

OVERVIEW

This Audit Report has four chapters, first two chapters contain observations on the Finance and the Appropriation Accounts of the Government of Tamil Nadu for the year 2007-08, and two others, comprising five reviews (including one information technology review and one long paragraph) and 10 paragraphs dealing with the result of performance audit of selected programmes and schemes as well as audit of financial transactions of the Government.

Audit has been conducted in accordance with the Auditing Standards prescribed for the Indian Audit and Accounts Department. Audit samples have been drawn based on statistical sampling methods as well as on judgement basis. The specific audit methodology adopted for programmes and schemes has been mentioned in the reviews. Audit conclusions have been drawn and recommendations made taking into consideration the views of Government, wherever received.

A summary of the financial position of the State and the audit findings is given below:

1 Financial Position of the State Government

The revenue receipts of the State Government during 2007-08 were Rs 47520 crore, registering an increase of 16.1 *per cent* over 2006-07. The revenue expenditure during the year was Rs 42975 crore, an increase of 12.3 *per cent* over 2006-07. Consequently, the State Government had a revenue surplus of Rs 4545 crore. The fiscal deficit improved by Rs 270 crore to Rs 3686 crore in 2007-08 from Rs 3956 crore in 2006-07. The primary surplus increased by Rs 850 crore to Rs 2400 crore in 2007-08 from Rs 1550 crore in 2006-07. Return on investment of Government funds in companies, cooperative units etc., was only 0.4 *per cent* during the year while Government continued to borrow funds from the market at a higher rate of interest. The fiscal liabilities of the State Government during 2007-08 was Rs 71072 crore and were about 1.50 times the revenue receipts during the year.

(Paragraphs 1.1 to 1.13)

2 Allocative Priorities and Appropriation

During 2007-08, expenditure of Rs 56707.43 crore was incurred against the total grants and appropriations of Rs 62625.64 crore, resulting in a saving of Rs 5918.21 crore. The overall saving was the result of saving of Rs 6031.25 crore offset by an excess of Rs 113.04 crore. This excess requires regularisation under Article 205 of the Constitution of India. Substantial surrenders of Rs 4766.83 crore representing 87 *per cent* of total provision of Rs 5488.22 crore in respect of 202 schemes were made on account of either non-implementation or slow implementation of schemes. Of these, the entire provision of Rs 2427.54 crore made for 60 schemes was surrendered. Reappropriation proved excessive or insufficient and resulted in savings/excess over Rs 10 lakh in 577 sub-heads, of which the savings/excess was more than Rs two crore in 76 cases. Eleven controlling officers did not

reconcile expenditure aggregating Rs 333.81 crore and 11 controlling officers their receipts amounting to Rs 3.87 crore as of September 2008 during the year 2007-08. As of January 2008, 1947 temporary advances aggregating Rs 107.56 crore were pending adjustment in the records of seven Pay and Accounts offices and 30 District Treasuries.

(Paragraphs 2.1 to 2.8)

3. *Sports development and Physical education*

Sports development is an essential component of human resource development, and helps to inculcate comradeship and competitive spirit. As excellence in sports enhances the sense of achievement, national pride and patriotism, sports and games are widely perceived to be an effective tool for national integration and for personality development of the youth. Physical Education in schools is the stepping stone for success in sports and it helps to inculcate discipline, team spirit and unity in childhood.

A performance review on sports development and physical education revealed that minimal sports infrastructure like outdoor stadia, swimming pools and indoor stadia, crucial for sports development, were lacking in many of the districts. Inability to utilise Government grants given for infrastructure, abnormal delay in execution of projects and infrastructure lying idle were other deficiencies affecting sports development. Sports Development Authority of Tamil Nadu permitted establishment of infrastructure for swimming and tennis in Tiruvallur District and squash in Chennai under public-private partnership by three private agencies, without ensuring any benefit to deserving sports persons and students. World Beater Talent Spotting Scheme, implemented for identification of talented sports persons early in childhood, failed at all levels due to poor conducting of specified tests, inadequate coverage of unaided schools and poor participation of students in higher level competitions. Vacancy in 83 posts of coaches under various disciplines of sports affected sports development. The schemes for upgradation of coaching skills and scientific training were not implemented properly. Physical education, essential for the development of personality of each child, was not given due importance in schools due to shortage of Physical Education Teachers, lack of sports infrastructure like playgrounds in schools, lack of funds to carry out Physical education activities and inadequate supervision.

