

## CHAPTER IV

### AUDIT OF TRANSACTIONS

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

#### 4.1 Wasteful/unfruitful expenditure

##### *PUBLIC DEPARTMENT*

##### *4.1.1 Wasteful expenditure on preliminary works relating to construction of new secretariat complex*

**Taking up preliminary works relating to construction of a new secretariat complex without obtaining environmental clearance from Ministry of Environment and Forests resulted in wasteful expenditure of Rs 2.55 crore and contractual liability of Rs 8.02 crore towards consultancy charges.**

The State Government decided (September 2003) to construct a new secretariat complex including legislative assembly hall in a site measuring about 43.20 acres at Kotturpuram, comprising lands belonging to the State Government, Anna University, and Madras University.

The Chennai Metropolitan Development Authority (CMDA) was entrusted (September 2003) with the responsibility of selecting the architects and construction agency. The work of providing architectural and consultancy services was awarded (October 2003) to M/s. C.N. Narayana Rao, Chennai, through tender process.

Government of India, Ministry of Environment and Forests issued (October 2003) a draft notification under Section 5(3) of Environment Act and Rules for introducing provisions for mandatory clearance by GOI for projects. However, the State Government instructed (November 2003) CMDA to proceed further with the preliminary work of construction.

GOI issued (July 2004) the final Notification under Environmental Act requiring the State Government to obtain environmental clearance. CMDA instituted (July 2004) case against the notification in High Court, Madras. However, pending final decision on the above notification, the State Government went ahead with the preparatory work and sanctioned (September 2004) Rs.1.33 crore towards repairs, renovations, modifications and shifting arrangements. Rupees 0.67 crore was spent out of this amount and the balance was remitted back to Government.

In another case, CMDA settled (September 2005) the entire claim of Rs 1.33 crore towards cost of advertisements for calling of tenders. Further,

an adhoc payment of Rs 0.55 crore was also made to M/s. C.N. Narayana Rao against a claim Rs 8.57 crore for consultancy services.

The State Government cancelled (June 2007) the order for construction of the new secretariat complex issued in September 2003 stating that a new complex was being contemplated at Omandurar Government Estate.

As the preparatory works were taken up without clearance from Ministry of Environment and Forests or the orders of the High Court in respect of the case filed against the GOI notification, the State Government incurred wasteful expenditure of Rs 2.55 crore. Further, a claim for the architectural consultancy charges to the extent of Rs 8.02 crore is also pending settlement.

The matter was referred to Government in January 2008. In reply the Government stated (September 2008) that the expenditure towards shifting charges, advertisements and tender processing was incurred with good intention of executing the project. Government further stated that entire shifting operation was stopped after careful examination of the aspects including pending disposal of the issue regarding notification of Ministry of Environment and Forests.

The above reply of the Government only lends support to the audit observation that there was wasteful expenditure due to taking up preparatory works without clearance of Ministry of Environment and Forests.

## ***MUNICIPAL ADMINISTRATION AND WATER SUPPLY DEPARTMENT***

### ***TAMIL NADU WATER SUPPLY AND DRAINAGE BOARD***

#### ***4.1.2 Wasteful expenditure on excess provision of cement***

**Failure to adopt the latest Indian Standard Specifications resulted in wasteful expenditure of Rs 25.81 lakh on excess use of cement without requirement.**

The Combined Water Supply Scheme to Ariyalur, Sendurai and Veppur Panchayat Unions and wayside habitations in Perambalur District was sanctioned by Government in June 2006. The work was technically sanctioned (July 2006) by the Chief Engineer, Tamil Nadu Water Supply and Drainage Board, Thanjavur (CE) for execution on turn-key basis. The work, awarded (December 2006) to the lowest tenderer on percentage tender basis, was in progress (March 2008).

