

CHAPTER IV AUDIT OF TRANSACTIONS

Audit of transactions of the Departments of 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 under broad objective heads.

4.1 Wasteful/unfruitful expenditure

HIGHER EDUCATION DEPARTMENT

4.1.1 Failure of computer literacy programme due to defective planning

Due to defective planning, Computer Literacy Programme was not successful. Expenditure of Rs 11.62 crore on hardware, software and faculty largely remained unfruitful as of May 2003.

For imparting education in Computer Science to students in Government Arts and Science Colleges, Government approved (May 2000) introduction of Computer Literacy Programme (CLP) at an estimated expenditure of Rs 30 crore over five years. It was proposed that 30,000 students studying in second year degree course would be given training every year. Course fee of Rs 2,000 was to be collected from each student so that the entire cost of the programme could be recovered. The computer hardware, software and computer education services in the colleges were to be leased from selected agencies for a period of five years. Thereafter the hardware and infrastructure were to be retained by the respective colleges. Based on the maximum number of students expected to be enrolled, the 60 colleges selected were classified into five groups*, and tenders were to be invited separately for each category. The Electronics Corporation of Tamil Nadu Limited (ELCOT), appointed as Nodal Agency, entrusted the project to three firms**, with contract value for five years being Rs 28.06 crore. The Director of Collegiate Education (DCE) entered into an agreement (September 2000) with ELCOT and the selected agencies. ELCOT was to be paid a service charge at five *per cent* of contract value.

The actual enrolment of students and fees collected from them as against the target are as below:

* Category A: nine colleges with 160 students each, Category B: 23 colleges with 400 students each, Category C: 14 colleges with 560 students each, Category D: 11 colleges with 800 students each and Category E: three colleges with 1200 students each.

** NIIT Limited, Chennai: Rs 20.67 crore, Ravichandra Systems and Services: Rs 4.12 crore and SRM Systems Software Limited: Rs 3.27 crore.

Year	Physical (Number)			Financial (Rupees in lakh)			Percentage of shortfall with reference to targeted collection
	Targeted enrolment	Actual enrolment as per DCE	Percentage of shortfall	Targeted fees collection	Fees to be collected from the enrolled	Fees actually collected	
2000-2001	30,000	27,078	10	600.00	541.56	351.25	41
2001-2002	30,000	9,198	69	600.00	183.96	59.30	90
2002-2003	30,000	8,104	73	600.00	162.08	21.40	96
	90,000	44,380	51	1800.00	887.60	431.95	76

Rupees 11.62 crore were paid as of May 2003 to the agencies (through ELCOT) and ELCOT for eight quarters and the committed liability for the remaining contract period was of the order of Rs 17.84 crore[@]. As seen from the table the enrolment during 2001-03 was very poor; the fees remaining uncollected from enrolled students amounted to Rs 4.56 crore; the objective of imparting computer training to 30,000 students every year has not been achieved and the facilities leased in have largely remained unutilised during 2001-2003. Thus the cost of the project could not be recovered through fees collected from the students and being a contractual commitment, will ultimately be met by the Government.

The projection of 30,000 students joining the course was unrealistic, especially as the majority of students studying in Government colleges are economically backward and private institutions also offer similar courses, besides the fact that the course was optional. Further, absence of a suitable clause to accommodate such contingency of poor enrolment resulted in an avoidable payment of Rs 2.69* crore to the firms upto May 2003 in respect of four quarters, April 2001 – March 2002, worked out with reference to actual enrolment.

On the matter being referred, Government accepted (June 2003) the facts of the case and stated that Computer Literacy Programme has been made compulsory for the first year non-Computer Science degree students from the academic year 2003-04.

HIGHWAYS DEPARTMENT

4.1.2 Execution of works under Central Road Fund

There was an unproductive expenditure of Rs 3.88 crore on two incomplete works and avoidable expenditure of Rs 2.35 crore on two other works due to adoption of higher specifications. Besides, no system was evolved to incur expenditure under Revamped Central Road Fund as per the guidelines issued by Government of India.

Government of India (GOI) established Central Road Fund (CRF) by earmarking a portion of the proceeds of excise and import duties on motor spirits and released money to the States from the fund for road development.

[@] Committed expenditure for the period upto March 2003: Rs 0.18 crore and for the period April 2003 – March 2005: Rs 17.66 crore.

* Worked out adopting appropriate slab rate for actual strength based on rates approved for category A to E.

Till 1999-2000, the funds received from GOI for executing the works under CRF were transferred to a Reserve Fund and the eligible expenditure incurred on works approved by GOI were met from this Fund. The guidelines issued by GOI stipulated that the expenditure in excess of ten *per cent* of administrative sanction was to be borne by the States. From 2000-01, GOI revamped the scheme of CRF and released grants from the Fund for State Plan Schemes. A review of the implementation of CRF and Revamped Central Road Fund (RCRF) revealed the following:

Central Road Fund

- There was a balance of Rs 5.46 crore under the Reserve Fund as of March 2003 mainly due to savings. Test-check revealed that savings amounting to Rs 1.89 crore were due to non-execution of four works* that were sanctioned during 1992-93. Besides, the work of ‘Construction of two high level bridges in Edachery Road’ was completed at a cost of Rs 82 lakh against the administrative sanction of Rs 1.95 crore. As the expenditure on another two works under execution had already exceeded the eligible limit, no further expenditure could be incurred from the Reserve Fund on CRF works. Hence, the balance in the Reserve Fund had to be remitted to GOI.
- Rupees 2.41 crore spent on ‘Formation of road for 4.9 kilometre (km) from Picharavam- Thandavarayan - Chozhangampettai road to Kodyampalayam village’ became unproductive, because the over-bridge was not taken up for want of funds from the State Budget. Further, Rs 1.47 crore spent on the construction of the causeway across Palar connecting Athur and Orakkadupet in Kancheepuram District also became unproductive as the work was abandoned due to design failure.
- The Department adopted higher specifications for two works resulting in avoidable extra expenditure of Rs 2.35 crore (Appendix XLI).

Revamped Central Road Fund

- GOI sanctioned 252 works under RCRF and released Rs 124.82 crore during 2000-03. The Department spent Rs 114.36 crore and completed 232 works; the remaining works were under execution. The works were not executed as approved by the GOI, and there were savings and excesses compared to the sanctioned amount. The Department reduced the total length of the road from that sanctioned by GOI in respect of 22 works without obtaining revised administrative sanction from GOI. There was an excess expenditure of Rs four crore in respect of 11 of these works, if the sanction was reduced proportionately. In respect of 190 works, there was a saving of Rs 11.70 crore. Thus, the Department had not evolved any system to ensure that money released under RCRF is spent in accordance with the guidelines issued by GOI.

The matter was referred to Government in June 2003; reply had not been received (January 2004).

* Construction of bridge across Ambanar river on Vanagiri - Manickkappangu; Construction of bridge at km 1/4 of Bommidu - Lokkur Road; Forming of bye-pass to Pondicherry town; and Reconstruction of bridge at km 72/10 of Madurai -Thondi road

PUBLIC WORKS DEPARTMENT

4.1.3 Unfruitful expenditure due to poor planning

Commencement of a reservoir work without investigation and delay in acquiring land for the purpose resulted in unfruitful expenditure of Rs 3.87 crore.

The work of formation of a reservoir across Sirumalaiyar near Rajadhanikottai in Dindigul district was awarded (August 1999) to a contractor for Rs 3.56 crore. The work, scheduled for completion by March 2001, was delayed and only 60 per cent of work was completed by March 2003. The delay was mainly due to the following reasons.

➤ Though Government sanctioned (September 1998) Rs 4.91 crore for the work (including land cost), only Rs 1.17 crore was provided for this work during these years. The contractor executed work valuing Rs 5.19 crore including additional items of work valuing Rs 2.77 crore and stopped the work in March 2001 as only Rs 1.05 crore was paid to him.

➤ The work involved acquisition of 20.37 hectare (ha) of private land for headworks and the Department commenced the work by obtaining consent of the land owners pending settlement of compensation. Though the Land Acquisition (LA) Act provided for acquisition of private land within six months under the 'urgency clause' by paying 80 per cent of compensation before passing the award, the Department resorted to acquisition by negotiation. There was inordinate delay in fixing the compensation amount and the land owners obstructed the progress of work. In May 2003, land owners of 12.49 ha alone agreed for negotiated settlement and the land acquisition proceedings in respect of the remaining 7.88 ha had not started. Besides, the land required for formation of channels was not yet identified (July 2003). Thus, the failure of the Department to acquire the land under 'urgency clause' of LA Act resulted in non-acquisition of land required for the work and retarded the work.

➤ The estimate for the work was prepared by the Chief Engineer, Madurai Region (CE) without conducting investigation of the site. Consequently, within two months after commencement of work, execution of additional items of work was found necessary based on the site condition. This led to preparation of revised estimate for Rs 8.87 crore which was sanctioned by Government in January 2001. After exploring the possibility of obtaining loan assistance from National Bank for Agriculture and Rural Development for the work, the Government provided Rs 2.93 crore during 2001-03. The work was not commenced since the revised rates for additional quantities and items had not been approved and part of the land required for headworks was not acquired. Rupees 3.87 crore was spent (including cost of land acquisition) till June 2003.

Thus, the failure of the CE in not conducting investigation of the site before commencing the work, non-settlement of bills of the contractor and inordinate delay in payment of compensation to land owners resulted in stoppage of work. Further, the expenditure of Rs 3.87 crore remained unfruitful and there was little possibility of completing the work in the near future.

The matter was referred to Government in May 2003; reply had not been received (January 2004).

4.1.4 Defective rehabilitation of canal and wasteful expenditure on raising free board

Unnecessary provision of free board and adoption of wrong design resulted in avoidable expenditure of Rs 2.03 crore besides leakage of water due to defective execution.

The contour canal, which was constructed in 1965 for carrying 1150 cusecs of water from Sarkarpathy Power House to Thirumoorthy Dam, developed large scale leakages due to breakages in the linings, resulting in reduction of the carrying capacity by 250 cusecs. In order to bring the canal to its original standard, rehabilitation works were carried out at a cost of Rs 17.19 crore during June 1998 to August 2000. Even after rehabilitation with additional lining, the leakages were not arrested in the reach 0/0 to 25/490 kilometre (km). The Department, after carrying out rectification in 67 locations, reported that the leakages were nominal. The records relating to the execution of the work in this reach revealed the following:

➤ The estimate for the work provided for execution of certain repair works before lining the bed and side slopes of the canal to arrest the leakages. It was, however, seen that there were shortfalls to the extent of 25 to 76 *per cent* in the execution of these leakage prevention items* and the resultant savings of Rs 1.35 crore were treated as authorised omissions. After the completion of the work (August 2000), a leakage of 21 to 41 *per cent* was noticed mainly in locations identified for repair works in the estimate. The Department took up rectification works only in August 2002. Thus, shortfall in the leakage prevention works resulted in continued leakage for more than two years.