(Paragraph 3.1)

4. *Functioning of Juvenile Homes and other Institutions for children in need of care and protection*

Government of India (GOI) enacted the Orphanages and Other Charitable Home (Supervision and Control) Act in 1960 to provide for the supervision and control of orphanages, homes for neglected women or children to take care of orphaned and neglected children. The Juvenile Justice (Care and Protection of Children) Act, 2000 (JJ Act) was enacted by GOI on 30 December 2000 for providing care, training and rehabilitation to neglected children and children in conflict with law. The Juvenile Act was subsequently amended by GOI in August 2006.

A performance review on the functioning of institutions run under Child Welfare schemes and under Juvenile Justice (Care and Protection of children) Act revealed that though the amended JJ Act required formation of Child Welfare Committees (CWCs) and Juvenile Justice Boards (JJBs) in each district, against 30 JJBs and 30 CWCs required, only eight JJBs and 18 CWCs are functioning for the 30 districts in the State, which led to delayed clearance of cases referred to them. In violation of the provisions in the Act, juveniles in conflict with the law and children in need of care and protection were being kept in the same premises. The Government had not established special homes for mentally or physically challenged destitute children. Despite repeated requests by the authorities as well as by the departmental officers, services of medical officers were not provided to the home of children of special needs run by an NGO in Mayiladuthurai, resulting in denial of continuous medical facilities to 129 special children suffering from various ailments, who are residing in the home. The homes run under Director of Social Welfare (both Government and NGO run homes) did not get registered as per section 19 of the amended JJ Act 2006. The practice of insisting upon certificate of income or a certificate for the status of orphan deters the admission of orphans and hardly any orphans were admitted in orphanages against the objectives of the Act. The net proceeds of a lottery (Rs 38.19 lakh) conducted for securing funds for rehabilitation of over 45,000 street children in six municipal Corporations were lying unutilised for more than five years. Absence of adequate programmes led to non-rehabilitation of more than 30,000 street children in Chennai alone. Government too did not act upon a proposal of the Commissioner of Social Defence for establishing ten training centres in four existing shelters. Availability of 18 Probation Officers against required 68 for the 22 Government Homes and assignment of non-probation duties and other duties to them, led to accumulation of more pending cases. Out of the 45 units to be inspected, 40 were inspected only once during the last five years and five were not inspected at all, for want of adequate staff resulting in major deficiencies not being identified.

(Paragraph 3.2)

5. *Traffic Improvement and Road Safety in Chennai Metropolitan Area*

The Chennai Metropolitan Area (CMA) covers 1172 sq.kms. It has a population of 70.50 lakh (2001 census) and the projected population in CMA is expected to be 88.20 lakh by 2011. There were 26.52 lakh vehicles in Chennai as on 1 April 2008.

A performance review conducted on traffic improvement and road safety in Chennai Metropolitan Area revealed that road accidents in Chennai Metropolitan Area increased by 64 *per cent* from 4,202 in 2003 to 6,892 in 2007; fatal accidents went up from 509 in 2003 to 1,125 in 2007, an increase of 121 *per cent*. Chennai metro occupied the second place among the four metros in number of road accidents. Against the allocation of Rs 3794.67 crore for transport component under Chennai Metropolitan Development Plan during 2003-08, Rs 1473.20 crore were spent due to low expenditure by Highways department. Under Tamil Nadu Urban Development Project expenditure incurred was only one *per cent* (Rs 3.89 crore) of the outlay for 2005-08. Though five agencies are responsible for traffic improvement, road construction and road safety, Chennai Metropolitan Development Authority,

the planning and urban development authority for Chennai, has no mandate or power to coordinate the work of other agencies, or to monitor plan implementation. Out of 328 road and other infrastructure works taken up under Chennai Metropolitan Development Plan during 2003-08, 24 works were dropped, 11 works (cost: Rs 219 crore) were transferred to other projects, 45 works (cost: Rs 356.99 crore) are yet to be commenced and two works (cost :Rs 50.61 crore) are to be re-tendered. Sixty seven works (cost : Rs 323.57 crore) were under progress as of March 2008. Forty eight road widening works were held up on account of non-shifting of electric poles and junction boxes despite payment of Rs 11.72 crore to the Tamil Nadu Electricity Board, as shifting charges. Out of the 17 infrastructure works (5 flyovers, 6 ROB/RUBs, 4 Grade Separators and 2 bridges) taken by Chennai Corporation, only one flyover was completed and two flyovers were under progress as of March 2008. The remaining are yet to be commenced. No major road widening work/formation of new roads was undertaken by Chennai Corporation. None of the 29 works proposed to be taken up under Tamil Nadu Urban Development Programme III during 2005-08 was taken up, indicating the poor and tardy implementation of the project. Inadequate parking facilities, non-provision of separate cycle track, encroachment of foot paths, inadequate pedestrian guard rails and prioritised subways in CMA, contributed to the deficient road development works and traffic management measures. Non-synchronisation of existing signals, non-implementation of scientific systems like Area Traffic Control, ineffective monitoring through CCTV system and inadequate traffic policemen affected traffic enforcement.

