with the number statement.

The reply lacked justification as the fleet category and technology used in the buses have changed in 12 years after the last revision of norms in October 2010 and one of the STUs namely SETC could operate with 4.95 employees per scheduled service mainly due to engagement of driver cum conductors. Consequently, SETC had incurred lesser employee cost (as highlighted in the preceding para 2.2.8). Hence, revising the norms on scientific basis should be considered with possible changes in category of technicians, drivers and conductors.

2.2.12.3 Unviable Pension Scheme

GoTN introduced (September 2000) Pension Scheme for the employees of all STUs with effect from 01 September 1998 and approved (December 2000) the Pension Fund Rules. The scheme is applicable to all employees, who were on roll as on 01 September 1998 and employed thereafter till 31 March 2003[24]. As per the Pension Rules, all the employer contributions to Provident Fund and the contributions to Family Pension Scheme, which were made prior to the Pension Scheme, should be transferred to the Pension Fund. Further, the STUs have to contribute on monthly basis, 12 *per cent* of the Basic and Dearness Allowance (DA) paid to the employees or at the rates as may be revised by the Government from time to time. The eligible pension is 50 *per cent* of the last drawn basic pay plus applicable DA. Audit noticed that during the period 2017-22, STUs had contributed an aggregate amount of ₹4,498.19 crore **(Annexure 7)** over and above the 12 *per cent* fixed as per the pension

22 Statement showing the current scheduled services and the corresponding posts for drivers, conductors and technical personnel in each department.

23 All STUs except SETC

24 Employees recruited on or after 01 April 2004 are covered under Contributory Pension Scheme introduced by GoTN

rules, which worked out to 31.42 *per cent* of basic and DA. In this regard, Audit observed the following:

- As per actuarial valuation as on 31 March 2022, the fund had a shortfall of ₹30,915.60 crore, which STUs have to pay in ensuing periods to meet the pension liability. The viability of the scheme is thus questionable; and
- STUs are not in position to meet the pension liability out of their own fund, and they depended on loan funds for discharge of the pending liability. Hence, GoTN may consider reimbursing the pension cost over and above certain percentage for better financials of the STUs.

The Government replied (March 2023) that the decision on subsidising the pension cost over and above certain percentage for better financials of the STUs is yet to be finalised. Audit is of the view that delay in taking decision for subsidising the pension would affect the financials of STUs in the ensuing years also due to huge shortfall in the Pension Fund.

2.2.13 Financial Management

2.2.13.1 Abnormal increase in loans due to unviable operation

Total loans of STUs have increased three-fold during the review period (from ₹6,467.66 crore to ₹21,980.88 crore), on account of continuous loss caused by unviable operations, which further got aggravated by COVID-19 pandemic. Consequent to increase in loans, the interest burden on STUs increased from ₹1,006.77 crore in 2017-18 to ₹1,823.45 crore in 2021-22. As on 31 March 2022, the STUs had defaulted the payment of interest on GoTN loans (₹3,048.98 crore) apart from default in repayment of GoTN loan (₹5,286.08 crore) and TDFC loan (₹19.04 crore).

The Government stated (March 2023) that the proposal to convert the existing loans along with interest into equity is under process.

2.2.13.2 Bus Body building

GoTN had inter alia ordered[25](March 2017) for procurement of 245 chassis for MTC on which body building has to be done by it on in-house basis. However, it allocated 55 chassis to three STUs and decided for body building of 65 chassis on its own. The balance 125 chassis were outsourced for body building with the approval (February 2019) of GoTN. It was noticed that the actual cost of body building by other STUs was ₹13.13 lakh and by MTC was ₹13.26 lakh per chassis whereas the cost of construction through outsource basis was only ₹10.54 lakh per chassis. Thus, the additional expenditure of ₹3.19 crore[26] could have been avoided had the body building of entire 245 chassis been done on outsource basis.

The reply of the Government was silent on the additional expenditure pointed out by audit.

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[25] GO No.13 dated 15.3.2017 issued by Transport Department

[26] 65 chassis X (₹13.26 lakh - ₹10.54 lakh) + 55 chassis x (₹13.13 lakh - ₹10.54 lakh) = ₹3.19 crore

2.2.13.3 Delay in shifting from bulk price to retail price of HSD

STUs procure HSD from Central Sector Oil Marketing Companies (OMCs[27]) by entering into agreements from time to time at bulk rates. The latest such agreement was entered into during August and November 2020. The bulk prices of OMCs were cheaper than the retail selling price (RSP) till January 2022 but was higher than the prevailing RSP thereafter. The difference between bulk price and RSP in the subsequent fortnights[28] also increased. STUs have the facility to monitor bulk prices from the Integrated Institutional Business Portal of IOCL and bulk prices intimated on fortnightly basis by HPCL through emails. Despite such differences and availability of facilities to monitor prices, STUs continued to purchase HSD at bulk price till 18 March 2022 and shifted to retail suppliers for a lower price w.e.f. 19 March 2022. This resulted in additional expenditure of ₹26.06 crore to STUs during 01 February 2022 to 18 March 2022 (46 days).

The Government replied (March 2023) that arrangements were made with oil companies to supply HSD at depots at retail prices considering the issues in getting supply at retail outlets such as more dead KMs, need for monitoring at retail outlets, pilferage etc. The reply lacked justification as the issues pointed out were controllable and they should have resorted to filling of HSD till alternative arrangements were made.

2.2.14 Revenue Augmentation

GoTN increased[29] fares of STUs in January 2018 by 20 *per cent* to 88.89 *per cent* in city/town buses depending on the stages of travel and by 33.93 *per cent* to 54.55 *per cent* in mofussil and express buses depending on the type of buses/services. Despite increase in fares, the total income increased only by13.82 *per cent* in 2018-19 as compared to 2017-18 and in 2019-20, it decreased by 4.42 *per cent* as compared to 2018-19. The reasons for the non-increase of revenue despite fare revision are discussed below:

2.2.14.1 Loss of revenue due to decreasing patronage

The patronage for buses of STUs declined year after year because of passengers moving to personal and private transports in view of better facility, comfort etc. The decline hastened when the fare revisions was announced with steep rise in fares after long period. Last fare revision was made in January 2018 after making revision in November 2011. A graph showing decline in the passenger patronage is shown below:

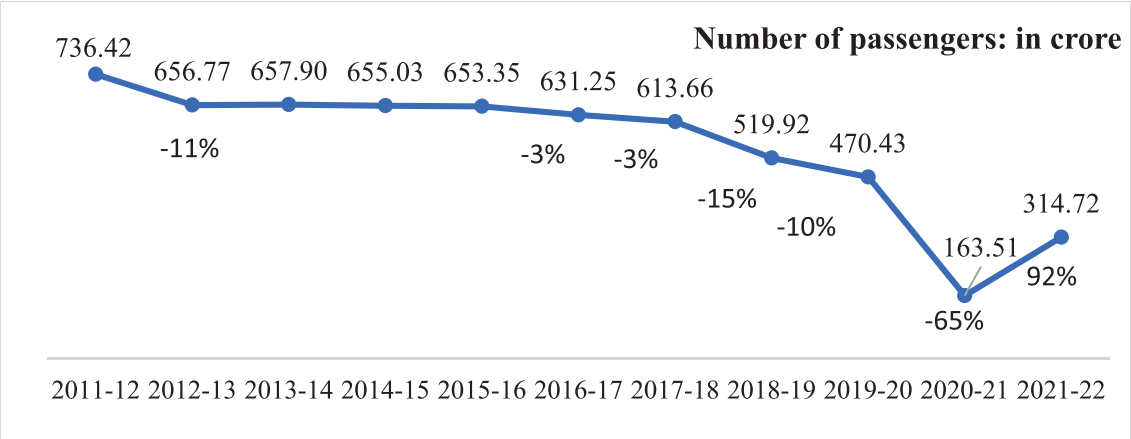
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27 OMCs are Indian Oil Corporation Limited (IOCL), Bharat Petroleum Corporation limited (BPCL) and Hindustan Petroleum Corporation Limited (HPCL)

28 ₹0.34 per litre on 03 February 2022, ₹0.40 per litre on 17 February 2022, ₹4.13 per litre on 02 March 2022 and ₹6.47 to ₹23.18 per litre on 16 March 2022.

29 Apart from revision of fares, GoTN levied cess on various categories of travel, which are not considered for computing increase in fares. For comparison, the fare partially reduced with effect from 29 January 2018 has been considered.

Chart 2: Graph showing decline in number of passengers in all STUs during the years 2011-12 to 2021-22



Source: Data furnished by STUs

Audit observed that the sharp decline in passenger patronage during 2018-19 and 2019-20 was mainly due to the impact of steep hike in fare made in January 2018 after a gap of more than six years. It may be seen from the graph that the reduction in patronage was 15 *per cent* and 10 *per cent* respectively. Audit worked out that the STUs lost revenue to the extent of ₹4,076.62 crore during 2018-19 and 2019-20[30] due to reduction in patronage as compared to the year 2017-18.

The Government replied (March 2023) that STUs have been taking continuous efforts to draw the passengers from other mode of transport to public transport mode and thereby, significant increase in number of passengers travelled increased from 1.42 crore per day in 2018-19 to 1.74 crore per day in January 2023.

The reply lacked justification as STUs lost revenue to the extent of ₹4,076.62 crore during 2018-20 due to sudden steep hike in fares made in January 2018 and consequent loss of passenger patronage. Periodical revision of fares needs to be effected and steps should be taken for further increasing of passenger patronage using full potential of STUs.

2.2.14.2 Reduction in HSD subsidy

STUs use HSD as fuel for their operation and its price is determined by OMCs. As the prices of HSD are varying in nature based on market conditions, GoTN was granting HSD subsidy from 2012 onwards, which is equivalent to the difference between purchase price and base price.

The base price of HSD prevailing in September 2012 ranged from ₹42.98 to ₹43.73 per litre. Thus, STUs were compensated by the subsidy for the increase in HSD price over and above the base price. However, GoTN stopped granting of HSD subsidy to STUs in view of fare revision made with effect from 20 January 2018 but resumed the same from October 2018 with retrospective

[30] The impact of fare revision could not be assessed by Audit for the years 2020-21 and 2021-22 due to COVID 19 restrictions and shut down of services based on directions of the Government.

effect from 20 January 2018. Audit, however noticed that while resuming the HSD subsidy, the base price was revised to 2018 price i.e., ranging from ₹62.85 to ₹63.94 per litre as against the previous base price of ₹42.98 to ₹43.73 per litre. Thus, apart from loss of fare revenue due to drop in passenger patronage, STU also lost subsidy revenue due to increase in base price. Thus, GoTN indirectly took away fare revision benefits to the extent of base price increase of HSD, which was not factored in the fare revision.

The Government replied (March 2023) that action has been initiated to revise the base price and the same is in process.

2.2.14.3 Loss borne by STUs in respect of students' concession

As per the GoTN order[31](20 May 2004), students of all schools (including private) are provided with free travel bus passes. Similarly, college students (including private) are given 50 *per cent* concessional travel bus passes. As per the formula prescribed for reimbursement for MTC, the total reimbursement per month for each student would be the face value of tickets for the free travel at 60 trips per month. However, for other STUs, reimbursement was restricted to 56 *per cent* of face value of ticket for 60 trips.

Audit observed that the reasons for disparity in reimbursement for other STUs corresponding to MTC was not on record. Audit noticed that MTC received concession to the extent of ₹490.53 crore during the review period due to considering of 100 *per cent* utilisation, while other STUs received lesser revenue to the extent of ₹619.35 crore for the same period due to reimbursement of 56 *per cent* of the face value of ticket.

The Government replied (January 2023) that it has initiated for reimbursing the subsidy to all other STUs fully and the action is in process. However, the fact remains that the reimbursement of the subsidy had not been done fully during the audit period.

2.2.14.4 Failure to utilise the potential to earn rental income through the properties of STUs

Apart from earning revenue through operation of buses, STUs earn income through advertisements, renting of properties, sale of condemned buses, mail subsidy, etc. In order to earn additional source of income, GoTN granted[32] permission (September 2017) for setting up of retail outlets for selling of fuel and lubricants to general public in 100 places owned by the STUs with contribution from Oil Manufacturing Companies (OMCs). The STUs has to operate these outlets by employing drivers and conductors, who were not able to perform their original duties.

Audit noticed that even before issue of above order, MTC had given its land at three places to OMCs in 2004/2005 itself and earned aggregate rental income of ₹3.88 crore during 2017-22. Further, IOCL had submitted (July 2017) a proposal to GoTN stating that it had already identified 80 STU depots for setting up of retail outlets and further depots could be identified in due course of time. This showed that there was ample scope for revenue generation by renting the land to IOCL. However, STUs failed to commence even a

[31] GO No.135 dated 20 May 2004
[32] G.O (Ms) No. 358 dated 22 September 2017

single retail outlet due to delays in getting approvals for the sites, delay in finalisation of OMCs based on best commercial offer, etc. The approximate revenue forgone on account of this delay worked out to ₹129 crore[33].

The Government highlighted in its reply (March 2023) various steps taken to improve the utilisation of assets of STUs. It also added that the efforts taken by GoTN and STUs in this regard would be converted into implementation for augmenting non-operational income.

2.2.15 Diversion of funds

2.2.15.1 Contributory Pension Scheme

GoTN introduced[34] (February 2005) Contributory Pension Scheme (CPS) for Employees of STUs recruited on or after 01 April 2003. As per guidelines referred in the GO, each employee shall make monthly contribution of 10 *per cent* of Basic Pay and DA from his salary to the Contributory Pension Scheme. A matching contribution shall be made by the STUs. Both the contributions for each month shall be transferred to Pension Fund Regulatory and Development Authority (PFRDA) or after obtaining approval from PFRDA, to any authorised agency approved by PFRDA. In this regard, Audit noticed that the STUs have neither transferred the fund to PFRDA nor obtained approval for transfer of contributions. However, they have exhibited both the contributions as liability along with interest allowed thereon (₹4,565.67 crore, as of March 2022). Audit observed that the funds not so transferred were not backed by any assets in the form of bank deposits, bonds, treasury bills etc., as they have been used for day-to-day activities of the STUs. Thus, STUs have unauthorisedly diverted more than ₹4,500 crore belonging to employee towards its working capital needs which was irregular.

Government replied (March 2023) that the funds were not transferred to the authority due to continuous cash loss.

The practice of utilising money belonging to the employees for covering the losses of the STUs is not proper.

2.2.15.2 Provident Fund

In case of Provident Fund, the STUs have to remit the employees contribution to the Provident Fund Trust regularly upon its collection. However, the STUs did not remit the funds to the Trust and exhibit the amount as liability in their books of accounts. As the funds were not regularly transferred to the Trust, the STUs have to bear the losses of the Trust in settling the dues. In this regard, the amount not transferred worked out to ₹1,960.93 crore as on 31 March 2022 which was violation of order[35] of GoTN. The loss to be borne by STUs on this score worked out to ₹2,512.19 crore.

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33 ₹3.88 crore*100 (outlets granted)/3 (existing outlets)

34 GO No.8 Dated 18.02.2005

35 Provisions of the Provident Fund and Miscellaneous Provisions Act, 1952 are not applicable to the employees of STUs, who were on rolls as on 01 September 1998 and appointed thereafter till 31 March 2003, due to order passed by GoTN in September 1998 (within the powers of Section 16 of the Act) to introduce Pension Scheme to them. as referred in the preceding Para 2.2.15.1. As per the Government orders, employer contribution is made to Pension Fund instead of Provident Fund. Hence, only employees' contributions are remitted to the Provident Fund Trust in respect of aforesaid employees. Employer as well as employee contributions to Provident Fund are not applicable to employees recruited on or after 01 April 2003 due to introduction of CPS to them.

Government replied (March 2023) that the loss of the Trust has been accounted in the books of accounts of STUs due to non-remittance of employee's contribution to the Provident Fund Trust accounts. The reply of Government clearly indicates that loss due to non-remittance of employee provident fund should be borne by the STUs.

2.2.15.3 Cess

While revising the fares in January 2018, GoTN ordered for collection of Cess from the passengers of all STUs for utilising the same to meet expenses relating to accident compensation, accident prevention measures and Toll fee. In this regard, the Government issued orders for formation of a common trust[36] (Cess Fund Trust). Accordingly, TDFC formed the Trust and opened separate Bank Account for each STU. Principal Secretary to Government, Transport Department instructed (April 2019) all the STUs to transfer the Cess so collected to their respective bank account with intimation to the Cess Fund Trust and the Government. The details of collection and utilisation of cess and the amount held in bank accounts during the audit period are given in **Annexure 8.**

During the five-year period, cess fund collected was ₹1,697.94 crore and interest earned thereon was ₹12.81 crore. Out of the total amount of ₹1,710.75 crore, the amount paid to accident victims and their families was only ₹1,155.56 crore. Thus, against the closing fund balance of ₹554.95 crore (31 March 2022), the balance held by STUs in the bank account was only ₹62.69 crore resulting in diversion of ₹492.26 crore for the day-to-day operations of six STUs (except SETC and TNSTC, Salem). It is pertinent to note that these STUs had a liability of ₹401.29 crore (March 2022) towards accident compensation and thus the cess amount collected from the passengers were not utilized for the designated purposes. In view of above diversion of funds, STUs would have to borrow huge amounts to settle the above dues, which would further worsen the situation.

The Government cited (March 2023) the losses incurred by STUs as the reason for diversion of above cess fund. The reply lacked justification as the funds collected from passengers for a specific purpose should not be diverted for other purposes.

2.2.16 Passenger Survey

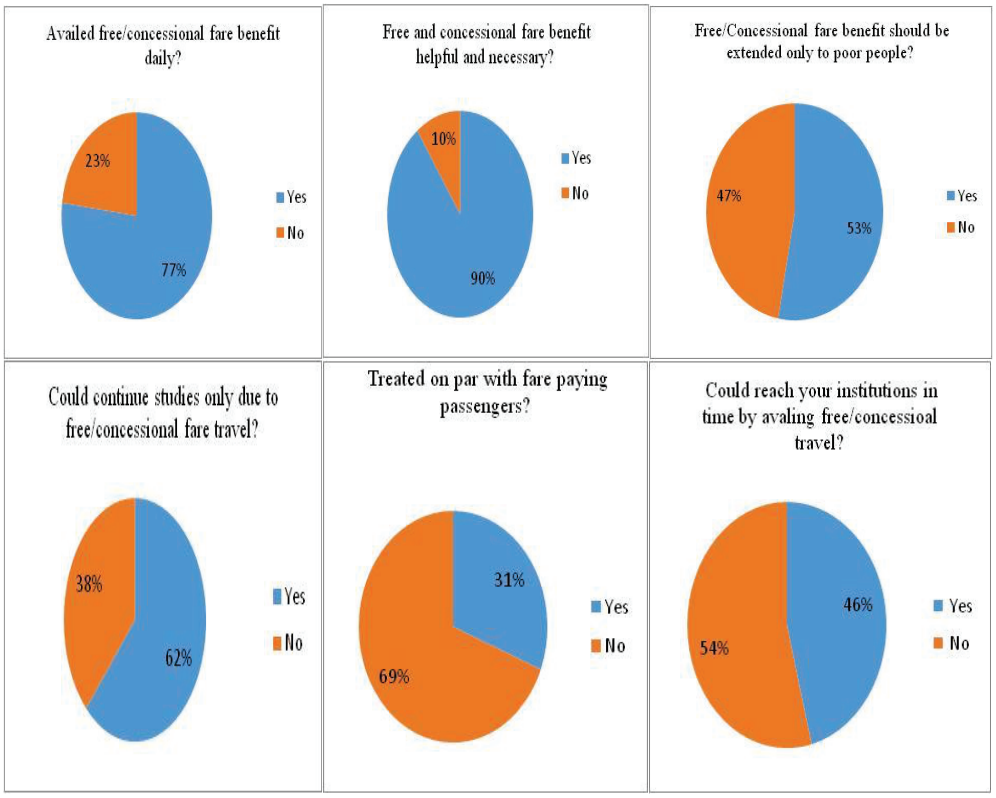
To assess the quality of services extended to public by the STUs, a passenger survey was conducted by Audit along with officials of all the eight STUs, covering 2,700 respondents during October 2022. The passengers who travelled in various types of STU buses (town/mofussil/long distance/interstate) were interviewed through a questionnaire. The details of responses of the passengers who travelled in the buses of STUs are given below:

[36] Tamil Nadu State Transportation Corporation Accident Compensation & Toll Fee Fund Trust

i) Survey on free/concession travel allowed to women, students etc.

The survey was conducted with 741 passengers (Students, women etc.) travelled in ordinary town buses by availing free/concessional fare benefits. The survey results are depicted below:

Chart 3: Survey results on free/concession travel allowed to women, students

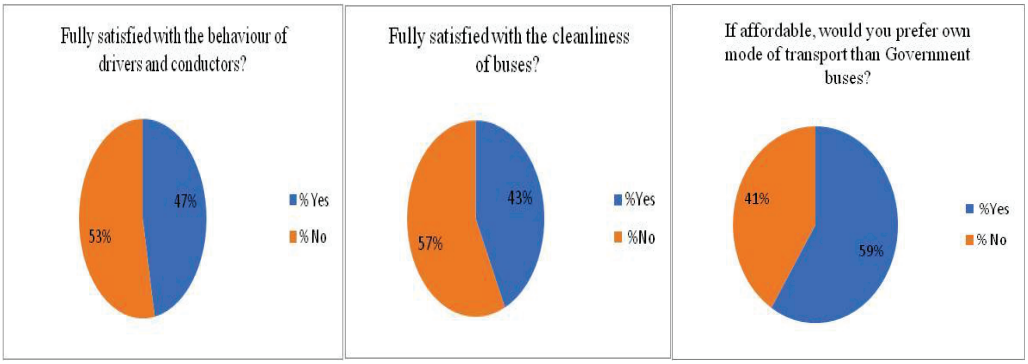


It was observed that 54 *per cent* students expressed the view that they could not reach their institutions in time due to insufficient number of buses operated, late arrivals, non-stopping of buses at bus stops, etc. 56 *per cent* of the passengers stated that they could save on an average of ₹637 per month from the concessions. Thus, it could be concluded that the concession extended were beneficial and helpful to the public but need improvements.

(ii) Survey of passengers travelled in town and mofussil buses

Survey conducted with 1,241 passengers of town and mofussil buses revealed the following:

Chart 4: Survey results of passengers travelled in town and mofussil buses

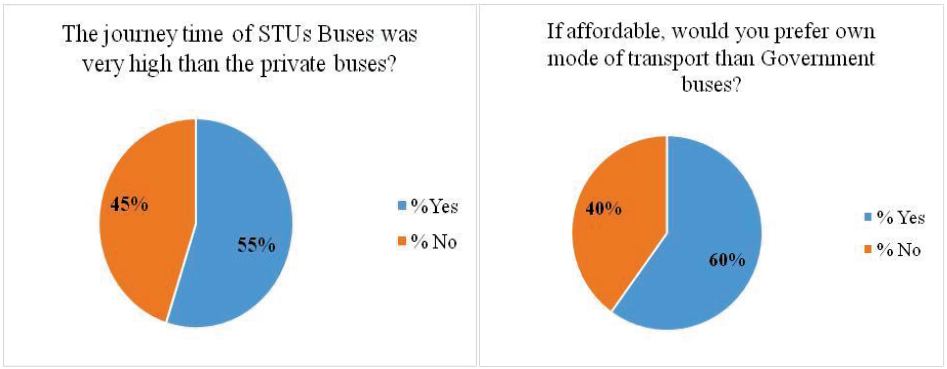


It could be seen that 59 *per cent* of the passengers preferred own mode of transport if they could afford, for which, they have cited lack of sufficient buses, higher journey time, lack of punctuality as the main reasons. In case of non-arrival or delayed arrival of STU buses, 57 *per cent* of the passengers stated that they would prefer private buses for their journey.

(iii) Survey of passengers travelled in long-distance intra-state buses and inter-state buses

Survey conducted with 537 passengers of long-distance intra-state buses revealed the following:

Chart 5: Survey results of passengers travelled in long-distance intra-state buses and inter-state buses



It could be seen from the above chart that 60 *per cent* of passenger choose own mode of transport if they could afford, citing lack of punctuality, insufficient buses etc. Apart from this, 71 *per cent* respondents stated that they choose STUs buses over trains due to reasons such as non-availability of seats, inconvenient train timings etc. In the case of inter-state buses, 122 respondents (28 *per cent*) suggested that additional amenities such as drinking water and charging facility were required to be provided.

Thus, the STUs have to introduce more buses (especially in long routes) to capture the demand caused by trains besides keeping their time schedule, maintain cleanliness and improve the behaviour of drivers and conductors to retain the passengers travelling regularly in STU buses.

The management replied (January 2023) that the crews are given frequent training and special session conducted to arrest the complaints. Further, it was

stated that new buses will be introduced in long distance routes to maintain running time and avoid delay to get the patronage of the public. The Government also, in its reply (March 2023) highlighted various steps taken in this regard.

The fact, however, remains that, the measures proposed are yet to be implemented and the results of the survey can be considered for further betterment of the STUs.

2.2.17 Monitoring and Control

The details of the operational parameters are updated by the STUs in the database, which are monitored by the Secretary, Transport Department. The annual plans are monitored on quarterly basis by the Board of Directors. The following deficiencies were noticed in the area of monitoring and control:

2.2.17.1 Inadequate internal audit system

The STUs appoint Internal Auditors from external agencies for conducting Quarterly Internal Audits as required under Section 138(1) of the Companies Act, 2013 and the Audit Reports are being reviewed by the Board of Directors. The Board of Directors of TNSTC, Tirunelveli, in their 51st Meeting dated 23 March 2022, commented that that the observations of Internal Audit were stereotype in nature without pointing out any specific deficiency. Audit also observed that the Internal Auditors should be encouraged to examine certain special areas to offer suggestions for improvement and betterment of STUs apart from general checks assigned to them.

The management replied (January 2023) that specific audit area has been assigned every quarter and the coverage of 100 *per cent* check is being ensured and suggestions for improvement of Internal Control procedures in that area is discussed and adopted. GoTN replied (March 2023) that TNSTC, Tirunelveli has issued elaborate scope of audit for internal auditors in the financial year 2022-23 after incorporating few modifications in the existing scope of work.

2.2.18 Conclusion and Recommendations

Conclusion

The entire investment of the Government in STUs has been eroded by the accumulated loss of STUs as they could not ensure their operational and financial efficiency. The total overheads of the STUs remained significantly higher than the contribution due to abnormal employee expenses which was higher when compared to neighbouring STUs.

The policy/mechanism relating to assessment of requirement of buses was deficient/defective as the STUs do not have any specific plan to introduce new buses and to replace the age-old buses in a phased manner. The STUs were not able to keep pace with the growing demand for public transport in the State and the annual plans of STUs did not address any action plan to bring back the passengers who shifted to private modes.

STUs lost 1,841.65 lakh KMs on account of non-operating the scheduled services due to diverting the available crew for other duties in violation of the

Government Orders. As a result, STUs were deprived of additional revenue to the extent of ₹495.27 crore. The STUs analysed the route wise performance by taking into account the total cost, instead of variable cost for meaningful analysis and improvement. The Internal Audit system prevalent was also weak and deficient.

Fare revision has not been implemented annually as directed by the Government. GoTN fixed the base price of 2018 instead of 2012 for extending HSD subsidy thereby making STUs to suffer loss. Disparity in reimbursement of students' concession among STUs resulted in receipt of lesser revenue to the extent of ₹619.35 crore by seven out of eight STUs from the Government. Pension scheme was devised without any study of its viability and the rate prescribed (12 *per cent*) in the Pension Rules was not revised after 2003 despite a provision in the Rule. Due to this, the STUs had to contribute more funds to settle the dues which worked out to ₹4,498.19 crore.

STUs diverted funds collected under Contributory Pension Scheme (₹4,565.67 crore), Provident fund (₹1,960.93 crore) and Accident claim provision cess (₹492.26 crore) for its working capital needs thereby depriving the pensioners and accident victims their due share. The survey conducted by Audit revealed that majority of passengers were dissatisfied with the quality of services of public transport and due to their response, they were opting to private owned transport services.

Recommendations

The STUs may:

- take action to rectify the deficiencies in the annual plans and prepare long-term plans for better utilisation of full potential to augment revenue;
- strengthen its fleet by replacing its over-aged buses by purchasing new buses through effective management of financial resources;
- to operate the scheduled services without cancellation, by not diverting the available crew to other duties;
- utilise the costlier manpower effectively for their viability;
- consider revising the rate prescribed in Pension Rules by bringing the fact to Government about higher contribution resulting in financial burden to STUs;
- analyse various opportunities to improve the utilisation of assets of STUs for augmentation of additional revenue;
- analyse route wise performance by considering the variable cost alone for improvement; and strengthen its internal control system by setting service standards, MIS etc.

