

# CHAPTER I

## INTRODUCTION



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### 1.1 About this Report

This Report of the Comptroller and Auditor General of India (C&AG) on Government of Tamil Nadu (GoTN) relates to matters arising from Performance Audit of selected programmes and activities and Compliance Audit of Government departments and Autonomous Bodies.

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 audit findings are expected to enable the executive to take corrective actions as also to frame appropriate policies and directives that will lead to improved financial management of the organisations, thus contributing to better governance.

Compliance Audit refers to examination of transactions relating to expenditure, receipts, assets and liabilities of audited entities to ascertain whether provisions of the Constitution of India, applicable rules, laws, regulations and various orders and instructions issued by the competent authorities are being complied with.

Performance Audit examines the extent to which objectives of an organisation, programme or scheme have been achieved economically, efficiently and effectively.

This chapter provides profile of audited entities, planning and extent of audit and synopsis of audit observations. Chapter II of this Report deals with findings of Performance Audits and Chapter III deals with findings of Compliance Audit of various departments and Autonomous Bodies.

### 1.2 Profile of Audited Entities

There are 37 departments in the State at the Secretariat level, headed by Principal Secretaries/Secretaries who are assisted by Commissioners/ Directors and Subordinate officers. Of these, 23 departments including 14 Public Sector Undertakings and 1,506 Autonomous Bodies/Local Bodies coming under these departments are under audit jurisdiction of the Principal Accountant General (General and Social Sector Audit).

A comparative position of expenditure incurred by the Government during the year 2014-15 and in the preceding two years is given in **Table 1.1**.

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Abbreviations used in this report are listed in the Glossary at Page 159.

**Table 1.1: Comparative position of expenditure**

(₹ in crore)

Disbursements	2012-13			2013-14			2014-15		
	Plan	Non-plan	Total	Plan	Non-plan	Total	Plan	Non-plan	Total
<b>Revenue expenditure</b>	<b>23,384</b>	<b>73,683</b>	<b>97,067</b>	<b>26,534</b>	<b>83,290</b>	<b>1,09,824</b>	<b>34,160</b>	<b>94,668</b>	<b>1,28,828</b>
General services	36	31,616	31,652	61	35,668	35,729	181	41,474	41,655
Social services	19,288	19,335	38,623	22,173	23,103	45,276	25,290	25,059	50,349
Economic services	3,277	14,351	17,628	3,452	16,192	19,644	7,647	19,196	26,843
Grants-in-aid and contributions	783	8,381	9,164	848	8,327	9,175	1,042	8,939	9,981
<b>Capital Expenditure</b>	<b>14,351</b>	<b>217</b>	<b>14,568</b>	<b>16,872</b>	<b>301</b>	<b>17,173</b>	<b>17,272</b>	<b>531</b>	<b>17,803</b>
<b>Loans and advances disbursed</b>	<b>170</b>	<b>4,599</b>	<b>4,769</b>	<b>389</b>	<b>1,853</b>	<b>2,242</b>	<b>1,339</b>	<b>2,980</b>	<b>4,319</b>
<b>Repayment of public debt (including transactions under ways and means advances)</b>	<b>*</b>	<b>*</b>	<b>5,015</b>	<b>*</b>	<b>*</b>	<b>4,977</b>	<b>*</b>	<b>*</b>	<b>6,488</b>
<b>Contingency fund</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>*</b>	<b>*</b>	<b>19</b>	<b>*</b>	<b>*</b>	<b>Nil</b>
<b>Public account disbursements</b>	<b>*</b>	<b>*</b>	<b>1,33,101</b>	<b>*</b>	<b>*</b>	<b>1,44,022</b>	<b>*</b>	<b>*</b>	<b>1,59,384</b>
<b>Total</b>			<b>2,54,520</b>			<b>2,78,257</b>			<b>3,16,822</b>

\* Plan and non-plan bifurcation is not applicable  
(Source: Finance Accounts for the respective years)

### 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 Services) Act, 1971. The C&AG conducts audit of expenditure of the departments of GoTN under Section 13<sup>1</sup> of the C&AG's (DPC) Act, 1971. The C&AG is the sole auditor in respect of 34 Autonomous Bodies which are audited under Sections 19(2)<sup>2</sup>, 19(3)<sup>3</sup> and 20(1)<sup>4</sup> of the said Act. Audit of Government companies is also conducted under Section 19(1) of the C&AG's (DPC) Act. In addition, the C&AG conducts, under Section 14<sup>5</sup> of the Act, audit of other Autonomous Bodies which are

