Report of the
Comptroller and Auditor General of India
(Civil)

for the year ended March 2011

Government of Tamil Nadu
Report No. 2

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PREFACE

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

2. The Report starts with an introductory chapter outlining the audit scope, mandate and the key audit findings which emerged during the year-long audit exercise. Chapter II deals with the findings of Performance Audit in Co-operation, Food and Consumer Protection; and Municipal Administration and Water Supply Departments. Chapter III deals with findings of transaction audit in Adi Dravidar and Tribal Welfare; Animal Husbandry, Dairying and Fisheries; Backward Classes, Most Backward Classes and Minorities Welfare; Environment and Forests; Finance; Highways and Minor Ports; Municipal Administration and Water Supply; Home, Prohibition and Excise; Public Works; Rural Development and Panchayat Raj; and Health and Family Welfare Departments. Chapter IV contains findings arising out of the Chief Controlling Officer based audit of Forest Department.

3. Reports containing (a) observations arising out of audit of Statutory Corporations, Boards and Government Companies, (b) observations on revenue receipts of the State Government, (c) observations relating to local bodies and (d) observations on the finances of the State Government are being presented separately.

4. The cases mentioned in this Report are among those which came to notice in the course of test audit of accounts during the year 2010-11 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports. Matters relating to the period subsequent to 2010-11 have also been included, wherever necessary.

CHAPTER I

INTRODUCTION

1.1 About this Report

This Report of the Comptroller and Auditor General of India (C&AG) relates to matters arising from Performance Audit of selected programmes and activities, Compliance Audit of Government departments and autonomous bodies and Chief Controlling Officer based audit.

Compliance Audit refers to 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.

The Performance Audit, besides conducting a compliance audit, examines whether the objectives of the programme/activity are achieved economically and efficiently.

The Chief Controlling Officer based audit is an audit of a fair number of units in a department in an integrated manner to have common audit findings from the selected sample units. It assesses all aspects of functioning of a department such as financial management, planning and project management, human resources management, material/stores management, monitoring, internal controls, etc.

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

This chapter, in addition to explaining the planning and extent of audit, provides a synopsis of the significant deficiencies and achievements in implementation of selected schemes and significant audit observations made during the audit of transactions. Chapter II of this report contains findings arising out of Performance Audit of selected programmes/activities. Chapter III contains observations on audit of transactions in Government departments and autonomous bodies. Chapter IV contains findings arising out of Chief Controlling Officer based audit of Forest Department.

1.2 Profile of Audited entity

There are 37 departments in the State at the Secretariat level, headed by Principal Secretaries/Secretaries, who are assisted by Directors/ Commissioners and subordinate officers under them, and autonomous bodies which are audited by the Principal Accountant General (Civil Audit), Tamil Nadu and Puducherry.

The comparative position of expenditure incurred by the Government during the year 2010-11 and in the preceding two years is given in **Table 1**.

Table 1: Comparative position of expenditure

(₹ in crore)

Disbursements	2008-09			2009-10			2010-11		
	Plan	Non-plan	Total	Plan	Non-plan	Total	Plan	Non-plan	Total
Revenue expenditure									
General services	28	18,550	18,578	22	20,275	20,297	28	25,896	25,924
Social services	8,375	12,996	21,371	9,690	13,267	22,957	11,258	17,651	28,909
Economic services	1,846	7,815	9,661	2,773	9,349	12,122	2,473	9,749	12,222
Grants-in-aid and contributions	289	3,691	3,980	288	3,711	3,999	508	5,353	5,861
Total	**10,538**	**43,052**	**53,590**	**12,773**	**46,602**	**59,375**	**14,267**	**58,649**	**72,916**
Capital Expenditure									
Capital outlay	9,071	33	9,104	8,425	148	8,573	12,219	217	12,436
Loans and advances disbursed	910	1,920	2,830	633	2,368	2,290	292	1,960	2,252
Repayment of public debt (including transactions under ways and means advances)	*	*	2,216	*	*	2,512	*	*	3,297
Contingency fund	*	*	1	..	..	..	*	*	30
Public account disbursements	*	*	78,429	*	*	85,256	*	*	1,04,959
Total			**92,580**			**98,631**			**1,22,974**
Grand Total			**1,46,170**			**1,58,006**			**1,95,890**

* Bifurcation of Non-Plan and Plan not available.

1.3 Authority for Audit

The authority for audit by the C&AG 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) Act, 1971. C&AG conducts audit of expenditure of the departments of Government of Tamil Nadu under Section 13[1] of the C&AG's (DPC) Act. C&AG is the sole auditor in respect of 34 autonomous bodies which are audited under sections 19(2)[2], 19 (3)[3] and 20(1)[4] of the C&AG's (DPC) Act. In addition, C&AG also conducts audit of 1944 other autonomous bodies, under Section 14[5] of C&AG's (DPC) Act, which are substantially funded by the Government. Principles and methodologies for various audits are prescribed in the Auditing Standards and the Regulations on Audit and Accounts, 2007 issued by the C&AG.

1.4 Organisational structure of the Office of the Principal Accountant General (Civil Audit), Tamil Nadu and Puducherry

The Office of the Principal Accountant General (Civil Audit), Tamil Nadu and Puducherry conducts audit of Government Departments/Offices/Autonomous Bodies/Institutions under them which are spread all over the State. The Principal Accountant General is assisted by five Group Officers, each one looking after specific functions such as audit of Public Works, Inspection – Civil, Central Audit etc. Audit parties consisting of two to three persons visit the offices of various departments to conduct the audit. There are few Resident Audit Offices too, besides the branch office at Madurai.

1.5 Planning and conduct of audit

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

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1 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 & loss accounts, balance sheets & other subsidiary accounts

2 Audit of the accounts of Corporations (not being Companies) established by or under law made by the Parliament in accordance with the provisions of the respective legislations

3 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

4 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 C&AG and the Government

5 Audit of (i) all receipts and expenditure of a body/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 ₹ 1 crore.

controls and concerns of stakeholders. Previous audit findings are also considered in this exercise. Based on this risk assessment, the frequency and extent of audit are decided.

After completion of audit, Inspection Reports containing audit findings are issued to the heads of the departments. The departments are requested to furnish replies to the audit findings within one month of receipt of the Inspection Reports. Whenever replies are received, audit findings are either settled or further action for compliance is advised. The important audit observations arising out of these Inspection Reports 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. During 2010-11, 2,525 units of various departments/organisations were audited.

1.6 Significant audit observations

In the last few years, Audit has reported on several significant deficiencies in implementation of various programmes/activities through performance audits, as well as on the quality of internal controls in selected departments which impact the success of programmes and functioning of the departments. Similarly, the deficiencies noticed during compliance audit of the Government departments/organisations were also reported upon.

1.6.1 Performance Audit of programmes/activities

The present report contains three Performance Audits, including one on Information Technology Audit. The highlights of audit findings are given in the following paragraphs.

1.6.1.1 Functioning of Public Distribution System

Public Distribution System (PDS) is a major instrument of the Government's economic strategy for ensuring availability of food grains to the public at affordable prices as well as for enhancing food security to the poor. While the overall responsibility of management of food grains in the country vested with Government of India, the State Governments were responsible for their effective distribution through the PDS. In Tamil Nadu, the State Government adopted the Universal PDS (UPDS) instead of the Targeted Public Distribution System (TPDS) for supply of rice with no distinction between Above Poverty Line and Below Poverty Line families. The PDS was implemented by the Co-operation, Food and Consumer Protection Department in the State. During the period 2006-11, the State Government incurred an expenditure of ₹ 14,550 crore towards subsidy of food grains under PDS.

A Performance Audit of the implementation of PDS in Tamil Nadu disclosed the following deficiencies:

Allotment of rice to the districts for supply under PDS was in excess of the requirement and the excess allotment ranged between 19 and 28 *per cent*.

The total quantity of food grains distributed monthly to the cardholders under the PDS in the State was less than the quantity fixed by Government of India under the TPDS.

Despite periodical attempts to eliminate the bogus cards, the number of persons included in the family cards in circulation in the State as of March 2011 was more than the population of the State.

The Department paid subsidy of ₹ 6.60 crore in excess to the cooperative societies during 2006-07 to 2009-10 and it remained to be recovered.

There were instances of delay in disposal of cases relating to seizure of smuggled commodities, non realisation of fines and delay in disposal of the seized vehicles involved in smuggling of the PDS commodities.

(Paragraph 2.1)

1.6.1.2 Functioning of the Seawater Desalination Plant at Chennai

To bridge the gap between demand and supply of drinking water and to augment reliable water supply in the Chennai Metropolitan Area, the Chennai Metropolitan Water Supply and Sewerage Board (Board) set up a 100 million litres per day (mld) capacity seawater desalination plant at Minjur, Chennai on 'design, build, own, operate and transfer'(DBOOT) basis. A Performance Audit of setting up of the desalination plant disclosed the following:

The Detailed Project Report for setting up of the desalination plant was not prepared. Comparative cost benefit of implementing the project by other alternative modes vis-à-vis the Public-Private Partnership mode was not worked out before deciding to set up the plant on DBOOT basis.

As per the agreement with the private developer, the Board has to purchase the contracted quantity of desalinated water throughout the year for 25 years, irrespective of the storage position in the surface water sources.

Due to non-revision of water charges by the Board, the entire cost of purchase of the desalinated water at ₹ 48.66 per kilo litre had to be borne by the Government resulting in additional annual financial burden of ₹ 180 crore to the Government.

An avoidable expenditure of ₹ 6.95 crore was incurred by the Board on electricity charges due to delay in getting the tariff changed from industrial

tariff to the tariff applicable for the high tension electricity connection for municipal water supply scheme.

The Board surrendered 44.56 acres of surplus land to Tamil Nadu Industrial Development Corporation in December 2009. But neither the value of land (₹ 96 lakh) was received back nor equal area of alternate land was obtained from the Corporation.

(Paragraph 2.2)

1.6.1.3 Computerisation in Tamil Nadu Water Supply and Drainage Board

The Tamil Nadu Water Supply and Drainage Board (TWAD) resolved (March 2005) to introduce an integrated online computer system named "TWAD Integrated e-Governance System (TWADNEST)" encompassing all its administrative and functional activities. Funded wholly by the Government of India under the National Rural Drinking Water Programme, development of TWADNEST was entrusted to National Informatics Centre (NIC), Chennai. A Performance Audit of Computerisation in Tamil Nadu Water Supply and Drainage Board revealed that the Project TWADNEST remained incomplete even after six years with a cost overrun of ₹ 76.40 lakh on the software development. The important points noticed by Audit are given below:

As of May 2011, an amount of ₹ 92.50 lakh had been deposited with National Informatics Centre, Chennai without getting the final product.

In contravention of the guidelines, computers and infrastructure valued at ₹ 3.22 crore were procured even before the TWADNEST was developed. The computers and other equipment are likely to become obsolete due to passage of time.

The Project Monitoring software representing the core activity of the Board was not developed by NIC. Data relating to few modules of TWADNEST under implementation, lacked integrity due to absence/failure of controls.

The Project Monitoring System, developed in-house, failed to provide reliable Management Information System due to incorrect/incomplete data.

(Paragraph 2.3)

1.6.2 Compliance audit of transactions

Audit has also reported on several significant deficiencies in critical areas which impact the effective functioning of the Government departments/ organisations. The audit of financial transactions, test-checked in various departments of the Government and their field offices, revealed instances of wasteful expenditure, avoidable expenditure, blocking of funds and other

irregularities. Some of the important transaction audit findings are given below.

Failure of the Executive Engineer to substitute during the course of execution of work, the agreed item of earthwork excavation in the old bund by earthwork excavation without the component of watering and consolidation resulted in overpayment of ₹ 0.99 crore to a contractor.

(Paragraph 3.1.1)

Department's failure to maintain the Jatropha plantations led to poor survival of Jatropha seedlings raised by incurring ₹ 8.35 crore.

(Paragraph 3.1.2)

Due to ineffective implementation of the scheme of artificial recharge to ground water through dug wells, the department could not ensure utilisation of the subsidy amount by the farmers for the intended purpose.

(Paragraph 3.1.3)

Lack of proper instructions by the Government to the department regarding methodology for the release of subsidy amount resulted in unfruitful expenditure of ₹ 2.07 crore.

(Paragraph 3.1.4)

Extra expenditure of ₹ 12.44 crore was incurred on road maintenance works due to delay in evaluation and approval of the bids.

(Paragraph 3.2.4)

Government of India grant of ₹ 4.80 crore sanctioned for construction of houses for the tribal groups remained unutilised for over two years due to failure of the department to identify the implementing agencies.

(Paragraph 3.3.1)

Due to acceptance of the bank guarantee from a foreign bank in violation of the agreement condition and failure to confirm its encashability in India, performance guarantee for ₹ 1.58 crore could not be encashed on termination of contract.

(Paragraph 3.4.2)

1.6.3 Chief Controlling Officer based audit of the Forest Department

Tamil Nadu has a recorded forest area of 22,877 square kilometres (sq.km.) which represents 17.59 *per cent* of the total geographical area of the State. The Forest Department is responsible for carrying out afforestation works to bring the available area under forest cover, soil and water conservation works and conservation and management of wildlife. The Chief Controlling Officer based audit of the department revealed some areas of concern in financial management, programme management, internal control and monitoring. The important audit findings are highlighted below:

The State has not prepared its own forest policy despite passage of five years since recommendation of the National Forest Commission to frame the state's own forest policy.

As against the Union Planning Commission's recommendation of four *per cent* allocation for forestry and wildlife sector, the State's allocation for the sector in the Eleventh Five Year Plan was 1.51 *per cent* only. Government released ₹ 693 crore only for forestry activities in the four years (2007-11) out of the allocation of ₹ 1,285 crore for the Plan period (2007-12).

Arrears of lease rent of ₹ 105.20 crore remained to be collected from three Public Sector Undertakings under the control of the department. The progress of declaring the lands as reserve forest was tardy and 1,12,386 hectares of land remained to be notified.

In 12 test-checked divisions, 9,547 cases of encroachment involving an area of 10,197 hectares of forest land were pending eviction as of March 2011.

As per the Reports of the Forest Survey of India, forest and tree cover of the State showed a marginal decrease from 28,665 sq.km. in 2005 to 28,306 sq.km. in 2009 and the decrease was mainly due to decrease in tree cover area from 5,621 sq.km to 4,968 sq.km, despite spending of ₹ 471.61 crore during 2002-07 on social and farm forestry activities.

As against the Eleventh Plan target of bringing seven lakh hectares under tree cover outside the forest areas, the achievement during the four years (2007-11) of the Plan period was 49,194 hectares (seven *per cent*) only.

In 23 test-checked divisions, the survival rate of plantations was less than 40 *per cent* in majority (59 *per cent*) of the plantations.

(Paragraph 4.1)

1.7 Response of departments to the draft paragraphs

The Draft paragraphs/Performance Audit findings were forwarded demi-officially to the Principal Secretaries/Secretaries of the departments concerned between March and November 2011 with the request to send their responses within six weeks. The departmental replies for three out of four Performance Audit and Chief Controlling Officer based audit and 9 out of 15 paragraphs featured in this Report have been received. The replies, wherever received, have been suitably incorporated in the Report.

CHAPTER II

PERFORMANCE AUDIT

This chapter contains the findings of Performance Audit on (i) Public Distribution System, (ii) Seawater desalination plant at Chennai and (iii) Information Technology audit on Computerisation in Tamil Nadu Water Supply and Drainage Board.

CO-OPERATION, FOOD AND CONSUMER PROTECTION DEPARTMENT

2.1 Public Distribution System

Executive Summary

Public Distribution System (PDS) is a major instrument of the Government's economic strategy for ensuring availability of food grains to the public at affordable prices as well as for enhancing food security to the poor. While the overall responsibility of management of food grains in the country vested with Government of India (GOI), the State Governments were responsible for their effective distribution through the PDS. In Tamil Nadu, the State Government adopted the Universal PDS (UPDS) instead of the Targeted Public Distribution System (TPDS) for supply of rice with no distinction between Above Poverty Line (APL) and Below Poverty Line (BPL) families. The PDS was implemented by the Co-operation, Food and Consumer Protection Department in the State. During the period 2006-11, the State Government incurred an expenditure of ₹ 14,550 crore towards subsidy of food grains under PDS.

A Performance Audit of the implementation of PDS in Tamil Nadu covering the period 2006-11 was conducted between January and July 2011. The Performance Audit revealed the following deficiencies:

Allotment of rice to the districts for supply under PDS was in excess of the requirement, the excess allotment ranged between 19 and 28 *per cent* at the State level.

The total quantity of food grains distributed monthly to the cardholders under the PDS in the State was less than the quantity fixed by GOI under the TPDS.

Despite periodical attempts to eliminate the bogus cards, the number of persons included in the family cards in circulation in the State as of March 2011 was more than the population of the State.

Excess subsidy of ₹ 6.60 crore paid to the cooperative societies during 2006-07 to 2009-10 remained to be recovered.

There were instances of delay in disposal of cases relating to seizure of smuggled commodities, non-realisation of fines and delay in disposal of the seized vehicles involved in smuggling of the PDS commodities.

2.1.1 Introduction

Public Distribution System (PDS) is a food management strategy of the Government for ensuring availability of food grains to the public at affordable price. The Government of India (GOI) introduced (June 1997) the Targeted Public Distribution System (TPDS), under which 10 kg of food grains per month was to be issued at subsidised rate to families living Below Poverty Line (BPL). GOI also launched the Antyodaya Anna Yojana (AAY) in December 2000 for the poorest of poor in the country. Under AAY, 25 kg of food grains per month at the subsidised rate of ₹ 3 per kg of rice and ₹ 2 per kg of wheat were to be distributed. The scale of issue of food grains under both TPDS and AAY was raised to 35 kg per month with effect from April 2002. The State Government, however, has adopted the Universal PDS (UPDS) instead of the TPDS for supply of rice with no distinction between Above Poverty Line (APL) and Below Poverty Line families in the State. Under the UPDS in the State, rice is supplied at subsidised rates universally to whoever desires to avail the benefit. Besides rice, sugar, kerosene, wheat and palmolein are distributed at subsidised rates to the beneficiaries. The scale of issue of commodities under PDS is given in **Appendix 2.1.**

2.1.2 Organisational set-up

The Principal Secretary to the Government, Co-operation, Food and Consumer Protection Department, assisted by the Commissioner of Civil Supplies and Consumer Protection (CCS) is responsible for implementation of the scheme at the State level. At the District level, the PDS is implemented through the District Supply and Consumer Protection Officer (DSO) assisted by Special Tahsildars (Civil Supplies)/Taluk Supply Officers. As of March 2011, the network of PDS comprised 24,789 full time Fair-price Shops (FPSs) and 7,746 part time FPSs. Of the 32,535 FPSs, 30,432 were run by Co-operative societies. The remaining 2,103 shops were run by the Tamil Nadu Civil Supplies Corporation Limited (TNCSC) and Self Help Groups. At the State level, the functioning of FPSs run by Co-operative societies was administered by the Registrar of Co-operative Societies. The TNCSC was entrusted with the procurement, storage and transportation of rice and other essential commodities for distribution under the PDS through FPSs in the State. The Civil Supplies CID (CS CID) wing headed by an Additional Director General of Police was entrusted with the enforcement function.

2.1.3 Audit objectives

The objectives of the Performance Audit were to assess whether;

(i) financial management was efficient and economical,

(ii) PDS commodities were supplied timely to the beneficiaries at the scale and rates prescribed by Government and

(iii) the family cards were issued after due verification of beneficiaries and PDS commodities were issued as per the options of the beneficiaries.

2.1.4 Audit criteria

The norms and instructions contained in the following documents were used as criteria for judging the performance of the scheme:

(i) GOI guidelines,

(ii) PDS (Control) Order 2001 of GOI,

(iii) State Government Orders on issue of family cards, price and scale of issue of food grains under PDS and

(iv) Tamil Nadu Kerosene (Regulation of Trade) Orders 1973.

2.1.5 Audit coverage

The Performance Audit on implementation of PDS in the State was conducted between January and July 2011 covering the period 2006-11. Besides reviewing the records at the Department of Co-operation, Food and Consumer Protection, Office of the Commissioner of Civil Supplies and Consumer Protection and Registrar of Cooperative Societies, the implementation of the scheme was test-checked in eight out of the 32 districts in the State. In each selected district, records of three sample taluks and four fair-price shops in each sample taluk were test-checked. The districts and taluks were selected by simple random sampling without replacement. The list of districts/taluks covered in the Performance Audit is given in **Appendix 2.2**. The procurement, storage and transportation of PDS commodities performed by TNCSC were not covered in this audit as the same had been commented in the CAG's Audit Report (Commercial) of the State for the year ended March 2009. An entry conference was held with the Principal Secretary to the Government, Cooperation, Food and Consumer Protection Department on 7 January 2011, wherein the purpose and scope of the audit were discussed. Exit conference was held with the Secretary to Government, Cooperation, Food and Consumer Protection Department on 21 December 2011 wherein the audit findings were discussed.

Audit findings

2.1.6 Financial management

2.1.6.1 Food subsidy

The food grains such as rice and wheat, meant for PDS were procured by the Food Corporation of India (FCI) and made available to the State Government at the Central Issue Price (CIP) fixed by GOI for BPL, APL and AAY categories. However, the State Government further subsidised the price of rice meant for the PDS cardholders and the subsidy cost was borne by the State Government. Besides rice, commodities like toor dhal, black gram and palmolein were distributed through PDS at subsidised prices since April 2007. The CIP, sale price of rice under PDS fixed by the State Government and food subsidy borne by the State during 2006-11 are given in **Table 1.**

Table 1: Food subsidy

Year	Central issue price of rice (₹ per kg)			Sale price of rice in PDS (₹ per kg)	State's expenditure on food subsidy (₹ in crore)
	BPL	APL	AAY		
2006-07	5.65	8.30	3.00	2	1,950
2007-08	5.65	8.30	3.00	2	1,950
2008-09	5.65	8.30	3.00	1 (from September 2008)	2,700
2009-10	5.65	8.30	3.00	1	4,000
2010-11	5.65	8.30	3.00	1	3,950
Total					**14,550**

The increase in State's expenditure on subsidy from ₹ 2,700 crore in 2008-09 to ₹ 3,950 crore in 2010-11 was mainly due to reduction in the sale price of rice from ₹ 2 to ₹ 1 per kg with effect from September 2008. Further, open market purchase of additional quantity of rice to meet the increased off-take over and above the central pool allocation, increased off-take of sugar and its purchase at non-levy price and subsidised sale of pulses contributed to the increased expenditure on subsidy.

2.1.6.2 Non-remittance of unspent funds

22 District Collectors did not remit the unspent funds

Government sanctioned (May 2008) ₹ 13.05 crore for the door to door verification of family cardholders. Audit noticed that even though the verification exercise was completed (August 2010) in all the 32 districts, only 10[1] District Collectors remitted the unutilised amount to CCS, and the remaining 22 District Collectors were yet to remit the unutilised amount to

[1] Coimbatore, Dindigul, Erode, Kanyakumari, Karur, Namakkal, Thanjavur, Thiruvallur, Thiruvannamalai and Thoothukudi.

CCS (March 2011). In five[2] out of 22 districts for which details were available, a sum of ₹ 37.89 lakh remained unutilised as of March 2011 and kept in bank accounts. Government stated (November 2011) that the District Collectors were instructed to utilise the amount for the expenditure already incurred towards elimination of bogus cards during the year 2007 and the entire action was planned to be completed by November 2011.

2.1.6.3 Government dues pending collection

TNCSC owed ₹ 2.16 crore to Government towards the cost of seized PDS rice deposited with them

As per the Essential Commodities Act, 1955, on seizure of PDS commodities during the inspection of godowns of private traders, the seized stock except kerosene was to be deposited with TNCSC for eventual disposal. Based on the orders of District Revenue Officers (DROs), TNCSC was to take such commodities for distribution under PDS and remit the value to Government. As per information furnished by CCS, TNCSC owed ₹ 2.16 crore to the Government as of March 2011 towards the cost of seized commodities (rice) taken into its account. There was no proper system in place at State/District level to watch and reconcile the dues payable by TNCSC to Government on this account. In 19 districts, Audit noticed that the dues payable by TNCSC to Government as maintained by CCS was ₹ 78.68 lakh, whereas the amount as furnished by TNCSC was ₹ 93.20 lakh, which reflected the lack of reconciliation of accounts by the agencies. The Government stated (November 2011) that necessary instructions had been given to the Collectors concerned to reconcile the figures given by TNCSC and rectify the difference. The Government also stated that subsequent to audit, TNCSC had remitted ₹ 1.32 crore to Government account as of September 2011.

Similarly, the department, on seizure of kerosene from smugglers, handed over the kerosene to wholesale dealers for distribution to the fair-price shops under PDS. The dealers have to remit the value of the seized kerosene to Government account. In the test-checked districts, Audit noticed that a sum of ₹ 20.88 lakh was to be collected by the department from the dealers towards the cost of kerosene handed over to them on seizure during the period 2001-2011. The Deputy Commissioner (DC)/DSOs neither took follow-up action to realise the amount nor maintained demand, collection and balance (DCB) details to watch recovery of the dues from the dealers. At the State level too, CCS did not watch the progress of recovery of dues from the dealers. In reply, Government stated (November 2011) that out of ₹ 20.88 lakh, ₹ 6.67 lakh had been collected from the dealers and remitted to Government Account.

2.1.6.4 Non-realisation of fine

Demand, collection and balance details in respect of fine imposed on owners of vehicles involved in smuggling of the PDS commodities were not maintained at district level

Vehicles involved in smuggling of the PDS commodities were either confiscated to Government or released on payment of fine imposed by the District Revenue Officer. In the test-checked districts, Audit noticed that the DC / DSOs neither took follow-up action for imposition of the fine and to realise the amount nor maintained details of demand, collection and balance,

[2] Cuddalore, Kancheepuram, Pudukottai, Salem and Tirunelveli.

to watch the recovery of the dues. Records produced to Audit revealed that fine amount of ₹ 45.23 lakh imposed in 283 cases during 2006-11 in five out of eight test-checked districts was pending collection as of March 2011. At the State level, CCS did not monitor the cases pending in the districts. Thus, poor follow-up action at the district level coupled with lack of monitoring at the State level resulted in non-realisation of the fine imposed on the owners of vehicles involved in smuggling of the PDS commodities. In reply, Government stated (November 2011) that out of ₹ 45.23 lakh, ₹ 0.85 lakh had been collected and action was being taken to speed up collection of fine amounts and it was a continuous process.

2.1.6.5 Subsidy to fair-price shops

Government provides subsidy to the Co-operative Societies every year to compensate the loss suffered by the fair-price shops run by them. The details of subsidy released by Government during 2006-10 to the Co-operative Societies are given in **Table 2**.

Table 2: Year-wise details of subsidy released to the Co-operative Societies

Year	Amount released (₹ in crore)	Released in
2006-07	60.07	April 2008
2007-08	95.32	March 2009
2008-09	93.50	March 2010
2009-10	116.02	March 2011

Subsidy amounting to ₹ 6.60 crore was paid in excess to Co-operative Societies

Audit noticed that the subsidy due to the co-operative societies was worked out and released by the Register of co-operative societies (RCS) based on the un-audited accounts of the societies. The Department was to adjust the excess subsidy, if any, from the co-operative societies concerned on completion of audit of the accounts by the Director of Co-operative Audit. As of March 2011, excess subsidy of ₹ 6.60 crore paid to the co-operative societies in 21[3] districts was pending recovery. Audit scrutiny of records revealed that the reasons for pendency in adjustment/recovery of the excess paid subsidy were, (i) recoverable amount in respect of previous years exceeded the societies subsidy claim for the subsequent year and (ii) non-claiming of subsidy by some of the societies which earned profit. Further, in three[4] test-checked districts, audit of accounts of seven co-operative societies to whom ₹ 9.14 crore were released as subsidy, was yet to be completed as of March 2011. Due to non-completion of audit of the accounts of the societies, the excess subsidy if any had not been determined. Though Government insisted for early completion of audit of the societies accounts for the year for which sanction for release of subsidy was made, the audit of societies was in arrears. The Government stated (November 2011) that out of ₹ 6.60 crore, a sum of ₹ 26.35 lakh had been recovered from the institutions concerned and the remaining amount of excess subsidy would be adjusted in the subsidy

[3] Chennai South, Cuddalore, Dindigul, Kancheepuram, Karur, Madurai, Nagapattinam, Namakkal, Pudukottai, Sivagangai, Thanjavur, Theni, Thiruchirapalli, Tirunelveli, Thiruvallur, Thiruvannamalai, Thiruvarur, Thoothukudi, Vellore, Villupuram and Virudhunagar

[4] Chennai - I, Chennai - II and Karur

proposals of the Co-operative Societies for the year 2010-11. Further, Government stated (November 2011) that, it was closely monitoring the early completion of audit and directed the Director of Cooperative Audit to give priority to clear the pendency in audit.

