CHAPTER II

2 Chief Controlling Officer Based Audit on Agriculture Department

Executive Summary

Tamil Nadu is an agrarian State and 45 *per cent* of the population depends on agriculture for the livelihood. However, the net area under cultivation had reduced from 50.62 lakh hectares in 2007-08 to 49.54 lakh hectares in 2010-11. The productivity of most of the crops has stagnated since 1990 despite incurring ₹ 1,487 crore on plan schemes of agricultural production during the period 2009-12. The Government of Tamil Nadu in its Eleventh Five Year Plan (2007-12) aimed to achieve four *per cent* increase in agricultural production but ended up with only 1.1 *per cent* increase with negative growth during 2007-09. Given this background, we took up Audit between April and September 2012 of major schemes implemented and the functioning of Agriculture Department during the period 2009-10 to 2011-12.

Planning

The Government did not formulate any long-term plans to identify critical areas for agricultural development. Government prepared its policy notes on annual basis in a routine manner without considering the inputs of field offices on local needs. There was no control over the conversion of agricultural lands for other purposes, largely due to lack of co-ordination between Agriculture and Revenue Departments. Consequently, the area under fallow lands increased from 24 lakh hectares in 2007-08 to 25.95 lakh hectares in 2010-11.

Implementation of the schemes

The 'Soil Health Scheme' intended to improve the yield and to reduce fertiliser was not effectively implemented. The State Seed Farms could achieve supplying quality seeds only upto 29 *per cent* of the required quantity and for balance of quantity, the farmers relied on costlier private sources.

The production of bio-fertilisers suffered due to inability of the Department to provide required infrastructure. Delay in communication of test results of the seed sampled led to sale of sub-standard seeds worth ₹ 3.54 crore in the market. The National Agricultural Insurance Scheme lacked control and monitoring. Excess premium amount of ₹ 2.59 crore collected by the nodal bank was not returned to the farmers. Compensation to the tune of ₹ 1.11 crore payable to the farmers whose lands were affected by natural calamity was not paid due to the submission of incorrect declaration by the bank.

There were instances of submission of bogus insurance claim to the extent of ₹ 25.28 crore by manipulating the records on ownership of agricultural lands at the village level.

Due to execution of an unviable scheme on cultivation of Jatropha plantations an expenditure of ₹ 1.80 crore became unfruitful.

Internal control and Monitoring

The control and monitoring of implementation of the schemes by the Department was deficient as was evident from the fact that there were instances of rush of expenditure at the fag end of the financial year and drawal of funds far ahead of the requirement.

2.1 Introduction

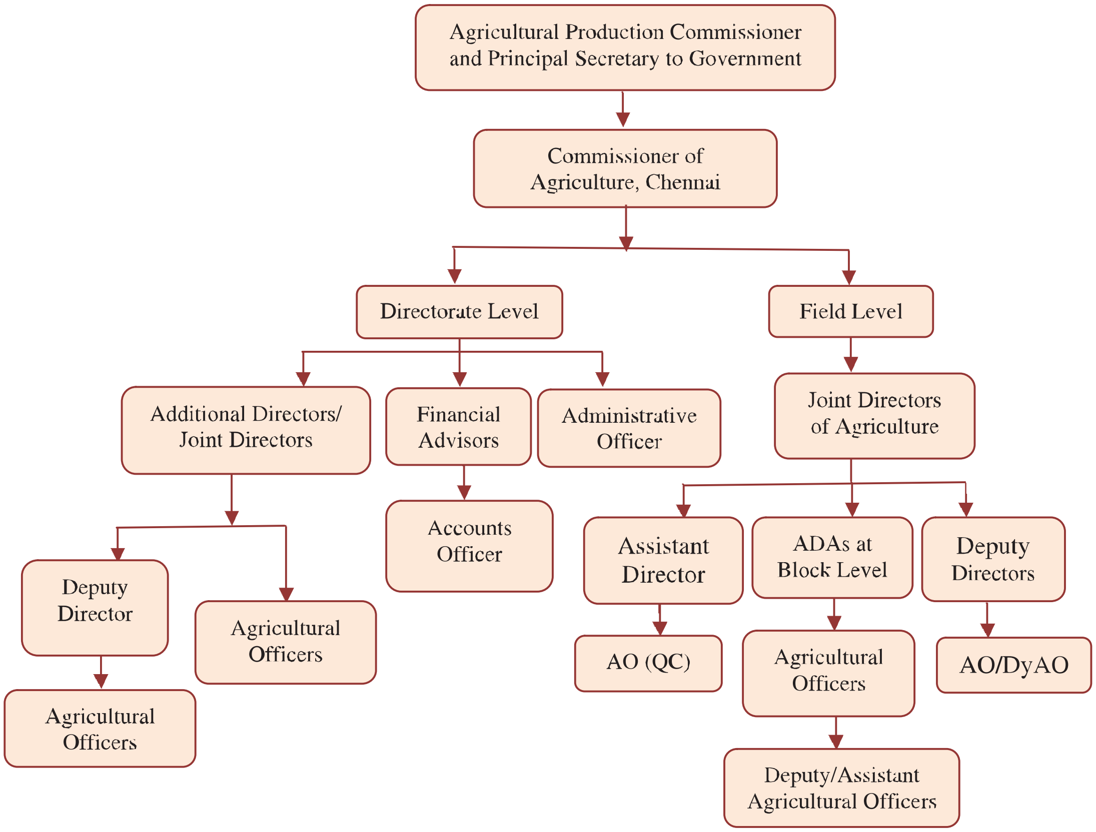
Tamil Nadu is an agrarian State. Out of the total geographical area of 130.33 lakh hectares in the State, 57.53 lakh hectares (44 *per cent*) was cultivable land. Approximately 52 *per cent* of the population of the State lives in rural areas (as per Census 2011) while 45 *per cent* of the population depends on agriculture for their living and livelihood. Rice has been the main crop of the State constituting 33.1 *per cent* of the cultivable area. Agriculture is still regarded as the mainstay of the State's economy.

The broad objective of the State Agriculture Department is to increase agricultural production and productivity as well as farmer's welfare. Keeping in line with Eleventh Five Year Plan period, the State aimed at achieving a growth rate of four *per cent* in the agriculture sector on a sustainable basis and enhancing productivity of important crops. Some of the major Centrally Sponsored Schemes under implementation in the State were National Agriculture Development Programme (NADP), Seed Village Scheme (SVS), National Food Security Mission (NFSM) *etc*., and the Shared Schemes included National Agricultural Insurance Scheme (NAIS). The State Sponsored Schemes concentrate on Procurement and distribution of paddy and millet seeds, Crop and plant protection scheme, Scheme for increasing production of oil seeds *etc*.

2.2 Organisational setup

The Agricultural Production Commissioner and the Principal Secretary is the Chief Controlling Officer (CCO) of the Agriculture Department. The Commissioner of Agriculture (COA) is the Functional Head and Controlling Officer (CO) of the Agriculture Department. The Commissioner is assisted by Additional Directors, Joint Directors of Agriculture (JDA), Deputy Directors of Agriculture (DDA) and Agricultural Officers (AO) at the Commissionerate. The planning, execution and monitoring of different schemes in the State are entrusted to the Additional/Deputy Directors. At district level, each district is headed by a JDA who is assisted by Deputy Director and AO. At block level, the Assistant Directors of Agriculture (ADA) are assisted by AO/Deputy Agricultural Officers (DAO) and Assistant Agricultural Officers (AAO). At block level, there are 379 Drawing and Disbursing Officers (DDO) in the cadre of ADA.

The Organisational chart of the Agriculture Department is given below:



2.3 Reasons for selection of the Department

The net area under cultivation had reduced from 50.62 lakh hectares in 2007-08 to 49.54 lakh hectares in 2010-11 despite incurring an expenditure of ₹ 1,487 crore on plan schemes during the period 2009-12. Moreover, out of the 80 lakh farmers, 91 *per cent* constitute small and marginal farmers with an average land holding of 0.83 hectares as per 2005-06 census which was lower than the All India average of 1.33 hectares. While preparing the Eleventh Five Year Plan, the Government of Tamil Nadu (GoTN) noticed that production and productivity of most of the crops have stagnated since mid-1990 due to widespread degradation of natural resources including declining soil fertility, organic matter and depletion of ground water resources as well as deterioration of water quality.

