

CHAPTER I GENERAL

1.1 Introduction

Tamil Nadu is one of the largest States of India, with a population of 7.21 crore and a geographical area of 1,30,058 sq km. For the purpose of Administration, there are 37 Departments, headed by Principal Secretaries, who are assisted by Commissioners/Directors and subordinate officers under them.

Government functioning is broadly classified as General Services, Social Services and Economic Services. This Report covers the functioning of 10 Departments of Economic Sector listed in the table given below.

Of the 10 Departments with a total expenditure of ₹ 23,081.72 crore covered here, a major portion of the expenditure was incurred by Highways and Minor Ports (30.46 per cent), followed by Agriculture (28.18 per cent), Public Works (17.50 per cent) and Industries (7.41 per cent) Departments during 2016-17.

1.2 Trend of expenditure

A comparative position of expenditure incurred by the Departments during the year 2016-17 along with preceding four years is given in **Table No. 1.1** and **Chart No.1.1**

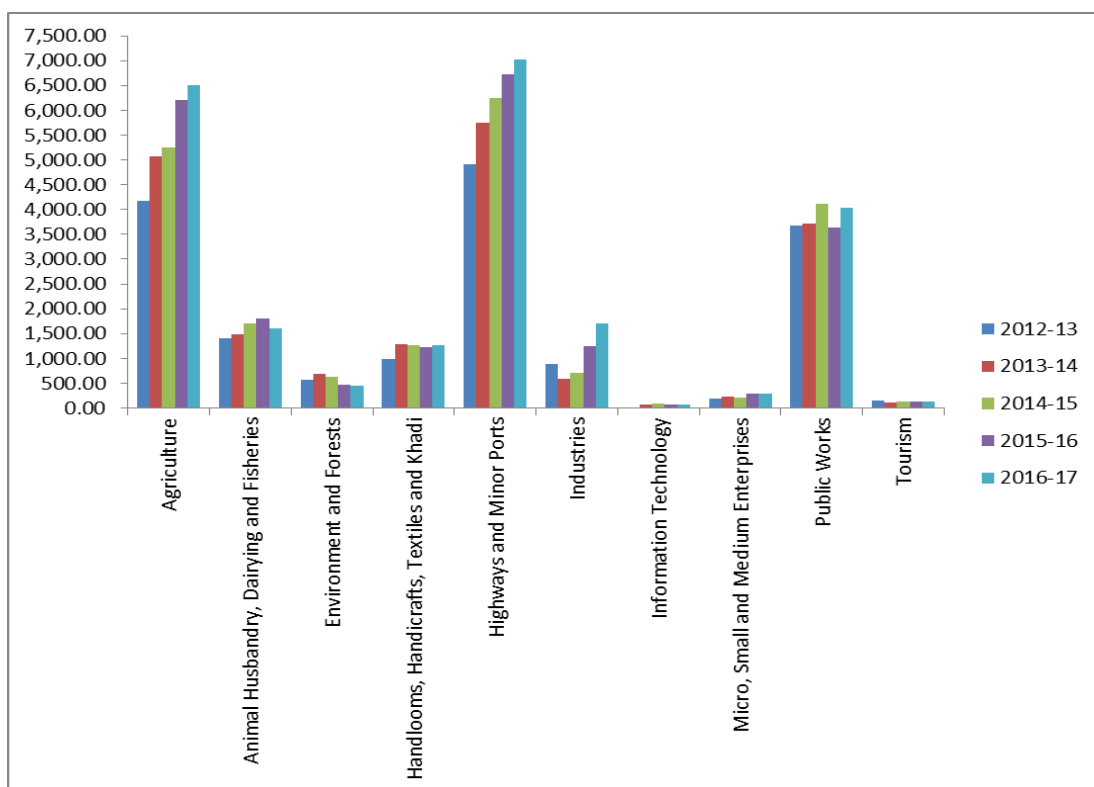
Table No. 1.1: Trend of expenditure for five years

(₹ in crore)