2.1.7 Allotment and off-take of rice

2.1.7.1 Allotment of rice in excess of requirement

The CCS allotted rice under PDS every month, based on the number of family cards in circulation in the State. The DSO issued taluk-wise/shop-wise allotment orders. Details of the allotment and off-take of rice under PDS during 2006-11 are given in **Table 3**.

Table 3: Year-wise allotment and off-take of rice in the State

(In lakh tonnes)

Year	Allotment	Off-take
2006-07	36.86	27.18 (74)
2007-08	37.78	27.33 (72)
2008-09	38.92	29.55 (76)
2009-10	38.76	30.96 (80)
2010-11	37.92	30.87 (81)

(Figures in bracket: percentage of off-take)

While the total off-take of rice against the allotment for the State as a whole was in the range of 72 to 81 *per cent* during 2006-11, in ten districts it was in the range of 48 to 75 *per cent* as given in **Table 4** indicating excess allotment of rice for PDS by the department.

Allotment of rice was made in excess of requirement

Table 4: Total off-take of rice against the allotment during 2006-11

(In lakh tonnes)

District	Allotment	Off-take	Excess (Allotment - off-take)
Namakkal	4.28	2.05 (48)	2.23 (52)
Chennai South	9.44	4.79 (51)	4.65 (49)
Erode	7.35	3.82 (52)	3.53 (48)
Coimbatore	12.38	6.82 (55)	5.56 (45)
Chennai North	11.34	6.42 (57)	4.92 (43)
Salem	9.06	6.23 (69)	2.83 (31)
Karur	2.86	1.94 (68)	0.92 (32)
Virudhunagar	5.23	3.80 (73)	1.43 (27)
Thoothukudi	4.26	3.10 (73)	1.16 (27)
Thiruchirappalli	7.15	5.34 (75)	1.81 (25)

(Figures in bracket represent percentage of allotment)

The DC, Chennai (South) and DSO, Coimbatore claimed that it was due to low off-take and attributed the low off-take to poor buying capacity of cardholders, migration, change of residence and non-supply of entitled

quantity of rice as per the cardholder's choice *viz*., raw rice or boiled rice. However, the department did not analyse the reasons for the low off-take so as to make the allotment on the basis of actual requirement. More allocation of rice than the actual quantity needed for distribution under PDS has the risk of illegal diversion of the subsidised rice, unnecessary transportation etc., especially in the context of existence of bogus family cards as discussed in paragraph 2.1.9 of this report. In reply, Government stated (November 2011) that the cardholders buy rice depending upon their needs. Hence, the off-take was lower than the allotment. Government further stated that allotment cannot be made based on the previous month's off-take, and if allotment is made based on the previous month's off-take, then there is a possibility of denial of rice to cardholders who have not bought rice during the previous month but prefer to buy the same during the current month.

The reply is not acceptable as it can be seen from the **Table 4** that the off-take of rice in the test-checked districts was only in the range of 48 to 75 *per cent* during 2006-11 which clearly indicated that the allotment was made in excess of the actual requirement. During the exit conference, the department agreed to reduce the gap between allotment and off-take by refining the procedure.

2.1.7.2 Inadequate supply of rice to fair-price shops in Coimbatore District

In the test-checked Coimbatore District, Audit noticed that the District Revenue Officer allotted only about half the quantity of rice allotted to the District for distribution under PDS through fair-price shops during 2007-10, as given in **Table 5**.

Table 5: Year-wise allotment of rice in Coimbatore District

(In lakh tonnes)

Year	Allotment made by the CCS	Opening balance with fair-price shops	Rice Requirement	Allotment made by the District Supply Officer to FPSs	Off-take
2007-08	2.72	0.15	2.57	1.20 (47)	1.20
2008-09	2.85	0.16	2.69	1.56 (58)	1.56
2009-10	2.15	0.08	2.07	1.28 (62)	1.28
2010-11 (upto January 2011)	1.67	0.32	1.35	1.35 (100)	1.35

(Figures in bracket represent percentage of rice requirement of FPSs)

The DSO, Coimbatore stated (May 2011) that the reduced allotment of rice to the fair-price shops was made during 2007-10, in order to arrest the illicit transportation of PDS rice to the neighbouring State. Audit however noticed that no such restriction was made in the allotment of rice in 2010-11 as 81 *per cent* of quantity allotted by the CCS was in turn allotted to the fair-price shops. Instead of arresting the diversion of PDS rice by better administrative measures such as continued vigil on the movement of rice from godowns to

shops and more periodical inspections/verification of stock at the fair-price shops, reducing the allotment of rice to the shops by the DSO, Coimbatore during 2007-10, amounted to denial of the entitled quantity of rice under PDS to the cardholders. In reply, Government stated (November 2011) that although cent *per cent* rice allotment was made by the Commissioner of Civil Supplies and Consumer Protection to the Coimbatore District, fearing that rice not purchased by the cardholders might find their way to open market clandestinely, the DSO had allotted reduced quantity of rice based on the off-take prevailed during the previous month and claimed that there were no representations at that time from the general public that reduced quantity of rice was being distributed to them. Further, Government stated that orders were under issue for revival of Pollachi unit of CS CID and creation of five State Border checkposts in Kanyakumari, Coimbatore, Vellore, Krishnagiri and Tiruvallur districts to prevent smuggling of PDS rice to the neighbouring States.

Even though Government has now initiated action to arrest the illegal diversion of rice in Coimbatore District by revival of CS CID unit and creation of checkposts, its reply that no representation was received from the general public that reduced quantity of rice was being distributed to them is not acceptable as the records of DSO, Coimbatore disclosed that there were representations from various cooperative institutions asking for more allotment of rice citing that the public were facing trouble due to short supply of rice.

2.1.8 Supply of food grains to cardholders

Monthly distribution of food grains to card holders under PDS was less than the scale prescribed by GOI

As per GOI guidelines, food grains should be distributed at the rate of 35 kg per month to each of the BPL and APL families and AAY beneficiaries. However, the State Government provided 35 kg of food grains (rice) per month only to the AAY beneficiaries. The State Government provided only 12 to 20 kg of rice per month depending upon the number of persons (units) included in the family card as given in **Table 6**. Apart from rice, the State Government also provided 10 kg of wheat per month to all cardholders in Chennai and district headquarters and five kg in other areas. The unit-wise quantity of rice entitled and the number of family cards (rice) in circulation as of March 2011 are given in **Table 6.**

Table 6: Unit-wise details of entitlement for rice under PDS

Number of units in the family	1	1.5	2	2.5	3
Entitled quantity of rice as fixed by Government of Tamil Nadu	12 kg	14 kg	16 kg	18 kg	20 kg
Number of cards in circulation as of March 2011	2.97 lakh	1.15 lakh	19.80 lakh	16.65 lakh	124.59 lakh

It could be seen from the above that the total quantity of food grains distributed monthly to cardholders of the State was less than the 35 kg fixed by GOI.

Government in its reply stated (November 2011) that any method used for identifying BPL families, under the GOI advocated TPDS was bound to result in some amount of exclusion of deserving families and claimed that UPDS was based on principle of self selection and only those who needed subsidised food articles had been supplied food grains and as such it assured better food security. Government also stated that besides rice/wheat, toor dhal, urid dhal and palmolein totaling about 35 kg had also been supplied through PDS in the State. The reply is not acceptable since the State Government supplied rice at two different scales, i.e. maximum of 20 kg of rice per card holder under PDS and 35 kg for AAY beneficiaries, which indicated absence of appropriate assessment of requirement of food grains per family.

2.1.9 Family Cards

2.1.9.1 Issue of family cards

Family cards issued under PDS have a validity of five years from the date of issue unless they are suspended or cancelled earlier. Family cards have to be issued afresh or renewed, after its validity is over. However, the State Government in 2005 had renewed the family cards issued during 1998 and issued new cards to the persons left out without carrying out proper verification. The State Directorate of Economics and Statistics, based on the 2001 general census, projected a population of 6.70 crore for the year 2010. The number of households in the State in 2010 was assessed as 157.49 lakh reckoning 4.3 persons per family. However, the number of family cards actually issued and in circulation as of March 2010 was 196.74 lakh which was in excess of the projected households by 39.25 lakh. As of March 2011, the number of family cards in circulation was 195.83 lakh as against the projected households of 167.77 lakh, which was in excess of the households by 28.06 lakh. Further, the number of persons included in the family cards, as of March 2011, was 8.37 crore as against the 2011 census data of 7.21 crore. It indicated that the deletion of family cards of un-deserving households/ doubtful nature was not made properly.

Number of persons included in the family cards was more than the population of the State

Government in reply *inter alia* stated (November 2011) that people were more vigilant at the time of family cards enumeration and invariably showed separate portions in the same house of a same door number and sought separate ration cards for getting ration supply and hence the number of households as declared in the census was not matching with the family cards data. Further, Government stated (November 2011) that as against 196.38 lakh family cards in circulation as of August 2011, the projected households in the State for the year 2011 was 200.38 lakh. This was based on reckoning 3.6 persons per family, as per the National Sample Survey Report on Household Consumer expenditure in India 2007-08.

However, the data on households in the State, furnished by the Government in its reply could not be verified in audit as the same was not available in the Census 2011. In the light of this and also in view of the fact that the total number of persons included in the family cards as of March 2011 was more

than the population of the State by 1.16 crore which clearly indicated the existence of bogus cards, the reply is not acceptable. In the exit conference, the Secretary to Government stated that the Government proposed to eliminate the bogus cards in two to three years time by resorting to issue of biometric based smart cards.

2.1.9.2 Non re-verification of the family cards in Chennai District

In Chennai District (excluding Anna Nagar Zone), there were 20.61 lakh cards in circulation in 2009. The department through its door to door verification exercise conducted between October 2009 and August 2010, identified 5.97 lakh suspected bogus family cards and issued "stop supply" order. However, Government found deficiencies such as non-coverage of all multi-storey buildings in the verification process, non-availability of cardholders at the time of verification and change of residence etc., and restored (January 2011) supply of the PDS commodities to all the 5.97 lakh suspected bogus family cards. Though Government ordered (January 2011 and May 2011) the CCS to re-verify the suspected family cards by June 2011, the exercise was not completed by the department. An amount of ₹ 2.92 crore was sanctioned to the Deputy Commissioner of Chennai North and South districts for this purpose. However, the amount of expenditure incurred was not furnished to Audit. Thus, non-completion of the re-verification exercise had delayed the elimination of suspected bogus family cards in Chennai District. Government in its reply stated (November 2011) that on verification, 10,894 representations were accepted and the remaining 2,65,027 representations were rejected and orders were issued in this regard.

2.1.10 Implementation of Essential Commodities Act, 1955

2.1.10.1 Poor follow-up measures on seizure of smuggled PDS Commodities

As per the PDS (Control) Order 2001, State Government should take all possible steps to ensure that essential commodities reach the intended beneficiaries and do not get diverted to open-market. PDS commodities smuggled or hoarded are seized by the CCS and CS CID under the Essential Commodities Act, 1955.

As per the Essential Commodities Act, 1955, read with departmental instructions on seizure of the commodity, the DRO of the district concerned has to conduct an enquiry and pass orders within six months of the seizure. If the seized commodity was proved as PDS commodity, it should be confiscated. Otherwise, the value of the commodity seized was to be paid to the party concerned. Audit noticed that there were 10,241 cases of seizure pending with the DROs of the districts as of March 2011, of which 200 cases were pending for more than six months. Further, 157 out of the 200 cases pending for more than six months were related to Coimbatore District. The high pendency of cases indicated ineffective follow-up measures on implementation of the Essential Commodities Act. Government in its reply

stated (November 2011) that as of September 2011, out of 10,241 pending cases 3,912 cases were disposed.

2.1.10.2 Non-disposal of the seized vehicles

1,024 seized vehicles involved in smuggling of PDS commodities were lying undisposed

Vehicles involved in smuggling of the PDS commodities were either confiscated to Government or released on payment of fine imposed by the DRO. According to information furnished by CS CID units to Audit, 1,024 seized vehicles involved in smuggling of the PDS commodities were lying un-disposed off in 18 CS CID units as of March 2011, due to non-passing of orders by the DC/DROs. Audit noticed that seizure of 356 out of 1,024 vehicles was made prior to April 2009.

In three[5] out of eight test-checked districts, 377 vehicles confiscated during 2006-11 were not disposed off by the department as of March 2011. Retaining the confiscated vehicles for a prolonged period would not serve the Government's interests as the condition of the vehicles might deteriorate over the period and their value would decline. CCS did not have details of number of vehicles seized, released / disposed off during 2006-11 and also, he did not furnish such details sought by Audit. In sample districts, there were no details available on number of vehicles seized and disposed off. The aspect of seized vehicles was not covered in the periodical reports on seizure and hence, not monitored by CCS.

Government in reply stated (November 2011) that 52 vehicles were disposed off during September 2011 to November 2011 and special efforts were being taken to assess the value of vehicles to be auctioned and the process of auctioning was being initiated.

2.1.11 Supply of Kerosene

2.1.11.1 Distribution of kerosene to cardholders

Supply of kerosene to persons possessing two LPG cylinders could not be ruled out as stamping of LPG connection details in family cards was pending.

Government of India allocated 59,780 kilo litres of kerosene every month during 2005-2010 for distribution under the PDS in the State. The monthly allotment to the State was reduced to 52,804 kilo litres per month from 1 April 2010 as more number of LPG connections were released to the State. The scale of supply of kerosene under the PDS in the State during 2006-11 ranged from three to 10 litres per month per cardholder depending on the location of the household like district headquarters, village, etc., and the number of LPG cylinders possessed by the cardholder. Cardholders having two LPG cylinders were not eligible for the supply of kerosene under PDS. As the scale of supply of kerosene to the cardholders was linked to LPG connections possessed, the department instructed (February 2008) the cardholders to carry out stamping of LPG connection details in their family cards. The details of actual number of LPG connections in the State as furnished by the oil companies and the actual number of cards in which stamping was done as reported by the district collectors are given in **Table 7.**

[5] Chennai North, Chennai South and Coimbatore.

Table 7: Details of actual LPG connections in the State and the actual number of family cards in which stamping was done

(Number in lakh)

As on	Connections as per oil companies			Connections stamped as per district authorities			Balance to be stamped		
	One cylinder	Two cylinders	Total	One cylinder	Two cylinders	Total	One cylinder	Two cylinders	Total
29.2.2008	57.29	56.01	113.30	21.35	33.75	55.10	35.94	22.26	58.20 (51)
31.3.2008	57.29	56.01	113.30	22.54	34.24	56.78	34.75	21.77	56.52 (50)
31.5.2008	57.29	56.01	113.30	24.09	34.96	59.05	33.20	21.05	54.25 (48)
30.6.2008	57.29	56.01	113.30	26.66	39.10	65.76	30.63	16.91	47.54 (42)
27.5.2010	*	*	119.48	*	*	69.72	*	*	49.76 (42)
05.8.2010	*	*	119.48	*	*	73.94	*	*	45.54 (38)
31.8.2010	60.45	58.94	119.39	35.94	38.67	74.61	24.51	20.27	44.78 (38)

* Break-up not available; Figures given in brackets indicate percentage of pendency in stamping

(Source: Details as furnished by the Oil companies/ District Collectors)

The above table indicated that only 74.61 lakh cardholders had their LPG connection details stamped in their cards as against existence of 119.39 lakh LPG connections in the State as of August 2010. As only 74.61 lakh cards out of 194 lakh family cards in circulation were stamped, supply of kerosene under PDS to family cardholders having two LPG cylinders could not be ruled out.

Government in reply stated (November 2011) that LPG distributors had been releasing the LPG connection without insisting for ration card and due to dearth of staff, it became difficult to verify the huge number of LPG connection holders for the purpose of stamping. It further stated that the process of verification and stamping was going on and it would be completed as early as possible. Early completion of the verification and stamping of LPG connection details in the family cards would eliminate supply of kerosene at the subsidised rates to ineligible family cardholders.

2.1.11.2 Registration of Kerosene dealers

Registration and renewal fee amounting to ₹ 1.11 crore (approximate) for selling kerosene through FPSs, was to be collected from the cooperative societies

As per the Tamil Nadu Kerosene (Regulation of Trade) Orders 1973, only a person registered under the order by the registering authority (DSO/Assistant Commissioner of Civil Supplies) can buy and sell kerosene as a retailer. The certificate of registration is valid for three years from the date of issue and has to be renewed subsequently. However, Audit noticed that none of the fair-price shops distributing kerosene functioning under the control of Registrar of Co-operative Societies was registered as of March 2011 and the Government had suffered a revenue loss of ₹ 1.11 crore (approximate) on account of non-collection of the registration and renewal fee of ₹ 300 and ₹ 150 per fair-price shops respectively from 24,695 kerosene outlets.

Government in its reply stated (November 2011) that the kerosene outlets of cooperatives were since being registered under the TN Kerosene (Regulation

of Trade) Order. Out of the total number of 24,695 kerosene outlets, it was reported that 1,639 outlets had obtained licences and 20,614 outlets had applied for licences. In respect of the remaining 2,442 outlets, Government stated that the process of payment of fees and filing of application was under progress and it would be closely monitored.

2.1.12 Computerisation of PDS in Chennai

2.1.12.1 Handheld billing system

The Registrar of Co-operative Societies (RCS) introduced (September 2009) handheld billing machines in Chennai for billing to monitor the issue of PDS commodities to the cardholders. As and when the billing was done through this machine, the transactions were updated on a central server maintained by Electronics Corporation of Tamil Nadu Limited (ELCOT), and the transaction was to be monitored by RCS. Scrutiny of the data available in the central server with reference to billing made through the handheld billing machines in 16 ration shops selected in Chennai revealed the following discrepancies:

(i) Rice was reported to have been issued in 16 cases to cardholders who opted for sugar.

(ii) In 27 cases, same card was billed in two ration shops.

(iii) In 320 cases, the quantum of PDS commodities issued to the cardholders was more than their entitlement.

Government in its reply stated (November 2011) that it had proposed to issue biometric-based smart cards during the year 2012-13 and necessary modifications would be carried out in the handheld billing machines.

2.1.12.2 Monitoring of daily stock in fair-price shops

In March 2009, RCS introduced Daily Stock Monitoring System to enable monitoring of stock position in each ration shop. Under this system the details of closing balance were to be sent by salesperson of shops run by cooperatives through SMS to a central server.

This system has not been integrated with the handheld billing system wherein issue of commodities is captured as and when the transaction happens. Audit analysis (July 2011) of the data at Anna Nagar and Ambattur zones of Chennai District showed that the closing balance as per the daily stock monitoring system did not tally with the handheld billing system. It was also seen that the closing balance as per the system did not match with the stock register maintained in the ration shops.

Government in its reply stated (November 2011) that stock monitoring through SMS was being fine-tuned and action was being taken to implement the system through National Informatics Centre. It added that the development of software was under progress.

2.1.13 Conclusion

Allotment of food grains under PDS was made in excess of actual requirement for distribution in the fair-price shops. The full benefits of TPDS were not derived as the total quantity of food grains supplied by the State to the cardholders under the PDS was less than the scale fixed by GOI under TPDS. The Government's exercise of deletion of bogus cards was incomplete as evident from the fact that the number of persons included in the family cards in circulation was more than the population of the State as of January 2011. Follow-up measures on seizure of smuggled PDS commodities were ineffective as more than 6,000 cases were pending at District level as of September 2011.

2.1.14 Recommendations

- Government may consider need-based allotment of rice to Fair-price Shops.
- Government should review the position of family cards in circulation and expedite weeding out the bogus family cards so as to curb the possible diversion of PDS commodities.
- Government needs to expedite stamping of LPG connection details in the family cards to eliminate supply of kerosene at subsidised rates to the ineligible cardholders.

MUNICIPAL ADMINISTRATION AND WATER SUPPLY DEPARTMENT

CHENNAI METROPOLITAN WATER SUPPLY AND SEWERAGE BOARD

2.2 Seawater desalination plant at Chennai

Executive Summary

To bridge the gap between demand and supply of drinking water and to augment reliable water supply in the Chennai Metropolitan Area, the Chennai Metropolitan Water Supply and Sewerage Board (Board) set up a 100 million litres per day (mld) capacity seawater desalination plant at Minjur, Chennai on 'design, build, own, operate and transfer'(DBOOT) basis. A Performance Audit of setting up of the desalination plant revealed deficiencies such as non-preparation of Detailed Project Report, adoption of the Public Private Partnership mode for implementing the project without examining the alternative options, purchase of contracted quantity of desalinated water throughout the year for 25 years irrespective of the storage position in the surface water sources, additional financial burden to Government, etc. The important audit findings are highlighted below:

The Detailed Project Report for setting up of the desalination plant was not prepared. Comparative cost benefit of implementing the project by other alternative modes *vis-à-vis* the Public-Private Partnership mode was not worked out before deciding to set up the plant on DBOOT basis.

Due to non-revision of water charges by the Board, the entire cost of purchase of the desalinated water at ₹ 48.66 per kilo litre had to be borne by the Government resulting in additional annual financial burden of ₹ 180 crore to the Government.

An avoidable expenditure of ₹ 6.95 crore was incurred by the Board on electricity charges due to delay in getting the tariff changed from industrial tariff to the tariff applicable for the high tension electricity connection for municipal water supply scheme.

The Board surrendered 44.56 acres of surplus land to Tamil Nadu Industrial Development Corporation (TIDCO) in December 2009. But neither the value of land (₹ 96 lakh) was received back nor equal area of alternate land was obtained from TIDCO.

2.2.1 Introduction

The Chennai Metropolitan Water Supply and Sewerage Board (Board) is responsible for planning, construction, operation and maintenance of water supply and sewerage system in the Chennai Metropolitan Area (CMA). The

Board draws water mainly from various surface and ground water sources[6] for drinking water requirements of CMA. The surface water sources receive water during the north-east monsoon which is normally active during October to December. As the sources are monsoon dependent, failure of rainfall adversely affects the city water supply. Acute water scarcity in the CMA and failure of the monsoon during 2003 necessitated a sustainable solution for source reliability and augmentation of drinking water supply. The availability of water from various sources for Chennai city was reported (2003) as 296 million litres per day (mld) as against the demand of 1,418 mld leading to a vast gap of 1,122 mld. Hence, in order to bridge the demand-supply gap and to augment reliable and assured source of water supply to Chennai City, the Board proposed (April 2003) to set up a seawater desalination plant at Minjur, Chennai on design, build, own, operate and transfer (DBOOT) basis.

The estimated project cost of ₹ 500 crore for a 100 mld plant was to be financed by the selected developer of the facility. The Board entered (September 2005) into a bulk water purchase agreement (BWPA) with the Chennai Water Desalination Limited (CWDL), a private developer of the facility, selected for designing, engineering, financing, procurement, construction, operation, maintenance and transfer of the project after 25 years. As per BWPA, the Board was to procure 95 *per cent* of the contracted quantity (100 mld) of the desalinated water for 25 years at a levelised tariff of ₹ 48.66 per kilo litre (kl). The Board also provided the required land on lease to CWDL and bore the electricity charges of the plant in excess of ₹ 3.50 per kilowatt-hour payable by CWDL to the Tamil Nadu Electricity Board (TNEB). The project, scheduled for commissioning in May 2008, was completed and commissioned in July 2010 at a cost of ₹ 551.62 crore.

2.2.2 Organisational structure

At the Government level, the Principal Secretary to Government, Municipal Administration and Water Supply Department is responsible for implementation of the water supply and sewerage schemes in the areas under urban local bodies of the State. The Board, which is responsible for planning, construction, operation and maintenance of water supply and sewerage systems in the CMA, is governed by a Board of Directors. The Managing Director (MD) is the executive head of the Board. He is assisted by a Chief Engineer (Operation and Maintenance) (CE), an Engineering Director (ED), a Finance Director (FD) and an Executive Director. The Superintending Engineer (Transmission and Treatment) (SE) and the Executive Engineer (Desalination) (EE) assist the CE in monitoring the setting up of the seawater desalination plants and their operation. Government had not nominated any nodal officer for Public Private Partnership (PPP) projects in the State and at

[6] Poondi, Cholavaram and Redhills reservoirs and Kandaleru reservoir in Andhra Pradesh under the Telugu Ganga Project

present, the Special Secretary to Government, Finance Department, who is the nodal officer for externally-aided projects looks after the PPP projects.

2.2.3 Audit Objectives

The Performance Audit was carried out with a view to assess whether

(i) the decision to set up the desalination plant through PPP mode was taken based on detailed project report and after considering other alternatives; and

(ii) the Bulk Water Purchase Agreement safeguarded the interests of the Board and Government.

2.2.4 Audit Criteria

The project was formulated (April 2003) and awarded (August 2005) to CWDL on DBOOT basis before issuance of guidelines on PPP projects by Government of India (GOI). The GOI issued the guidelines on PPP in January 2006. The audit findings were benchmarked against the following criteria.

(i) Annual Plan targets;

(ii) Provisions in the Bulk Water Purchase Agreement; and

(iii) Government orders and instructions on the subject

2.2.5 Audit coverage and methodology

The Performance Audit was conducted during April to July 2011 covering the period from the date of formulation of the project (April 2003) to June 2011. Records relating to implementation and monitoring of the project in the Secretariat, Municipal Administration and Water Supply Department and the Board were test checked. The audit objectives and criteria were discussed with the Principal Secretary to Government, Municipal Administration and Water Supply Department during an entry conference held in May 2011. The audit findings were discussed in an exit conference held in August 2011 and Government response to the audit observations have been taken into consideration while finalising the report.

2.2.6 Seawater Desalination Process

The desalination process of the plant comprises drawal of 237 mld of raw seawater from the Bay of Bengal through an intake pipeline, pre-treatment of raw water, desalinating the seawater through Reverse Osmosis (RO) trains and discharge of 137 mld of brine reject back into the sea through submarine

pipeline. The pre-treatment process included disinfection, coagulation-cum-flocculation and gravity and pressure filtration. After filtration, the water undergoes various treatments before passing through the RO trains. The water is forced through the RO membranes at high pressure and the membranes retain salts and pass the desalinated water. The final product water from the RO system undergoes post-treatment processes before supply to the Board.

Audit findings

2.2.7 Policy and Planning

At the time of formulation of the project, Government had not evolved any policy on PPP projects. In the Annual Plan for 2003-04, Government had included a proposal for setting up a 300 mld desalination plant for water supply to Chennai at a project cost of ₹ 1,500 crore on DBOOT basis. However, in the subsequent Annual Plans (2004-05 and 2005-06) it was proposed to set up 100 or 200 mld capacity plant due to poor response to the first two tender calls(August and September 2003). In the third call, the Board invited bids (November 2004) for 100/200 mld capacity plants and evaluated the bids received for both the capacities. In February 2005, Government accorded the State's support for the project. The consultant for evaluation of bids recommended (May 2005) to the Board to go for 200 mld plant. The Tender Committee of the Board also found (July 2005) 200 mld plant as more economical and suggested to the Board to take a final decision on the capacity of the plant, after taking into account its financial capability and the means of financing the expenditure on purchase of desalinated water. The Board, while concurring with the views of the Tender Committee resolved (27 July 2005) to go in for a 200 mld capacity plant and approached (28 July 2005) Government for the required financial support to the Board. In the meanwhile, on the grounds of financial constraint the Board decided (04 August 2005) to setup a 100 mld plant at Minjur and issued work order to the selected developer. In November 2005, in response to the Board's request, Government directed that the overall revenue deficit of the Board be made good by revising the water tariff and stated that the request for financial support could be made if the resources were not sufficient even after revision.

It was, however, noticed that the Government decided (2008) to construct another 100 mld capacity seawater desalination plant at Nemmeli for Chennai city with the financial assistance of GOI and the project was taken up for execution on 'engineering, procurement and construction' (EPC)[7] basis. The work for this second 100 mld plant was awarded (December 2009) to a contractor at a cost of ₹ 1,033.68 crore (₹ 533.38 crore for construction and ₹ 500.30 crore for operation and maintenance for seven years). Expenditure of ₹ 348.81 crore had been incurred up to October 2011

[7] EPC: Designing and installation of desalination plant and maintaining it for a prescribed period of time on the basis of contract payments

on the work, which was scheduled to be completed by June 2012. Thus, the Government which, initially had not quickly responded favourably to the requested financial support to the Board for setting up a 200 mld plant at Minjur, subsequently opted for construction of another 100 mld plant at Nemmeli at a cost of ₹ 1,033.68 crore.

2.2.8 Non-preparation of detailed project report

For a major desalination project of 100 mld capacity at Minjur, the Board should have studied the comparative cost-benefit of implementing the project by Government funding/loans or through Public Private Partnership route and should have analysed the viable and economical options before taking the final decision. In this case, no feasibility report or detailed project report (DPR) was prepared by the Board and it decided (2003) to set up the plant on DBOOT basis without exploring other alternatives.