Audit of Agriculture Department was taken up between April and September 2012 to assess the impact of schemes taken up by the Department to achieve the Eleventh Five Year Plan target of four *per cent* and the achievements made there against.

2.4 Audit objectives

The objectives of this audit were to assess whether:

1. Perspective plan and Annual Plans for the Agricultural Sector dovetailed to the Eleventh Five Year Plan were prepared for comprehensive agricultural growth,

2. Implementation/strategies for the plans were effective and efficient and

3. Internal control system and Inspection/monitoring were in place and effective.

2.5 Audit criteria

Audit criteria were adopted from the following sources:

- Eleventh Five Year Plan and Annual Plans
- Policy notes of the GoTN and the targets proposed under the Annual Plans
- Budget allocations of the GoTN for various schemes.
- Guidelines of the Government of India (GOI), GoTN and Departmental guidelines for implementation of Schemes.
- Tamil Nadu Financial Codes and Manuals for procurement and expenditure.
- Prescribed Monitoring Mechanism.

2.6 Scope and methodology of Audit

The audit of Agriculture Department was conducted between April and September 2012 by test checking the records of the Directorate and Field Offices for the years 2009-12. Ten[1] districts out of 30 agricultural districts, and 47 Blocks out of the total number of 142 Block level offices of the selected 10 districts were chosen using Simple Random Sampling Method. An Entry Conference was held in March 2012 with the Joint Secretary to Government, Agriculture Department and the COA during which audit methodology, objective and coverage were discussed. Audit findings were explained in the Exit Conference (December 2012) with the Government which was headed by the Agricultural Production Commissioner and the Principal Secretary to Government, Agriculture Department and the COA. Responses of the CCO during the Exit Conference were considered and appropriately incorporated in the report.

The draft report on audit was issued to the Government in December 2012 and their reply is awaited.

[1] Coimbatore, Dindigul, Kanyakumari, Madurai, Nagapattinam, Thanjavur, Thoothukudi, Tirunelveli, Tiruvannamalai and Villupuram

Audit Findings

The findings of audit as a result of such test check of records are detailed below:

2.7 Planning

The Eleventh Five Year Plan of GoTN aimed at achieving a growth rate of four *per cent* in agricultural sector and food security through higher food grain production by stabilising area under production and bridging the yield gap, focusing on rainfed crops to increase production as well as farmer's income and achieving soil health security through Soil Health Care, moving from input driven agriculture to technology driven agriculture and Organic Farming for growth of agriculture in the State. Against this, the actual growth rate during 2007-12 was, however, 1.1 *per cent* and there was negative growth during 2007-08 and 2008-09. Our analysis for shortfall is given below:

2.7.1 Absence of long-term planning

Long-term planning is essential for good governance. The Government did not formulate any long-term plan to identify the critical areas and to take remedial action for agriculture development. However, the Government prepared policy notes every year in a routine fashion for implementation of Centrally sponsored/State schemes without a comprehensive Perspective Plan.

The Government confirmed during the Exit Conference that no long-term Perspective Plan was formulated for agricultural development and informed that the process of making such plans has been started. In the absence of long term plans, issues like soil testing, plant protection, agriculture mechanisation, shortage of staff, timely availability of funds and other factors affecting the agricultural growth and productivity could not have been addressed in a scientific and focused manner.

2.7.2 Annual plans

Planning for the GoTN is done by the State Planning Commission which prepares annual plans based on the policies and priorities of the Government, undertake mid-term review of the Five Year Plans, carryout special studies as required for formulation and implementation of plan projects and programmes. The annual plan for the agriculture and allied sector forms part of State annual plan.

The Agriculture Department prepares annual plan based on outlay for the on-going State/Centrally sponsored schemes. Audit, however, noticed that the annual plan did not prioritise activities based on any consultations at the grass root level or lay down a strategy for bringing synergy and convergence between GOI sponsored schemes such as NADP, NFSM etc. Failure to do so resulted in overlapping of components of various schemes as discussed in paragraph 2.7.4.

2.7.3 Planning without consulting the field level

Planning Commission of India in its 'Manual for Integrated District Planning' emphasised the need for planning at field level to ensure that plans relevant to the local area were prepared with participation of local communities. The District Agricultural Plan (DAP) was, however, prepared (2008) only for NADP. Audit noticed that the Department did not prepare comprehensive agricultural plan for the districts. It is pertinent to mention that the guidelines of NADP stipulated the preparation of DAP projecting the requirement of local needs for development of Agriculture and allied sector of the districts and incorporate them into a comprehensive State Agricultural Plan taking into account the local needs.

In order to increase the productivity and also to mitigate the local problems, the District offices had proposed various components in the DAP submitted under the NADP. In five test checked districts[2] audit noticed that the proposal and funds requirement as stipulated in the DAP were not considered while releasing funds. Thus the local needs were not taken into account and the planning did not cater to the requirements of the field offices.

2.7.4 Overlapping of activities under different schemes

A State Level Sanctioning Committee (SLSC) constituted (August 2007) under NADP was responsible for sanctioning the projects of the scheme and to ensure that no duplication of efforts or resources took place. Audit noticed that, despite this, the components of the schemes were overlapping as the same were implemented within the Department in other schemes and also through schemes in other Departments. Scrutiny of records on implementation of the schemes revealed that Power tillers and Rotovators were distributed by the Government under the GOI schemes namely, Macro Management of Agriculture (MMA), NADP by Agricultural Engineering Department and NFSM by the COA. The amounts incurred on supply of Power tillers and Rotovators were ₹ 32.85 crore and ₹ 8.52 crore respectively under these schemes as given below in **Table 2.1**.

Table 2.1: Distribution of Rotovators/Power tillers under different schemes

(₹ in crore)

Name of the scheme	Implementing Agency	Power tiller	Rotovator	Total
MMA	Agriculture Engineering Department	23.36	1.04	24.40
NADP	Agriculture Engineering Department	2.66	3.10	5.76
NFSM (Rice)	Agriculture Department	2.29	3.11	5.40
NFSM (Pulses)	Agriculture Department	4.54	1.27	5.81
Total		32.85	8.52	41.37

(Source: Details furnished by Agriculture Department/Agriculture Engineering Department)

During the Exit Conference, the Principal Secretary to Government concurred with the audit point and informed that suitable remedial action would be taken in future.

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[2] Madurai, Tirunelveli, Thoothukudi, Kanyakumari and Villupuram.

2.8 Strategy for Agricultural growth

In the Eleventh Five Year Plan, the Government aimed to increase the productive capacity of agriculture through increased acreage and higher productivity. To achieve the projected growth, Government laid down strategies which, *inter alia,* included bringing fallow lands under cultivation, adequate care of soil health, *etc*.

2.8.1 Decrease in area under cultivation

The main objective as per the Eleventh Five Year Plan was to achieve food security through stabilising area under production and bridging the yield gap. It was proposed to bring every piece of land/fallow land under cultivation. The Government in the Eleventh Five Year Plan aimed at reduction in the current[3] and other fallow[4] lands by bringing every piece of cultivable land under cultivation and increasing cropping intensity significantly.

As against the strategy to reduce the current and other fallow lands to increase the available area for agricultural operations, audit noticed that the area under fallow lands increased from 24 lakh hectares at the beginning of Eleventh Five Year Plan (2007-12) to 25.95 lakh hectares during 2010-11.

Increase in fallow lands reflects diversion of land for other purposes. Further, the total area under cultivation declined from 50.62 lakh hectares in 2007-08 to 49.54 lakh hectares in 2010-11. As against the targeted area of coverage fixed for Eleventh Five Year Plan period, the achievement of area under cultivation in respect of all the major crops indicated a shortfall during 2009-12 (except for sugarcane in 2011-12) **(Annexure-2)**.

Paddy

As against the targeted area of coverage of 22 lakh hectares fixed for Eleventh Five Year Plan period, the achievement of area under cultivation in respect of paddy was 87 *per cent* during 2009-12. Audit analysis in 10 test checked districts revealed that in respect of paddy cultivation, targeted area could be covered only in two out of the eight districts during 2009-11[5] and the shortfall was in excess of 20 *per cent* in four districts.

Pulses

The Government could cover only 6.51 lakh hectares area under cultivation of pulses during 2009-12 as against the targeted area of coverage of 10 lakh hectares fixed for Eleventh Five Year Plan period. Scrutiny of records in test checked districts revealed that targeted area could be covered only in Kanyakumari district and the shortfall was observed in all other districts during 2009-11. In eight districts, the shortfall was in excess of 20 *per cent*.