The State Government may consider revising the men per bus norm instead of number statement and reimbursing the actual cost of free/concessional travel facility to all STUs without any disparity and periodical revision of fares.

Tamil Nadu Generation and Distribution Corporation Limited

2.3 Avoidable additional expenditure

Failure of TANGEDCO to factor the mandatory payment clause stipulated in the MSME Act in the tender document for procurement of conductor, resulted in avoidable additional expenditure of ₹ 57.06 crore.

Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO) floated (February 2021) an e-tender[37] for procurement of 30,000 Kms of 7/2.50 mm All Aluminium Alloy (AAA) conductor for effecting agriculture tatkal scheme[38] work for the year 2020-21. The price bids of eligible bidders were opened (May 2021) and found that M/s Siri Conductors Manufacturers, Warangal (new entrant) was the lowest bidder (L1) at ₹23,815.42[39] per kilometer (all inclusive) after negotiation. As the bidder offered only 3,000 Kms (being new entrant) against the tendered quantity of 30,000 Kms, the L2 bidders were requested (May/June 2021) to match the L1 price. In response, 17 out of 22 L2 bidders accepted (24 June 2021) to match their price to L1. However, the bidders requested for making payments within 45 days from the date of acceptance of materials against the existing payment condition of 90 days and to consider quarterly delivery schedule against the monthly delivery schedule mentioned in the tender clause.

TANGEDCO in view of expiry of the validity period (28 June 2021) and to consider the bidders' suggestion, requested (23 June 2021) them to extend their validity up to 31 August 2021 and the same was accepted by all the 17 bidders. However, the above modifications for payment and delivery schedule were submitted to Board Level Tender Committee (BLTC) belatedly on 23 August 2021 (after 62 days from the date of acceptance of price due to avoidable delays at each stage[40]) which was accepted by BLTC on the same date.

In the meantime, since the validity of the tender was expiring by 31 August 2021, a request was again sent (21 August 2021) to all bidders to extend the validity of the bid up to 30 September 2021, which was turned down by the bidders and hence, the tender was cancelled.

Subsequently, another tender[41] was floated (January 2022) for supply of 60,000 Kms AAA conductor by including the terms to pay within 45 days from the date of acceptance of material and the quarterly delivery schedule.

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37 Spec.48/2020-21

38 Under Agriculture Tatkal Scheme, TANGEDCO will provide electricity connection to agricultural sector in priority within a reasonable period by collecting a fixed amount.

39 Ex-works price - ₹19,706.56 plus P&F, freight and GST

40 Date of acceptance of price – 24 June 2021
Submission to Tender Scrutiny Committee (TSC) – 19 July 2021 (25 days)
Recommendation to BLTC by TSC – 7 August 2021 (20 days)
Submission of TSC's recommendation to BLTC – 23 August 2021 (17 days)

41 Spec. M-50/2021-22

After evaluation and negotiation, the rate of L1 bidder (M/s. ANVIL Cables Private Limited, Jharkhand) was finalised at ₹42,834/Km (all inclusive). Totally 26 purchase orders were issued (February 2022) to L1 bidder and 25 others (who matched the price of L1). The suppliers have supplied (August 2022) nearly 70 *per cent* of the material and payments has been made/invoiced accordingly.

In this connection, the following observations are made:

a) The main reason for delay in finalising and consequent cancellation of the first tender was due to delay in taking decision to accept the payment condition and delivery schedule of materials. Even though the BLTC accepted (23 August 2021) the proposal of incorporating the payment condition and delivery schedule, TANGEDCO failed to take immediate action to communicate the same to the bidders and to issue purchase orders within the accepted/extended time schedule (31 August 2021).

b) It is pertinent to mention that Micro, Small and Medium Enterprises (MSME) Act 2006 (Act), provided that, for the goods and services supplied by the MSME units, the buyer has to make payment to the sellers within 45 days. Since the above firms were MSME units, the payment clause of 45 days was a mandatory one as per the said Act and the request of the bidders should have been accepted by TANGEDCO immediately. Further, the new tender was finalised with the payment condition of 45 days and quarterly delivery schedule. Thus, failure to adopt the payment terms as per the MSME Act was a failure of TANGEDCO which resulted in cancellation of the first tender.

c) All the 22 bidders who were found to be eligible in the first (lodged) tender were again selected in the tender that was finalised in January/ February 2022 and the orders were issued to them. Thus, the suppliers who offered lower price in May 2021 were unduly benefitted by awarding the contract at higher price within one year.

d) The price finalised in the first (lodged) tender (M-48) was ₹23,815.42, whereas new tender was finalised at ₹42,834 thereby incurring additional expenditure of ₹57.06 crore [(₹ 42,834.00 – ₹23,815.42) * 30,000 Kms].

Thus, TANGEDCO delayed finalization of the first tender where the demands of the bidders were in line with the MSME Act. This resulted in loss in procurement at a much lower price than the price quoted in the second tender. The additional expenditure to TANGEDCO was ₹57.06 crore.

The Government replied (February 2023) that in view of prevailing fund crisis, TANGEDCO could not include the mandatory payment clause stipulated in the MSME Act, 2006 in the particular tender. It added that the rate awarded in the second tender was also reasonable.

The reply is not acceptable as non-inclusion of mandatory payment clause of MSME Act, 2006 in the first tender was unjustified which led to its cancellation. Further, the reply that the revised rate was reasonable was an afterthought. The difference in rate caused a huge loss to TANGEDCO which

was avoidable.

Recommendations:

Government should ensure that

(i) the mandatory payment clause stipulated in the MSME Act, 2006 should be incorporated in all the future procurement tenders and

(ii) responsibility should be fixed on the concerned officials for the undue delay in submitting the proposal to BLTC which forced TANGEDCO to incur additional expenditure.

2.4 Avoidable expenditure

Failure of Gas Turbine due to non-adherence to mandatory Major Inspection schedule resulted in avoidable additional expenditure of ₹42.73 crore towards repair cost and payment of penalty for short utilisation of natural gas

The Valuthur Gas Turbine Power Station (VGTPS) was commissioned in 2003 (Phase-I) to generate 95 MW power using natural gas. As per the recommendation of the Original Equipment Manufacturer (OEM)[42], the Major Inspection (MI)[43] for Gas Turbine (GT) is mandatory to be carried out after every 48,000 operating hours. The second MI was due in April 2018, but the first indent was initially raised by the power station in April 2018 and again (November 2018) Headquarters/TANGEDCO was reminded by the unit stating that skipping or postponing OEM recommendation might lead to major failure of GT.

When the OEM was requested (September 2018/January 2019) to furnish the budgetary offer for carrying out the MI, it insisted on release of the pending dues (₹8.50 crore). After the pending payment was released (March 2019) by TANGEDCO, the offer for all the spares was furnished (April 2019) by the OEM. It was also suggested (May 2019) by the OEM to install the upgraded version of turbine components - Advance Gas Parts (AGP) as the same has major benefits like increased output and increased exhaust energy with reduction of heat rate. Based on their suggestion, a revised indent for ₹123.88 crore was submitted (June 2019) by the power station for approval.

After having discussions/negotiations with the OEM, administrative approval was accorded (May 2020) to entrust the MI works to BGGTS, for ₹1.77 crore and to procure the required parts for ₹117.70 crore, considering the delivery period of spares, period of loan sanction and other procedure formalities. After finalising financial tie-up with M/s. Tamil Nadu Power Finance and Infrastructure Development Corporation Limited (TNPFC), TANGEDCO issued the purchase order for supply of materials and issued the Works Contract for carrying out MI works in August 2020.

Most of the GT spares ordered were supplied in September 2020 and it was proposed to carry out the MI from 02 December 2020 to 07 January 2021 (37

[42] The OEM for VGTPS is M/s. BHEL Gas Turbine Services (P) Limited, Hyderabad.

[43] During MI, the entire GT will be subjected to inspection by dismantling completely and certain major parts would be replaced with new ones.

days). The pre-performance test[44] was planned from 26 November 2020. However, due to longer service hours, the Unit tripped three days prior to the schedule (23 November 2020) when the GT clocked 69,000 service hours and the MI works could not be taken up as scheduled.

The OEM inspected the site (26 November 2020), opened the machine, and noticed severe damages. Hence, the OEM suggested that the GT rotor required replacement along with stator vane kit and all the capital parts of entire GT. As the MI was already planned and the required materials were procured, the contract was issued (29 December 2020) to OEM for repairing the failed GT rotor at a cost of ₹13.92 crore and for repairing the exhaust frame and load gear box of GT (February 2021) for ₹2.22 crore. The entire works were completed, and the Unit synchronized with grid on 18 July 2021. The comparison of originally planned dates for MI and allied works with the actual dates of carrying out the works are as below:

Details	Start date	End date	Number of days
Planned	02 December 2020	07 January 2021	37
Actual	30 November 2020	18 July 2021	230

From the above, it could be seen that against the planned period of MI for 37 days, the actual days taken was 230 days. Audit analysis of inordinate delay revealed the following:

- The first MI was carried out only at 72,450 hours in 2012 instead of in 2009 and the delay had caused heavy damage of major turbine parts and the rotor was replaced[45].

- The OEM remarked (October 2019) that the GT was overdue for next MI and cautioned that such a delay in MI would lead to high adverse impact on the life and stability of GT which might lead to forced long shut down. Despite this warning, TANGEDCO has delayed the proposal.

- The second MI had to be taken up in April 2018 based on the fired hours. However, the proposal itself was initiated only in April 2018 thereby delaying the MI schedule further. But the same could not be taken up immediately because of the pending dues (₹8.5 crore) which was not settled by TANGEDCO. Considering the materiality of the due amount and the importance of MI, TANGEDCO should have settled the dues before the scheduled MI in April 2018.

- TANGEDCO incurred additional repair and maintenance expenditure amounting to ₹16.14 crore (towards repairing the failed GT rotor at a cost of ₹13.92 crore and repairing the exhaust frame and load gear box

[44] For measuring the status of parameters before replacing the AGP parts and to fix the instruments

[45] Observation included in Report No.5 of 2017 – Performance Audit relating to Government Companies – Para 2.1.13.

of GT at ₹2.22 crore). This repair work was not covered in the initial scope of the contract awarded for MI and occurred only due to breakdown of the equipment on 23 November 2020 as per the observation of the OEM.

- Due to prolonged shutdown of the plant, the power station could not utilise the agreed quantity of natural gas from M/s. GAIL during the financial year 2020-21 and hence, a penalty of ₹22.53 crore was paid (October 2021) for shortfall quantity of 3,37,52,203 Standard Cubic Meter (SCM) in Annual Minimum Guaranteed off take (MGO) as per the Gas Sales Agreement[46]. In addition, ₹4.06 crore (representing GST) was also paid to GAIL in November 2021 (total ₹26.59 crore).

- Due to failure of GT and consequent shutdown of the plant, power could not be generated for more than seven months from December 2020. Considering three months time for carrying out the MI and related works (based on the actual time taken by the OEM), the extended closure for an additional four months under forced shut down has resulted in loss of generation of 228.96 MUs[47]. During 2020-21, TANGEDCO had purchased power from various sources at an average rate of ₹4.81 per unit against the average cost of generation at VGTPS which was only ₹3.02 per unit during 2019-20 (previous year cost considered, since the unit was under shutdown for most of the period in 2020-21). Resultantly, TANGEDCO incurred additional expenditure to the tune ₹40.98 crore[48] on account of purchase of power from various sources during these four months due to non-generation of power.

Thus, failure on the part of TANGEDCO to take timely action on the OEM's recommendations for MI led to the gas turbine operating beyond its optimal capacity thereby causing severe damages for which the company had to sustain unwarranted expenditure of ₹ 16.14 crore in addition to the payment of penalty of ₹26.59 crore on account of shortfall in Annual Minimum Guaranteed Takeoff of Natural gas from GAIL. Further, purchase of costly power for ₹40.98 crore resulted in additional expenditure and losses to TANGEDCO.

The Government replied (February 2023) that the budgetary offer of OEM was obtained in April 2019/July 2019 (due to delay in releasing pending payment to OEM), administrative approval obtained in November 2019, TNPFC loan sanction in August 2020 and programmed to carry out MI in December 2020. Further, it was stated that the losses incurred was because of factors beyond the control of TANGEDCO.

The reply is not acceptable as TANGEDCO had already experienced severe loss in 2012 on postponing the MI and hence TANGEDCO was aware of the consequences of delaying the MI. Further, there were avoidable delays at each and every stage despite warnings from the field office and OEM. The

[46] Clause 5.2 - Take or Pay Quantity Obligation of the Gas Sale Purchase agreement

[47] Four months generation, taking into account the average generation achieved during 2019-20 (ie., 686.881 MUs*4/12 = 228.96 MUs)

[48] Loss of generation of four months *(Average power pooled cost of the TANGEDCO for the year as per TNERC (₹ 4.81)-Cost of power generation of VGTPS (₹ 3.02))

negligence by TANGEDCO to take timely action despite prudent advice has resulted in adverse financial consequences.

Recommendations:

TANGEDCO should strictly follow the maintenance schedules in future and fix responsibility for the inordinate delays at various stages of the MI approval process.

2.5 Avoidable expenditure

Non-availing the zero cost portal for online bidding process resulted in avoidable expenditure of ₹ 17.82 crore

The Government of Tamil Nadu (GoTN) launched (February 2016) the e-Procurement portal through National Informatics Center (NIC) for adoption of electronic tendering procedures in consonance with Tamil Nadu Transparency in Tenders Act 1998 and Tamil Nadu Transparency in Tenders Rules 2000.

Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO) and Tamil Nadu Transmission Corporation Limited (TANTRANSCO) decided (January 2017) to adopt e-Tendering process in their procurement activities with effect from January 2017 in line with the above GoTN order and the tender inviting authorities were instructed to adopt e-tendering mode. However, TANGEDCO continued to utilise the services of both MSTC[49] and NIC even though NIC was offering their services free of cost, whereas MSTC was extending the service on payment basis[50].
However, the decision to adopt the NIC e-Procurement was communicated to the field offices only in April 2019, i.e, after a lapse of six months from the date of decision (September 2018).

Audit observed that during the intervening period (February 2017 to April 2019), the wings of TANGEDCO (Hydro, Coal, Materials Management, GTS wing etc.) continued to utilise the services of MSTC (in addition to NIC) and incurred additional expenditure of ₹14.52 crore towards service charges.

Even after issue of Circular (April 2019) to disengage the services of MSTC, TANGEDCO continued to engage MSTC and incurred service charges of ₹3.30 crore.

Thus, the delay in taking decision by TANGEDCO and implementing the same for e-tender process through the freely available NIC service has resulted in avoidable payment of service charges amounting to ₹17.82 crore[51] by TANGEDCO for utilising the services of MSTC instead of NIC (**as detailed in Annexure-9**)

Government replied (February 2023) that MSTC takes care of all works from publication of tender to selection of qualified bidder whereas NIC provides

[49] MSTC-formerly known as Metal Scrap Trade Corporation Limited is a Public Sector Undertaking which provides E-Commerce related services offering e-auction/e-sale, e-procurement services and development of customized software/solution.

[50] MSTC was raising invoices at different rates for various services viz, 1.75 *per cent* of order value for e-tendering services (sale of scraps, fly ash etc.), ₹5,000 per event for e-procurement services and ₹18 per ton plus applicable GST for import of coal).

[51] Service charges paid @ ₹5,000 per event were also excluded considering materiality.

only e-portal, and the entire work has to be carried out by TANGEDCO which require sufficient training to the engineers for floating the e-tender-cum-reverse auction procedures.

The reply is not tenable because, the TANGEDCO has accepted that NIC's services are highly secure, fast & efficient, cuts down costs, designed and developed based on Tender Transparency Act. Further, its sister PSU (TANTRANSCO) had utilised the services of NIC only, for its e-tendering process, free of cost. The required training for the concerned staff of TANGEDCO could have been sourced from NIC (as mentioned in G.O.Ms.No.207 dated 04 July 2017). Thus, the reply of TANGEDCO is unjustified.

Recommendation:
The Government should fix responsibility on the concerned officials of TANGEDCO for delay in implementing the orders despite clear instruction to avail the free service of NIC and for ignoring the directions of Headquarters.

2.6 Non-realisation of revenue

Non-revision of the lease rent as per the guideline value and non-claiming of lease rent after the expiry of lease agreement, led to non-realisation of lease rent of ₹11.80 crore.

Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO) entered (May 1998) into a Power Purchase Agreement (PPA) with M/s Madurai Power Corporation Private Limited (MPCPL), Madurai[52], an Independent Power Producer (IPP) for supply of 106 MW of power using liquid power[53] (7*15.143 MW diesel engines). The agreement was valid for 15 years from the commercial date of operation (COD) of the plant (September 2001). For generating power, MPCPL had set up power plant in TANGEDCO's land measuring 19.40 acres located at Samaya Nallur, Madurai and executed (January 1999) a Land Lease Agreement (LLA) for a period of 20 years valid up to January 2019.

As per Article 3 of LLA, TANGEDCO was entitled for lease rent with revision once in three years. The lease rent would be calculated at 14 *per cent* of the market value (as assessed by the Revenue Authorities) of land prevailing at that time. In this regard, the District Revenue Officer/Madurai clarified (February 2009) that higher of the guideline value as fixed by the Government and the market value as received from the Sub-Registrar office has to be considered for working out the land value.

Based on the above, TANGEDCO worked out the lease rent from 2001 to 2010[54]. When the latest market value was requested in February 2010, by TANGEDCO, the Revenue authorities indicated an incorrect value of ₹14,388/cent for 2010 even though the existing market value for 2007 was ₹42,000/cent. To the subsequent clarification in this regard sought for by

52 Former name "M/s. Balaji Power Corporation Private Limited"
53 The liquid fuel to be used is Low Sulphur fuel oil
54 ₹25,54,623 per annum (up to February 2004); ₹29,18,026 per annum (up to February 2007) and ₹1,15,15,386 per annum (up to February 2010)

TANGEDCO, there was no response from Revenue Authority till date (June 2023) despite lapse of more than 10 years. Since the market value could not be obtained from the Revenue authorities, the lease rent subsequent to the period (after February 2010) was fixed (10 February 2010) by TANGEDCO by enhancing the lease rent by 15 *per cent* of previously fixed rent.

The PPA expired in September 2016 and the validity of LLA ended in January 2019. As requested by MPCPL, the validity of LLA was extended (August 2019) by TANGEDCO for one year (up to January 2020) or until the completion of dismantling of 106 MW power plant whichever is earlier at the same terms and conditions of the existing lease agreement. As seen from the records, the machineries were also not dismantled and not removed by MPCPL till date (December 2022). Therefore, MPCPL was liable to pay lease rent till date (December 2022). However, the lease rent for the period up to February 2018 was paid by MPCPL or adjusted against the outstanding amounts[55] but the lease rent for subsequent period from March 2020 till date (December 2022) was not claimed by TANGEDCO.

In this connection, Audit observed the following:

- Even though the revenue authorities were requested by the field level of TANGEDCO[56] from the year 2010 onwards for ascertaining the exact market value, there was no response to TANGEDCO's requests. But the non-receipt of market value for more than 10 years from revenue authorities was not taken up with the highest level of Revenue Department through the Headquarters of TANGEDCO. Failure to do so indicated TANGEDCO's lack of seriousness in protecting its own financial interest.
- As per the guidelines of government, the lease rent is to be collected at 14 *per cent* per annum, which is revisable once in three years based on the market value or guideline value whichever is higher. However, TANGEDCO fixed the rate by enhancing the erroneously fixed[57] previous rate by 15 *per cent* without any justification.
- As the market rates were not readily available, the lease rent should have been revised based on the guideline value which is available online. Audit worked out the minimum[58]differential lease rent (taking into consideration the guideline value) to be receivable from MPCPL for the period from September 2016[59] (after the expiry of PPA) to February 2019 as ₹4.44 crore**.** Failure to revise lease rent based on guideline value led to non-realisation of revenue to that extent.
- MPCPL has not dismantled the machineries installed at TANGEDCO's land till date (December 2022) and hence, it is liable to pay lease rent till entire vacation. However, TANGEDCO failed to raise demands for the period from February 2020 to December 2022

[55] Represents the amount payable by TANGEDCO towards purchase of power from MPCPL.

[56] Superintending Engineer, Madurai Electricity Distribution Circle.

[57] Amount fixed without considering either guideline value or market value.

[58] Since the guideline value will always be lesser than market value, this working is considered as minimum.

[59] The lease rent up to the validity of the PPA (September 2016) was treated as a pass-through item (as directed by Tamil Nadu Electricity Regulatory Commission) and it is loss to TANGEDCO for the subsequent period.

which was worked out by Audit based on the prevailing guideline value as minimum as ₹7.36 crore.

Thus, due to non-revision of the lease rent as per the guideline value (September 2016 to February 2019) and non-claiming of lease rent for the period from February 2020 to December 2022, led to non-realisation of minimum ₹11.80 crore **(Annexure 10)** towards lease rent.

The Government replied (February 2023) that due to non-receipt of market value of the land from the Revenue officials, the lease rent was calculated on the available guideline value and MPCPL was addressed (February 2023) to remit ₹11.92 crore based on Audit observation. It added that the District Revenue Officer has been addressed again to communicate the market value to revise the lease rent and once the details were received, the lease rent would be revised accordingly.

However, the fact remains that TANGEDCO could not get the market value till date and ₹11.92 crore (minimum) is yet to recovered (June 2023).

Recommendations:

TANGEDCO may –

- ***take up the issue of non-availability of market value immediately with appropriate levels of Revenue Department and revisit the already raised demands to realize the appropriate lease rent amount without any further delay.***

Government may –

- ***direct its concerned revenue officials to furnish the market value without further delay so as to enable TANGEDCO to claim the lease rent as per agreed terms and conditions.***

Tamil Nadu Minerals Limited, Tamil Nadu Magnesite Limited and TIDEL Park Coimbatore limited

2.7 Avoidable expenditure

Failure of PSUs to restrict their share of contribution towards Employees' Provident Fund to the statutory limit resulted in avoidable excess contribution of ₹5.52 crore (for two years)

Employees' Provident Fund (EPF) and Miscellaneous Provisions Scheme, 1952 (Scheme) is applicable to all Public Sector Undertakings (PSU) in the country and both the employer and employee have to contribute towards the scheme every month. Para 29 (1), 29 (2) and 26 A (2) of the Scheme stipulates that the contribution payable by an employer should be 12 *per cent* of basic wages, Dearness Allowance (DA) and Retaining Allowance (if any) and such contribution should be limited to the ₹15,000[60] per month, in case, the monthly pay exceeds ₹15,000 per month. Accordingly, the PSUs were required to restrict their employer's contribution to ₹1,800 (12 *per cent* of maximum wage). Out of 12 *per cent* of such limited wage (₹15,000), 8.33 *per cent*[61] (₹1,250) has to be deposited in Employees' Pension Scheme (EPS) and balance 3.67 *per cent* (₹550) has to be transferred to EPF.

Audit test checked the implementation of above Act in nine PSUs[62] of Tamil Nadu where the scheme is applicable and the PSUs having accumulated loss for the past two-years (2020-21 and 2021-22). The verification of records revealed that out of nine PSUs test checked, six PSUs[63] have correctly transferred the 12 *per cent* amount (limited to ₹1,800 p.m.) to EPS and EPF whereas three PSUs have contributed 8.33 *per cent* of ₹15,000 (₹1,250) as their share towards EPS first and transferred the balance amount of 12 *per cent* of their actual wages towards EPF without restricting to ₹550 (representing 3.67 *per cent* of ₹15,000). This has resulted in excess contribution of ₹5.52 crore **(Annexure-11)** towards employer's share of PF in respect of employees of the above three PSUs who were members of the scheme and were drawing monthly salary of more than ₹15,000 during the above period.

Considering the financial position of these PSUs and their inability to meet out the day-to-day working capital needs, these PSUs should have restricted its employer contribution to the statutory ceiling of 12 *per cent* of ₹15,000 (₹1,800) as required by the Scheme. Failure to do so had resulted in excess contribution of ₹5.52 crore[64] towards EPF in respect of employees who were members of EPF and EPS.

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60 With effect from September 2014

61 As per Section 6A of Employees' Pension Scheme

62 Nine PSUs which are having accumulated loss and EPF applicable

63 Tamil Nadu Sugar Corporation Limited, Tamil Nadu Tea Plantation Corporation Limited, Perambalur Sugar Mills Limited, Arasu Rubber Corporation Limited, Tamil Nadu Handloom Development Corporation Limited and Tamil Nadu Salt Corporation Limited.

64 Tamil Nadu Minerals Limited (₹3.93 crore) and Tamil Nadu Magnesite Limited (₹1.54 crore), TIDEL PARK Coimbatore Limited (₹0.05 crore)

The Government replied (March 2023) that the PSUs were contributing EPF equally with its employee's contribution since incorporation and the EPF scheme did not explicitly prohibit employers from making excess contribution. The reply is not justifiable as the PSUs are having accumulated losses and hence, they could restrict their contributions as per the Act to safeguard their financial interest as being done in other six sister PSUs.

Recommendations:

1. ***The PSUs concerned should immediately take action to restrict their contribution towards EPF limited to ₹1,800 to safeguard their financial interests and to minimise losses.***
2. ***The Government should give direction to the PSUs which are incurring continuous losses and the Act is applicable, to make contribution of employers at 12 per cent of the pay, restricted to maximum of ₹1,800 per month.***

Part II – Receipts Audit

CHAPTER III

INDUSTRIES, INVESTMENT PROMOTION AND COMMERCE DEPARTMENT

3.1 Non-filing of Statutory returns by granite lessees – penalty not levied – ₹ 74.85 lakh

Penalty not levied for non-filing of the half yearly and annual returns resulted in non-collection of penalty of ₹ 74.85 lakh in respect of 221 granite lessees.

As per Rule 41(a) and (b) of the Granite Conservation and Development Rules, 1999, the Owner, Mining Engineer or Manager of every granite quarry should submit to the State Government or the authorised person, a half yearly return in Form 'F'[1] and an annual return in Form 'G'[2]. As per Rule 47 of the rules *ibid*, Penalty up to five thousand rupees is leviable for non-compliance to the provisions of these Rules.

During test check of records by audit in seven Offices[3] of the Deputy Director/ Assistant Director, Department of Geology and Mining for the period 2019-2022, the returns required to be filed under clauses (a) and (b) of Rule 41, were not filed by 221 out of 224 lessees in four offices[4]. Audit observed that penalty of ₹ 5,000 for non-filing of both half-yearly and annual returns (for each return) was not imposed under Rule 47 of the rules *ibid*. This had resulted in non-collection of penalty of ₹ 74.85 lakh in respect of 221 lessees as detailed in **Annexure 12**.

The matter was reported to the Department and to the Government (January 2023). The Government replied (March 2023) that an amount of ₹ 15 lakh has since been collected and action has been initiated by issuing demand notices for collection of the balance amount from the defaulting lessees. Further reply is awaited (June 2023).

Recommendation:

The Government should monitor and periodically review the system of filing of mandatory returns due from the lessees and direct the department to collect the penalty leviable in the event of non-compliance to the rules.

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1 Half yearly return for every half year ending 30 September and 31 March before 15th of the following month for the preceding half yearly period to be filed by the lessee regarding details of quarry, lease and details of mining.

2 Annual return shall be submitted before 1 July of each year for the preceding year by the lessee regarding details of quarry, lease and details of mining.

3 Deputy Director, Geology & Mining - Salem, Dharmapuri, Krishnagiri, Assistant Director, Geology & Mining - Kancheepuram, Sivagangai, Tirunelveli, Erode.

4 Deputy Director, Geology & Mining - Dharmapuri, Krishnagiri, Assistant Director, Geology & Mining -Tirunelveli, Erode.

HOME (TRANSPORT) DEPARTMENT

3.2 Non-levy of renewal fees and non-collection of tax on vehicles with invalid registration

VAHAN data of 11 RTOs revealed that out of 36,756 vehicles with registration status shown as 'Active', renewal fees amounting to ₹ 1.22 crore were not levied in 35,576 non-transport vehicles and annual tax amounting to ₹ 3.65 crore was not collected in cases of 1,180 construction equipment vehicles having invalid registration.

As per Section 39 of Motor Vehicles Act, 1988, no person shall drive any motor vehicle unless the vehicle is registered in accordance with the Registration of Motor Vehicles.

As per Section 41 (8) of the Act *ibid*, an application by or on behalf of the owner of a motor vehicle, for the renewal of a certificate of registration shall be made within such period and in such form, containing such particulars and information as may be prescribed by the Central Government.