Scrutiny of the sanctioned estimate for the work in the office of the CE revealed adoption of 430.80 kg of cement per cubic metre (cum) of reinforced cement concrete (RCC) of 1:1.5:3<sup>1</sup> mix as provided in the Data Book of the Public Works Department (PWD). This nominal mix is equivalent to M 20 grade concrete and IS 456 as revised in 2000 allowed only 300 kg per cum of cement for this grade of design mix concrete considering the availability of

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<sup>1</sup> Proportion of cement, sand and metal aggregate

improved quality cement. Failure to adopt the latest IS Specification resulted in excess use of cement valuing Rs 25.81 lakh.

When pointed out, the CE stated (October 2007) that IS 456-2000 also prescribed the same nominal mix for M 20 grade concrete requiring 430.80 kg of cement. This contention is not tenable as IS 456-2000 prescribed 300 kg of cement for achieving M 20 grade design mix RCC and test reports of Highways Research Station and Anna University on cement requirement for various design mix prescribed in IS 456-2000 indicated that the strength of M 20 grade concrete could be achieved by use of 300 kg of cement.

Failure to prepare the estimate adopting design mix prescribed in IS 456-2000 resulted in excess use of cement without requirement and consequent wasteful expenditure of Rs 25.81 lakh.

The matter has been referred to Government in May 2008; reply had not been received (September 2008).

## **4.2 Avoidable/excess expenditure**

### ***MUNICIPAL ADMINISTRATION AND WATER SUPPLY DEPARTMENT***

#### ***TAMIL NADU WATER SUPPLY AND DRAINAGE BOARD***

##### ***4.2.1 Avoidable delay in finalisation of tender***

**Failure of the Managing Director of the Board in communicating acceptance of tender before the expiry of its validity resulted in an avoidable additional liability of Rs 3.32 crore.**

The Chief Engineer, Western Region, Coimbatore (CE) of Tamil Nadu Water Supply and Drainage Board (Board) called for tenders (October 2005) on turn-key basis for the work of 'Combined Water Supply Improvement Scheme to Chennimalai-KC Palayam-Perundurai Special Village Panchayats' adopting two cover system. The tenders were valid upto 8 April 2006.

The technical bids of five tenderers, opened on 9 December 2005, were evaluated by the Tender Evaluation Committee (TEC) and three tenderers were pre-qualified on 20 February 2006. The CE opened (24 February 2006) price bids of these three tenderers and recommended (27 February 2006) the lowest offer of Rs 16.30 crore. As election code of conduct in the State came into force from 1 March 2006, the Joint Chief Engineer requested the CE to get the validity of tender extended upto 15 June 2006.

While the lowest tenderer did not extend the validity of his tender, the other two tenderers extended the validity. After the election code of conduct ended on 12 May 2006 the CE called (17 and 26 May 2006) the second lowest tenderer for negotiation. When the tenderer sought enhancement of his bid citing increase in the cost of steel and cement, the CE sent (31 May 2006) the proposals to Managing Director for consideration by TEC. The TEC evaluated the price bids and recommended (8 June 2006) the offer of Rs 17.15 crore of the second lowest tenderer for acceptance after rejecting the

enhancement plea which contravened the conditions of tender. The Managing Director, instead of obtaining orders of the Board of Directors for the acceptance of the tender and communicating it to the tenderer within the validity period of 15 June 2006, called the tenderer (9 June 2006) for discussion on 12 June 2006 for reducing the bid and extending the validity period of tender. After discussion, the tenderer (14 June 2006) withdrew only his request for enhancement of his bid but refused to extend the validity period. Due to expiry of validity period of tender, the tenders were cancelled (July 2006). Finally, the offer of Rs 20.47 crore by the lowest tenderer in the third call<sup>2</sup> was accepted by the Board (May 2007). The work is under progress (May 2008).

Calling the tenderer for discussion after finalisation of tender by TEC resulted in non-communication of acceptance of the tender to the contractor within the validity period and in avoidable additional liability of Rs 3.32 crore (Rs 20.47 crore – Rs 17.15 crore) to the Board.