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[3] Current fallow lands: Lands which are kept uncultivated during the current year.

[4] Other fallow lands: Lands which were taken up for cultivation but are temporarily out of cultivation for a period of not less than one year and not more than five years.

[5] District figure for cultivation available only upto 2010-11.

Oil seeds

As against the targeted area of coverage of 6.5 lakh hectares fixed for Eleventh Five Year Plan period, the achievement of area under cultivation in respect of oil seeds was 4.95 lakh hectares during 2009-12.

The Department replied (September 2012) that the decline in the area under cultivation was due to industrialisation and other reasons like rainfall, flood, dwindling groundwater resources, price fluctuations *etc*. The Department also stated (December 2012) that the control over conversion of cultivable lands for other purposes rests with the Revenue Department and the coverage area quoted by the Agriculture Department varied with the figures of revenue records since the method of collection of statistics was different.

During the Exit Conference, the Principal Secretary to Government informed that the feasibility of co-ordination at the District level between Revenue and Agriculture Departments would be explored. However, the fact remains that the existing data on agricultural crop statistics is not reliable and the Department is not in a position to exercise any control over the conversion of agricultural lands though the Government aimed at stabilizing area under production.

2.8.2 Agricultural Productivity

The Department aimed at achieving annual agricultural growth rate of four *per cent* by the end of Eleventh Five Year Plan (2007-12) by enhancing the productivity of important crops. However, the productivity of important crops like paddy, pulses and oil seeds remained below the target during the period of audit as detailed in **Table 2.2** below:

Table 2.2: Target and Achievement of Productivity

(Quantity in Kg per hectare)

Crop	Target of productivity at the end of XI plan (2011-12)	Target (T) and Achievement (A) of productivity (Kharif +Rabi)					
		2009-10		2010-11		2011-12	
		T	A	T	A	T	A*
Paddy	3,886	3,800	3,070	3,791	3,039	3,886	3,848
Millets	2,350	1,917	2,504	1,917	2,467	2,350	3,015
Pulses	600	575	381	625	385	600	512
Oil seeds	2,250	1,750	1,909	1,800	2,078	2,250	2,103
* (As per fourth advance estimate)							

(Source: Details furnished by Agriculture Department)

The target for production of paddy was reduced by six *per cent* during Eleventh Five Year Plan as compared to the target for the Tenth Five Year Plan. Even after this, the achievement was less than the reduced targets. Scrutiny of records in 10 test checked districts revealed that there was shortfall in productivity of important crops like paddy, pulses and oil seeds compared to the target fixed in the Eleventh Five Year Plan which varied between three and 72 *per cent* in eight out of 10 districts test checked.

The Department replied that the drop in yield was due to delay in the opening of Mettur Dam and slow progression of South West Monsoon. The reply was not acceptable as the target for growth rate of four *per cent* was fixed by the

Department in the Eleventh Five Year Plan (2007-12) taking into account the ground realities and available infrastructure facilities.

2.9 Seed Management

Seed is a vital input for increasing the production and productivity of agricultural crops. Supplementing seed with other technical inputs like water, pesticide, fertiliser *etc.,* in the right proportion improves agricultural productivity. Seeds used for sowing should be genetically pure and have high germination capacity. Supply of quality seeds before the right season is, thus, essential.

Breeder Seeds → **Foundation Seeds** → **Certified Seeds**

Seed multiplication is the production of a particular class of seed starting from breeder stage to certified stage. Breeder seed is produced from nucleus seed under the supervision of a qualified plant breeder in a Research Institute of Agricultural University. This provides for initial and recurring increase of foundation seed. The genetic purity of breeder seed crop should be maintained at hundred *per cent.* Breeder seeds obtained from Tamil Nadu Agricultural University (TNAU) are multiplied as foundation seeds through State Seed Farms (SSF). These foundation seeds are further multiplied as certified seeds in the SSF and also in the farms of selected progressive farmers. The seeds thus produced are processed in the Seed Processing Units and certified by the Department of Seed Certification and Organic Certification and distributed to farmers through Agriculture Extension Centers (AEC).

2.9.1 Short supply of breeder seeds by TNAU

The quantity of Breeder seeds indented by the Agriculture Department and that supplied by TNAU during 2009-10 to 2011-12 are as in **Table 2.3** below:

Table 2.3: Details of breeder seeds supplied by TNAU

(Quantity in Kg)

Sl. No.	Name of the crop	2009-10			2010-11			2011-12		
		Quantity indented	Quantity supplied by TNAU	Percentage of supply	Quantity indented	Quantity supplied by TNAU	Percentage of supply	Quantity indented	Quantity supplied by TNAU	Percentage of supply
1	Pulses	9,570	11,098	116	20,325	17,777	87	29,008	20,097	69
2	Oil seeds	25,459	31,608	124	39,280	34,001	87	35,850	27,414	76
3	Paddy	20,656	21,902	106	15,666	15,800	101	11,225	11,275	100

(Source: Details furnished by TNAU)

The percentage of supply of breeder seeds against the indent ranged from 69 to 124 *per cent*. While the supply of breeder seeds for paddy was meeting the requirement, there was shortfall in supply of pulses and oil seeds during the years 2010-11 and 2011-12 ranging from 13 to 31 *per cent*, which ultimately resulted in shortfall in the production of these crops against the targets fixed by the Department. The shortfall was attributed to drought, untimely rainfall, invasion by pests and diseases *etc*., and crop damage due to wild animals. The reasons attributable to the shortfall in production of breeder seeds of Pulses and Oil seeds by TNAU are not acceptable for the reason that the same are applicable to paddy seeds also where the production was higher than the requirement.

TNAU having incurred an expenditure of ₹ 2.83 crore during the period 2008-09 to 2010-11 towards creation of facilities for breeder seed production in TNAU research stations should have taken adequate care to ensure the supply of breeder seeds of indented quantity. Audit also noticed that there was significant shortfall in production of pulses in the State ranging from 34 to 66 *per cent* during the period 2009-12 compared to the target fixed for the Eleventh Five Year Plan period as already discussed in paragraph 2.8.2.

2.9.2 Production of Foundation/Certified Seeds

Foundation seeds are produced in the SSF from the Breeder Seeds obtained from the TNAU. The foundation seeds produced are multiplied again as certified seed in SSF. Production of certified seeds, from foundation seeds, is supervised and approved by Seed Certification Department (Certification Agency) for distribution to the farmers at economical cost. There were 41 SSF functioning in the Department.

2.9.3 Short Production of Foundation/Certified seeds by SSF

The SSF were formed with the main objective of producing quality seeds for distribution to farmers at economic cost. The performance of the SSF in the State and 13 SSF in 10 test checked districts during the period 2009-10 to 2011-12 were analysed. The COA fixed a production target of two metric tonnes (MT) per acre for paddy for the SSF. The details of land cultivated, production target and actual production in 13 SSF are given (**Annexure-3**). Audit analysis of the production of paddy in the SSF revealed the following:

- As against the production target of two MT fixed for paddy seeds, the average production of paddy seed in the State ranged from one to 1.5 MT per acre.

- In the test checked farms, the average production of paddy was only 0.71 MT per acre during the period of Audit. Compared to the target of two MT fixed by the Department, actual production was very low. The shortfall in production ranged from 25 to 87 *per cent* during the period of audit.

The COA replied (December 2012) that the shortfall in production was due to non availability of labour, power scarcity, pest and diseases and inadequate rainfall. Further, the Department stated that the establishment expenditure occupied major portion of the expenditure on SSF and steps were taken to improve the infrastructure facilities.

The reply is not acceptable as the reasons attributed for shortfall should have been addressed with proper planning, control and co-ordination. Further, the target was fixed taking into account the requirements and the facilities available. There was a continued shortfall in production of foundation/certified seeds against the target even after incurring an expenditure of ₹ 1.69 crore and ₹ 5.17 crore during 2009-10 to 2011-12 towards infrastructure facilities and maintenance of 13 SSF in the test checked districts. The fact remained that the production and supply of foundation/certified seeds by SSF declined gradually from 29 *per cent* in 2009-10 to 24 *per cent* in 2011-12 as discussed in the subsequent paragraph.

