

CHAPTER I

INTRODUCTION

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1.1 About this Report

This Report of the Comptroller and Auditor General of India (CAG) 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 issued by the CAG 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 16 Public Sector Undertakings and 1,550 Autonomous Bodies/Local Bodies falling under these departments are under audit jurisdiction of the Accountant General (General and Social Sector Audit), Tamil Nadu.

A comparative position of expenditure incurred by the Government during the year 2015-16 and in the preceding four years is given in **Table 1.1**.

Abbreviations used in this report are listed in the Glossary at Page 129

Table 1.1: Comparative position of expenditure

(₹ in crore)

Disbursements	2011-12	2012-13	2013-14	2014-15	2015-16
Revenue expenditure	83,838	97,067	1,09,824	1,28,828	1,40,993
General services	28,941	31,652	35,729	41,655	45,512
Social services	33,262	38,623	45,276	50,349	54,806
Economic services	14,142	17,628	19,644	26,843	29,943
Grants-in-aid and contributions	7,493	9,164	9,175	9,981	10,732
Capital Expenditure	16,336	14,568	17,173	17,803	18,995
Loans and advances disbursed	5,483	4,769	2,242	4,319	2,331
Repayment of public debt (including transactions under ways and means advances)	3,830	5,015	4,977	6,488	6,605
Contingency fund	Nil	Nil	19	Nil	19
Public account disbursements	1,20,953	1,33,101	1,44,022	1,59,384	1,77,442
Total	2,30,440	2,54,520	2,78,257	3,16,822	3,46,385

(Source: Finance Accounts for the respective years)

1.3 Authority for Audit

The authority for audit by the CAG is derived from Articles 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Services) Act, 1971. The CAG conducts audit of expenditure of the departments of GoTN under Section 13¹ of the CAG's (DPC) Act, 1971. The CAG is the sole auditor in respect of 33 Autonomous Bodies which are audited under Sections 19(2)², 19(3)³ and 20(1)⁴ of the said Act. Audit of Government companies is also conducted under Section 19(1) of the CAG's (DPC) Act. In addition, the CAG conducts, under Section 14⁵ of the Act, audit of other Autonomous Bodies which are substantially funded by the State Government. The CAG 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

¹ 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

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

³ Audit of the accounts of Corporations (not being Companies) established by or under law made by the State Legislature at the request of the Governor

⁴ Audit of accounts of any body or authority on the request of the Governor on such terms and conditions as may be agreed upon between the CAG and the Government

⁵ Audit of (i) all receipts and expenditure of a body/authority substantially financed by grants or loans from the Consolidated Fund of the State and (ii) all receipts and expenditure of any body or authority where the grants or loans to such body or authority from the Consolidated Fund of the State in a financial year is not less than ₹ 1 crore

Auditing Standards and the Regulations on Audit and Accounts 2007 issued by the CAG.

1.4 Planning and conduct of audit

Audit process starts with the risk assessment of the Departments/organisations 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 IRs. 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 CAG's 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

Nine Draft Paragraphs (DPs) and three draft Performance Audits (PAs) were forwarded demi-officially to Principal Secretaries/Secretaries of the Departments concerned between June and December 2016 requesting them to send their responses within six weeks. Departmental replies for all the DPs and draft PAs have been received. The replies 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 2016. 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 Pendency of Inspection Reports

A review of the IRs issued up to 30 September 2015 revealed that 17,094 paragraphs relating to 4,724 IRs remained outstanding at the end of March 2016 as detailed in **Appendix 1.1**.

Large pendency of IRs 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. 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 Modernisation of Judicial Infrastructure

With a view to strengthening judicial infrastructure for timely, consistent and user friendly justice delivery, National Judicial Infrastructure Plan (NJIP) was conceived (November 2006) by the National Judicial Academy. A scheme *viz.*, National Court Management Systems (NCMS) was approved (May 2012) by the Hon'ble Chief Justice of India, which stressed the need for greater allocation of funds for planning, creation, development and maintenance of judicial infrastructure.

Government of India (GoI) provided funds for implementing Centrally Sponsored Scheme (CSS) for development of infrastructure facilities for the Judiciary since 1993-94. Further, e-Courts Integrated Mission Mode Project envisaged deployment of hardware, software and networking to assist courts in streamlining their day to day functioning. Funds were also provided under 13th Finance Commission during 2010-15 for various components such as constitution of morning/evening/special courts and maintenance of heritage court buildings. State funds were also provided for construction of court buildings and residential quarters for Judicial Officers.