The matter has been referred to Government in May 2008; reply has not been received (November 2008).

## ***HIGHWAYS DEPARTMENT***

### ***4.2.2 Extra liability due to preparation of incorrect environmental report***

**Wrong environmental classification of site for construction of a bridge in protected area resulted in non-approval of the lowest offer by Asian Development Bank within the validity period and extra liability of Rs 2.96 crore on acceptance of a higher bid on re-tender.**

The agreement entered (May 2005) into by the Government with Asian Development Bank (ADB) for providing loan assistance for Tsunami Emergency Assistance Projects (TEAP) stipulates the preparation of Initial Environmental Examinations (IEE) focusing on environmental issues and environmental classification of projects. While ADB extended assistance to environment category 'B' projects<sup>3</sup>, 'B-Sensitive' projects<sup>4</sup> require disclosure of IEE on ADB's website for 120 days for recategorisation before acceptance of the bids by ADB.

Government established the Pulicat Bird Sanctuary in September 1980 to conserve the terrestrial as well as aquatic birds. In order to give connectivity to Pulicat town for the people living in kuppams<sup>5</sup> across Pulicat lake, Government sanctioned (October 2005), the construction of a high level bridge across the lake under TEAP. Though the environmental consultant of ADB observed (November 2006) that the proposed bridge site was in the bird sanctuary, the consultant, appointed by the Superintending Engineer,

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<sup>2</sup> The offer of Rs 22.52 crore by a single tenderer was rejected as very high.

<sup>3</sup> Projects with some adverse environmental impact.

<sup>4</sup> Projects with some adverse environmental impact and falling within the protected area or buffer zones of protected areas.

<sup>5</sup> Fishermen hamlets.

NABARD and Rural Roads (N&RR) Circle, Chengalpattu (SE) (February 2006) for preparation of IEE, categorised the Project as 'B' instead of 'B-Sensitive' in the draft final report of IEE submitted in November 2006. The report mentioned the bridge location by the edge of the south-eastern boundary of the bird sanctuary, but while classifying the project, it was indicated that the project area did not lie adjacent to or within any protected area or buffer zone of protected area. Without correcting the discrepancy, the SE forwarded (December 2006) the IEE to ADB through the Chief Engineer (N&RR) and the Project Director (TEAP).

Meanwhile, the SE invited tenders (November 2006) for this work and after evaluation recommended (December 2006) the technical bids. Pending environmental assessment, ADB approved (February 2007) the technical bids. After opening the price bids, the lowest bid of Rs 11.25 crore was recommended (March 2007) to ADB by the Project Director. However, the bid could not be approved by ADB as the entire project would need to undergo recategorisation of environment category which required public disclosure of the IEE on ADB's website for 120 days. The revised IEE was received only in July 2007.

The tenderer declined to extend the validity beyond 31 May 2007 due to steep increase in the cost of reinforced steel and cement. Fresh tenders were invited in July 2007. After getting the IEE revised by the consultant and observing the formalities of recategorisation of the project, the lowest bid of Rs 14.21 crore quoted by the same contractor who withdrew his offer of Rs 11.25 crore in the first call was approved by ADB in November 2007. The work proposed to be completed in 15 months, commenced in November 2007 and Rs 1.53 crore were spent as of March 2008.

Poor scrutiny of IEE by the SE resulted in wrong categorisation of the project as 'B' instead of 'B-Sensitive' and consequent delay in finalisation of first tender. This led to extra liability of Rs 2.96 crore on acceptance of higher bid on retender.

When this was pointed out by Audit (May 2008), Government accepted (August 2008) that the IEE was submitted to ADB without detailed scrutiny. The Government, though, contended that the extra liability could not have been avoided as the tender would have been initiated only in March 2007 after the clearance period of 120 days of publication of IEE on the website. This contention is not correct as the tender initiated in November 2006 and valid till May 2007 could have been finalised within the validity period if the IEE had been accurate. The project could not be cleared by ADB within the validity period as the revised IEE was received only in July 2007 and recategorisation required public disclosure of the IEE on the ADB website for 120 days.