2.9.4 Reduction in Supply of Certified Seed by SSF

Production and supply of seeds of all crops to the farmers are carried out by both the Department and the private agencies. The contribution of Agriculture Department and the private agencies in the production of seeds is detailed in **Table 2.4** below:

Table 2.4: Details of production of certified seeds by Government and others

Year	Total quantity of seed produced in MTs	Agency wise production of certified seed (in *per cent*)		
		Government	Quasi Government	Private
2009-10	69,943	29	2	69
2010-11	93,551	24	3	73
2011-12	1,02,000	24	2	74

(Source: Details furnished by COA)

Audit analysis revealed that the contribution of the Department in the production of seeds ranged from 24 to 29 *per cent* during 2009-12, while the remaining quantity was supplied by the private agencies. In view of the inadequate production of certified seeds by SSF to cater to the requirements, the farmers were forced to purchase certified seeds from the private sources. Since the private dealers supply 71 to 76 *per cent* of the total requirement, the certification of these seeds by the Department assumes greater significance. Audit also noticed that the seeds were sold by the private dealers through a system of self certification ("Truthfully labelled tag") and the Seed Certification Department conducted only test checks of these seeds. There were other deficiencies in seed inspection as brought out in succeeding paragraphs. Hence, the genetic purity of the entire lot of these seeds could not be ensured by the Department, which would have a direct impact on productivity.

When the poor performance of the Department was discussed in the Exit Conference, Government informed that a proposal to transfer the control of the SSF to TNAU for improved performance is under active consideration. This highlights the need to take urgent steps to enhance productivity through improved supply of quality seeds.

2.9.5 Seed Inspection

The basic objective of Seed Legislation is to regulate the quality of seeds sold to the farmers. Seed inspection is carried out by the Director of Seed and Organic Certification. Seed samples from seed lots kept for sale would be drawn for analysis in the testing laboratories. As against the target of 1.90 lakh samples to be drawn for inspection during 2009-12, 1.60 lakh samples were actually drawn. Audit further noticed that stop sale orders for 5,856 MTs worth ₹ 20.23 crore were issued during the audit period 2009-12.

There are 15 Seed Inspection regions under the control of the Director of Seed Certification. Scrutiny of records of four test checked seed inspection regions (Chennai, Karur, Villupuram and Vellore), revealed that the dealers sold 1,421 MT of paddy and other seeds worth ₹ 3.54 crore during the period 2009-12 before the receipt of stop sales orders as detailed in **Table 2.5** below:

Table 2.5: Details of samples found sub-standard and issue of stop orders

Sl. No.	Name of the unit	No. of samples drawn	No. of samples found sub-standard	Quantity available at the time of taking samples (MT)	Quantity sold before the issue of stop order (MT)	Value of seeds sold (₹ in crore)
1.	Karur	10,442	280	123	123	0.68
2.	Vellore	7,586	394	537	537	1.01
3.	Chennai	9,317	40	59	59	0.12
4.	Villupuram	9,437	363	702	702	1.73
	Total	**36,782**	**1,077**	**1,421**	**1,421**	**3.54**

(Source: Details furnished by Director of Seed Certification and Organic Farming)

The Seed Act, 1966 stipulated that the results of the quality of the seeds should be communicated within one month from the date of drawal of samples. However, we found that there was delay in communication of test results of samples beyond the stipulated time limit upto 36 days in the four test checked regions. Audit observed that the entire stock available at the time of inspection was sold before the issue of stop orders.

The Government did not furnish reply to the audit point and the action proposed on the sale of sub standard quality seeds. Sale of sub-standard quality seeds would adversely affect the production of the crops.

2.9.6 Seed Village Scheme

To motivate the farmers to produce quality seeds for their own use, to ensure adequate availability of quality seeds at farm and to create awareness of the seed production technology, GOI introduced "Seed Village Scheme" (SVS) with hundred *per cent* GOI assistance. The objective of the SVS was to make the farmers aware of the seed production technology and after the training period, the farmers were to take up the seed production independently for future. The scheme *inter alia* comprised the following components:

- Distribution of seeds at 50 *per cent* subsidised rates
- Training of farmers on seed production technologies
- Subsidy for storage bins of specified material for preservation till next sowing season.

Under the SVS, as against the sanction of ₹ 84.26 crore, an amount of ₹ 77.25 crore was incurred during 2009-12.

2.9.7 Distribution of seeds at subsidised rates

Under the scheme, seeds procured by the Government would be sold to farmers through AEC. According to the scheme guideline, the subsidy of 50 *per cent* extended by the GOI would be drawn from the District Treasury and remitted into State Government Revenue Head of Account after the sale of seeds along with the sale proceeds received from farmers.

The targets and achievements of seeds distribution are detailed in **Annexure-4**. Audit analysis of test checked districts revealed the following discrepancies/violations of GOI guidelines.

2.9.8 Diversion of subsidy

- As against the distribution target of 3,190 MTs during 2009-12, 4,500 MTs of paddy crop were shown as achievement under seed distribution scheme. The expenditure incurred during the period 2009-12 was ₹ 4.23 crore as against the financial target of ₹ 3.07 crore due to diversion of subsidy to paddy from other crops.
- As against the target of 3,530 MTs fixed for oil seeds, only 2,774 MTs were distributed. Only an amount of ₹ 7.70 crore was incurred as against the financial target of ₹ 9.59 crore. The subsidy for oil seeds was partly diverted for paddy.

2.9.9 Excess distribution of seeds

As per the guidelines, seeds were to be distributed at 10 kg per half an acre per farmer at 50 *per cent* subsidised cost. Audit, however, observed that seeds were distributed in excess of stipulated quantity at 50 *per cent* subsidised cost. The excess quantity ranged even up to 26 times of the eligible quantity violating GOI guidelines. Further, it was noticed that the Department diverted the subsidy component available under other crops to paddy. Thus, the distribution of seeds in excess of norms by the JDA/ADA to few select beneficiaries deprived the benefits to other genuine poor farmers.

2.9.10 Drawal of subsidy without issue of seeds

Audit noticed that distribution subsidy amounting to ₹ 56.80 lakh **(Annexure-5)** was drawn by the block level offices during March 2012 for the year 2011-12. Though subsidy was adjusted, seeds were not issued to the farmers till August 2012. There was no internal control mechanism to ensure distribution of seeds immediately on drawal of subsidy from the treasury by the JDA/ADA.

2.9.11 Supply of Poly Vinyl Chloride/Wood/Metal storage bins

One of the components under the SVS is supply of storage bins for preservation of the seeds up to the next sowing season. The guidelines, *inter alia*, stipulated that the type of material should be of PUSA/Mud/Paper pulp/Specified metal. The Department incurred an expenditure of ₹ 12.44 crore in the State during the period 2009-12 for procurement of storage bins and an amount of ₹ 3.99 crore was spent in 10 test checked districts during 2009-10 and 2010-11.

Scrutiny of records in these districts revealed that Wood/Poly Vinyl Chloride (PVC)/Metal storage bins worth ₹ 2.70 crore **(Annexure-6)** were procured and supplied to the farmers. While JDA/ADA extended assistance to the farmers for procurement of PVC bins in four districts, assistance was extended for procurement of metal/wooden bins in three districts violating the scheme guidelines.

While the COA replied (December 2012) that the bins other than the prescribed materials were distributed as per the farmer's choice, the Principal Secretary to Government, in the Exit Conference accepted the violations.

2.9.12 Training under SVS

Training of farmers on seed production technologies is one of the components under the SVS. The guidelines *inter alia* stipulated that the duration of training would be three days spread over the seasons of sowing, flowering and harvesting.

The Department incurred an expenditure of ₹ 14.99 crore on training of farmers in the State during the period 2009-12 and an amount of ₹ 5.50 crore was incurred in the test checked districts. Scrutiny of the records relating to training programme revealed that there were violations of guidelines with respect to duration and periodicity of training and training programme was conducted continuously for three days in February/March in 217 villages in five districts instead of conducting the same in a phased manner. Similarly, the training programme was conducted within a month in 287 villages thereby violating the scheme guidelines of conducting the same in three phases. Moreover, the training plan calendar was also not drawn.

While in some blocks the training was conducted during the year end with limited officers, there was no evidence for having conducted the training at all in some other blocks. Thus, effectiveness of the training conducted at a cost of ₹ 5.50 crore in the test checked districts was not ensured as the scheme guidelines were violated.