Sl. No.	Name of the Department	2012-13	2013-14	2014-15	2015-16	2016-17
1	Agriculture	4,173.29	5,067.84	5,247.25	6,199.67	6,505.30
2	Animal Husbandry, Dairying and Fisheries	1,398.06	1,487.60	1,705.37	1,795.75	1,597.31
3	Environment and Forests	578.32	686.75	633.96	473.47	443.53
4	Handlooms, Handicrafts, Textiles and Khadi	986.79	1,287.38	1,271.56	1,234.97	1,257.55
5	Highways and Minor Ports	4,918.07	5,744.66	6,254.65	6,719.63	7,030.85
6	Industries	896.50	591.90	703.58	1,253.08	1,709.50
7	Information Technology	6.64	75.83	81.72	79.29	70.22
8	Micro, Small and Medium Enterprises	199.17	238.63	219.06	284.04	299.78
9	Public Works	3,677.31	3,710.66	4,113.54	3,628.23	4,038.92
10	Tourism	146.42	105.50	125.33	126.17	128.76
Total		16,980.57	18,996.75	20,356.02	21,794.30	23,081.72

(Source: Finance Accounts for the years 2012-13 to 2016-17)

Chart No. 1.1: Trend of expenditure (₹ in crore)



(Source: Finance Accounts for the years 2012-13 to 2016-17)

Reasons for increase or decrease in expenditure are stated below:

Highways and Minor Ports Department: The increase in expenditure was due to maintenance of roads under Comprehensive Road Infrastructure Development Programme as permanent measure for prevention of floods in Chennai city and suburban areas and carrying out new major works and construction of bridges.

Public Works Department: The increase in expenditure was due to carrying out major works viz., Intra State Linking of Rivers, Permanent Flood Control, Protection Works in Cuddalore District.

Micro, Small and Medium Enterprises Department: The increase in expenditure was due to implementation of new schemes replacing existing schemes for development of Medium Enterprises in the State.

Industries Department: The increase in expenditure was due to increase in the disbursement of VAT subsidy.

Handlooms, Handicrafts, Textiles and Khadi Department: The increase in expenditure was due to rebate on sale of handloom cloth, Installation of Solar Power Panels in Co-operative Spinning Mills and establishment of Hi-tech Weaving Park under Textile Centres Infrastructure Development Scheme.

Animal Husbandry, Dairying and Fisheries Department: The decrease in expenditure was due to withdrawal of the free distribution of sheep/goat and milch cows to the persons living below poverty line.

1.2.1 Some major schemes implemented by the Departments of the Economic Sector during 2016-17

- (i) Comprehensive Road Infrastructure Development Programme covering State Highways, Major District Roads, Other District Roads at a cost of ₹ 3,046.17 crore, implemented by Highways Department.
- (ii) Free distribution of handloom cloth to the people below poverty line at a cost of ₹ 448.82 crore by Handlooms and Textiles Department.
- (iii) Premium Subsidy for implementation of Pradhan Mantri Fasal Bima Yojana - State Share at a cost of ₹ 415.43 crore by Agriculture Department.
- (iv) Installation of Drip and Sprinklers Irrigation System in farmers' holdings in Ground Water Stresses Blocks at a cost of ₹ 245.79 crore by Agriculture Department.

1.3 About this Report

This Report of the Comptroller and Auditor General of India (CAG) relates to matters arising from the Audit of 10 Government Departments and 48 Autonomous Bodies under the Economic Sector. Compliance Audit covers examination of the transactions relating to expenditure of the audited entities to ascertain whether the provisions of the Constitution of India, applicable laws, rules, regulations and various orders and instructions issued by the competent authorities are being complied with. Performance Audit examines whether the objectives of the programme/activity/Department are achieved economically, efficiently and effectively.