**PUBLIC, HOME, ENVIRONMENT AND FORESTS  
DEPARTMENTS**

**4.2.3 Inadmissible payments towards encashment of leave to All India Service officers**

**Contrary to the provisions of AIS rules, 140 All India Service Officers were allowed the benefit of encashment of leave while in service amounting to Rs 40.52 lakh during the period February 2005 to July 2007.**

According to the provisions of Rule 2(b) of the All India Services (Conditions of Service-Residuary matters) Rules, 1960, the conditions of service of All India Service (AIS) officers working with the affairs of a State are to be regulated under the provisions of Section 3 of the All India Services Act, 1951. When specific provision is made in regard to them on particular subject regulating their conditions of service in the said Act and the Rules, the question of applicability of the State Fundamental Rules to them does not arise.

As per Government of India (GOI), Ministry of Personnel, Public Grievances and Pensions notification of December 1993 incorporated under Rule 20 A of AIS (Leave) Rules, 1955, members of AIS, are entitled to encashment of leave only on superannuation or in the case of death. Members of AIS are, however, not entitled to the benefit of encashment of leave while in service except encashment of Earned Leave for 10 days while availing Leave Travel Concession (LTC) subject to maximum of 60 days in their service. The Ministry, while informing all the Chief Secretaries of the State Governments that the members of the AIS were not entitled to the benefit of encashment of leave under any of the rules of the State Government, specifically directed (January 2005) that no benefit under the rules of the State Government should be allowed to the members of the AIS.

It was, however, observed in audit that contrary to the provisions of AIS Rules and ignoring the specific instructions of the Government of India, the members of the AIS were allowed the benefit of encashment of earned leave amounting to Rs 40.52 lakh<sup>6</sup> to 140 AIS officers (172 cases) while serving in the State Government during the period from February 2005 to July 2007.

The Chief Secretary to Government of Tamil Nadu stated (May 2008) that Rule 20 A of AIS (Leave) Rules regulate the payment of cash equivalent of leave salary in case of retirement or death only and hence encashment of leave salary during service period to AIS officers, was to be governed by the rules and orders applicable to officers of the State Civil Services, Class I.

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<sup>6</sup> 98 cases in respect of 78 Indian Administrative services (IAS) cadre officers: Rs 22.74 lakh, One case of Indian Forest Service (IFS) cadre officer: Rs 0.26 lakh and 73 cases in respect of 61 Indian Police Service (IPS) cadre officers: Rs 17.52 lakh.

The reply is not tenable. Although the pay and allowances are borne by the State Government the fact remains that the conditions of service of AIS officers are regulated under AIS rules issued by the GOI. In their letter (January 2005) GOI had categorically stated that members of AIS are not entitled to the benefit of encashment of leave under any of the rules of the State Government. As the payment of encashment of leave to AIS members goes against the provisions of rules discussed above, the inadmissible payments stand to be recovered from the AIS officers concerned.

### **4.3 Idle Investment/blockage of funds**

#### ***PUBLIC WORKS AND REVENUE DEPARTMENTS***

##### ***4.3.1 Blocking of funds on incomplete tank construction work due to delay in acquisition of land***

**Avoidable delay in acquiring land for excavation of canal for a new tank resulted in foreclosure of contract and blocking of Rs 10.23 crore spent on tank construction work.**

Government sanctioned (October 2001) Rs 14.15 crore (including land cost and contingencies) for construction of a new tank across Mathalapallam river in Dharmapuri District to provide irrigation to 1100 acre of dry land. The Chief Engineer, Chennai Region (CE), issued technical sanction for the detailed estimate in January 2002. After finalising the design for surplus weir in consultation with the Superintending Engineer (Designs), the work was entrusted to a contractor in February 2005 for completion by September 2006. The contract was extended till September 2007 due to change in the location of surplus weir and non-acquisition of land. The contractor, after completing all works except canal excavation for 7.74 kilometre (km), sought (August 2007) foreclosure of contract on the ground of escalation in cost and non-handing over of site for excavating the canal. The CE ordered foreclosure (November 2007) of contract and entrusted the balance work to another contractor for Rs 3.95 crore on tender basis (June 2008).