(Paragraph 3.3)

6. Computerisation of District Employment Offices

Department of Employment and Training was created to bring about a better matching of the demand for and supply of work opportunities. The department has, under its control, one employment exchange for each district apart from special exchanges for handicapped who were technical and professional candidates. The functional activities of the department like registration, renewal and sponsoring of candidates for employment have been computerised. The system was developed using DOS based Fox BASE and works on a batch process and is decentralised to the district level.

An Information Technology review conducted on the computerisation of the District Employment offices revealed that because of the non Y2K compliant FoxBASE DBMS, 3245 dates between 2000 and 2008 got stored as dates between 1900 and 1908. The database was localised at the district level and not being a centralised one, could not be utilised to generate state-wide lists of candidates. Manual intervention resulted in errors in data entry in respect of 'due date for next renewal' and premature lapsing of 22,733 registrations. Manual intervention was resorted to during selection of candidates for employment rendering the authenticity of the selection process doubtful. Out of the 1,90,670 re-registrations carried out in 2007, renewal was not done in respect of 3,555 candidates, resulting in pre-mature lapsing of their candidatures. Lack of input controls and validation checks resulted in awarding of higher seniority to 9.31 lakh candidates, duplication of data entries in respect of 1.28 lakh candidates and incomplete data with respect to

the qualifications of 2,07,199 candidates. There was a 26 per cent backlog in data entry for the period 2004-07.

(Paragraph 3.4)

7. *Functioning of Institute of Distance Education of University of Madras*

University of Madras offers various under graduate and post graduate courses through its Institute of Distance Education. As of 2007-08, the Institute offered 44 programmes (UG:19, PG:20 and Professional courses:5) excluding M.Phil, certificate and diploma courses.

A test check of the functioning of the Institute of Distance Education of University of Madras revealed that entrance test for MBA course was not conducted in violation of the norms of All India Council for Technical Education (AICTE). Lack of academic staff for conducting the programmes under distance education resulted in non-printing of study materials and issue of text books in place of study materials for some courses. Despite AICTE norms requiring a well equipped library, the provision and expenditure on purchase of books reduced during 2003-08. Three schools which were given study centre status, were not affiliated with any University. The pass percentage in respect of six PG courses and enrolment of students in 23 out of 34 courses offered, showed a declining trend during 2003-08.

(Paragraph 3.5)

8. *Audit of transactions*

Besides the above, audit of financial transactions, test-checked in various departments of the Government and their field offices, revealed instances of wasteful/unfruitful expenditure, avoidable/excess expenditure and idle investment/blockage of funds and other irregularities involving Rs 38.68 crore as mentioned below:

Preliminary works relating to the construction of a new Secretariat complex were taken up without obtaining environmental clearance from the Ministry of Environment and Forests, which had resulted in wasteful expenditure of Rs 2.55 crore and a contractual liability of Rs 8.02 crore towards consultancy charges.

(Paragraph 4.1.1)

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

(Paragraph 4.1.2)

Failure of the Managing Director of Tamil Nadu Water Supply and Drainage Board in communicating acceptance of tender before the expiry of its validity, resulted in an avoidable additional liability of Rs 3.32 crore.

(Paragraph 4.2.1)

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 its validity period and extra liability of Rs 2.96 crore on acceptance of a higher bid on re-tender.

(Paragraph 4.2.2)

The benefit of encashment of leave while in service, amounting to Rs 40.52 lakh during February 2005 – July 2007 were allowed to 140 All India Service Officers, contrary to the provisions of AIS rules and ignoring specific instructions of GOI.

(Paragraph 4.2.3)

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.

(Paragraph 4.3.1)

Linear Accelerator and other medical equipment purchased for Government Arignar Anna Memorial Cancer Hospital, Kancheepuram out of Central grant of Rs 7.88 crore received in 2005 were not made operational due to non-completion of building and delay in receipt of equipment.

(Paragraph 4.3.2)

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

(Paragraph 4.3.3)

Failure to recover the loan paid to the contractor from his bills/claims by Chennai Metropolitan Water Supply and Sewerage Board, resulted in non-recovery of Rs 74.60 lakh for over six years.

(Paragraph 4.4.1)