➤ The canal has earthen, rock and earth-cum-rock sections with varying bed width and height. As the carrying capacity of the canal would get reduced by 31 cusecs due to provision of additional lining, the estimate provided for raising the free board to offset this reduction. It was seen from the designs evolved for raising the free board that the earthen and earth-cum-rock sections (9 km) did not require increase in free board as the existing full supply level could carry the designed 1150 cusecs even after rehabilitation. The Department, however, raised the free board in these sections also resulting in wasteful expenditure of Rs 1.17 crore. Besides, instead of raising the free board as an extension of slope in these sections, the Department carried out vertical raising of free board involving huge expenditure (Rs 86.42 lakh) on centering work.

➤ In September 2002, the Superintending Engineer (SE) initiated disciplinary action against the Executive Engineer (EE) for false reporting by providing misleading facts, wrong technical data and boosted rates in respect of raising the free board and non-bonafide payments in respect of certain items♦ causing loss of Rs 1.90 crore. The Committee constituted (December 2002) to inspect and examine the technical aspects of shortcomings in the execution of the work did not examine the failures but recommended (January 2003) release of final payment to the contractor if the losses were within

* Levelling course with cement concrete 1:4:8 (25 *per cent*); pointing in Random Rubble (RR) masonry with cement mortar 1:3 (30 *per cent*); repair grouting in RR masonry (76 *per cent*); Canal Bed Reinforced Cement Concrete (RCC) M15 (54 *per cent*); and steel for RCC works (73 *per cent*).

♦ Guniting vertical rock cutting surfaces, fabricating, supplying and fixing of Trash Rack, hard rock blasting with non-explosive agents and spreading gravel in jeep track

reasonable limit after completion of the rectification works. The Committee also recommended revision of calibration charts for measuring water flow. However, based on the recommendations of the Committee, the Chief Engineer dropped the disciplinary action against the EE. Thus, action was not initiated against persons responsible for the failures.

➤ As the water carried in contour canal is governed by Parambikulam - Aliyar Project Agreement between Tamil Nadu and Kerala, the calibration charts to be used for measuring water flow was to be approved by the Joint Water Regulatory (JWR) Board of Kerala and Tamil Nadu. The rehabilitation and rectification works were taken up based on the water loss found using such approved calibration. Based on the recommendation of the Committee, the Department, without the approval of JWR Board, evolved new gauging calibration charts and closed the accounts of the contractor (March 2003) stating that the water loss was within the limit. This action which was based on unapproved calibration charts was not correct. It was seen that the accounts of water regulation sent to JWR Board after rehabilitation were based on the approved calibration only and the water loss in August 2003 based on the unapproved calibration was eight *per cent*, whereas the loss as per approved calibration was 33 *per cent*. Thus, the achievement of objective of the work was doubtful even after spending Rs 17.19 crore.

The matter was referred to Government in May 2003; reply had not been received (January 2004).

HOUSING AND URBAN DEVELOPMENT AND REVENUE DEPARTMENTS

TAMIL NADU HOUSING BOARD

4.1.5 Unfruitful expenditure due to execution of development works on land under litigation

Failure to follow the prescribed procedures of land acquisition and formulating a scheme covering the disputed area resulted in unfruitful expenditure of Rs 1.36 crore.

The Revenue Department passed an award for Rs 16.64 lakh for acquiring 10.15 hectares (ha) of land in Vilankurichi Village in Coimbatore District for implementing Ganapathy Neighbourhood Scheme Phase II by Tamil Nadu Housing Board (Board). The Land Acquisition Officer handed over the land to the Board on 9 December 1994. When the Board was considering the formulation of an Area Development Scheme covering the entire land, the land owners of 1.65 ha informed (October 1998) that their land was covered by dispossession stay order of High Court issued on 8 December 1994. In October 1998, the land owners of another 2.87 ha also obtained a similar stay.

In spite of the litigation, the Board approved the scheme for developing the entire land (November 1998) at a cost of Rs 3.83 crore and obtained a loan of Rs 1.22 crore from Housing and Urban Development Corporation Limited. When the work was in progress, the High Court ruled (July 2000) that the acquisition of 2.87 ha was valid as the petitioners were given opportunity as per Land Acquisition (LA) Act. The Court, however, struck down (September 2000) the acquisition of 1.65 ha on the ground that the petitioners were not served with personal notices and the acquisition notification was not published in newspapers circulated in the locality. The appeal filed by the Board was dismissed (August 2002) by the High Court and the Board obtained (March 2003) stay in Supreme Court. In the meanwhile, the land owners of another

3.03 ha also obtained stay (February 2001) in the High Court citing similar ground that they were not given opportunity before acquisition of their land. The High Court also issued interim stay (December 2001) on LA proceedings in respect of 0.48 ha covered in the scheme. The Board carried out development works in the scheme area, excluding 1.65 ha covered by court stay, at a cost of Rs 1.36 crore by May 2001.

Thus, the failure of the Revenue Department in not following the prescribed procedure for acquisition of land resulted in unnecessary litigation. Further, the developed portions of the scheme area could not be sold as the infrastructure like roads, water supply mains and drains were incomplete; they could not be carried out in the disputed area. Thus, execution of development works, fully aware of the litigation, resulted in an unfruitful expenditure of Rs 1.36 crore. When the matter was reported, the Board stated (July 2003) that development works were carried out only in the litigation free land in order to avoid escalation in cost. The fact, however, was that the expenditure on development works remained unfruitful.

The matter was referred to Government in May 2003; Government concurred (October 2003) with the views of the Board.

CO-OPERATION, FOOD AND CONSUMER PROTECTION DEPARTMENT

4.1.6 Aborted work of enumeration of families for issue of new family cards

Due to reversal of Government decision, expenditure of Rs 87.82 lakh on an aborted enumeration became infructuous.

Government of India (GOI) introduced (January 1997) Targeted Public Distribution System (TPDS) under which GOI released food grains from Central Pool to the State at specially subsidised prices for distribution to people Below Poverty Line (BPL). TPDS envisaged their precise identification and issue of separate cards to them. Subsequently, BPL families in Tamil Nadu were identified through a survey during 1997. Government ordered (April 1998) that people who wanted to draw rice and other essential commodities are to be issued red/pink cards, while the families that did not want to draw rice are to be given yellow cards. Under TPDS, the GOI releases rice from the Central Pool to the State at a special subsidised rate of Rs 5.65 per kg. However, the rice was being sold to public under PDS at further subsidised rate of Rs 3.50 per kg, the State Government bearing the difference in cost.

Since rice was being supplied at a greatly subsidised price without differentiation between BPL and APL families, resulting in huge subsidy burden, and loopholes in the existing system needed to be plugged the State Government ordered (December 2001) fresh enumeration of BPL families and issue of new ration cards. Government also ordered that families earning income below Rs 24,000 per annum and satisfying certain other specified criteria be treated as BPL. The enumeration work was to be completed by February 2002 and new cards issued by April 2002. The enumeration began on 1 January 2002 and while it was in progress, Government ordered (8 January 2002) its suspension, on the ground that there were practical problems in identifying the BPL families correctly under the prescribed criteria. It was also stated that the guidelines needed a change. Government proposed to resume the enumeration only after consultation with the representatives of various groups to identify genuine BPL families. However,

no further action has been taken as of July 2003. An expenditure of Rs 87.82 lakh[@] had already been incurred towards remuneration to enumerators, printing of enumeration forms and supply of stationery items to enumerators.

The earlier instance of infructuous expenditure during 1997-98, on printing of separate cards differentiating the BPL and Non-BPL due to change in Government policy was already pointed out in the Audit Report of the Comptroller and Auditor General - Government of Tamil Nadu (Civil) for the year ended 31 March 2000 (Paragraph 3.14). In the light of previous experience, Government should have exercised due care and held discussions with those required to be consulted before ordering re-enumeration in December 2001 for categorisation of BPL and APL population. Suspending the enumeration within a week resulted in infructuous expenditure of Rs 87.82 lakh.

On the matter being referred (May 2003), Government in its reply accepted the facts and stated that it has introduced a rice coupon system by which only about 120 lakh card holders out of 136 lakh received rice coupons, resulting in saving of subsidy and that survey can not be conducted for massive schemes like PDS and Government had to be flexible towards public criticism. Government has further ordered (August 2003) that the ration card holding families which have one or more income tax / sales tax assesses and families having monthly income of Rs 5000 and above would not be entitled to draw commodities from the PDS.

Though the actions of the Government would reduce subsidy burden to a certain extent, fact remained that enumeration of families based on proper criteria for plugging loopholes in existing system had not been completed. Expenditure on survey suspended mid way also proved infructuous.

HEALTH AND FAMILY WELFARE DEPARTMENT

4.1.7 Denial of modern treatment to patients through Telemedicine project

Non-payment of ISDN connectivity charges led to suspension of benefits of modern treatment to patients in Government Hospital, Wallajah.

Government sanctioned (November 1999) the implementation of "Telemedicine project" at a cost of Rs 87 lakh for interlinking Government Hospital (GH), Wallajah through "Integrated Services Digital Network" (ISDN) with Madras Medical College and Research Institute (MMC), Chennai. Electronics Corporation of Tamil Nadu (ELCOT) was to procure and install the equipment.

The Director of Medical and Rural Health Services (DMRHS) paid Rs 87 lakh to ELCOT in January 2000. The tender of Bharat Electronics Limited (BEL) was accepted and agreement was signed (June 2000) between BEL and DMRHS. BEL commissioned the project in December 2000. 184 patients at GH, Wallajah benefited from the project upto November 2001.