1.4 Authority for audit

The authority for audit by the CAG is derived from Articles 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) (DPC) Act, 1971. CAG conducts audit of expenditure of the Departments of Government of Tamil Nadu under Section 13¹ of the CAG's (DPC) Act. CAG is the sole Auditor in respect of Autonomous Bodies which are audited under Sections 19(3)² and 20(1)³ of the CAG's (DPC) Act. In addition, CAG also conducts audit of other Autonomous Bodies, under Section 14⁴ of CAG's (DPC) Act, which are substantially funded by the Government. Principles and methodologies for

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 and loss accounts, balance sheets and other subsidiary accounts.

² 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.

³ Audit of accounts of any body or authority on the request of the Governor, on such terms and conditions as may be agreed upon between the CAG and the Government.

⁴ Audit of (i) all receipts and expenditure of a body or authority substantially financed by grants or loans from the Consolidated Fund of the State and (ii) all receipts and expenditure of any body or authority where the grants or loans to such body or authority from the Consolidated Fund of the State in a financial year is not less than ₹ one crore.

various audits are prescribed in the Auditing Standards and the Regulations on Audit and Accounts, 2007 issued by the CAG.

1.5 Planning and conduct of audit

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

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

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

1.6 Response to audit

1.6.1 Draft Paragraphs and Performance Audit

Eleven Draft Paragraphs and one Performance Audit on Tamil Nadu Biodiversity Conservation and Greening Project were forwarded, demi-officially, to the Principal Secretaries of the Departments concerned between May and October 2017, with the request to send their responses. Government replies to 11 Draft Paragraphs and the Performance Audit were received. The replies have been incorporated in the Audit Report, wherever applicable. In respect of Performance Audit, an Entry Conference was held in April 2017 and an Exit Conference was held with the representatives of the Government in October 2017 and views expressed therein have been included in the Report.

1.6.2 Follow-up action on Audit Reports

With a view to ensuring accountability of the Executive in respect of the issues dealt with in the Audit Reports, the Public Accounts Committee (PAC)/Committee on Public Undertakings (COPU) directed that the Departments concerned should furnish remedial Action Taken Notes (ATNs) on the recommendations of PAC/COPU, relating to the Paragraphs contained in the Audit Reports, within six months. We reviewed the outstanding ATNs as on

31 March 2017, on the Paragraphs included in the Reports of the Comptroller and Auditor General of India relating to the Departments of Economic Sector, Government of Tamil Nadu and found that the Departments did not submit ATNs for 717 and 69 recommendations pertaining to the Audit Paragraphs discussed by PAC and COPU respectively. The delay in submission of ATNs ranged between six months and five years.

1.6.3 Outstanding replies to Inspection Reports

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

Inspection Reports issued upto 31 March 2017 were reviewed and found that 3,273 Paragraphs relating to 1,066 IRs remained outstanding at the end of September 2017 (**Annexure - 1**).

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

1.7 Significant Audit Observations

1.7.1 Performance Audit of Tamil Nadu Biodiversity Conservation and Greening Project was conducted during April to September 2017. Significant audit observations are given below:

- Department failed to complete the preparatory work of preparation of action plans, surveys, baseline geo coded data of land distribution and local specific flora for conservation of biodiversity indicating inadequate planning.
- Failure of the Government to sanction the agreed funds, non-utilisation of State share of ₹ 87.18 crore towards establishment charges, parking of Government funds of ₹ 49.35 crore outside the Government account indicated imprudent financial management.
- Absence of sanction for removal of invasive species in the identified areas and its partial removal, inadequate collection and hatching of eggs, non-supply of turtle excluder device and non-monitoring of climate change indicated ineffective biodiversity conservation. Selection of plantations based on beneficiary preference instead of field investigation for tree cultivation in private lands and failure to ensure survival of the planted saplings resulted in

non-achievement of the green cover to an extent of 19,044 ha. Department did not ensure adequate community development and income generation activities for tribal people in implementing eco-developmental activities.

- Absence of adequate manpower, shortcomings in the web based monitoring and internal control impacted the objective of strengthening biodiversity conservation and enhancing green cover in the State.