Government stated (October 2011) that due to unprecedented water crisis in 2001 and subsequent drought situation in 2003, it took a policy decision to establish a 300 mld plant on DBOOT basis as a permanent drought proofing measure. It further stated that considering the urgency behind the decision of Government and taking into account the time factor that would involve in the preparation of project report, the question of preparation of DPR and consideration of other alternatives did not arise. The reply is not convincing as the project which involved huge cost and recurring financial burden to the Board/Government, should have been taken up for execution after a detailed study of its viability and economical aspects. Non-consideration of the other alternatives citing urgency and time constraints had not served the purpose, as the plant proposed in 2003 was awarded on DBOOT basis in August 2005 and commissioned in July 2010 only.

2.2.9 Financing of the Project

The cost of construction of the entire plant along with the connected infrastructure was financed by the private partner. Government accorded (February 2005) approval for State support for the project. As per the agreement signed by the Government, the Board and the company (December 2006), the Board was to make direct payment on receiving bills from the company, open letter of credit (LC) for a value of three months of charges estimated at minimum off-take of water and escrow the receivables of the Board to replenish the LC, if the amount available in the LC was not sufficient to meet the bills. As per the Trust and Retention Account Agreement signed by the Government, the Board and the CWDL, the Board was to ensure that a 'debt service fund' of ₹ 30 crore was deposited by Government in the bank account one month prior to the commercial operation date so as to meet any shortfall in the escrow account.

2.2.9.1 *Non-revision of water charges and financial burden to Government*

Water charges collectable from the domestic/partly commercial consumers were last revised by the Board in 1998. In respect of other categories of consumers, the revision was done in January 2003. While formulating the project (April 2003), the Board had decided on the financial viability of the project taking into account the periodical revision of water charges for all consumers. When the Third State Finance Commission (SFC) recommended (September 2006) that Government should consider compensating the Board for the higher cost of desalination, Government stated (May 2007) that the Board would manage the high cost commitment through its own revenue and central grants and that if there was any gap even after appropriate revision of water charges, the State would endeavour to support the Board. SFC also recommended to the Board to increase the water charges in 2007-08 and thereafter once in three years.

The Managing Director of the Board informed (July 2010) Government that the Board was unlikely to generate any additional revenue from the project and the Board's revenue receipts were not sufficient to meet the revenue expenditure. Government's support was requested to pay charges to CWDL towards purchase of desalinated water from the plant. The Board required about ₹ 15 crore per month to pay water charges to the company as per BWPA. Based on the proposals (2010-11) submitted by the Board, Government sanctioned and released ₹ 120 crore during 2010-11 in three instalments to meet the cost of water.

Thus, despite Board's assurance at the time of formulation of the project to revise the water tariff and Government's acceptance (July 2009) to the recommendation of the Third State Finance Commission for revision of tariff, the Board had not revised the tariff. Due to non-revision of water tariff, the entire cost of procurement of water had to be borne by the Government resulting in additional annual financial burden of ₹ 180 crore[8] to the Government.

Government stated (October 2011) that the proposal for revision of tariff was under consideration and would be placed before the Board at the appropriate time and that the Board's dependence on Government for financial support might continue even after tariff revision depending on the financial position of the Board. When two adjacent municipalities[9] levy monthly water charges at flat rate of ₹ 65 for residential connections, the Board continues to levy ₹ 50 per month (flat rate) for residential connections in Chennai Corporation area since 1998.

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[8] ₹ 15 crore per month x 12 months

[9] Ambattur and Tambaram

2.2.9.2 Drawal of funds from PD Account

Government released (August 2010, December 2010 and February 2011) grants-in-aid of ₹ 120 crore to the Board for purchase of water from CWDL. The amount was drawn (September 2010, January 2011 and March 2011) from the Consolidated Fund of the State and credited to the Personal Deposit (PD) Account in the name of MD of the Board under '8443 Civil Deposits' head. Subsequently, the Board transferred the entire amount from the PD account to its current account in bank within ten days of credit to the PD account. Out of this, the Board invested ₹ 45 crore in short-term deposits in nationalised banks and earned interest of ₹ 42.69 lakh. Since the average monthly requirement of funds for the purchase of water during 2010-11 was about ₹ 11 crore only, drawal of the entire grant from the Government account by the Board and keeping it in banks was not justified. The amount could have been drawn monthly as Government had placed the amount in the Public Account.

Government stated (October 2011) that the funds were deposited in the PD account only in the last month of the quarter and withdrawn by the Board from the PD account mostly after incurring the expenditure. The reply is not correct as the funds were withdrawn from the PD account within 10 days of their credit to the said account. The Government grants of ₹ 120 crore (₹ 45 crore released in September 2010; ₹ 45 crore in January 2011 and ₹ 30 crore in March 2011) drawn from the public account and credited to the current account in banks were utilised for making payments up to the months of December 2010, April 2011 and June 2011 respectively and after paying the bills of the developer, the remaining amounts were invested in short-term deposits for periods ranging from 15 to 45 days. It was noticed that only an amount of ₹ 27.43 crore was initially borne out of the Board's fund and the same was got recouped subsequently from the Government grants.

2.2.9.3 Release of fund far in advance of requirement

As per the Trust and Retention Account agreement signed by Government, the Board and CWDL, the Board was to ensure that a 'debt service fund' of ₹ 30 crore was deposited in the bank account one month prior to the date of commissioning of the project (COD). Based on the proposal (October 2008) of the Board, Government, without ascertaining the extended COD, released (February 2009) ₹ 30 crore out of ₹ 50 crore provided in the budget for purchase of water, 16 months prior to the COD (25 July 2010). Even though Government ordered for drawal of ₹ 30 crore and keeping it in the PD account, the Board withdrew the amount from the PD Account and invested it in bank deposits and earned interest of ₹ 1 crore up to October 2009, defeating the Government's intention of retaining the funds within the Government account until it was drawn for depositing in the Trust and Retention Account. Consequently, Government money of ₹ 30 crore was kept outside the Government account for 16 months and the Board earned interest of ₹ 1 crore out of the investment.

Government stated (October 2011) that the COD could not be correctly ascertained and the date was extended due to various factors such as cyclone, economic slowdown, etc. The reply is not relevant to the audit observation that Government funds were drawn far in advance of requirement from the PD account and kept outside the Government account for 16 months.

2.2.10 Bulk Water Purchase Agreement

As per provisions of the BWPA, the Board was to purchase a minimum quantity of 95 mld of desalinated water out of the contracted 100 mld, provide uninterrupted power supply to the plant, pay to CWDL water capacity charges on annual basis for a period of 25 years, water variable charges comprising of energy charges, operation and maintenance charges and consumables linked to the wholesale price index and provide the land required for setting up of the plant. The desalinated water was to be supplied by CWDL at the plant site.

2.2.10.1 Purchase of water

As per BWPA, the Board has to purchase 95 *per cent* of the contracted quantity of desalinated water throughout the year for 25 years even during the periods of comfortable storage position in the surface water sources for supply to Chennai. The agreement did not provide for purchase of reduced quantity of desalinated water during such periods.

It was noticed in audit that on commissioning of the desalination plant, the quantity of water treated in the Redhills treatment plant by drawing water from the Redhills reservoir was reduced to the extent of desalinated water received at Redhills storage tank as the Board had to purchase the desalinated water from CWDL, irrespective of the actual requirement/ availability of water in the reservoirs. It is to be mentioned here that the cost of treated water from the Redhills treatment plant by drawing water from the reservoir worked out to ₹ 4.78 per kl as against ₹ 48.66 per kl paid to CWDL.

2.2.10.2 Locking up of funds

The Board computed (April 2003) the requirement of land for the desalination plant operations on RO process at 0.2 acre per mld and arrived at the total requirement of 60 acres for installing 200/300 mld capacity plant. The Board had identified and finalised (July 2003) a site belonging to Tamil Nadu Industrial Development Corporation (TIDCO) measuring 60 acres in Kattupalli, Minjur for locating the plant. However, the Board revised (May 2005) its requirement to 120 acres with the intention of installing additional plant of the same capacity in the place. It paid (November/December 2005) ₹ 2.59 crore for 120 acres of land and took possession (December 2005) of the land. Subsequently 60 acres of land was leased out to CWDL at a lease rent of ₹ 1,000 per month.

The plant with 100 mld capacity was set up in an area of 61.18 acres. Due to deviation during the course of construction by CWDL, 14.26 acres were left unutilised in the northern side of plant. TIDCO requested (February 2006) the Board to surrender 60 acres of land allotted additionally for giving to some other industrial project with an assurance of allotting equal area of land elsewhere, if required. The Board surrendered (December 2009) 44.56 acres of the land after retaining 61.18 acres and 14.26 acres are lying vacant. It was noticed (March 2011) that neither the value (₹ 0.96 crore) of the surrendered land was received back from TIDCO nor equal area of land was allotted by TIDCO.

As the land procured initially (60 acres) was sufficient to set up desalination plant of 200 mld capacity, the Board's request for additional allotment of 60 acres was unnecessary and this resulted in locking up of funds of ₹ 0.96 crore for more than five years. Further, the land leased out to CWDL was not yet registered in the name of the Board.

Government stated (October 2011) that the matters of registration of the land in favour of the Board and refund of value of the surrendered land by it were under pursuance with TIDCO.

2.2.10.3 Avoidable expenditure

It was specified in the bid conditions that power would be supplied by the Board to the plant at the HT Tariff II A[10] applicable to the municipal water supply scheme. The bidders quoted their rates for desalinated water taking into account the said tariff. CWDL obtained (March 2009) a high tension (HT) service connection from the Tamil Nadu Electricity Board (TNEB) and the supply was billed under HT Tariff III applicable to industries. The Board requested TNEB (May 2009) to classify the tariff under IIA. As the request was turned down (December 2009) by TNEB stating that it had no powers to subsidise the tariff for a commercial organisation, a review petition was filed (June 2010) with the Tamil Nadu Electricity Regulatory Commission (TNERC) to change the tariff. The TNERC stated that the Board had, on its own, assumed municipal tariff for the private developer without the consent of the TNERC. However, accepting the Board's representation (October 2010) that the plant was constructed for augmenting water supply to Chennai city, TNERC finally ordered (December 2010) for classification of HT tariff II A and the revised tariff was given effect from 21 December 2010. The Board paid to TNEB ₹ 6.95 crore in excess towards energy and demand charges at industrial tariff during the period from July to December 2010. Having committed in the bid stage (November 2004) itself that municipal tariff only would be charged and any extra payment would be on the Board's account, the Board should have taken up the matter with TNREC well in advance and obtained orders before commissioning of the project. The belated action on the part of Board resulted in avoidable payment of ₹ 6.95 crore to TNEB.

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[10] High Tension tariff IIA - Energy charges at ₹ 3.50 per kwh upto July 2010 and at ₹ 4.00 from August 2010 and Demand charges at ₹ 200 per KVA

Government stated (October 2011) that efforts were being made by the Board to get refund of the amount paid in excess to TNEB on account of the difference between the industrial tariff and municipal tariff.

2.2.11 Conclusion

The Board had not prepared feasibility and detailed project report for the project. It failed to consider other alternative economical options after analysing the cost benefit of the alternative modes of implementing the project before adopting the PPP mode. The Board has to procure the contracted quantity of desalinated water for 25 years irrespective of the storage position in the surface water sources. Due to non-revision of water tariff by the Board, Government had to bear the cost of procurement of water.

2.2.12 Recommendations

- The Board should take action to revise the water and sewerage charges so that its dependence on Government support for purchase of the desalinated water can be minimised.
- Future projects, if any, on seawater desalination should be determined after detailed study of the alternative modes giving flexibility to avail the desalinated water depending on actual requirement.

MUNICIPAL ADMINISTRATION AND WATER SUPPLY DEPARTMENT

TAMIL NADU WATER SUPPLY AND DRAINAGE BOARD

2.3 Computerisation in Tamil Nadu Water Supply and Drainage Board

Executive Summary

The Tamil Nadu Water Supply and Drainage Board (Board) resolved (March 2005) to introduce an integrated online computer system named "TWAD Integrated E-Governance System (TWADNEST)" encompassing all its administrative and functional activities. Funded wholly by the Government of India under the National Rural Drinking Water Programme, development of TWADNEST was entrusted to National Informatics Centre (NIC), Chennai. The Project TWADNEST remained incomplete even after six years with a cost overrun of ₹ 76.40 lakh on the software development. The computers and other equipment which were procured well in advance of implementation of TWADNEST are likely to become obsolete due to passage of time. The important points noticed by Audit are given below:

The capability of NIC, Chennai for developing the TWADNEST software was not evaluated and ensured before entrusting the project to them resulting in time and cost overrun.

As of May 2011, an amount of ₹ 92.50 lakh had been deposited with NIC, Chennai without getting the final product.

In contravention of the guidelines, computers and infrastructure valued at ₹ 3.22 crore were procured even before the TWADNEST was developed.

The Project Monitoring software representing the core activity of the Board was not developed by NIC. Data relating to few modules of TWADNEST under implementation, lacked integrity due to absence/failure of controls.

The Project Monitoring System, developed in-house, failed to provide reliable Management Information System due to incorrect/ incomplete data.

2.3.1 Introduction

The Tamil Nadu Water Supply and Drainage Board (Board) was formed in 1970 to provide drinking water and drainage facility to all parts of the State except Chennai city. The Head Office of the Board is located at Chennai and for administrative purposes the State is split into four Regions[11], each headed

[11] Coimbatore, Madurai, Thanjavur and Vellore.

by a Chief Engineer. There are 17 Circle Offices headed by Superintending Engineers and 93 Divisional Offices headed by Executive Engineers. In order to have better accountability, effective monitoring and transparency in delivery of services, Government of India (GOI) had allotted funds of ₹ 7.27 crore between 2004 and 2009 for implementation of a computerised integrated online application under the 'Rajiv Gandhi National Rural Drinking Water Mission' (NRDWP). The Board chose NIC, Chennai as the principal consultant for the computerisation project.

2.3.2 Scope of computerisation

Prior to 2005, the Board had developed many stand-alone in-house applications to handle its administrative activities. The integrated online system, encompassing all the administrative[12] and functional[13] activities of the Board, was taken up for development during March 2005. The proposed system, titled 'TWAD Integrated E-Governance System' (TWADNEST) was in the nature of an Enterprise Resource Planning (ERP) system and was a web based application with data stored in Oracle 10g. The system was to have four main sub-systems namely;

(a) Human Resources Management System (HRMS),

(b) Financial Accounting System (FAS),

(c) Project Monitoring System (PMS) and

(d) Water Quality Management System (WQMS).

NIC was entrusted (April 2005) with the task of developing and implementing the system in 10 months. A State Level Steering Committee (SLSC)[14] was formed (March 2003) for monitoring the computerisation project in the Board. The Board also had developed in-house, a set of ad-hoc web based systems with data in SQL server[15].

2.3.3 Scope and Audit objectives

The audit was undertaken to assess the extent to which the TWADNEST and the standalone modules provided Management Information System (MIS) towards achieving the objectives of implementation and monitoring of water supply schemes as well as transparency in delivery of services. The objectives of audit were to check whether

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12 Payroll, Service matters and Financial Accounting activity in the Board.

13 Water supply, maintenance, water quality maintenance and drainage activity of the Board.

14 SLSC was under the chairmanship of Secretary to Government of Tamil Nadu, Municipal Administration and Water Supply Department and had representatives from the Board, NIC, Chennai, Finance Department of the State Government on the State side and a member from Rajiv Gandhi National Rural Drinking Water Mission, Government of India.

15 SQL server is a relational database server meant for storage and retrieval of data.

(i) the Board had a well defined business continuity plan,

(ii) development of the integrated online computer system was properly planned and implementation was economical, efficient and effective and

(iii) the applications developed had adequate controls to ensure completeness, accuracy and reliability of the data.

2.3.4 Audit Criteria

The criteria relied upon in audit were:

(i) Guidelines issued by the Government of India from time to time,

(ii) Instructions issued by the Government of Tamil Nadu,

(iii) Policy notes of the Board and

(iv) The System Requirement Specifications of TWADNEST.

2.3.5 Audit methodology

Audit commenced with an entry conference (April 2011) with the Managing Director of the Board followed by scrutiny of files relating to computerisation at the Head Office. Data from the ad-hoc systems and the few modules of TWADNEST in use, stored in the Head office/NIC were downloaded and examined using CAATs[16], for adequacy and reliability. The provisions and controls available in the application software were ascertained through examination of the data entry screens and through exception reporting. To learn the procedure prevailing in the Divisional Offices, a questionnaire was circulated to all the 93 Divisions and Thiruvallur Divisional office was visited. The observations of audit were issued to Government (September 2011) and audit concluded with an exit conference (October 2011).

Audit findings

2.3.6 Planning and implementation

The critical nature of TWADNEST, its coverage and the infrastructure involved calls for proper planning at its development and implementation stages. Deficiencies noticed in this regard are brought out hereunder.

[16] Computer Assisted Audit Techniques.

2.3.6.1 Assessment of capability of the Software developer

The capability of NIC for development of TWADNEST was not evaluated before entrustment of the task.

The Board, in 2005, chose to integrate all its functions into one integrated online computer system *viz*., TWADNEST. Though not mandatory, NIC was entrusted (April 2005) with the development and implementation of TWADNEST without considering its capability in developing software of such a scale and magnitude. NIC carried out two systems studies (October/November 2004 and June 2005) with the support of technical personnel of the Board and undertook to complete TWADNEST in 10 months time at a cost of ₹ 16.10 lakh. Two years after taking up the project, NIC realised (August 2007) that their initial assessment was deficient and TWADNEST was too complex and voluminous to be completed within the agreed time and cost. NIC demanded an additional amount of ₹ 76.40 lakh for outsourcing the software development through its commercial arm National Informatics Centre Services Inc. (NICSI). The Board, being a party to this deficient planning was constrained to concede additional time and cost. However, even after six years, the project has not been completed and its cost has increased from ₹ 16.10 lakh to ₹ 92.50 lakh on software alone.

The Board in its reply (June 2011) stated that NIC being their principal consultant and an agency for development of software for Government departments, the task was entrusted to them. Government acknowledged (October 2011) that NIC could not assess the time and cost requirements due to their inexperience in developing projects of this scale.

2.3.6.2 Phasing of TWADNEST

The development of TWADNEST was planned (March 2005) to be carried out in two phases *viz*.

Phase I	Development/implementation in one Regional office, one Circle office and four Divisional offices as a pilot project and
Phase II	Rolling out the same for the rest of the State.

However, NIC realised after two years that the project was too complicated and suggested a new phasing out of the project. During the SLSC meeting held in August 2007, the Board in view of slow progress of TWADNEST suggested for outsourcing. NIC termed the work carried out on TWADNEST until then as Phase I and the remaining as Phase II and proposed to outsource Phase II at an additional cost of ₹ 76.40 lakh to which the Board readily agreed (January 2008). So far, the Board has spent ₹ 92.50 lakh on software.

2.3.6.3 Outsourcing of software development by NICSI

Development of TWADNEST was outsourced (March 2008) to M/s Sobha Renaissance Information Technology (SRIT) Ltd., Bangalore, by NICSI, for completion in six months time at a cost of ₹ 76.40 lakh (of which ₹ 5 lakh formed the service charges of NIC). However, on SRIT failing to complete the task as scheduled and demanding an additional ₹ 67 lakh for development of just one sub-system (PMS) against the entrusted three sub-systems (HRMS, FAS and PMS), the contract was terminated by NIC (November 2009). The

development of TWADNEST was taken back on itself by NIC, which now proposed to carry out the task using manpower hired through NICSI. The following were observed in audit.

Outsourcing of software development to SRIT had to be terminated, contributing to a delay of 18 months.

- The Board attributed (a) insufficient manpower and frequent changes in functional specialist, (b) wrong interpretation of business rules and (c) poor planning and non-preparation of realistic schedules, to the failure of SRIT in developing the software. These factors were realised by the Board only after 18 months of entrustment of the project which indicated lack of monitoring by the Board and NIC.

- As per the work order issued to SRIT, the excess cost of developing TWADNEST through any other agency was recoverable from them. But neither the Board nor NIC had ensured incorporation of this clause in any agreement with SRIT.

- NICSI appropriated an amount of ₹ 5 lakh (7 *per cent* of cost of work order issued to SRIT) towards its service charges for development of the software through SRIT, even though nothing was delivered to the Board.

The Board having failed to exercise sufficient control over the development of TWADNEST should recover the entire amount spent on the project from the parties concerned if the package is not developed within a reasonable time.

2.3.6.4 Current state of software development/implementation

TWADNEST remained at the preliminary stage even after the earmarked amount of ₹ 92.50 lakh was fully spent.

The Board had on many occasions expressed displeasure over the poor handling of TWADNEST by NIC/NICSI. NIC in turn attributed the delay to failure of the Board to bring out their total requirement at the time of entrustment of the work to them. The reason cited for outsourcing the project to SRIT was shortage of manpower in NIC. However, when SRIT failed in their endeavor, the work was again taken by NIC on its own against the same odds that prevailed earlier. As a result, the project was yet to be completed despite 11 extensions granted to NIC.

The subsystem-wise status of implementation of TWADNEST as assessed by Audit (May 2011) was as under:

Human Resources Management System: Out of the 28 modules, nine were implemented and the remaining were either under testing/implementation stage or yet to be taken up.

Financial Accounting System: Out of the 32 modules, nine were implemented and the rest were either under testing/implementation stage or yet to be taken up.

Project Monitoring System: This system had 14 modules but none of them had been implemented.

Water Quality Management System: This segment of the software, though developed and handed over to the Board by NIC, was not in use in the Board.

Further, critical phases like integration of modules, integrated testing and parallel run etc., were yet to commence. The flow of data across the modules would be possible only on implementation and integration of all the modules. Despite non-completion of the system (May 2011), the amount of ₹ 92.50 lakh allocated for development of software was stated to have been fully spent by NIC.

Government replied (October 2011) that TWADNEST will be implemented in all respects by March 2012. However, considering the number of times the project had undergone revisions, the prospect of NIC developing and implementing TWADNEST appears doubtful. When this was pointed out in the exit conference (October 2011), Government directed the Board to make a fresh assessment of the situation and arrive at a realistic target date.

2.3.6.5 Failure to follow the System Development Life Cycle

The full course of SDLC like development of URS, issue of completion certificates, etc. was not followed.

In development of TWADNEST, NIC did not follow the System Development Life Cycle[17] (SDLC) method. On completion of the system analysis, no User Requirement Specification (URS) was drawn up by NIC and got approved by the Board. NIC claimed that the fluid nature of requirement of the Board was one of the contributing factors to the delay in development of TWADNEST. With no URS in place, the developer was free to develop the software as understood. The Board did not issue completion certificates for those modules said to have been completed and delivered/implemented by NIC. Hence, the exact number of modules completed/implemented was not available on record.

The Board in their reply stated (July 2011) that they were not following the practice of giving acceptance reports for the completed modules. The reply of the Board is not acceptable, as in development of such a software in the nature of an ERP, failure to follow the SDLC was not in conformity with the established standards. Government advised (October 2011) the Board to prepare URS and have their requirement documented.

2.3.6.6 Avoidable procurement of MS SQL Server

The Board holds a valid licence for Oracle 10g DB 2 acquired at a cost of ₹ 24.72 lakh (July 2006) for development of TWADNEST and have trained its officials to use it. In addition, one 'MS SQL Server, Enterprise Edition 2008' was procured at a cost of ₹ 7.82 lakh in August 2010 for in-house software development. The purchase of one Relational Database Management System (RDBMS) when in possession of a set of valid processor based licenses for another was superfluous. The expenditure of ₹ 7.82 lakh incurred on procurement of the MS SQL Server software was avoidable.

The reply of the Board (July 2011) that MS SQL was required for their in-house development is not acceptable as development could have been carried out using the existing RDBMS irrespective of the operating system, with the

[17] (a) Project Planning and feasibility study, (b) Systems analysis and requirements definition, (c) Systems design, (d) Implementation, (e) Integration and testing, (f) Acceptance, installation and deployment and (g) Maintenance.

same knowledge-base and effort. Government opined (October 2011) that the purchase of MS SQL was avoidable.

2.3.7 Procurement of computers and provision of infrastructure

As per NPC[18] guidelines, acquisition of computers and infrastructure was to be carried out only after the related application software was ready. The Board had however, procured all the required computers, a dedicated network, a stand-by network and all other peripherals costing ₹ 6.35 crore, even when the development of application software was not complete, and these items could not be utilised for the intended purpose, as brought out hereunder.

- 484 computers procured, utilising TWADNEST funds, at a cost of ₹ 1.55 crore in 2005 had already served their lifetime.
- Four Itanium Servers procured (July 2006) at a total cost ₹ 25.76 lakh were replaced (December 2010) with three HP servers with Xeon processors at a cost of ₹ 9.75 lakh, claiming that the existing servers could not handle the workload under TWADNEST.
- 74 out of 93 Divisional Offices, were connected (July 2009) through the Tamil Nadu State Wide Area Network (TNSWAN) at an initial cost of ₹ 1.41 crore and recurring cost of ₹ 14.66 lakh per year and a stand-by BSNL broad band connection at ₹ 10.07 lakh per year. While the BSNL broadband connection was used for its day to day work, TNSWAN remained unutilised.
- For networking of five to seven computers within each of the 74 Divisional offices, Electronics Corporation of Tamil Nadu Ltd., had recommended, one unmanaged switch each costing ₹ 2,650 each. The Board, however, purchased manageable switches costing ₹ 28,750 each without citing any valid reason, and thereby incurred an additional expenditure of ₹ 18.79 lakh.

2.3.8 Business Continuity Planning

2.3.8.1 Non-renewal of the Memorandum of Understanding

The MoU with NIC for development of TWADNEST had lapsed and was not renewed

For consultancy services and software development, the Board entered into a Memorandum of Understanding (MoU) with NIC/NICSI for three years from April 2005. The MoU was not renewed after its expiry in March 2008. In the absence of a valid MoU/agreement, the Board did not have legal backing to enforce the conditions agreed upon by NIC.

The Board replied (July 2011) that NIC did not come forward to renew the MoU, stating that TWADNEST would be completed in a short period. Government accepted (October 2011) to renew the MoU with NIC.

[18] NPC – National Project Committee – Committee functioning under Ministry of Rural Development, GOI for monitoring performance of projects sanctioned to States.

2.3.8.2 Non-renewal of Product support for Oracle 10g server

The Board purchased (May 2006), two processor-based licenses for Oracle 10g server at ₹ 24.72 lakh which included ₹ 3.88 lakh towards product support for the first year. The support was however, not extended for successive years. A seamless working of Oracle 10g will be critical for the functioning of TWADNEST on its implementation. In such a situation, continued support of Oracle Corporation was an absolute requirement in terms of business continuity in the Board. Similar institutions, like Chennai Metropolitan Water Supply and Sewerage Board (under the same department) have opted to have product support of Oracle.

The Board replied (July 2011) that product support was not renewed after first year as it was not felt necessary. They, however, did not produce any record in support of their claim that this was a conscious decision. Government assured (October 2011) that the product support would be obtained.

2.3.9 Implementation of the modules of TWADNEST

2.3.9.1 Discrepancies in HRMS data

Data in the implemented modules of TWADNEST were error-prone due to lack of controls and validations

The Employee Profile system maintains a database of personnel and their postings in various offices. An examination of the related data for its completeness, correctness and adequacy disclosed the following:

(a) There were 34,151 records where the institution code remained blank and the offices where the employees were posted could not be identified, defeating the very purpose of the system.

(b) There were 830 instances where the same official was depicted as working in two different offices over a period of time.

(c) There were 339 instances where the posting of a person in a particular office was repeated twice.

(d) There were 28 instances where persons were relieved from the offices prior to the date of their joining the offices.

(e) There were 1,117 instances where a person had joined an office and got relieved from that office on the same day.

(f) There were 1,954 instances of transfers in respect of 355 offices (during 2009, 2010 and 2011) where entries were made to the system after a delay ranging between a month and three years in contravention of an online system.

These audit findings indicate lack of controls and validations in the modules. The Board in its reply (June 2011) stated that the errors would be corrected, necessary controls would be incorporated in the software and entries to the system would be made promptly.

2.3.9.2 Functioning of the TWADNEST GPF system

Though the General Provident Fund (GPF) system was claimed to be online by the Board, it was noticed that the Payroll system, from which GPF data had to flow to the GPF system, was yet to be developed. Data was either fed into the GPF system or transferred thereto from the legacy stand alone system using external procedures which could not be termed as online.

The Board in its reply (June 2011) stated that efforts would be made to speed up the capture of data into GPF. The reply did not however, address the integration issues raised in the audit observation. Government advised the Board (October 2011) to follow a proper sequencing in the development of modules as suggested by Audit.

2.3.9.3 Incomplete functioning of the financial accounting system

The Financial Accounting System could not generate the Final Accounts of the Board.

Computerisation of FAS remained incomplete as it has not been delivered in full shape by NIC. As figures for FAS have to flow from all other systems like HRMS and PMS all of which are incomplete, the eventual implementation of FAS does not appear to be possible within any predictable time frame.