ELCOT informed (September and December 2001) DMRHS that the connectivity charges for the ISDN line installed for the project between MMC and GH, Wallajah was paid upto 30 November 2001. ELCOT after incurring an expenditure of Rs 78.26 lakh on the project requested (February 2002) the concurrence of DMRHS for utilising the balance amount of Rs 8.74 lakh

[@] Remuneration to enumerators: Rs 42.44 lakh for work done during 01.01.2002 to 08.01.2002; Stationery items supplied to enumerators: Rs 6.54 lakh and printing of enumeration forms: Rs 38.84 lakh.

available with them to make payment of ISDN charges for one year from December 2001. But there was no response from DMRHS.

DMRHS proposed (December 2001) for continuance of the project at an estimated annual recurring cost of Rs 2.23 lakh (including Rs 90,000 for payment of ISDN charges). Government opined (December 2002) that this was on the higher side and required it to be scaled down to the minimum, but DMRHS did not respond, as of March 2003. Consequently the ISDN link was disconnected and the project did not function from January 2002 onwards.

Thus the failure of the department to renew ISDN connection despite availability of funds with ELCOT, or make a separate provision of funds, rendered the investment of Rs 78.26 lakh unfruitful from January 2002. Further, the laudable objective of providing modern treatment with latest technological advances to the patients through 'Telemedicine project' was also not achieved.

The matter was referred to Government in May 2003; Government generally accepted the facts in October 2003.

AGRICULTURE DEPARTMENT

4.1.8 Construction of State Horticulture Farm in Forest area without approach road

Establishment of State Horticulture Farm in Forest area without approach road resulted in unfruitful net expenditure of Rs 63.93 lakh.

Based on Government approval (August 1980) a Giant Orchard was established (December 2000) over an area of 202.40 hectare (ha) (500.10 acres) of land in Sirumalai Hills in Dindigul Taluk. Under Section 4 of Tamil Nadu Forest Act, Government had notified in 1977 its intention to declare the farm area forming part of the Sirumalai West Forest as reserve forest area. Proposal had been submitted (October 2001) to Principal Chief Conservator of Forest (PCCF) to exclude this land and notify only the land surrounding this land as reserve forest under Section 16. However notification has not been issued, as of August 2003.

According to the Assistant Director of Horticulture, Dindigul (November 1996, April 1997) receipts from the farm produce were not commensurate with the expenditure incurred right from its formation. Farm cultivation was not possible because of (i) the ban of felling of trees under the Forest Conservation Act 1980 (ii) lack of basic amenities like electricity, quarters and office building in the farm area and (iii) lack of motorable approach roads through forest area to bring in inputs and take out farm produce for marketing. To avoid further loss he desired that the land can be handed over to forest department. The Commissioner sought orders of Government to hand over the entire land to Forest Department only in August 2003.

The total area brought under cultivation was 14.40 ha in 1981-82 which dwindled to 7.20 ha in 1984-85. 7.20 hectares alone was maintained with available funds upto March 2003. While the receipts from sale etc was Rs 29.48 lakh for the period from December 1980 to March 2003, an expenditure of Rs 93.41 lakh was incurred on the farm during the same period.

Thus, setting up of a State Horticulture Farm in an area proposed to be declared as Reserve forest area was ill-conceived, rendering the transshipment of inputs and the farm produce difficult. This resulted in an unfruitful net expenditure of Rs 63.93 lakh.

The matter was referred to Government in June 2003; reply had not been received (January 2004).

ANIMAL HUSBANDRY AND FISHERIES DEPARTMENT

4.1.9 Quality testing equipment lying idle

Equipment costing Rs 30.40 lakh procured out of Rs 77.88 lakh released as Central assistance for ensuring quality of milk and milk products was idle due to non-sanction of qualified technical staff.

Government of India (GOI) promulgated the Milk and Milk Product Order (MMPO) in June 1992 under the provisions of the Essential Commodities Act 1955. One of the major objectives of this order is to ensure quality of milk and milk products produced by the registered units. The order also provides for regular inspection of the registered units and testing of samples.

GOI announced (November 1996) financial assistance to State Governments for strengthening the existing laboratory facilities for testing milk and milk products, employing specialised technical staff for periodic inspection of registered units, and training of staff for inspection and quality control under MMPO 1992.

A proposal was submitted (January 2000) towards establishment of a separate full-fledged laboratory at a cost of Rs 69.78 lakh and for strengthening the laboratory facilities in the Laboratory at Madhavaram for analysing the samples collected and for training of staff. GOI while agreeing to finance the Central laboratory under the MMPO, laid certain conditions like availability of building for housing the laboratory and staff expenses would not be provided by GOI. GOI sanctioned Rs 34.16 lakh (March 2001) and Rs 35.62 lakh (March 2002). The amounts were drawn and given to the Managing Director (MD), Tamil Nadu Cooperative Milk Producers Federation (TNCMPF) in March 2002 and April 2003.

GOI recognised (November 2002) the laboratory to conduct analysis of milk and milk products under Section 23 of MMPO.

The Commissioner for Milk Production and Dairy Development requested as early as in June 2001 the Government to sanction seven technical posts, the minimum staff required to man the laboratory, at a cost of Rs 6.81 lakh per annum. He repeatedly informed (January and April 2002) that there was no possibility of deploying existing staff of the department to man the laboratory and that creation of such technical posts was essential. However, Government took no decision in view of the ban on creation of posts in force since 1992. Considering the inescapable need for the seven posts to run the laboratory, the ban could have been relaxed to enable creation of the required minimum number of posts.

The MD, TNCMPF intimated Audit that materials and equipment were received for Rs 30.40 lakh between April 2002 and December 2002. Orders were placed for materials worth Rs 0.49 lakh and tenders/ quotations were called for procurement of equipment/ materials for Rs 17.87 lakh as of August 2003.

Thus, although Rs 77.88 lakh* was received from GOI as Central assistance and equipment worth Rs 30.40 lakh including major and costly equipment like

* January 1998: Rs 8.10 lakh; March 2001: Rs 34.16 lakh; and March 2002: Rs 35.62 lakh

Milkoscan, Analytical balances, Spectro photometer, Microscopes were procured and electrification and airconditioning of the laboratory building completed, the laboratory could not function due to non-availability of qualified technical staff. The equipment was lying idle. The social objective of ensuring quality of milk and milk products was not achieved, as of August 2003.

The matter was referred to Government in April 2003; reply had not been received (January 2004).

4.2 Avoidable/excess expenditure

FINANCE DEPARTMENT

4.2.1 Excess borrowing of funds for road works

Government's decision to borrow in excess of the requirement projected by Chief Engineer (Highways) for carrying out District Road Works during 1999-2002 resulted in avoidable interest payment of Rs 92.73 crore.

The Government issued orders (October 1999) permitting Tamil Nadu Industrial Development Corporation Limited (TIDCO) to raise resources through issue of bonds, on Government guarantee, for payment of Government share for Railway Projects in the State and for financing the upgradation of roads. Chief Engineer (CE), Highways and Rural Works (H & RW) submitted proposals (September 1999) to Government for carrying out works to improve 14,139 kilometers of Other District Roads (ODR) at an estimated cost of Rs 606.67 crore in a phased manner during 1999-2002.

The details of funds required, ordered by Government to be mobilised and actually mobilised and funds released from the PD Account during 1999-2003 for ODR works are as given below:

(Rupees in crore)

Year	Unutilised amount available in the PD Account	Required by C.E.	Amount for which administrative sanction for the work issued by Government	Amount ordered to be mobilised by Government	Amount actually mobilised by TIDCO and credited to PD Account	Actual release for the works from PD Account	Balance amount available in PD Account	Borrowings in excess of requirement
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8) (Col. 2 + 6 - 7)	(9) (Col. 9 of Previous year + Col. 6 - Col. 3)
1999-2000	-	159.09 (December 1999)	159.09 (January 2000)	400.00	424.86 (21.12.1999)	100.00	324.86	265.77
2000-2001	324.86	320.00 [@] (April and June 2000)	320.00 [@] (July 2000)	135.00	173.45 (24.10.2000) 12.25%	229.00 [*]	269.31	119.22
2001-2002	269.31	363.93 (February 2002)	Administrative sanction Not received ^{**}	374.00	268.37 (9.3.2002) 10.75%	150.00	387.68	23.66
2002-2003	387.68	-	-	-	-	-	387.68	-
Total		843.02		909.00	866.68	479.00		

[@] Rs 120 crore for mechanised relaying of roads, Rs 200 crore for ODR Phase II works

^{*} Includes release to Divisional Engineer (Highways) Sugarcane Road Development: Rs 20 crore

^{**} As per information furnished by CE (H & RW)

As seen from the above table, the CE (H & RW) sought only Rs 159.09 crore for carrying out improvement in ODR during 1999-2000; the decision of Government permitting TIDCO to borrow Rs 400 crore for this purpose during the year was imprudent.

Comparison of the funds requisitioned with the funds mobilised shows that there was excess borrowing of Rs 408.65 crore during 1999-2002 .

Rupees 301.39 crore was met from PD Account towards other liabilities like arrangers fee and issue expenses (Rs 1.14 crore^{**}) and payment towards interest (Rs 300.25 crore^{**}) during the period 1999-2003.

As the interest rate on market borrowings has been declining over the years^{*}, Government could have restricted the borrowing to the actual requirement for the year and thereby reduced the interest liability to the extent of Rs 50.80 crore[@] towards interest (upto March 2003) on excess borrowing. A further amount of Rs 100 crore was mobilised during 1999-2000 for Rural Roads but no funds were released for the work as of February 2003. The avoidable interest on this borrowing was Rs 41.93 crore[#].

Payment of interest to the tune of Rs 300.25 crore was made from the PD Account of TIDCO utilising the surplus borrowed funds. This was in contravention of earlier Government orders to meet the interest through budget provision and indicated financial imprudence.

On the matter being referred (March 2003) Government stated (November 2003) that TIDCO retained the extra subscription because of uncertain market conditions and since the interest rate obtained for flotation of the bonds appeared to be advantageous. Further the reply stated that in Road Projects, interest during construction has to be sustained by investment and hence the interest burden was met from Bond money. The reply was not tenable, since in the background of falling interest rates over the years and the project being implemented in phases as explained in the foregoing paragraphs, Government's decision to ask TIDCO to raise more funds than warranted was unjustified. Further, payment of interest from bond proceeds was contrary to specific instructions (October 1999) of Government to meet the same from budget provision.

4.2.2 Avoidable payment of interest tax on Government loans

Non-reduction of interest rate on loan availed, consequent on abolition of interest tax, resulted in avoidable expenditure of Rs 92.57 lakh.