A Performance Audit on Modernisation of Judicial Infrastructure for the period 2011-12 to 2015-16, involving the aforesaid schemes/funds, revealed following significant audit findings:

- Due to non-submission of complete utilisation certificates for 2012-13 and 2013-14 to GoI in time, grants for 2014-15 and 2015-16 were not released by GoI, under CSS, though proposals for construction of court buildings and quarters worth ₹ 278.21 crore were sent to GoI by GoTN.
- Due to accommodating more courts by making alterations in the existing court buildings, as against the norm of 1,200 sq.ft. for the court hall in respect of District Court/Sub-Court, 74 out of 90 test checked courts had shortfall of available space ranging from 30 sq.ft. to 950 sq.ft. Similarly, as against the norm of 1,000 sq.ft. for the court hall in respect of Judicial Magistrate Court/District Munsif Court, 99 out of 132 test checked courts had shortfall of available space ranging from 25 sq.ft. to 860 sq.ft.
- Non-availability of ramp facilities for persons with disabilities in 57 out of 75 court complexes in the test checked districts was in clear violation of Persons with Disabilities Act, 1995. Non-availability of toilets for persons with disabilities was noticed in 67 out of 75 court complexes, in violation of NJIP. Similarly, non-availability of security devices like closed circuit television cameras and safety devices like

fire extinguishers was observed in 287 courts and 161 courts respectively in the test checked districts, putting the crucial court records and human lives at risk.

(Paragraph 2.1)

1.6.2 Follow-up Audit of Modernisation of Police Force

A Performance Audit on Modernisation of Police Force (MPF) Scheme was conducted in 2009 covering the period 2005-06 to 2009-10 and the audit observations were included in the CAG's Report-Civil- for the Government of Tamil Nadu for the year ended 31 March 2010. A follow-up audit conducted during April to July 2016, to assess whether the accepted audit recommendations were implemented and also covering the implementation of MPF scheme during 2010-11 to 2015-16, revealed the following:

- All the four recommendations made in the previous Audit Report were accepted by the department. Of these, one recommendation was fully implemented, two were partially implemented and one was not implemented.
- No approval was obtained from High Powered Committee of Ministry of Home Affairs (MHA) for the deviation in procurement of items pointed out in the previous Audit Report. Purchase of alternative equipment without approval of MHA, unrealistic preparation of estimates and inclusion of proposal for construction of police stations in Annual Action Plans without ensuring availability of land, noticed during 2010-11 to 2015-16, indicated that the recommendation had been partially implemented.
- With reference to recommendation on replacement of vehicles using MPF funds, no replacement of vehicles was done using MPF funds and condemned vehicles were replaced with funds under State Budget only. Hence, the recommendation was fully implemented.
- In pursuance of the previous Audit recommendation, the department had provided enhanced funds for Annual Maintenance Contract (AMC) of equipment procured. However, 20 of the 29 equipment (mentioned in the previous Audit Report) and 5 of the 10 equipment procured during 2010-11 to 2015-16 in the Forensic Science Department were still without AMC. E-beat systems procured in Police Department were also without AMC and they became defunct. Hence, the recommendation was not implemented.
- While there was progress in completion of pending residential units pointed out in the previous Audit Report, the pending residential units taken up for construction during 2010-11 to 2015-16 were yet to be completed. Hence, the implementation of the recommendation was partial.
- Shortfall in availability of vehicles in police stations was noticed in the test checked districts.

- The project of Digital Based Police Radio System for Chennai and Tiruchirappalli sanctioned in April 2012 had not been implemented due to delay in deciding the technology.
- Non-payment of spectrum charges resulted in shortfall of procurement of communication equipment. Deoxyribo Nucleic Acid (DNA) Unit at Madurai established in December 2011 without ensuring availability of requisite cold storage facilities and technical staff, resulted in its sub-optimal usage for five years.