When the deficiencies were brought to the notice of the Government during Exit Conference, it was informed that delay in release of funds was the main reason for shortfall in training. Considering the importance attached to the training programme and release of substantial funds for the component, the Department should have ensured release of funds on time and adhered to training schedule as per guidelines.

2.10 Implementation of Schemes

Centrally Sponsored Schemes which aim at increasing the productivity of crops being implemented by the Department were NADP and NFSM. The expenditure incurred during 2009-12 on implementation of NADP, NFSM (Rice), NFSM (Pulses) was ₹ 249.12 crore, ₹ 70.65 crore and ₹ 28.61 crore respectively.

2.10.1 National Agricultural Development Programme

NADP is implemented with cent *per cent* assistance from GOI. An amount of ₹ 249.12 crore was incurred during 2009-12 as against the allotment of ₹ 296.03 crore.

Out of the total expenditure of ₹ 249.12 crore incurred under NADP during the years 2009-12, an amount of ₹ 78.33 crore was spent in the 10 selected districts. The components of the scheme which varied from year to year included System Rice Intensification (SRI), Rainfed Area Development Programme (RADP), Establishment of Agriclinic, Development of Infrastructure facilities in SSF, *etc*. The Audit findings on the implementation of major components under the NADP are discussed below:

2.10.2 Agriclinic Scheme

As an intervention to the declining soil organic matter and imbalance in nutrition, GoTN sanctioned (March and November 2008) subsidy of ₹ 11.55 crore for establishment of Agriclinic cum Mini Soil Testing Laboratories (labs) in 385 blocks in the State under NADP. The labs, functioning under the supervision of the District Soil Testing Laboratories, were to carryout tests of soil organic matter/nutrients and quality testing of irrigation water, with testing charge of ₹ 50 per sample. Unemployed agricultural graduates were to be motivated to set up the labs at the unit cost of ₹ six lakh with 50 *per cent* subsidy. The target of the labs for soil testing was fixed at 3,000 numbers per annum.

Against 385 labs proposed, 355 labs were established in the State (August 2012). Review of the performance report available only for 21 of the 29 districts which had this facility, however, revealed that none of the laboratories had achieved the annual targeted level of 3,000 samples since their inception. The number of samples tested by the labs varied from Nil to 1,313. Audit observed that against the total target of 10.65 lakh samples to be tested every year in the 355 labs, only 2.19 lakh samples were collected in 21 districts during the period 2009-12 indicating gross under utilisation of the laboratories. Besides, no soil/water sample was analysed in six labs resulting in unfruitful payment of subsidy of ₹ 18 lakh.

2.10.3 Performance of Soil testing laboratory

The Department launched (August 2011) a new programme which provided for issue of Farmer's Integrated Hand Book (FIHB) incorporating all first hand information about the soil nutrient content, plant nutrient requirement, quality inputs, infrastructure availability and marketing intervention. It was planned to conduct the soil test for all 82 lakh farmers during 2011-12 and 2012-13.

30 Soil Testing Laboratories (STL) and 16 Mobile Soil Testing Laboratories (MSTL) were functioning in the State under the Agriculture Department for analysing the soil samples and to provide recommendations for using appropriate fertilisers depending upon the soil health. The Department had fixed target for testing of soil by these laboratories. The details of target and

achievement of soil samples tested from 2009-12 are as given in **Table 2.6** below:-

Table 2.6: Details of Target and Achievement of soil samples tested

Sl. No.	Year	Target		Achievement		Shortfall	
		STL	MSTL	STL	MSTL	STL	MSTL
1.	2009-10	8,44,250	2,88,960	7,27,136	2,80,752	1,17,114 (14)	8,208 (3)
2.	2010-11	8,44,800	2,88,000	5,78,466	2,04,179	2,66,334 (32)	83,821 (29)
3.	2011-12	20,00,000		12,46,537		7,53,463 (38)	

(Source: Details furnished by COA)

 # Figures in bracket indicate the percentage of shortfall

Audit analysis of the performance of STL revealed the following:

- The Department could not achieve the targets in any of the years and there were shortfall in all the districts. The shortfalls which were at 14 *per cent* in 2009-10 increased to 38 *per cent* in 2011-12.
- Also the results of such tests were not communicated in none of the cases test checked. Consequently, the objective of carrying out these tests was not met.
- As against the targeted issue of 20 lakh FIHB in 2011-12, the Department could distribute 2.22 lakh Books only.

The COA replied (December 2012) that the shortfall in analysis was due to shortage of man power at block levels, vacancies in the posts of analysts and delay in issue of Government Orders (November 2011). Thus, the scheme intended to cater to the basic needs of farmers to improve the yield and to reduce fertiliser consumption was not effectively implemented.

2.10.4 Establishment of nine Bio-fertiliser Production Units

Bio-fertilisers such as Azospirillum, Phosphobacteria and Rhizobium are cheap and safe fertilisers which fix atmospheric nitrogen into the soil. The Bio-fertiliser packets produced in Bio-fertiliser production units (BFPU) in Tamil Nadu were distributed to farmers at subsidised rate of ₹ six per 200 gram. There were six BFPU in the State (Cuddalore, Salem, Trichy, Pudukottai, Thanjavur and Ramanathapuram).

As the annual production of 1,600 MT from the existing six BFPU did not meet the requirement of the farmers, Government sanctioned the establishment of additional nine BFPU under NADP during 2008-09 with an annual production capacity of 250 MT each at an outlay of ₹ 8.15 crore. Though, the establishment of new BFPU were shown as completed and an amount of ₹ 8.15 crore reported as utilised in the targeted year 2009-10 under NADP, these units started production only in 2011-12 due to delay in commissioning the new units. Even after the establishment of nine new units in 2011-12, the production during 2011-12 was only 1,643 MT (56 *per cent*) as against the target of 2,950 MT.

The performance of the three new units functioning in the test checked districts is detailed in **Table 2.7** below:

Table 2.7: Performance of BFPU in test checked districts

Sl. No.	Location of BFPU	Districts to be covered for supply	Date of Commissioning	Quantity Produced (MT)		Shortfall in percentage
				Target	Produced	
1.	Polur, (Tiruvannamalai)	Tiruvannamalai, Vellore	October 2011	167	23.00	86
2.	Tenkasi, (Tirunelveli)	Tirunelveli, Virudunagar, Dindigul	September 2011	150	52.05	65
3.	Thoothukudi, (Thoothukudi)	Thoothukudi, Kanyakumarai	September 2011	150	30.97	79

(Source: Details furnished by COA)

Audit observed that the shortfall in production ranging from 65 *per cent* to 86 *per cent* was due to sub standard quality of raw material (lignite powder). There was also delay in commissioning of BFPUs for nearly two years for want of power supply of 70 KW capacity and equipments.

In response to the audit observation, the COA replied (December 2012) that Government sanctioned staff only in July 2011 and had further stated that the complaints in the quality of lignite powder, lack of sufficient funds for the project and non-posting of AO in the units played a vital role in reduced production.

Thus improper planning and inability to provide required infrastructure by Government adversely affected the production. As a result, the objective of supply of Bio-fertiliser which reduces the use of chemical fertilisers up to 25 *per cent* could not be achieved even after spending ₹ 8.15 crore under NADP for establishing additional units to increase the production.

2.10.5 System Rice Intensification

SRI improves the productivity even with lesser input and water. Under the scheme, a financial assistance of ₹ 3,000 per hectare is provided out of which seeds and other inputs are provided for ₹ 800 and agricultural implements *viz*., Conoweeder and Marker are provided for ₹ 2,200.

The Department carried out demonstrations under SRI in all the districts as per the targets and incurred expenditure of ₹ 47.82 crore during last three years.

2.10.6 Non-distribution of conoweeder, marker and paddy weeder

As part of SRI System under NADP, Government extended assistance for the purchase of Conoweeder and Marker at subsidised rates. Scrutiny of records in 10 test checked districts revealed that an amount of ₹ 28.67 lakh **(Annexure -7 (a))** drawn from the treasury in March 2012 were either retained in banks, or, the equipments procured were not issued pending identification of the beneficiaries in four test checked districts (Madurai, Tirunelveli, Thoothukudi, Kanyakumari). Further, in two test checked districts (Villupuram, Dindigul), equipments worth ₹ 20.92 lakh **(Annexure -7 (b))** were yet to be issued to the beneficiaries. However, the scheme was declared implemented in 2011-12 by drawing the amount on 30 March 2012. Thus the grant from GOI was availed of without issue of equipment to the farmers thereby defeating the objective of the scheme.