Though feeding of Journal Entries for the generation of trial balance had commenced in 2006, adjustment entries at the close of the financial year were not fed to the computer system. Therefore, the system could not generate the Final Accounts of the Board. Thus, in the system data, the opening balance in respect of 323 heads for 2010-11 did not agree with the closing balance for 2009-10. Similarly, in respect of 142 heads, the opening balance for 2011-12 did not agree with the closing balance of 2010-11.

The Board in its reply (June 2011) stated that year-end adjustments would be made through the system from the accounts of 2011-12. They also agreed that only after all other systems were made online, a complete integration with FAS would be possible.

2.3.9.4 Failure to use the Water Quality Management System

The WQMS software developed under TWADNEST, for monitoring the quality of water supplied to habitations, was not being used by the Board as of July 2011. However, to meet the MIS requirement of Board, details were forwarded to the Head office by the field offices in MS Excel sheets on monthly basis which were manually consolidated for the State as a whole. Using general purpose software like MS Excel and ignoring the availability of tailor made WQMS defeated the very purpose of the integrated online system.

The Board in its reply (July 2011) stated that the field offices were reluctant to discontinue the habit of sending returns on MS Excel and did not take up the WQMS software. They also stated that WQMS would be used when TWADNEST becomes functional.

2.3.9.5 Non-implementation of the Project Monitoring System

No module of the Project Monitoring Software representing the core activity of the Board was developed.

Implementation and maintenance of water supply schemes was the core functional activity of the Board. It involved identification, investigation, preparation of estimates, tendering, funding, collection of beneficiary details, monitoring the physical and financial progress, time scheduling and settlement of contractor bills, etc. PMS was to take care of all such activities and was the mainstay of TWADNEST in achieving the objectives of the integrated system. In spite of the criticality of this sub-system, no module relating to it had been developed/implemented. The Board's claim that TWADNEST was partially functional, after implementing a few modules in FAS and HRMS which were of administrative nature, without implementing even a single module of PMS, was not convincing.

2.3.10 In-house developed programs

The indefinite delay in implementation of TWADNEST resulted in the Board managing its MIS requirement, especially in project monitoring, through a set of in-house developed programs. The adequacy and integrity of data in these programs were examined in audit and the following are the observations.

2.3.10.1 Deficiencies in the daily pumping report

The data relating to daily pumping report provided incorrect and deficient MIS.

The quantum of water pumped each day under all the 531 combined water supply schemes[19] (CWSS) maintained by the Board, was keyed in by respective maintenance divisions through an in-house developed web-based application. The performance of these schemes was monitored through outputs obtained from this application. An examination of this application disclosed that:

- The calculation of daily 'average quantity of water pumped during a week' was worked out incorrectly. To cite an example, water pumped during the week 17 April 2011 to 23 April 2011 aggregated to 6.96 million litres per day (MLD), but the daily average was given as 1.018 MLD against the correct average of 0.994 MLD.

- There was no control to ensure daily entry of data in the pumping report. Calculation of 'average quantity of water pumped during a month' was done taking into consideration only those days in the month for which data was available. No effort was made to differentiate between the dates for which 'no data entry was made' and dates for which 'no water was pumped'.

- There was a provision to generate reports for the days on which pumping was deficient for reasons like pump/pipe repairs, power failures, etc. However, in 587 instances reasons for the deficient pumping were not furnished in the database rendering the MIS

[19] Combined water supply schemes that supply water from multiple sources to a combination of habitations, villages, etc.

information incomplete. Recording of reasons should be made mandatory in cases where the shortfall exceeds a certain percentage.

- There were 986 instances where the recorded quantity of water pumped for a given day was more than twice the designed quantity, indicating that the data was allowed to be fed without any validation or input control. In 87 of the cases 'EB Power Failure' was given as the reason for excess pumping which is not logical.

The Board in their reply (June 2011) stated that the incompleteness would be rectified and errors would be investigated.

2.3.10.2 Incomplete database regarding supply of water to habitations

As per the policy note of the Government, out of the total number of 93,699 habitations (March 2011), 86,679 habitations were fully covered for water supply and the remaining 7,020 were partially covered. However, according to the data (April 2011), 2,715 habitations were yet to be provided with water. There were another 2,619 habitations, which according to the data were provided with water, but did not figure in the habitation master. This indicates that either the master list of habitations was incomplete or the fact of having supplied water to these habitations was not based on facts.

The Board (July 2011) replied that the data was used for internal monitoring purpose only. It is reiterated that the said monitoring purpose would not be served with incorrect/incomplete data.

2.3.10.3 MIS on the functioning of the schemes

The Board keeps track of functioning of all the 3,83,777 water supply schemes in the State for which purpose, surveys were conducted and the functional state of the scheme was stored in the Project Monitoring Database. However, due to lack of input and other controls, the database had deficiencies and errors, preventing the system from furnishing a dependable MIS, as brought out hereunder:

(a) The date of survey was not stored in the database for 3,26,543 schemes.

(b) Though 36,933 schemes were declared non-functional, the date from which they were non-functional was not stored.

(c) In 18,011 schemes, the date of survey was earlier to the date of implementation and their status was shown as 'Working', 'Not Working', etc.

(d) For 5,920 schemes the working status was given as 'Others' whereby the computer generated MIS report in respect of these schemes would not reflect their actual status of working.

(e) In respect of 1,084 schemes their 'working status' was either blank or contained meaningless characters/codes.

(f) The schemes were split into categories like 'Hand Pumps', 'Power Pumps', 'Open Well', 'Bore Well', etc., and for those that did not fit into any of these listed categories, their exact type would have to be specified. But, in the data for 33,802 schemes, their type was given as 'Others Specify'.

(g) The field storing the name of agency, which had financed the scheme remained blank in 1,411 records and contained junk in 2,893 records.

(h) The field storing the identity of the agency, which had executed the scheme, like TWAD Board, Local Body, etc. remained blank in 1,330 records and contained junk in 454 records.

The Board in their reply (June 2011) stated that data validations were not carried out due to manpower shortage, and would be done in future. They also stated that surveys were not carried out regularly due to shortage of funds.

2.3.10.4 Inconsistency in the data relating to water sources

An examination of the table providing information on water sources disclosed discrepancies as follows:

(a) Out of the available 3,36,571 water sources, 27,538 were declared as not in use. However, 1,667 schemes drawing water from these 'not in use' sources were stated as working satisfactorily in the Scheme information table indicating that referential integrity[20] across the tables in the database was not maintained.

(b) The data relating to the diameter of wells was blank in 7,784 instances, between 25 meters to 2,050 meters in 1,924 instances and between zero and eight centimeters in respect of 27,876 wells. Similarly the depth of the well was blank in 7,608 instances, more than 200 meters in 6,256 instances and less than three meters in 341 instances. A suitable range-based control at the data input stage could have helped in elimination of such incorrect data entering the system.

The Board in their reply (June 2011) stated that data validations were not carried out due to manpower shortage, and the same would be done in future.

2.3.10.5 Discrepancies in calculation of water charges

System data indicated overcharging and undercharging by the Board for the water supplied.

Water supplied to civic/private bodies under CWSS attracted charges based on quantum of water supplied, the collection of which was watched through a manual Demand Collection and Balance (DCB) register. A comparison of the 'daily pumping return' stored in the computer system and the quantum of water supplied as per the DCB disclosed the following:

In respect of all the 85 CWSS in five divisions[21] for the month of March 2011, it was observed that the quantum of water pumped did not agree with the quantum of water for which charges were claimed. Such disagreement resulted in instances where

[20] Referential integrity is a database concept which ensures that relationships between data tables remain consistent.

[21] Salem Maintenance Division, Sivaganga, Thiruchirappalli, Tiruppur and Thiruvallur Rural Water Supply Divisions.

(a) the quantum of water charged for was less than the quantum pumped, indicating that the consumers were undercharged by ₹ 5.98 lakh in 27 schemes and

(b) the quantum of water charged for was more than the quantum pumped, whereby users were overcharged by ₹ 32.55 lakh in respect of 58 schemes.

In the exit conference, Secretary to Municipal Administration and Water Supply Department stated (October 2011) that corrective measures in this regard were already underway.

2.3.11 Conclusion

Development of TWADNEST an ERP like project, was entrusted to NIC whose expertise for carrying out the task was not evaluated by the Board. The assessment of the time and cost required for the project was done by NIC without any basis. Despite 11 extensions of time conceded over a period of six years and an additional expenditure of ₹ 76.40 lakh, NIC was able to complete only a few modules. In such a situation, completion time of the project, which is yet to go through the complex process of integration and field testing, could not be assessed in audit. Even the few functioning modules of TWADNEST continued to depend on the manual systems. Further, data in the in-house application developed to serve as a standby for project monitoring lacked integrity. Though the NPC guidelines cautioned against procurement of hardware prior to the development of software, the full complement of machines was procured and networking and other infrastructure were provided well in advance. The procured machines had already exhausted their prescribed life.

Thus, even after spending the entire allocated amount of ₹ 7.27 crore and six years on the task, the desired benefits of complete computerisation in the form of TWADNEST, was yet to be achieved.

2.3.12 Recommendations

In view of the above, it is recommended that Government should take charge of the situation and ensure that

- a fair assessment of NIC's likelihood of completing and implementing TWADNEST is made and a revised schedule is drawn up and adhered to;
- the MoU with NIC be renewed without further delay;
- the sequence of development of modules should be so prioritised as to give importance to the functional activity and
- the software related deficiencies pointed out in this report are rectified.

The above points were referred to Government in September 2011; reply has not been received (January 2012).

CHAPTER III

AUDIT OF TRANSACTIONS

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

3.1 Excess payment/wasteful/infructuous expenditure

PUBLIC WORKS DEPARTMENT

3.1.1 Overpayment to a contractor for earthwork excavation

Failure of the Executive Engineer to substitute during the course of execution of work, the agreed item of earthwork excavation in the old bund by earthwork excavation without the component of watering and consolidation resulted in overpayment of ₹ 0.99 crore to a contractor.

With a view to providing permanent measures to restore the Willington reservoir in Thittakudi taluk of Cuddalore district to its full capacity, Government sanctioned (September 2008) rehabilitation and strengthening of earthen dam of the reservoir at a cost of ₹ 20 crore. In September 2008, the Chief Engineer (CE), Water Resources Organisation (WRO) of Public Works Department (PWD), Chennai region accorded technical sanction for the work for ₹ 20 crore. The sanctioned estimate provided for removal of the old bund made up of unsuitable soil for a length of 800 metre[1] and to form a parallel new bund with suitable soil. It was proposed to use the soil removed from the old bund for formation of a temporary ring bund or coffer dam at the upstream side to retain water in the reservoir, if required during the course of execution and to spread the excess soil on the rear side of the proposed bund or on the available PWD land.

The work was awarded (January 2009) to a contractor by the Tender Award Committee of PWD for ₹ 19.90 crore at 9.95 *per cent* tender premium and completed (September 2010) at a cost of ₹ 28.96 crore. The increase in the cost of work was mainly due to formation of the new bund for a length of 883 metres as against the estimated 800 metres and allowing additional lead (distance) for transportation of soil for formation of the new bund as well as for disposal of soil removed from the old bund. Government accorded (October 2010) revised administrative sanction for the work for ₹ 29.71 crore.

Scrutiny (May 2011) of records in the office of the Executive Engineer (EE), Special Projects Division, Cuddalore revealed that the estimated rate for the item 'earthwork excavation in the old bund' included the component of

[1] Longitudinal Section 1,700 metres to 2,500 metres of the bund

watering and consolidation by power roller at the rate of ₹ 10.10 per cubic metre (cu.m.), as formation of a ring bund or cofferdam, if required during the course of execution for storing water in the reservoir, would require watering and consolidation by power roller. Tenders were invited accordingly and the contractor's agreed rate was inclusive of the rate for watering and consolidation. The CE, during his inspection of the site on 9 October 2009, instructed the EE to identify additional areas for dumping the excavated soil from the old bund since sufficient area was not available on the rear side of proposed bund. The EE, accordingly, identified areas with a lead of 2 to 3 km and the contractor dumped 7.02 lakh cu.m. of excess soil in those areas at a cost of ₹ 5.40 crore. Total quantity of 9.69 lakh cu.m. of soil was removed from the old bund.

As per the agreement conditions in respect of substituted and extra items of work found necessary during the course of execution of work, mutually agreed rates were to be finalised and a supplementary proposal was to be approved by the competent authority before executing such items of work. It was noticed that the Superintending Engineer (SE), WRD, Vellar Basin Circle, Cuddalore approved (October 2010) a supplementary proposal of the EE for substitution of two items of work namely extra leads for conveyance of removed soil from the old bund and for conveyance of new soil for formation of the new bund and signed a supplementary agreement with the contractor. While doing so the original agreed item of "earthwork excavation in the old bund" which had the component of watering and consolidation, should have been modified in the new item of work by omitting the component of watering and consolidation. Failure of the EE and SE to make this change in the substituted items in the supplementary agreement resulted in over payment of ₹ 1.08 crore[2] to the contractor as he had to only dump the excavated soil and watering and consolidation operations were not involved in the substituted items of work.

The matter was referred to Government in July 2011; Government stated (August 2011) that out of the 9.69 lakh cu.m. of soil excavated from the old bund, 2.67 lakh cu.m. was used for cofferdam, banks of main canal berm, etc., and the remaining 7.02 lakh cu.m. was used to form a berm in the downstream abutting the newly formed bund, which would act as a supportive bund-cum-service road. It was further stated that this was a part of additional bund requiring watering and consolidation. However, perusal (September 2011) of the Measurement Books by Audit revealed that only 0.73 lakh cu.m. of removed soil was used for forming the cofferdam and no measurements were recorded for forming the berm-cum-service road. It was also noticed that payments to the contractor in respect of removal of soil was made for the quantity by comparing the pit measurement quantity with the quantity conveyed after deducting for the voids. Moreover, certificates to the effect that the removed soil was conveyed to the dumping yard were recorded in the Measurement Books by the field Engineers. Hence, the reply of Government that the soil removed from the old bund was utilised for formation of berm-

[2] 9,68,905 cu.m. x ₹10.10 (including tender premium of 9.95 *per cent*)

cum-service road requiring watering and consolidation is not acceptable and an expenditure of ₹ 0.99 crore[3] is to be construed as overpayment to the contractor.

RURAL DEVELOPMENT AND PANCHAYAT RAJ DEPARTMENT AND ENVIRONMENT AND FORESTS DEPARTMENT

3.1.2 Wasteful expenditure on raising of Jatropha seedlings

Department's failure to maintain the Jatropha plantations led to poor survival of Jatropha seedlings raised by incurring ₹ 8.35 crore.

Jatropha curcas (Jatropha) is one among the many species of plants, which yield oil for use as bio-diesel[4]. The oil is extracted from seeds of Jatropha and the plantation starts yield from the third year of planting. Government of India (GOI) sanctioned (March 2006) a grant of ₹ 10.50 crore to the State for raising 3.50 crore Jatropha seedlings. The funds were directly released to 26 District Rural Development Agencies (DRDAs) in the State for further release to the Forest Development Agencies (FDAs) for raising of Jatropha nurseries. As per the conditions governing sanction of the grant, DRDAs were responsible for overall monitoring of the nursery/plantation works carried out by the implementing agencies (FDAs). GOI's operational guidelines (March 2006) to the implementing agencies stated that the implementing agencies shall ensure full utilisation of the Jatropha seedlings raised and the plantation shall be taken up on a cluster basis.

Scrutiny of records of 10 DRDAs between November 2009 and December 2010 revealed that the DRDAs had released ₹ 9.20 crore during June 2006 to December 2006 to 30 FDAs of the Forest Department as detailed in the **Appendix 3.1**, for raising of 3.50 crore seedlings. The FDAs raised 2.80 crore seedlings at a cost of ₹ 8.35 crore and refunded (March 2007 to November 2009) the balance amount of ₹ 0.85 crore to the DRDAs. Out of the 2.80 crore seedlings raised by the FDAs, the DRDAs lifted 1.40 crore seedlings and distributed to the Panchayats for planting (2006-07) in community/ Panchayat land. The Forest Department planted (2006-07) 1.36 crore seedlings in the forest fringes and the remaining four lakh seedlings were disposed of by distribution to local bodies and selling to private parties. Information gathered by Audit on the number of seedlings planted and their survival status disclosed that the survival rate of the seedlings planted in the Panchayat land was in the range of nil[5] to 75 *per cent* in 10 districts. Instead of taking up the plantation work on a cluster basis and disregarding the instructions of the Principal Chief Conservator of Forests (July 2006) to follow GOI guidelines to facilitate economic collection of seeds, the seedlings were planted in forest fringes by the Forest Department and were grown under wild condition without tending and watering. The current status of survival was not on record except in

[3] 9,68,905 cu.m. – 72,977 cu.m (utilised for filling cofferdam) = 8,95,928 cu.m. x ₹ 10.10 = ₹ 90,48,873 + ₹ 9,00,363 (tender premium of 9.95 *per cent*) = ₹ 99,49,236

[4] Bio-diesel is a blend of diesel with Jatropha oil upto 20 *per cent*, and it is a substitute to petroleum diesel

[5] In Nagapattinam District

Madurai and Theni FDAs. The DRDAs as well as the Forest Department did not have any action plan for eventual maintenance of the plantation and seed collection for oil extraction.

Thus, Jatropha seedlings at a cost of ₹ 8.35 crore were planted without any proper followup measures to ensure their survival and maintenance and collection of seeds for oil production. Consequently, the main purpose of raising of Jatropha seedlings for production of bio-diesel was defeated.

In response to the Audit observation referred to Government in March 2011, the Environment and Forests Department admitted (April 2011) that the seedlings were planted in the forest fringes in order to ensure full utilisation of the seedlings as they were not lifted in full by the DRDAs. The Department further stated that expenditure incurred for raising of Jatropha seedlings cannot be construed as wasteful, but a fruitful investment for multiple benefits including field level awareness generation among the Joint Forest Management Committee members. The Rural Development and Panchayat Raj Department stated (June 2011) that the poor growth of Jatropha seedlings planted in panchayat land was due to failure of monsoon and water scarcity and that Jatropha plants planted along the forest fringes serve as forest boundary demarcation strips, fire retardant, live hedge, soil binder and repel cattle entry into the forest areas.

The reply of Environment and Forests Department is not acceptable as GOI released (March 2006) funds to raise Jatropha seedlings for eventual collection of seeds and production of bio-diesel and thereby to provide an economic source of income to the farmers. This has not been achieved and hence implementation of the scheme was a failure. The reply of Rural Development and Panchayat Raj Department is general and not acceptable as Jatropha can be grown in areas of low rainfall (200 mm per year) and in problematic soils and in any district of Tamil Nadu, the annual rainfall had never been below 200 mm during the years 2006-07, 2007-08 and 2008-09. Further, though the plantation might serve other stated functions, the main objective of collection of seeds for extraction of oil has not been achieved.

PUBLIC WORKS DEPARTMENT

3.1.3 Non-achievement of objective of the scheme of artificial recharge to ground water

Due to ineffective implementation of the scheme of artificial recharge to ground water through dug wells, the department could not ensure utilisation of the subsidy amount by the farmers for the intended purpose.

Government of India (GOI), Ministry of Water Resources (MOWR) launched (December 2007) the scheme of "Artificial Recharge to Ground Water through Dug wells" in seven States[6] including Tamil Nadu. The objective of the scheme was to recharge the existing irrigation dug wells using rain water run-

[6] Andhra Pradesh, Gujarat, Karnataka, Madhya Pradesh, Maharashtra, Rajasthan and Tamil Nadu

off from the agricultural fields to facilitate improvement in ground water and quality of water in the affected areas. The scheme was to be implemented with involvement of the farming community in a period of three years (2007-10). The average unit cost of construction of artificial recharge structure (ARS) was estimated as ₹ 4,000 and the scheme provided for 100 *per cent* subsidy to the small and marginal farmers and 50 *per cent* subsidy to the other farmers owning dug wells in their agricultural lands. The Ministry of Finance, GOI was to provide funds for the scheme through the National Bank for Agriculture and Rural Development (NABARD), which, in turn was to credit the subsidy in advance directly to the beneficiaries' savings bank accounts through the lead banks in the districts. The scheme also provided for release of institutional charges to the nodal department at eight *per cent* of the scheme cost for carrying out activities like conducting awareness programmes, training, field visits, monitoring, etc.

In Tamil Nadu, 12.5 lakh wells in 232 over-exploited, critical and semi-critical blocks in 27 districts were proposed (April 2008) for artificial recharge with the central assistance. A State Level Steering Committee (SLSC) headed by the Chief Secretary and District Level Implementation and Monitoring Committees (DLIMC) headed by the District Collectors were constituted (April 2008). The Chief Engineer (CE), State Ground and Surface Water Resources Data Centre (SGSWRDC) was the nodal officer for identification of the beneficiaries, overseeing implementation of the scheme, monitoring of the physical and financial progress of the scheme and conducting awareness programmes and training to the beneficiaries. The scheme guidelines (October 2008) stipulated that the nodal department (SGSWRDC) was to obtain an undertaking from the beneficiary for construction of ARS within three months from the date of credit of subsidy in their accounts and for proper maintenance of ARS. In case of default by the farmers, the nodal department was to recover the subsidy amount from them along with interest at nine *per cent* per annum.

Scrutiny of records (October 2009) of SGSWRDC revealed that the nodal department identified 4.19 lakh beneficiaries in the State for coverage under the scheme during 2008-10 and the SLSC approved and forwarded (August 2008 to October 2009) to NABARD the list containing 3.39 lakh beneficiaries for crediting the subsidy. Out of ₹ 109.45 crore released by NABARD in favour of 2.93 lakh beneficiaries during 2008-10, the lead banks in districts credited ₹ 106.15 crore to the 2.81 lakh beneficiaries' accounts and refunded ₹ 3.30 crore to NABARD as the names and account numbers of some beneficiaries furnished by the nodal department were found incorrect. The SLSC, in its fourth meeting (November 2008), instructed that the nodal department should ensure construction of ARS by the beneficiaries to a minimum extent of 50 *per cent* of the wells for which subsidy was sanctioned in the second and third SLSC meetings. During the fifth meeting (February 2009) the SLSC, despite poor progress in the construction of ARS, continued to approve and forward further lists of beneficiaries to NABARD for crediting subsidy and suggested to the nodal department to focus on information, education and communication activities to motivate the beneficiaries for constructing ARS. An amount of ₹ 75.25 crore was released (between

November 2008 and October 2009) by NABARD to the beneficiaries after the fourth SLSC meeting. Subsequently, as per the directions (October 2009) of SLSC and considering the poor progress in construction of ARS, the nodal department stopped processing of fresh applications. The nodal department reported (October 2011) construction of ARS by 21,214 beneficiaries only (seven *per cent*) as against 2.93 lakh beneficiaries to whom subsidy was disbursed by NABARD. Letters and reminders to the defaulters and notices in press were issued by the nodal department requesting them to construct the structures.

Further, in order to conduct awareness programmes, the nodal department was sanctioned an amount of ₹ 2 crore initially towards institutional charges and further release of funds for the purpose was made on the basis of the number of approved beneficiaries at the rate of ₹ 320 per beneficiary. It was noticed that out of the institutional charges of ₹ 5.75 crore received from NABARD, the nodal department had spent ₹ 2.74 crore (48 *per cent*) till March 2010 on activities like conducting awareness programmes, training, field visits and monitoring.

Audit observed that failure of the nodal department to oversee implementation of the scheme effectively, monitor whether the physical progress was commensurate with the financial progress of the scheme and to stop forwarding of lists of beneficiaries for further sanction of subsidy to the extent of ₹ 75.25 crore, despite the directions of SLSC in November 2008, resulted largely in non-achievement of the objectives of the scheme. The department could confirm (October 2011) construction of ARS in respect of 0.21 lakh wells only out of the 2.93 lakh wells for which subsidy was released. As per the progress reports received from the respective districts by the nodal department, the remaining ARS were not constructed. Hence, utilisation of the subsidy released to the extent of ₹ 97.66 crore[7] for the purpose cannot be proved. The nodal department also failed to recover the subsidy amount with interest from the beneficiaries who had not constructed the recharge structures within the stipulated time of three months.

When this was pointed out in audit, the CE stated (June 2010) that during the review meeting held in August 2009, the Secretary, MOWR instructed the State nodal department to initiate recovery process only as a last resort. It was further stated that when the reluctance of farmers to construct ARS was brought to the notice of the SLSC, the latter stated (March 2010) that besides motivating the beneficiaries to construct ARS, the beneficiaries be issued reminder letters requesting them to utilise the subsidy for construction of ARS before June 2010. The CE further stated that the poor response from farmers for construction of ARS was informed to MOWR on various occasions and MOWR insisted the State to disburse the subsidy to the beneficiaries and to get the structures constructed by resorting to motivation and awareness creation among the farmers about the benefits of the scheme.

[7] ₹ 106.15 crore – ₹ 8.49 crore (₹ 4,000 x 21,214 ARS)

The reply is not acceptable because despite poor progress in construction of ARS by those who had received the subsidy, further subsidy to fresh cases was continued to be released and no recovery process was initiated against the defaulters by the nodal department.

The matter was referred to Government in May 2011; reply has not been received (January 2012).

ANIMAL HUSBANDRY, DAIRYING AND FISHERIES DEPARTMENT

3.1.4 Unfruitful expenditure

Lack of proper instruction by the Government to the department regarding the methodology for release of subsidy resulted in unfruitful expenditure of ₹ 2.07 crore.

Government sanctioned (January 2005) a special assistance package for the Tsunami affected fishermen who had lost their means of livelihood. The package included replacement of fully damaged/lost mechanised boats. Government was to pay 35 *per cent* of the total cost of replacement of mechanised boats restricted to ₹ 5 lakh per boat as subsidy, and the balance was to be met by the fishermen through bank loan. However, Government waived (March 2010) the entire loans taken by the Tsunami affected fishermen and sanctioned ₹ 63.70 crore for settlement of the bank dues.

Scrutiny of the loan waiver records of the Assistant Director of Fisheries (ADF), Nagapattinam, revealed (May 2011) that 46 fishermen to whom total subsidy of ₹ 2.07 crore was disbursed, neither availed any bank loan nor created the assets as discussed below.

As per the Government guidelines, the subsidy was to be released by the Joint Director of Fisheries to the beneficiary and was to be placed in a joint account opened for the purpose by the beneficiary and the ADF concerned. All payments from the joint accounts were to be made by way of crossed cheque drawn in the name of manufacturer of boats, after verification of the work done/supplies made by a team of officials nominated by the District Collector and the Director of Fisheries. All cheques to the manufacturer were to be signed jointly by the beneficiary and the ADF concerned.

Records of ADF, Nagapattinam disclosed that the ADF had issued crossed Account Payee cheques for subsidy directly to the beneficiaries with instruction to open joint accounts and to deposit the cheques in the joint accounts. In a meeting of bankers held on 24 March 2005, the bank branches were provided with specimen signature of the ADF and were directed to use the same for opening of the joint account in the name of individual beneficiary and the ADF. However, the beneficiaries without opening the joint accounts, deposited the cheques in their own personal bank accounts and withdrew the amount from their accounts. The beneficiaries had neither availed any loan from banks nor created the assets. Consequently, the entire subsidy of ₹ 2.07 crore sanctioned to 46 fishermen was not utilised for the intended

purpose. Had the Government directed the department instead of the beneficiaries to deposit the cheques for subsidy in the joint accounts opened in the name of the beneficiaries and ADF, depositing of the cheques for subsidy by the beneficiaries in their bank accounts and withdrawing of the same could have been avoided. Further, the ADF, Nagapattinam failed to ensure opening of the joint accounts by the beneficiaries before releasing the cheques for subsidy to the beneficiaries. Thus, failure of the Government to issue proper direction to the department for the release of subsidy and the ADF's action of releasing the cheques directly to the beneficiaries without ensuring opening of the joint accounts resulted in unfruitful expenditure of ₹ 2.07 crore.

The Government *inter alia* replied (July 2011 and September 2011) that the ADF, Nagapattinam issued the cheques to the beneficiaries in good faith, but without opening joint accounts, amounts were released to the beneficiaries by some bankers. It was further stated that a criminal case against the bankers was pending at the District Munisif Court, Nagapattinam. The reply is not acceptable as this situation could have been avoided, had the Government issued proper direction to the department regarding the methodology for release of the subsidy and the ADF, Nagapattinam released the cheques after ensuring opening of the joint accounts.

HOME, PROHIBITION AND EXCISE DEPARTMENT

3.1.5 Unfruitful loan assistance

Failure of the Department to review the scheme of rehabilitation of prohibition offenders and continued release of funds for the purpose resulted in unfruitful expenditure of ₹ 64.60 lakh.