Government availed loan of Rs 140 crore from Housing and Urban Development Corporation (HUDCO) during 1999-2000 for construction of Public Asset Buildings like Police Stations, Hospitals, Medical Colleges, Schools, etc. under Urban Infrastructure Scheme. Loan amounts of Rs 100 crore and Rs 40 crore were drawn during January 2000 and March 2000

^{**} Proportionate amount as combined issue was made for funding Railway and Road work projects.

^{*} From 12.25 per cent in 1999-2000 to 10.35 per cent in 2001-2002.

[@] Rs 265.77 crore x 12.90 per cent for ten months + Rs 119.22 crore x 12.25 per cent for 16 months + Rs 23.66 crore x 10.75 per cent for 13 months.

[#] For 39 months at 12.90 per cent on Rs 100 crore.

respectively. The loan carried an interest rate of 13.75 *per cent* per annum inclusive of interest tax[§].

The levy of interest tax was withdrawn by GOI with effect from 1 April 2000. However HUDCO did not reduce the rate of interest (which included the element of interest tax at two *per cent* on interest). Though interest rate of 13.75 *per cent* should have been reduced to 13.48 *per cent*^{**} with effect from 1 April 2000, HUDCO continued to charge interest at the original rate of 13.75 *per cent*.

In spite of the abolition of interest tax, the Department continued to make payment of interest at original rates as per schedule of payments and this resulted in avoidable payment to the tune of Rs 92.57 lakh towards interest tax element, during April 2000 to December 2002[@].

On the matter being referred (May 2003) Government in reply (August 2003) stated that as ascertained (July 2003) from HUDCO, the inclusion of interest tax in the rate of interest on loan was a conscious decision of the institution so that it would continue as rate of interest after abolition of interest tax. The reply of the Government is not tenable in view of the intention of the loan agreement which clearly stated that the rate of interest included interest tax, without any further conditions.

PUBLIC WORKS DEPARTMENT

4.2.3 Avoidable payment of price variation

Erroneous computation of price adjustment resulted in overpayment of Rs 1.22 crore in 14 irrigation works.

The World Bank-aided Tamil Nadu Water Resources Consolidation Project aimed at water resources planning, improvement of agricultural productivity, sustainability of water infrastructure and improvement of institutional and technical capability. The contract for the works executed under the project provided for price adjustment clause to compensate changes in rates of labour, material, fuel and lubricants. A review of the records relating to price adjustments made in respect of seven divisions* revealed the following:

➤ The contract provided for payment of price adjustment for 85 *per cent* of actual value of work done during each quarter. The work done would include value of materials for which secured advance was paid, less the secured advance recovered and would exclude the value of works executed as additional and substituted items. The contract also stipulated that price adjustment for materials should be based on All India average wholesale price index for each quarter and the price index of bars and rods should be considered for the price adjustment for steel. The base index for High Speed Diesel oil was its retail price 30 days prior to the date of opening the bid.

[§] As per Interest Tax Act, 1974, companies providing finance were to pay interest tax at two *per cent* on interest charged.

^{**} $13.75\% \times 100/102$

[@] on 1.1.2003 the entire loan outstanding was reset @ 10.25% per annum.

* Parambikulam Division, Nambiar Reservoir Project Division, Adavinainar Koil Reservoir Project Division, Vadaku Pachaiyar Reservoir Project Division, Mordhana Reservoir Project Division, Sothuparai Reservoir Project Division and Periyar Improvement Division VII

➤ Contrary to these provisions, the Executive Engineers computed price adjustments (a) based on the actual payment made during the quarter, without considering the secured advance paid and recovered during the quarter, (b) adopting the price index of the subsequent quarter for the portion of work actually executed and measured during the quarter, (c) adopting the month end/year end All India wholesale price index instead of average index, (d) adopting the price index of steel instead of bars and rods and (e) adopting the retail price of High Speed Diesel oil on the date of opening of the bid as base index. This resulted in overpayment of Rs 1.22 crore to the contractor in respect of 14 test-checked works as detailed in the Appendix XLII. When pointed out, three divisions** stated (June and August 2003) that they have recovered the overpayment.

The matter was referred to Government in May 2003; reply had not been received (January 2004).

4.2.4 Extra expenditure due to incorrect fixation of rates

Communication of incorrect Schedule of Rates resulted in extra expenditure of Rs 1.09 crore to the Tamil Nadu Water Supply and Drainage Board.

The High Level Committee constituted for administrative reforms and prevention of corruption recommended that the Public Works Department (PWD) would be responsible for the preparation and maintenance of Schedule of Rates (SOR) for all general engineering works. Government Departments and Public Undertakings might prepare their own special SOR relevant to engineering works involving the use of sophisticated equipment or technology peculiar to their needs. Accordingly, the Tamil Nadu Water Supply and Drainage Board (Board) should adopt the SOR of PWD for earthwork excavation for laying water supply pipes. Test-check revealed the following:

➤ The SOR of Upper Cauvery Basin Circle, Salem (Salem Circle) for 1999-2000 allowed double the basic rate for earth work excavation for narrow cutting. In the Zonal conference convened by the Chief Engineer (CE), Tiruchirappalli (February 2000) for deciding the SOR for 2000-01, it was decided to increase the basic rate of 1999-2000 by ten *per cent*, retaining double the rate for narrow cutting, for Salem, Tiruchirappalli and Thanjavur Circles. The Special CE, PWD, Salem Circle while communicating the SOR for 2000-01 for Salem - Namakkal districts incorrectly allowed triple the basic rates for narrow cutting after increasing the basic rate of 1999-2000 by ten *per cent*. The Board adopted the SOR for this item in respect of works executed on percentage tender system during April 2000 to July 2001 in Salem and Namakkal districts. Thus, the communication of incorrect SOR for 2000-01 by PWD resulted in extra expenditure of Rs 1.09 crore to the Board.

➤ The Superintending Engineer, PWD, Salem Circle, stated (August 2003) that the Circle level conference unanimously recommended adoption of triple the basic rate considering the highly skilled labour involved for narrow excavation. The contention was not tenable as Zonal level conference decided to allow only double the basic rate with ten *per cent* increase over 1999-2000 SOR whereas the Special CE, PWD, Salem Circle increased the basic rate by ten *per cent* and also allowed triple the rate. Further, though the SOR 2000-01 allowed triple the basic rates for narrow cutting, only double the rates was

** Adavinainar Koil Reservoir Project Division, Vadaku Pachaiyar Reservoir Project Division and Periyar Improvement Division VII.

adopted by PWD in Salem and Namakkal districts. As the Special CE had not issued any amendment to SOR 2000-01, the Board adopted the triple the basic rate resulting in extra expenditure of Rs 1.09 crore.

The matter was referred to Government in May 2003; reply had not been received (January 2004).

4.2.5 Avoidable extra liability due to defective preparation of estimate and tender

Allowing higher rates during execution due to defective preparation of estimate and tender schedule resulted in avoidable extra liability of Rs 89.39 lakh.

The Gadana Reservoir Extension Scheme in Ambasamudram Taluk of Tirunelveli District entrusted to a contractor for Rs 10.38 crore in January 2000, was under progress and expenditure of Rs 9.09 crore was incurred as of March 2003. The records relating to the execution of the work revealed the following:

➤ The tender documents specified that the contractor should satisfy himself about the availability of various materials in the stipulated quarry before tendering and any claim for payment of extra cost on account of increase in the lead for materials at a later stage would not be accepted. Further, it was also stipulated that seigniorage charges due for the use of private quarries should be paid by the contractor.

The estimate provided that 6.60 lakh cubic metre (cu.m) of earth required for formation of earth dam was to be obtained from the designated borrow areas with a lead of three kilometre (km). However, the Superintending Engineer (SE) had not specified the borrow areas in the tender schedule to enable the contractor to assess the availability of earth within the lead. The SE had also not called for rates for supply of earth for various leads, to prevent payment at higher rates for increase of lead at a later stage. During execution, the contractor claimed higher rate for a quantity of 1,15,600 cu.m of earth on the ground that only 5.44 lakh cu.m of earth was available within three km lead and he had to incur extra expenditure towards additional lead of another two km and payment of seigniorage charges to Government and royalty to land owners for the earth. The SE justified the higher rate based on the Schedule of Rates for 2001-02 and entrusted the work as a substituted item of work.

The acceptance of higher rate (Rs 141 per cu.m) based on 2001-02 Schedule of Rates was not justified as the agreement rate for three km lead (Rs 50.90 per cu.m) was inclusive of royalty payable to private land owners and the rate for earthwork with five km lead based on this agreement rate would have been Rs 80.50 per cu.m only. The failure of the SE in not obtaining the rate for various leads at the initial stage itself led to an avoidable extra liability of Rs 69.94 lakh to Government. The contractor executed 73,003 cu.m of earth work with five km lead as of May 2003. Government justified (November 2003) the payment of higher rate stating that the availability of suitable earth could not be assessed as the requirement was very high and earth conveyed from private quarry involved payment of cost of earth. These contentions were not tenable since the Superintending Engineer could have obtained rates for various leads if the quantity was not assessable and the agreement rate was inclusive of cost of earth payable to private land owners.

➤ The estimate contemplated rough stone dry packing of 17,370 cu.m with 450 mm thick stone. While preparing the tender schedule, the size of the stone was, however, specified as 300 mm and agreement was concluded with the contractor for this item at Rs 420 per cu.m. The SE got the work executed using 450 mm stones as per approved drawings and allowed higher rate of Rs 532 per cu.m based on the Schedule of Rates for 2000-01, treating the change in size of stone as substituted item of work. As the agreement rate was for 'cu.m' irrespective of the size of the stone, allowing higher rate for change in size of the stone was incorrect and resulted in an avoidable extra liability of Rs 19.45 lakh. Government stated (November 2003) that the cost of 450 mm Jeddy stone and 300 mm rough stone and the labour involved in placing them were different. The reply was not correct as the rate for 'hard granite for stone revetment works' was adopted while revising the contract rate which was the same for 300 mm and 450 mm stones.

4.2.6 Delay in claiming reimbursement of expenditure

The delay in claiming reimbursement of expenditure from World Bank resulted in financial crunch and avoidable payment of interest of Rs 40.88 lakh to contractors.