The adoption of SRI technology involves simultaneous distribution of seeds, other implements such as Conoweeders, Markers *etc*. Audit observed that there was mismatch in distribution of agricultural implements after the completion of harvest process indicating ineffective implementation of SRI technology.

The Secretary to Government during the Exit Conference (December 2012) stated that the delay in supply of Conoweeders and Markers was due to problems in finalisation of tenders and unsuitability of the equipments.

The Government reply indicated that the Department procured agricultural implements in 2011-12 without correlating the purchase to the operational needs of the farmers.

2.10.7 Rainfed Area Development Programme

One of the objectives of the Eleventh Five Year Plan was to focus on rainfed crops in a mission mode so as to increase production as well as farmer income. RADP, a sub scheme of NADP was introduced by GOI during 2011-12 with the objectives of increasing agricultural productivity of rainfed areas, minimise the adverse impacts of possible crop failure, drought, flood or uneven rainfall and enhancement of farmer's income and livelihood support *etc*. The components of the scheme were (i) Cropping system, (ii) Crop Insurance for cropping system, (iii) Production of certified seeds, and (iv) Establishment of Vermi Compost units.

As compared to the allotment of ₹ 13.85 crore during 2011-12, the expenditure incurred was ₹ 12.22 crore in 20 districts where the programme was implemented. Out of the 10 test checked districts, the programme was implemented in seven districts[6] incurring an expenditure of ₹ 4.25 crore. Scrutiny of records on implementation of RADP in the test checked districts revealed the following deficiencies:

2.10.8 Expenditure incurred in violation of guidelines

As per the guidelines of RADP, the area of operation should exclude area under assured irrigation. An amount of ₹ 50 lakh was allotted in 2011-12 for implementation of RADP in 500 hectares of land in the Kanyakumari district. The JDA, Nagercoil (May 2011) informed the COA that Kanyakumari district had been categorised under high rainfall zone and the total area for paddy was fully covered under assured irrigation and therefore requested to exclude the district from the implementation of RADP. Despite, the entire amount of ₹ 50 lakh was incurred in the District under RADP during 2011-12 overlooking the reservations of JDA, thereby violating the guidelines of RADP.

[6] Coimbatore, Dindigul, Kanyakumari, Madurai, Thoothukudi, Villupuram, Tiruvannamalai.

2.10.9 Belated remittance of Cropping Insurance Premium

As per the guidelines of RADP, all the crops cultivated under the cropping system of RADP need to be covered under insurance. A total amount of ₹ 47.73 lakh was sanctioned under the component during 2011-12 for the selected seven districts.

Scrutiny of the connected records revealed that a sum of ₹ 10.33 lakh drawn from Sub-Treasury/Ottapidaram was remitted (March 2012) by ADA, Ottapidaram (Thoothukudi District) to Primary Agricultural Co-operative Society (PACS) after the cutoff date (February 2012) for remittance of the premium fixed by the Agricultural Insurance Company of India Ltd., (AIC). Since AIC does not accept premium beyond the cutoff date, the farmers ultimately lost the benefit of insurance coverage due to belated remittance of premium. The Department also failed to ensure the timely remittance of premium by the PACS to the AIC before the cutoff date.

The COA replied (December 2012) that steps were being initiated to pay back the premium amount of ₹ 10.33 lakh due to expiry of cutoff date for remittance of premium.

Thus, it is evident that the Department implemented the scheme in areas without need, remitted the insurance premium belatedly and did not ensure monitoring the benefits extended to farmers thereby defeating the objectives of the scheme.

2.10.10 Development of Infrastructure facilities in SSF

Performance of SSF was already discussed under the Chapter Seed Management. As part of NADP, an amount of ₹ five crore was allotted during 2011-12 towards infrastructure development of SSF which *inter alia* included development of land and irrigation facilities *etc*., for the improvement of the performance of State Seed Farms. It was observed that out of the total expenditure of ₹ 4.55 crore incurred under this component during 2011-12, an amount of ₹ 1.69 crore was spent for SSFs functioning in the test checked districts.

Scrutiny of the records revealed that an amount of ₹ 59.15 lakh drawn in two test checked districts was reported as spent, though the works for which the funds were sanctioned to these farms were yet to be commenced. Even after allocation of funds for improving the performance of SSF, the Department could not utilise them in time and there was no marked improvement in the performance of SSF.

2.11 National Food Security Mission

NFSM, a cent *per cent* centrally sponsored scheme has the main objective of increasing production of rice, wheat and pulses by 10, eight and two million tonnes at the National level by the end of Eleventh plan (2007-12) through area expansion and productivity enhancement on sustainable basis in the identified districts. In Tamil Nadu, two components *viz*., NFSM (Rice) and

NFSM (Pulses) were implemented (2007-08) in five districts[7] and 12 districts[8] respectively.

The total expenditure incurred in the State during last three years on the Rice component and Pulses component was ₹ 70.78 crore and ₹ 28.80 crore respectively. In the test checked districts, the amount spent was ₹ 21.11 crore under rice and ₹ 12.57 crore under pulses. Analysis of the records relating to implementation of the schemes revealed the following deficiencies.

2.11.1 Excess issue of paddy seeds

NFSM guidelines, *inter alia,* provide for supply of seeds (Paddy) at subsidised rate of ₹ five per kg. As per guidelines, 40 kg of paddy seeds per hectare is eligible at subsidised rate. Scrutiny of records in Nagapattinam District, revealed that seeds were issued to the farmers with land holding of two hectares in excess of norms on the recommendation of the AO of the block. The details of quantity issued, number of farmers, average quantity issued in the test checked blocks in Nagapattinam District are given in **Table 2.8** below:

Table 2.8: Details of excess subsidy availed by farmers

Sl. No.	Name of the Block	Quantity of seed issued (Kg)	Total farmers	Average quantity issued (Kg)	Excess quantity (Kg)	Excess subsidy availed (In ₹)
(1)	(2)	(3)	(4)	(5)	(6)	(7) = (4)* (6) *₹ 5
1.	Thirumarugal	1,82,264	1,156	158	78	4,50,840
2.	Kizhayur	6,70,400	4,096	164	84	17,20,320
3.	Nagapattinam	5,42,020	3,369	161	81	13,64,445
4.	Kuttalam	4,02,960	3,107	129	49	7,61,215
					Total	**42,96,820 (or) 42.97 lakh**

(Source: Details furnished by JDA, Nagapattinam)

The quantity of seeds issued to the farmers in excess of norms ranged from 49 Kg to 84 Kg. The incorrect recommendation of AO in the supply of paddy seeds in excess of the eligible norms of 40 kg/hectare resulted in availing of excess subsidy of ₹ 42.97 lakh by a few select beneficiaries besides deprival of benefits to other poor farmers.

The COA replied (December 2012) that the seed distribution was made based on criteria which required different quantity of seed for different varieties. The audit observation was based on the GOI guidelines which require ceiling at specified quantity of 40 kg per hectare and the fact remains that the distribution of higher quantum in violation of the GOI guidelines would result in denial of benefits to more farmers.

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[7] Nagapattinam, Pudukkottai, Ramanathapuram, Sivaganga, Tiruvarur.

[8] Coimbatore, Cuddalore, Erode, Nagapattinam, Namakkal, Thiruvallur, Tiruvarur, Thoothukudi, Tiruvannamalai, Vellore, Villupuram, Virudhunagar.

2.11.2 Release of subsidy for High Yielding Varieties over 10 years

Seed Replacement Rate (SRR) is the percentage of area sown out of total area of crop planted in the season by using certified/quality seeds other than farm saved seeds. Certified seeds have to be replaced once in three cropping seasons.

To bring the SRR up to 33 *per cent* in the identified districts and to enhance the productivity level, NFSM Operational Guidelines provided for assistance for the distribution of High Yielding Varieties (HYV) of rice and wheat at ₹ 500 per quintal or 50 *per cent* of the cost, whichever is less. Subsidy for hybrid varieties is allowed only for varieties introduced within last 10 years.

Audit, however, observed that the Government obtained exemption every year and continued (2009-12) to avail financial assistance from GOI under NFSM for varieties more than 10 years old. The total expenditure incurred in the State during last three years (2009-12) under the component "Assistance for distribution of HYV under NFSM (Rice)" was ₹ 20.77 crore and in the test checked district (Nagapattinam), the amount spent was ₹ 5.38 crore.