(Paragraph 2.2)

1.6.3 Information Technology Audit of e-District Project

The e-District Project (Project) was one of the State Mission Mode Projects (MMPs) under National e-Governance Plan (NeGP) to provide support to the District so as to deliver certain high volume services to the citizens at their doorsteps. The Information Technology Audit of the implementation of e-District Project in four departments relating to 19 services revealed the following significant audit findings:

- The e-District project, initiated in the year 2008, had not been completed (February 2017) though it was planned to be completed by February 2016.
- The Data Centre site was shifted from State Data Centre, Perungudi owing to space constraints to BSNL Data Centre due to which four components worth ₹ 1.01 crore could not be put to use, as they were not compatible with BSNL data centre. Further, since the envisaged Data Recovery site had not become functional, servers and computer infrastructure worth ₹ 3.54 crore were not utilised.
- The main objectives of e-District Project viz., delivery of services in online mode, accessibility, transparency, accountability, functional and operational efficiency and effectiveness and seamless integration of various departments had not been achieved due to lack of appropriate input, processing and output controls and non-mapping of business rules. We observed the following lapses as a result of our audit:
 - Excess payment of scholarship was made to the tune of ₹ 3.23 crore by allowing multiple applications for the same student in the same academic year.
 - Students were paid lesser maintenance allowance amounting to ₹ 21.05 crore than their entitlement.
 - Marriage assistance was allowed to the same beneficiaries on more than one occasion.
 - Different community certificates were issued to the same applicants.

- There were delays in processing of applications for various purposes which defeated the purpose of ensuring efficient delivery of services to citizens.
- Ineligible applicants were given benefits and eligible candidates were denied benefits.
- Applications without required documents were captured and processed by the system raising doubts about the authenticity of the software application.

(Paragraph 2.3)

1.7 Audit observations of Compliance Audit

We 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:-

The Director General of Police paid Value Added Tax to a firm at 14.5 *per cent* during 2014-15, as against the reduced rate of five *per cent* allowed for Government Departments, resulting in excess payment of ₹ 1.49 crore.

(Paragraph 3.1.1)

Tamil Nadu Handloom Weavers' Co-operative Society Limited supplied sarees and dhoties for the scheme 'Free supply of sarees and dhoties to pensioners covered under nine Social Security Pension schemes' at higher rates compared to those supplied by the same agency under another scheme with similar specifications, which resulted in avoidable excess expenditure of ₹ 43.94 crore.

(Paragraph 3.2.1)

Delay in taking decision by the Government in disposal of obsolete textbooks stored in godowns of Tamil Nadu Textbook and Educational Services Corporation resulted in avoidable expenditure of ₹ 13.37 crore towards payment of godown rent during 2012-16.

(Paragraph 3.2.2)

Failure to reduce the contracted maximum demand of load in High Tension service of electrical connection and non-payment of energy charges within due dates resulted in avoidable expenditure of ₹ 5.51 crore towards the contracted maximum demand and ₹ 2.46 crore as Belated Payment Surcharge.

(Paragraph 3.2.3)

Failure of the University of Madras to obtain planning permission for construction of building for National Centre for Nanosciences and Nano Technology before entrusting the work to the contractor resulted in avoidable extra expenditure of ₹ 2.87 crore and liability of ₹ 86.66 lakh.

(Paragraph 3.2.4)

Poor planning and delay in providing necessary infrastructure facilities in the maternity block, constructed at a cost of ₹ 3.52 crore, in Government Medical College Hospital, Villupuram, resulted in non-availability of essential infrastructure facilities as per Indian Public Health Standards.

(Paragraph 3.3.1)

Delays at various levels resulted in non-establishment of District Geriatric Units, despite availability of funds of ₹ 7.96 crore.

(Paragraph 3.3.2)

Delay in revising and fixing the lease rent resulted in non-collection of lease rent of ₹ 2,081 crore for the period 2000-16 from Tamil Nadu Cricket Association and Madras Cricket Club.

(Paragraph 3.4.1)

Adi-Dravidar and Tribal Welfare Department and Tamil Nadu Adi-Dravidar Housing and Development Corporation incurred ₹ 35.57 crore out of Special Central Assistance (SCA) funds towards staff cost of monitoring and evaluation cell and administrative expenses during 2009-15, in excess of the prescribed limit, which resulted in depleting SCA funds to that extent for implementation of schemes for the economic development of Scheduled Castes.

(Paragraph 3.4.2)

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.