Government constituted (December 2002) a District Rehabilitation Fund (DRF) for prohibition offenders in each district in order to make the districts completely free from consumption of illicit liquor by de-activating the bootlegging activities of prohibition offenders through financial and moral support. The fund was made up of 25 *per cent* of the amount collected by way of fines and compounding fees in prohibition cases, restricted to ₹ 2.50 crore per annum, throughout the State. Every year, Government gave financial support to the prohibition offenders from the DRF. Financial assistance was provided in the form of loans with a maximum interest of four *per cent* to the prohibition offenders for purchase of milch animals, goats, sheeps and for setting-up of tea shops, cycle shops and petty shops. The beneficiaries were required to repay the loan amount in 50 or 60 monthly equal instalments. During 2003-10, ₹ 17.36 crore was sanctioned as loan from the DRF to 13,366 prohibition offenders in the State.

Scrutiny of records in the office of Commissioner of Prohibition and Excise and details gathered from the Joint Commissioners of districts revealed (January 2011) that only a sum of ₹ 1.16 crore was recovered from the prohibition offenders during 2003-10 as against the loan of ₹ 17.36 crore sanctioned to them. In 2007, the Assistant Commissioners of all districts in their assessment report on this financial assistance had stated that the objective of the scheme was not achieved as (i) almost all the beneficiaries did not retain the assets created, (ii) almost all the beneficiaries sold their assets and had

gone for some other work and (iii) some of the rehabilitated prohibition offenders even resorted to their old profession of illicit distillation and sales. The Assistant Commissioners of four districts[8] had sought revamping of the scheme.

The Commissioner while reviewing the performance of the scheme had observed (May 2008) that the financial assistance should be given for useful purpose and sanction of loan for purchase of milch animals/goats etc., should be avoided. However, Audit noticed that funds were continued to be allotted to the districts without any review of the scheme and instructions were issued (March, September and October 2008) to utilise the allotted funds fully. Information gathered by Audit in 25 districts revealed that ₹ 5.14 crore was sanctioned as loan to 3,897 erstwhile prohibition offenders for purchase of milch animals during 2007-10 as detailed in **Appendix 3.2**. Test check of records in the office of Assistant Commissioners of four[9] out of the 25 districts revealed that 457 prohibition offenders who were sanctioned funds (₹ 64.60 lakh) for the purchase of milch animals during 2007-10, did not maintain the assets as of March 2011. The Assistant Commissioners of the districts had not furnished the details of assets created by the prohibition offenders as called for (December 2009) by the Commissioner.

Thus, the failure of the department to review the scheme despite adverse feedback from the field offices and continued release of funds resulted in non-ensuring of rehabilitation of the prohibition offenders. Consequently, an expenditure of ₹ 64.60 lakh incurred in four test-checked districts alone during 2007-10 towards the loan assistance to the prohibition offenders for the purchase of milch animals became unfruitful. In the light of above it is doubtful whether the benefits expected out of the expenditure of ₹ 5.14 crore (including ₹ 64.60 lakh) incurred during 2007-10 were realised or not.

The matter was referred to Government in June 2011; reply has not been received (January 2012).

3.2 Avoidable expenditure/Extra expenditure

HIGHWAYS AND MINOR PORTS DEPARTMENT

3.2.1 Avoidable extra expenditure due to non-finalisation of tender within the validity period

Failure to finalise the tender within the validity period and withdrawal of tender proposal from the Commissionerate of Tenders by the Chief Engineer, Highways, Projects without ascertaining the facts resulted in avoidable extra expenditure of ₹ 2.47 crore.

The Government sanctioned (October 2000) construction of a road over bridge (ROB) in lieu of an existing railway level crossing No.34 at Km 34 between Perungalathur and Vandalur railway stations at an estimated cost of

[8] Salem, Thanjavur, Thiruchirapalli and Vellore.
[9] Coimbatore, Erode, Madurai and Vellore.

₹ 13.78 crore. The Chief Engineer, Highways, Projects, Chennai (CE) accorded technical sanction (November 2005) for the estimate of the work for ₹ 15.16 crore.

Tenders invited for the work in November and December 2005 elicited no response. In the third tender call made in January 2006, a single bid was received. The bidder initially quoted ₹ 14.96 crore and subsequently reduced the amount to ₹ 14.68 crore after negotiation (March 2006), which was 10.30 *per cent* above the value of work put to tender (₹ 13.31 crore). The Superintending Engineer, Projects Circle, Chennai (SE), while recommending the bid to the CE in April 2006 stated that further call of tender would not fructify as single bid was received in the third call despite wide publicity. The bid validity was extended till 22 July 2006 and the bidder also agreed to further reduce the tender amount to ₹ 14.62 crore.

The CE forwarded the bid for ₹ 14.62 crore to the Commissionerate of Tenders (COT) on 8 June 2006 for its consideration and approval. The tender was, however, withdrawn from the COT by the CE stating that the Tamil Nadu Road Infrastructure Development Corporation Limited (TNRIDC) had planned to construct a bridge in the same alignment. The CE cancelled the tender on 21 July 2006 stating that he had been directed to cancel it during the review meeting held on that date. However, after a joint inspection on 27 July 2006 of the ROB site with the CE (TNRIDC), the CE decided to go ahead with construction of the ROB in the proposed alignment and instructed the SE to resubmit the tender for onward transmission to the COT, by which time the bid validity had expired.

In the tenders invited for the fourth time in August 2006 two bids were received. The lowest tender of the bidder, who was the single bidder during the third call, was recommended to the COT by the CE and the same was approved (January 2007) by the COT for ₹ 17.09 crore at 28.50 *per cent* above the estimated cost.

Scrutiny of records (March 2009) by Audit revealed the following:

(i) The Government prescribed a time limit of 15 days for the Superintending Engineer and seven days for the Chief Engineer to scrutinise and submit the tender proposals to the higher authorities. It was, however, noticed that in respect of the single tender received for the work in the third call, the SE and CE had taken 61 days and 45 days respectively for scrutiny and submission of the tender. Therefore, the bid could not be finalised even within the extended validity period which was to expire on 22 July 2006.

(ii) The tender proposal was hastily withdrawn from the COT and cancelled by the CE on the ground that TNRIDC had proposal to construct a bridge in the same alignment. The CE withdrew the tender without ascertaining the facts from TNRIDC, which had actually no proposal to construct a bridge in the said alignment. Only after cancelling the bid, the CE made a joint inspection with TNRIDC on 27 July 2006 and found that

TNRIDC proposed only to widen the Vandalur - Walajabad road. By that time, the validity of the bid had expired.

Thus, the undue delay on the part of the SE and CE in finalising the tender received in the third call despite the fact that there was no response for the first two calls and hasty withdrawal of the tender proposal from the COT without ascertaining the correct facts from TNRIDC had resulted in retendering of the work. Consequently, the work was awarded at a higher price to the same contractor in the fourth tender call resulting in extra expenditure of ₹ 2.47 crore.

The Government replied (November 2011) that the tender in the third call was cancelled only to avoid duplication of the same work by Highways and TNRIDC and that Highways Department was not in a position to ascertain the decision of TNRIDC as to whether the construction of bridge was to be taken up by TNRIDC. The reply is not acceptable in view of the fact that there was no documented basis for the contention of the department.

Thus, the lack of co-ordination between the two agencies, *viz*., CE, Highways and TNRIDC functioning under the same Highways Department led to the unwarranted cancellation of tender and consequent avoidable extra expenditure of ₹ 2.47 crore to Government.

MUNICIPAL ADMINISTRATION AND WATER SUPPLY DEPARTMENT

TAMIL NADU WATER SUPPLY AND DRAINAGE BOARD

3.2.2 Avoidable extra expenditure due to defective bid evaluation

Consideration of the conditional bids for evaluation purpose by the Chief Engineer, TWAD Board, Southern Region resulted in rejection of tenders and subsequent award of works at an avoidable extra expenditure of ₹ 9.51 crore.

Government accorded (December 2006) administrative approval for ₹ 616 crore for implementation of the Ramanathapuram combined water supply scheme. The scheme envisaged provision of drinking water to five municipalities, 11 town panchayats and 3,163 rural habitations in Ramanathapuram, Sivaganga and Pudukottai Districts. The Chief Engineer (CE), Tamil Nadu Water Supply and Drainage (TWAD) Board, Southern Region accorded technical sanction (December 2006) for the estimate relating to headworks of the scheme for ₹ 38.50 crore. The remaining components of the schemes were split into seven packages and sanctioned for a total cost of ₹ 596.50 crore. As the proposed water supply scheme had no water treatment plant, the central excise duty exemption for machinery and pipes as per Central Excise Notification No. 6 of 2006 was not available for the scheme. All the works except Package IV were completed between February 2009 and March 2010 at a cost of ₹ 428.88 crore.

Scrutiny (January 2011) of records relating to the packages IV and V[10] revealed that the estimates were prepared (February 2007) including the central excise duty component. In response to the bid invitation, four bidders had participated in each of the tenders for the Packages IV and V. The technical bids were opened on 26 and 27 March 2007 and all the eight bidders were prequalified. The price bids were opened on 9 April 2007 and the lowest bids of a firm for both the packages (Package IV: ₹ 44.09 crore and Package V: ₹ 34.12 crore) were recommended to the Board by the CE for consideration. As the lowest bidder stated in the forwarding letter to bids that the quoted rates were excluding the excise duty, the Board requested (17 May 2007) the firm to withdraw the condition regarding the excise duty. The firm refused to withdraw the excise duty condition and hence the Board rejected (June 2007) the tender.

Tenders for the two Packages were called for again in June 2007 and the works were awarded to two contractors for ₹ 47.78 crore and ₹ 41.64 crore for the Packages IV and V in September 2007 and August 2007 respectively. Audit scrutiny of the tender documents revealed the following:

Despite the clarification given by the CE, TWAD Board, Madurai in the pre-bid meeting for the bids dated March 2007 for quoting the rates including excise duty, the lowest bidder in the first call had stated in his forwarding letter to the bids that the tender percentage quoted by him was excluding the excise duty. As per the instructions (April 1996) of TWAD Board, if a bidder did not agree to the departmental conditions, such tender was to be considered as conditional tender and the same should not be considered for processing. The CE, who was aware of the contents of the forwarding letter of the bidder at the time of opening of bids, should have treated the bids as conditional one and considered the other bids only for processing. While, the CE failed to request the firm to withdraw the condition after opening of the financial bids (9 April 2007), the Board addressed (17 May 2007) the firm to do so after evaluation of the bids. Had the CE set aside the conditional bids for tender processing, the second lowest tenderer (Package IV: ₹ 44.88 crore and Package V: ₹ 35.03 crore) would have been the L1. The failure of the CE to do so resulted in rejection of the tenders by the TWAD Board and subsequent award of works in retender at an avoidable extra expenditure of ₹ 9.51 crore.

When the matter was referred (June 2011) to Government, it stated (September 2011) that the bidder was informed in the pre-bid meeting that the scheme had no treatment plant and hence the excise duty exemption was not available. It was further stated that the statement of the firm in its forwarding letter to the bids could not be taken into credence and as a conclusive proof of the fact that the rates quoted in the price bids were excluding the excise duty and hence the bids were not considered by the CE as conditional ones. The reply is not acceptable as the CE had not complied with the Board's

[10] Package IV:- All components in between the branch main to Devakottai, RS Mangalam and Thiruvadanai including maintenance for a period of 12 months (LS 0 – 59,700)
Package V:- All components in between the Sump at Kalayarkoil to RS Mangalam cross including maintenance for a period of 12 months (LS 1,55,530 – 1,87,595)

instructions on bid evaluation, but the Board, taking cognizance of the same forwarding letter, had requested the bidder to withdraw the condition stated in the letter, which he refused to accept. Therefore, the bids should have been considered by the CE as conditional one and proceeded with accordingly.

HIGHWAYS AND MINOR PORTS DEPARTMENT

3.2.3 Avoidable expenditure on strengthening of National Highway stretches under the State road project

Failure of the Highways Department to delete three stretches of National Highway 234 from the scope of State road project in time resulted in avoidable expenditure of ₹ 1.98 crore.

Based on a proposal (June 2009) of the Chief Engineer (CE), Highways Department, Government sanctioned (September 2009) ₹ 1,137 crore for widening and strengthening works including reconstruction of bridges in the State highways, major district roads and other district roads during 2009-10 under the State funded 'Comprehensive Road Infrastructure Development Programme' (CRIDP). Strengthening three stretches[11] of Thiruvannamalai – Villupuram road at a cost of ₹ 2 crore was one among the roads approved under the project. The technical sanction of the work was accorded (September 2009) by the Superintending Engineer (Highways), Villupuram and the work was awarded (December 2009) to a contractor and completed (March 2010) on incurring an expenditure of ₹ 1.98 crore.

Scrutiny (March 2011) of the records connected with the work revealed that Thiruvannamalai - Villupuram road was included in CRIDP proposal (June 2009) for the year 2009-10 under the category of State highways. It was noticed in audit that Government of India, Ministry of Shipping, Road Transport and Highways notified the highway starting from Mangalore in Karnataka to Villupuram in Tamil Nadu as National Highway (NH) 234 in February 2009 itself. As per Sections 2 (2) and 5 of the National Highways Act - 1956, on publication of notification declaring a highway as National Highway, it is the responsibility of the Union Government to develop and maintain it. Despite the GOI notification declaring the road as NH as early as in February 2009, the road was retained by the CE in the CRIDP proposal and the stated work was taken up for execution in December 2009 and completed under the State project.

Thus, failure of the department to delete the NH stretches from the scope of State road project in time resulted in avoidable expenditure of ₹ 1.98 crore from the State Plan funds. It is pertinent to mention here that the State Government borrowed ₹ 15,557 crore (public debt) during 2009-10 to meet the capital expenditure, debt servicing and deficit financing and that the average rate of interest on Government borrowings during 2009-10 was 7.3 *per cent*. Had the Department handed over the road stretches to NH

[11] K.m. 7/0 – 9/2, K.m. 14/0 -15.8 and K.m. 24/0 – 25.8

in time, the expenditure out of the borrowed funds with an annual interest liability of ₹ 14 lakh[12] could have been avoided.

The matter was referred to Government in May 2011; Government stated (July 2011) that consequent on the notification (February 2009) of GOI declaring the road as NH 234, Government of Tamil Nadu issued "No objection Certificate" in March 2010. Necessary instructions to hand over the road, to remove the said road from the State Roads list and not to take up any work in the declared road were issued in June 2010. The contention of the Government is not acceptable since the instructions of Government were issued after a delay of 16 months from the date of notification by GOI, which was attributable to the delay of 11 months in forwarding (January 2010) the proposal by the CE to Government. Thus, the avoidable delay cost the State Government.

3.2.4 Extra expenditure due to delay in finalisation of tenders

Extra expenditure of ₹ 12.44 crore was incurred on road maintenance works due to delay in evaluation and approval of the bids.

Government sanctioned (September 2005) ₹ 109.47 crore for maintenance of roads of 274.18 km length under the World Bank-aided Tamil Nadu Road Sector Project (TNRSP) and directed the Project Director (PD), TNRSP to take up execution of 11 contract packages adopting the national competitive bidding (NCB) process. The policy framework for TNRSP approved (October 2002) by Government, which was in conformity with the World Bank guidelines and procedures, stipulated completion of the tender process for NCB contracts within 90 days[13] from the date of receipt of bids.

Audit observed that the bids received during the period between 13 October and 17 November 2005 for 11 packages (MC[14] 18 to MC 28), which were valid upto 15 February 2006, were opened on 17 November 2005. The Bid Evaluation Committee recommended the successful bidders for the packages to the Steering Committee of TNRSP on 31 January 2006. The Steering Committee decided (2 February 2006) to award the contracts to the successful bidders. The Empowered Committee of TNRSP while confirming the Steering Committee's decision, directed (2 February 2006) the PD to award the works after obtaining 'no objection' from the World Bank. In the meantime, the validity period of the bids in respect of 10 packages was got extended upto 17 March 2006 and the remaining one successful bidder for MC 25 refused to extend the validity period. The World Bank gave 'no objection' to the award of works on 23 February 2006 and letters of acceptance of bids were issued to the successful bidders on 1 March 2006 after obtaining orders of Government. However, on the same day, the Election Commission's model

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12 7.3 *per cent* of ₹ 1.98 crore for one year

13 Evaluation of the bids (25 days); approval of bids by the Steering Committee (15 days); getting clearance of the World Bank for the bid evaluation report (15 days); getting orders from Government for entrustment of works (15 days); award of works to successful bidders and signing of agreements (20 days)

14 Maintenance contract

code of conduct came into force prohibiting signing of agreements. In view of this, the agreements could not be concluded and letters were issued only on 31 May 2006 i.e. after expiry of the model code of conduct and the extended validity period, to the successful bidders for signing the agreements. The successful bidders of seven packages refused to sign the agreements and hence, the tenders for those packages were cancelled (July 2006) and the works were awarded in the subsequent tender calls (December 2006 and July 2007). In respect of three packages (MC 20, MC 26 and MC 27), the bidders agreed to sign the agreements. As per the conditions of contract, the contract prices for those three packages were increased by 1.42 *per cent* as the bidders were eligible for price increase by five *per cent* per annum for the period of extended bid validity.

It was noticed in audit that the Project Implementation Unit (PIU) took 78 days for evaluation of the bids and getting approval from the Steering Committee (17 November 2005 to 02 February 2006) as against 40 days stipulated in the policy framework of TNRSP. Due to this delay, the works could not be awarded to the successful bidders within the bid validity periods and they were awarded to bidders in the subsequent tender calls at higher rates resulting in extra expenditure. The extra expenditure incurred in four packages (MC 18, MC 19, MC 21 and MC 25) due to award of contracts in the subsequent tender calls at higher rates and in three packages (MC 20, MC 26 and MC 27) due to price increase allowed for the extended period of validity worked out to ₹ 12.44 crore, which was avoidable.

When this was pointed out, Government stated (June 2011) that the 38 days delay was mainly due to high volume of bids and due to following of the World Bank's evaluation procedure and that there was no wilful delay on the part of PIU. The reply is not acceptable in view of the fact that PIU was well aware of the World Bank's procedures and that as per the time schedule prepared by the PD himself for finalisation of the bids, agreements were to be signed by 15 February 2006. Thus, the delay in evaluation of the bids was avoidable and the evaluation should have been completed within the prescribed time schedule.

PUBLIC WORKS DEPARTMENT

3.2.5 Extra expenditure due to injudicious rejection of the tender

Failure of the Chief Engineer, Madurai Region to recommend to the Tender Award Committee the lowest tender obtained in the second call resulted in subsequent award of work at an extra expenditure of ₹ 1.33 crore.

Government accorded (June 1999) administrative sanction for formation of a reservoir across Mambazhathuraiar in Kanyakumari district at a cost of ₹ 9.50 crore. The sanction was revised (June 2005) to ₹ 14.80 crore based on the modifications suggested by the Chief Engineer (CE), Water Resources Organisation, Public Works Department (WRO, PWD), Madurai Region for increasing the capacity of the reservoir.

The Superintending Engineer (SE), WRO, PWD, Projects Circle, Tirunelveli invited (July 2005) tenders for the work and submitted the tender to the CE. The CE rejected the lowest tender for ₹ 11.55 crore on the ground of high tender premium of 10.24 *per cent*. Tenders were invited again in November 2005. The lowest negotiated tender for ₹ 11.54 crore, which was 9.42 *per cent* above the departmental value of work arrived at adopting 2005-06 Schedule of Rates (SRs), was also rejected (May 2006) by the CE for the same reason. There was no response for the third tender call made in July 2006. The CE recommended to the Tender Award Committee (TAC), the lowest tender in the fourth call (November 2006) for ₹ 12.88 crore, which was 9.20 *per cent* above the departmental value of work arrived at adopting 2006-07 SRs. The TAC approved the tender in April 2007. Government accorded (October 2009) revised administrative sanction for ₹ 20.98 crore by including provisions for tender premium, cost of acquisition of land, cost of formation of surplus course, formation of children's park etc. The work was completed (April 2011) at a cost of ₹ 18.39 crore.

Scrutiny of records revealed (January 2011) that the lowest tender in the first call was rejected by the CE on the grounds of high tender premium and in view of the fact that the tender, if accepted, would necessitate revision of the administrative sanction for the second time. The lowest tender in the second call was also rejected by the CE citing high tender premium. As the response to the first and second calls was poor and the tender premium quoted in the two calls was almost the same, the CE, at the time of processing the tenders in the second call (May 2006), could have recommended the lowest tender to the TAC for approval. Due to adoption of the SRs for 2006-07, the value of work increased by ₹ 1.23 crore and the lowest tender accepted by the TAC in the fourth call was at 9.20 *per cent* over the increased value of work. Thus, injudicious rejection of the lowest tender in the second call by the CE resulted in extra expenditure of ₹ 1.33 crore as the work had to be awarded at a higher price in the fourth call. Consequent delay in finalising the tender also led to increase in the estimated cost.

When this was pointed out (April 2011), the CE replied (May 2011) that the trend of premium in respect of tenders accepted in the region during 2004-07 was below five *per cent* and that the high-pitched tenders were cancelled expecting tenders with premium not exceeding five *per cent* in the subsequent tender calls. The reply is not acceptable as the normal increase in value of work due to next SRs was not kept in consideration while rejecting the lowest tender in the second call and consequently the tender in the fourth call with 9.20 *per cent* tender premium over the increased value was accepted by the TAC.

Government stated (December 2011) that the lowest tender of the second call was rejected taking into account the unsatisfactory performance of the contractor in respect of six other works awarded to him, his low financial capacity and high tender percentage. The reply is not acceptable since the CE, while instructing (28 May 2006) the SE to cancel the tender and also in subsequent correspondences with TAC had cited only the high tender percentage and the contractor's refusal to further reduce the rates, as reasons for cancellation of the tender and the other reasons as reported by Government were not recorded in the tender documents.

3.3 Blocking of funds

ADI DRAVIDAR AND TRIBAL WELFARE DEPARTMENT

3.3.1 Non-utilisation of Government of India grant

Government of India grant of ₹ 4.80 crore sanctioned for construction of houses for the tribal groups remained unutilised for over two years due to failure of the department to identify the implementing agencies.

For the development of Particularly Vulnerable Tribal Groups (PTG's), Government of India (GOI) in March 2007 directed the State Governments to prepare Conservation-*cum*-Development (CCD) plan. Based on the CCD plan prepared by the State Government, GOI sanctioned (August 2008) grant-in-aid of ₹ 6.73 crore under the central sector scheme of "Development of PTG's" for the years 2007-08 and 2008-09. As per the conditions governing the grant, the State Government was to ensure that there was no unspent balance out of this grant at the end of the financial year and the unspent balance, if any, was to be surrendered to GOI.

Under the scheme, activities such as construction of houses, supply of milch animals, sheep and provision of drinking water facilities were proposed to be undertaken. Out of ₹ 6.73 crore sanctioned, a sum of ₹ 4.80 crore was allocated (November 2008) for construction of 836 housing units for the tribal groups in 13 districts of the State. Accordingly, the State Government sanctioned (February 2009) ₹ 4.80 crore for construction of housing units and directed the implementing agencies to send utilisation certificate on or before 31 October 2009. The Director in turn disbursed (March 2009) the funds to 13 district collectors. However, as of July 2011, the houses remained to be constructed as the implementing agencies to whom the works were entrusted, had failed to undertake the works.

Scrutiny of records in the office of the Director of Tribal Welfare Department revealed (February 2011) that construction of housing units for the tribals out of GOI/State funds was undertaken till 2007-08 by the District Rural Development Agencies (DRDAs) functioning under the Rural Development and Panchayat Raj Department. As the Rural Development and Panchyat Raj Department had expressed (September 2007) its inability to continue the housing works for the tribals due to the burden of their own rural development programmes, Government ordered (April 2008) transfer of all housing works for the tribals pending with DRDAs to the Tamil Nadu Adi Dravidar Housing and Development Corporation (TAHDCO). Accordingly, DRDAs transferred all the pending housing works and the funds to TAHDCO. However, as TAHDCO had demanded (July 2008) higher cost[15] of ₹ 1,52,000 per house for construction of a housing unit than the cost of ₹ 36,500 per house proposed by the department, the department's effort to execute the work through TAHDCO did not materialise. Meanwhile, the Forest Department came forward

[15] Cost as worked out based on the Public Works Department – schedule of rates for the year 2008-09

(June 2009) to execute the housing works for the tribals at the rate of ₹ 58,500 per house and Government ordered (September 2009) the district collectors to transfer the housing works for the tribals pending with TAHDCO to the district forest offices concerned for execution of the work. As ordered, all the housing works with allocated funds were transferred to the district forest offices concerned. However, as of July 2011, the Forest Department had not taken-up the work. The Principal Chief Conservator of Forests informed (July 2010) the Government that the Forest Department was not in a position to take-up the additional work due to heavy work load and vacancies of staff/officers in the department.

Thus, without firmly identifying an agency to execute the work, Government transferred the funds from one agency to another. As a result, as against 836 targeted houses for the tribals, not a single housing unit could be constructed (July 2011), which not only led to blocking of funds of ₹ 4.80 crore for over two years but also deprived the PTGs of being provided with the housing units.

The matter was referred to Government in April 2011; Government stated (December 2011) that based on the Audit observation on perfunctory implementation of housing scheme for PTGs, 223 houses were constructed as against 836 targeted and expeditious action was being taken to construct the balance houses. However, the fact remains that 613 PTG families are yet to be benefited despite the required funds were made available by GOI as early as in the year 2008.

3.4 Regularity issues and others

PUBLIC WORKS DEPARTMENT

3.4.1 Non-availment of the Asian Development Bank's grant for construction of a recharge structure

Undue delay in preparation of estimate for construction of a recharge structure, avoidable revision of the estimate and the department's failure to evaluate the bid as per guidelines resulted in non-availment of the Asian Development Bank's grant of ₹ 3.30 crore.

Government accorded (June 2005) administrative sanction for implementation of the Tsunami Emergency Assistance Project (TEAP) with the financial assistance of the Asian Development Bank (ADB). One of the sub-components of TEAP was 'Water Supply and Sanitation' for which the Tamil Nadu Water Supply and Drainage (TWAD) Board was the project implementing agency.

With a view to improving the sustainability of drinking water resources and arresting sea water intrusion in the Paravanar river, Government sanctioned (October 2005) construction of a sub surface dyke[16] under TEAP at a cost of

[16] Recharge structure like a bed dam constructed across the river

₹ 3.31 crore with stipulation that the project should be completed within three years. As the river was under the administrative control of the Public Works Department (PWD), TWAD Board entrusted (December 2005) the work to PWD as deposit work. The Executive Engineer (EE), PWD, Coleroon River Basin Division, Chidambaram prepared a detailed project report (DPR) and sent (February 2006) it to TWAD Board. The DPR envisaged the dyke design for a maximum discharge of 719 cubic metres per second. The TWAD Board cleared (June 2006) the DPR for invitation of bids and deposited (November 2006 and February 2007) ₹ 3.30 crore with the PWD. The Chief Engineer (CE), PWD Chennai Region forwarded (November 2006) the estimate of the work to the Designs Wing of PWD. The Designs Wing revised (June 2007) the designed maximum discharge at the site of the proposed structure to 1,227 cubic metres per second, taking into consideration the surplus discharge from four other tanks, which led to revision of the estimated cost to ₹ 5.50 crore. The omission on the part of EE (PWD) to include the correct quantum of discharge necessitated revision of the estimate. The TWAD Board obtained revised administrative sanction from Government for ₹ 5.50 crore in January 2008 and revised technical sanction to the estimate was accorded by the CE, PWD, Chennai Region in February 2008.

The Superintending Engineer (SE), PWD, Vellar Basin Circle, Cuddalore invited (March 2008) tenders for the work under two cover system[17]. Technical bids received from two bidders were opened (April 2008) by the bid evaluation committee headed by the SE and the technical bid evaluation report was forwarded (May 2008) to the CE to decide the list of eligible bidders for opening of the price bids. The technical bid evaluation report of PWD, with one responsive bid was recommended (May 2008) by TWAD Board to ADB for rejection of the bid as the bidder had not fulfilled the specified technical qualification criteria of execution of two works of value not less than ₹ 3 crore each. When ADB called for (June 2008) documentary evidence for the qualification criteria adopted, the CE *inter alia* replied (July 2008) that weightage of 10 *per* cent per year was added to the construction experience of bidders as the agency had to be decided as early as possible to complete the work within the target period. As reported (February 2009) by CE, based on the directions of ADB, the tender was cancelled (March 2009) by the SE.

Meanwhile, the Chief Secretary to Government instructed (October 2008) PWD and TWAD Board to conduct a joint inspection of the site and to report to Government whether the project was actually required. The Managing Director, TWAD Board, while stating (November 2008) that the scheme was important, suggested to Government to delink the scheme from TEAP as completion of the scheme before October 2009, the closure date for reimbursement of grant by ADB, was impossible. TWAD Board further suggested (January 2009) to take up the work using State funds. PWD had spent ₹ 5 lakh on advertisement charges and other contingencies and refunded (March 2009) to TWAD Board ₹ 3.25 crore. PWD again revised the estimate

[17] Technical bids and price bids separately

of the work to ₹ 5.75 crore and Government was yet (January 2011) to sanction the scheme out of State funds.