According to the project agreement entered into with World Bank (Bank) for implementing Water Resources Consolidation Project (WRCP), the State Government had to provide funds required for the project and claim reimbursement through Government of India (GOI). To overcome cash flow problems, the Bank released, in advance, four months' average project cost to GOI which was to be kept in a Special Account. As and when the monthly claims for reimbursement of expenditure was admitted by the Bank, GOI released the assistance in the form of loan and grant to the State Government from the Special Account which was replenished by the Bank. The agreement for WRCP works approved by the Bank, stipulated payment of interest to the contractor for the delay in settling his claim beyond 28 days of the date of the Engineer's certificate.

A review of the above provisions of the agreement in the implementation of WRCP during 1996-2002 revealed that the Engineer-in-Chief, Water Resources Organisation, Chennai (EIC) had filed 141 reimbursement claims amounting to Rs 702.80 crore and got reimbursement of Rs 669.56 crore. While there was no delay in reimbursement of eligible expenditure by GOI, there were delays in raising the claims of reimbursement by the EIC leading to cash flow problem for the project. The EIC did not evolve any system for making the reimbursement claim to GOI within the stipulated time. Out of 132 claims, only 22 claims were made within a month of incurring the expenditure. Fifty two monthly claims were made after one to six months and Rs 265.70 crore obtained belatedly. Besides, EIC raised 58 supplementary claims and obtained Rs 156.93 crore after a delay of one to 64 months as indicated below:

Period of delay in raising claim (in months)	Number of claims	Amount involved (Rupees in crore)
1 - 5	18	58.10
6-10	14	50.29
11-20	17	35.27
21-30	4	11.37
31-64	5	1.90
Total	58	156.93

It was also seen that EIC failed to claim reimbursement of mobilisation and equipment advance as soon as it was paid, but claimed reimbursement as

works expenditure only when the advance was recovered from the contractors. The Bank also pointed out (May 2002) that the expenditure reporting mechanism and the claim preparation process was poor and that the EIC had not regularly reconciled the expenditure reported with the reimbursement claims.

EIC attributed (February 2003) the delay to non-receipt of required details from field officers and shortage of staff. This contention was not tenable as the claims were made based on the actual expenditure incurred by the field staff and hence the details could have been collected within a period of one month for raising claims. Due to overall financial crisis of the State Government, the Department had to pay interest of Rs 40.88 lakh to the contractors on account of delay in settlement of bills in respect of seven test-checked works, under the project. Thus, the poor system of claiming reimbursement contributed to financial constraint and resulted in avoidable payment of Rs 40.88 lakh as interest to the contractors.

The matter was referred to Government in May 2003; reply had not been received (January 2004).

AGRICULTURE DEPARTMENT

4.2.7 Unnecessary burden to Government in the purchase of bulldozers by AGROFED

Bulldozers were purchased by AGROFED through loan obtained from National Co-operative Development Corporation. Due to failure of AGROFED to repay the instalments, Government as borrower, had to pay Rs 1.11 crore to NCDC. The bulldozers were neither used optimally nor given on hire to farmers.

Government accorded (April 1997 and May 1998) sanction for purchase of six bulldozers at a cost of Rs 1.98 crore, of which 80 *per cent* (Rs 1.58 crore) was to be met through loan from National Cooperative Development Corporation (NCDC) and the balance by AGROFED* from its own funds. The bulldozers were to be given on hire to farmers. The loan together with interest (16.75 *per cent*) was repayable in seven years from the first anniversary of its deemed date of drawal.

Government released Rs 40 lakh to AGROFED in December 1997. NCDC reimbursed this amount to Government in January 1998. Thereafter NCDC released Rs 1.18 crore to Government in March 1998. Government passed on this amount to AGROFED clearly stating that the principal and interest were to be paid by the latter to NCDC. In the meantime, all the six bulldozers were purchased by AGROFED between July 1997 and September 1997 at a cost of Rs 2.22 crore.

AGROFED remitted Rs 85.03 lakh, the principal and interest due upto January 2000, to Government which in turn paid the same to NCDC. As AGROFED failed to pay the principal (Rs 67.89 lakh) and interest (Rs 45.48 lakh) for subsequent period upto February 2003, Government as the borrower paid Rs 1.11 crore to NCDC availing 0.75 *per cent* rebate for prompt payment. Government did not insist on repayment by AGROFED as it was not generating adequate surplus due to heavy fixed costs.

* Tamil Nadu Agro Engineering and Service Cooperative Federation Limited.

While sending the proposals for purchase of four bulldozers (out of 6), AGROFED reported that the existing bulldozers had earned a net profit of Rs 10.91 lakh during 1996-98. But Audit observed that the actual performance report of these four existing bulldozers for the period 1996-98 showed a net loss of Rs 0.38 lakh. They were also under-utilised to the extent of 31 *per cent* during 1996-97. Thus, the proposals of AGROFED for purchase of bulldozers were defective, in that they depicted that existing bulldozers were earning a profit, which was not true.

Thus, AGROFED defaulted in repayment of principal and interest of Rs 1.11 crore and therefore Government had to make the payment. Even the six bulldozers procured were operated at a loss of Rs 57.25 lakh during the period 1996-2002. Further, these bulldozers were hired out only to Government departments and not to individual farmers, thereby defeating the very objective of the assistance.

The matter was referred to Government in March 2003; reply had not been received (January 2004).

ANIMAL HUSBANDRY AND FISHERIES DEPARTMENT

4.2.8 Premature release of grant

Government of Tamil Nadu incurred avoidable liability of Rs 43.11 lakh towards interest due to release of Rs 6.50 crore to Tamil Nadu Cooperative Milk Producers Federation even before Government of India approved the scheme.

Government of India (GOI) approved (January 2000) a rehabilitation plan for loss-making Dairy Unions and Federations to make them viable. Grant assistance on 50:50 basis was to be provided by GOI and the State Government upto a maximum limit of the Union/Federations' accumulated cash losses. GOI assistance was subject to the main condition (among others) that the State Government should provide matching contribution.

National Dairy Development Board (NDDDB) communicated (October 2000) to the State Government that Erode and Villupuram District Cooperative Milk Producers Unions (Unions) were eligible for rehabilitation assistance. Tamil Nadu Cooperative Milk Producers Federation (TNCMPF) also sent proposals (December 2000 and March 2001) to Government of Tamil Nadu (GTN) for providing Rs 6.50 crore in the annual budget for 2001-2002 for rehabilitating Erode and Villupuram Unions. GTN sanctioned Rs 6.50 crore and released Rs 0.89 crore in March 2001 and Rs 5.61 crore in March 2002. The funds were kept by TNCMPF in a savings bank account with a nationalised bank.

GOI approved (January 2003) rehabilitation of the Unions at a cost of Rs 13 crore* ; spread over three years, and released Rs 3.75 crore in April 2003. In the meantime, TNCMPF disbursed Rs 4.50 crore to the Erode Union during November-December 2002.

Following observations are made.

* Erode Union : 2002-03 Rs 2.25 crore; 2003-04 Rs 1.50 crore and 2004-05 Rs 0.75 crore by GOI with matching share by GTN; Villupuram Union : 2002-03 Rs 1.50 crore; 2003-04 : Rs 0.50 crore by GOI and with matching share by GTN.

- According to financial rules, grants-in-aid should not be drawn in advance of requirement and only so much of the grant should be paid during any financial year as is likely to be expended during the year. But even before GOI's approval, GTN released Rs 6.50 crore for the rehabilitation of two district Unions, in contravention of the rules.
- Further, as per the pattern approved by GOI in July 2002, the State share of Rs 4.50 crore proposed for the scheme for Erode union had to be released over three years^{**}. However, the entire State share of Rs 4.50 crore for this Union was released in the first year, much in advance and before receipt of GOI share. As a result huge money was locked outside Government account, till its release (December 2002) by TNCMPF to Erode union.
- Out of Rs 6.50 crore released by GTN, Rs two crore was with TNCMPF, kept outside Government account (March 2003).

While the ways and means position of GTN was deteriorating during 2000-2002 and its cash position was very critical, Rs 6.50 crore was released far in advance of requirement. Moreover as Government resorted to borrowings to meet revenue expenditure, by retaining Rs 6.50 crore outside Government account, GTN would have incurred avoidable interest burden of Rs 43.11 lakh, calculated at the rate of interest on market borrowings.

The matter was referred to Government in April 2003; Government accepted the facts (December 2003) and stated that anticipating approval of the rehabilitation plans by GOI before the end of the financial year, funds were released in March 2002.

4.3 Blocking of funds

HOUSING AND URBAN DEVELOPMENT DEPARTMENT

TAMIL NADU HOUSING BOARD

4.3.1 Blocking of funds on unsold plots

Poor planning, lack of infrastructure and defective pricing policy led to blocking of Rs 96.43 crore on 18,755 plots in 17 schemes.

The Tamil Nadu Housing Board (Board) took up land development schemes, including provision of roads, streets, open spaces, drainage, water supply and street lighting and other amenities for the scheme area. The schemes were mostly executed with borrowed funds. It was noticed that a total number of 29,893 plots in the developed areas remained unsold as of March 2003.

A test-check of 17 schemes completed between March 1996 and December 2002 by nine Divisions* revealed that out of 25,787 plots measuring 22.95 lakh square metre (sq.m) developed at a cost of Rs 121.18 crore, 18,755 plots measuring 18.53 lakh sq.m remained unsold (March 2003). The details of schemes and the reasons for poor sale are given in the Appendix XLIII. Sixty six *per cent* of the plots (11,993) remained unsold for more than five years and

^{**} Rs 2.25 crore in 2002-2003, Rs 1.50 crore in 2003-2004 and Rs 75 lakh in 2004-2005

* Coimbatore, Hosur, Madurai, Ramnad, Salem, Thanjavur, Tirunelveli, Trichy and Villupuram Housing Units

in 11 schemes, more than 75 per cent of plots remained unsold. The accumulation of 18,755 unsold plots resulted in blocking of borrowed funds to the extent of Rs 96.43 crore. Further, interest amounting to Rs 25.74 crore was paid to lending agencies for the period upto September 2002.

The poor sale was mainly due to non assessment of demand before taking up the schemes, execution of schemes in low-lying and remote areas, absence of infrastructure such as transport facilities, schools, shops, etc., development of plots although there were unsold plots in the neighbouring schemes, high price of unsold plots due to capitalisation of interest from time to time and increasing the price of Middle and High Income Group plots to keep the price of Low Income Group plots low.