According to Rule 52(3) of Central Motor Vehicles Rules, 1989, a motor vehicle other than a transport vehicle shall not be registered for the purposes of Section 39, after the expiry of the period of validity entered in the certificate of registration and no such vehicle shall be used in any public place until its certificate of registration is renewed.

Rule 81 of the Central Motor Vehicles Rules, 1989, prescribes the fee for renewal of registration. The Government of India *vide* notification dated 29 December 2016[5] prescribed the fee for renewal of Two-wheeler/Light Motor Vehicle as ₹ 300/₹ 600.

As per clause 6C of First Schedule to the TNMVT Act, tax in respect of Construction Equipment Vehicles (CEV), was collectable at ₹10,000 per annum.

- Test check of VAHAN[6] data relating to 10 Regional Transport Offices (RTOs)[7] audited during 2020-2021 and 2021-2022, revealed that registration of 35,576 non-transport vehicles were with registration status 'Active' in the data even though the fees for renewal was not paid. This resulted in non-levy of renewal fees of ₹1.22 crore on vehicles with invalid registration.
- Similarly, a test check of VAHAN[8] data relating to 11 Regional Transport Offices (RTOs)[9] audited during 2021-2022, revealed that

[5] Government of India Notification GSR 1183(E) Ministry of Road Transport and Highways dated 29 December 2016

[6] Portal for Ministry of Road Transport and Highways

[7] RTOs - Chennai Central, Chennai North West, Chennai South, Coimbatore North, Coimbatore South, Hosur, Red hills, Salem West, Tambaram and Vellore.

[8] Portal for Ministry of Road Transport and Highways

[9] RTOs - Chennai Central, Chennai North West, Chennai South, Coimbatore North, Coimbatore South, Hosur, Redhills, Salem West, Tambaram, Trichy (East) and Vellore.

the registration of 1,180 Construction Equipment Vehicles were with registration status 'Active' in the data even though the annual tax was not collected. This resulted in non-collection of tax of ₹3.65 crore.

On expiry of the validity period, the software should indicate the status of the vehicle as "inactive" if the fee or tax was not paid for these vehicles instead of showing it as "Active". In the absence of validation control in the software, the status of all the vehicles is shown as "Active" irrespective of the fact whether the fee/tax was paid or not. This allows the vehicles to ply on the road without proper renewal of registration. This had resulted in non-levy of renewal fees and non-collection of tax on vehicles with invalid registration which amounted to ₹ 4.87 crore **(Annexure 13 and 14)**.

On being pointed out (between December 2020 and December 2022), the department collected registration renewal fees of ₹ 1.66 lakh from 448 non-transport vehicles and blacklisted 5,949 non-transport vehicles. Further action taken in respect of the remaining 29,179 non-transport vehicles is awaited from the department. In the case of CEVs, the department collected tax of ₹11.63 lakh for 50 CEVs and blacklisted 296 CEVs. Further action taken in respect of the remaining 834 CEVs is awaited from the department.

The matter was reported to the Government (October and December 2022) and their reply is awaited (June 2023).

Recommendation:

The Government may issue suitable instructions

(i) to incorporate validation checks in the VAHAN system to ensure that the correct status is displayed based on the period of validity of registration and subsequent collection of renewal fee for registration.

(ii) to raise and collect the rightful tax in respect of 1,130 vehicles and ensure a systematic mechanism to collect the tax from all CEVs in a time bound manner.

(iii) to collect all the dues promptly in respect of those vehicles whose status is shown as 'Active' presently in the system and blacklist the non-compliant CEVs till the clearance of tax dues and payment of renewal of registration fee.

Part III – Expenditure Audit

CHAPTER IV

ENVIRONMENT, CLIMATE CHANGE AND FORESTS DEPARTMENT

4.1 Environment clearance for conservation of coastal ecosystems in the State of Tamil Nadu

4.1.1 Introduction

The marine environment, which includes oceans and adjacent coastal areas, plays a vital role in our lives. Oceans are regulators of global climate, an important sink for greenhouse gases and serve as the reservoirs of biodiversity. The state of Tamil Nadu has a coastline of 1,076 km (14 *per cent* of the total coastal length of India) with 14 coastal districts and stretches along the Bay of Bengal, the Indian ocean and the Arabian sea. Besides the coastal waters, the other major ecosystems found in the coastal environment of the State are mangroves, coral reefs, sea grass, mud flats, estuaries/backwaters, lagoons etc. Coral reefs act as a barrier against wave action along the coastal areas thus preventing coastal erosion. These ecosystems are home to many important and endangered marine animals that depend on sea and ocean for their existence. The coastline also supports a huge human population with its rich marine resources. Increasing human population, urbanisation and accelerated developmental activities have put enormous pressure on the coastal districts affecting the fragile marine ecosystems in the State.

4.1.2 Regulation activities in coastal areas

Government of India (GOI) notified the Coastal Regulation Zone (CRZ) Notification, 1991 to ensure the livelihood security of fishermen and other local communities living in the coastal areas and to conserve and protect coastal stretches besides promoting development in a sustainable manner. Provisions of CRZ notification, 2011 declared the land area from High Tide Line to 500 m on the landward side along the sea front as CRZ area. The Notification also imposed restrictions on setting up and expansion of industries from operating in the CRZ areas. CRZ Notification was revised in 2011 and in 2019. CRZ Notifications had demarcated the entire coastal areas of Tamil Nadu into zones, with only permitted activity allowed in these zones. Under the CRZ notification 2011, the coastal regulated areas are categorised from CRZ I to CRZ IV as detailed below:

CRZ I areas which are ecologically sensitive which play a role in maintaining the integrity of the coast.

- Mangroves and 50 m buffer area; corals, coral reefs and associated biodiversity; sand dunes; biologically active mudflats;
- National parks, marine parks, sanctuaries, reserve forests, wildlife habitats and other protected areas notified as biosphere reserves;
- Salt marshes; turtle nesting grounds; horse shoe crab habitats; sea

grass beds; nesting grounds of birds; areas or structures of archaeological importance/heritage sites/area lying between the Low Tide Line and High Tide Line Only projects *viz*., Harbours; Atomic energy, pipeline conveying system, oil exploration etc., are allowed with permission.
CRZ II: areas within the existing municipal limits/other urban areas which are substantially built-up with drainage, approach roads and other infrastructural facilities. Buildings on landward side of existing road, reconstruction of authorised building, etc., are allowed with permission.
CRZ III: Areas relatively undisturbed /do not belong to either CRZ-I or II; This includes coastal zone in the rural areas, areas within the existing municipal limits or other urban areas which are not substantially built up. No Development Zone upto 200 m from High Tide Line except specified projects. Beach resorts, hotels are allowed between 200 and 500 m with permission.
CRZ IV: designated to the water area from the Low Tide Line to 12 nautical miles on the sea ward side and inland waters influenced by tide. Discharge of untreated sewage, effluents, solid waste and ballast water not permitted.

4.1.3 Organisation Structure

In order to assess and address the environmental impacts of projects in the State, Ministry of Environment, Forest and Climate Change (MoEF&CC) created Tamil Nadu State Coastal Zone Management Authority (TNSCZMA) which is reconstituted every three years, latest in September 2021. TNSCZMA is headed by the Additional Chief Secretary, Environment, Climate Change and Forests Department and comprises six official members, four expert members and an NGO. The State Environment Impact Assessment Authority[1] (SEIAA) was constituted in March 2008 by Government of Tamil Nadu (GoTN) which is reconstituted every three years, latest in January 2022. GoTN also formed State Expert Appraisal Committee[2] to assist SEIAA. GoTN constituted District Coastal Zone Management Authorities[3] (DCZMA) in June 1998 in the coastal districts of the State.

Major activities entrusted to Coastal Zone Management Authorities are:

- Preparation of Coastal Zone Management Plan
- Assessment of projects, recommending for CRZ clearances and grant of CRZ clearance of projects based on the category of the projects.
- Enforcement of provisions of the notifications and monitoring compliance.

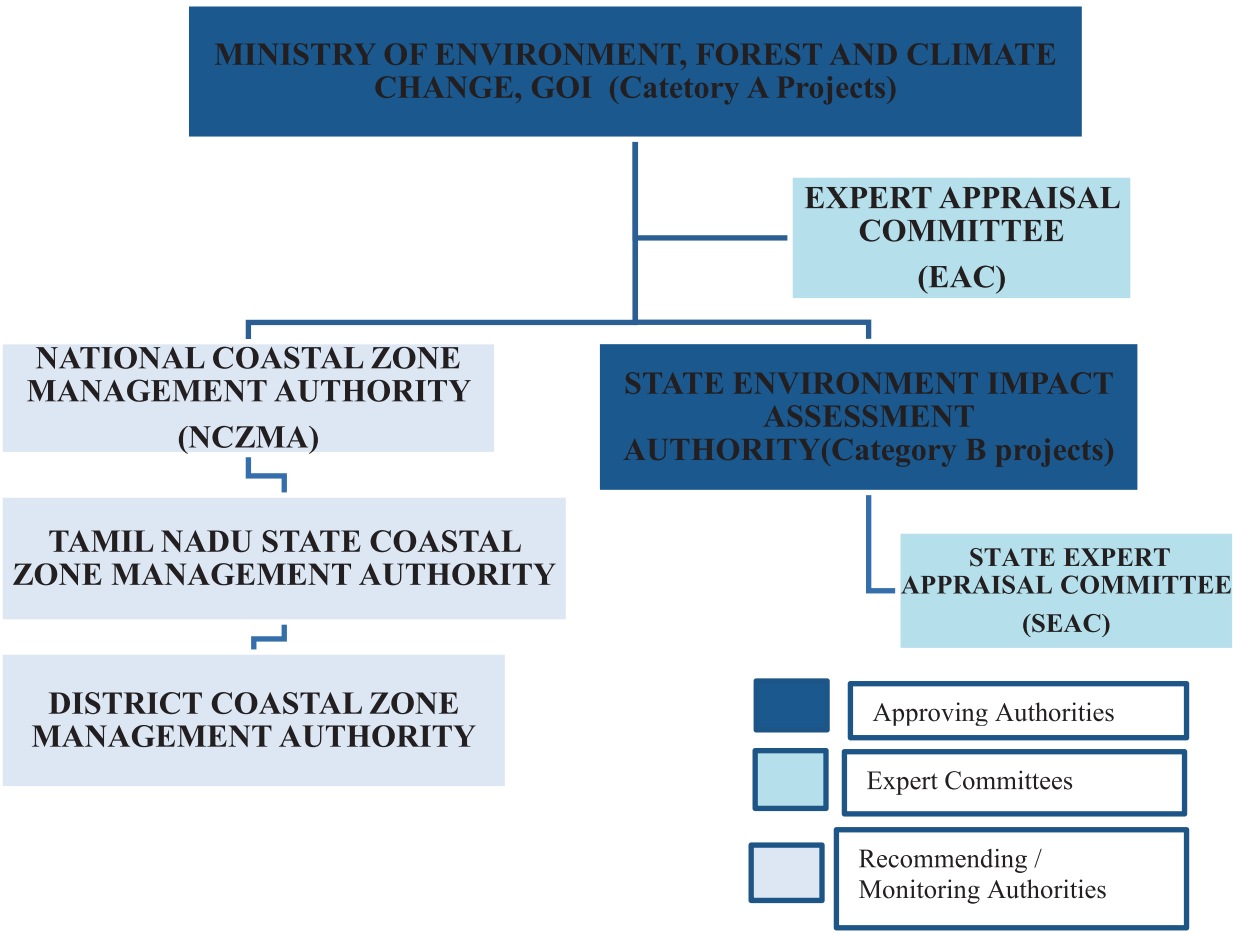
[1] SEIAA comprises the Chairman and Member nominated by Government. The Member Secretary is the Director of Environment of Government of Tamil Nadu.

[2] SEAC consists of Chairman (retired IAS officer), Member Secretary (TNPCB Member Secretary) and 12 members from different fields.

[3] DCZMA comprises the Chairman who is District Collector, Vice Chairman and four Members. The Convenor of DCZMA is District Environmental Engineer, Tamil Nadu Pollution Control Board (TNPCB).

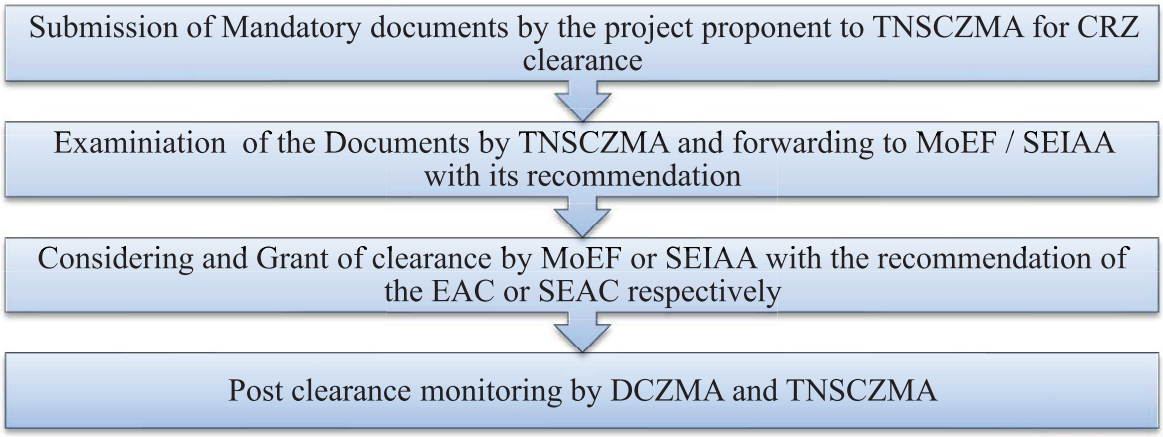
EIA Notification 2006 (Para 4) categorises all projects and activities into two categories viz., Category A and Category B. Category A projects, which are bigger projects with relatively higher threshold limits are required to obtain Environmental Clearance from MoEF&CC, while the projects with lesser threshold limits (including extension, modernisation, etc.) are under Category B and will have to obtain Environmental Clearances from SEIAA.
The organogram of approving authorities, expert committees and monitoring authorities of activities in CRZ area is shown below:

Chart 1 - Organogram



The process of grant of CRZ clearances under CRZ notification and for post clearance monitoring is depicted in the **Chart 2** below:

Chart – 2: The process of Grant of CRZ Clearance and Post Clearance Monitoring:



4.1.4 Audit Objectives

The objectives of the audit are to ascertain whether:

- the institutional mechanism exists in the State to regulate the activities in CRZ areas as per the provisions of CRZ notification 2011 and is efficient;
- due procedure is adopted in recommending / granting CRZ Clearance; and
- the mechanism for post clearance monitoring exists and is effective.

4.1.5 Audit Criteria

The following sources of audit criteria are adopted:

- Environment (Protection) Act, 1986.
- Environment Impact Assessment Notification, 2006.
- Coastal Regulation Zone Notification, 2011 as amended.
- Water (Prevention & Control of Pollution) Act, 1974 and Rules made thereunder.
- Recommendations to project proposals by TNSCZMA.
- Conditions imposed by the TNSCZMA, SEIAA and MoEF&CC in CRZ Clearances

4.1.6 Audit Scope and Methodology

Audit was conducted between October 2020 and June 2021 besides updating the details during January 2023 and February 2023 covering the period 2015-16 and 2021-22 by scrutiny of records in the Government Secretariat, Department of Environment, Climate Change and Forests and their field offices and offices of Coastal District Environmental Engineers. Audit also conducted

Joint Physical Inspections (JPIs) of selected projects[4] with the jurisdictional Environment Engineers. Further, audit utilised Geographic Information System (GIS) mapping to ascertain CRZ violations. An Entry conference was held with Additional Chief Secretary, Environment, Climate Change and Forests Department on 8 October 2020 in which audit objectives, criteria, scope and methodology were discussed. The Exit Conference was held on 20 June 2023 with the Additional Chief Secretary to Government, Environment, Climate Change and Forests Department wherein the observations were discussed. The replies furnished by the Government (June 2023) were considered and duly incorporated in the relevant paragraphs of the Report.

4.1.7 Acknowledgement

We acknowledge the cooperation extended by the officers of the Environment, Climate Change and Forests Department, Planning and Development Department, Tamil Nadu Pollution Control Board, district level offices and other related offices in production of documents for audit scrutiny.

Audit Findings

4.1.8 Institutional and Regulatory Mechanism

4.1.8.1 Delay in preparation of Coastal Zone Management Plan

The primary objective of demarcation of Coastal Regulation Zone is to conserve coastal stretches with its unique environment, to ensure livelihood to local communities and to promote its sustainable development. Coastal Zone Management Plan (CZMP) is a document which includes various regulation lines *viz*., High Tide[5], Low Tide[6] and Hazard Lines[7], Coastal Zone management maps, Local level Coastal Zone Management Maps with classification of CRZ areas and Critically Vulnerable Coastal Areas etc. CZMAs use this plan to evaluate projects and identify violations.

The process of preparation of CZMP, as per the provisions in Para 5 of CRZ notification, 2011, is depicted below:

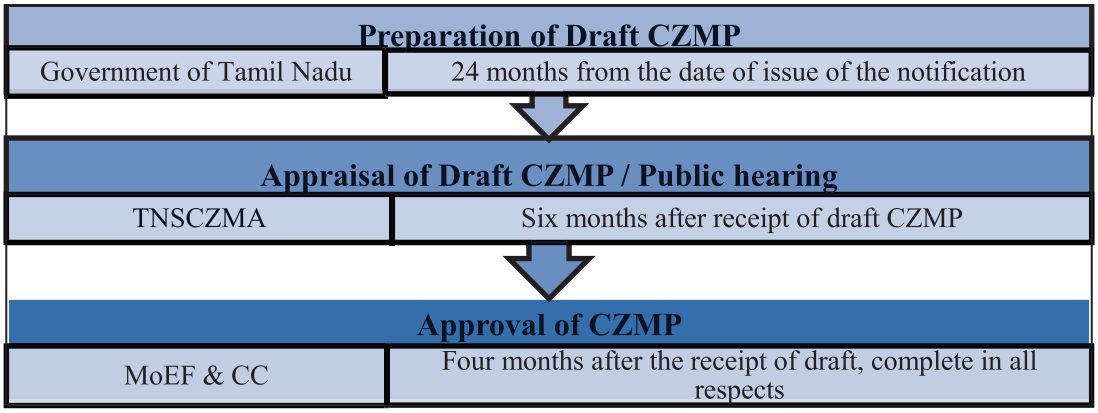
4 During 2015-20, MoEF&CC approved 40 projects; During 2015-22, TNSCZMA approved 135 projects and audit selected 08 and 22 projects respectively.

5 the line on the land up to which the highest water line reaches during spring tide.

6 the line on the land up to which the lowest water line reaches during spring tide.

7 the line at which natural hazards like adverse weather incidents and tsunami are likely to impact.

Chart 3 -Process flow in preparation of CZMP



Coastal Regulation Zone notification was issued on 06 January 2011 and the preparation of CZMP for Tamil Nadu was due for completion by October 2013. However, audit noted that the process of preparation commenced only in September 2016, based on reminder from MoEF&CC, after a delay of more than three years. The preparation of CZMP was completed in August 2018, after a delay of five years from the scheduled date of completion.

TNSCZMA replied (November 2020) that the process of preparation of CZMP commenced in September 2013 but was stopped due to stay order of Hon'ble National Green Tribunal (NGT) in March 2014 due to non-conduct of public hearings. The process was re-commenced in September 2016. The reply is not tenable as the stay order related to public hearing in Villupuram district and NGT passed final orders vacating the stay order in April 2014 itself.

4.1.8.2 Delay in preparation of Local level Coastal Zone Management Maps

As per CRZ Notification 2011, Local level Coastal Zone Management Maps should be prepared on a Cadastral scale[8] in accordance with the CZM Maps approved by GOI for use by officials of local bodies to facilitate implementation of CZMPs.

Audit observed that, though the GoTN approved the project for preparation of local level CZM Maps at a cost of ₹ 2.99 crore in September 2017 itself, an agreement was entered (March 2020) into with Institute of Remote Sensing, Anna University after a delay of 30 months. Scrutiny of records revealed that shape files of approved High and Low Tide Lines, ecologically sensitive areas, etc. as specified in the Memorandum of Understanding were not provided by the Department to the Consultant till October 2020. Preparation of Local CRZ maps for the 13 coastal districts in the State was scheduled for completion in a phased manner[9] but the same was not completed till February 2022.

Government replied (June 2023) that preparation of Local Level CZMP Maps was completed in June 2022 and communicated to the field officials and line departments for implementation. The fact, however, remained that surveillance

[8] Village maps in 1:3960 or nearest scale, which shall be used as the base maps.

[9] Four priority districts viz., Chennai, Tiruvallur, Chengalpattu and Villupuram by June 2020; subsequent four districts by October 2020 and balance five districts by March 2021.

as per CRZ provisions in the local areas was not undertaken for more than five years due to delay in completion of the Local Maps. Audit also noticed instances of unauthorised building construction in CRZ areas which remained unmonitored till date as discussed in the **Paragraph 4.1.9.9**.

4.1.8.3 Non-representation of local traditional coastal communities in DCZMAs

The CRZ notification was issued in 1991. Subsequently, in 2011, the notification was re-issued with the provision for creation of DCZMA under the Chairmanship of District Collector with three representatives from Local Traditional Coastal Communities including Fisher men folk, to assist the TNSCZMA was included.

Audit observed that the district level authorities were not formed with representative from Local Traditional Coastal Communities even after 11 years from the implementation of CRZ notification, 2011.

Government agreed and stated (June 2023) that it had issued (May 2023) instructions for reconstitution of the DCZMA and four districts have complied with the instructions and included fisher men representatives in the DCZMA. The Government may speedily ensure representation of the local traditional community in these coastal bodies.

4.1.8.4 Non-creation of dedicated website for TNSCZMA

In order to ensure transparency in the functioning of the CZMAs, CRZ Notification 2011 mandates TNSCZMA to create a dedicated website for posting approved CZMPs, minutes and decisions taken in the meetings of the authority, cases of violations and action taken on them, etc. Audit observed that no such dedicated website was created by the TNSCZMA till date (March 2023).

Government replied (June 2023) that creation of dedicated website for TNSCZMA was entrusted to Tamil Nadu e-Governance Agency, Chennai in February 2023.

4.1.8.5 Improper delegation of powers to the Local Planning Authorities and DCZMAs.

As per CRZ Notification 2011, constructions with less than 20,000 sq m built-up area in CRZ-II shall be approved by the local planning authorities based on the recommendation of TNSCZMA.

Scrutiny of records revealed that TNSCZMA issued (February 2012) orders delegating the powers to grant approval/clearance for constructions with less than 20,000 sq m to the Chennai Metropolitan Development Authority (CMDA) and Greater Chennai Corporation (GCC) for areas falling in Chennai region and to the concerned DCZMAs in respect of other coastal districts. Grant of clearance by planning authorities without recommendation of TNSCZMA was in violation of the provisions of CRZ Notification, 2011.

Government replied (June 2023) that planning authorities were permitted to approve without recommendations as district authorities (DCZMA) were

responsible for monitoring and enforcement of the provisions of the CRZ Notification. The reply is not tenable as the delegation orders are in deviation to the CRZ Notification and TNSCZMA avoided its mandated function of recommending the project after detailed scrutiny of project proposals. Further, the lack of cadastral maps would hamper the scrutiny process by the local self-governing bodies.

4.1.8.6 Non-submission of periodical returns on CRZ violations

As per CRZ Notification 2011, TNSCZMA shall primarily be responsible for enforcing and monitoring of the provisions of notification with the assistance of DCZMAs by undertaking inquiry of alleged violations either on his own or based on complaints received from general public or associations.

The Coordination between DCZMA, TNSCZMA and NCZMA is vital for effective enforcement and monitoring of CRZ regulations. Chairman TNSCZMA emphasised (February 2013) the need for identifying violations under CRZ Notification, 2011 and instructed all DCZMAs to furnish periodical reports detailing the cases identified and action taken thereon to TNSCZMA. Audit observed that periodical reports were not furnished by DCZMA to TNSCZMA as they did not furnish even a single report received from DCZMA. TNSCZMA replied that suitable instructions would be issued to obtain the reports from all the DCZMAs.

To an audit query, DCZMA furnished information of 55 complaints of CRZ violations *viz*., unauthorised construction of buildings, establishment of Ice plants etc., by the coastal DEEs to audit and failure on the part of DCZMA and TNSCZMA to take action on the violations was highlighted in **Paragraph 4.1.9.9 (A)**. Audit also noticed that the details furnished by DCZMAs was not complete as it was ascertained from the records of TNSCZMA that 68 complaints were forwarded by TNSCZMA to DCZMA for compliance.

Government accepted and assured (March 2023) that action taken report from the concerned DCZMA on the CRZ violation complaints would be obtained. It further stated (June 2023) that action would be taken to setup Regional level Co-ordination units for better co-ordination and monitoring of the violations.

4.1.9 Issuance of CRZ clearances

4.1.9.1 Incorrect grant of CRZ clearance without authority by TNSCZMA

As per CRZ Notification 2011, the TNSCZMA, after examining each project would recommend to MoEF&CC or SEIAA for grant of clearance based on the category of the project. In the case of activities not attracting the provisions of the EIA notification, clearance should be obtained from SEIAA based on TNSCZMA recommendations.

Scrutiny of records revealed that 175 projects obtained CRZ clearance from the Government of Tamil Nadu during 2015-22. Of the same, 114 projects (65 *per cent*) were granted clearance by TNSCZMA instead of recommending the projects to the appropriate authority. It was seen that 19 out of 22 projects

selected were cleared by TNSCZMA instead of recommending them to appropriate authority for granting clearance as detailed in **Annexure 15**.

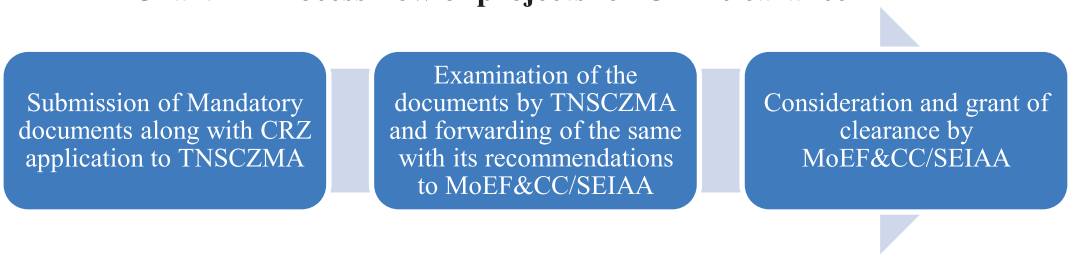
Thus, TNSCZMA assumed the role of granting authority instead of recommending authority in violation of CRZ Notification resulting in inadequate scrutiny of project proposals and approval of projects in the CRZ area without the consent of MoEF&CC or SEIAA.

Government stated (March 2023) that the projects were being forwarded for clearance to appropriate authorities from April 2022 onwards.

4.1.9.2 Processing of CRZ applications without mandatory documents

Para 4.2 of the CRZ Notification 2011 details the procedure for processing of applications for CRZ clearance as depicted in the process flow chart mentioned below.

Chart 4 - Process flow of projects for CRZ clearance



The mandatory documents required to be submitted by the project proponent for CRZ clearance included CRZ maps, project layout, Environment Impact Assessment (EIA) Report of the project and No Objection Certificate (NOC) from TNPCB.

Scrutiny of records revealed that CRZ recommendations/ clearances were granted without mandatory documents as detailed below:

Description of the mandatory document not submitted	No. of CRZ clearances recommended
CRZ map indicating the CRZ-I, II, III and IV areas including other notified ecologically sensitive areas	7 out of 30 projects
CRZ map normally covering 7 km radius around the project site	7 out of 30 projects
CRZ map indicating HTL and LTL demarcated by authorised agency in 1:4000 scale	2 out of 30 projects
EIA report, Risk, Disaster management report	5 out of 30 projects
No Objection Certificate from TNPCB	23 out of 30 projects

Audit noted that 23 out of 30 projects involved discharge of effluents and were required to submit NOC from TNPCB for recommendation of the project by TNSCZMA for CRZ approval. However, CRZ recommendations/ clearances were granted by TNSCZMA without the mandatory NOC from TNPCB in violation of the provisions of CRZ Notification.

Government accepted and stated (June 2023) that while recommending the projects, TNSCZMA would include a condition to obtain necessary permissions from the TNPCB since there is no existing practice of issuing NOC by TNPCB prior to Consent to Establish (CTE) or Consent to Operate (CTO). The reply is

not tenable as NOC from TNPCB is a prerequisite for CRZ clearance. It is pertinent to note that projects commenced their operations without CTE/CTO from TNPCB as discussed in **Paragraph 4.1.9.9 (A) (ii).** Further, the Government did not furnish specific reply regarding clearances without mandatory documents *viz*., CRZ map, EIA Report.