When this issue was discussed in the Exit Conference, it was replied that the farmers preferred the older varieties. In the context of increase in productivity as stipulated in the Eleventh Five Year Plan, the productivity of the test checked Nagapattinam district was low even after availing GOI assistance of ₹ 5.38 crore for HYV under NFSM (Rice) compared to other Non-NFSM districts.

2.12 Centre–State Shared Schemes

The schemes implemented with financial assistance from GOI and GoTN include NAIS.

Analysis of the records relating to collection/remittance of premium and receipt/distribution of compensation under the scheme is discussed in the succeeding paragraphs.

2.12.1 National Agricultural Insurance Scheme

NAIS is being implemented by the Agriculture Department from 2007 onwards for the crops in all the districts of the State with the notified firka as the insurance unit. It is mandatory to join the NAIS for farmers availing loans from PACS, Co-operative Banks, Nationalised Banks *etc*., while the scheme is optional for the non-loanee farmers.

The premium collected would be transferred to the nodal bank which in turn would remit the amount to the AIC, Chennai.

Payment of claims was regulated on the basis of the anticipated threshold yield of crop and actuarial premium rate determined by the crop yield agencies. As per the scheme guidelines, claims exceeding hundred *per cent* of premium would have to be shared equally by the GOI and the State Governments. The compensation would be disbursed through nodal banks/commercial banks in the district through PACS.

2.12.2 Target and Achievements

The details of target fixed under the scheme and the achievement thereon for the period from 2009-10 to 2011-12 are given in **Table 2.9** below:

Table 2.9: Target and Achievement under NAIS

Sl. No.	Year	Target		Achievement	
		Loanee	Non-loanee	Loanee	Non-loanee
1.	2009-10	10,00,000	15,00,000	3,15,624	5,51,741
2.	2010-11	5,00,000	10,00,000	2,43,040	5,75,050
3.	2011-12	3,25,000	4,98,000	4,83,103	3,22,069

(Source: Details furnished by COA)

Audit observed that despite the reduction of target every year, the achievement under insurance scheme was also going down. The performance was poor when compared to the total number of 80 lakh farmers.

The Government stated that this was because Insurance was not compulsory for non-loanee farmers. Audit, however, observed that the reduction in coverage and other deficiencies noticed in implementation of the scheme defeat the objective of financial security to farmers.

2.12.3 Collection of excess premium from farmers

Out of the total premium of two *per cent* of the sum insured, loanee farmers were required to contribute one *per cent* which are remitted in the nodal bank. which in turn remits the amount to the AIC, Chennai. The additional one *per cent* premium was borne by the Central and State Government.

Scrutiny of records of a nodal bank (Kumbakonam Central Co-operative Bank) indicated that the PACS collected premium in excess of norms to the tune of ₹ 2.59 crore during the period from 2008-09 to 2011-12 and transferred to the nodal bank. Though the nodal bank remitted the correct rate of premium to the AIC, the excess premium amount of ₹ 2.59 crore was not returned to the farmers through PACS but retained in the suspense account of the nodal bank as on 31 March 2012.

In the absence of a proper mechanism in the office of the COA to monitor the collection and remittance thereof by the PACS, the farmers were thus unnecessarily burdened to the extent of the excess premium.

2.12.4 Non-disbursement of compensation

Scrutiny of records relating to premium collection and remittance in District Central Co-operative Bank (DCC), Thanjavur (Nodal Bank) revealed that the premium collected from the farmers at the time of availing agriculture loan/crop loan by PACS would be remitted to Thanjavur DCC Bank. Needamanagalam firka and Mannargudi firka come under the jurisdiction of

Poovanur PACS. The premium declaration amounting to ₹ 4.52 lakh in respect of 1,124 non-loanee farmers who were holding lands in the Needamangalam firka was incorrectly included in the declaration of Mannargudi Firka by the nodal bank and sent to AIC.

Due to the submission of incorrect declaration and failure to check the correctness of declaration by the nodal bank before sending to the AIC, the genuine farmers belonging to Needamangalam were made ineligible for insurance coverage. Compensation to the tune of ₹ 1.11 crore to these farmers whose lands were affected by natural calamity was not paid due to the submission of incorrect declaration and their claims remained unsettled even after a lapse of more than two years.

Scrutiny of records relating to premium collection and remittance in Madurai DCC Bank (Nodal Bank) revealed that compensation amounting to ₹ 94.18 lakh payable to 3,548 loanee and non-loanee farmers in Madurai and Theni Districts for paddy II 2008-09 crops was released (September 2009) by the Insurance Company. However, the DCC, Madurai diverted ₹ 21.50 lakh from the eligible firkas to non eligible firkas not covered under the insurance scheme which resulted in misappropriation of amount by the special officer of the co-operative society. It is pertinent to mention that the Department was not aware of the irregularity and there was no mechanism to redress the loss to the farmers involved.

Thus, the Department failed to ensure that the mechanism for claim and settlement to eligible farmers was functioning properly.

2.12.5 Bogus claim

A review of records in Ramanathapuram District Central Cooperative Bank (RDCCB) indicated that for the year 2009-10, a total claim amount of ₹ 45.83 crore was received (December 2010 to April 2011) as compensation for paddy in the second season of 2009 in respect of insured area of 64,484.44 hectares. As the insured area was more than the actual cultivated area, the District Collector ordered detailed verification of the claims of the three Taluks (Kamuthi, Kadaladi and Mudukulathur). Based on the report of the committee, only a claim of ₹ 20.55 crore was found to be genuine.

Audit observed that non-loanee farmers were included in the scheme by the PACS for coverage based on bogus "Patta" and "Adangal" during the year 2009-10 and also on the recommendations of the AO of the Department without verifying the genuineness of the 'Patta'. Failure of the Department to effectively monitor the scheme led to bogus claim of ₹ 25.28 crore.

2.12.6 Other deficiencies

Procedural deficiencies noticed on a test check of records of the PACS in Nagapattinam District are detailed below:

- There were mismatch of signatures between vouchers and ledgers, acquitances and ledgers, last instalments and previous instalments *etc*., in respect of 214 cases involving ₹ 7.85 lakh in 14 test checked PACS

- The compensation amount was paid in four instalments for 2008-09 (50, 25, 15 and 10 *per cent*) and in two instalments for 2010-11 (65 and 35 *per cent*). A single signature was obtained from farmers for three payments (25, 15 and 10 *per cent*) in two PACS. Further, there were no entries in the Savings Bank ledgers exhibiting credit of the second and third instalments in one PACS. The correctness of payment of ₹ 58.94 lakh could not be confirmed in view of the above deficiency.

- In one PACS, compensation of ₹ 5.10 lakh was paid to 27 farmers who did not contribute premium/possess land under eligible firkas.

The above deficiencies revealed lack of effective control and monitoring of scheme by the Department. During the Exit Conference, the Principal Secretary stated that the irregularities at the bank level could not be verified by the Department and it was essentially the responsibility of the Insurance Company.

The above reply confirms an immediate requirement at the Government level for a suitable mechanism for monitoring the scheme to ensure that the compensation is paid to the entitled farmers.

2.13 State Schemes

GoTN focuses on criticalities in farming such as soil health management, procurement and distribution of quality seeds, augmenting the production of pulses, cotton and sugarcane, plant protection, crop insurance, crop yield competition, *etc*., Seed is a major input required by the farmers to take up for cultivation of agricultural crops. The productivity of the crops basically depends on the quality of seeds and more specifically on genetic and physical purity. Hence, it is imperative that quality seeds of high yield potential varieties suitable for different agro climatic conditions and seasons are made available to the farmers at affordable price adequately. As part of the State Schemes, Government is committed to production of quality seeds and distribution to farmers for increasing productivity.

2.13.1 Procurement and distribution of paddy and millets seeds

Analysis of the records in Nagapattinam District revealed the following deficiencies:

GoTN implements Seed Multiplication Scheme (SMS) to ensure production and distribution of quality seeds to farmers. The Agriculture Department procures quality seeds from the registered seed farmers at the rate fixed every year. GOI extends subsidy of ₹ 15 per kg under NADP and ₹ 7.50 per kg under NFSM for procurement of pulses from the seed farmers. Under SVS, a centrally sponsored scheme, seeds are distributed to the needy farmers at 50 *per cent* subsidy.