Scrutiny of records relating to acquisition of land by the Tahsildar, Pennagaram revealed that the delay was avoidable as discussed below:

The Executive Engineer, Upper Pennaiyar Basin Division, Dharmapuri (EE) forwarded proposal for acquisition of land for forming 7.74 km of canal to the District Collector, Dharmapuri in August 2004. The Revenue Divisional Officer, Dharmapuri (RDO) proposed to acquire the land by negotiation to avoid delay and directed (September 2004) the Tahsildar, Pennagaram to conduct field inspection and send the acquisition proposals within 15 days. The Tahsildar, however, organised the field inspection only in July 2005 and sent the acquisition proposals in December 2005. After rectifying the deficiencies in the proposals in June 2006, the District Collector conducted negotiation with the land owners in August 2006 and fixed the land cost in November 2006. The EE paid compensation and took over the land for excavating canal for 6.24 km by February 2007. The remaining land could not be acquired due to dispute over survey, ownership, etc., and the CE requested

(March 2008) the District Collector to acquire these lands by invoking urgency provision of Land Acquisition Act. The acquisition was not completed (July 2008).

The avoidable delay in acquisition of land resulted in non-taking up of the canal work by the original contractor along with the tank construction work. Consequently, Rs 10.23 crore spent on construction of tank remained blocked as the intended objective of providing irrigation was not achieved due to non-formation of canal.

The matter has been referred to Government in May 2008; reply has not been received (November 2008)

## ***HEALTH AND FAMILY WELFARE DEPARTMENT***

### ***4.3.2 Delay in purchase of Linear Accelerator for treatment of cancer patients***

**Linear Accelerator and other medical equipment, purchased for cancer hospital out of Central grant of Rs 7.88 crore (2005), were not made operational due to non completion of building and delay in receipt of equipment.**

Government of India (GOI) sanctioned and released a one time grant of Rs 2.88 crore (March 2005) for purchase of a Linear Accelerator and Rs 5 crore (September 2005) for purchase of another Linear Accelerator with building, accessories and other medical equipment<sup>7</sup> to the Government Arignar Anna Memorial Cancer Hospital (GAAMCH) under National Cancer Control Programme. The release and other details of these grants are furnished in **Appendix 4.1**.

As the amount released was not sufficient to purchase all the required equipment, State Government proposed (May 2006) purchase of an upgradable Medical Linear Accelerator with accessories at a cost of Rs 5 crore and other equipment<sup>8</sup> at a cost of Rs 2.88 crore and sought the permission of GOI to combine both the amounts sanctioned. However, GOI did not agree to clubbing of the two amounts but approved the purchase of one upgradable Medical Linear Accelerator with accessories for Rs five crore (September 2006).

Scrutiny of connected records revealed the following:

(a) The Director signed a Memorandum of Understanding with GOI in May 2005 stating that the required building was under construction; however, the construction of building was sanctioned from State funds at a cost of Rs 58 lakh by Government only in February 2007 and construction commenced in June 2007. As of October 2008, the proposed building is completed at a cost

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<sup>7</sup> Rotational Cobalt Unit, CT Simulator, equipment for medical physics, video endoscope, colonoscope and other equipment for Anaesthesia Department.