The Board stated (June 2003) that the five schemes (serial numbers 1, 13, 14, 15 and 16) taken up with World Bank assistance were meant for economically weaker sections and they were implemented in Government land/abandoned lakes in order to keep the cost low. As to the remaining 12 schemes implemented with borrowed funds, surveys were not conducted because the policy of the Board was to conduct demand survey only for developed lands. The prices of these plots were high compared to market value because the courts awarded higher compensation (serial numbers five and 11), the Board had to leave reserved area for public purpose and create external amenities like water supply, drains, roads. The Board assured to take steps to revise the pricing policy, adopt proper marketing strategy and take up housing schemes in a phased manner depending on demand to utilise the unsold plots.

It was, however, seen that though the Board rolled back the price of plots in six schemes (serial numbers 1, 6, 13, 15, 16 and 17) only 1064 out of 13,727 plots were sold between February 2002 and August 2003, indicating that the unsold plots might not be disposed off in the near future.

The matter was referred to Government in May 2003; reply had not been received (January 2004).

4.3.2 Acquisition of land without approach

Failure to provide access to the land acquired at a cost of Rs 55.51 lakh resulted in blocking of funds for over 14 years.

The Tamil Nadu Housing Board (Board) acquired 126 grounds* of land at a cost of Rs 55.51 lakh (December 1988) in Purasawakkam village, Chennai for constructing Middle Income Group flats. The original acquisition proposals included 36.5 grounds of land, which provided access from the existing road and a proposed new road. The Board, at the time of passing the award, excluded (August 1988) these lands from acquisition based on the representations made by the owners to the Government. Only after super structures were erected in these excluded lands, the Board realised that there was no approach to the acquired land.

In August 1993, the Board sent requisition to Revenue Department to acquire 42 grounds of land adjoining the acquired land so that access could be provided for implementing the scheme. The acquisition proposal was, however, returned by the Special Commissioner and Commissioner for Land Administration for want of particulars like administrative approval for the

* 1 Ground = 2400 Square feet.

scheme. The Board did not respond. In the meantime, the Trust which owned this land transferred certain portions to its tenants and some of them offered (February 2002) to exchange land for providing approach road. There was also another proposal (February 2003) to acquire 30.5 grounds of land for providing approach. The proposals are pending with the Board.

Thus, the failure of the Board to provide access to the land even after 14 years of acquisition resulted in blocking of Rs 55.51 lakh and escalation in the cost of land required for approach road. The Board replied to Audit (August 2003) that efforts were being made to acquire the land for the approach road.

The matter was referred to Government in May 2003; Government concurred (October 2003) with the views of the Board.

MUNICIPAL ADMINISTRATION AND WATER SUPPLY DEPARTMENT

4.3.3 Poor implementation of shelter upgradation programme

Shelter Upgradation Programme implementation was poor and Rs 5.95 crore received from Government of India was lying unutilised.

National Slum Development Programme (NSDP) is a cent *per cent* Centrally sponsored programme implemented in the State from 1996-97. State Government was to utilise not less than ten *per cent* of the Central assistance for Shelter Upgradation Programme (SUP), i.e. for construction and/or upgradation of houses for the urban poor. The allotment under SUP for Tamil Nadu was Rs 12.53 crore* for the period 1998-2003.

As per State Government guidelines (March 1999), subsidy of 25 *per cent* of the estimated cost, subject to a maximum of Rs 2500 was admissible for upgradation of existing houses, at a cost not exceeding Rs 10000. Government enhanced (February 2001) the subsidy to 90 *per cent* and extended the assistance for constructing new houses also at unit cost of Rs 20,000 per house. The balance amount in either case was to be met by the beneficiaries from their own sources or borrowings. The subsidy was to be released to Municipalities in a single instalment on completion of 75 *per cent* of the work and certification by the Municipal Engineer.

Audit scrutiny of implementation of the scheme revealed the following:

- Director of Town Panchayats (DTP) had utilised Rs 1.91 crore out of Rs 2.47 crore released to him in April 1999 on 3144 works, of which 2929 works had been completed as of March 2003. DTP however furnished (May 2003) utilisation certificate to Government for the entire amount.
- Tamil Nadu Slum Clearance Board (TNSCB) constructed 2000 houses in Tiruchirappalli with the assistance of Rs 2.71 crore received in March 2000. TNSCB did not collect the beneficiary contribution. The entire cost of construction was met by Government, without restricting its commitment to subsidy at 25 *per cent* of the cost. As a result there was an avoidable expenditure of Rs 2.02 crore. Government replied (January 2004) that Government of India has been addressed for ratifying their action of not

* 1998-1999 Rs 2.47 crore; 1999-2000 Rs 2.71 crore; 2000-2001 Rs 2.71 crore; 2001-2002 Rs 2.71 crore and 2002-2003 Rs 1.93 crore.

recovering the beneficiary contribution and treating the entire expenditure as subsidy.

➤ The Commissioner of Municipal Administration (CMA) drew Rs 6.06 crore allotted to him during 2000-2003 and deposited it in a Savings Bank Account. During this period 85 Municipalities submitted their proposals and work orders were issued in all cases. However, only Rs 36.20 lakh was released in December 2002 to two Municipalities which had completed the work. The balance together with interest (Rs 24.78 lakh) amounting to Rs 5.95 crore was lying unutilised outside the Government account.

CMA informed Audit (May 2003) that the main reason for not utilising the funds and poor progress during 2000-2003 was difficulty in getting the beneficiary's contribution of ten *per cent*; either from his own source, or by way of loan; there was no tie-up with banks. Further, release of subsidy was dependent on the certificate of completion of 75 *per cent* of the work by the Municipal Engineer.

Consequently, as of March 2003, Central assistance of Rs 5.95 crore was lying unutilised outside Government account for over one year.

ADI DRAVIDAR AND TRIBAL WELFARE DEPARTMENT

4.3.4 Unutilised central assistance and objective not achieved

Delay in construction of school buildings for Model Tribal Residential School resulted in unutilised Central assistance of Rs 2.01 crore. The quality of education was poor, due to lack of qualified teachers.

Government of India (GOI) sanctioned Rs 2.50 crore for setting up a residential school with classes VI to XII to provide quality education to the tribal students. GOI released Rs one crore in March 1998 and wanted the State Government to set up a registered society for management of the school.

As per Government order (July 1998) the school (classes VI, IX, XI) started functioning from September 1998 in an old Panchayat Union building with a strength of 95 students and four teachers deputed from other tribal residential schools. By the academic year 2002-2003, the student strength increased from 95 to 281. Tamil Nadu Adi Dravidar Housing and Development Corporation (TAHDCO) was asked (July 1998) to prepare the estimates for construction of the school building, hostel and staff quarters. TAHDCO, however, submitted plans and estimates for the buildings in December 1999 only. Government sanctioned (August 2001) Rs 80 lakh for the construction of school building alone.

GOI released the balance non-recurring grant of Rs 1.50 crore and recurring grant of Rs 0.45 crore for the years 1998-2001 for meeting expenditure on staff salary, mess charges etc in February 2002. The same was released to the Society in June 2002. The society incurred an expenditure of Rs 16.52 lakh from the non-recurring grant as of March 2003.

The following observations are made:

➤ Though the residential school started functioning from September 1998, no teaching and non-teaching staff were sanctioned. Against the requirement of ten teachers only five (postgraduate: one graduate: one

secondary grade: 3) were diverted from two nearby schools. The pass percentages for the academic years 1999-2003 were as follows:

Year	Pass percentage	
	X Standard	XII Standard
2000	9	48
2001	27	Nil
2002	50	Nil
2003	55	Nil

None of the 15 candidates who took the class XII examination in 2001, 2002 and 2003 had passed. This was partly due to the absence of postgraduate teachers to handle the subjects.

- Though the school started functioning from September 1998, the society to manage the school was formed only in December 2000.
- TAHDCO incurred an expenditure of Rs 77.39 lakh on construction of school building which was occupied from June 2003. Proposal for construction of hostel building and staff quarters at a cost of Rs 1.70 crore has not yet been sanctioned, as of July 2003.
- Notwithstanding the fact that students were eligible for free boarding and GOI released recurring grants for meeting the mess expenses, Rs 17.77 lakh had been recovered towards food charges from the students during 1999-2002, and credited to Government account.
- The National Commission for Scheduled Castes and Scheduled Tribes which reviewed the working of the school in March 2000 observed that lack of facilities like pucca building, regular teaching staff, laboratory facilities, badly affected the education quality.

Thus, the quality of education remains poor, with no regular qualified teachers having been appointed. The Central assistance remained unutilised to the extent of Rs 2.01 crore as of March 2003.

The matter was referred to Government in March 2003; Government generally accepted (April 2003) the facts and stated that action is being taken to post the teaching and non-teaching staff to full strength and to credit the food charges recovered from students into Society's Account.

MUNICIPAL ADMINISTRATION AND WATER SUPPLY DEPARTMENT

TAMIL NADU WATER SUPPLY AND DRAINAGE BOARD

4.3.5 Poor planning in the implementation of Water Supply Scheme

Evolving an unviable water supply scheme without considering the ground realities resulted in stoppage of work and blocking of borrowed funds to the extent of Rs 1.41 crore.

The Tamil Nadu Water Supply and Drainage Board (Board) implemented (1976) a scheme to supply 11.66 million litres per day (mld) of water to Kovilpatti Municipality, two Town Panchayats and ten wayside habitations for

meeting the requirement of the projected population in 2001. However, due to inclusion of additional local bodies and wayside habitations as beneficiaries of this scheme during 1977 and 1979 and drawal of more water by the wayside habitations, the actual supply to the Kovilpatti Municipality was reduced. In order to supply the designed quantity of water to the Municipality, the Board approved (April 1997) another Combined Water Supply Scheme (CWSS) exclusively to benefit wayside habitations for Rs 4.13 crore. While approving the CWSS, the Board failed to consider the following technical deficiencies:

- The water saved on account of implementation of the CWSS would be sufficient only for the population of Kovilpatti for the year 2001 and thereafter another improvement scheme would have to be taken up for Kovilpatti Municipality.
- The total quantity of water required for CWSS was much less and it would be impossible to control and convey the rated flow to all the habitations for a length of 50 kilometres.
- The pumping main for the CWSS was to be laid in rocky area parallel to the existing line, which would be damaged during blasting.

The Board executed works valuing Rs 1.41 crore and when the tenders for the pumping main were under consideration, the Chief Engineer, Southern Region (CE) reported (June 2000) to the Managing Director (MD) that the scheme was technically not viable. The MD stopped (August 2000) the works and cancelled the tenders. However, even before finalising an alternative proposal to utilise the infrastructure so far created, the MD reversed the decision and ordered (September 2001) to complete the CWSS. Efforts to finalise the contract for all the pending works by grouping them in one package did not bear fruit as of March 2003 due to high tender premium.