4.1.9.3 Delay in grant of CRZ recommendations

CRZ Notification, 2011 prescribes a time limit of 60 days from the date of receipt of complete application for grant of CRZ recommendations by TNSCZMA. Of the 30 cases selected for detailed check, clearances were accorded by TNSCZMA for 22 cases and others by MoEF&CC based on recommendations of TNSCZMA. Scrutiny of records revealed that three[10] out of selected eight projects revealed that the recommendations were granted between October 2013 and March 2017 by TNSCZMA with delay from 25 to 75 days beyond the prescribed time limit of 60 days.

Government, in its reply (June 2023), did not furnish specific reply to the audit remarks.

4.1.9.4 Grant of clearance for non-permissible activities

As per CRZ notification 2011, setting up or expansion of industries and fish processing units including warehousing are prohibited in CRZ areas. Scrutiny of records revealed that TNSCZMA granted CRZ clearance during February 2018 for installation of cold storage unit in the Fish Landing Centre, Kunthukal, Ramanathapuram District (CRZ I and IV) which was a non-permissible activity. Non-permissible activities in Tuna Fishing Harbour are discussed in **Paragraph 4.1.9.6.**

Government replied (June 2023) that facilities required for local fishing communities such as Fish Drying Yard, Auction Hall, Net Mending Yards, Traditional Boat Building Yards, Ice Plants, Crushing Units, Fish Curing facilities and the like are permissible activities in No Development Zone of CRZ III as per Para 8 (i) of Notification. The reply is not acceptable as the clearance for construction was granted for operation in areas falling in CRZ I and IV where the above activities are prohibited.

4.1.9.5 Incorrect grant of clearance without erosion assessment

As per the CRZ Notification 2011, CRZ clearance should not be granted for Port and harbour projects in high eroding stretches of the coast. MoEF&CC instructed (December 2014) State CZMAs to prohibit projects like ports, harbours and other foreshore facilities in high eroding stretches. It was also instructed to verify the location of the projects falling in High, medium or low eroding coastal areas by using the shoreline change maps prepared by National Centre for Sustainable Coastal Management (NCSCM).

10 M/s. Adyar Gate Hotels, Marine algae Project by EID Parry and Kamarajar Port Ltd.

NGT directed[11] (September 2015) TNSCZMA to prepare a Comprehensive Shoreline Protection Management Plan for the State especially for erection of groynes, sea walls, etc. It was also directed that PWD or any other agency should not proceed with any work of groynes or sea wall without preparation of the Plan.

Scrutiny of records revealed that eight[12] out of 30 selected projects were related to construction of harbour, port and foreshore facilities. Audit noted that the Comprehensive Shoreline Protection Management Plan for the State of Tamil Nadu was pending finalisation (March 2023). However, four[13] out of eight fishing harbour foreshore facilities were cleared by TNSCZMA in the absence of Management Plan and after verifying erosion category of project location with the EIA Report instead of shoreline change maps. This is in contravention to the injunction of the NGT orders and instructions of MoEF&CC.

Government accepted (June 2023) that CRZ clearances were issued based on EIA Report which ascertained High eroding site in Vellapallam FH based on field study of proponent. In respect of Mudhunagar fishing harbour project, Government stated (June 2023) that the clearance was for the renovation of existing fishing harbour and not for establishment of new harbour and hence, verification of shoreline change map did not arise. The reply is not tenable as Mudhunagar FH project included works like construction with new additional water side facilities and establishment of sewage treatment plant, cold storage facility, auction halls, restaurants, net mending centres etc., were undertaken by obtaining CRZ clearance for renovation. Government also stated that the preparation of Shoreline Management Plan for the entire coast of Tamil Nadu is under progress.

4.1.9.6 Construction of Tuna Fishing Harbour, Thiruvottiyur

Tuna Fishing Harbour, a project of the Fisheries Department, Government of Tamil Nadu proposed at a distance of 3.5 km from the existing Chennai Fishing Harbour, primarily aimed at decongesting the existing Fishing Harbour besides creating facilities for catching, processing of tuna fish which is in huge demand worldwide.

As per CRZ Notification 2011, clearance from MoEF&CC is required for projects involving laying of pipelines, conveying systems, transmission lines and construction of desalination plants based on the recommendations of TNSCZMA.

The CRZ clearance for the project was accorded (March 2017) by TNSCZMA based on the CRZ application (December 2016) of the project proponent,

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11 Hon'ble NGT in Application No. 04 of 2013 (O. Fernandes Vs Union of India dated 04.09.2015.

12 Construction of Training Walls for Permanent Stability of Bar Mouth at Pulicat Village; Development of Fishing Harbour (FH) at Vellapallam Village, Nagapattinam; Construction of FH at Tarangambadi, Nagapattinam, Renovation of Mudhunagar FH and Tuna FH, Thiruvottiyur, Construction of Groynes at Keelavaippar, groynes from Ennore to Ernavurkuppam and Fish Handling Centre, Kundukal.

13 Construction of Training Walls for Permanent Stability of Bar Mouth at Pulicat Village; Development of FH at Vellapallam Village, Nagapattinam; Renovation of Mudhunagar FH and Tuna FH, Thiruvottiyur.

Fisheries Department with the direction to obtain Environment clearance from SEIAA. However, Fisheries Department failed to obtain Environment clearance and hence, Hon'ble NGT levied (September 2022) Environment Compensation of ₹ 12.00 lakh.

Scrutiny of records revealed that the application of the proponent for CRZ clearance stated that water for the project would be sourced through desalination of 120 KLD of sea water. The EIA report also detailed that the water would be sourced by operating Reverse Osmosis Plant and the reject disposal could be safely let into sea. The CRZ clearance was issued which included a condition that the unit should ensure letting out the rejects from the desalination plant into the sea. These implied that Tuna Fishing Harbour project involved construction of desalination plant, intake of sea water, discharge of RO rejects into the sea through erection of pipelines/conveying systems.

As the project involved construction of desalination plant and erection of pipelines, the CRZ clearance should have been accorded by MoEF&CC based on the recommendations of TNSCZMA. However, Audit observed that TNSCZMA granted clearance to the project instead of forwarding it to MoEF&CC in deviation to the provisions of CRZ Notification, 2011.

Government replied (June 2023) that construction of desalination plant was not mentioned in the list of activities specified in the clearance accorded by TNSCZMA. The reply is not tenable as the treatment of water through desalination plant was included in the application for CRZ, EIA report and the conditions of CRZ clearance and TNSCZMA failed to verify all the activities of the project proponent in the CRZ area prior to issuing the clearance.

4.1.9.7 Incorrect authorisation of construction in reclaimed land

Audit noticed that of the provisions of CRZ Notification were not adhered in the clearance granted by TNSCZMA as discussed in the subsequent paragraph:

According to CRZ Notification, 2011 (Para 3(iv) and Para 8(I)) construction of fish packing/ processing unit, cold storage unit and ice factory buildings are prohibited.

Audit however noticed from the scrutiny of EIA Report that the project proponent proposed to utilise reclaimed land of 15.63 hectares for construction of fish auction hall, fish handling and packing hall, cold storage plant, ice factory, fuelling station, dormitory for workers, etc., which is a violation of CRZ provisions.

Thus, TNSCZMA accorded clearance for the project in deviation of the CRZ Notification.

4.1.9.8 Incorrect grant of CRZ clearance for Road Project in Mangrove belt

Para 7(i)(A) of CRZ Notification 2011 stipulated that in respect of mangroves having area exceeding 1,000 sq m, a buffer of 50 meter along the mangroves must be provided.

TNSCZMA accorded (January 2022) CRZ clearance for the project of Formation of new link road[14] Highways Department of GoTN (January 2021). Joint Physical Inspection of the above project revealed that the Project site was located at a distance of 20 m from densely grown Mangrove Plantations. It was further observed from google earth map analysis that the area of the mangrove belt was about 16,000 sq m (approximately) and hence required a buffer of 50 m. Despite the same, DCZMA recommended the Project for CRZ clearance and the same was granted by TNSCZMA without considering the existence of mangrove area in violation of the provisions of CRZ Notification, 2011.

Exhibit 1: Project site with adjoining Mangroves **Exhibit 2: Mangrove belt**



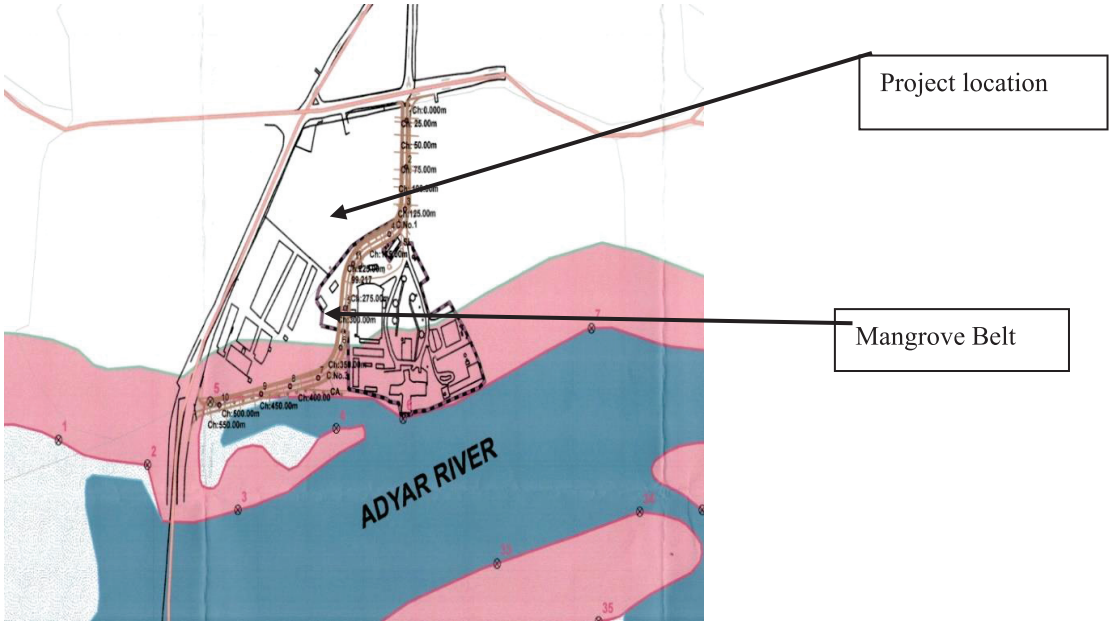


Exhibit 3: Google Earth image of Mangrove Belt with area



14 connecting Greenways Road with Durgabhi Deshmukh road through Tamil Nadu Music College in Mylapore Village and Mylapore Taluk, Chennai.

Exhibit 4: Location of Project and Mangrove Belt in CZMP



It is seen from the CZMP map, the Mangrove Plantations in and around the Adyar river were not mapped as Ecological Sensitive area. Due to non-availability of these details, DCZMA could not identify the Mangrove belt and gave recommendation for grant of CRZ clearance.

On this being pointed out (June 2023), Department accepted the audit observation in the Exit Conference (June 2023) and assured that action would be taken.

4.1.9.9 Non-enforcement of CRZ regulations

As per the CRZ notification, 2011, Coastal Regulation Zone includes territorial water limits and extends up to 500 meters from High Tide Line (HTL) on the landward side. In case of tidal influenced water bodies, it covers the area between Low Tide Lines (LTL) on both the banks and extends up to 100 meters from HTL on the landward side.

All projects permissible under CRZ areas are to be regulated in accordance with the provisions of CRZ notification and project proponents should obtain CRZ clearance from the MoEF&CC or SEIAA based on the recommendations of TNSCZMA.

During the scrutiny of records, Joint Physical Inspection with departmental officials and cross verification of data through GIS Mapping, audit noticed the following instances of non-enforcement of CRZ provisions by the designated local authorities, DCZMA and TNPCB as discussed in subsequent paragraphs.

A Failure to act on complaints

As per CRZ Notification 2011, TNSCZMA shall primarily be responsible for enforcing and monitoring of the provisions of notification with the assistance of DCZMAs. MoEF&CC reconstituted (April 2015) TNSCZMA with the following mandated duties:

- The authority shall inquire into cases of alleged violations and issue direction under Section 5 of the Environment Protection Act (EPA) 1986.
- The inquiry can be taken up *suo-motu* or based on complaints received by it.
- File complaint under Section 19 of the EPA against any person for non-compliance to directions.

Scrutiny of records revealed that complaints of violation of CRZ Notification was received by TNSCZMA from general public. Audit collected the CRZ violation complaint details and suo motu violations noticed by TNSCZMA/ DCZMA from the 14 coastal DEEs[15] (55 cases up to March 2022) and selected 11 cases for detailed verification. Joint Physical Inspection of these 10 violation sites was also conducted along with the department officials. The audit observations of the same are detailed as follows:

(i) Unauthorized construction of bridge at Nemmeli village, Chengalpattu

South Indian Fishermen welfare association filed a complaint (December 2019) with TNSCZMA regarding unauthorised construction of bridge using construction debris and fillings in CRZ area at Nemmeli village, Thiruporur taluk, Chengalpattu District. It was seen that the complaint was forwarded to DCZMA (December 2019) who in turn forwarded it to Commissioner (May 2020) Thiruporur Panchayat Union without initiating any action.
Audit observed during Joint Physical Inspection (March 2021) that the bridge has been constructed within 100 m. from HTL of the sea which is a 'No Development Zone' as shown in **Exhibit 5**.

Exhibit 5: Construction of bridge in No Development Zone – Nemmeli village (31.3.2021)



Government replied (June 2023) that District Collector, Chengalpattu had been requested (April 2023) to take immediate action. However, the fact remained that the unauthorised construction has not been demolished.

(ii) Unauthorised construction of Beach Resort - M/s. Golden Bay Resorts

President, Fishermen Association forwarded a complaint (April 2017) to TNSCZMA regarding unauthorised construction of Beach Resort by M/s. Golden Bay Resorts at Kovathur village, Cheyyur taluk, Chengalpattu District.

[15] Chennai, Chengalpattu, Ambattur, Gummidipoondi, Villupuram, Cuddalore, Thanjavur, Thiruvarur, Nagapattinam, Pudukkottai, Ramanathapuram, Tirunelveli, Tuticorin, Kanyakumari.

It was seen that the complaint was forwarded to DCZMA (May 2017) who in turn forwarded (May 2017) it to Deputy Director of Town and Country Planning, Chengalpattu without initiating any action. Scrutiny of records revealed that the complainant obtained information through RTI that no clearance was given under CRZ and building plan approval was not taken for the project. It was also seen that a Show Cause Notice (SCN) was issued by the DEE, Chengalpattu (June 2017) for running the Resort without obtaining Consent to Establish (CTE) certificate from the TNPCB and the same was not obtained till date (March 2023).

Audit observed in Joint Physical Inspection (March 2021) that the resort was constructed within 100 m from the tidal influenced water body (CRZ IV zone) and in 'No Development Zone' as depicted from google earth images and Joint Inspection photographs shown below, and no action was taken till February 2023.

Exhibit 6: Unauthorised construction in No Development Zone –M/s Golden Bay Resorts, Kovathur



TNPCB replied (February 2023) that show cause notice was again issued to the proponent in January 2023. Government replied (June 2023) that District Collector, Chengalpattu had been requested (March 2023) to take immediate action. However, the fact remained that no effective action was taken on the unauthorised construction even after the completion of six years from receipt of the complaint.

Unauthorised construction of Resort and Boat Jetty in No Development Zone - M/s Golden Bay Resorts, Kovathur (31.3.2021)

Exhibit 7



Exhibit 8



(iii) Unauthorised establishment and operation of Jesiah Ice plant

During inspection TNPCB noticed (January 2020) unauthorised establishment and operation of Jesiah Ice plant in CRZ area in Kanyakumari District without valid consent and CRZ clearance. It was also noticed that the unit was operating 32 KLD borewell without approval from PWD. TNPCB issued SCN in January 2020 and closure orders in June 2020. On request of Deputy Director, Fisheries department, the closure order was revoked (December 2020) by TNPCB with conditions to obtain CTE and CRZ clearance within three months. Audit observed in JPI (October 2021) that the unit was located in CRZ area and was functioning unauthorisedly, without obtaining CTE and CRZ clearance despite directions by TNPCB to obtain the same by March 2021.

It was also noticed that a fish packing unit (Kanyakumari Marine Foods) was established within the ice plant complex for which DCZMA granted CRZ clearance in June 2001, despite the fact that it was a prohibited activity as per the CRZ notification.

Unauthorised operation of Jesiah Ice plant and Unauthorised operation of Kanyakumari Marine Foods

Exhibit 9 **Exhibit 10**





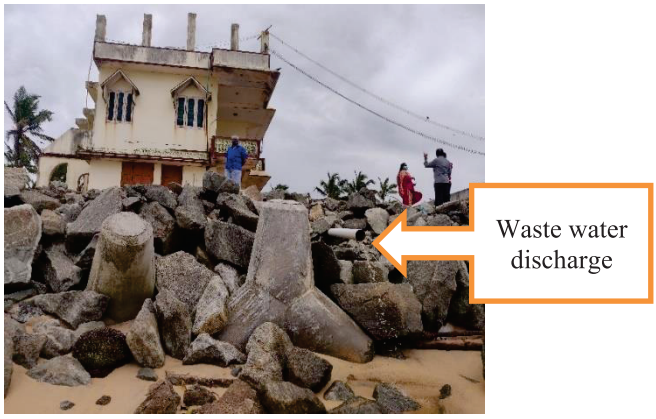
Government replied (June 2023) that District Collector, Kanyakumari had been requested (January 2023 and April 2023) to make site inspection and submit a report.

(iv) Unauthorised establishment and operation of LSM Ice plant in CRZ area

TNPCB inspected the Ice plant in February 2020 and observed that unit was in operation without valid consent and CRZ clearance and recommended for disconnection of power supply in May 2020 and closure order in June 2020. On request of Deputy Director, Fisheries department, the closure order was revoked (December 2020) by TNPCB with conditions to obtain CTE and CRZ clearance within three months. Audit observed during JPI (October 2021) the unit was located in CRZ area and was functioning unauthorisedly, without obtaining CTE and CRZ clearance. Further, audit identified that a pipeline was laid connecting the ice plant into the sea through which wastewater from ice plant was directly let into the sea which was a prohibited activity.

Unauthorised operation of LSM Ice plant in CRZ area (Exhibit 11) and untreated sewage from the plant being let out in open seawater (Exhibit 12)





Government replied (June 2023) that District Collector, Kanyakumari had been instructed (January 2023) to make site inspection and submit a report. However, the fact remained that the unit continued to operate without valid consents and was also carrying on the prohibited activity till date (June 2023).

(v) Dumping of chemical wastes in CRZ in Survey No.149 of Kandadu (East) Village, Marakkanam Taluk, Villupuram District by M/s. Padma Chemicals.

A complaint was received (11.09.2020) against M/s. Padma Chemicals regarding dumping of chemical wastes in CRZ area in Survey No.149 of Kandadu (East) Village, Marakkanam Taluk, Villupuram District. The above complaint was forwarded (22.10.2020) by Member Secretary, TNSCZMA to District Environmental Engineer cum Convener District Coastal Zone Management Authority (DCZMA) Villupuram with instructions to verify the complaint and take appropriate action. However, no action had been taken by the DCZMA, Villupuram to verify the above complaint.

During Joint Physical Inspection (May 2023) of the site, it was observed in audit that M/s.Padma Chemicals had dumped Chemical and solid wastes on banks of Salt pans in Coastal Regulation Zone (CRZ I) in violation of Para 3(vi) of the CRZ Notification, 2011.

It was observed that TNSCZMA also failed to take appropriate action against M/s.Padma Chemicals for the CRZ violation as mandated in the reconstitution Notification issued by MoEF&CC.

On this being pointed out (May 2023), ACS in the Exit Conference (June 2023) directed the Department to furnish reply regarding the action taken.

Dumping of chemical wastes in CRZ in Survey No.149 of Kandadu (East) Village, Marakkanam Taluk, Villupuram District by M/s. Padma Chemicals (Exhibit 13 and 14)



Thus, DCZMA, TNSCZMA or the field officials of TNPCB failed to monitor dumping of chemical waste despite receipt of compliant in this regard, which was in violation of the conditions of CRZ clearance.

Recommendation: *Government may also consider fixing responsibility on the officials of TNPCB for not monitoring the violation of CRZ Notification*

(vi) Illegal and unapproved layout with houses in CRZ at Kheezeputhupattu Village, Marakkanam Taluk, Villupuram district

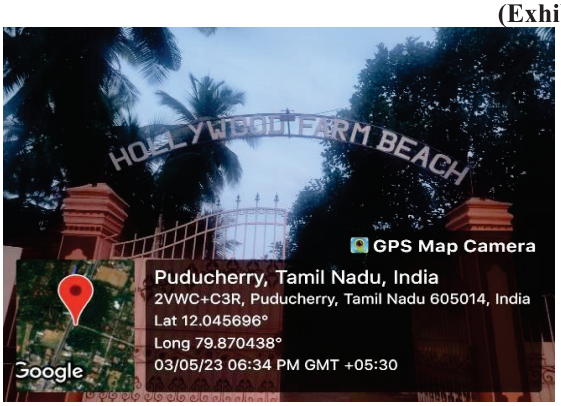
A complaint received (21.04.2021) by TNSCZMA regarding illegal and unapproved layout with houses in CRZ by Hollywood Farms at Survey No.434 (part) and 435 (part) of Kheezeputhupattu Village, Marakkanam Taluk, Villupuram district was forwarded (27.04.2021) to District Environmental Engineer cum Convener, DCZMA, Villupuram with instructions to verify the complaint and take appropriate action. However, no action had been taken by the DCZMA, Villupuram to verify the above complaint and take appropriate action.

During Joint Physical Inspection (May 2023) of the site, it was observed in audit that the layout had been developed and buildings were constructed within 500 metres of CRZ area by Hollywood Farms without the approval of Directorate of Town and Country Planning, Villupuram.

Audit further observed that the TNSCZMA had also failed to take appropriate action against the violation as mandated in its reconstitution Notification issued by MoEF&CC.

On this being pointed out (May 2023), ACS in the Exit Conference (June 2023) directed the Department to intimate the action taken on them.

Illegal and unapproved layout with houses in CRZ Kheezeputhupattu Village (Exhibit 15 and 16)





Similarly, in respect of three complaints received *viz*., (i) Unauthorised construction at Survey No. 9 & 12, Sholinganallur, Chennai, (ii) Large scale dumping of construction debris and filling activity at Buckingham canal, Navalur Village, Chengalpattu District and (iii) Unauthorised construction of shrimp hatchery by Sheng Long Biotech India Pvt. Ltd at Survey No. 358 and 357 Panayur village, Cheyyur Taluk, Chengalpattu District, Audit confirmed the violations during JPI and observed that no action had been taken on the above CRZ violations by the respective DCZMAs as envisaged in the notification and also not monitored by TNSCZMA.

Government replied (June 2023) that reply would be obtained from DCZMA and action would be initiated based on the nature of the violations.

Of the 11 complaints proposed to be verified by the audit through JPI, one project *viz.*, unauthorised construction of a Plot at New Beach Road, Thiruvanmiyur could not be verified due to non-cooperation by DCZMA, Chennai.

Government replied (March 2023) that as per Government orders issued in June 1998, the DCZMAs were responsible for monitoring and enforcement of the provisions of the CRZ Notification. However, unauthorised activities in CRZ areas were neither monitored by DCZMA as per Government Orders nor by TNSCZMA as per the orders of MoEF&CC.

(vii) Unauthorised construction activities noticed during Joint Physical Inspection

During the JPI of the project sites in Thoothukudi district, audit noticed unauthorised constructions in the regulation zone involving two Net making centres (at Keelavaippar), a Fish Landing Centre (FLC), a jetty and an auction hall (Vembar). The display board near the site showed the details regarding the work of deepening of river mouth and strengthening of seashore by the Panchayat Union near the Site of groynes at Keelavaippar. The CRZ clearance as required under the notification for the construction activities was not produced by TNSCZMA.

Unauthorised construction of Fish Landing Centre at Vembar and Net making centre at Keelavaippar (Exhibit 17 and 18)





Government replied (June 2023) that District Collector, Thoothukudi had been requested (January 2023) to make site inspection and submit a report. However, no action had been taken to remove the unauthorised constructions till date (June 2023).

B Absence of surveillance over the CRZs

As per para 6 (c) of the CRZ Notification 2011, the TNSCZMA is primarily responsible for enforcing and monitoring the provisions of the notification. DCZMAs assist TNSCZMA and the District Environmental Engineers (DEE) are conveners of the DCZMAs.

Surveillance is one of the key mechanisms to monitor CRZ areas for unauthorised activities and to enforce provisions of the notification.

In order to verify the existence and effectiveness of such surveillance, audit requestioned (August 2021) TNSCZMA to provide the CZMP *shape files*[16] for detailed audit analysis. However, the same were not furnished. Therefore, audit independently carried out aerial image analysis by overlaying the PDF files of the TNSCZMA maps on google earth historical imagery over the period from 2011. The superimposed aerial images[17] in respect of three coastal districts, *viz*, Chennai, Chengalpattu and Thoothukudi, were analysed with reference to restricted coastal regulation zones.

Audit noticed 90 cases in which construction activity was observed from the google earth images in the "No Development Zone" of CRZ III (200 m from the High Tide Line) after the implementation of the CRZ notification, 2011. Audit forwarded the list of 90 cases of construction activity along with the location details containing Latitude and Longitude co-ordinates **(Annexure 16)** in September 2021 to the Department seeking the details of monitoring of coastal zones for enforcement of CRZ Notification. However, details called for, were not furnished by the Department.

Audit observed that TNSCZMA vested with the responsibility of enforcing and monitoring the provisions of CRZ Notification 2011, was not having a separate and dedicated workforce to carry out its mandated function. The authority

16 Digital file format to store GIS data

17 Images of CRZ map superimposed on Google Earth.

utilised the manpower of the Directorate of Environment which resulted in inadequate monitoring of violations of CRZ areas.

Government replied (June 2023) that the Local Level CZMP maps had been prepared and communicated in June 2022 to the concerned District Collectors and other line departments for ease of surveillance in CRZ areas. The reply is not tenable as construction activities undertaken in "No Development Zone" in violation of CRZ Notification escaped surveillance.

Government further stated (June 2023), that action was being taken by TNSCZMA in coordination with DCZMA for carrying out site inspection in the said cases to ascertain the nature and extent of violation for taking necessary action.