<sup>8</sup> Upgradable medical linear accelerator: Rs five crore with accessories and Medical Physics Equipment: Rs 0.68 crore, Remote after loading High Dose (Rate (HDR) Brachy Therapy System): Rs One crore, CT Simulator: Rs 1.20 crore.



of Rs 53.37 lakh without the provision of electrical power supply. Additional infrastructure<sup>9</sup> required by the Director at the cost of Rs 29 lakh for the building is yet to be sanctioned by Government.

(b) Orders were placed (February 2007) with the Tamil Nadu Medical Service Corporation (TNMSC) for the purchase of an upgradable Medical Linear Accelerator from a firm<sup>10</sup> stipulating that the same should be supplied within three months, and other equipment to be supplied within 30 days at a total cost of Rs.9.06 crore<sup>11</sup>

The Linear Accelerator consignment was delivered to the hospital (September 2008). However, the building for its installation is not yet ready (October 2008). Additional funds of Rs 1.18 crore required (March 2007) by Director of Medical Education towards purchase of the said equipment (Rs 40 lakh) and customs duty (Rs 78 lakh) from Government is yet to be sanctioned and payment made to TNMSC. It was observed that even before receiving all equipment, Director, GAAMCH furnished an incorrect utilisation certificate for the entire grant of Rs 7.88 crore to GOI in February 2007 itself.

Thus, despite receipt of GOI grant of Rs 7.88 crore in March/September 2005, the said Linear Accelerator was not installed, due to delay in both procurement of the equipment and completion of the building to install it. This resulted in blocking of funds for over three years besides denying treatment to the cancer patients who have been waiting for the same.

In response to audit observation, the Secretary, Health and Family Welfare Department replied (July 2008) that the utilisation of the above amount by Director, GAAMCH on getting suitable orders from the Government through Director of Medical Education had resulted in delay in procuring of the equipment.

### ***4.3.3 Facilities provided for strengthening of Food Analysis Laboratories lying idle***

**Equipment and buildings costing Rs 2.30 crore in Palayamkottai, Thanjavur and Chennai laboratories could not be utilised due to lack of infrastructural facilities.**

Government of India formulated (April 2003) a uniform plan for strengthening the food and drugs sector in all states under World Bank assisted capacity building project, which commenced in October 2003. The main objectives of the project were to plan, implement and monitor Prevention of Food Adulteration (PFA) activities in the State.

The entire expenditure of the project was met through World Bank assistance. The State Government was to meet the expenditure on staff appointed on

<sup>9</sup> Construction of CT simulator room, Treatment Planning room and staff room at a cost of Rs 10 lakh and provision of electrical works for Rs 19 lakh.

<sup>10</sup> M/s Varian Medical systems India Private Limited, Chennai.

<sup>11</sup> Linear Accelerator with accessories and Radiation field analyzer and Intensity Modulation Radio Therapy (IMRT); Rs 6.56 crore Remote after loading High Dose Rate (HDR) Brachytherapy system and accessories: Rs 1.09 crore and CT Simulator: Rs 1.41 crore.

regular/contractual basis, procurement of chemicals/reagents, maintenance of building/equipment and other office expenses.

Scrutiny of records relating to all the three Food Analysis Laboratories (FALs) at Guindy, Palayamkottai and Thanjavur covered under the project revealed that equipments and buildings costing Rs 2.30 crore were lying idle, for the following reasons.