<sup>1</sup> Audit of (i) all transactions from the Consolidated Fund of the State (ii) all transactions relating to the Contingency Fund and the Public Account and (iii) all trading, manufacturing, profit & loss accounts, balance sheets & other subsidiary accounts

<sup>2</sup> 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

<sup>3</sup> 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

<sup>4</sup> 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

<sup>5</sup> 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 ₹ one crore

substantially funded by the State Government. The C&AG also provides Technical Guidance and Support to the Local Fund Audit for audit of Local Bodies. The 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 Planning and conduct of audit**

Audit process starts with the risk assessment of the Department/organisation as a whole and that of each unit based on expenditure incurred and its type, criticality/complexity of activities, level of delegated financial powers, assessment of internal controls, concerns of stakeholders and the likely impact of such risks. Previous audit findings are also considered in this exercise. Based on this risk assessment, the frequency and extent of audit are decided. An Annual Audit Plan is formulated to conduct audit on the basis of such risk assessment.

After completion of audit of units, Inspection Reports (IRs) containing audit findings are issued to the Heads of the audited entities. The entities 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. Important audit observations pointed out in these IRs are processed for inclusion in the Audit Reports which are submitted to the Governor of Tamil Nadu under Article 151 of the Constitution of India for being laid before the State Legislature.

## **1.5 Response to Audit**

### ***1.5.1 Draft Paragraphs and Performance Audits***

Thirteen Draft Paragraphs (DPs) and three draft Performance Audits (PAs) including one Information Systems Audit were forwarded demi-officially to Principal Secretaries/Secretaries of the Departments concerned between June and November 2015 with requests to send their responses within six weeks. Departmental replies for six out of thirteen DPs and two out of three Draft PAs were received. The replies, wherever received, have been suitably incorporated in the Report. In respect of draft PAs, Exit Conferences were held with representatives of the Government between September and December 2015. The Government's reply and views expressed by the representatives of the Government during Exit Conferences were considered while finalising the Report.

### **1.5.2 Pending replies to Inspection Reports**

A review of the IRs issued up to 30 September 2014 revealed that 17,956 paragraphs relating to 4,862 IRs remained outstanding at the end of March 2015 as detailed in **Appendix 1.1**.

Large pendency of IRs due to non-receipt of replies was indicative of the fact that heads of offices and heads of Departments did not initiate appropriate and adequate action to rectify the defects, omissions and irregularities pointed out in the IRs.

## **1.6 Audit observations of Performance Audits**

This Report contains three Performance Audits including one on Information Systems Audit. The focus has been on auditing the specific programmes/schemes and offering suitable recommendations with the intention to assist the Executive in taking corrective action and improving service delivery to the citizens. Significant audit observations are discussed below:

### **1.6.1 Implementation of Rashtriya Madhyamik Shiksha Abhiyan**

Government of India (GoI), in order to make good quality secondary education available, accessible and affordable to all young persons in the age group of 14-18 years launched Rashtriya Madhyamik Shiksha Abhiyan (RMSA) in March 2009 as a Centrally Sponsored Scheme. Under the scheme, the GoI share is 75 per cent and the GoTN share is 25 per cent of the cost of all components. A Performance Audit of Implementation of RMSA revealed certain significant audit findings :

- In all the test-checked 190 Government schools of the eight sample districts, no perspective plan or annual plan was prepared at school level. Instead the Annual Work Plans were prepared by the District Programme Co-ordinators based on the data available in School Education Management Information System (SEMIS), Unified District Information System for School Education (UDISE) and Census data.
- Ineligible middle schools not fulfilling the norms of RMSA on access to habitations and number of students in feeder schools were upgraded in the test-checked districts. Further, 158 out of 710 schools approved for upgradation by GoI in 2011-12 were subsequently cancelled due to non-adherence of RMSA norms.
- Short/delayed release of scheme funds by GoTN was noticed.
- Though 1,944 schools were required to be upgraded in the State as per the mapping exercise, only 1,096 schools were upgraded during 2009-12, out of which new buildings were constructed for 136 schools sanctioned during 2009-10. Construction was under progress in 62 schools and in the remaining 898 schools, construction was not taken up as of August 2015.