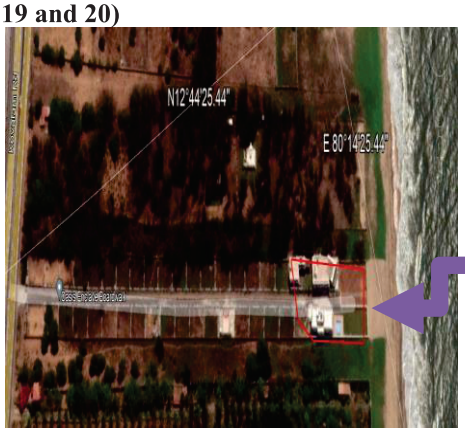
Significant illustrations are detailed in the subsequent **Exhibits**:

(i) Oasis Enclave Boardwalk, Vada Nemmeli:

Vacant land at the site in 2013 and Construction at the site in 2021
Latitude: 12°44'21.09"N Longitude: 80°14'23.41"E
(Exhibit 19 and 20)

Google Ear image 2013 Land lying vacant



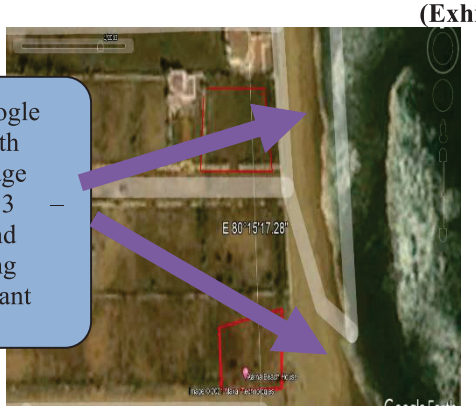


Google earth Image 2021 -Oasis Enclave apartment, Vada Nemmeli

(ii) Aarna Beach House, Kovalam:

Vacant land at site in 2013 and Construction at site in 2021
Latitude: 12°47'1.78"N Longitude: 80°15'17.40"E
(Exhibit 21 and 22)

Google Earth image 2013 – Land lying vacant





Google earth Image 2021 - Aarna Beach House,Kovalam

(iii) Paramenkeni Beach House:

Vacant land at the site in 2013 (Exhibit 23) and Construction at the site in 2021 (Exhibit 24) Latitude: 12° 21.488'NLongitude: 80° 4.449'E

Google Earth image 2013 – Land lying - vacant



Google earth Image 2021– Paramen-keni Beach House

4.1.10 Post Clearance Monitoring

4.1.10.1 Impact on mangrove area due to renovation of Fishing Harbour

The Fisheries Department proposed to renovate the existing Fishing Harbour at Mudhunagar, Cuddalore at a cost of ₹ 140 crore across an area of 47.36 acres. As the project site is located near to mangroves area, audit analysed this project in detail and audit findings are as under:

Grant of CRZ Clearance without impact-assessment in Mangrove area

Based on the application of Fisheries Department of GoTN (August 2016), TNSCZMA accorded (July 2017) CRZ clearance for the project. Scrutiny of records revealed the following:

- CRZ clearance was accorded for the project despite non-submission of NOC from TNPCB. It was noticed during Joint Inspection (March 2021) that the Fisheries Department commenced construction activity in the project site without obtaining CTE from TNPCB. Department agreed (March 2021) to issue show cause notice to the project proponent *viz.,* the Fisheries Department.
- Environment Impact Assessment (EIA) Report highlighted that the project would have an impact of light removal of mangroves and hence suggested that construction of the diaphragm wall must be away from the mangrove patches in nearby areas. The impact on mangrove ecosystem could be compensated by a full-fledged afforestation activity or by widening and deepening of river mouth which would bring large quantities of tidal water to help in growth of mangroves. Audit however observed that the CRZ clearance granted by TNSCZMA did not indicate the measures of compensation for the damages to the eco system.
- Audit also noticed during Joint Inspection that a mud road was constructed (2020) across the waterway, which obstructed the flow of tidal water into mangroves area as shown in **Exhibit 25 to 27**:

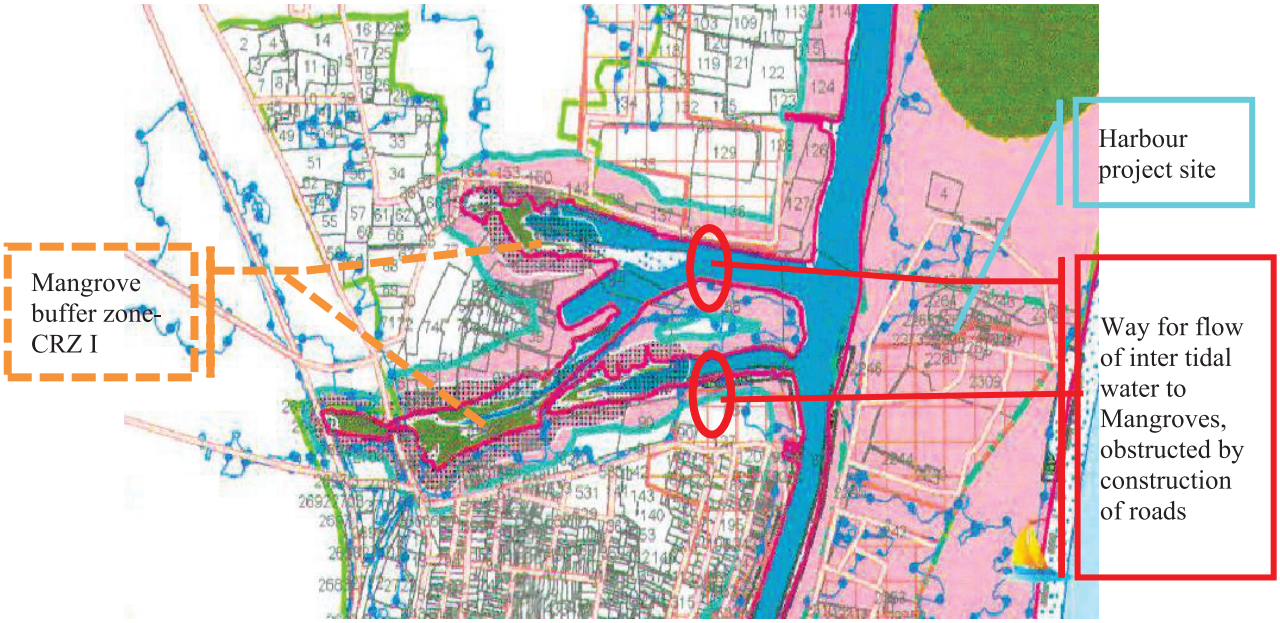
Exhibit -25: Images of Mud road taken during Joint Physical Inspection



Exhibit 26: Construction of a road obstructing tidal flow – Google earth map



Exhibit 27: Construction of a road obstructing tidal flow – CZMP map



Government replied (June 2023) that CRZ clearance was issued with a specific condition that the activity should not have any adverse impact on the marine organisms. Government further stated (June 2023) that DCZMA, Cuddalore

has been requested (April 2023) to make site inspection and to submit the present status of the road. The reply is not tenable since the Department failed to prevent obstruction of tidal flow to the mangroves due to construction of mud road which impacted the mangroves and the coastal ecosystem. Further, the department did not ensure compensation for the light removal of mangroves and did not ensure submission of NOC from TNPCB for the project.

4.1.10.2 Construction of Beach Resort by M/s. Adyar Gate Hotels Pvt. Ltd.

M/s. Adyar Gate Hotels Pvt. Ltd constructed and developed a Resort on the beaches of Nemmeli village of Chengalpattu District in an area of 56,600 sq m with a built-up area measuring 21,567.78 sq m.

CRZ Notification 2011 prescribes the overall height of the highest ridge of the roof of construction as 09 m and not exceeding two floors. Para 2 of EIA Notification, 2006 mandates prior EC must be obtained from SEIAA for projects falling under category B (buildings with plinth area above 20,000 sq m).

Scrutiny of records revealed that based on the recommendations of TNSCZMA, M/s. Adyar Gate Hotels Pvt. Ltd was granted (2008) CRZ clearance by MoEF&CC for constructing a Beach Resort for 16,402 sq m built up area with two floors and height 8.5 m. The proponent failed to obtain EC prior to construction. Based on the application of the proponent, the Director of Town and Country Planning, Chennai granted (January 2010) building plan approval for 21,567.78 sq m (31 *per cent* increase) with three floors at a height of 13.35 m.

In November 2013, the above violation was brought to the notice of the TNSCZMA by the DEE, Maraimalainagar. The project proponent again applied for CRZ and Environmental Clearance (December 2013) for enhanced built-up area (20,041.55 sq m to TNSCZMA and 21,576.78 sq m to SEIAA) and the EC was granted by SEIAA (April 2014) and CRZ clearance by MoEF&CC (June 2015) based on the recommendations of TNSCZMA which stipulated that the overall height should not exceed 8.5 m. SEIAA issued an office memorandum to the project proponent to furnish a written resolution that violation would not be repeated.

Scrutiny of the building plan approved by the Director of Town and Country Planning, Chennai revealed that the project proponent proposed for construction of three floors *viz.*, lower ground floor, upper ground floor and first floor with an height of 13.35 m from the ground level. The Joint Inspection of the site conducted by Audit along with the representatives of the project proponent and Convener of DCZMA, Chengalpattu District (October 2020) revealed that the physical measurement of the height of the building as approximately 14 m. The three floors of the building is shown in the **Exhibit 28**.

Exhibit 28: M/s Adyar Gate Hotel



Thus, TNSCZMA did not ensure compliance to the terms of CRZ clearances. Violation of TNSCZMA guidelines is indicative of the authorities' failure to monitor and implement its own rules and guidelines.

Government replied (June 2023) that the project proponent arrived at the height of the building considering the slope of 4 to 5 m of site conditions from the existing road level. It was also stated that the conditions of the CRZ clearance would be monitored by the MoEF&CC, CPCB and TNPCB. The reply is not acceptable as CRZ notification stipulated that the overall height of the building should not exceed nine metres and the construction should be in two floors only *viz*., ground and first floor. TNSCZMA failed to identify the violation and monitor adherence to the CRZ conditions by the project proponent for more than 10 years.

Audit also ascertained from the google earth map that the project proponent constructed a Lawn Tennis Court with walled enclosure (**Exhibit 29**) in the No Development Zone in violation of Para 8 of the CRZ Notification, 2011. However, no action had been taken by the CZMA for the violation.

Exhibit 29: view of tennis court – CZMP map; Google earth



Government replied (June 2023) that DCZMA, Chengalpattu has been requested in April 2023 to make site inspection and to submit report on compliance to the conditions stipulated in CRZ clearance issued by the MoEF&CC.

4.1.10.3 Integrated Coum River Eco-restoration Project

Integrated Coum River Eco-restoration Project (ICREP) was granted clearance by MoEF&CC in 2017. Based on the recommendation of TNSCZMA, MoEF&CC permitted de-siltation of 5,08,177 cu m silt from the Coum River. MoEF&CC stipulated that the silt generated through dredging needed to be scientifically disposed outside the CRZ area. Further, Bunding and landscaping

changes were also prohibited by MoEF&CC in the clearance granted.
Audit noticed that the project proponent, Public Works Department desilted 8,94,757 cu.m of silt resulting in excess desiltation of 3,86,580 cu m. It was also noticed that out of the total quantity of silt generated (8,94,757 cu m) only 3,59,180 cu.m. (40 *per cent*) was removed to dump yards and the remaining silt was deposited on the riverbanks which led to formation of bunds affecting the landscape as shown in **Exhibit 30**.

Exhibit 30: Unauthorised raising of Bund of Cooum River by PWD



Audit also observed that due to non-removal of silt leading to unauthorised dumping and raising of bund height, Cooum River Front Development Project for development of parks, walkways, nature trail park etc., at a cost of ₹ 32.17 crore did not commence despite finalisation of contracts (February 2016) with scheduled completion in 36 months.

Government replied (June 2023) that DCZMA of Chennai had been requested (April 2023) to submit remarks and stated that action would be taken after receipt of the report from DCZMA.

Eco-restoration of Cooum and Adyar river

As per clause (v) of para 3 of the CRZ Notification, 2011, setting up and expansion of units or mechanism for disposal of wastes and effluents[18] is prohibited activity within the CRZ.

Scrutiny of records revealed that TNSCZMA recommended (March 2016) for grant of CRZ clearance for construction of two Modular Sewerage Treatment Plants (STPs) on the banks of Cooum River and laying of two Interceptors with modular STP in Adyar riverbank. Based on the recommendations, CRZ clearance was accorded (June 2017 and October 2019) by MoEF&CC. TNSCZMA failed to ensure compliance to the provisions of the CRZ Notification prior to recommending the project proposals resulting in grant of CRZ clearance for prohibited activities.

Government stated (June 2023) that the project was cleared by MoEF&CC and the proposed STPs were only temporary in nature. The reply is not tenable as

[18] except facilities required for treatment of waste and effluents arising from hotels, beach resorts and human settlements located in CRZ areas other than CRZ-I and disposal of treated wastes and effluents.

the project proposals provided for laying of interceptor pipelines to divert sewage and construction of modular STPs which were not temporary in nature.

4.1.10.4 Failure to enforce compliance to stipulated conditions

CRZ clearances issued by the regulatory authorities are subject to compliance of specific and general conditions stipulated in the orders. MoEF&CC, while according CRZ clearance for the projects recommended by the TNSCZMA, stipulated that the project proponents are required to comply with such conditions during the currency of the projects.

In respect of the project "Alignment of conveying main to Buckingham canal from the STP" at Sholinganallur, Chennai by Chennai Metro Water Supply and Sewerage Board (CMWSSB), instances of non-enforcement of stipulated conditions were noticed as discussed below:

- Specific condition 4 of CRZ clearance (August 2017) envisaged preparation of time bound action plan for treating the sewage within six months, however the same was not prepared.
- Regular soil and ground water testing in and around the project site to ensure monitoring of ground water quality / leaching of heavy metals and other toxic contaminants (Condition 13) was not done.
- Records for allocation of two *per cent* of the project cost towards fulfilling its Corporate Environment Responsibility (CER) during the currency of the project was not maintained. Account of measures taken should be submitted to the CZMA every six months (Condition 2) and the same was not submitted.
- Non-furnishing of CRZ clearance to local authorities, non-uploading of compliance report and non-submission of Environment statement were also noticed. Non-compliance of conditions stipulated in the project, indicated ineffective monitoring mechanism by the authority.

4.1.10.5 CRZ clearance without CTE

As per Section 25 of Water (Prevention & Control of Pollution) Act, 1974, it is mandatory for the project proponents to obtain CTE from the respective State Pollution Control Board before commencement of the construction activities on the site.

However, audit noticed that the following projects commenced without obtaining the CTE certificate from the TNPCB:

- Construction of Tuna Fishing Harbour, Thiruvottiyur - CTE applied in November 2020 has not been received.

  TNPCB replied that show cause notice had been issued in February 2023.

- Proposed development of Fishing Harbour at Vellapallam, Nagapattinam by Fisheries department – CRZ clearance obtained in April 2018.

  TNPCB replied (February 2023) that the project proponent applied (April 2021) for CTE without paying consent fee and the application was returned in May 2021. Application for fresh CTE was awaited.

- Application for CTE was not applied for Renovation of Fishing Harbour at Mudhunagar, Cuddalore by Fisheries Department, Cuddalore but CRZ clearance was granted in August 2017.

  TNPCB replied (February 2023) that the project proponent would apply for the CTE.

- Integrated Coum River Eco-Restoration Project – For establishment of three STPs in September and October 2019.

- Eco-restoration of Adyar River (2000 m – 4000 m chainage) from Thiruvika Bridge to 400 m upstream to Kotturpuram Bridge - CTE applied for and was not granted.

TNPCB replied that in respect of Integrated Coum River Eco-Restoration Project and Eco-restoration of Adyar River, the activities of the projects did not come under consent mechanism under the provisions Water (P&CP) Act, 1974. The reply is not acceptable as Para 25 of Water (P&CP) Act, 1974, envisaged that no person shall establish, operate or process any treatment and disposal system without CTE which is likely to discharge sewage or trade effluent. Further, as per the specific condition No.1 of CRZ Clearance granted to the Project, it is mandatory to obtain Consent to Establish Certificate from Tamil Nadu Pollution Control Board.

Government replied (June 2023) that clearance to projects were given with specific condition that necessary statutory clearance should be obtained from the concerned authorities before commencement of work which included obtaining CTE/CTO from TNPCB. The reply vindicated the observation made by Audit as the above projects have not obtained Consent to Establish Certificate from Tamil Nadu Pollution Control Board.

4.1.10.6 Absence of monitoring

According to clause (v) of para 4.2 of the CRZ notification, the project proponent should submit half-yearly compliance reports in respect of the stipulated terms and conditions of the environmental clearance on 1st June and 31st December of each calendar year. All such compliance reports submitted by the project proponents should be published in public domain and website of the concerned regulatory authority.

Audit observed that, 14 out of 20 sampled project proponents did not submit half yearly compliance reports to TNSCZMA. However, TNSCZMA failed to initiate any action to collect/ enforce submission of compliance reports and to impose penalty under the provisions of EPA 1986.

Government accepted (June 2023) and stated that the DCZMA was responsible for monitoring and enforcement of the provisions of the CRZ Notification and

necessary provision to upload half yearly compliance report would be ensured in the new dedicated website of TNSCZMA.

Government instructed (June 1998) that DCZMAs are responsible for monitoring, enforcement and implementation of the provisions of the CRZ Notification.

Audit further observed that there was no system of post monitoring of the projects by the DCZMA through periodical Monitoring Committee meetings. Audit ascertained from the nine[19] DCZMAs which recommended the selected projects or received complaints of violation of CRZ Notification that no Monitoring Committee meetings were held during 2015-22.

The DCZMAs did not play their role in effective implementation of the provisions of CRZ Notification through Monitoring Committee meetings. Despite non-submission of periodical compliance reports, no notices were served by the TNSCZMA to the project proponents till date (March 2023) and no action has been initiated against the offenders.

Recommendations: A system to effectively monitor adherence of conditions of CRZ clearance by the DCZMA/ TNPCB may be developed and implemented by Government. Instructions may also be issued to conduct periodical Monitoring Committee meetings to identify violations of CRZ provisions.

4.1.11 Conclusion and Recommendations

Conclusion

Compliance Audit on Environment clearance for conservation of coastal ecosystems in the State of Tamil Nadu revealed that the District Coastal Zone Management level authorities were not formed with representative from Local Traditional Coastal Communities even after 11 years from the implementation of CRZ notification, 2011. The Tamil Nadu State Coastal Zone Management Authority (TNSCZMA) delegated their mandated function of grant approval/clearance for constructions to Local Planning Authority and District CZMAs in deviation to the CRZ Notification. It was noticed that during 2015-22, TNSCZMA incorrectly granted CRZ clearance to 114 out of 175 projects instead of recommending them to the appropriate authority. There were instances of grant of CRZ clearance for non-permissible activities and without erosion assessment. Joint Inspection with departmental officials and analysis of google earth images revealed unauthorised constructions in CRZ area and 90 cases of construction activity in No Development Zone in violation of CRZ notification. Post clearance monitoring was not effective as TNSCZMA did not ensure compliance to the terms of CRZ clearances.

[19] Chennai, Chengalpattu, Gummidipoondi, Villupuram, Cuddalore, Nagapattinam, Ramanathapuram, Tuticorin, Kanyakumari.

Recommendations

Government may

- *Enforce strict adherence to the provisions of CRZ notification and TNSCZMA may avoid improper delegation of powers to other agencies.*
- *Ensure sufficient representation of local communities in the District Coastal Zone Management Authorities as mandated in CRZ notification.*
- *Issue necessary instructions to DCZMA for taking immediate action on all CRZ violations and instruct TNSCZMA for monitoring them.*
- *Utilise the latest technological development and web application to monitor CRZ area and to identify violation for initiating necessary penal action.*

HOME, PROHIBITION AND EXCISE DEPARTMENT

4.2 Unfruitful expenditure

Unfruitful expenditure of ₹ 0.97 crore due to non-functional Women Annex at Tiruppur resulted in non-achievement of the envisaged objective relating to women prisoners.

Based on the announcement (May 2013) of the Government of Tamil Nadu (GoTN), Additional Director General of Police (ADGP)/Inspector General of Prisons (IGP), Chennai forwarded (August and September 2013) a proposal for construction of District Jail in lieu of sub-jail with Women Annex and 42 staff quarters at Tiruppur at a cost of ₹ 11.86 crore[20]. The department justified the proposal for the upgradation to District Jail to minimise the travelling time, cost of transportation, cost of escort and to expedite court trials as about 300 prisoners travelled from Central Prison (CP), Coimbatore to the Courts at Tiruppur in a year. GoTN accorded (November 2013) Administrative Sanction for ₹ 9.96 crore for construction of prison buildings and infrastructure facilities. The work was executed through Tamil Nadu Police Housing Corporation Limited (TNPHCL) at a cost of ₹ 9.14 crore[21] and handed over[22] (September 2018 and January 2019) to Prison Department.

Scrutiny of records (December 2021) revealed that the upgraded District Jail was not optimally utilised and the constructed Women Annex was not at all functional as discussed in the subsequent paragraphs:

Upgradation of district Jail

The district jail upgraded at a cost of ₹ 1.66 crore was handed over by TNPHCL to the Prison Department (September 2018) and it became functional from

[20] Capital expenditure of ₹ 10.37 crore (Building and infrastructure ₹ 9.96 crore, Security, equipment and vehicles, etc. - ₹ 0.37 crore, furniture and civil store articles - ₹ 0.04 crore) – Revenue expenditure Staff component - ₹ 1.49 crore.

[21] Upgradation of sub jail into District Jail - ₹ 1.66 crore, construction of Women Annex and Staff Quarters: ₹ 7.48 crore.

[22] District Jail – September 2018 and Women Annex and Staff Quarters – January 2019.

January 2019. The actual average occupancy of prisoners in the upgraded District Jail is detailed in **Table 4.2.1**.

Table 4.2.1: Average occupancy of prisoners in upgraded district Jail.

Capacity before upgradation	Capacity after upgradation	Average occupancy			No. of prisoners transferred to District Jail, Tiruppur			
		2019-20	2020-21	2021-22	2019	2020	2021	2022 (upto October)
90	200	60	70	61	8	2	-	1

From the above Table, it is observed that:

- As against the envisaged accommodation facility of 200 prisoners, the average occupancy ranged between 30 and 35 *per cent* during 2019-20 to 2021-22 which was low as compared to the State occupancy of 62 *per cent*. It is pertinent to note that the occupancy of upgraded jail upto 2021-22 was less than the accommodation capacity of the prison even prior to upgradation (90 inmates).
- Further, the number of prisoners transferred from Coimbatore to Tiruppur was only 11 during the last four years of functioning. Thus, the expenditure of ₹ 1.66 crore incurred for upgradation of sub-jail to District Jail largely remained unfruitful besides non- achieving of the envisaged objective of its upgradation.

Construction of Women Annex

Audit noted from the records that the contractor completed the construction of Women Annex in June 2016 but the same was not taken over by TNPHCL due to requirement of additional facilities. The Women Annexe, which was constructed at cost of ₹ 0.97 crore remained idle for more than two years and was finally handed over to the Prison Department in January 2019.



Dormitory room for remanded women prisoners (29 December 2022)

Even after take over, the Women Annex was not functional till date (December 2022) due to non-procurement of furniture and absence of cook for more than three years, as detailed below:

- Based on sanction (2015) of GoTN for purchase of furniture (2015), Director General of Police (DGP)/IGP, Chennai released ₹ 4.39 lakh (March 2016) to the Central Prison, Vellore for manufacture and supply of furniture. However, the same was not supplied till date (September 2022) despite a lapse of more than five years from release. The released amount was parked outside the Government account in nationalised bank.
- The post of separate cook for Women Annex was sanctioned (2017) but the Department did not fill up the post till date (December 2022)

resulting in non-functioning of constructed Women Annex for the last three years.

The details of women prisoners lodged in Coimbatore prison and attended trials in Tiruppur Courts are shown in **Table 4.2.2**.

Table 4.2.2: Details of women prisoners' travelling to Tiruppur

Women prisoners lodged in Coimbatore and attending trials in Tiruppur Courts (No. of occasions)				
2018-19	**2019-20**	**2020-21**	**2021-22**	**4/22 to 10/22**
174	312	70	109	93

As may be seen from the **Table 4.2.2**, despite creation of women prison at Tiruppur, 758 women prisoners lodged in Special Prison for Women, Coimbatore attended trials at Courts in Tiruppur during the period from 2018-19 to 2022 -23 (upto October 2022) defeating the objective of minimising the travelling time, cost of transportation, cost of escort. Further, Prison Department was not aware of the expenditure incurred towards transportation of prisoners and cost of escort staff for appearing in Courts at Tiruppur during this period.

Thus, non-procurement of furniture and absence of cook led to non-functioning of Women Annex which resulted in unfruitful expenditure of ₹ 0.97 crore besides non-achievement of intended objectives of minimising the travelling time, cost of transportation and escort and easy accessibility to Courts in Tiruppur District for the women prisoners.

Government replied (July 2023) that the WA, Tiruppur started functioning from 21 December 2022. The reply is not tenable as a Joint Inspection conducted by Audit (29 December 2022) with the officials of the Prison Department revealed that the Women Annex though stated to have been functional was not actually functional and the required furniture were yet to be procured/filled.

Recommendation:

Government may ensure optimum utilisation of the created infrastructure by relocating the women prisoners from Coimbatore prison.

4.3 Avoidable expenditure

Delay in implementation of digital communication system led to avoidable expenditure of ₹ 11.25 crore towards spectrum user charges and non-utilisation of GOI grants of ₹ 32.07 crore.

GoTN proposed (2016-17 to 2020-21) to implement Digital Mobile Radio (DMR) communication system at a cost of ₹ 98.06[23] crore in 17 Districts and two Cities to provide robust and reliable digital radio communication replacing the existing conventional analog VHF under the centrally sponsored scheme with 60 *per cent* Government of India (GOI) assistance / State funded scheme. GOI released ₹ 46.66 crore for implementation of DMR projects to 15 districts

[23] Centrally sponsored scheme - ₹ 77.77 crore; State funded scheme - ₹ 20.29 crore.

and one city during 2016-21. Based on the approval of GOI, GoTN initially proposed to implement DMR project in four districts[24].

DMR Project involved procurement of core components[25] and creation of infrastructure[26]. Licences to possess wireless telegraphy apparatus including "decision to grant licence" were required to be obtained from Wireless Planning and Co-ordination Wing (WPC) of Ministry of Communication and Information Technology, GOI. After obtaining "decision to grant licence" from WPC, the Department needs to pay annual spectrum user charges.

Tenders were invited (August 2016[27], March 2017[28]) for implementation of DMR Projects in four districts at a cost of ₹ 20.24 crore. In all the four tenders, only two bidders participated. The technical evaluation report of the tenders stated that the signal coverage of equipment of only one bidder was satisfactory and Provisional Acceptance Order (PAO) was issued (September 2017 and September 2018) to M/s V Link Systems (P) Ltd, Chennai. The procurement cost of DMR systems for four districts was revised to ₹ 20.75 crore[29] (August 2019, November 2019) considering GST rates. After a lapse of more than one year from the date of issue of PAO, Department cancelled (December 2019) the PAOs/tenders for DMR project with the approval of Tender Accepting Authority citing substantial changes in design and technologies and changes in scope of procurement. However, in contradiction to the reasons adduced for cancellation of tenders, the Department subsequently invited separate tenders with the same procurement scope and technology for the four districts thrice (January, July and December 2020), but there was no response.

Meanwhile, citing acute shortage of VHF communication equipment for field policing, Director General of Police approved procurement of 1,114 VHF Handheld Sets for four districts[30] and the same were procured (between December 2020 and March 2021) at a cost of ₹ 3.15 crore.

In the meantime, Department obtained[31] (November 2017 to May 2019) "decision to grant licence" from WPC for four DMR Projects on payment of ₹2.00 crore[32] towards annual spectrum user charges and ₹ 1.58 lakh for operating additional Repeaters[33]. An amount of ₹ 11.25 crore was paid (November 2017 to September 2022) towards spectrum user charges to WPC, GOI.

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24 Perambalur at a cost of ₹ 1.39 crore (July 2016); Thanjavur for ₹ 8.64 crore, Thiruvarur for ₹ 5.93 crore (November 2016); and Karur for ₹ 4.28 crore (February 2018).

25 DMR repeaters, Duplexers, DMR Static set, DMR Mobile, DMR Handheld sets etc.

26 Construction of Communication Towers, Lightning Protection System.

27 Perambalur, Thanjavur and Thiruvarur.

28 Karur.

29 Thanjavur: ₹ 8.85 crore, Thiruvarur: ₹ 6.14 crore, Perambalur: ₹ 1.48 crore, Karur: ₹ 4.28 crore.

30 Thanjavur: 510 and Thiruvarur: 292 – September 2020; Perambalur: 69–April 2020, Karur: 243 – March 2020.

31 Thanjavur: November 2017, Thiruvarur: November 2017, Perambalur: June 2018, Karur: May 2019.

32 Thanjavur: ₹ 1,05,64,500, Thiruvarur: ₹ 44,01,719, Perambalur: ₹ 8,45,594, Karur: ₹ 42,19,875; Total - ₹ 2,00,31,688 or ₹ 2.00 crore.

33 A repeater is an automated radio station that extends the range of communications.

The details of expenditure incurred towards the procurement of various components for DMR project in four districts for an amount of ₹ 3.34 crore and payments of ₹ 11.25 crore to WPC are given in the **Annexure 17**:

Scrutiny of records revealed the following:

- The Department implemented the DMR project in four districts with Perambalur district as a pilot project, as against 17 districts and two cities envisaged. With these four projects yet to be completed, the project in other 13 districts and two cities remained as non-starter till date (March 2023) resulting in non-utilisation of GOI grant of ₹ 32.07 crore[34] till date (May 2023).
- The delay of more than three years in finalisation of the procurement process for implementation of DMR Project led to non-utilisation of spectrum frequency and avoidable payment of ₹ 11.25 crore towards spectrum user charges.
- The Department purchased 1,114 VHF handheld sets for four districts which included 510 sets with spare batteries at ₹ 28,300 per set and 535 sets without spare batteries at ₹ 28,400 per set. Since, the tenders were called for supply of VHF handheld sets with spare batteries, purchase of 535 VHF handheld sets without spare batteries at higher rate was not in order.
- Out of the above 1,114 VHF handheld sets, 609 sets purchased at a cost of ₹ 1.72 crore remained unutilised for more than 20 months resulting in unfruitful expenditure to the above extent. It is pertinent to mention here that VHF handheld sets were purchased citing acute shortage whereas 609 sets remained idle and 505 sets were not utilised in the four districts for which they had been purchased as they had been transferred to other districts.