1.7.2 Compliance Audit

1.7.2.1 Medical Services by Animal Husbandry Department

Audit of Medical Services by Animal Husbandry Department brought out the following observations:

- Department did not establish adequate number of Animal Disease Intelligence Units (ADIUs) to develop disease surveillance system.
- Implementation of Emergency Mobile Veterinary Service to 27 districts was delayed due to change of Implementing Agencies.
- GoTN could not avail GOI grant of ₹ 3.70 crore as unspent GOI funds were not refunded and Utilisation Certificates not furnished.
- An amount of ₹ 15.53 crore was blocked and parked without utilisation for disease prevention.
- Absence of periodical upgradation of institutions based on number of cases treated, delay in adoption of Good Laboratory and Manufacturing Practices for vaccines despite release of funds resulted in ineffective disease diagnosis and control. Department failed to ensure supply of indented quantity of medicine resulting in either accumulation of medicines or non-availability of indented categories of medicine for effective treatment.
- Acute shortage of qualified veterinarians and absence of adequate infrastructure impacted the delivery of medical service to the livestock and poultry.
- There were shortcomings in monitoring framework for delivery of services.

1.7.2.2 Deficiencies in sand quarry operation

- Department failed to verify the correctness of the geo co-ordinates available in the mining plan or Environmental Clearance at the time of approval. Licences for operation of sand quarries were issued by District Collectors based on these incorrect geo co-ordinates.
- The Department failed to comply with the instructions of Government regarding judicious use of the poclains and to ensure removal of sand in the approved area of quarry resulting in excess utilisation of poclains and removal of additional quantity of sand as observed from UAV technology resulted in loss of revenue of ₹ 21.02 crore calculated at PWD rates.

- Major deficiencies in issue of transport permits and sale slips, non-ensuring authenticity of vehicles and end users, increase in recurrence of illicit quarrying as evidenced by seizure of vehicles/sand, deficient supervision, absence of monitoring hampered the objectives of elimination of indiscriminate and unscientific quarrying.
- This also led to non-achievement of the objective of supply of sand to consumers at affordable prices and prevention of degradation of ecology.

1.7.2.3 Information Technology Audit on Agri Reporting System

- Development of ARS software was finalised without adopting the User Requirement Specification, System Requirement Specification and User Acceptance Testing.
- A comparison of the data available in the ARS software and the reports generated therefrom with the manual records of the Department indicated incorrect and incomplete data capturing of physical and financial progress of the schemes implemented by the Department and were not useful for effective monitoring and decision making.
- The ARS application lacked adequate input controls, validation checks and process controls resulting in reports generated becoming unreliable for decision making by the Management and continued dependence on manual records.
- The objective of effective management of schemes by reducing the time required for data consolidation and reporting of schemes at all levels remained largely unachieved due to deficiencies in the application software.

1.7.2.4 Audit of transactions of various Departments of Government and field offices revealed unfruitful expenditure, avoidable expenditure and blocking of funds as summarised below:

- Absence of inter-departmental co-ordination in pursuance of application of aggrieved land owners, inordinate delay and failure to adhere to the prescribed provisions resulted in dismissal of appeal and additional interest burden of ₹ 3.66 crore to the State exchequer.

(Paragraph No.3.4)

- Failure to renew the lease period, non-enhancement of lease rent resulted in short collection of lease rent of ₹ 3.29 crore besides non-eviction of encroachment from Government land.

(Paragraph No.3.5)

- Incorrect preparation of estimates by suppressing the Benkelman Beam Deflection test results and incorrect inclusion of seasonal variation factor, in violation to Indian Road Congress specifications, resulted in additional work and avoidable extra expenditure of ₹ 8.75 crore.

(Paragraph No.3.6)

- Violation of Manual provisions and absence of effective pursuance resulted in short collection of consultation fee of ₹ 2.18 crore, avoidable interest burden of ₹ 1.31 crore and non-realisation of lease rent of ₹ 2.36 crore for four years.

(Paragraph No.3.8)

- Lack of monitoring the progress of work and delayed furnishing of Utilisation Certificates by State Government for development of tourism infrastructure resulted in non-availing of Government of India grant of ₹ 17.40 crore.

(Paragraph No.3.11)