Thus the failure of the Board to consider the ground realities before evolving the scheme resulted not only in continued short supply of water to Kovilpatti Municipality but also in blocking of borrowed funds to the extent of Rs 1.41 crore.

The matter was referred to Government in May 2003; while furnishing reply (December 2003) Government failed to give specific reply regarding the action taken to rectify the technical difficulties before recommencing the work, thereby accepting the audit observation.

HEALTH AND FAMILY WELFARE DEPARTMENT

4.3.6 Unnecessary creation and retention of Corpus Fund

A Corpus Fund of Rs 60 lakh was created by Government; when the fund was no longer necessary, it was not refunded to Government. Rs 85.59 lakh (including interest) remained outside Government account for over three years.

The State Government agreed in principle to convert Chennai Medical College and Research Institute (MMC), Chennai to a Deemed University in February 1997. The Special Officer, MMC stated (December 1997) that one of the conditions laid down by the University Grants Commission (UGC) for declaring MMC as a Deemed University was to have a Corpus Fund. Accordingly Government sanctioned (January 1998) Rs 60 lakh towards creation of a Corpus Fund. The amount was paid to MMC in January 2000.

Government did not issue any guidelines for the retention/utilisation of this Corpus Fund. However, MMC deposited (January 2000) the amount with Tamil Nadu Power Finance and Infrastructure Development Corporation (POWERFIN) for a period of five years commencing from January 2000 with interest at 13 *per cent* per annum. The interest amount of Rs 65,000 p.m. was being credited to a separate savings bank account. A balance of Rs 25.59 lakh was available in the savings bank account as of March 2003.

Government of India (GOI), in a Notification issued in July 1998, declared the MMC as Deemed-to-be University, subject to a review after three years.

Due to various practical difficulties, the deemed university concept could not be operationalised and implemented. Soon after the declaration of deemed university status, a section of Medical Officers of MMC demanded UGC scales of pay and for raising the retirement age from 58 to 60 years. As this would result in two sets of service conditions among the same category of Medical Officers in the Tamil Nadu Medical Services, Government decided to discontinue the deemed university status to MMC, and requested GOI (August 2000) for its withdrawal. This was withdrawn in March 2001.

Consequent on the withdrawal of the deemed university status, there was no necessity for the Corpus Fund. Even though Director, MMC took up the matter with Government during April 2001 to decide what was to be done with the Corpus Fund, no decision was taken by Government. After the withdrawal of deemed university status the entire Corpus Fund with interest should have been refunded to Government. Instead Rs 85.59 lakh (including the interest earned) remained unutilised outside Government account for more than three years, as of March 2003.

The matter was referred to Government in April 2003; Government generally accepted the facts in November 2003.

4.3.7 Funds drawn kept outside Government account

Rupees 46.46 lakh drawn for payment to private anaesthetists and obstetricians remained unutilised outside Government account for over two years

Government of Tamil Nadu sanctioned (September 2000) hiring private anaesthetists and obstetricians at a cost of Rs 1.01 crore in 75 First Referral Units (FRUs) in 24 districts. Government also permitted (December 2000) Project Director, Reproductive and Child Health Project (PD, RCHP) to incur an expenditure of Rs 16.90 lakh for hiring private anaesthetists and obstetricians in 44 Primary Health Centres of seven districts. Specialists were to be hired only where Government Anaesthetists/ obstetricians were not available to attend to emergency cases of obstetric care, medical termination of pregnancies and tubectomies. Honorarium was fixed at Rs 100 per case subject to a minimum of Rs 500 per visit and transport allowances at Rs 100 per visit. The Government order did not specify the time limit within which the amount was to be utilised.

On the basis of the two government sanctions, PD, RCHP drew and disbursed Rs 12.67 lakh in January and May 2001 to seven Deputy Directors¹ of Health

¹ Dharmapuri, Krishnagiri, Madurai, Nagapattinam, Thanjavur, Theni and Thiruvavur.

Services (DDHS) and Rs 76.05 lakh to 24 Joint Directors² of Health Services (JDHS). The amount released to each DDHS/JDHS was calculated on the basis of requirement for nine months, assuming 15 cases per month. The amounts so received were deposited in Savings bank accounts by the DDHS/JDHS.

Test-check of records of PD, RCHP and information collected revealed the following:

- While justification was given to hire private specialists due to shortage of specialists in the government hospitals, no assessment was made regarding availability of private specialists in the respective stations where they were to be hired.
- PD, RCHP after reviewing the performance of the scheme in FRUs till October 2001, reported to Government (January 2002) that utilisation of funds was very poor, as private anaesthetists were reluctant to work in PHCs due to the low rate of incentive. The Government (April 2002) increased the honorarium to a minimum of Rs 1000 per visit for anaesthetists and Rs 800 for obstetricians; yet the response continued to be poor.
- 51 JDHS/DDHS in 25 districts were given Rs 91.72 lakh; as of March 2003, only Rs 45.26 lakh had been spent. Balance of Rs 46.46 lakh was lying unutilised in bank accounts.
- The entire amount of Rs 10.14 lakh released for hiring private anaesthetists to four JDHS could not be utilised due to (a) operation theatres being under repair or (b) anaesthetists were already available on rolls or (c) private anaesthetists were not willing for low rate of honorarium.

Thus, approval of the scheme without assessing the availability of private specialists resulted in blocking of Government money to the tune of Rs 46.46 lakh outside Government account for more than two years as of March 2003.

When the matter was referred to Government in February 2003, Government in their reply (April 2003) generally accepted the facts and stated that the initial poor response was due to resistance from the Government doctors' association and the low rate of incentive paid to the specialists. Further, funds have been provided to the Public Works Department to repair the operation theatres.

PUBLIC WORKS DEPARTMENT

4.3.8 Failure to follow codal provision

Failure to revise the estimate based on site condition and to get the revised estimate sanctioned in time resulted in stoppage of construction of circuit house after spending Rs 41.77 lakh.

Departmental code stipulated that estimates should be prepared based on detailed investigation on the site and if the cost as per the detailed estimate exceeded the administrative sanction by more than ten *per cent*, revised administrative sanction should be obtained before according technical sanction. In the case discussed below, violation of these codal provisions led

² Cuddalore, Dharmapuri, Dindigul, Kancheepuram, Karur, Madurai, Nagapattinam, Namakkal, Perambalur, Pudukkottai, Ramanathapuram, Salem, Sivaganga, Thanjavur, The Nilgiris, Theni, Thiruvarur, Tiruvellore, Tiruvannamalai, Tiruchirappalli, Tirunelveli, Vellore, Villupuram and Virudhunagar.

to delay in sanction of revised estimate by Government and consequent stoppage of work, thereby blocking Rs 41.77 lakh for more than two years.

In May 1997, Government sanctioned Rs 46.70 lakh for the construction of circuit house at Thiruvarur and the Chief Engineer (Buildings), Chennai (CE) accorded technical sanction in July 1997. As the site identified was encroached and was under litigation, the Superintending Engineer, Thanjavur (SE) changed (January 1999) the location. Though the new site was low lying with clay soil, requiring change in foundation design and increase in basement height, the SE failed to revise the estimate and obtain revised technical sanction. After awarding the civil work to a contractor (March 1999) for Rs 37.89 lakh, the SE proposed (March 2000) a revised estimate for Rs 58 lakh. The revised estimate recommended by the CE (December 2000) was not sanctioned by Government, as the CE had not furnished the reasons for change of site without the specific order of Government.

In the meantime, the contractor completed the work for a value of Rs 38.96 lakh (September 2000) and was paid Rs 37.45 lakh. As further payments could be made only after the approval of the revised estimate, the contractor stopped the work and sought termination of the contract (April 2001). The contract was not terminated as of July 2003. In addition, electrical works have been executed for a value of Rs 4.32 lakh.

Thus, the action of the SE in taking up the work without obtaining sanction for the revised estimate resulted in stoppage of work and blocking of Rs 41.77 lakh for over two years.

The matter was referred to Government in May 2003. Government stated (October 2003) that action was being taken to issue revised administrative sanction.

4.4 Other Points

REVENUE AND MUNICIPAL ADMINISTRATION AND WATER SUPPLY DEPARTMENTS

4.4.1 Utilisation of Calamity Relief Fund

Funds given towards Calamity Relief Fund were not invested. Government failed to pay interest to the tune of Rs 8.33 crore on the amount of Calamity Relief Fund kept in Public Account during 2000-2003. Works executed at a cost of Rs 19.60 crore utilising the Fund were in violation of the guidelines of Government of India.

On the basis of the recommendations of the Eleventh Finance Commission, the scheme for “Constitution and Administration of Calamity Relief Fund (CRF) and Investment thereof” was notified by the Ministry of Finance in November 2000. Ministry of Agriculture, the nodal Ministry for coordinating the CRF issued revised guidelines (August 2001) to be followed by the States for incurring expenditure from CRF; it was not to be used on items like restoration of infrastructure and capital assets, which should ordinarily be met from the normal budgetary heads. The exception was for immediate repair/restoration of the damaged infrastructure relating to communication, power, public health, drinking water supply, primary education and community owned assets.

The contributions of Central and State Government to CRF and withdrawals from the Fund during 2000-2003 are given in Appendix XLIV (A).

Failure to invest CRF assistance

Government of India (GOI) directed that the State Level Committee (SLC) constituted with the Chief Secretary to Government as the ex-officio Chairman should keep the periodic contributions to the Fund as well as other income to the Fund, outside Public Account of the State and invest the same in Government securities, treasury bills, interest bearing deposits, bonds etc according to the norms communicated from time to time. However, State Government had kept the amount released towards CRF only in a non-interest bearing Reserve Fund under Public Account and had not invested it. In November 2000 GOI instructed that, if for some reason, the CRF assistance could not be invested in the manner prescribed, it could be kept in Public Account on which the State Government should pay interest at one and half times the rate applicable to overdrafts; yet no interest was given for the amount kept in Public Account. The interest due for the period 2000-03 was Rs 8.33 crore.

Adjustment of expenditure of previous years

The intention of setting up a separate Fund is to meet the expenditure for providing immediate relief to the victims of natural calamities.