Thus, cancellation of the finalised tender and delay in finalisation of procurement process resulted in non-implementation of digital communication system in four Districts for more than four years. This led to avoidable expenditure of ₹ 11.25 crore towards payment of spectrum user charges, unfruitful expenditure on idling of 609 VHF handheld sets procured for ₹ 1.72 crore and non-utilisation of GOI grants of ₹ 32.07 crore.

Government replied (January 2023) that the DMR is a new technology and hence the vendors were finding difficulties to participate in the tender. The department further stated that it is exploring all the possible options to implement the DMR Project at the earliest. The fact, however, remained that the project was still to take off (May 2023) which indicated that the department proposed the project without conducting preliminary study which led to non-implementation of the project.

[34] Amount released - ₹ 46.66 crore – Expenditure - ₹ 14.59 crore = Un-utilised amount - ₹ 32.07 crore.

***Recommendations**:*

Government may

- *explore all possibilities for effective implementation of the Project in a time bound manner for beneficial use of grants received and expenditure incurred towards spectrum user charges.*
- *fix responsibility on the officials responsible for the delay in implementation of the projects.*

4.4 Suspected fraud

Finished goods despatched by three central prisons were not received by the user Departments resulting in loss of ₹ 5.91 crore. Raw materials purchased by central prison, Madurai at a cost of ₹ 1.51 crore was found not to have been supplied by the suppliers during cross verification with their monthly GST returns.

Prison Department has been engaging the convicted prisoners in prison industries and prison maintenance[35] works and paid wages under Wages Earning Scheme (WES) based on their skill levels[36]. Government of Tamil Nadu (GoTN) notified (August 1990) Prison Department as a service Department and the prison products are to be supplied to State Government Departments free of cost. The products of the prison industries are supplied to the Departments through Gate Passes as stipulated in the Tamil Nadu Prison Rules 1983. The wages to be paid as per the latest revision (September 2017) to the skilled, semi-skilled and un-skilled labourers was ₹ 200, ₹ 180 and ₹ 160 per day respectively.

Scrutiny of records in three Central Prisons (CPs[37]) for the period from 2017-18 to 2021-22 and cross verified with the details available with other Departments revealed non-supply of finished products to user Departments. The findings are discussed in the following paragraphs:

Non-supply of goods to user Departments

Rule 1046 of Tamil Nadu Prison Rules 1983 stipulates that Storekeeper shall maintain a Register of orders for manufacture and execution of orders received from the user Departments. However, the Department did not produce the Register of orders for audit scrutiny for the period from 2017-21. Therefore, audit cross verified the supply details of manufactured products to the Departments of the State Government through Gate Passes pertaining to the period from 2017-21, by three CPs. The cross verification revealed that the goods reported as transferred to the user Departments through Gate Passes were not actually received by the user Departments as detailed below:

- Despite non-placement of indents for supply of goods by user Departments[38], the finished goods were reported as supplied during

35 Sweeping, cooking, cleaning, gardening, kitchen maintenance etc.
36 Skilled, Semi-skilled and Un-skilled
37 Cuddalore, Madurai and Palayamkottai.
38 1. Dy Director of Health Services, Madurai, 2. Revenue Divisional Officer, Usilampatti, 3. Taluk Office, Usilampatti, 4.Madurai Bench of Madras High Court, 5.Tiger conservation, Ambasamudram, 6.Chief Educational Officer, Nagercoil, 7. Government Branch Press, Madurai, 8. Block Development Officer, Pudur, 9.Joint Transport Commissioner, Madurai, 10. Regional Transport Officer, Madurai (South) and 11. Revenue Divisional Officer, Devakottai.

2017-21 by CP, Madurai in 37 out of 78 field offices test checked by audit.

- As against the supply of finished goods[39] reported to have been manufactured and supplied as revealed in the Gate pass of CP, Madurai, the actual receipt of goods[40] by Deputy Director of Health Services (DDHS), Madurai during the period was less and goods with a value of ₹ 3.48 crore was not received **(Annexure 18).**
- Similarly, the details of finished goods reported as supplied by three CPs[41], to the 77 field offices of Government Departments and cross verified the same with the Gate passes issued by these three CPs revealed discrepancies in 39 out of 77 offices and the value of finished products not received by the field offices worked out to ₹ 2.43 crore.

Thus, finished products worth ₹ 5.91 crore despatched by the three prisons were not received by the user Departments as evidenced from the statement of receipts furnished by the user Departments. This indicated misappropriation of Government stock resulting in loss to the exchequer.

Government accepted and stated (July 2023) that the indents of the consuming departments were not entered in the supply order books and disciplinary action has been initiated against the supervisory staff in Central Prison, Madurai. It was also stated that acknowledgements from the concerned departments for the items supplied to them were received from the DDHS, Madurai for supply of goods. Audit verified the records of DDHS, Madurai in June 2023 and ascertained that DDHS, Madurai made a consolidated receipt entry for the period from December 2019 to March 2020 on 04 March 2020 and April 2020 to July 2020 on 03 July 2020 belatedly in their stock books, as these entries were not available in the stock books on earlier visit by Audit in April 2022 and January 2023. This indicated a case of suspected fraud with the connivance of the departmental officials. But, no specific reply was given in respect of CP, Palayamkottai and Cuddalore.

Purchase of raw material

Rule 138 of the Goods and Services Tax (GST) Rules stipulates generation of e-way bill for the conveyance of goods of value exceeding ₹ 50,000 by the consignor or consignee or transporter. Audit cross verified 27 invoices for supply of raw materials to CP, Madurai with individual value exceeding ₹ 10 lakh (total value of goods - ₹ 8.06 crore) for the period 2019-21 with the records of GST Department, which revealed that e-way bills were not generated for any of the invoices.

The GST returns of the suppliers did not indicate the details of sales made to the individual buyers. Hence, cross verification of month-wise purchases of raw material by the CP, Madurai from two major suppliers[42] with the total sales

39 Bandage cloth 22 lakh m; file pad and covers – 2.64 crore numbers.
40 Bandage cloth 6 lakh m; file pad and covers – 1.87 crore numbers.
41 In respect of CP, Madurai, Gate Passes pertaining to 2019-20 and 2020-21 were test checked.
42 Sri Dhanalakshmi Limited, Palayamkottai and General Trading Company Ltd, Chennai.

turnover declared in GST returns filed by the suppliers for the years 2019-20 to 2021-22 was carried out. Such verification revealed that the total monthly sales turnover declared by the suppliers was less than the purchases made by the CP, Madurai. The difference in the turnover reported in GST returns of the suppliers and the purchases reported by the CP, Madurai in respect of General Trading Company Limited for the year 2019-20 and 2020-21 was ₹ 64.48 lakh and Sri Dhanalakshmi Limited for the years 2019-20 and 2020-21 was ₹ 86.52 lakh, totaling ₹ 1.51 crore.

In view of the above discrepancies, the genuineness of purchase of raw materials by CP, Madurai was doubtful.

Government replied (July 2023) that they were not aware of the GST Act provisions and in future Suppliers would be instructed in this regard.

Payment of wages to the prisoners

The payment of wages to prisoners for the manufacture of goods also revealed undue benefit to a set of prisoners engaged in prison industries as compared to prisoners engaged in maintenance work as detailed in the subsequent paragraph:

Prison Manual and Government instructions (December 2000) stipulate that the prisoners engaged in maintenance service shall be rotated once in a quarter into the manufacturing section. Audit scrutiny of wages register for the period 2019-20 and 2020-21 relating to three test checked CPs[43] revealed that the prisoners engaged in manufacturing section[44] and maintenance section continued in the same sections without rotation in deviation to Government instructions. The three categories[45] of prisoners engaged in manufacturing sections received more wages calculated on task basis as compared to daily wages paid to these three categories of prisoners engaged in maintenance work. An illustrative case of wages received by prisoners in paper industry and maintenance work in CP, Madurai during 2019-20 is given in **Annexure 19**.

Audit observed that as against the maximum entitled wages of ₹ 5,200 per month (26 days x 200) for skilled worker, around 98 *per cent* of prisoners engaged in Manufacturing Section earned wages more than ₹ 10,000 per month during 2019-20 and the maximum wages paid was ₹ 60,699.

Government replied (July 2023) that skilled prisoners willing to work were assigned multi tasks and wages were paid accordingly. This has resulted in payment of wages much in excess of the rates fixed by the Government. The reply of the department is not tenable in view of the fact that the exorbitant payment of wages without any ceiling or rationale in comparison with the rate fixed being the *modus operandi* pointing towards the suspected fraud.

Further, Audit noticed that Government instructions on rotation of prisoners engaged in Manufacturing Section and Maintenance Section were also not complied with, which resulted in wide disparity in payment of wages among prisoners as the maximum wages paid to prisoners in Manufacturing section was ₹ 60,699 whereas it was only ₹ 5,400 to prisoners in Maintenance section.

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43 Palayamkottai, Madurai and Cuddalore

44 Prisoners engaged in two Industries were randomly selected for analysis

45 Assignment of Skilled, semi-skilled and unskilled.

Government replied (July 2023) that rotation of prisoners could not be affected due to lack of expertise among prisoners. Reply is not acceptable since non-rotation of prisoners was against the Manual provisions / Government instructions.

Non-production of records

In respect of CP, Madurai, records relating to the years 2017-18 and 2018-19 were not made available to audit and hence, Audit could not ascertain the genuineness of the transfer of goods and their proper accounting by the user Department for the years 2017-18 and 2018-19.

Thus, from the verification of records of the Prison Department and cross verification of details with other Departments, Audit observed that:

- There was unauthorised diversion of finished products valuing ₹ 5.91 crore causing loss to the exchequer as the finished products transferred by three CPs were not received by the user Departments. It is pertinent to state that the market value of the products worked out to ₹ 14.35 crore as per the Statistics Department data.
- The genuineness of purchase of raw materials by CP, Madurai could not be ensured since cross verification of the GST returns of two raw material suppliers revealed that raw material valuing ₹ 1.51 crore purchased by CP, Madurai were not declared as sales in their GST returns.
- The prisoners were not rotated between manufacturing and maintenance works as stipulated in the Government instructions and Manual provisions. Despite instructions of Government for payment of wages at prescribed rates, adoption of task based wages resulted in disproportionate payment of wages to the prisoners.
- Despite periodical reminders and escalation to higher authorities, the records for the period 2017-18 and 2018-19 relating to CP, Madurai were not produced to audit.

These issues required detailed investigation by the Departmental Authorities to rule out diversion of raw material or finished products by fraudulent means for individual gain and misappropriation of public money.

Recommendations:

- *Government may develop a system of reporting the receipts of finished products by the user Departments from the prison industries to the Head of the Department to ensure that the goods supplied free of cost are duly delivered and accounted for.*
- *Government must fix responsibility on the officials concerned, if found guilty based on the enquiry by the Directorate of Vigilance and Anti-Corruption.*
- *Government may ensure that the prisoners are rotated in manufacturing and maintenance sections as per the existing instructions so that all prisoners develop manufacturing skills.*
- *Government may reassess the existing orders for payment of wages to the prisoners on task basis as the quantum of wages paid exceeded manifold compared to the daily wages approved by Government.*

- *Government may examine the transactions pertaining to the other prison in the State to rule out the possibility of suspected fraud.*

TOURISM, CULTURE AND RELIGIOUS ENDOWMENTS DEPARTMENT

4.5 Delay in creation of infrastructure

Delay in construction of strong room in temples to safeguard the idols resulted in non-achievement of envisaged objectives for more than four years, despite the availability of funds of ₹ 303.48 crore.

Section 96 of Hindu Religious and Charitable Endowment Act stipulates that the Religious and Charitable Endowments Administration Fund[46] (Fund) shall vest with the Commissioner of the Hindu Religious and Charitable Endowments (HR & CE) Department. With a view to protect the temples and safeguard the valuable idols/antiques of historical value, Hon'ble High Court (HC) directed (July 2018) HR & CE Department to construct strong rooms in temples where the Idols were to be kept with appropriate security within one year.

During the Compliance audit of the Office of the Commissioner, HR & CE Department, Chennai, conducted during the period (April/May 2019 and January/February 2022), it was examined whether the Fund vested with the Commissioner of HR & CE Department was utilised for the intended purposes. During the course of the Audit, it was observed that the funds allocated for construction of strong rooms in temples to safeguard the idols were not utilised for more than four years since December 2018 resulting in continued unsafe conditions to the idols in the temple besides parking of funds in term deposits in banks as discussed in subsequent paragraphs:

Sanction of funds

Based on the proposal (August 2018) of the Commissioner HR & CE Department, Government of Tamil Nadu (GoTN) sanctioned (November 2018) ₹ 308.70 crore from HR & CE Administration Fund for construction of strong rooms with burglar alarms and surveillance cameras to protect the idols in 3,087 temples[47]. GoTN directed (November 2018) the Commissioner to execute the work as per the HR & CE Act 1959. Commissioner, HR & CE Department intimated (August 2018) the GoTN that apart from 3,087 temples mentioned in the Government order construction of strong rooms in another 263 temples identified by idol theft wing of State police, where the idols were kept in very unsafe condition, would also be considered, and proposed for completion of these works by December 2019.

Status of construction work

HR & CE Department proposed (June 2019) to construct strong room in one[48] out of identified 3,087 temples as a pilot project. The cost of the strong room in pilot project was determined as ₹ 0.23 crore based on the size, number of idols

46 There shall be established a Fund to be called the Tamil Nadu Hindu Religious and Charitable Endowments Administration Fund.

47 ₹ 10 lakh per temple.

48 Pasupatheeswarar Temple at Pandanallur in Thanjavur district

to be stored, supervisory charges of 7.5 *per cent* etc. and the work was entrusted to Tamil Nadu Police Housing Corporation Limited after obtaining approval of High Court Expert Committee and State Level Heritage Committee. The work was completed (February 2020) with an expenditure of ₹ 0.21 crore. After the completion of pilot project, Department did not continue with the construction of strong rooms through TNPHC due to non-waiver of 7.5 *per cent* supervisory charges. Department finalised a model design (December 2021) for preparation of estimates for construction of other strong rooms through their Engineering wing.

Though 3,087 temples were proposed for construction of strong rooms, HR & CE Department approved 1,771 out of 1,808 estimates prepared involving expenditure of ₹ 156.65 crore (up to February 2023). Of the 1,771 approved estimates, Department accorded technical sanction for 49[49] works and released ₹ 4.99 crore[50] (November 2022 to February 2023) due to vacancies in the Engineering Wing of the Department.

In this regard, audit observed the following:

- The Commissioner drew the sanctioned amount of ₹ 308.70 crore and deposited (December 2018) in Term Deposits in financial institutions[51] and savings account of a Nationalised Bank and an interest amount of ₹ 98.90 crore had accrued.
- Despite the directions of HC to complete the construction of strong room in temples within one year and commitment of HR & CE Department to complete the work by December 2019, strong room was constructed only in one temple and others were not completed due to non-continuance of the work through TNPHC and finalisation of model design in November 2021 for execution of work by Engineering wing.
- Even though the department planned to construct strong room in 263 temples identified by idol theft wing where idols were stated to be kept in very unsafe condition, the same pending completion till date due to delay in commencement of works.
- Audit ascertained from the records of the idol theft wing of the Police Department that there were 497 cases of idol thefts registered since 1982. Of the same, 120 cases were filed during the period from 2019 to 2023. Audit noticed that construction of strong rooms was planned in 18 temples which reported idol thefts during 2019 to 2023 and construction of strong rooms was not completed in these 18 temples also.

Thus, inordinate delay in construction of strong room in temples, despite the availability of funds of ₹ 303.48 crore resulted in non-achievement of envisaged objective to safeguard the idols, for more than four years. In addition, the sanctioned fund was kept outside the Government account in nationalised bank.

On this being pointed out (May 2023), Government replied (May 2023) that the construction through TNPHC was not continued due to non-waiver of

[49] Trichy – 32, Chennai I –1, Sivaganagai – 15, Tiruppur – 1.

[50] Trichy: ₹ 3.31 crore, Chennai I: ₹ 0.11 crore, Sivagangai: ₹ 1.55 crore, Tiruppur – ₹ 0.02 crore.

[51] Tamil Nadu Power Finance Corporation Limited - ₹ 200 crore; Tamil Nadu Transport Development Finance Corporation Limited - ₹ 100 crore and Indian Overseas Bank - ₹ 8.70 crore.

supervisory charges. It was also stated that the work orders had been issued to construct strong rooms in 1,084 temples and work completed in 12 temples. In order to complete the works as per the directions of the Hon. High Court, the amount was not remitted back to Government account. The reply is not tenable as the Department failed to identify the proper implementing agency and the estimates for construction was approved after a lapse of four years from release of funds due to delay in execution of work by the Engineering Wing of the Department (July 2023).

Recommendation:

The Government may frame a time bound action plan for completion of construction of strong rooms in the identified temples especially those kept in unsafe conditions to ensure the safety of valuable idols / antiques.

4.6 Absence of proper road for the pilgrims

Inadequate field survey in the preparation of initial estimate resulted in non-achievement of the objective of provision of transport facilities to the pilgrims visiting the ancient temple despite sanction of ₹ 12.62 crore.

Para 192 of Highways Manual Volume IV envisages that if a work is executed as a deposit work by Highways Department, the Government contribution shall be adjusted as transfer of credit under the head Public Works Deposits (Civil Deposit).

The ancient temple Arulmigu Nainamalai Varadharaja Perumal Temple in Namakkal District was established by Naicker Kings in 1839. The hill temple with 32 bronze and 28 rock idols of archaeological importance has been attracting 5,50,000 visitors annually as per 2017-18 statistics. The visitors have been reaching the temple by travelling four km in non-motorable kutcha road and by climbing 3,650 steps. The temple is under the control of Hindu Religious and Charitable Endowments (HR & CE) Department. District Collector (DC) is the Nodal Officer for implementation of Tourism projects in the districts.

HR & CE Department obtained permission from Forest Department (September 2005) to form a ghat road of 6 km involving forest land of 1,23,000 sq m, but a kutcha road for 4.1 km only was laid. Government of Tamil Nadu (GoTN) instructed (July 2017) the Tourism Department to send a proposal for laying of black topped motorable road.

Joint Commissioner (JC), HR & CE Department prepared an estimate for laying road for a length of 4.1 km and forwarded it to Divisional Engineer, Highways Department (HD) (December 2017) for review. HD reviewed and suggested to adhere to the Indian Road Congress (IRC) specifications in the estimates. However, the proposal was finalised (July 2018) by HR & CE Department without adopting IRC specifications. Based on the proposals, GoTN sanctioned (November 2018) ₹ 7.20 crore for formation of hill road (4.1 km) and creation of infrastructure facilities.

Based on the sanction, Commissioner of Tourism released (December 2018) ₹ 7.20 crore to DC but the same was not utilised and parked in the savings bank account due to non-finalisation of tender for the work. After the release of funds, JC, HR & CE highlighted (June 2019) the necessity of conducting a

survey to finalise the alignment of the road and stated that the road length would increase to 6.5 km. Detailed Project Report (DPR) for the work was prepared (August 2020) by the HR & CE department through a contractor incurring ₹ 3.60 lakh. Based on DPR, HR & CE department proposed to lay the hill road for a length of 7.1 km (October 2020) at an estimated cost of ₹ 22.30 crore. Accepting the suggestion of DC for execution of the work in two Phases[52], GoTN sanctioned (December 2020) and released (January 2021) the amount of ₹ 5.42 crore[53] under Phase I.

JC, HR & CE requested (February 2021) GoTN to assign the work to Highways Department as they lack structural facilities in formation of hill roads and the same was approved by GoTN in April 2021.The Phase I of the work was awarded (January 2022) to the contractor for ₹ 12.63 crore by HD for completion in 18 months (July 2023). But the work could not be continued (December 2022) beyond 0.6 km due to non-obtaining of permission from Forest Department for the revised alignment. Final clearance of the Forest Department was still pending (December 2022).

Scrutiny of records revealed the following:

- Despite being suggested by the Highways Department (December 2017) to adhere to the IRC specifications, the initial estimates were prepared by HR & CE Department without considering the IRC provisions on gradient, alignment, passenger and vehicular safety in ghat road and obtained the sanction from GoTN in November 2018. This resulted in revision of estimates based on DPR and revision of road length to 7.1 km besides increase in project cost by ₹ 15.10 crore.
- Though the HR&CE Department was aware that permission by forest department was required for revised alignment of works and Government sanctioned the funds for revised alignment in December 2020, HR&CE Department belatedly sought (March 2022) forest clearance for executing the work after the commencement of work by HD. This resulted in the stoppage of work after partial completion (0.6 km out of 7.1 km) (December 2022) of Phase I besides time delay of more than four years from sanction.
- Even after the issue of Government orders (April 2021) for undertaking the work as Deposit work by Highways Department, the funds were retained in nationalised bank without transferring to Public Works Deposits (Civil Deposit) by the DC, Namakkal, in violation of Manual provisions and Government instructions.

Thus, non-adherence of IRC specifications, inadequate field survey before the preparation of initial estimate and delay in seeking forest clearance for revised alignment by HR & CE Department resulted in non-achievement of the objective of provision of transport facilities to the pilgrims visiting the ancient temple despite sanction of ₹ 12.62 crore besides retaining the funds outside Government account in violation of Manual provisions.

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52 Phase I - Basic formation of the road with protective facilities for ₹ 13.06 crore; Phase II - Construction of bituminous road.

53 ₹ 13.06 crore (Revised estimate for Phase I) less ₹ 7.20 crore (earlier sanction) and ₹ 0.44 crore (Interest accrued).

Department stated (May 2023) that the GoTN accorded permission (March 2023) for using the forest land and the work has been commenced (March 2023). However, the fact remained that no payment was made to the contractors till date (July 2023) and the funds were not transferred to the Civil Deposits as instructed by the Government and the project was delayed for more than four years despite availability of funds. The matter was referred to Government in January 2023 and no reply has been received despite repeated reminders (July 2023).

Recommendation:

Government may instruct the field officials to conduct adequate field survey before commencing the work so that sanctioned works are completed without delay.

4.7 Non-cooperation and non-production of records to Audit by HR & CE Department

Compliance Audit, proposed on the general superintendence and control of the Commissioner of the HR&CE Department over the temples and their endowments, could not be executed due to non-cooperation and non-production of records by the Department to Audit in violation of the powers to conduct audit by CAG as per the Constitution of India.

Section 23 of the Comptroller and Auditor General's Duties, Powers, and Conditions of Services Act 1971[54], authorises CAG to make regulations for carrying into effect the provisions of this Act. Regulations on Audit and Accounts[55] created on the above provision shall apply to the Indian Audit and Accounts Department and all ministries and departments of the Union as well as State Governments [Para 1(2)]. As per Para 44 of the said Regulation, Compliance Audit is concerned with regularity i.e., adherence to formal criteria such as provisions of the Constitution of India, relevant laws, rules, regulations, orders, instructions, and agreements, etc.

Section 23 of Tamil Nadu Hindu Religious and Charitable Endowments Act, 1959 (HR & CE Act), stipulates that all the Hindu religious endowments shall be subject to the general superintendence and control of the Commissioner of the HR&CE Department. Such control by the commissioner shall include the power to pass any orders which may be deemed to be necessary to ensure that all temples and endowments attached thereto are properly administered and that their income is duly appropriated for the purposes for which they were founded or exist.

Section 34 of the HR & CE Act further stipulates that any sale, exchange or mortgage and any lease for a term exceeding five years of any immovable property, belonging to, or given or endowed for the purpose of, any religious institution shall be *null* and *void* unless it is sanctioned by Commissioner as being necessary or beneficial to the institution.

Further, as per the Hon'ble High Court of Madras judgement dated 7 June 2021, it was observed that for managing huge wealthy resources of the temples, periodical inspections shall be made by the higher officials in the cadre of the

[54] Enacted in pursuance of Article 151 of the Constitution of India.
[55] Regulations on Audit and Accounts (Amendments) 2020.

Additional Commissioner or Joint Commissioner of the HR & CE Department to look into the temple related issues and its properties. It is pertinent to mention that as per Policy Note of the Government of Tamil Nadu for the year 2022-23 relating to the HR & CE Department, there are 4.78 lakh acres of land and 22,600 buildings belonging to temples of Tamil Nadu. During the period from 01 July 2022 to 21 March 2023, the temples have collected rent of ₹ 117.63 crore.

The Department has the responsibility to administer the temple properties, however, there were frequent media reports about loss of temple properties on account of encroachment, theft, etc. indicating that the administration of the temple properties by the Department was not adequate. In view of the topicality of the issue being highlighted, a Compliance Audit on the topic *viz*., "Management of Assets by HR & CE Department" was taken up by this office and the audit was proposed to be conducted from May 2022. The Audit proposed to cover the period between 2019-22. An intimation letter was also forwarded to the Principal Secretary to Government, HR & CE Department on 29 April 2022 requesting for making arrangements to provide required documents, files and data regarding assets managed by the Department. In response to the request, the Commissioner (HR&CE) Department was directed to do the needful. However, when the audit was commenced (May 2022), it was replied by the Department (27 May 2022) that there was no jurisdiction for scrutiny of records pertaining to religious institutions and that the scope of audit was to be restricted to the funds released from the consolidated fund of the State. In view of the stand taken by the Department, the audit team deputed for the Compliance Audit was forced to be withdrawn immediately (May 2022).

The above stand of the Department is not correct since Audit intended to focus on the issues relating to implementation of the provisions of the Act by HR & CE Department with reference to the records mandated to be maintained by the Head/field offices, which would come under the purview of the Audit.

The non-cooperation was taken up (June 2022) with the Principal Secretary, Tourism, Culture and Religious Endowments Department and was escalated to the level of Chief Secretary to the Government of Tamil Nadu twice (June and August 2022).

The Government replied (June 2023) that the temples/ religious institutions or HR & CE Department did not come under the purview of the CAG's DPC Act, 1971 and HR &CE Department did not own any assets. It was also replied that the grants released by the Government alone can be audited under Section 14 of the DPC Act.

The reply is not tenable as Government is entitled to collect four to 12 *per cent* of income from the assets of the temples as lease rent and remitted to the Administrative Fund maintained by the Government. In order to ensure the correctness of realisation of the lease rent to Government, Audit needed to ascertain the total income from the assets of the religious institution and expenditure on pay and allowances of HR & CE Department by virtue of Section 13, 16 and 23 of DPC Act. An audit observation on delay in realisation to Administrative Fund has also been included in **Paragraph No. 4.8** of this Report. It is also pertinent to note that the Hon. High Court of Madras in its

orders (June 2023) opined that proper accounts relating to income from the lands of religious institutions were not maintained.

Hence due to non-co-operation and non-production of records, Audit could not discharge its duty of giving assurances on the actual revenue being collected or whether there is a leakage in revenue realisation causing loss to the exchequer due to non/short collection of lease rent from the assets of the temples.

4.8 Delay in realisation of revenue to Administrative Fund

Non-compliance of provisions contemplated in the Hindu Religious and Charitable Endowments Act, 1959 and Rules framed thereunder led to non-raising of demands to the tune of ₹ 1.83 crore besides non-realisation of revenue of ₹ 69.69 crore.

The Commissioner is the administrative head of the Hindu Religious & Charitable Endowments (HR & CE) Department and is vested with powers to regulate and supervise the administration of the Hindu Religious Institutions (Institutions) in accordance with the Tamil Nadu Hindu Religious and Charitable Endowments Act, 1959 (Act). A compliance audit (December 2022/January 2023) of the O/o the Commissioner of HR & CE, Chennai (HOD) and the field offices at Tiruchirappalli, Tiruvannamalai and Chennai to examine the compliance of provisions contemplated in the Act for recovery of Contribution[56] and Audit fees[57] (C&AF) was taken up. Scrutiny of records revealed that there was pendency in realisation of amount towards C&AF and non-compliance of Act provision as discussed in the subsequent paragraphs:

Submission of Accounts and raising of demand

Section 87(1) of the Act read with Para 4 of "The Assessment, Levy and Recovery of Contribution Costs Rules" (Rules) issued under HR & CE Act, 1959 stipulates that the Trustee of every Institution should submit to the Commissioner on or before 31 August in each Fasli[58] year, a statement showing Receipts and Charges (Financial Statement) relating to previous Fasli year. Para 6 of the Rules enables the Commissioner to assess the income of the Institution if it fails to submit financial statement before 31 August each Fasli year.

The status of the receipt of the Financial Statement in three[59] test checked field offices for three Fasli years as of December 2022 and action taken thereon is given in the below **Table 4.8.1**.

[56] For the services rendered by the Government and their officers and for defraying the expenses incurred on account of such services.
[57] For meeting the cost of auditing of its accounts.
[58] Fasli year means period of 12 months from July to June adding 590 to Fasli year comes to Gregorian calendar.
[59] Tiruvannamalai, Tiruchirappalli and Chennai.