Scrutiny of records on procurement of pulses seeds in the office of the JDA, Nagapattinam revealed that there was no stock of pulses in April 2010 and also could not procure Black Gram seed from the farmers for want of funds. In the meantime, the farmers started selling the seeds in the local market at the rate of ₹ 57 per kg. Though, the JDA sought (May 2010) for allotment of funds of ₹ 62.50 lakh for the year 2010-11, funds were sanctioned only in October 2010. The JDA procured (January 2011) 12 MTs of foundation seeds and 105.36 MTs of certified seeds at the rate of ₹ 122 per kg and ₹ 112 per kg respectively fixed by the Department. This led to avoidable extra expenditure of ₹ 44.02 lakh which in turn overburdened the farmers due to fixation of higher selling price of seeds.

2.13.2 Promotion of Cultivation of Jatropha in Tamil Nadu

TNAU forwarded (September 2006) a proposal for "cultivation of Jatropha curcas and Bio-diesel production in Tamil Nadu" in both irrigated as well as rainfed lands. Based on the above proposal, Government introduced (March 2007) this scheme and programmed to cover one lakh hectares for the next five years from 2006-07 at the rate of 20,000 hectares per year at a total project outlay of ₹ 25.10 crore. The scheme was to be implemented by the COA with the assistance of TNAU for raising the seedlings. Out of the sanctioned amount of ₹ 4.98 crore[9], the Government released an advance of ₹ 2.50 crore to TNAU during 2007-08 pending sanction of financial assistance by National Oil seeds and Vegetable Oils Development (NOVOD) Board[10] for further maintenance. Government did not release financial assistance to TNAU thereafter.

We noticed that against the combined plantation target of 80,000 hectares up to 2010-11, seedling subsidy was released only for 6,072 hectares. Even out of this small area, the plant had survived only in 692 hectares (11 *per cent* of plantation area) for which a total expenditure of ₹ 1.80 crore was incurred on the scheme.

The COA attributed (October 2010) the poor growth to unsuitability of the plantations in rainfed areas, non-release of an assured high yielding hybrid variety by TNAU, non-sanctioning of subsidy by NOVOD Board for maintenance *etc*. Since the yield potentiality of the seedlings was low and the farmers were not coming forward to take up the crop, the COA proposed to Government (October 2010) that the continuance of the scheme be considered after release of potential hybrid varieties by TNAU.

Thus the scheme which aimed to augment the Bio-diesel production in Tamil Nadu was abruptly stopped (April 2011) due to tardy implementation by COA. Thereby an expenditure of ₹ 1.80 crore spent on the scheme became unfruitful.

TNAU (December 2012) stated that they did not recommend Jatropha under rainfed conditions. This was contrary to its earlier proposals (September 2006) to GoTN which stated that Jatropha was suitable for irrigated as well as rainfed lands.

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9 50 *per cent* of 20,000 hectares * 1,660 seedlings * ₹ three.

10 Established by Government of India for bio-fuel promotion.

2.14 Internal control and Monitoring

Internal control is an integral component of an organisation's management process which provides reasonable assurance that the operations are carried out effectively and efficiently. During the audit, we found that the internal control system largely remained ineffective and there were instances of non-compliance with Financial Rules as detailed below:

2.14.1 Rush of Expenditure

According to Article 39 of the Tamil Nadu Financial Code, rush of expenditure in the closing month of the financial year should be avoided. Analysis of expenditure incurred by the Department revealed that expenditure was incurred in respect of 21 heads of account in March during 2009-12 indicating a tendency to incur expenditure to exhaust budget provisions.

During the Exit Conference, the Secretary to Government explained that delay in release of funds was the main reason. The process of identification of beneficiaries and inviting tenders were taken up subsequently. He further, stated that the delays would be avoided by improvement in the system of Budget release.

2.14.2 Funds drawn far ahead of requirements

Scrutiny of records in the five test checked districts revealed that funds to the extent of ₹ 98.69 lakh released for implementation of SVS and NADP were drawn from the treasury between March 2009 and March 2012 far ahead of requirements in order to exhaust budget provision and the same were kept in bank accounts and in the form of treasury cheques.

2.14.3 Arrears in internal audit

The Department has an internal audit wing headed by the Financial Controller (FC) of the Commissionerate, which conducts the internal audit of the district level offices. Besides, there are four Regional Accounts Officers (Audit) (RAO) for carrying out the internal audit of the offices under the control of the district level officers. Out of the total units of 102 for the year 2010-11 in Chennai region, internal audit of all units was pending till date (October 2012).

2.14.4 Pendency in clearance of internal audit objections

A review of the pending audit observations in RAOs during the period 2009-12 revealed that out of 9,357 paragraphs, 2,245 paragraphs (24 *per cent*) of the audit observations were pending settlement for more than 10 years and 1,060 paragraphs (11 *per cent*) for more than five years (September 2012).

2.14.5 Pendency in clearance of disciplinary cases

There were cases of shortages of stock, idling of agricultural inputs for long periods, locking up of scheme funds in bank accounts, holding of time barred cheques and non-finalisation of disciplinary cases. Final action on 18 cases involving misappropriation of ₹ 2.14 crore and 107 cases of shortages/theft/loss involving money value of ₹ 1.81 crore were pending issue of orders of recovery/write off.

2.14.6 Monitoring

The observations brought out in the preceding paragraphs clearly indicate that the monitoring of the schemes was grossly inadequate.

During the Exit Conference, the Government stated that the schemes were impacted by the severe shortages of manpower at various levels and this would be addressed shortly. We found that the shortages ranged from 14 to 60 *per cent* in various cadres.

These constraints need to be tackled urgently in view of the non-achievement of objectives in most of the schemes of the Department.

2.15 Constraints faced by Audit

Difficulties in getting records in the unit offices at Thoothukudi district was a major constraint faced by Audit and replies to 37 audit slips were not furnished (October 2012) by JDA, Thoothukudi even after repeated reminders and the matter already taken to the notice of CCO/COA.

Conclusion

- The Government did not formulate any long-term/Perspective/ Strategic/Annual Plan dovetailed to the Eleventh Five Year Plan to identify the critical areas for comprehensive agricultural growth.
- Government prepared its policy notes on annual basis in a routine manner without considering the inputs of field offices on local needs.
- There was no control over the conversion of agricultural lands for other purposes. Consequently, the area under fallow lands increased from 24 lakh hectares in 2007-08 to 25.95 lakh hectares in 2010-11.
- The State Seed Farms could achieve supplying quality seeds only upto 29 *per cent* of the required quantity and for balance of quantity, the farmers relied on costlier private sources. Delay in communication of test results of the seed sampled led to sale of sub-standard seeds in the market worth ₹ 3.54 crore.
- Non achievement of objective of the SVS due to irregular drawal of subsidy without issue of seeds to the farmers and distribution of storage bins of materials other than the material prescribed in the GOI guidelines.
- Soil Health Scheme intended to improve the yield and to reduce fertiliser was not effectively implemented due to large shortfall in coverage of farmers. The production of bio-fertilisers suffered due to inability of the Department to provide infrastructure.

- There was mismatch in distribution of agricultural implements after the completion of harvest process indicating ineffective implementation of System Rice Intensification technology.

- Control on implementation of insurance scheme was lacking as was evident from the fact that there were instances of excess insurance premium of ₹ 2.59 crore collected by the nodal bank, compensation of ₹ 1.11 crore payable to the farmers whose lands were affected by natural calamity was not paid due to the submission of incorrect declaration by the bank, bogus insurance claims to the extent of ₹ 25.28 crore by manipulating the records on ownership of agricultural lands at the village level etc.

- Cultivation of Jatropha plantation scheme was unviable and an expenditure of ₹ 1.80 crore became unfruitful.

- Control and monitoring of implementation of the schemes by the Department was deficient.

Recommendations

The Government should:

- Prepare a long-term plan for increasing the agricultural productivity and prepare annual plans taking into consideration the local requirements.

- Maintain a uniform database of agricultural lands in the records of revenue and agricultural departments.

- Improve performance so as to achieve targets set for Soil Management Scheme and State Seed Farms Scheme.

- Adhere to the guidelines of GOI for Seed Village Scheme and National Food Security Mission.

- Ensure that compensation under the insurance scheme is disbursed to the actual beneficiaries.