- Under the Strengthening of schools component, out of 2,549 Additional classrooms (ACR) and Science Laboratories sanctioned during 2010-11, 1,413 ACR and Science Laboratories were completed as of August 2015. All the strengthening works sanctioned during 2011-12 were not taken up as of May 2015.
- The training given to teachers was inadequate. There was adverse student-classroom ratio as compared to norms.
- In 119 test-checked Government schools, there were no Science laboratories and in 149 schools, there were no libraries. In 94 schools, there were no playgrounds.
- Audit noticed that the overall impact of the deficiencies also resulted in declining enrolment in IX Standard in Government schools, reduction in transition rates to high schools, lack of reduction of dropouts and poor results in examinations.

**(Paragraph 2.1)**

### ***1.6.2 Working of Observation Homes, Children Homes and Special Homes in Tamil Nadu***

Social Welfare and Nutritious Meal Programme Department implements a number of schemes for protection, welfare and development of children in need of care and protection through Commissionerate of Social Welfare. Directorate of Social Defence, which is responsible for implementing the Juvenile Justice (Care and Protection of Children) Act, 2000 and the Amendment Act, 2006, takes care of juveniles in conflict with law and also children in need of care and protection. The Tamil Nadu Juvenile Justice (Care and Protection of Children) Rules, 2001, framed under the Act was amended in March 2012 in conformity with the provisions of the Act as amended in 2006. In the State, child care institutions are run by Government as well as Non-Governmental Organisations (NGOs). A Performance Audit on Working of Observation Homes, Children Homes and Special Homes was conducted during March - July 2015 and important audit findings noticed during audit are as under:

- There were delays in finalisation of cases by Juvenile Justice Boards and Child Welfare Committees in the sampled districts.
- GoI funds released for Institutional Care component of Integrated Child Protection Scheme (ICPS) were not utilised by the Commissionerate of Social Welfare (CSW). ICPS funds were not released to the State Child Protection Society and the funds were managed by the Department.
- 375 homes under the control of Directorate of Social Defence (DSD) and CSW were not registered under the Juvenile Justice Act as of August 2015.

- Basic infrastructure, amenities and provision of minimum standards of services were lacking in test-checked homes run by Government and NGOs.
- Out of 433 children who escaped/ran away from homes operated by Government and NGOs during 2010-15, 202 children (47 per cent) were not traced indicating lack of adequate surveillance and security arrangements in homes.
- Shortage in staff required for management of Government homes was noticed. Vacancies in key posts of homes were more than 50 per cent of the sanctioned strength in each category.

**(Paragraph 2.2)**

### **1.6.3 Information Systems Audit on Computerisation of District Employment Offices**

The primary function of District Employment Offices (DEOs) is to register job seekers, renew their registration periodically and update their qualification as and when requested. DEOs also select candidates based on their seniority and qualification and furnish lists of eligible candidates to employers. Information Systems Audit on Computerisation of District Employment Offices revealed the following significant audit findings:

- Out of the nine modules, only two modules (Registration Module and Vacancy Module) have gone live even after six years from the date of entrustment of the work to the developer.
- Large-scale manual interventions were made in the selection process due to inadequacies in the Vacancy Module.
- There were errors in selection lists generated by the Vacancy Module due to errors in input/process/data migration.
- National Code of Occupation (NCO) and seniority date in respect of 1.47 lakh candidates registered during 2011-14 were not available in the relevant table. There were discrepancies in seniority date between candidate NCO table and Selection Detail table. Discrepancies were noticed in input of fields due to absence of validation controls. Multiple registrations of candidates were noticed.
- Therefore, Audit could not derive assurance that the candidates were recommended for jobs, in accordance with the rules and regulation in force, through the system.

**(Paragraph 2.3)**

## **1.7 Audit observations of Compliance Audit**

Audit observed several deficiencies in critical areas which had adverse impact on effective functioning of Government Departments/ Organisations. Key audit findings of compliance issues are as under:-

***Provision and maintenance of hostels for Backward Classes, Most Backward Classes and Denotified Communities Students***

There were delays in admitting school students to hostels against additional seats. Sanction of additional seats and sharing of accommodation by more than one hostel in the same building resulted in overcrowding in these hostels, besides inadequate availability of bathrooms, toilets and other amenities. Construction of newly sanctioned buildings for hostels were not commenced due to delay in identification of site and indecisiveness. Vacancies in key posts in hostels remained unfilled. Shortfall in conducting medical camps and hostel inspections was also noticed.