Table 4.8.1 - Status of receipt of Financial Statement received from Institutions and action thereon

			Financial Statement					
Sl. No.	Fasli year	Name of the Field Office	Due	Received	Yet to be received	Forwarded to HOD	Demand issued by HOD	Pending with HOD
1	1429 (2019-20)	Tiruvannamalai	266	186	80	186	97	89
	1430 (2020-21)		266	176	90	176	88	88
	1431 (2021-22)		266	72	194	72	31	41
2	1429 (2019-20)	Tiruchirappalli	393	380	13	380	262	118
	1430 (2020-21)		395	384	11	384	180	204
	1431 (2021-22)		395	325	70	275	103	172[60]
3	1429 (2019-20)	Chennai	604	565	39	565	517	48
	1430 (2020-21)		631	552	79	552	513	39
	1431 (2021-22)		631	552	79	552	513	39
Total			**3,847**	**3,192**	**655**	**3,142**	**2,304**	**838**

It may be seen from the table that:

- As against 3,847 Financial Statements due for the period from 2019-20 to 2021-22, Department received 3,192 statements and 655 statements were yet to be received (17 *per cent*). Of these, 132 Statements pertaining to the year 2019-20 were yet to be received even after a delay of more than two years.
- Out of 3,142 Statements received by the Department, demand was not raised for 838 RCs (27 *per cent*) due to delay in approval of the Statements by the HOD. The delay in raising of demand was more than one year in 586 cases[61] (70 *per cent*).

Thus, the failure to collect the Financial statement by the field officials of HR & CE Department coupled with HOD's failure to raise the demand had a consequential delay in realization of revenue to the Administrative Fund by way of contribution and audit fees.

The non-finalised demands for the Fasli year 1431 was cross verified with the Demand Register maintained in the three field offices to ascertain the quantum of amount of C&AF due to be realised to Administrative Fund. Such verification revealed that demand of ₹ 1.83 crore towards C&AF was not raised and collected from the religious institutions as detailed in **Table 4.8.2:**

Table 4.8.2: Non-raising of demands

Sl. No.	Name of the Office	Demands due to be raised (*) (Fasli year 1431) (31-12-2022)	Demands raised subsequently	No. of temples exempted	Data not available in the Demand Register	Demand to be raised	Amount of C&AF to be raised (₹ in crore)
1	Chennai	79	2	5	6	66	1.56
2	Tiruchirappalli	70	3	3	42	22	0.10
3	Tiruvannamalai	194	8	58	30	98	0.17
Total		**343**	**13**	**64**	**78**	**186**	**1.83**

(*) Demands due to be raised pending receipt of RC
(Source: Details furnished by the field offices)

[60] 54 out of 172 R&C were forwarded to HOD in January/February 2023.
[61] 586 cases relates to two previous fasli years (2019-20 & 2020-21).

Recovery of Contribution and Audit fees

Section 94 2(b) of Act stipulates that within one month from the date of the receipt of the notice of assessment of Contribution[62] (Section 92(1)) and Audit Fees[63] (Section 92(2)), trustee shall pay the amount specified in the notice or the amount as fixed by the Commissioner. Section 94(3) of the Act stipulates that if the trustee fails to pay the amount within the time allowed, the Collector of the district on requisition made by the Commissioner, recover such amount as if it were an arrear of land revenue.

Scrutiny of the field office wise Demand, Collection and Balance (DCB) statement towards C&AF for the State for the Fasli years 1429 to 1431 at HOD revealed that pendency in collection at the end of the Fasli year 1431 was ₹ 69.69 crore. However, HOD failed to initiate the action to recover the same under the provisions of Section 94(3) of the Act.

Further, audit obtained the details of the receipts shown as collections towards C&AF by the Department for the period 2019-20 to 2021-22 and verified with the amount booked by Principal Accountant General (Accounts and Entitlement) under the Receipts Head of Administrative Fund and same is given in the **Table 4.8.3**:

Table 4.8.3: Variation in Collection particulars furnished by HOD and field Offices and that of booked figures in the PAG (A&E) office

(₹ in crore)

Sl. No.	Fasli year	Name of the Office	Collection as furnished by field Office	Collection as furnished by HOD	Collection as booked under C & AF as per PAG (A&E) office
1	1431	Trichy	102.74	59.78	17.43
2		T.V.Malai	23.69	3.00	2.75
3		Chennai	33.96	17.79	2.84
		Total	**160.39**	**80.57**	**23.02**

(Source: Details furnished by the Department)

It may be seen from the above that:

- the field office reported collection of ₹ 160.39 crore, against which the collection reported by HOD was only to the extent of 50 *per cent* (i.e., ₹ 80.57 crore).
- Further the collection booked by Office of the PAG (A&E) office, Chennai based on the remittances from the concerned treasuries was ₹ 23.02 crore, 14 *per cent* of the collection particulars furnished by the field office.

Thus, there was huge variance between the amount of collection at the field office and the remittance booked in the treasury accounts which indicated absence of reconciliation of the revenue realized to the Administrative Fund and

[62] Contribution: Less than ₹ 5,000: Nil, more than ₹ 5,000 but not exceeding ₹ 20,000: 04 *per cent*, more than ₹ 20,000 but not exceeding ₹ 60,000: 05 *per cent*, more than ₹ 60,000 but not exceeding ₹ 2,00,000: 06 *per cent*, more than ₹ 2,00,000 but not exceeding ₹ 5,00,000: 07 *per cent*, ₹ 5,00,000 and above: 12 *per cent*.

[63] Audit fees: Annual income more than ₹ 5,000 but not exceeding ₹ 5,00,000: 1.5 *per cent*, ₹ 5,00,000 and above: 04 *per cent*.

inadequate monitoring by the HOD on the receipts and remittances made by the field offices. As the responsibility of collection of C&AF rests with jurisdictional AC, variation in amounts collected and remitted into the Administrative Fund indicated lack of financial control.

Audit of Accounts by HR & CE Department

Section 87 of the Act and Para 5 of "The Manner of Audit of Accounts Rules" provide for audit of the accounts of every Institution by HR & CE Department subject to provisions of the Act[64]. Audit of accounts of Institution *inter alia* included checking of timely realisation of income, efforts taken to recover amounts due to the Institutions.

As per Section 92(2) of Act, Audit Fees would be collected based on the annual income of the Institutions in each Fasli year to compensate the cost of audit and would be remitted into Government Account. A statement of the amount of Audit fees collected from the Institutions and the expenditure on audit activities is detailed in **Table 4.8.4**.

Table 4.8.4 - Statement on expenditure on audit *vis-a vis* the Audit fees collected

(₹ in crore)

Sl. No.	Year	Receipts towards Audit fees as stated by Department	Expenditure on Audit Staff
1	2019-20	98.88	20.55
2	2020-21	106.34	21.47
3	2021-22	50.73	22.70
	Total	**255.95**	**64.72**

The above indicated that the receipt towards audit fees was not fully utilised for completion of mandated audit function due to vacancies as discussed in the subsequent paragraphs:

The details of pendency in completion of audit by HR & CE Department was 1.07 lakh fasli year accounts as on 31 March 2022 as shown in T**able 4.8.5**.

able 4.8.5 - Status of Audit of Institutions

Sl. No.	Category of temple	Headed by/Income of the temple	Pendency in audit	
			No. of Institutions	No. of Fasli years
1	Special 1	Joint Commissioner	11	5
2	Special 2	Deputy Commissioner	9	0
3	Special 3	Assistant Commissioner	27	3
4	Category 1	Executive Officers - More than ₹ 5,00,000	709	287
5	Category 2	Executive Officers - ₹ 2,00,000 to ₹ 5,00,000	662	351
6	Category 3	Executive Officers - ₹ 60,000 to ₹ 2,00,000	1,030	1,782
7	Category 4	Executive Officers - ₹ 10,000 to ₹ 60,000	2,378	12,767
8	Category 5	Non-listed Temples	6,282	50,650
9		Miscellaneous	13,751	40,924
		Total		**1,06,769**

[64] Annual income for the Fasli year immediately preceding is not less than 1,000 rupees – Annual audit; Annual income for the Fasli year, immediately preceding is not less than five lakh rupees - Concurrent audit.

The reason for pendency was mainly due to 46 vacancies (January 2023) (16 *per cent*) in the posts[65] out of 295 sanctioned posts.

It was also noticed that pursuance of Internal Audit Reports of the audited Institution was not effective as 18,63,072 audit objections involving money value of ₹ 1,528.05 crore were pending settlement (January 2023) in the State. This included pendency in collection of lease rent of ₹ 27.09 crore for the properties leased by the Institutions in the two test checked offices.

Thus, despite mandatory provision in the HR & CE Act, Department failed to

- ensure timely submission of accounts by the religious institutions;
- raise the demand and the collect of C&AF leading to accumulation of arrears amounting to ₹ 69.69 crore; and
- timely conduct of audit leading to arrears in audit to the extent of 1.07 fasli year accounts as of March 2022.

Department accepted and replied (June 2023) that the pendency in raising of demand had since been reduced to 111 cases in respect of the three test checked field offices. It was stated that departmental proceedings had been initiated against the officials responsible for delay in obtaining the Financial Statements. It was also stated that a software is being developed for watching the demands and collection promptly. Department assured to expedite the pending collections by fixing targets to the field officials.

The matter was referred to Government in May 2023 and reply has not been received (July 2023).

Recommendations:

Government may

- *Ensure effective enforcement of Act provisions by the departmental officials to obtain the accounts from eligible institutions on the due dates;*
- *Instruct to complete the work of raising of demand and realization of revenue to the Administrative Fund promptly; and*

[65] Deputy Chief Audit Officers, Regional Audit officers, Assistant Audit Officers, Audit Superintendent and Audit Inspector.

- *Direct to reconcile the remittances with the figures booked to Government account by the Accountant General Office to identify instances of short remittances and fix responsibility on the concerned officials.*



Chennai
The 11 November 2024

(K.P. ANAND)
Principal Accountant General (Audit-II)
Tamil Nadu and Puducherry

Countersigned



New Delhi
The 12 November 2024

(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

ANNEXURES

Annexure 1
(Referred to in Paragraph 1.7)

Department-wise details of Inspection Reports and Paragraphs pending as on 30 September 2022

Sl. No.	Name of the Department	Number of Outstanding	
		Inspection Reports	Audit Observations
1	Highways and Minor Ports	215	685
2	Home (Police, Prison and Administrative Judiciary)	236	1,201
3	Public Works (Buildings)	137	433
4	Tourism, Culture and Religious Endowments	79	457
5	Law	175	693
6	Municipal Administration and Water Supply	1,061	4,989
7	Housing and Urban Development		
8	Environment, Climate change and Forests	158	635
9	Energy	563	2,448
10	Handloom, Handicrafts, Textiles and Khadi	6	11
11	Industries	254	716
12	Information Technology	9	43
13	Micro, Small and Medium Enterprises	7	10
14	Home (Transport)	393	1,075
15	Revenue (Urban Land Tax)	109	217
16	Autonomous bodies	96	380
Total		**3,498**	**13,993**

Annexure 2
(Referred to in Paragraph 2.1 and 2.1.7)
List of PSUs and the details of Inspection Reports issued up to 31 March 2022 and outstanding as on 30 September 2022

Sl. No.	Name of the PSUs	Number of outstanding		Number of outstanding (more than 5 years)	
		Inspection Reports	Audit Paragraphs	Inspection Reports	Audit Paragraphs
1. Energy Department					
1	Tamil Nadu Electricity Board Limited (TNEB)				
2	Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO)				
3	Tamil Nadu Transmission Corporation Limited (TANTRANSCO)	561	2446	307	882
4	Udangudi Power Corporation Limited (Udangudi Power)	0	0	0	0
5	Tamil Nadu Power Finance and Infrastructure Development Corporation Limited (TN Powerfin)	2	2	0	0
	Sub-total (1)	**563**	**2448**	**307**	**882**
2. Handlooms, Handicrafts and Textiles Department					
6	Tamil Nadu Handloom Development Corporation Limited (TN Handloom)	2	5	1	2
7	Tamil Nadu Textiles Corporation Limited (TN Textiles)	1	2	0	0
8	Tamil Nadu Handicrafts Development Corporation Limited (TN Handicrafts)	2	3	0	0
9	Tamil Nadu Zari Limited (TN Zari)	1	1	0	0
	Sub-total (2)	**6**	**11**	**1**	**2**
3. Industries Department					
10	Tamil Nadu Minerals Limited (TAMIN)	3	17	0	0
11	Tamil Nadu Magnesite Limited (TANMAG)	2	3	0	0
12	Tamil Nadu Industrial Investment Corporation Limited (TIIC)	4	31	0	0
13	Tamil Nadu Industrial Development Corporation Limited (TIDCO)	2	6	0	0
14	State Industries Promotion Corporation of Tamil Nadu Limited (SIPCOT)	4	14	0	0

Sl. No.	Name of the PSUs	Number of outstanding		Number of outstanding (more than 5 years)	
		Inspection Reports	Audit Paragraphs	Inspection Reports	Audit Paragraphs
15	TIDEL Park Limited (TIDEL, Chennai)	1	2	0	0
16	Nilakottai Food Park Limited (Nilakottai)	0	0	0	0
17	Guindy Industrial Estate Infrastructure Upgradation Company (Guindy Industrial Estate)	0	0	0	0
18	TIDEL Park Coimbatore Limited (TIDEL,Coimbatore)	1	2	0	0
19	TICEL Bio Park Limited (TICEL Bio Park)	0	0	0	0
20	Tamil Nadu Polymer Industries Park Limited (TNPIP LIMITED)	0	0	0	0
21	Tamil Nadu Sustainable Industrial Water Corporation Limited (TANSIWCO) Madurai Thoothukudi Industrial Corridor Development Corporation Limited (MTICD Limited)/	0	0	0	0
22	Tamil Nadu Salt Corporation Limited (TN Salt)	2	19	0	0
23	Tamil Nadu Sugar Corporation Limited (TASCO)	3	14	0	0
24	Tamil Nadu Cements Corporation Limited (TANCEM)	6	39	1	4
25	Perambalur Sugar Mills Limited (PSM) (subsidiary of TASCO)	1	5	0	0
26	Tamil Nadu Industrial Explosives Limited (TIEL)	2	4	1	1
27	Tamil Nadu Newsprint and Papers Limited (TNPL)	3	18	0	0
28	TIDEL Neo Limited	0	0	0	0
29	Chennai Aerospace Park Limited	0	0	0	0
30	CBIC Ponneri Industrial Township Limited	0	0	0	0
31	Chennai Industrial Water Utility Company Limited	0	0	0	0
32	Tamil Nadu Centre of Excellence for Advanced Manufacturing Limited	0	0	0	0
	Sub-total (3)	**34**	**174**	**2**	**5**
4. Micro, Small and Medium Enterprises Department					
33	Tamil Nadu Small Industries Development Corporation Limited (TNSIDCO)	4	7	1	1
34	Tamil Nadu Small Industries Corporation Limited (TANSI)	3	3	0	0

Sl. No.	Name of the PSUs	Number of outstanding		Number of outstanding (more than 5 years)	
		Inspection Reports	Audit Paragraphs	Inspection Reports	Audit Paragraphs
35	Tamil Nadu Startup and Innovation Limited	0	0	0	0
	Sub-total (4)	**7**	**10**	**1**	**1**
5. Information Technology Department					
36	Electronics Corporation of Tamil Nadu Limited (ELCOT)	6	27	2	7
37	Tamil Nadu Arasu Cable TV Corporation Limited (Arasu Cable TV)	3	16	0	0
38	Tamil Nadu Fibrenet Corporation Limited (TANFINET)	0	0	0	0
39	Tamil Nadu Internet and Connectivity Services Limited	0	0	0	0
	Sub-total (5)	**9**	**43**	**2**	**7**
6. Environment, Climate Change and Forests Department					
40	Tamil Nadu Forest Plantation Corporation Limited (TAFCORN)	4	9	2	2
41	Tamil Nadu Tea Plantation Corporation Limited (TANTEA)	2	2	0	0
42	Arasu Rubber Corporation Limited (ARC)	1	3	0	0
43	Tamil Nadu Wilderness Experiences Corporation Limited	0	0	0	0
	Sub-total (6)	**7**	**14**	**2**	**2**
7. Transport Department					
44	Metropolitan Transport Corporation Limited (MTC)	1	4	0	0
45	State Express Transport Corporation Limited (SETC)	1	1	0	0
46	Pallavan Transport Consultancy Services Limited (PTCS)	0	0	0	0
47	Tamil Nadu State Transport Corporation (Villupuram) Limited (TNSTC, Villupuram)	2	5	0	0
48	Tamil Nadu State Transport Corporation (Salem) Limited (TNSTC, Salem)	1	3	0	0
49	Tamil Nadu State Transport Corporation (Madurai) Limited (TNSTC, Madurai)	1	1	0	0
50	Tamil Nadu State Transport Corporation (Kumbakonam) Limited (TNSTC, Kumbakonam)	1	3	0	0
51	Tamil Nadu State Transport Corporation (Tirunelveli) Limited (TNSTC, Tirunelveli)	1	1	0	0

Sl. No.	Name of the PSUs	Number of outstanding		Number of outstanding (more than 5 years)	
		Inspection Reports	Audit Paragraphs	Inspection Reports	Audit Paragraphs
52	Tamil Nadu State Transport Corporation (Coimbatore) Limited (TNSTC, Coimbatore)	2	3	1	2
53	Tamil Nadu Goods Transport Corporation Limited (TN Goods)	0	0	0	0
54	Tamil Nadu Transport Development Finance Corporation Limited (TDFC)	2	7	0	0
	Sub-total (7)	**12**	**28**	**1**	**2**
8. Urban Development, Municipal Administration and Water Supply Department					
55	Adyar Poonga	0	0	0	0
56	Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited (TUFIDCO)	3	13	0	0
57	Chennai Smart City Limited	0	0	0	0
58	Vellore Smart City Limited	0	0	0	0
59	Tiruchirapalli Smart City Limited	0	0	0	0
60	Coimbatore Smart City Limited	0	0	0	0
61	Erode Smart City Limited	0	0	0	0
	Sub-total (8)	**3**	**13**	**0**	**0**
9. Tourism Department					
62	Tamil Nadu Tourism Development Corporation Limited	1	6	0	0
	Sub-total (9)	**1**	**6**	**0**	**0**
10. Highways Department					
63	Poompuhar Shipping Corporation Limited (PSC)	8	56	4	19
64	IT Expressway Limited (ITEL)	4	17	2	3
65	Tamil Nadu Road Development Company Limited (TNRDC)	5	18	2	3
66	Tamil Nadu Road Infrastructure Development Corporation (TN Road Infrastructure)	1	4	0	0
67	Tamil Nadu State Construction Corporation Limited (TN State Construction)	2	9	2	9
	Sub-total (10)	**20**	**104**	**10**	**34**
11. Law and Order Department					
68	Tamil Nadu Police Housing Corporation Limited (TN Police Housing)	3	24	0	0
	Sub-total (11)	3	24	0	0
	Grand Total	**665**	**2,875**	**326**	**935**

Annexure -3

(Referred to in paragraph **2.2.5***)*

Status of COPU Reports

Sl. No.	Name of the PSU	Year of Report	Date of discussion in COPU	Status of ATN
1.	Review on Operational Performance of State Transport Undertakings	1999-2000	07.07.2003 14.07.2003	Total eight recommendations. Based on the ATNs submitted by the STUs, brief sent to Tamil Nadu Legislative Assembly Secretariat in September 2022.
2	Performance review on the functioning of State Transport Undertakings	2008-09	17.05.2018	Draft report of the COPU is awaited from Tamil Nadu Legislative Assembly Secretariat.

Recommendations of COPU and its latest position

Sl. No	Recommendations of COPU	Latest position
A	**Review on Operational Performance of State Transport Undertakings (1999-2000)**	
1.	The Committee was dissatisfied with the performance of the Corporation and recommended concentrating on vital areas to reduce loss. (Para No.2.6 of COPU Report)	ATNs have been submitted by the STUs. Based on the ATNs, brief for the COPU has been sent to the LAS on 01 September –2022. Further recommendation of COPU is awaited.
2.	The Committee desired to know the profit and loss till date in respect of all the zones of Transport Department. (Para No.3.3 of COPU Report)	
3.	The Committee was not satisfied with the reply as the Company failed to prepare proper action plan at various levels to tackle the price hike of diesel. The Committee recommended to follow the Government guidelines strictly to perform effectively (Para No.4.3 of COPU Report)	
4	The Committee desired to have the report on the comparative study and further report to be submitted to the Committee within three months. (Para No.5.5 of COPU Report)	

Sl. No	Recommendations of COPU	Latest position
A	**Review on Operational Performance of State Transport Undertakings (1999-2000)**	
5	The Committee desired to have the Comparative Analysis Report within three months of receipt of this Report. (Para No.6.4 of COPU Report)	
6	The Committee agreed to the same and desired to have a detailed report along with the action taken to curtail the excess expenditure. (Para No.7.5 of COPU Report)	
7	The Committee desired to have a detailed report on the 4276 tyres which were condemned prematurely. (Para No.8.4 of COPU Report)	
8	The Committee desired to have a report on the number of lives that was lost in the State during the past five years and what is the percentage in comparison with other State STUs? The Committee also desired to know how much was paid by the STUs towards compensation and what was the loss incurred on non-operation of the fleets. (Para No.9.5 of COPU Report)	
B.	**Performance review on the functioning of State Transport (2008-09)**	Draft report of the COPU is awaited from Tamil Nadu Legislative Assembly Secretariat.

Source: Data extracted from COPU Reports

Annexure 4

(Referred to in Paragraphs 2.2.8 and 2.2.11.3)

Financial Performance of Individual STUs

STU	Year	Revenue from operations	Other income	Total Revenue	Cost of materials consumed	Contri-bution	Employee benefit expenses	Finance cost	Depreci-ation	Other expenses	Total Fixed Cost	Loss
MTC	**2017-18**	1280.48	114.45	1394.93	501.95	892.98	1333.85	150.37	33.63	105.58	1623.43	-730.46
	2018-19	1440.94	96.30	1537.23	556.01	981.22	1353.63	174.59	22.68	91.41	1642.31	-661.09
	2019-20	1387.47	56.53	1444.00	493.56	950.44	1390.36	201.32	84.12	91.62	1767.42	-816.98
	2020-21	862.14	56.24	918.38	255.45	662.93	1485.67	246.59	111.33	70.00	1913.59	-1250.66
	2021-22	1251.37	171.76	1423.12	449.63	973.49	1454.99	269.52	67.91	109.40	1901.82	-928.33
	Total	**6222.40**	**495.28**	**6717.66**	**2256.60**	**4461.06**	**7018.50**	**1042.39**	**319.67**	**468.01**	**8848.57**	**-4387.52**
SETC	**2017-18**	581.29	102.78	684.07	285.11	398.96	388.63	98.02	21.33	146.06	654.04	-255.09
	2018-19	638.72	69.88	708.60	320.60	388.00	440.30	101.06	21.73	115.98	679.08	-291.08
	2019-20	638.77	34.84	673.61	293.66	379.95	442.64	111.24	87.26	114.70	755.84	-375.89
	2020-21	325.69	27.69	353.38	139.83	213.55	456.79	132.78	106.66	68.68	764.91	-551.36
	2021-22	460.52	88.67	549.18	278.44	270.74	419.00	160.66	64.13	115.99	759.78	-489.04
	Total	**2644.99**	**323.86**	**2968.84**	**1317.64**	**1651.20**	**2147.36**	**603.76**	**301.11**	**561.41**	**3613.65**	**-1962.46**
TNSTC, Coimbatore	**2017-18**	1165.52	148.11	1313.62	573.32	740.30	1442.19	174.75	30.88	96.34	1744.16	-1003.86
	2018-19	1436.33	38.10	1474.43	645.62	828.81	1242.83	150.61	40.49	118.68	1552.61	-723.80
	2019-20	1404.52	50.45	1454.97	600.56	854.40	1200.29	223.15	63.13	95.52	1582.09	-727.68
	2020-21	0.06	51.23	619.75	258.39	361.36	1320.51	248.58	92.10	67.42	1728.60	-1367.24
	2021-22	1117.88	178.39	1296.27	584.21	712.07	1306.89	299.47	56.15	46.79	1709.30	-997.23
	Total	**5124.31**	**466.28**	**6159.04**	**2662.10**	**3496.94**	**6512.71**	**1096.56**	**282.75**	**424.75**	**8316.76**	**-4819.81**
TNSTC, Salem	**2017-18**	880.15	86.29	966.44	427.18	539.27	1043.98	93.62	16.53	117.79	1271.93	-732.66
	2018-19	1030.39	61.36	1091.75	469.12	622.63	903.31	105.92	24.52	80.18	1113.94	-491.31
	2019-20	1014.41	38.60	1053.01	436.49	616.52	845.00	136.38	70.13	67.31	1118.82	-502.31
	2020-21	474.75	46.55	521.29	213.41	307.88	723.50	170.92	63.52	46.09	1004.03	-696.15
	2021-22	8.37	131.51	968.02	428.73	539.29	845.46	162.71	38.24	82.05	1128.45	-589.16
	Total	**3408.07**	**364.31**	**4600.51**	**1974.93**	**2625.59**	**4361.25**	**669.55**	**212.94**	**393.42**	**5637.17**	**-3011.59**

STU	Year	Revenue from operations	Other income	Total Revenue	Cost of materials consumed	Contri-bution	Employee benefit expenses	Finance cost	Depreci-ation	Other expenses	Total Fixed Cost	Loss
TNSTC, Madurai	**2017-18**	1015.31	98.10	1113.41	470.33	643.08	897.01	99.92	19.32	115.84	1132.09	-489.01
	2018-19	1253.42	53.58	1307.00	532.30	774.70	1094.04	110.68	16.73	116.86	1338.30	-563.60
	2019-20	1177.46	50.89	1228.35	503.68	724.67	1151.38	140.06	28.25	106.76	1426.46	-701.79
	2020-21	596.34	51.97	648.31	252.67	395.64	1119.61	180.95	41.45	81.94	1423.96	-1028.32
	2021-22	1005.16	156.38	1161.54	519.28	642.26	1047.00	237.35	22.77	112.96	1420.08	-777.82
	Total	**5047.69**	**410.92**	**5458.61**	**2278.26**	**3180.35**	**5309.04**	**768.96**	**128.52**	**534.36**	**6740.89**	**-3560.54**
TNSTC, Tirunelveli	**2017-18**	714.33	73.70	788.03	348.72	439.31	715.08	148.56	16.99	93.22	973.86	-534.55
	2018-19	867.86	44.18	912.04	397.07	514.97	870.88	122.55	18.21	80.90	1092.55	-577.58
	2019-20	851.18	33.95	885.14	369.59	515.54	852.64	175.29	26.19	107.07	1161.18	-645.64
	2020-21	452.13	38.65	490.78	207.89	282.90	800.81	210.73	41.46	68.47	1121.47	-838.57
	2021-22	701.90	117.32	819.22	384.81	434.41	931.08	241.05	25.55	90.21	1287.89	-853.47
	Total	**3587.40**	**307.80**	**3895.21**	**1708.08**	**2187.13**	**4170.49**	**898.18**	**128.40**	**439.87**	**5636.95**	**-3449.81**
TNSTC, Villupuram	**2017-18**	1599.40	152.61	1752.02	731.58	1020.44	1747.97	96.23	26.72	207.05	2077.99	-1057.55
	2018-19	1947.21	88.02	2035.23	814.38	1220.85	1267.21	106.26	30.26	200.25	1603.97	-383.13
	2019-20	1884.79	56.11	1940.90	748.23	1192.67	1368.47	131.42	93.19	161.07	1754.14	-561.47
	2020-21	875.20	80.55	955.75	395.11	560.63	1414.44	176.36	88.21	143.28	1822.29	-1261.65
	2021-22	1517.40	215.04	1732.44	765.29	967.15	1490.90	202.61	53.57	180.32	1927.41	-960.26
	Total	**7824.00**	**592.33**	**8416.34**	**3454.59**	**4961.74**	**7288.99**	**712.88**	**291.95**	**891.97**	**9185.80**	**-4224.06**
TNSTC, Kumbakonam	**2017-18**	1571.00	153.21	1724.21	711.57	1012.64	1350.64	156.35	25.93	184.25	1717.16	-704.52
	2018-19	1924.20	91.62	2015.82	800.05	1215.77	1399.53	130.59	31.82	196.75	1758.69	-542.93
	2019-20	1848.54	63.25	1911.79	727.60	1184.19	1598.29	169.31	88.38	227.03	2083.01	-898.82
	2020-21	893.91	64.94	958.85	367.49	591.36	1445.62	214.49	91.25	174.57	1925.93	-1334.58
	2021-22	1496.35	215.11	1711.46	733.59	977.88	1492.35	244.78	55.77	211.73	2004.63	-1026.75
	Total	**7734.00**	**588.13**	**8322.13**	**3340.30**	**4981.84**	**7286.43**	**915.52**	**293.15**	**994.33**	**9489.42**	**-4507.60**

STU	Year	Revenue from operations	Other income	Total Revenue	Cost of materials consumed	Contri-bution	Employee benefit expenses	Finance cost	Depreci-ation	Other expenses	Total Fixed Cost	Loss
Consolidated - All STUs	**2017-18**	8807.48	929.25	9736.73	4049.76	5686.97	8919.35	1017.83	191.35	1066.14	11194.66	-5507.69
	2018-19	10539.07	543.02	11082.10	4535.16	6546.94	8571.72	1002.27	206.43	1001.02	10781.44	-4234.50
	2019-20	10207.14	384.61	10591.75	4173.37	6418.39	8849.05	1288.17	540.66	971.08	11648.96	-5230.57
	2020-21	5048.67	417.82	5466.48	2090.23	3376.25	8766.94	1581.40	635.99	720.46	11704.78	-8328.53
	2021-22	8387.10	1274.17	9661.26	4143.97	5517.29	8987.69	1818.14	384.09	949.45	12139.36	-6622.07
	Total	**42989.46**	**3548.87**	**46538.32**	**18992.49**	**27545.84**	**44094.75**	**6707.81**	**1958.52**	**4708.15**	**57469.20**	**-29923.36**

Annexure 5

(Referred to in Paragraph 2.2.11.1)

Increase in Vehicle Growth

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
Stage Carriers					
STUs	21,835	21,542	20,944	20,926	20,360
Private	7,711	7,584	7,590	7,662	7,847
Mini Buses	4,181	4,062	4,056	4,056	4,028
Omni Buses					
Omni buses (State Permit)	713	783	786	1354	1425
Omni buses (All India Permit)	168	110	115	180	248

Source: Data maintained by the office of Commissioner of Transport.