Scrutiny of records revealed (November 2010) that PWD took eleven months (December 2005 to November 2006) to send the estimate of the work to the Designs Wing for finalising the design. The designed discharge at the site of the structure had to be changed by the Designs Wing because of omission on the part of the EE to include the surplus discharges from four other tanks. The revision of estimate resulted in further delay of 13 months (December 2006 to December 2007) leading to delay in inviting bids.

Even though PWD invited tenders in March 2008, it could not finalise the bid due to the defective technical bid evaluation report recommending a bidder, who did not fulfill the required qualification criteria. The TWAD Board recommended to ADB (May 2008) to reject the bid as the bid evaluation done by PWD was not as per the ADB guidelines.

Thus, undue delay on the part of Engineers of PWD in preparation of estimate, avoidable revision of estimate due to incorrect assessment of the quantum of surplus discharge and wrong recommendation of the unqualified bidder for ADB's approval resulted in non-commencement of construction of the recharge structure, which was important for protecting the drinking water resources in the river bed. The ADB's grant of ₹ 3.30 crore earmarked for the project could not be utilised due to these departmental failures.

The matter was referred to Government in June 2011; reply has not been received (January 2012).

3.4.2 Non-encashment of the Performance Guarantee on termination of contract

Due to acceptance of the bank guarantee from a foreign bank in violation of the agreement condition and failure to confirm its encashability in India, performance guarantee for ₹ 1.58 crore could not be encashed on termination of contract.

The work of 'Construction of flood defences and resectioning of the Adyar river' was awarded (August 1999) by the Superintending Engineer (SE), Palar Basin Circle, Public Works Department, Chennai to a Malaysian firm at a contract price of ₹ 22.63 crore. As stipulated in the bid documents, performance security of ₹ 1.58 crore was obtained from the firm in the form of Bank Guarantee (BG) issued (24 August 1999) by a bank[18] in Malaysia. The validity of the BG was upto twenty eight days from the date of expiry of defects liability period. Agreement for the work was signed between the firm and SE on 22 September 1999. The target date for completion of the work was 30 June 2001.

The contractor failed to complete the work despite extensions of time given by the department upto March 2007. Show cause notices sent (August 2006 to

[18] Oriental Bank Berhad, Kualalumpur

January 2007) to the firm came back undelivered and the firm's whereabouts could not be traced. The work remained incomplete from November 2006 after incurring an expenditure of ₹ 9.79 crore (43 *per cent*). The Executive Engineer, Kosasthalaiyar Basin Division, Thiruvallur addressed (March 2007) the Standard Chartered Bank (SCB), Mumbai which was reported as the corresponding bank in India for the Malaysian Bank, to confirm whether they would act as nodal agency for collecting the claims. A letter sent (March 2007) by the SE to the Malaysian Bank regarding furnishing of bank guarantee for the extended period, returned with the remarks 'left'. When contacted (July 2007) to encash the BG, the SCB clarified that it was only an intermediary corresponding bank for passing the claims to the Malaysian bank and *vice versa* and it had no other responsibility. It also stated that the Malaysian bank was acquired by another bank (Eon Bank Berhad, Kualalumpur), which turned down the request of honouring the BG on the ground that there was no record to confirm the issue of BG. A complaint on the issue filed with the Banking Ombudsman by the SE against SCB was rejected (March 2008) on the ground that there was no privity of contract between the SCB and the SE and that the SCB was acting only as a collection agency. The contract was finally terminated by the SE in November 2009 and the work remained incomplete as of September 2011.

Scrutiny of records revealed (November 2010) the following:

As per bid conditions, the performance security in the form of BG should be either from a Nationalised/Scheduled Indian Bank or from a foreign bank located in India. However, the BG issued by the bank located in Malaysia was accepted by the SE in violation of the bid condition. The SE also failed to get it confirmed from the SCB, in clear terms, whether the BG issued by the Malaysian bank was genuine and could be encashed in SCB. As a result, the agreement condition that in case of termination of contract due to the contractor's failure, the security deposits were to be forfeited to Government by invoking the BG, could not be enforced by the SE.

Thus, failure to get the BG from a bank in India and the SE's failure to confirm from SCB about the genuineness and encashability of the BG issued by the foreign bank resulted in loss of ₹ 1.58 crore to the Government.

The Chief Engineer, Water Resources Department stated (November 2011) that the tender which was 27.85 *per cent* less than the departmental estimate was accepted in view of the cost advantage to Government and that an amount of ₹ 56.80 lakh due to the contractor was not paid to the contractor. The reply does not address the issue and the above mentioned failure of the SE resulted in loss of ₹ 1.58 crore to the Government. The work of construction of flood defences and resectioning of the Adyar river also remained incomplete for over five years (September 2011).

The matter was referred to the Government in June 2011; reply has not been received (January 2012).

FINANCE; BACKWARD CLASSES, MOST BACKWARD CLASSES AND MINORITIES WELFARE; ANIMAL HUSBANDRY, DAIRYING AND FISHERIES; AND ENVIRONMENT AND FORESTS DEPARTMENTS

3.4.3 Lack of responsiveness of Government to Audit

Response to audit was inadequate as 4,129 Inspection Reports involving 13,772 paragraphs, issued upto September 2010 remained outstanding as of March 2011.

Important irregularities detected by Audit during periodical inspection of Government offices are followed up through Inspection Reports (IRs) issued to the Head of Office with a copy to the next higher authority. Government issued orders in April 1967 fixing a time limit of four weeks for prompt response by the authorities to ensure corrective action against the deficiencies, lapses, etc., pointed out in the IRs. A half-yearly report of pending IRs is sent to the Secretary of the Department by the Accountant General to facilitate monitoring of action on the audit observations.

As of March 2011, 13,772 paragraphs relating to 4,129 IRs (issued upto September 2010) remained to be settled for want of satisfactory replies. Of these, 1,109 IRs containing 2,173 paragraphs (issued upto 2007-08) had not been settled for more than three years. Year-wise position of the outstanding IRs and paragraphs is detailed in the **Appendix 3.3.** Compilation of details by Audit revealed that of the above mentioned unsettled paragraphs, even the initial reply was not received for 353 IRs involving 1,502 paras, relating to 26 departments as detailed in the **Appendix 3.4.** This showed the absence of response from the authorities and as a result, the deficiencies and lapses pointed out continued to be unaddressed.

A scrutiny of the IRs issued upto September 2010 pertaining to three departments viz., Backward Classes, Most Backward Classes and Minorities Welfare Department; Animal Husbandry, Dairying and Fisheries Department; and Environment and Forests Department revealed the following:

- A total of 447 IRs involving 1,370 paragraphs, issued upto September 2010 remained outstanding as of March 2011 as detailed below:

Inspection Reports outstanding as of March 2011

Year in which IRs were issued	Backward Classes, Most Backward Classes and Minorities Welfare Department		Animal Husbandry, Dairying and Fisheries Department		Environment and Forests Department		Total	
	IRs	Paras	IRs	Paras	IRs	Paras	IRs	Paras
Upto 2006-07	6	7	17	28	25	43	48	78
2007-08	3	5	11	17	31	58	45	80
2008-09	16	39	25	69	38	97	79	205
2009-10	11	47	96	264	43	130	150	441
2010-11	22	120	39	145	64	301	125	566
Total	**58**	**218**	**188**	**523**	**201**	**629**	**447**	**1,370**

- Even initial replies had not been received as of March 2011 in respect of 33 IRs involving 158 paragraphs issued upto September 2010.

- As a result of the long pendency, audit observations involving money value of ₹ 402.38 crore as detailed in Appendix **3.5** had not been settled as of March 2011.

Government constituted Audit and Accounts Committees at both the State and department level for consideration and settlement of the outstanding audit observations. During the meetings of these committees and joint sittings with the departmental officers between April 2010 and March 2011, 841 paragraphs were settled.

The matter was referred to Government in November 2011; reply has not been received (January 2012).

3.5 Thematic issues

HEALTH AND FAMILY WELFARE DEPARTMENT

3.5.1 Augmentation and upgradation of the Accident and emergency care centres in Government Hospitals

3.5.1.1 Introduction

The accident and emergency care centres (AECC) in the Government hospitals play a major role in providing proper medical treatment in the first "golden hour" of accidents. A well equipped AECC by providing timely and proper medical treatment can save the victim's life and avoid possible disability. The Government of India (GOI) released ₹ 14.48 crore during 2001-06, for augmentation and upgradation of emergency care services in 10 Government hospitals[19] in the State. The process of augmentation of accident and emergency services involved (i) purchase of well-equipped ambulance and basic essential equipment required for accident and trauma services; (ii) communication system; (iii) setting up of infrastructure (Blood Bank, Examination Room, Intensive Care Unit and Burn beds, X-ray Room, Reception and Control room, Minor Operation Theatre); and (iv) beds and equipment. The process of upgradation involved execution of civil/electrical works for smooth functioning of the accident and trauma services.

A study on the augmentation and upgradation of AECCs in the Government hospitals covering the period 2008-11 was conducted (April 2011 to June 2011) in all the 10 AECCs for which GOI sanctioned funds. The records in the office of Director of Medical and Rural Health Services (DM&RHS) were also audited. The audit findings are discussed in the succeeding paragraphs.

[19] Cuddalore, Melur, Namakkal, Omalur, Padmanabapuram, Perambalur, Tambaram, Tenkasi, Villupuram and Wallajah

3.5.1.2 Ambulance services

As per GOI guidelines (1999) for providing financial assistance to the selected Government hospitals of various States for emergency care centres in towns/cities on national highways, each AECC was to be supplied two ambulances with life saving equipment such as forno flex chair, ventilator, vacuum split kit, scoops stretcher, oxygen cylinder, suction pump, spine board, resuscitation bag, wireless equipment, B.P. instrument etc. Though two ambulances were purchased and supplied (August 2002 to April 2007) to each AECC, it was noticed (April and May 2011) that no ambulance was fitted with life saving equipment like ventilator. Equipment worth ₹ 56 lakh were yet to be procured and fitted in the ambulances.

Out of 20 ambulances supplied, one in Cuddalore and another in Tenkasi Government hospitals met with fire/road accident (February/ March 2009) and the department had not taken any action to obtain replacement for the accident hit ambulances.

As per GOI guidelines, the ambulances should be deployed at strategic locations on highways in consultation with the transport/police authorities so as to reach the accident site within the shortest possible time for resuscitation and shifting of the patients to the AECCs. It was noticed that in the upgraded AECCs, the ambulances were stationed at the hospital premises. Audit scrutiny of records revealed that the ambulances were used to carry the patients only to other referral hospitals. The task of lifting the accident victims from the accident site to the AECCs was left to the "108 free Ambulance Services" operated in the State.

3.5.1.3 Inadequacy of equipment

As against ₹ 7.28 crore allotted during 2001-06 by GOI for the purchase of sterilization, surgical, orthopaedic, anaesthetics and resuscitation equipment, the department spent only ₹ 6.45 crore during May 2003 to February 2007 on purchase of equipment. It was noticed that X-ray accessories for seven AECCs[20] were yet to be purchased and supplied to them. Anaesthetic ventilator supplied (March 2007) to the AECC in Melur Government hospital at a cost of ₹ 1.09 lakh was not used due to non-conduct of demonstration by the supplier and non-imparting of training to the Anaesthetist. C.T. scan facilities to diagnose head injury and other related ailments were not available in six[21] out of 10 Government hospitals where the AECCs were upgraded.

3.5.1.4 Shortage of manpower

As per the condition governing GOI grant, the State Government should ensure posting of the required specialists like Anaesthetist, surgical specialist, orthopaedic specialist and supporting staff in the AECCs. The analysis of details of manpower in eight Government hospitals revealed that the number

[20] Cuddalore, Melur, Namakkal, Padmanabapuram, Tambaram, Tenkasi and Wallajah
[21] Melur, Omalur, Padmanabapuram, Tambaram, Tenkasi and Wallajah

of medical specialists such as orthopaedic surgeon and Anaesthetist in position was far less than the requirement as detailed in **Appendix 3.6.** Further in all the 10 Government hospitals where AECCs were upgraded, there was no neuro surgeon/neuro physician to treat head injury/multiple injury. The DM&RHS stated (November 2011) that post like ortho specialist was operated in AECCs as sanctioned by the Government and posts such as neurologists, cardiologists and gastroentologists etc., which come under the super speciality category were not sanctioned for the Government Hospitals functioning under DM&RHS. The DM&RHS further stated that posts such as neurologists and cardiologists were not only coming under the super speciality category but also available as scarce category only in few numbers in medical college hospitals. Non-posting of specialist doctors in upgraded AECCs could affect rendering of qualitative medical treatment to the victims in the golden hour of accidents. Further, Audit noticed that though 20 posts of drivers were sanctioned for operating ambulances in 10 AECCs, only 16 drivers were in position. As a result, round the clock operation of ambulances in AECCs could not be ensured.

3.5.1.5 Performance of medical care services in AECCs

The details of road traffic accident cases reported and referred to other hospitals in the 10 AECCs during 2008-11 are as follows:

(Number of cases)

Government Hospital	2008-09		2009-10		2010-11	
	Road Traffic Accident cases	Orthopaedic/ Neuro Referral out cases	Road Traffic Accident cases	Orthopaedic/ Neuro Referral out cases	Road Traffic Accident cases	Orthopaedic/ Neuro Referral out cases
Cuddalore	2,315	1,089	2,390	1,148	3,299	1,151
Melur	551	471	945	739	1,123	864
Namakkal	1,320	88	1,116	59	1,454	52
Omalur	376	91	623	151	757	272
Padmanabapuram	NA	NA	236	212	352	187
Perambalur	2,108	172	1,869	155	1,763	132
Tambaram	468	22	172	106	587	230
Tenkasi	123	65	738	203	2,716	532
Vellore/Wallajah	970	202	1,374	636	1,428	534
Villupuram	2,843	453	2,934	852	3,470	998
Total	**11,074**	**2,653**	**12,397**	**4,261**	**16,949**	**4,952**

NA: Not available

It could be seen from the above that the number of cases referred to the other hospitals had increased over the years despite efforts of upgradation.

Further, cases not requiring referral, but manageable by the Government hospitals, were admitted as in-patients in the Accident and Emergency (A&E) wards. Records revealed that 1,376 patients died in the A&E wards of nine Government hospitals during 2008-2011 **(Appendix 3.7)**. This indicated the

inadequacies in extending proper medical care services at the crucial time to the accident victims in the AECCs.

Thus, lack of infrastructure such as non-equipping of the ambulances with life saving equipment, non-deployment of the ambulances on strategic locations on highways and inadequate number of specialists had contributed to denial of timely medical care services to the accident victims. Therefore, Government needs to address these deficiencies to provide adequate and effective health care services to the victims.

The above points were referred to Government in August 2011; reply has not been received (January 2012).

CHAPTER IV

ENVIRONMENT AND FORESTS DEPARTMENT

4.1 Chief Controlling Officer based audit of the Forest Department

Executive Summary

Tamil Nadu has a recorded forest area of 22,877 square kilometres (sq.km.) which represents 17.59 *per cent* of the total geographical area of the State. There are five National Parks, 10 Wildlife Sanctuaries, 12 Bird Sanctuaries, one Zoological Park and eight Zoos in the State, besides a Conservation Reserve, Biosphere Reserves and Tiger Reserves. The Forest Department is responsible for carrying out afforestation works to bring the available area under forest cover, soil and water conservation works and conservation and management of wildlife. The Chief Controlling Officer based audit of the department revealed some areas of concern in financial management, programme management, internal control and monitoring.

The State has not prepared its own forest policy despite passage of five years since recommendation of the National Forest Commission to frame the State's own forest policy.

The State could achieve only 22 *per cent* coverage of the forest and tree cover against the targeted 25 *per cent* by 2007.

As against the Union Planning Commission's recommendation of four *per cent* allocation for forestry and wildlife sector, the State's allocation for the sector in the Eleventh Five Year Plan was 1.51 *per cent* only. Government released ₹ 693 crore only for forestry activities in the four years (2007-11) out of the allocation of ₹ 1,285 crore for the Plan period (2007-12).

Arrears of lease rent of ₹ 105.20 crore remained to be collected from three Public Sector Undertakings under the control of the department. The progress of declaring the lands as reserve forest was tardy and 1,12,386 hectares of land remained to be notified.

In twelve out of 26 test-checked divisions, 9,547 cases of encroachment involving an area of 10,197 hectares of forest land were pending eviction as of March 2011.

As per the Reports of the Forest Survey of India (FSI), forest and tree cover of the State showed a marginal decrease from 28,665 sq.km. in 2005 to 28,306 sq.km. in 2009 and the decrease was mainly due to decrease in tree cover area from 5,621 sq.km to 4,968 sq.km, despite spending ₹ 471.61 crore during 2002-07 on social and farm forestry activities.

As against the Eleventh Plan target of bringing seven lakh hectares under tree cover outside the forest areas, the achievement during the four years (2007-11) of the Plan period was 49,194 hectares (seven *per cent*) only.

In 23 out of 26 test-checked divisions, the survival rate of plantations was less than 40 *per cent* in majority (59 *per cent*) of the plantations.

Vacancies in posts, shortfall in training of staff and arrears in settlement of audit objections were observed.

4.1.1 Introduction

The National Forest Policy, 1988 was framed to increase the area under forest and tree cover of the country by need-based and time-bound programme of afforestation and tree planting. The policy aimed at maintenance of environmental stability and restoration of ecological balance through conservation, upgradation and increase in the forest cover. Tamil Nadu has recorded forest area of 22,877 sq.km., which represents 17.59 *per cent* of the 1.30 lakh sq.km. geographical area of the State. The State's *per capita* forest and tree cover was 0.04 hectare only as against the national average of 0.08 hectare. There are 10 Wildlife Sanctuaries, five National Parks, 12 Bird Sanctuaries, one Conservation Reserve, one Zoological Park, eight Zoos, three Biosphere Reserves and three Tiger Reserves in the State.

The important objectives of the Forest Department are:

(i) Conservation of biodiversity and genetic resources by protection of forests and wildlife;

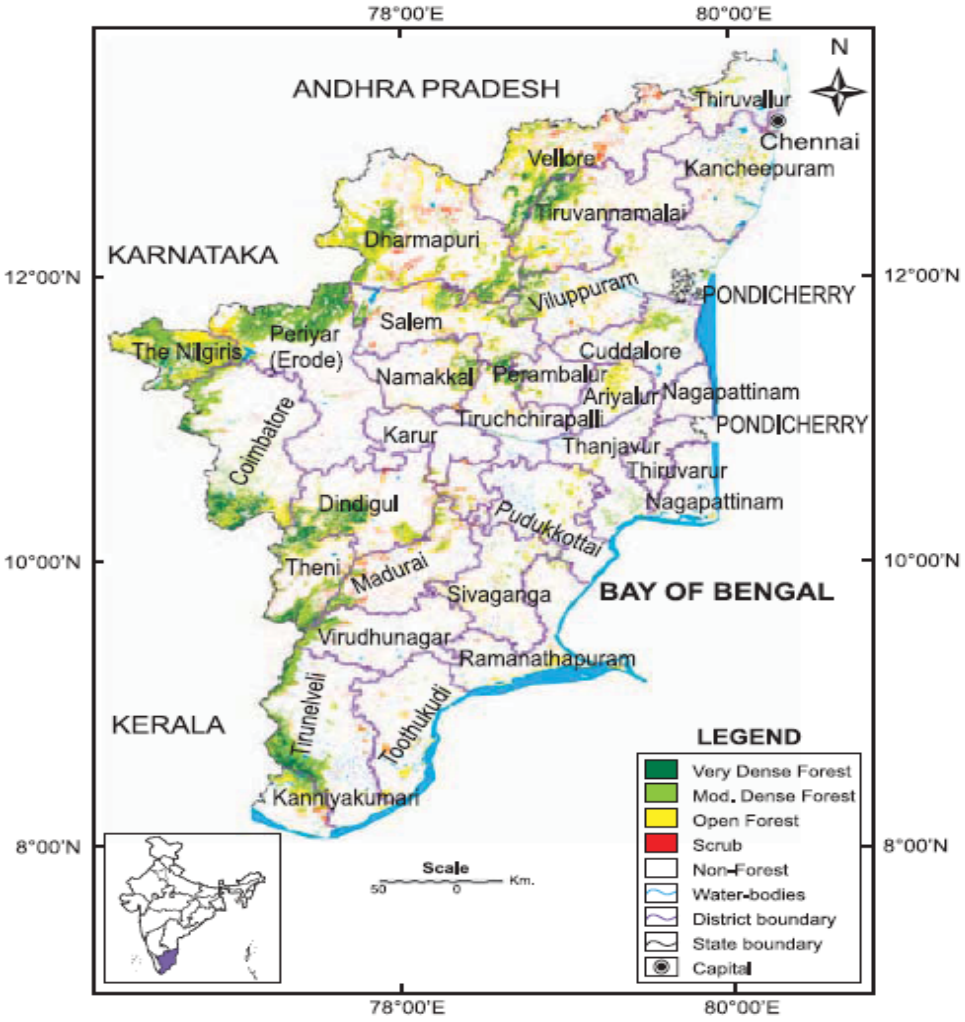
(ii) Augmentation of water resources in the forest areas;

(iii) Rehabilitation and restoration of the degraded forest for improvement of forest cover;

(iv) Enhancing tree cover outside the forest area for livelihood security and climate change mitigation; and

(v) Welfare of the tribal and forest fringe villages to ensure economic prosperity and ecological stability.

The Forest cover map of Tamil Nadu is given below:



(Source: Forest Survey of India)

The Chief Controlling Officer (CCO) based audit is an audit of a fair number of units in a department in an integrated manner to have common audit findings from the selected sample units. It assesses all aspects of functioning of a department such as financial management, planning and project management, human resources management, material/stores management, monitoring, internal controls, etc. The Forest Department was selected for CCO based audit in view of the magnitude of investment in the sector and its importance to ecosystem.

4.1.2 Organisational structure

The Principal Secretary, Environment and Forests Department is overall in-charge of the Forest Department. The Principal Chief Conservator of Forests (PCCF) is the Head of the Department. PCCF (Wild life) is the Head of the Wildlife Wing and is responsible for conservation of wildlife in the State.

There are 10 Additional Principal Chief Conservators of Forests (APCCF) responsible for specific areas of work and they are assisted by 24 Chief Conservators of Forests (CCF). At the field level, there are 12 Circles each headed by a Conservator of Forests (COF) and the Circles are divided into Divisions totaling 70, each one headed by a District or Divisional Forest Officer (DFO) or Deputy Director (DD). The DFOs/DDs are assisted by Forest Range officers, Foresters, Forest Guards and Forest watchers.

4.1.3 Audit objectives

The objectives of the CCO based audit were to assess whether:

(i) there was any State-specific forest policy and planning of the forest activities was effective;

(ii) the budgeting was realistic and there were economical and effective financial controls;

(iii) there was improvement in the forest cover in the degraded forests and in the tree cover outside the forest areas due to interventions of the department;

(iv) various schemes and programmes were implemented economically, efficiently and effectively; and

(v) the internal controls and monitoring were adequate and effective.

4.1.4 Audit criteria

The audit findings were benchmarked against the terms and conditions contained in the following.

(i) National Forest Policy, 1988.

(ii) Forest (Conservation) Act, 1980; Tamil Nadu Forest Act, 1882; Wildlife Protection Act, 1972 and Biodiversity Act, 2002.

(iii) Five Year and Annual Plan targets.

(iv) Working Plans of the forest divisions and Management Plans of sanctuaries.

(v) Government Orders and Circulars/Instructions issued by the PCCF.

(vi) Tamil Nadu Budget Manual, Tamil Nadu Financial Code and Manuals of the Forest Department.

(vii) Guidelines of various developmental schemes.

4.1.5 Audit coverage and methodology

The CCO based audit conducted during March - June 2011 covered the period 2008-11. Records of the Principal Secretary, Environment and Forests Department; the Principal Chief Conservators of Forests; seven out of 18 Conservators of Forests; 26 out of 70 District/ Divisional Forest Officers; one[1] out of four Wild Life Wardens and all the three Deputy Directors of Tiger Reserves[2]; the Additional PCCF, Tamil Nadu Forest Academy, Coimbatore; the Forest Engineer, Thiruchirappalli; and the Forest Extension Officer, Tirunelveli were scrutinised. Records relating to implementation of the National Afforestation Programme (NAP) were test checked in seven out of 32 Forest Development Agencies (FDAs). In all, records of 42 out of 99 Drawing and Disbursing Officers (DDOs) in the Department were test-checked. The list of test-checked units is given in **Appendix 4.1.** The scope and objectives of audit were discussed with the Principal Secretary to Government, Environment and Forests Department in an entry conference held in March 2011. The audit findings were discussed with him in an exit conference held in December 2011 and the Government response was taken into account while finalising the report.

Audit Findings

The findings of CCO based audit are discussed in the succeeding paragraphs:

4.1.6 Policy and Planning

4.1.6.1 Non-framing of the State Forest Policy

State specific forest policy was not framed though recommended by the National Forest Commission in March 2006.

The National Forest Commission recommended (March 2006) that each State should have its own forest policy for sustainable management of the forest and wildlife resources of the State. The policy, *inter alia,* was to address issues pertaining to conserving the remaining natural forests, increasing sustainability of forest/tree cover through massive afforestation and social forestry programmes, creation of people's movement for the objectives, etc. It was, however, observed that even after five years of the above mentioned recommendation, the State Government had not framed its own forest policy.

Audit scrutiny revealed that the draft State forest policy sent to Government in October 2007 for approval was returned in March 2010 by Government with instructions to include certain areas such as forest roads, tribal development, eco-tourism, etc. The PCCF stated (December 2011) that the revised draft policy was submitted to Government in September 2011, after incorporating the observations made by the Government. Further, PCCF, during the exit conference stated (December 2011) that the policy would be got approved by Government. The inordinate delay of two and half years at Government level

[1] Wild Life Warden, Nagapattinam

[2] Deputy Directors of Mudumalai, Anamalai and Kalakkad Tiger Reserves.

for returning the draft policy and the delay of one and half years at PCCF level to resubmit the draft policy to Government led to non-framing of the State specific forest policy.

The National Forest Policy envisaged that the forest and tree cover in the country should be brought to 25 *per cent* in 2007 and to 33 *per cent* in 2012. The State could achieve only 22 *per cent*[3] coverage against the targeted 25 *per cent* by 2007. However, it was observed from the Eleventh Five Year Plan documents that though there were areas where potential regeneration and restoration were possible, much of the areas were under cultivation or taken over by urbanisation and industrialisation including settlements in the past few years and that bringing such areas under forests and increasing the forest and tree cover remained a big challenge. Even though the department was aware of the fact that it was difficult to achieve the target of 33 *per cent* forest/tree cover by 2012 as envisaged in the National Forest Policy, a State-specific forest policy with attainable physical targets was not framed by the Government.

4.1.6.2 Planning

The National Forest Policy envisaged time-bound programmes of afforestation and tree planting. Five Year and Annual Plans were to flow from the policy so as to ensure implementation of the programmes.

As against the total State plan outlay of ₹ 1,720 crore for forestry and wildlife in the Tenth Five Year Plan period 2002-07, the State Government provided ₹ 1,348.10 crore and released ₹ 741.31 crore (43 *per cent* of the State Outlay) only and the department spent only ₹ 705.97 crore. Similarly, in the Eleventh Five Year Plan, as against the State plan outlay of ₹ 1,285 crore for forestry and wildlife, Government provided an amount of ₹ 692.68 crore and the department spent ₹ 685.15 crore during the four years (2007-11). The actual allocation of funds for forestry and wildlife sector in the State which was 4.30 *per cent*[4] of the total outlay in the Tenth Five Year Plan declined to 1.51 *per cent*[5] in the Eleventh Five Year Plan as against four *per cent* recommended by the Union Planning Commission. The PCCF stated (December 2011) that the shortfall was due to non-sanction of schemes proposed by the department.

4.1.7 Financial management

4.1.7.1 Revenue realisation

Forest revenue comprises sale proceeds of sandalwood and timber, pulpwood, minor forest produce, lease rent, entry fees, fines, etc. The details of revenue earned by the department during 2008-11 are given in **Table 1.**

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[3] Forest cover - 23,338 sq.km.; 17.94 *per cent*
Tree cover - 4,968 sq.km.; 3.82 *per cent*
Total - 28,306 sq.km.; 21.76 *per cent*

[4] Tenth Five Year Plan - ₹ 1,720 crore / ₹ 40,000 crore x 100 = 4.30 *per cent*;

[5] Eleventh Five Year Plan - ₹ 1,285 crore / ₹ 85,344 crore x 100 = 1.51 *per cent*

Table 1: Details of forest revenue

(₹ in crore)

Year	Budget Estimate	Actuals
2008-09	110.56	82.65
2009-10	72.01	86.90
2010-11	90.15	139.22

(Source: Compiled by Audit from Annual Accounts)

The actual revenue collected by the department as against the budget estimate of a year fluctuated as it depended on auction-sale of sandalwood and teakwood during that particular year.