| Sl. No. | Name of the Laboratory | Equipment/ Building lying idle      | Month of receipt/ compleion                    | Cost (Rs. in lakh) | Remarks   |
|---------|------------------------|-------------------------------------|--|--------------------|---|
| 1       | FAL, Palayamkottai     | 31 Equipment<br><br>Instrument room | Between May 2004 and July 2007<br><br>May 2007 | 79.85<br><br>3.46  | Equipment not installed for want of space despite specific instructions from DPH & PM to Public Analyst to provide site in June 2003. Warranty period of the equipment costing Rs 35.93 lakh without installation had expired (March 2006). Construction of the building, sanctioned by Government (September 2007) at a cost of Rs 17.50 lakh was in progress (April 2008).<br><br>Not used for want of electrical connection. |
| 2       | FAL, Thanjavur         | Two Equipment                       | Between July 2004 and May 2007                 | 0.88               | Not installed for want of space. Government sanctioned (September 2007) the construction of building at a cost of Rs 11.75 lakh from their funds and the same was in progress (September 2008).   |
| 3       | FAL Guindy, Chennai    | New building                        | September 2006                                 | 146.00             | New building constructed at a cost of Rs 146 lakh not used for want of water and electricity connections. Rs 10 lakh and Rs 11 lakh sanctioned for water and electricity connection (August 2007) by State Government was not sufficient. Director of Public health and Preventive Medicine required an additional amount of Rs 3.21 lakh in May 2008, which is yet to be sanctioned by Government.                             |
|         |                        |                                     |  | <b>230.19</b>      |   |

Due to the failure of the department in providing required building for installing the equipment purchased, and in ensuring coordinated action for providing necessary facilities like water and electricity in time to the buildings constructed, the equipment and buildings costing Rs 2.30 crore met from World Bank assistance in the three laboratories are lying idle and the benefits out of it are yet to reach the intended public.

The matter was referred to Government (February 2008), reply has not been received. (November 2008).

#### 4.4 Regularity issues and other points

##### **MUNICIPAL ADMINISTRATION AND WATER SUPPLY DEPARTMENT**

##### **CHENNAI METROPOLITAN WATER SUPPLY AND SEWERAGE BOARD**

##### **4.4.1 Non-recovery of loan**

##### **Failure to recover the loan paid to the contractor from his bills/claims resulted in non-recovery of Rs 74.60 lakh for over six years.**

Chennai Metropolitan Water Supply and Sewerage Board entrusted (December 1997 and February 1998) two pipe laying works<sup>12</sup> (contract value : Rs 11.48 crore and Rs 8.36 crore) to M/s. Southern Structural Limited (SSL), a Public Sector Undertaking. The two works were taken up in January 1998 and April 1998. During the period of execution, the Board withheld Rs 1.98 crore from the interim payment bills for release after commissioning of pipelines.

The works were completed by SSL during January 2000 and April 2000. As the Board could not provide water for disinfection and commissioning of pipelines due to severe water shortage, SSL requested (March 2000) for release of Rs 1.98 crore. As this would contravene the agreement conditions, the Board released (October 2000) Rs 2.00 crore as inter-corporate loan.

The works were commissioned in April 2001. While settling (January 2001 to January 2006) the claims for the withheld amount, the final payment for these two works and miscellaneous claims relating to other works executed by SSL aggregated Rs 2.65 crore (Works : Rs 2.38 crore and Miscellaneous claims : Rs 0.27 crore), the Board recovered only Rs 45.51 lakh towards principal and Rs 50.77 lakh towards interest and made payment of Rs 88.86 lakh to SSL. The remaining amount of Rs 79.89 lakh were not paid to SSL as of March 2008. Consequently, loan amounting to Rs 1.55 crore<sup>13</sup> was not recovered from SSL, against which the Board retained only Rs 79.89 lakh. As the Board of Industrial and Financial Reconstruction, New Delhi (BIFR) issued notice (August 2005) to wind up SSL and the bankers seized its assets in November 2005, there seems to be little possibility of recovering Rs 74.60 lakh<sup>14</sup>.

The matter was reported to Government/Board in May 2008; the Managing Director of the Board accepted (September 2008) the facts and stated that efforts would be made to get the repayment of outstanding dues by taking up the matter with BIFR as SSL had already been wound up. The Managing Director, however, had not explained the reason for releasing Rs 88.86 lakh without adjusting the loan.

<sup>12</sup> Supply, laying, jointing, testing and commissioning of clear water transmission mains (i) from Porur to Kathipara junction and (ii) from Kathipara junction to Pallipattu.