Annexure 6

(Referred to in Paragraph 2.2.12.1)

Statement showing additional expenditure towards employee cost

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
STUs					
Total Number of employees	**1,34,935**	**1,28,138**	**1,24,449**	**1,22,065**	**1,20,354**
Employee benefit expenses (₹ in crore)	8,919.35	8,571.72	8,849.05	8,766.94	8,987.69
Cost per Employee (₹ in lakh)	6.61	6.69	7.11	7.18	7.47
KSRTC					
Total Number of employees	38,449	38,604	38,365	37,202	37,202[1]
Employee benefit expenses (₹ in crore)	1,475.74	1,579.78	1,673.36	1,534.67	1,583.25
Cost per Employee (₹ in lakh)	3.84	4.1	4.36	4.12	4.26
KKRTC					
Total Number of employees	20218	20574	20376	19629	19319
Employee benefit expenses (₹ in crore)	809.05	871.86	943.02	820.63	879.93
Cost per Employee (₹ in lakh)	4.00	4.24	4.63	4.18	4.55
Additional cost per employee to STUs as compared to -					
KSRTC(₹ in lakh)	2.77	2.60	2.75	3.05	3.21
KKRTC(₹ in lakh)	2.61	2.45	2.48	3.00	2.92
Total additional cost to STUs as compared to -					
KSTRC (₹ in crore)	3,737.70	3,331.59	3,422.35	3,722.98	3,863.36
			18,077.98		
KKRTC (₹ in crore)	3,521.80	3,139.38	3,086.34	3,661.95	3,514.34
			16,923.81		

Source: Annual Reports of STUs, data furnished by STUs, Annual Accounts and Annual Administrative Reports of KSRTC and KKRTC

[1] As the Administrative Reports for the year 2021-22 has not been prepared, total number of employees for 2020-21 has been considered.

Annexure 7

(Referred to in Paragraph 2.2.12.3)

Details of Pension paid in excess of 12 *per cent* of basic and DA

(₹ in crore)

Year	12 *per cent* of the Basic and DA	Pension Contribution in excess of 12 *per cent*	Total Pension contribution
2017-18	330.37	510.98	841.35
2018-19	373.21	824.20	1,197.41
2019-20	347.81	1,010.13	1,357.94
2020-21	324.25	1,132.51	1456.76
2021-22	342.45	1020.37	1,362.82
Total	**1,718.09**	**4,498.19**	**6,216.28**

Source: Data furnished by STUs.

Annexure 8

(Referred to in Paragraph 2.2.15.3)

Details of diversion of Cess Fund

(₹ in crore)

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22	Total
Opening balance at the beginning of the year (A)	---	45.38	223.34	465.53	495.20	---
Cess collected from the passenger during the year (B)	96.51	539.28	517.87	200.13	344.15	1697.94
Interest from bank deposits, if credited to the fund (C)	0.06	4.08	4.46	1.62	2.59	12.81
Total (D)= (A)+(B)+(C)	96.57	588.74	745.68	667.27	841.94	**1710.75**
Cess Fund spent for Accident claim Settlement during the year (E)	27.36	240.34	151.37	98.58	160.54	678.18
Cess Fund spent for Accident Prevention Measures during the year (F)	---	0.22	0.12	0.16	0.09	0.59
Cess fund spent for toll fees payment during the year (G)	23.83	124.65	128.63	73.32	126.36	476.79
Total cess fund spent for the approved purposes (H)=(E)+(F)+(G)	51.19	365.21	280.13	172.06	286.98	**1155.56**
Closing balance at the end of the year (I)= (D)-(H)	45.38	223.53	465.55	495.22	554.95	**554.95**
Cess fund held in Banks at the end of the year (J)	36.04	101.71	75.63	81.95	62.69	62.69
Difference between fund balance and fund held in Banks	9.33	121.82	389.93	413.27	492.26	**492.26**

Source: Data furnished by STUs

Annexure – 9

(Referred to in paragraph 2.5)

Statement showing the details of avoidable expenditure of service charges

Sl. No	ET No. / Date	TANGEDCO Wing	No. of Specs	Amount paid/payable to MSTC (₹ in crore)
February 2017 – August 2018				
1	53/20.11.2017	Coal	1	3.30
2	54/21.7.2018	Coal	1	3.30
September 2018 –March 2019				
2	Various Specifications between 9/18 to 3/19	CD&HP	7	2.80
3	55/20.9.2018	Coal	1	2.65
4	56/3.1.2019	Coal	1	1.65
5	57/3.1.2019	Coal	1	0.82
After April 2019				
6	58/18.7.2019	Coal	1	3.30
			Total	**17.82**

Annexure - 10

(Referred to in paragraph 2.6)

Statement showing Short assessment of lease rent due to non-adoption of guideline value

(₹ in crore)

Period of lease		Lease rent assessed by the TANGEDCO			Lease rent as per Guideline value		
Period From	Period to	Lease rent assessed (A)	GST w.e.f. 01 July 2017	Lease rent demanded by TANGEDCO	Lease rent to be claimed as per Guideline value (B)	Short assessment of lease rent (A-B)	Applicable GST
22-09-2016	09-02-2017	0.67	---	0.67	1.31	0.64	
10-02-2017	09-02-2018	1.75	0.19	1.94	3.41	1.66	0.18
10-02-2018	09-02-2019	1.75	0.32	2.07	3.41	1.66	0.30
Total differential rent receivable						**3.96**	**0.48**
Total amount (including GST) (A)						**4.44**	

Amount of lease rent not claimed by TANGEDCO

Period of lease		Lease rent assessed by the TANGEDCO (₹ crore)		
Period From	Period to	Lease rent assessed	GST w.e.f. 01-07-2017	Total Lease rent to be payable by the MPCPL
10-02-2020	09-02-2021	1.98	0.36	2.34
10-02-2021	09-02-2022	1.98	0.36	2.34
10-02-2022	09-02-2023	2.28[2]	0.40	2.68
Total lease rent not demanded (B)				**7.36**
Grand Total ((A) + (B))				**₹11.80 crore**

[2] Enhanced by 15 *per cent* over the year 2022.

Annexure -11

(Referred to in paragraph 2.7)

Statement showing excess contribution of Employees Provident Fund by PSUs

i) Tamil Nadu Minerals Limited (TAMIN)

Sl. No	Month	Number of Employee for whom excess contribution made	Amount to be contributed for EPF@550/- Per Employee	Actual Contribution to EPF	Excess Contribution
1	2	3	4	5 = Col (3) x 1800	6 =Col (4) – Col (5)
1	April – 20	735	39,01,438	13,23,000	25,78,438
2	May - 20	689	35,19,127	12,40,200	22,78,927
3	June – 20	597	17,84,273	10,74,600	7,09,673
4	July – 20	605	18,29,169	10,89,000	7,40,169
5	August – 20	604	18,30,246	10,87,200	7,43,046
6	September -20	604	19,17,115	10,87,200	8,29,915
7	October – 20	656	18,10,480	11,80,800	6,29,680
8	November – 20	593	17,98,123	10,67,400	7,30,723
9	December – 20	572	18,53,049	10,29,600	8,23,449
10	January – 21	608	18,79,695	10,94,400	7,85,295
11	February – 21	589	17,72,363	10,60,200	7,12,163
12	March – 21	570	17,34,707	10,26,000	7,08,707
13	April - 21	646	35,09,718	10,62,800	23,46,918
14	May – 21	607	32,81,125	10,92,600	21,88,525
15	June – 21	601	33,48,565	10,81,800	22,66,765
16	July – 21	601	33,11,299	10,81,800	22,29,499
17	August – 21	602	32,93.194	10,83,600	22,09,594
18	September -21	598	32,64,273	10,76,400	21,87,873
19	October – 21	602	33,99,651	10,83,600	23,16,051
20	November – 21	604	33,07,363	10,87,200	22,20,163
21	December – 21	605	33,51,366	10,89,000	22,62,366
22	January – 22	608	33,80,777	10,94,400	22,86,377
23	February – 22	608	33,62,305	10,94,400	22,67,905
24	March – 22	606	33,76,828	10,30,800	22,86,028
	Total		**6,58,16,249**	**2,64,78,000**	**3,93,38,249 ₹ 3.93 Crore**

Annexure-11

ii) Tamil Nadu Magnesite Limited (TANMAG)

Sl No	Month	Number of Employee for whom excess contribution made	Amount to be contributed for EPF@550/- Per Employee	Actual Contribution to EPF	Excess Contribution
1	2	3	4	5	6 =Col (5) – Col (4)
1	April – 20	251	138050	752797	614747
2	May - 20	246	135300	719313	584013
3	June – 20	245	134750	752797	618047
4	July – 20	246	135300	724679	589379
5	August – 20	247	135850	725901	590051
6	September -20	249	136950	724243	587293
7	October – 20	247	135850	721174	585324
8	November – 20	248	136400	752324	615924
9	December – 20	248	136400	750000	613600
10	January – 21	250	137500	772718	635218
11	February – 21	249	136950	768550	631600
12	March – 21	252	138600	766454	627854
13	April - 21	248	136400	761408	625008
14	May – 21	240	132000	764131	614131
15	June – 21	253	139150	759949	620799
16	July – 21	255	140250	762049	621799
17	August – 21	255	140250	770092	629842
18	September -21	255	140250	807543	667293
19	October – 21	255	140250	831437	691187
20	November – 21	255	140250	821628	681378
21	December – 21	255	140250	843769	703519
22	January – 22	256	140800	859375	718575
23	February – 22	255	140250	861970	721720
24	March – 22	254	139700	999520	859820
	Total		**33,07,700**	**1,87,55,821**	**1,54,48,121** **₹ 1.54 Crore**

Annexure-11

iii) TIDEL PARK Coimbatore Limited

Sl No	Month	Number of Employee for whom excess contribution made	Amount to be contributed for EPF@550/- Per Employee	Actual Contribution to EPF	Excess Contribution
1	2	3	4	5	6 =Col (5) – Col (4)
1	April – 20	8	4,400	24,250	19,850
2	May - 20	8	4,400	24,900	20,500
3	June – 20	8	4,400	29,330	24,930
4	July – 20	7	3,850	26,380	22,530
5	August – 20	8	4,400	26,283	21,883
6	September -20	8	4,400	25,273	20,873
7	October – 20	8	4,400	25,273	20,873
8	November – 20	8	4,400	26,019	21,619
9	December – 20	8	4,400	25,696	21,296
10	January – 21	8	4,400	25,696	21,296
11	February – 21	9	4,950	32,349	27,399
12	March – 21	8	4,400	22,261	17,861
13	April - 21	8	4,400	28,189	23,789
14	May – 21	8	4,400	28,427	24,027
15	June – 21	8	4,400	21,192	16,792
16	July – 21	6	3,300	19,500	16,200
17	August – 21	7	3,850	20,313	16,463
18	September -21	7	3,850	20,313	16,463
19	October – 21	7	3,850	20,313	16,463
20	November – 21	7	3,850	20,313	16,463
21	December – 21	7	3,850	20,313	16,463
22	January – 22	7	3,850	27,135	23,285
23	February – 22	8	4,400	28,234	23,834
24	March – 22	8	4,400	26,750	22,350
	Total		**1,01,200**	**5,94,702**	**4,93,502** **₹ 0.05 Crore**

Annexure - 12

(Referred to in paragraph 3.1)

Non-collection of penalty for non-filing of the half yearly and annual returns

Sl. No.	Name of the Office	Audit Period	No. of lessees non-filing returns	Half yearly returns	Annual returns	Penalty not levied (in ₹)
1	Deputy Director of Geology and Mining, Dharmapuri	2019-20 to 2020-21	4	14	7	1,05,000
2	Deputy Director of Geology and Mining, Krishnagiri	2019-20 to 2020-21	178	623	324	47,35,000
3	Assistant Director of Geology and Mining, Tirunelveli	2016-17 to 2020-21	26	251	126	18,85,000
4	Assistant Director of Geology and Mining, Erode	2017-18 to 2020-21	13	101	51	7,60,000
TOTAL			**221**	**989**	**508**	**74,85,000**

Annexure 13

(Referred to in paragraph 3.2)

Non-Renewal of Registration of Non-Transport Vehicle

(Amount in ₹)

Name of the RTO	Universe		Blacklisted		Regn renewed at the instance of audit		Balance amount due	
	Vehicles	Amount	Vehicles	Amount	Vehicles	Amount	Vehicles	Amount
Chennai Central	3222	13,37,100	0	0	78	36,300	3144	13,00,800
Chennai Northwest	4825	18,56,700	0	0	78	30,000	4747	18,26,700
Chennai South	3567	14,43,000	0	0	22	8,400	3545	14,34,600
Coimbatore North	6961	23,19,600	0	0	101	33,600	6860	22,86,000
Hosur	1012	3,31,200	754	2,44,800	32	11,100	226	75,300
Salem West	5607	18,06,600	0	0	110	36,900	5497	17,69,700
Vellore	2725	9,10,200	0	0	27	9,300	2698	9,00,900
Redhills	2296	7,31,200	0	0	0	-	2296	7,31,100
Tambaram	166	68,400	0	0	0	-	166	68,400
Coimbatore South	5195	16,70,100	5,195	16,70,100	0	-	0	0
Total	**35576**	**1,22,04,000**	**5,949**	**19,14,900**	**448**	**1,65,600**	**29,179**	**1,03,93,500**

Annexure 14

(Referred to in paragraph 3.2)

Non-collection of tax on Construction Equipment Vehicles with invalid registration

(Amount in ₹)

Sl No.	Name of Regional Transport Office	No. of construction equipment vehicles	Total Tax due	Total Tax collected upto 30 November 2022	Balance tax due as on 30 November 2022
1	CHENNAI (CENTRAL)	46	32,93,682	14,43,610	18,50,072
2	CHENNAI (SOUTH)	17	8,59,656	4,43,036	4,16,620
3	COIMBATORE (NORTH)	75	36,93,522	17,41,585	19,51,937
4	COIMBATORE (SOUTH)	21	14,34,426	7,64,249	6,70,177
5	GUDIYATHAM UO	33	15,02,732	6,42,977	8,59,755
6	GUMMIDIPOONDI UO	73	33,93,642	14,65,607	19,28,035
7	HOSUR	125	54,76,142	20,00,561	34,75,581
8	OMALURE UO	59	29,92,969	14,69,737	15,23,232
9	REDHILLS	279	1,55,03,796	57,32,098	97,71,698
10	CHENNAI (NORTH WEST)	80	46,98,953	20,33,936	26,65,017
11	SALEM (WEST)	44	28,21,371	13,31,221	14,90,150
12	SULUR UO	89	35,09,429	12,59,245	22,50,184
13	TAMBARAM	104	54,66,146	24,99,071	29,67,075
14	TIRUCHI(EAST)	15	10,47,081	4,63,075	5,84,006
15	TIRUVERANBUR UO	32	21,16,653	8,55,534	12,61,119
16	VELLORE	88	53,84,512	25,76,044	28,08,468
	GRAND TOTAL	**1,180**	**6,31,94,712**	**2,67,21,586**	**3,64,73,126**

Annexure 15

(Referred to in paragraph 4.1.9.1)

Projects granted CRZ clearance by TNSCZMA incorrectly

S. No.	Name of the project	Project proponent
1	Construction of new Fishing Harbour at Tharangambadi, Thillaiyadi Revenue village, Nagapattinam District	Assistant Director of Fisheries, Nagapattinam North
2	Construction of Fish Landing Centre at Kunthukal, Ramanathapuram District	Assistant Director of Fisheries, Rameswaram
3	Construction of Government Guest House Building (Government of Kerala) at Kanyakumari	Additional Director (Hospitality), Department of Tourism, Government of Kerala
4	Construction of Residential building proposed by Brahma kumariBeena at Kanyakumari	Prajapita Brahma kumaris, Ishwariyavishwavidhyalaya
5	Construction of Memorial for former Chief Minister of Tamil Nadu Selvi J. Jayalalitha	E E , Building & Construction Division I, P W D
6	Proposed Residential Complex at Ernavur village, Thiruvottiyur, Thiuvallur District	M/S. Coromandel International ltd
7	Construction tenements at Four shore Estate in R.S No. 7581, 7582 of Mylapore Village	M/S. Tamil Nadu Slum Clearance Board
8	Modernization of Foundry unit at survey Nos.39 A &39 B, Kathivakkam village, Ambattur Taluk	M/S. Hinduja Foundries
9	Proposed Construction of packing of Dry Fish and Chilled Fresh Fish	M/S. GVD International, Chennai
10	Construction of Groynes at Keelavaippar, Village, Thoothukudi District	EE, PWD/WRO, Virudhunagar division
11	Construction of Groynes at Vembar Village, Thoothukudi District	EE, PWD/WRO, Virudhunagar division
12	Construction of NCTPS Road	TNRDC
13	Vellapallam Fishing Harbour	A.D. Fisheries, Nagapattinam
14	Development of Mall, Tiruvottiyur	Alwarpet Properties
15	Pulicat Training wall	A.D. Fisheries, Ponneri
16	Renovation of Fishing Harbour at Cuddalore	A.D. Fisheries, Cuddalore
17	Bharathy Nagar Ecopark, Tondiarpet	EE, Zone IV, GCC

Annexure - 16

(Referred to in paragraph 4.1.9.9-B)

Violations noticed in Map analysis

Sl No	latitude	longitude	Earliest year of activity	Zone
1	12.24302	79.98112	2017	CRZ III
2	12.2451	79.98279	2017	CRZ III
3	12.26739	80.00585	2020	CRZ III
4	12.26753	80.0061	2020	CRZ III
5	12.33923	80.05987	2017	CRZ III
6	12.34031	80.05874	2017	CRZ III
7	12.34152	80.05947	2015	CRZ III
8	12.34179	80.05896	2020	CRZ III
9	12.34198	80.05881	2015	CRZ III
10	12.3438	80.05663	2017	CRZ III
11	12.3441	80.05614	2020	CRZ III
12	12.34599	80.06428	2014	CRZ III
13	12.34915	80.06034	2017	CRZ III
14	12.35823	80.07415	2013	CRZ III
15	12.36422	80.07473	2010	CRZ III
16	12.36689	80.08167	2013	CRZ III
17	12.36723	80.08072	2020	CRZ III
18	12.36733	80.08203	2016	CRZ III
19	12.36784	80.08107	2013	CRZ III
20	12.36801	80.08226	2013	CRZ III
21	12.36935	80.082	2014	CRZ III
22	12.37688	80.09003	2015	CRZ III
23	12.42877	80.12984	2015	CRZ III
24	12.4331	80.13256	2018	CRZ III
25	12.43322	80.13201	2018	CRZ III
26	12.43335	80.13181	2020	CRZ III
27	12.4513	80.1201	2011	CRZ III
28	12.68363	80.21988	2012	CRZ III
29	12.69915	80.22554	2011	CRZ III
30	12.70752	80.2282	2016	CRZ III
31	12.71877	80.23178	2011	CRZ III
32	12.72851	80.2362	2019	CRZ III
33	12.73351	80.2361	2016	CRZ III
34	12.73552	80.23798	2013	CRZ III
35	12.73693	80.23936	2017	CRZ III
36	12.7392	80.24021	2017	CRZ III
37	12.74499	80.24236	2017	CRZ III
38	12.77988	80.25386	2012	CRZ III
39	12.78129	80.25352	2015	CRZ III
40	12.7821	80.25469	2011	CRZ III
41	12.78383	80.25477	2014	CRZ III
42	12.78441	80.2546	2014	CRZ III

Sl No	latitude	longitude	Earliest year of activity	Zone
43	12.7848	80.2548	2014	CRZ III
44	12.78628	80.25436	2014	CRZ III
45	12.78751	80.25359	2015	CRZ III
46	12.8015	80.24913	2020	CRZ III
47	12.80681	80.2374	2015	CRZ III
48	12.80773	80.23792	2014	CRZ III
49	12.80935	80.23703	2014	CRZ III
50	12.80963	80.2378	2020	CRZ III
51	12.8106	80.23731	2014	CRZ III
52	12.81182	80.24143	2013	CRZ III
53	12.81202	80.24326	2020	CRZ III
54	12.8151	80.24347	2015	CRZ III
55	12.81522	80.24708	2012	CRZ III
56	12.81662	80.24743	2014	CRZ III
57	12.81959	80.23509	2020	CRZ III
58	12.8241	80.23483	2011	CRZ III
59	12.83182	80.24754	2016	CRZ III
60	12.83216	80.24757	2019	CRZ III
61	12.83217	80.24671	2015	CRZ III
62	12.83248	80.24746	2016	CRZ III
63	12.83315	80.24617	2017	CRZ III
64	12.83328	80.24764	2020	CRZ III
65	12.83361	80.24739	2016	CRZ III
66	12.83369	80.24759	2016	CRZ III
67	12.83381	80.24724	2012	CRZ III
68	12.83419	80.2473	2012	CRZ III
69	12.83437	80.23406	2015	CRZ III
70	12.83484	80.24762	2017	CRZ III
71	12.83524	80.24766	2019	CRZ III
72	12.83617	80.24725	2015	CRZ III
73	12.83776	80.23738	2014	CRZ III
74	12.8414	80.23156	2012	CRZ III
75	12.84234	80.23576	2015	CRZ III
76	12.84548	80.24743	2015	CRZ III
77	12.84553	80.24823	2016	CRZ III
78	12.84646	80.24661	2013	CRZ III
79	12.84676	80.2473	2016	CRZ III
80	12.84725	80.24671	2015	CRZ III
81	12.84781	80.24755	2016	CRZ III
82	12.84842	80.24805	2013	CRZ III
83	12.84944	80.24766	2013	CRZ III
84	12.85026	80.23537	2016	CRZ III
85	12.85076	80.24799	2019	CRZ III
86	12.85362	80.24846	2016	CRZ III
87	12.85411	80.23555	2020	CRZ III
88	12.85411	80.24729	2019	CRZ III

Sl No	latitude	longitude	Earliest year of activity	Zone
89	12.85613	80.24819	2013	CRZ III
90	12.87117	80.2501	2014	CRZ III

Annexure 17

(Referred to in paragraph 4.3)

Details of expenditure incurred towards the procurement of components for DMR project

(₹ in crore)

Sl. No.	Location of DMR	Revised Project Cost	Status of procurement of various components			Expenditure incurred	Payments to WPC
			Purchase of Handheld sets	Purchase of core equipment	Creation of infrastructure		
1	Thanjavur	8.85	510 out of 710	Tender floated in February 2022 (call V). Tender evaluation in progress	Work to be commenced	1.44	6.38
2	Thiruvarur	6.14	292 out of 488			0.83	2.67
3	Karur	4.28	243	Tender floated in April 2022 (call V) Tender evaluation in progress	Work to be commenced	0.69	1.69
4	Perambalur	1.48	69	Partially completed through tender floated in April 2022 (call V)	Work under progress	0.38	0.51
Total						**3.34**	**11.25**

(Source: details furnished by the Department)

Annexure 18

(Referred to in paragraph 4.4)

Details of products supplied by CP, Madurai to DDHS, Madurai

Sl. No.	Product	Quantity supplied	Quantity received				Difference	Unit Cost (in ₹)	Total Cost (in ₹)
			2019-20	2020-21	2021-22	Total			
1	Bandage Cloth (mts)	2200000	600000	0	0	600000	1600000	17.75	**28400000**
2	Small Cover (Nos)	8644000	2600000	1500000	2000000	6100000	2544000	0.54	**1373760**
3	Medium Cover (Nos)	8550000	2500000	2000000	2000000	6500000	2050000	0.58	**1189000**
4	Large Cover (Nos)	10013000	2000000	2000000	2000000	6000000	4013000	0.88	**3531440**
5	File pads (Nos)	90000	20000	30000	20000	70000	20000	14.17	**283400**
Total cost									**34777600**

Annexure 19

(Referred to in paragraph 4.4)

An illustrative case of wages received by prisoners in Paper Industry and maintenance work in CP, Madurai

Month	Wages in Manufacturing section						Wages in Maintenance Section	
	No. of prisoners engaged	No. of prisoners and wages earned				Maximum wages earned by one prisoner during the month (₹)	No. of prisoners engaged	Maximum wages earned by one prisoner during the month (₹)
		Upto 10,000	10,000 and 30,000	30,000 and 50,000	More than 50,000			
April	224	5	202	1	16	54,671	73	4,680
May	229	4	215	10	0	30,297	61	5,400
June	238	4	226	8	0	30,183	70	4,680
July	243	108	135	0	0	18,606	70	4,860
August	245	119	126	0	0	18,714	73	5,400
September	256	12	227	2	15	55,975	75	5,400
October	265	4	244	6	11	55,556	74	4,860
November	276	21	255	0	0	29,596	79	4,680
December	288	13	275	0	0	29,464	89	4,860
January	297	5	276	8	8	60,699	80	4,860
February	312	25	272	1	14	56,871	87	4,500
March	348	53	285	10	0	45,555	89	4,860

(Source: Details furnished by the Department)

Glossary of abbreviations	
Abbreviation	**Full form**
ACS	Additional Chief Secretary
CEV	Construction Equipment Vehicle
CPCB	Central Pollution Control Board
CRZ	Coastal Regulation Zone
CTE	Consent to Establish
CTO	Consent to Operate
CZMP	Coastal Zone Management Plan
DCZMA	District Coastal Zone Management Authorities
DFO	District Forest Officer
DO	Dissolved Oxygen
ECC&F	Environment, Climate Change and Forests
EIA	Environment Impact Assessment
EPA	Environment Protection Act
EPF	Employees Provident Fund
FH	Fishing Harbour
GIS	Geographic Information System
GOI	Government of India
GoTN	Government of Tamil Nadu
HD	Highways Department
JPI	Joint Physical Inspection
KLD	Kilo Litre per Day
LLA	Land Lease Agreement
MoEF&CC	Ministry of Environment, Forests and Climate Change
MPCPL	M/s Madurai Power Corporation Private Limited
NGRI	National Geophysical Research Institute
NGT	National Green Tribunal
NOC	No Objection Certificate
PAC	Public Accounts Committee
PML	Pallikaranai Marsh Land
PSUs	Public Sector Undertakings
RTO	Regional Transport Office
SE	Superintending Engineer
SDG	Sustainable Development Goal
SEIAA	State Environment Impact Assessment Authority
STUs	State Transport Undertakings
SWM	Solid waste management
TAMIN	Tamil Nadu Minerals Limited
TANGEDCO	Tamil Nadu Generation and Distribution Corporation Limited
TANMAG	Tamil Nadu Magnesite Limited
TANTRANSCO	Tamil Nadu Transmission Corporation Limited
TCCL	Tamil Nadu Chemicals and Chromates Ltd
TNMVT	Tamil Nadu Motor Vehicles Taxation
TNPCB	Tamil Nadu Pollution Control Board
TNSCZMA	Tamil Nadu State Coastal Zone Management Authority

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