4.1.7.2 Non-collection of lease rent

Arrears of lease rent of ₹ 105.20 crore remained to be collected from three State Public Sector Undertakings

Forest lands were allotted to the following three Government corporations on lease basis at lease rents fixed by the department. Lease rent of ₹ 105.20 crore was due from the corporations as detailed below:

(i) The Arasu Rubber Corporation Limited

The Arasu Rubber Corporation (ARC) had taken an area of 4,279.78 hectares of forest land for rubber plantations in Kanyakumari District on lease from the Forest Department since 1984-85. Audit scrutiny revealed that lease rent of ₹ 55.48 crore (including interest) relating to the period from 1990-91 to 2008-09 was due from the Corporation as per the PCCF records. However, ARC reported that the lease rent due to the Forest Department was ₹ 5.13 crore only. The ARC had calculated the lease rent by treating the area with 300 tappable rubber trees as one hectare of matured area, whereas the department calculated the rent with reference to the planted area, which had attained seven years of age, as matured area. The failure on the part of department and Government to initiate timely action to collect the lease rent and to resolve the dispute in method of calculation of lease rent led to non-realisation of lease rent due from the year 1990-91.

(ii) The Tamil Nadu Tea Plantation Corporation Limited

An area of 3,318 hectares of forest land had been given on lease (1990-91) to the Tamil Nadu Tea Plantation Corporation Limited (TANTEA) at lease rent of ₹ 12,500 per year per hectare till 2002-03 and subsequently due to fall in tea prices, it was reduced to ₹ 2,000 per hectare per year. As on 31 March 2011, the total lease rent due from TANTEA to the department was ₹ 48.96 crore for the period from 1990-91 to 2010-11. Against the demand of lease rent raised by DFO, Coimbatore, TANTEA represented (October 2009) to Government to waive ₹ 17 crore towards the lease rent demanded for the area unutilised by it from 1990-91 to 1995-96 and also requested for waiver of interest for the overdue period. Government directed (July 2011) TANTEA to conduct survey and finalise the unproductive area, but it was yet (December 2011) to take a decision on this issue.

(iii) The Tamil Nadu Forest Plantation Corporation Limited

The Tamil Nadu Forest Plantation Corporation (TAFCORN) was allotted (1974) forest land of 74,984 hectares on lease basis. The lease period of 32 years expired on 02 April 2006. A draft lease deed with lease rent at 30 *per cent* of gross revenue was finalised and sent (March 2011) to Government for approval.

As stated by Government in December 2011, the lease rent due from TAFCORN was ₹ 0.76 crore for the period from 2007-08 to 2009-10. Though TAFCORN earned profit during the period 2008-11, the department failed to recover the lease rent for more than five years since expiry of the previous lease period.

Further, it was also noticed that in 13[6] out of 26 test-checked Divisions lease rent of ₹ 124.72 crore due from agencies such as Government departments (₹ 13.94 crore), Local Bodies (₹ 0.11 crore), Tamil Nadu Electricity Board (₹ 100.84 crore), State Public Sector Undertakings (₹ 0.97 crore), Central PSUs (₹ 0.03 crore) and others (₹ 8.83 crore) in respect of 2,386 hectares of forest land were pending collection as of March 2011. Government replied (December 2011) that action was being taken by the COF/DFO to collect the arrears of lease rent from the user agencies.

4.1.7.3 Delay in issuing notification for collection of fees from saw mills

The PCCF sent (March 1984) a proposal to Government for taking a policy decision on regulation of saw mills, since there were no provisions in the Tamil Nadu Forest Act, 1882 for regulating the mills. As directed (1996) by the Supreme Court, Government constituted (January 1997) an expert committee to study functioning of the saw mills in the State. Based on the interim order of Supreme Court (May 1997), Government ordered (August 1997) that all the existing saw mills were to be registered with the respective District/ Divisional Forest Officer. The PCCF sent (May 1998) a proposal to Government for framing of the Saw Mill (Regulations) Rules. The Supreme Court in its final judgement (October 2002) directed the States to register all the existing saw mills. The Government, after protracted correspondence with the Central Empowered Committee and PCCF regarding the draft notification, finally ordered (December 2010) for collection of licence fee of ₹ 5,000 per mill for issue/renewal of licence once in five years. The inordinate delay of eight years (2002 to 2010) in deciding to issue the Government order resulted in non-collection of revenue of ₹ 2.40 crore towards licence fee from 3,006 saw mills. Government stated (December 2011) that out of 3,006 saw mills, 1,767 were issued licence after collection of licence fee of ₹ 5,000 per mill. The reply is incomplete as the belated decision of Government had led to loss of revenue of ₹ 2.40 crore and the licence fee was collected from 1,767 mills only prospectively from the date of issue of licence by the respective

[6] DFOs, Anamalai, Erode, Dindigul, Kodaikanal, Ooty North, Salem, Sathyamangalam, Thanjavur, Theni, Tirunelveli, Thirupathur, Thiruvallur and Thiruvannamalai Divisions.

Divisions. The PCCF, during the exit conference attributed (December 2011) the administrative and legal requirements to the delay in framing relevant rules.

4.1.7.4 Non-revision of hire charges, entry fees, etc.

As per the directions (July 2003) of Government, PCCF was to submit proposals for revision of entry fees and hire charges for vehicles in wildlife sanctuaries by 10 *per cent* once in three years. Even though two out of the three Tiger Reserves submitted their proposals (June 2006 and November 2008) to PCCF, he forwarded the same to Government only in June 2009 after a delay of three years and seven months respectively and no reason was stated for the delay. When Government called for (August 2009) a clarification as to why the fees in respect of other sanctuaries had not been considered, PCCF called for (August 2011) proposals from such units after a delay of two years. As a result, in the three Tiger Reserves and two Crocodile Parks, the hire charges for use of departmental vehicles and entry fees for visitors had not been revised by Government since 1992 and 2003 respectively. The details are given in **Table 2.**

Table 2: Details of hire charges and entry fees

Name of the unit	Nature of charges, etc.	Year last revised	Existing rate (₹)		Rate proposed by the unit (₹)		Differential amount for the period 2007-11 (₹ in lakh)
			Adult	Children (5-12 years)	Adult	Children (5 - 12 years)	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Mudumalai Tiger Reserve, Udaga-mandalam	Hire charges for use of departmental vehicles	December 1992	20	10	50	25	538.86
	Entry fee	July 2003	15	5	20	--	32.93
Anamalai Tiger Reserve, Pollachi	Entry fee	July 2003	15	10	25	10	145.63
	Hire charges for use of departmental vehicles		25		50		144.82
Kalakad Tiger Reserve	Entry fee	July 2003	15	10	20	15	25.88
Crocodile Breeding Centre, Sathanur	Entry fee	September 1982	0.50	0.25	5.00	2.00	35.28
Crocodile Park, Amaravathy, Pollachi	Entry Fee	September 1992	0.50	0.25	5.00	2.00	14.20
						Total	**937.60**

Source: Details furnished by the Department

Had the proposals for revision been finalised in time, the department would have earned additional revenue of about ₹ 9.38 crore during the period from 2007-08 to 2010-11 in the above mentioned five units alone. PCCF stated (December 2011) that necessary proposals were called for from the

subordinate offices for fixation of the revised rates. He added that, on receipt of the same, consolidated proposals would be sent to Government. The reply is not acceptable as PCCF failed to initiate the action well in time so as to facilitate revision of the rates every three years in accordance with the Government directions. During the exit conference, the PCCF (Wild Life) stated that with a view to avoid animal-human interface, the whole issue of entry to the reserves *vis-à-vis* revenue generation would be examined afresh and a comprehensive proposal would be sent to Government.

Similarly, Government declared (January 1995) Koonthankulam in Tirunelveli District as a Bird Sanctuary and prescribed (July 2003) an entry fee of ₹ 2 for children in the age group of 5 to 12 years and ₹ 5 for adults. However, no entry fee was collected from July 2003. The sanctuary had not maintained the details of number of adults and children who visited the sanctuary since July 2003 and hence the amount of revenue foregone could not be quantified. The DFO, Tirunelveli stated (September 2011) that no entry fee was collected since July 2003 till date due to non-posting of staff for the purpose, at least two officials in the cadre of Junior Assistants were required for collection of entry fee and to collect the fee, more money would have to be spent on collection. Further, it was stated that the department had no control over the entry or exit of visitors to the sanctuary since it was open in all sides. The reply is not acceptable since the department failed to examine and decide on the staff requirement vis-à-vis the revenue potential.

4.1.7.5 Budget and expenditure

The details of budget provisions made for the Forest Department and expenditure incurred during 2008-11 are given in **Table 3.**

Table 3: Budget provisions and expenditure

(₹ in crore)

Year	Revenue Expenditure				Capital Expenditure			
	Budget Provision	Expen-diture	Excess(+)/ Savings(-)	Savings (in *per cent)*	Budget Provision	Expen-diture	Excess(+)/ Savings(-)	Savings (in *per cent)*
2008-09	196.85	184.77	(-) 12.08	6.14	160.48	144.90	(-)15.58	9.71
2009-10	235.56	222.13	(-) 13.43	5.70	125.10	113.60	(-)11.50	9.19
2010-11	255.52	252.59	(-) 2.93	1.15	125.39	94.43	(-)30.96	24.69
Total	**687.93**	**659.49**	**(-) 28.44**		**410.97**	**352.93**	**(-)58.04**	

Source: Appropriation Accounts

The reason for decline in capital expenditure since 2009-10 was due to completion of the plantation programmes under the Japanese International Cooperation Agency aided Tamil Nadu Afforestation Project – Phase II (TAP-II) in 2008-09. The reasons for huge savings in capital expenditure during 2010-11 were reported as operation of election code of conduct, belated release of funds by Government, etc. During 2009-10 and 2010-11, only maintenance works were carried out under TAP. It is evident that for capital

investment for afforestation activities, the State was largely dependent on external financial assistance and it had decreased since 2009-10.

4.1.7.6 Poor budgetary controls

Few instances of poor budgetary controls are given below:-

(i) A review of the budget provisions and the expenditure incurred showed that large-scale reappropriations at the year end were made during 2008-09 to 2010-11 as given in **Table 4**. The large-scale reappropriations in almost all subheads of accounts indicated that the department's budgetary/ expenditure controls were weak.

Table 4: Details of reappropriations

Year	Revenue Head			Capital Head		
	Total units of appropriation	No. of units reappropriated	Percentage	Total units of appropriation	No. of units reappropriated	Percentage
2008-09	79	75	95	62	50	81
2009-10	80	75	94	60	54	90
2010-11	78	76	97	57	53	92

Source: Appropriation Accounts

(ii) Further, the reappropriations made in 14 heads during 2008-11 proved unnecessary as the actual expenditure incurred were well within the budget provisions (Original and Supplementary) as given in **Appendix 4.2.**

(iii) There were huge savings ranging from 13 to 100 *per cent* of the total provisions in excess of ₹ 1 crore in nine minor heads of account during 2008-09 and 2010-11 as given in **Appendix 4.3.** The reasons attributed by the department were non-finalisation of tender formalities, delayed release of funds by Government and operation of election code of conduct. The reply is not acceptable as the delay of two to seven months on the part of the State Government in releasing GOI funds was avoidable and that the election code of conduct did not prohibit incurring of expenditure for ongoing schemes. A scrutiny of records revealed that the heads of account in which savings were effected were already sanctioned ongoing schemes.

(iv) Scrutiny of budget files/ records revealed that persistent savings/surrender of funds in excess of 20 *per cent* were noticed in three heads of account, *viz,* Integrated Forest Protection, Conservation and Management of Mangroves and Forest Development Fund during the years 2008-11 as given in **Appendix 4.4.**

4.1.8 Forest Management

Forests are required to be managed in the most sustainable manner which involves control over forest land, preparation of working plans and plantation programmes and maintenance of forests.

4.1.8.1 Control over forest land

As per the Tamil Nadu Forest Department Code, the District Forest Officer (DFO) is to select, demarcate the block, prepare a plan and issue draft notification of boundaries. The Forest Settlement Officer is to inspect, correct the map, prepare register of claims and issue final notification in consultation with the DFO. In order to manage the forests well, proper demarcation of the forest land is required for which settlement proceedings were being undertaken by the Revenue Department in collaboration with the Forest Department.

(i) Poor progress in notification of forest land

The National Forest Policy, 1988 has set the protection of existing forest lands as one of the essentials of forest management. The Tamil Nadu Forest Act, 1882, provides for declaring the forest land/other land as reserve forest to increase the forest cover. For declaration of the lands as reserve forest, the Forest Department has to initiate action under Sections 4[7] and 16[8] of the Act.

For the purpose of settlement and notification of lands as reserve land and reserve forest, Government sanctioned (October 2010) nine posts of Forest Settlement Officers (FSOs) in the Revenue Department. The State Forest Commission recommended (2009) that Forest Settlement Officers be posted for a fixed tenure so that they could devote their time exclusively for the forest settlement work and complete the process of settlement early. However, the services of FSOs under the direct control of District Collectors were mainly utilised for works of the Revenue Department. Non-utilisation of the services of FSOs exclusively for the forest settlement work coupled with other reasons such as pendency with DFOs/COF/PCCF, time required for scrutiny of proposals by FSO/District Collector/Government, etc., were the reasons for pendency in issuing notification under Section 16 in respect of 1,71,063 hectares (ha) of land notified under Section 4 since 1952.

The PCCF stated (December 2011) that as of June 2011, an extent of 58,677 ha was notified under Section 16 and proposals for 8,467 ha had been sent to Government. The facts remained that the progress was only 34 *per cent* and an extent of 1,12,386 hectares still remained to be notified.

In 15 test-checked divisions[9], it was noticed that as of March 2011, total area of 39,648 hectares and 50,049 hectares of land were yet to be notified under

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7 Government under Section 4, shall publish a notification in the official Gazette of the district for declaring and constituting any land as Reserve Forest, specifying the situation and limits of such land (transfer of revenue land as reserve land).

8 Government under Section 16 shall publish a notification in the official Gazette specifying the limits of the forest which is intended to reserve and declaring the same to be reserved from a date to be fixed by such notification (transfer of reserve land to Reserve Forest).

9 DFOs, Dindigul, Erode, Kallakurichi, Kodaikanal, Namakkal, Ooty North, Perambalur, Pollachi (Anamalai Tiger Reserve), Salem, Theni, Thirupathur, Thiruvallur, Thiruvannamalai, Thiruchirappalli and Vellore Divisions.

Section 4 and Section 16 respectively due to various processes pending at various stages in the Divisions, District Collectorates, Circles, PCCF office and State Government as given in **Table 5.**

Table 5: Pendency of settlement cases

(Area in hectare)

Section No.	DFO	FSO/ District Collector	COF	PCCF	Government	Due to court cases	Total area (ha)
Section 4	28,775	4,903	991	2,859	2,120	-	39,648
Section 16	796	39,649	227	1,842	7,326	209	50,049

Source: Details furnished by the Department

There is a necessity to expedite the pending cases so as to achieve the intended purposes. During the exit conference, the Principal Secretary to Government, Environment and Forests Department assured (December 2011) to take necessary action in this regard.

(ii) Poor progress in eviction of encroachments

Any encroachment on forest land is required to be evicted immediately. For this purpose, powers have been delegated to the Forest Range officers. Section 68A of the Tamil Nadu Forest Act, 1882 envisaged taking immediate action for eviction of the encroachment after 15 days of notice period. Government of India (GOI), Ministry of Environment and Forests (MOEF), instructed (May 2002) all the States to frame a time bound programme for eviction of the encroachers from the forest lands. The details of encroachments and evictions made during 2008-10 are given in **Table 6**.

Table 6: Extent of encroachments (Area in ha)

Year	Opening Balance	Additions during the year	Evictions during the year	Closing Balance	Percentage of eviction
2008	15,213.82 (18,930)	456.08 (171)	725.73 (405)	14,944.17 (18,696)	2
2009	14,944.17 (18,696)	153.93 (114)	503.91 (385)	14,594.19 (18,425)	2
2010	14,594.19 (18,425)	186.00 (264)	428.02 (124)	14,352.17 (18,565)	1
Total		**796.01**	**1,657.66**		

Source: Details furnished by the Department (number of cases is given in brackets)

It was noticed that 14,352 hectares of forest land was under encroachment at the end of December 2010 including new encroachments of 796 hectares during 2008 – 2010. The extent of encroachment both in terms of area and number of cases remained more or less at the same level during the period 2008-10.

In 12 test-checked Divisions, 9,547 cases of encroachments involving total area of 10,196.65 hectares were pending for eviction.

In 12 test-checked divisions[10], as of March 2011, an area of 10,196.65 hectares of forest land was reported as encroached (9,547 cases) by private individuals, educational institutions, defence establishments, State Government departments, etc. In eight Reserve Forest areas of five Divisions[11], the land was under encroachment for more than 30 to 50 years. Government stated (December 2011) that encroachments were made for cultivation purposes, construction of dwelling huts and houses; the eviction process involved law and order problems; and effective co-ordination among the officials of the Police, Revenue and Forest Departments was necessary. The reply is not acceptable as they are known factors and the extent of eviction made during the years had come down.

GOI, Ministry of Environment and Forest, suggested (May 2002) constitution of a Monitoring Committee under the Chairmanship of Chief Secretary of the State to monitor the forest encroachments. The Committee, constituted (July 2002) by the Government, met only thrice during 2008-11 instead of the prescribed six meetings. Though the Committee issued case-wise recommendations for eviction of encroachments suggesting effective coordination of revenue, police and forest officials at the field level, the progress achieved as compared to the total encroachments was meagre and coming down.

4.1.8.2 Plantation programmes

Tamil Nadu has recorded forest area of 22,877 sq.km. under three categories namely reserve forest[12] – 19,388 sq.km., protected forest[13] – 2,183 sq.km. and un-classified forest[14] – 1,306 sq.km. It was noticed from the Annual Plan documents that nearly half of the forest area in the State is subjected to heavy degradation on account of biotic pressure and that various schemes and programmes of Government were aimed at restoring the degraded forests and expanding the forests outside the Reserve Forest area. Plantations under various plan, non-plan and centrally-sponsored schemes were carried out by the Forest Divisions both inside and outside forest areas.

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10 DFO, Dindigul, Kodaikanal, Namakkal, Perambalur, Theni, Thirupathur, Thiruvallur, Thiruvannamalai, Thiruvarur, Thiruchirappalli, Vellore and Wild Life Warden, Nagapattinam

11 Dindigul, Salem, Theni, Thiruvallur and Vellore

12 Area notified under the provisions of Indian Forest Act or State Forest Act having full degree of protection and unless otherwise permitted, all activities thereon are prohibited

13 Area notified under the provisions of Indian Forest Act or State Forest Act having limited degree of protection and unless otherwise permitted, all activities thereon are prohibited

14 Area recorded as forest but not included in the reserve or protected category.

(i) Increasing forest and tree cover inside the forests

This programme aimed at restoration of the original forest vegetation in the degraded forests, restoration of bio-diversity and increase in productivity of the forests. Tamil Nadu Afforestation Project – Phase II (TAP-II) and National afforestation Programme (NAP) were the main schemes implemented to increase the forest cover within forests.

(ii) Tamil Nadu Afforestation Project – Phase II

TAP-II was being implemented with an outlay of ₹ 567.42 crore consisting of a soft loan of ₹ 409.08 crore from the Japanese International Cooperation Agency and State funds of ₹ 158.34 crore. The main strategy of the project was to treat 1,77,500 hectares of degraded forests in 800 villages including 150 tribal villages through Joint Forest Management on integrated watershed basis in a period of eight years from 2005-06 to 2012-13.

Since the afforestation activities under the project in 1.77 lakh hectares had been completed in 2008-09, only maintenance works in older plantations and other allied works were carried out in 2009-10 and 2010-11. In order to continue and consolidate the gains of the project and to sustain the momentum of the activities, the Government sanctioned ₹ 23.70 crore in 2009-10 from the State funds to benefit 150 villages covering an extent of 31,050 hectares. As soil and moisture conservation works and nursery works were carried out in 2009-10 at a cost of ₹ 23.31 crore, the planting work was taken up during 2010-11 only.

(iii) National Afforestation Programme

National Afforestation Programme (NAP), a people participatory Central scheme was introduced during the Tenth Plan period (2002-07) with the objectives of regeneration and eco-development of degraded forests and adjoining areas on watershed basis and augmentation of fuelwood, fodder and grass availability from the regenerated areas, etc. NAP was implemented by the Joint Forest Management Committees at village level and Forest Development Agencies (FDA) at Divisional level. GOI grants of ₹ 34.87 crore were received during the period 2007-11 by 12 to 32 FDAs. During the first three years of Eleventh Five Year Plan (2007-10) expenditure of ₹ 24.27 crore was incurred for afforestation and allied activities over an area of 12,170 hectares. During 2010-11, restoration of forests over an area of 4,175 hectares involving outlay of ₹ 8 crore was proposed. An expenditure of ₹ 34.14 crore had been incurred as of March 2011.

The increase in forest and tree cover of the State as per the Reports of FSI for 2005 and 2009 was meagre (294 sq. km)

When the year-wise details of targets and area actually covered under the programme were called for in audit, PCCF stated that separate target and achievement details for NAP were not available with the department. It was noticed that three FDAs[15] had an unspent balance of ₹ 63.76 lakh out of grants-in-aid received during 2006-07 and 2007-08 and surrendered

[15] Coimbatore, Kancheepuram and the Nilgiris North

₹ 63.26 lakh to the State Forest Development Agency only in February 2011, after a lapse of three years. PCCF stated (December 2011) that no new works were sanctioned to the three FDAs during the succeeding years as the unspent balance could not be spent by them. The reply is not acceptable since the unspent balance was neither got refunded nor transferred in time to other FDAs for effective utilisation. Despite implementation of the schemes with external assistance, Central funds and State funds, the increase in forest cover was only 294 sq.km. (23,044 sq.km. in 2005 and 23,338 sq.km. in 2009) which worked out to only 0.1 *per cent.*

(iv) Increasing tree cover outside the forest areas

During the Tenth Plan period (2002-07) the department spent ₹ 471.61 crore for social and farm forestry activities with a view to increase the tree cover outside the forest area. The Eleventh Five Year Plan (2007-12) emphasised on resource mobilisation by the States for increasing tree cultivation outside the forest area and Government made an outlay of ₹ 375 crore for the purpose (December 2007).

As against the Eleventh Plan target of seven lakh hectares under the scheme of increasing tree cover outside the forest areas, the achievement was 0.49 lakh hectares (seven *per cent*) only during 2007-11

In order to encourage tree cultivation outside the forests, a programme called Tree Cultivation in Private Lands (TCPL) was launched by Government in 2007-08. The programme involved planting tree seedlings in the holdings of small and marginal farmers and envisaged bringing about seven lakh hectares under tree cover during the Eleventh Plan period and increasing the tree cover considerably outside the traditional forest area. During 2007-11, 3.99 crore seedlings were reported planted in 49,194 hectares of private lands at a cost of ₹ 44.42 crore. The details of physical and financial targets and achievements are given in **Table 7.**

Table 7: Details of target and achievement

Year	Area covered (in ha)	Target (No. of seedlings) (in crore)	Achievement (No. of seedlings) (in crore)	Financial	
				Target (₹ in crore)	Achievement (₹ in crore)
2007-08	11,639	0.750	0.825	10.00	10.00
2008-09	10,441	2.750	1.000	36.58	9.42
2009-10	10,461	5.000	0.910	66.50	10.00
2010-11	16,653	7.500	1.260	99.75	15.00
Total	**49,194**	**16.000**	**3.995**	**212.83**	**44.42**

Source: Details furnished by the Department

As against the Eleventh Plan targeted area of seven lakh hectares and distribution of 25 crore seedlings, the achievement during the four years (2007-11) was 49,194 hectares (seven *per cent*) and four crore (16 *per cent*) seedlings only. As against the outlay of ₹ 375 crore for increasing the tree cover during the Eleventh Plan period, budget provisions of only ₹ 45 crore were made in the four years (2007-11) indicating huge shortfall in provision of funds for the programme. This was due to inadequate resource mobilisation by Government for the purpose. It was noticed that as per the Reports of

Forest Survey of India 2005 and 2009, there was decrease (12 *per cent*) in the estimated tree cover area from 5,621 sq.km. in 2005 to 4,968 sq.km. in 2009, despite spending of ₹ 471.61 crore during the Tenth Plan period (2002-07) on social and farm forestry activities. The overall forest and tree cover of the State also decreased marginally from 28,665 sq.km. in 2005 to 28,306 sq.km. in 2009.

PCCF stated (December 2011) that sufficient funds were not allotted by Government for increasing the tree cover outside the forest area in the Eleventh Five Year Plan. The PCCF further stated that decrease in tree cover outside the forests could be due to harvest of rotation plantations raised in farmlands and other fields. The reply does not give complete picture in view of the fact that for the period 2007-11, PCCF had sent proposals to Government for an amount of ₹ 45 crore only as against the plan allocation of ₹ 212.83 crore for the said period.

4.1.8.3 Low survival of plantations

As per section 44(3) of the Tamil Nadu Forest Department Code, a "Control Journal Register" should be maintained by PCCF indicating the revenue, expenditure on plantations, name of the plantations, village, year of planting, condition of plantations etc. The register which is a key source for deriving the survival percentage of plantations at PCCF Office is to be maintained based on the annual returns received from the Range Officers. It was noticed that the defective returns received from Range Officers and non-consolidation of the data at PCCF office resulted in non-monitoring of the survival rate of plantations at PCCF level.

In 23 out of 26 test-checked divisions,[16] 25,846 plantations were raised (year 1953 onwards) in an area of 7.45 lakh hectares. Out of these plantations, low survival of plants (survival rate of less than 40 *per cent*) in 15,228 plantations raised in an area of 3.30 lakh hectares (zero to 20 *per cent* in 11,488 plantations and 20 to 40 *per cent* in 3,740 plantations) was noticed. While Government *inter-alia* attributed (December 2011) biotic interference and inappropriate selection of site and species for low survival, the DFOs attributed non-allotment of funds for maintenance of the plantations after three years from raising and increase in human/cattle population. The reply given in general term is not acceptable as the survival rate was below the norms and as per the prescribed procedure, feasibility of raising the plantations in suitable areas was to be ensured before carrying out the planting programmes.

4.1.8.4 Forestry Research

Forestry Research wing of the Department had identified certain thrust areas such as bio-diversity conservation, silviculture, environmental management, tree improvement, afforestation programmes, forest utilisation, medicinal plant

[16] DFO, Dindigul, Erode, Kallakurichi, Kodaikanal, Madurai SF, Namakkal, Ooty North, Perambalur, Salem, Salem MSCS, Satyamangalam, Sirumalai IFF, Thanjavur, Theni, Tirunelveli, Thiruvallur, Thirupathur, Thirupathur RFWD, Thiruvannamalai AFF, Thiruvannamalai, Thiruchirappalli, Thiruchirappalli SF and Vellore.

conservation, soil nutrient management and organic tree farming and agro forestry. The objective of forestry research is to enhance forest conservation and to improve productivity, thereby producing more goods and services for the benefit of people. Experiments are being conducted to find out the best species and most suitable regeneration techniques for different climatic and soil conditions. As reported (June 2011) by the COF (Research), State Forestry Research Institute, Kolapakkam, Chennai the achievements of Research units were standardisation of bio-fertilizers, techniques for raising tall seedlings for forest species, cultivation practices, identification of suitable tree species for pollution abatement, etc. As against the Tenth Plan provision of ₹ 87.02 crore for research activities, the department spent (2002-07) a meagre amount of ₹ 7.43 crore only. Even though ₹ 26.03 crore was allocated for research and Geographical Information System in the Eleventh Plan (2007-12), the department provided total budget provision of ₹ 11.06 crore only during 2007-11. The reasons for shortfall in provision of funds for research were not stated.