<sup>13</sup> Rs 200 lakh – Rs 45.51 lakh = Rs 154.49 lakh.

<sup>14</sup> Rs 154.49 lakh – Rs 79.89 lakh = Rs 74.60 lakh.

**GENERAL**

**FINANCE, RURAL DEVELOPMENT AND PANCHAYAT RAJ,  
MUNICIPAL ADMINISTRATION AND WATER SUPPLY AND  
ENVIRONMENT AND FORESTS DEPARTMENTS**

**4.4.2 Lack of responsiveness of Government to audit**

**Response to audit was inadequate as 2414 Inspection Reports involving 7309 paragraphs, issued upto September 2007 remained outstanding as of March 2008**

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

As of March 2008, out of the IRs issued upto September 2007, 7309 paragraphs relating to 2414 IRs remained to be settled for want of satisfactory replies. Of these, 335 IRs containing 670 paragraphs (issued upto 2004-05) had not been settled for more than three years. Year-wise position of the outstanding IRs and paragraphs is detailed in the **Appendix 4.2**. Compilation of details by Audit revealed that of the above unsettled paragraphs even the initial reply was not received for 455 IRs involving 1680 paras, relating to 32 departments as detailed in the **Appendix 4.3**. This showed the absence of response from the authorities and as a result the deficiencies and lapses pointed out continued to be unaddressed.

A scrutiny of the IRs issued up to September 2007 pertaining to 3 departments viz., Rural Development and Panchayat Raj Department, Municipal Administration and Water Supply Department and Environment and Forests Department revealed the following:

- 117 IRs involving 412 Paras, issued up to September 2007 remained outstanding as of March 2008 as detailed below:

| Year in which IRs were issued | Department                          |           |   |           |                       |            | Total      |            |
|-------------------------------|-------------------------------------|-----------|---|-----------|-----------------------|------------|------------|------------|
|                               | Rural Development and Panchayat Raj |           | Municipal Administration & Water Supply |           | Environment & Forests |            |            |            |
|                               | IRs                                 | Paras     | IRs                                     | Paras     | IRs                   | Paras      | IRs        | Paras      |
| 2001-02                       | --                                  | --        | --                                      | --        | 2                     | 2          | 2          | 2          |
| 2003-04                       | ---                                 | ---       | ---                                     | ---       | 4                     | 4          | 4          | 4          |
| 2004-05                       | 1                                   | 1         | 6                                       | 24        | 12                    | 25         | 19         | 50         |
| 2005-06                       | 1                                   | 6         | 1                                       | 9         | 16                    | 28         | 18         | 43         |
| 2006-07                       | 1                                   | 17        | 2                                       | 17        | 35                    | 112        | 38         | 146        |
| 2007-08                       | 2                                   | 22        | 1                                       | 2         | 33                    | 143        | 36         | 167        |
| <b>Total</b>                  | <b>5</b>                            | <b>46</b> | <b>10</b>                               | <b>52</b> | <b>102</b>            | <b>314</b> | <b>117</b> | <b>412</b> |

- Even initial replies had not been received as of March 2008 in respect of 13 IRs involving 81 paragraphs issued upto September 2007.
- As a result of the long pendency, serious irregularities as detailed in **Appendix 4.4** had not been settled as of March 2008.

Government constituted at both State level and department level, Audit and Accounts Committees for consideration and settlement of outstanding audit observations. Eleven paragraphs were settled by convening the committee between April 2007 and March 2008 and further, at the instance of Audit, during joint sittings with departmental officers, 1,819 paragraphs were settled between April 2007 and March 2008.

The matter was referred to Government (September 2008); reply has not been received (November 2008).

Chennai  
The

**(SHANKAR NARAYAN)**  
Principal Accountant General (Civil Audit)  
Tamil Nadu and Puducherry

*Countersigned*

New Delhi  
The

**(VINOD RAI)**  
Comptroller and Auditor General of India