**(Paragraph 3.1)**

***Provision of medical facilities at secondary care hospitals under Director of Medical and Rural Health Services***

Inadequate infrastructure facilities were noticed in non-Taluk hospital, Pernambut and Operation Theatres were not used for want of specialist Doctors in two hospitals. In 12 test-checked hospitals, the bed strength was over and above the sanctioned strength requiring additional facilities. Non-installation/idling of equipment was noticed in test-checked hospitals. Blood storage facilities were not available in hospitals leading to referral of cases to other hospitals. Shortage/diversion of manpower was noticed in hospitals and the percentage of shortfall of Doctors, Nurses and Paramedical staff was significant.

**(Paragraph 3.2)**

***Free Distribution of laptop computers to students of Government/ Government aided Schools and Colleges***

Laptop computers were distributed belatedly to students after the close of the academic year, due to delayed release of funds to Electronics Corporation of Tamil Nadu (ELCOT). Laptop computers were distributed to students studying in self financing courses in Government Aided colleges, though they were not eligible under the scheme. There were losses due to theft in schools and colleges, which indicated lacuna in safe storage of laptop computers.

**(Paragraph 3.3)**

***Information Technology Audit on Computerised Billing and Collection in Chennai Metropolitan Water Supply and Sewerage Board***

Audit examination of data for the period 2010-15 pertaining to Billing and Collection Module of the Enterprise Resource Planning (ERP) system of the Board revealed short assessments of Water Tax/Water Charges due to incorrect adoption of Annual Value, incomplete data transfer of “Live” properties, incorrect classification of property, category mismatch between New Water Connection system and Billing and Collection module and discrepancies in raising of demands in respect of metered connections. Based on the

observations of audit, the Board has taken remedial action by raising demands amounting to ₹ 30.26 crore.

**(Paragraph 3.4)**

*Other significant audit observations*

Failure of the University of Madras to identify suitable personnel to operate and maintain the Virtual University Programme and the Tele-education project created at a cost of ₹ 4.91 crore resulted in idling of the equipment besides non-achievement of objective of tele-education.

**(Paragraph 3.5.1)**

Buildings for pharmacies attached to two Hospitals of Indian Medicine, constructed at a cost of ₹ 1.65 crore could not be put to use for four and five years respectively, due to non-procurement of equipment despite availability of funds.

**(Paragraph 3.5.2)**

Failure on the part of Tamil Nadu Health Systems Society to include a saving clause in the agreement for adjusting the excess premium paid under CMCHIS resulted in unintended benefit of ₹ 7.11 crore to the insurance company.

**(Paragraph 3.6.1)**

Failure of the department to restrict release and retention of higher cost borrowings in current account of District Central Co-operative Banks of the concerned districts resulted in avoidable liability of ₹ 1.82 crore to Government.

**(Paragraph 3.6.2)**

Funds amounting to ₹ 7.36 crore provided for construction of masonry choolas in schools, for safe disposal of used sanitary napkins and installation of vending machines were kept idle outside Government Account for more than two years due to indecisiveness in finalising the implementing agency and the technology.

**(Paragraph 3.7.1)**

Funds amounting to ₹ one crore provided for construction of group houses for transgenders were kept idle outside Government Account for more than five years, due to indecisiveness in fixing the unit cost of houses and poor monitoring.

**(Paragraph 3.7.2)**

The building constructed for Trauma centre at a cost of ₹ 77.20 lakh at Kanyakumari Medical College Hospital could not be put to use for more than three years.

**(Paragraph 3.7.3)**

Government receipts of ₹ 625.24 crore collected as claims by various Government Hospitals under CMCHIS were kept outside Government account, out of which an expenditure of ₹ 488.24 crore was incurred, in contravention of the Constitutional provision and the Tamil Nadu Treasury Rules.

**(Paragraph 3.8.1)**

Failure to adhere to provisions of guidelines relating to State's share of expenditure incurred from Revolving Fund operated under Employees' State Insurance Scheme resulted in incorrect adjustment by Employees' State Insurance Corporation (ESIC), besides blocking up of ₹ 43.83 crore with ESIC.

**(Paragraph 3.8.2)**

## **1.8 Recommendations**

This Report contains specific recommendations on a number of issues involving non-observance of the prescribed internal procedure and systems, compliance with which would help in promoting good governance and better oversight on implementation of departmental programmes and objectives at large. The State Government is requested to take cognizance of these recommendations and take appropriate action in a time bound manner.