4.1.9 Implementation of Centrally Sponsored Schemes

Thirty-three fully funded centrally sponsored schemes (CSS) and seven schemes shared between the Central and State Governments were being implemented by the department. During the period 2008-11, ₹ 43.91 crore and ₹ 22.64 crore were spent on CSS and shared schemes respectively by the department. Audit findings on implementation of one of the CSS are given below:

4.1.9.1 Integrated Development of Wild Life Habitats

The PCCF proposed (June 2008) to Government for acquiring patta lands of 592.17 acres in Moyar valley (515.22 acres) and Kallar Jaccanari village (76.95 acres) in the Nilgiris at a total cost of ₹ 19.36 crore for formation of two elephant corridors to facilitate migration of elephants from Western Ghats to Eastern Ghats and *vice-versa* and to avoid man-animal conflict in and around the proposed corridor. When the proposal was forwarded (November 2008) by Government seeking release of ₹ 10 crore as first instalment of fund, GOI requested (December 2008) Government to re-examine whether the grant could be utilised within three months of the financial year. Based on a commitment (December 2008) given by Government, which was based on the assurance given by PCCF to spend ₹ 4 crore within the year, GOI sanctioned (March 2009) ₹ 4 crore as first instalment for the scheme and released (March 2009) ₹ 3.25 crore. However, the grant was released by Government to the District Collector, Nilgiris in January 2011 only, after a delay of 22 months. Out of the above grant, an amount of ₹ 62.50 lakh only was spent (March 2011) by the District Collector towards acquisition of land measuring 13.49 acres. The remaining lands identified were not acquired by the District Collector (July 2011) as the lands were not free from encumbrances. The failure of Government to assess the feasibility of acquisition of the lands and the PCCF's failure to ensure that the land identified (May 2008) was free from encumbrances before giving commitment to GOI, had led to idling of

₹ 2.63 crore. Besides, the land acquired at a cost of ₹ 62.50 lakh could not be put to the intended use due to non-acquisition of the remaining lands. During the exit conference, the Principal Secretary to Government, Environment and Forests Department stated that encumbrances were noticed and many dwellers who were earlier willing for resettlement had gone against their commitment and that the matter would be resolved soon.

4.1.10 Human Resources Management

4.1.10.1 Vacancy of posts

Against 6,100 sanctioned posts under the field staff and ministerial staff categories as on 31 March 2011, the department had 5,261 men-in-position leaving 839 posts of various categories vacant. Important posts like Range Officers, Foresters, Forest Guards and Forest watchers who are instrumental for carrying out the forestry activities were lying vacant during the review period of 2008-11.

The vacancies in technical posts in 29 test-checked divisions[17] ranged between four and 51 *per cent*. PCCF stated (July 2011) that the vacancies in the technical posts were due to non-allotment of Forest Rangers by the Tamil Nadu Public Service Commission and stay order from the High Court of Madras for filling up of the vacancies in Forester category and that filling up of vacancies in Forest Guard category was under process.

4.1.10.2 Training of staff

The Tamil Nadu Forest Academy at Coimbatore conducts refresher courses and short duration courses to Indian Forest Service Officers, Rangers and Foresters. It was noticed that as against the target of 590 Rangers to be given in-service training, only 430 Rangers (73 *per cent*) were trained and as against the target of 1,010 Foresters (who were appointed during 2009) to be given compulsory six-month training, only 666 Foresters (66 *per cent*) were trained. The shortfall was attributed to lack of sufficient infrastructural facilities in the Academy.

PCCF stated (December 2011) that out of 590 Rangers, 54 Rangers were not trained for the reason that they had crossed 53 years of age. Further, with regard to training of Foresters, PCCF stated that 292 of them were trained in 2011-12 and the number of the foresters to be trained were 130 only.

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[17] DFOs Chennai (Urban forestry), Dindigul, Erode, Kallakurichi, Kodaikanal, Krishnagiri (Interface Forestry), Madurai (Social Forestry), Namakkal, Ooty (North), Perambalur, Salem (Mettur Soil conservation), Sathyamangalam, Sirumalai, Thiruvarur, Thanjavur, Theni, Thiruchirappalli, Tirunelveli, Thirupathur, Thiruvallur, Thiruvannamalai, Thiruvannamalai (Afforestation), Vellore Divisional forest Office, Thiruchirappalli (Social Forestry), Thirupathur (RFW), Wild Life Warden, Nagapattinam, Deputy Director/WLW, Kallakad, Anamalai and Mudumalai Tiger Reserves.

The Tamil Nadu Forestry Training College at Vaigai Dam imparts in-service training to different categories of subordinate staff (Forest Guards and Forest Watchers). The compulsory six-months training to 609 Forest Guards appointed during 2006 and 2007 was not yet given. The shortfall was attributed to lack of sufficient infrastructural facilities in the college. PCCF stated (December 2011) that 260 forest guards were trained in 2011-12.

4.1.11 Internal control

4.1.11.1 Arrears in internal audit

Annual internal audit of all the 111 units for the year 2010-11 was not conducted by the Department.

PCCF stated (December 2011) that annual audit plan for the units would be drawn up and the audit taken up.

4.1.11.2 Pendency in clearance of internal audit objections

1,773 internal audit paragraphs were pending clearance as on 31 March 2011 and the pendency related to the year 1986-87 onwards. Out of the 1,773 outstanding paragraphs, 1,318 paragraphs were pending for more than five years and 140 paragraphs were pending for more than 10 years. PCCF stated (December 2011) that the pendency had been reduced during 2011-12 from 1,773 to 1,440 and the number of paragraphs pending for more than 10 years had also reduced to 78.

4.1.11.3 Response to Audit

The Principal Accountant General (Civil Audit), Tamil Nadu conducts test check of records maintained by the head of the administrative department and subordinate officers under his control. First replies to the observations as a result of test check communicated through Inspection Reports (IRs) were to be furnished within four weeks. A half-yearly report on pending paragraphs of IRs is also sent to the Secretary to facilitate monitoring of the action taken on the observations. Position of the outstanding paragraphs of IRs issued upto May 2011 and pending at the end of November 2011 is given in **Table 8.**

Table 8: Details of the pending IRs and paragraphs

Year of Report	Number of Inspection Reports	Number of paragraphs
2004-05	1	1
2005-06	11	14
2006-07	17	33
2007-08	42	78
2008-09	42	92
2009-10	48	123
2010-11	74	293
Total	**235**	**634**

Source: Details collected from Inspection Reports of the Department

The pendency of 71 IRs and 126 paragraphs for a period over three years showed the department's slackness in response to audit observations.

4.1.12 Monitoring and Evaluation

Monitoring and evaluation provide the means for scheme managers, planners and decision makers to track the progress of implementation of various schemes in the sector. The deficiencies noticed in monitoring are given below:

4.1.12.1 Shortfall in number of meetings of the State Board for Wildlife

The Wildlife Protection Act, 1972, (Section 7) stipulates that the State Board for Wild Life should meet at least twice a year under the chairmanship of the Minister for Forests and Principal Chief Conservator of Forests, Chief Wildlife Warden and other officers as members. The main role of the Board was to advise the State Government on the selection and management of protected areas, formulation of policy for protection and conservation of wildlife and specified plants and measures to be taken for harmonising the needs of the tribal and other dwellers of the forest. The State Board met only once during the period of 2008-11 in 2009-10 as against the target of six meetings during the period. PCCF stated (December 2011) that the shortfall in the conduct of meetings was due to administrative reasons and that recommendations of the meeting held in July 2009 were communicated to the Divisions concerned for implementation and necessary proposal submitted to GOI. However, due to non-convening of the subsequent meetings even after two years, the action taken by the implementing units or the status of the proposals submitted to GOI could not be followed up by the department and thus the Board's monitoring was ineffective.

4.1.12.2 Inadequate Monitoring by PCCF

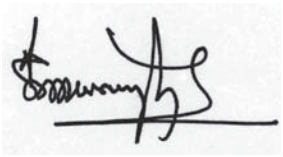
The PCCF was required to have a consolidated database of the activities such as survival rate of plantations, arrears of lease rent, implementation of schemes, etc., so as to monitor the position/progress periodically. However, the PCCF did not have such database and consequently these aspects remained poorly monitored at PCCF level.

4.1.13 Conclusion

The State has not prepared its own forest policy. Poor budgeting and huge surrender of funds were noticed. There was reduction in capital expenditure showing that adequate priority was not given for asset creation. The progress of land settlement was tardy. There have been large-scale encroachments that remained to be evicted. The increase in forest cover in the State during the period between 2005 and 2009 was only marginal and the tree cover in the State actually declined marginally in 2009 when compared to 2005.

4.1.14 Recommendations

- Efforts should be made to formulate the State specific Forest Policy for effective management of the forests of the State.
- The existing controls pertaining to preparation of budget and incurring of expenditure need to be strengthened to avoid large scale re-appropriation and surrender of funds in the year end.
- Notification of the lands as reserve forests needs to be expedited.
- The eviction of forest encroachments should be given priority.
- Execution of the schemes for increasing tree cover outside the forest area, formation of elephant corridors etc., need to be expedited.



Chennai
The

(S. MURUGIAH)
Principal Accountant General (Civil Audit)
Tamil Nadu and Puducherry

Countersigned



New Delhi
The

(VINOD RAI)
Comptroller and Auditor General of India

Appendix 2.1

(Reference: Paragraph 2.1.1; Page 12)

Scale of entitlement of PDS commodities as fixed by Government of Tamil Nadu

(1) Scale at which rice is supplied

Number of persons (units) in the family	1	1.5	2	2.5	3
Entitled quantity of rice as fixed by Government of Tamil Nadu	12 kg	14 kg	16 kg	18 kg	20 kg

AAY card: 35 kg irrespective of number of members in the family.

(2) Sugar

(i) 500 grams per head subject to a maximum of 2 kg for rice cards

(ii) 5 kg of sugar for non-rice cards (Sugar Cards)

(3) Wheat - 10 kg in Chennai city / District headquarters and 5 kg in other areas.

(4) Kerosene

Place	Cards existing prior to 2004		New cards issued after 2004	
	Without LPG connection	Single LPG cylinder	Without LPG connection	Single LPG cylinder
	(litres per month per card)			
Chennai city / District headquarters	10 (15)	3	5	3
Other Municipalities	6 (15)	3	5	3
Township / Town Panchayats	5 (10)	3	5	3
Village panchayats	3 (10)	3	3	3

Figures within brackets indicate entitlement for the Nilgiris District; Cardholders having two LPG connections are not entitled to kerosene

Appendix 2.2

(Reference: Paragraph 2.1.5; Page 13)

(a) List of offices and sample districts covered

At Government and State level			In sample districts	
Secretariat	Co-operation, Food and Consumer Protection Department			
Heads of Department	Commissioner of Civil Supplies and Consumer Protection, Chennai		Deputy Commissioner / DSO	Taluk Supply Officer
	Registrar of Co-operative Societies, Chennai		Joint Registrars (PDS) 1 and 2 in Chennai and Deputy Registrars (PDS) in other districts	
	Additional Director General of Police (Civil Supplies – CID) , Chennai		Units: Chennai, Coimbatore, Erode (for Karur), Thanjavur (for Pudukottai), Tirunelveli, Thoothukudi and Dindigul	
Sample districts	1. Chennai North	2. Chennai South	The sample districts were selected through 'simple random sampling without replacement' method. In each district, 3 taluks (selected by the same method) were test-checked; list of the sample taluks is given in (b) below.	
	3. Coimbatore	4. Dindigul		
	5. Karur	6. Pudukottai		
	7. Tirunelveli	8. Thoothukudi		
Fair price shops	In each sample taluk, 4 shops were test-checked.			

(b) List of sample taluks

Sample district	Names of sample taluks		
Chennai North	Ambattur	Anna Nagar	Villivakkam
Chennai South	Chepauk	Mylapore	Thyagaraya Nagar
Coimbatore	Assistant Rationing Officer - II Coimbatore	Coimbatore South	Pollachi
Dindigul	Oddanchathiram	Palani	Natham
Karur	Aravakurichi	Karur	Krishnarayapuram
Pudukottai	Alangudi	Aranthangi	Kulathur
Thoothukudi	Ottapidaram	Thiruchendhur	Thoothukudi
Tirunelveli	Ambasamudram	Palayamkottai	Sankarankoil

Appendix 3.1

(Reference: Paragraph 3.1.2; Page 51)

Details of funds released to Forest Development Agencies (FDAs)

Sl.No.	Implementing Agency	Name of the District	Funds released by DRDA (₹ in lakh)	Funds utilised (₹ in lakh)
1.	FDA, Kancheepuram	Kancheepuram	45.00	45.00
2.	FDA, Thiruvallur	Thiruvallur	45.00	45.00
3.	FDA, Vellore	Vellore	36.00	36.00
4.	FDA, Thiruvannamalai	Thiruvannamalai	36.00	36.00
5.	FDA, Thirupattur	Vellore	30.00	30.00
6.	FDA, Nagapattinam	Nagapattinam	4.00	6.90
7.	FDA, Pudukottai	Pudukottai	36.00	35.17
8.	FDA, Thiruchirappalli	Thiruchirappalli	30.00	29.98
9.	FDA, Thanjavur	Thanjavur	10.00	9.99
10.	FDA, Salem	Salem	36.00	35.82
11.	FDA, Attur	Salem	36.00	36.00
12.	FDA, Namakkal	Namakkal	36.00	36.00
13.	FDA, Sathyamangalam	Erode	24.00	22.72
14.	FDA, Erode	Erode	30.00	30.00
15.	FDA, Coimbatore	Coimbatore	36.00	29.58
16.	FDA, Anamalai	Coimbatore	36.00	16.21
17.	FDA, Karur	Karur	30.00	30.00
18.	FDA, Hosur	Krishnagiri	60.00	59.97
19.	FDA, Dharmapuri	Dharmapuri	36.00	36.00
20.	FDA, Kallakurichi	Villupuram	30.00	29.07
21.	FDA, Villupuram	Villupuram	30.00	30.00
22.	FDA, Kodaikanal	Dindigul	30.00	30.00
23.	FDA, Dindigul	Dindigul	12.00	12.00
24.	FDA, Madurai	Madurai	30.00	27.23
25.	FDA, Theni	Theni	35.10	35.10
26.	FDA, Srivilliputhur	Virudhunagar	30.00	29.98
27.	FDA, Sivaganga	Sivaganga	24.00	24.00
28.	FDA, Thoothukudi	Thoothukudi	30.00	3.60
29.	FDA, Tirunelveli	Tirunelveli	36.00	6.80
30.	FDA, Kanyakumari	Kanyakumari	0.58	0.58
	Total		**919.68 or ₹ 9.20 crore**	**834.70 or ₹ 8.35 crore**

Appendix 3.2

(Reference: Paragraph 3.1.5; Page 57)

The district-wise expenditure details of the beneficiaries during 2007-08 to 2009-10

Sl.No.	Name of the District	Total number of beneficiaries	Number of beneficiaries to whom milch animals, goats, sheeps and bullock were provided	Expenditure (in ₹)
1.	Thiruvannamalai	193	193	28,95,000
2.	Thiruvarur	113	65	9,35,000
3.	Theni	227	205	24,43,000
4.	Villupuram	223	182	27,10,000
5.	Dharmapuri	136	133	19,70,000
6.	Virudhunagar	117	117	14,05,000
7.	Nagapattinam	108	38	5,70,000
8.	Krishnagiri	163	122	18,30,000
9.	Vellore	189	169	25,15,000
10.	Erode	171	149	18,30,000
11.	Coimbatore	33	33	4,95,000
12.	Madurai	118	106	16,20,000
13.	Ramanathapuram	95	33	3,30,000
14.	Thiruchirappalli	136	132	18,56,000
15.	Ariyalur	592	592	88,80,000
16.	Perambalur	80	80	11,60,000
17.	Tiruppur	113	110	13,64,000
18.	Udhagamandalam	14	4	55,000
19.	Tirunelveli	172	151	17,85,000
20.	Namakkal	723	687	71,25,000
21.	Thiruvallur	147	44	5,55,000
22.	Pudukottai	121	108	13,39,000
23.	Thanjavur	260	205	30,75,000
24.	Karur	172	151	16,15,000
25.	Thoothukudi	91	88	10,65,000
	Total	**4,507**	**3,897**	**5,14,22,000 (or) 5.14 crore**

Appendix 3.3

(Reference: Paragraph 3.4.3; Page 70)

Year-wise position of the outstanding Inspection Reports and Audit Paragraphs

Year	Inspection Reports	Audit Paragraphs
Upto 2006-07	499	807
2007-08	610	1,366
2008-09	882	2,488
2009-10	1,375	5,160
2010-11 (issued upto September 2010)	763	3,951
Total	**4,129**	**13,772**

Appendix 3.4

(Reference: Paragraph 3.4.3; Page 70)

Statement showing the number of Inspection Reports for which first reply not received

Sl. No.	Department	Inspection Reports	Audit Paragraphs
1.	Public	4	19
2.	Adi Dravidar and Tribal Welfare	4	64
3.	Agriculture	36	122
4.	Animal Husbandry, Dairying and Fisheries	23	94
5.	Backward Classes, Most Backward Classes and Minorities Welfare	2	22
6.	Environment and Forests	10	46
7.	Finance	3	15
8.	Handlooms, Handicrafts, Textiles and Khadi	7	44
9.	Health and Family Welfare	30	157
10.	Higher Education	9	56
11.	Home, Prohibition and Excise	10	28
12.	Industries and Commerce	14	64
13.	Information Technology	1	1
14.	Labour and Employment	1	2
15.	Law	53	159
16.	Planning, Development and Special Initiatives	5	18
17.	Revenue	22	141
18.	School Education	15	69
19.	Social Welfare and Nutritious Meal Programme	66	254
20.	Tamil Development, Religious Endowments and Information	14	48
21.	Tourism and Culture	12	36
22.	Housing and Urban Development	3	18
23.	Personnel and Administrative Reforms	1	3
24.	Registration and Commercial Taxes	1	3
25.	Information and Public Relations	1	3
26.	Co-operation, Food and Consumer Protection Relations	6	16
	Total	**353**	**1,502**

Appendix 3.5

(Reference: Paragraph 3.4.3; Page 71)

Audit observations pending settlement as of March 2011

I Backward Classes, Most Backward Classes and Minorities Welfare Department

(₹ in lakh)

Sl.No.	Nature of observation	No. of Paragraphs	Amount
1.	Government funds lying idle	4	4,948.25
2.	Delay in construction of hostel buildings resulted in escalation of cost and payment of rent	20	1,667.45
3.	Locking up of funds	1	858.11
4.	Drawal of funds far in advance and surrender of the same	6	554.11
5.	Non-collection of interest/principal	2	78.11
6.	Avoidable expenditure due to delay in land acquisition	1	60.26
7.	Inadmissible payment	9	242.98
8.	Unfruitful expenditure on free allotment of house site pattas	7	8,215.29
9.	Unspent amount kept in Personal Deposit Account	1	248.00
10.	Non-distribution of sewing machines/iron boxes	6	65.01
	Total	**57**	**16,937.57**

II Animal Husbandry, Dairying and Fisheries Department

(₹ in lakh)

Sl.No.	Nature of observation	No. of Paragraphs	Money value
(a) Animal Husbandry			
1.	Temporary advances not adjusted	9	7,853.40
2.	Usage of banned medicines	6	238.66
3.	Non-adjustment of ASCAD advances	6	206.65
4.	Non-adjustment of drug advance with Tamil Nadu Medical Services Corporation	7	69.40
5.	Locking-up of Government funds	11	834.68
6.	Non-adjustment of Avian Influenza compensation	1	50.00
7.	Non-functioning of Regional Diseases Diagnostic Lab	2	80.40
8.	Poultry farm at Kattukuppam not taken-up	1	34.00
9.	Delay in setting up of BS Lab	1	18.00
10.	Non-remittance of accrued interest into Government account	3	24.69
11.	Rush of expenditure	2	73.52
12.	Slow progress in implementation of Centrally Sponsored Scheme	3	249.59
13.	Non-utilisation of Revolving Fund	1	15.00

Sl.No.	Nature of observation	No. of Paragraphs	Money value
14.	Non-collection of rent	1	29.75
15.	Overpayment due to non-observation of Government instructions	1	19.11
16.	Diversion of funds	3	356.64
17.	Non-functioning of buildings/equipment	13	123.04
(b) Dairying Department			
18.	Non-recovery of loans	11	88.32
19.	Incorrect payment of electricity tax	1	6.59
20.	Infructuous expenditure on account of grant of assistance to District Co-operative Milk Union, Cuddalore and Villupuram	1	400.00
21.	Delay in implementation of NADP scheme	1	903.25
22.	Non-realisation of revenue	1	109.00
23.	Huge amount pending in Savings Bank account	1	24.03
24.	Accumulated loss	2	942.39
(c) Fisheries Department			
25.	Non-utilisation of funds	6	1,171.10
26.	Loan pending collection from fish farmers	3	28.06
27.	Locking-up of funds	4	362.43
28.	Wasteful expenditure on purchase of feed mill	2	8.35
29.	Insurance claims pending under tsunami relief	2	805.35
30.	Non-realisation of royalty on fishing farm	1	68.33
31.	Non-utilisation of patrol boats	1	503.42
32.	Distribution of excess life jackets to non-tsunami affected persons	1	369.00
33.	Non-remittance of unspent amount	1	598.35
34.	Objective not achieved due to non-functioning of seed farm fish farmers	1	27.46
35.	Amount held up with DRDA due to non-construction of houses under Fishermen Free Housing Scheme	3	242.12
36.	Wasteful expenditure in construction of fish landing centre	3	52.44
37.	Non-collection of contribution from beneficiaries	1	58.44
38.	Non-disposal of boats (MV Muthu)	1	89.99
	Total	**119**	**17,134.95**

III Environment and Forests Department

(₹ in lakh)

Sl.No.	Nature of observation	No. of Paragraphs	Money value
1	Avoidable/infructuous /excess expenditure	23	166.71
2	Recovery from contractors	4	58.77
3	Miscellaneous irregularities/objections with money value	22	5,940.44
	Total	**49**	**6,165.92**

Abstract

(₹ in lakh)

Sl.No.	Name of the Department	No. of Paragraphs	Amount involved
1	Backward Classes, Most Backward Classes and Minorities Welfare	57	16,937.57
2	Animal Husbandry, Dairying and Fisheries	119	17,134.95
3	Environment and Forests	49	6,165.92
	Total	**225**	**40,238.44**

Appendix 3.6

(Reference: Paragraph 3.5.1.4; Page 73)

Shortage of Manpower

Name of the GH	Requirement		Men in position	
	Orthopaedic	Anaesthetist	Orthopaedic	Anaesthetist
Cuddalore	5	3	3	3
Melur	3	3	1	1
Namakkal	5	2	1	2
Omalur	4	2	1	1
Padmanabapuram	3	2	1	-
Tambaram	3	3	1	2
Tenkasi	3	2	2	2
Wallajah	4	2	1	-
Total	**30**	**19**	**11**	**11**

Appendix 3.7

(Reference: Paragraph 3.5.1.5; Page 73)

In-patient deaths in AECCs

Sl.No.	Name of the GH	2008-09	2009-10	2010-11	Total
1.	Cuddalore	48	55	46	149
2.	Namakkal	82	78	86	246
3.	Omalur	-	-	3	3
4.	Padmanabapuram	19	26	32	77
5.	Perambalur	56	70	77	203
6.	Tambaram	4	36	50	90
7.	Tenkasi	63	62	86	211
	Total A				**979**

		2008	2009	2010	2011	Total
8.	Melur	3	3	13	6	25 (upto April 2011)
9.	Villupuram	68	70	168	66	372 (upto June 2011)
	Total B					**397**
	Total A + B					**1,376**

Appendix 4.1

(Reference: Paragraph 4.1.5; Page 79)

Sample Units

1. Secretary to Government (Environment & Forests Department)
2. Principal Chief Conservator of Forests (Head of Forests Force & Chief Wildlife Warden)
3. District Forest Officer, Chennai Urban Forestry
4. District Forest Officer, Dindigul
5. District Forest Officer, Erode
6. District Forest Officer, Kallakurichi
7. District Forest Officer, Kodaikanal
8. District Forest Officer, Krishnagiri (Interface Forestry)
9. District Forest Officer, Madurai (Social Forestry)
10. District Forest Officer, Namakkal
11. District Forest Officer, Udagamandalam (North)
12. District Forest Officer, Perambalur
13. District Forest Officer, Salem (Mettur Soil Conservation Scheme)
14. District Forest Officer, Salem
15. District Forest Officer, Sathyamangalam
16. DFO/IFF Sirumalai, Dindigul
17. District Forest Officer, Tiruvarur
18. District Forest Officer, Thanjavur
19. District Forest Officer, Theni
20. District Forest Officer, Thiruchirappalli
21. Divisional Forest Officer, Thiruchirappalli (Social Forestry)
22. District Forest Officer, Tirunelveli
23. District Forest Officer, Tirupathur
24. Divisional Forest Officer, Tirupathur (RFW)
25. District Forest Officer, Tiruvallur
26. District Forest Officer, Tiruvannamalai
27. District Forest Officer, Tiruvannamalai (Afforestation)
28. District Forest Officer, Vellore
29. Wild Life Warden, Nagapattinam
30. Deputy Director/Wildlife Warden, Kalakkad Tiger Reserve
31. Deputy Director, Anamalai Tiger Reserve
32. Deputy Director, Mudumalai Tiger Reserve
33. Conservator of Forest, Dharmapuri
34. Conservator of Forest, Dindigul
35. Conservator of Forest, Madurai
36. Conservator of Forest, Vellore
37. Conservator of Forest, Virdhunagar
38. Conservator of Forest, Research, Kolapakkam
39. Conservator of Forest, Working Plan Circle, Salem
40. Forest Engineer, Thiruchirappalli
41. Additional Principal Chief Conservator of Forests, Tamil Nadu Forest Academy, Coimbatore
42. Forest Extension Officer, Tirunelveli

Appendix 4.2

(Reference: Paragraph 4.1.7.6 (ii) ; Page 85)

Re-appropriations and savings

(₹ in lakh)

Sl.No.	Head of Account	Details of Account	Revised Estimate	Re-appro-priated amount	Final Modified Grant	Actual Expendi-ture	Savings
(1)	(2)	(3)	(4)	(5)	(6)=(4)+(5)	(7)	(8) = (6)-(7)
2008-09							
1.	2406-01-101-AA	Upkeep of departmental animals	124.91	20.53	145.44	118.04	27.40
2.	2406-01-101-AJ	Nature conservation	85.41	2.41	87.82	74.99	12.83
3.	2406-01-105-AE	Removal of sandalwood by Government Agency	108.71	3.27	111.98	103.21	8.77
4.	2406-01-800-AB	Forest protection	118.04	7.89	125.93	109.50	16.43
5.	2406-02-110-AC	Enforcement of Wild Life protection Act, 1972	85.50	2.94	88.44	78.66	9.78
6.	2406-02-110-UE	Tiger Reserve Scheme	308.21	69.62	377.83	297.04	80.79
2009-10							
7.	2406-01-003-AA	Training of staff	140.68	18.38	159.06	121.18	37.88
8.	2406-01-101-AD	Other items	120.59	6.96	127.55	116.34	11.21
9.	2406-01-102-AP	Pulpwood plantation	359.94	31.06	391.00	345.47	45.53
10.	2406-01-102-PE	TAP funded by JBIC	2996.79	31.42	3028.21	2909.13	119.08
11.	2406-01-105-AC	Removal of timber by Government Agency	145.59	53.78	199.37	130.54	68.83
2010-11							
12.	2406-01-001-AD	Strengthening of Direction and Administration	274.96	7.52	282.48	265.39	17.09
13.	2406-01-105-AE	Removal of sandalwood by Government agency	189.02	8.36	197.38	113.10	84.28
14.	2406-02-110-AC	Enforcement of Wild Life Protection Act, 1972	107.86	3.1	110.96	104.30	6.66

Appendix 4.3

(Reference: Paragraph 4.1.7.6 (iii); Page 85)

Huge Savings

(₹ in lakh)

Sl. No.	Head of Account	Details	Original + Supplementary grants	Expenditure	Savings	Percentage
2008-09						
1.	4406-02-111-JH	Improvements to Night Safari Scheme in AAZ Park, Vandalur	477.33	111.97	365.36	77
2.	4406-02-110-SA	Tiger Reserve Scheme	530.30	358.91	171.39	32
3.	4406-01-070-JE	Grant-in-aid - 12th Finance Commission	566.25	425.40	140.85	29
2010-11						
1.	4406-01-105-JB	Teak Plantation	1037.43	899.74	137.69	13
2.	4406-01-800-UA	Integrated Forest protection	400.00	249.28	150.72	38
3.	4406-02-110-SE	Conservation and management of Mangroves	358.62	146.38	212.24	59
4.	4406-01-070-JF	Maintenance of Forest- Grant-in-aid – 13th Finance Commission	1781.00	682.45	1098.55	62
5.	4406-01-101-SA	Establishment of Gulf of Mannar Biosphere Reserve	360.43	87.40	273.03	76
6.	4406-02-111-JH	Improvements to Night Safari Scheme in AAZ Park, Vandalur	401.88	..	401.88	100

Appendix 4.4

(Reference: Paragraph 4.1.7.6 (iv); Page 85)

Persistent Savings

(₹ in lakh)

Year	Head of Account	Original + Supplementary grants	Expenditure	Savings/ Surrender	Percentage
2008-09	4406-01-800-UA Integrated Forest Protection	745.51	392.59	352.92	47
2010-11		400.00	249.28	150.72	38
2008-09	4406-02-110-SE Conservation and Management of Mangroves	156.35	125.08	31.27	20
2009-10		326.02	118.83	207.19	64
2010-11		358.62	146.38	212.24	59
2008-09	4406-01-070-AA Forest Development Fund Scheme – Compensatory Plantation	137.60	5.00	132.60	96
2009-10		186.60	70.45	116.15	62