However, no SLC meetings were convened till 1999-2000. All the expenditure incurred towards relief activities was booked under "Relief on account of Natural Calamities" and the amount available in CRF was adjusted against the expenditure, at the end of the year. As such expenditure was higher than the amount available under the Fund; the excess expenditure was carried over for adjustment against the Fund in the succeeding year. After April 2000, SLC meetings were held and based on their recommendations; sanctions were issued for meeting the relief expenditure from the Fund account. Rupees 269.36 crore was still pending adjustment at the end of March 2003 as detailed in Appendix XLIV (B).

Test-check of records revealed that payment could not be made for works completed at a cost of Rs 1.41 crore in Thiruvarur and Thanjavur districts during 2001-2002, due to non availability of funds. Further, out of Rs 3.27 crore allotted to Cuddalore district for 2001-2002, Rs 1.47 crore could not be utilised reportedly due to non receipt of LOC from Government due to cash crunch. Similarly Rs 60 lakh sanctioned (December 2000) by Government for the relief of fishing materials, repair to bridges and roads affected by cyclone in November 2000, had not been drawn by Director of Fisheries during 2000-2001 since ways and means clearance was not given by Government. Thus, the key objectives of assured liquidity in times of calamity and securing a streamlined relief administration were defeated.

Expenditure incurred in violation of GOI norms

Perusal of connected records revealed violation of norms prescribed by GOI, in incurring relief expenditure to the tune of Rs 19.60 crore on the works listed in Appendix XLV.

The matter was referred to Government in April 2003; reply had not been received (January 2004).

HOUSING AND URBAN DEVELOPMENT DEPARTMENT**TAMIL NADU HOUSING BOARD****4.4.2 Non realisation of land cost**

Failure of the Board to fix the land cost as per rules and inordinate delay in deciding the cost by the Government resulted in non-realisation of the land cost from Sri Ramachandra Educational and Health Trust even after five years.

The Tamil Nadu Housing Board (Board) categorised land into residential and commercial for the purpose of sale and fixed the sale price based on actual cost of land, development expenses, interest on capital, profit, category and location in the scheme area. As the Board could acquire only about 11 acres out of proposed 96.92 acres for Besant Nagar (BN) Phase II scheme at Chennai, it had not fixed separate rate for the scheme area and instead adopted the rate fixed for the nearby Thiruvanmiyur Neighbourhood Extension (TNE) scheme.

Based on the request of Sri Ramachandra Educational and Health Trust (Trust), Government ordered (June 1998) allotment of 7.44 acres (135 grounds*) of land, which was acquired by the Board for BN Phase II scheme, on collection of cost as per Board's rules. The Board allotted the land and demanded the rate of Rs 9.02 lakh per ground which was fixed for residential plots in TNE scheme. The Trust appealed (July 1998) to Government to fix the rate (Rs 4.38 lakh per ground) applicable to Kamaraj Nagar scheme, which was adjacent to the land, after deducting development charges. The Board rejected the appeal on the ground that the scheme was of 1973. The Board also informed (October 1998) the Government that the cost of land, if the BN Phase II scheme was implemented, would have been Rs 6.01 lakh per ground. Government ordered (October 1998) to fix the cost as per current ruling rate fixed for BN Phase II scheme taking into account the purpose for which the land was to be used.

As the rate of TNE scheme was adopted for other plots in the BN Phase II scheme and the land was proposed to be used by the Trust for non-residential purposes, the Board adopted the current ruling rate for commercial plots in TNE scheme excluding development charges (Rs 17.70 lakh per ground). The Board informed (September 1999) the rate to the Government and raised a demand on the Trust for payment of Rs 23.90 crore by March 2000. The Trust again requested (May 2000) the Government to fix a concessional rate of Rs 3.54 lakh per ground and to restrict the demand to 81 grounds as the remaining land was to be used as roads and open space. The Board rejected this request as the road and open space would not be handed over to the local bodies by the Trust and the rules did not permit fixing of concessional rates. The Board sought (July 2000) orders of Government and did not cancel the allotment, pending Government decision.

Audit found that the cost of the land at the rate for commercial purpose in BN Phase II scheme should have been Rs 18.24 crore, but the Board reported the cost as Rs 23.90 crore to Government. The Government, even after the receipt of the remarks of the Board on the requests of the Trust, failed to fix the cost.

* One ground = 2400 Square feet.

Consequently, the Trust enjoyed the possession of the land without paying the cost to Board. The Board stated (August 2003) that the matter was taken up with Government repeatedly and final orders of Government were not received.

Thus, allotment of land without fixing the cost, failure of the Board in not fixing the rate as per the orders of Government and the inaction of the Government in not deciding the cost resulted in non-realisation of the cost of the land for more than five years. The present market value of the land as per the guideline value fixed by the Registration Department is Rs 55.84 crore.

The matter was referred to Government in May 2003; reply had not been received (January 2004).

HOME DEPARTMENT

4.4.3 Purchase and utilisation of arms/ammunitions and other stores in Police department

Test-check of stores of Police Department revealed that Rs 5.24 crore were drawn in March 2003 to avoid lapse of budget provision; system adopted for bulk purchase was defective; extra expenditure of Rs 43.01 lakh was incurred in purchase of equipment; and stores costing Rs 1.19 crore was kept undisbursed for 12 to 96 months.

Drawal of funds for avoiding lapse of budget provision

Government sanctioned (28 March 2003) Rs 5.24 crore for purchase of arms and ammunitions for 2002-03. The same was drawn before 31 March 2003 and Rs 4.46 crore disbursed after 2-3 months. In fact Rs 77.84 lakh remained undisbursed as of June 2003. Thus, drawal of funds at the end of the year was to avoid lapse of budget provision and late disbursement indicated that the drawal was far in advance of requirement. Government accepted (November 2003) that the funds were drawn to avoid lapse of budget sanction.

Injudicious selection of supplier

Director General of Police (DGP) issued (March 2001) purchase orders for the supply of 2.50 lakh metres khaki uniform cloth at a cost of Rs 1.42 crore at Rs 56.75 per metre (m) to Firm "A". The procurement was based on the backlog requirement for 1999-2000 and the supply should have been completed before 31 May 2001. Of the 2.35 lakh m of Terry Cotton (TC) cloth khaki supplied between 9 April 2001 and 18 July 2001, 1.04 lakh m alone was accepted; 1.31 lakh m was rejected as it did not meet the specifications. The supply order for the remaining quantity of 1.46 lakh m was cancelled (August 2001). Even *ab initio*, the tender committee had selected firm 'A' subject to improving the quality of cloth to meet the IS specifications, and this condition was included in the purchase order.

The Firm "A" had capacity to produce 60,000 meters of 180 cm width. Thus in three months it could produce only 1.80 lakh m, whereas the order was for 2.5 lakh m. Order was placed in spite of the fact that the firm had a lower capacity compared to the requirement; and that the quality of the cloth did not meet the IS specifications. The tender committee did not consider the production capacity of the firm in its evaluation and thus the system adopted for purchase of bulk quantities was defective.

Similarly, against the purchase order for Rs 1.76 crore to firm “B” for supply of 3.05 lakh meters of TC cloth Khaki (double width) issued in January 2001, the firm supplied 2.16 lakh metres between February 2001 and July 2001. Of this 1.62 lakh metres alone were accepted and 0.54 lakh metres were rejected since it did not meet the specifications. As the performance of the supplier was not satisfactory, the supply order for the remaining quantity of 1.44 lakh m was cancelled in August 2001. As a result of cancellation of the supply order, uniforms were not supplied in 13 districts against indent for 1999 and in 19 districts against indent for 2000. Government accepted (November 2003) that repeated cancellation of purchase orders resulted in non-supply of uniforms to Police personnel in 1999 and 2000.

Open tender system not followed

Government sanctioned (February 2002) Rs 3.60 crore towards the purchase of tents. Additional Director General of Police (ADGP) placed (January 2003) direct purchase orders for 200 tents and 400 tents from Ordnance Factories (OF) at Hazratpur and Kanpur respectively, treating the tents as security items. He also paid (March 2003) Rs 1.81 crore to the two OFs. Since they were available in open market, tents should not have been classified as security items. The purchases also involved huge cost and as per Rule 125 of Tamil Nadu Financial Code (Volume I), an open tender should have been resorted to.

As early as in July 2002, the Commandant, TSP VIII Battalion, Tihar Jail, New Delhi reported to Deputy Inspector General of Police, that the quality of tents, pegs and ropes supplied by the OFs Hazratpur and Kanpur was inferior and that the rates of the tents quoted by them were on the higher side as compared to open market prices. Further in September 2002, ADGP obtained quotations for tents from open market for emergency use. Compared to the rates in September 2002; the rates of OF were higher; still order was placed with OF in January 2003, leading to extra expenditure of Rs 19.97 lakh. Government stated (November 2003) that the decision of purchase of tents from OFs was taken after a detailed discussion in the working group committee consisting of various officers.

Non-negotiation of price reduction

Under the scheme “Modernisation of Police Force”, DGP called for (September 2001) tenders for supply of 12 Explosive Vapour Detectors (EVD) (Model MO-2M-Tvin). The tender committee suggested to the sub-committee to negotiate with the lowest tenderer (rate Rs 12.48 lakh each) for free supply of laptop computers along with the equipment. After negotiation with the tenderer, DGP purchased 16 EVDs at a cost of Rs two crore, with four laptop computers free (April to July 2002).

According to section 10 (3) of Tamil Nadu Transparency in Tenders Act, the Tender Accepting Authority may negotiate for a reduction of price only with the lowest tenderer if the price of the lowest tenderer was higher with reference to market rate. The Act does not envisage negotiation for a purpose other than price reduction. The DGP negotiated with the supplier for free laptops in April 2002. He received delivery of another two EVDs (April 2002) based on purchase order of December 2001 at a lower price of Rs 11.04 lakh each from the same supplier. As the same equipment was supplied by the same company at a lower rate, negotiation for reduction in price would have been financially prudent and avoided an additional expenditure of Rs 23.04 lakh on the purchase of 16 EVDs. Government stated (November 2003) that the laptops were supplied as a goodwill, free of cost, by the firm to have

personal computer connectivity with EVD. The reply is not acceptable as if it was essential, it should have formed part of the tender itself.

Excess stocking of stores

Perusal of stores records revealed that 13 items valued at Rs 1.19 crore were in stock, undistributed for periods ranging from 12 to 96 months (as of April 2003) as shown in Appendix XLVI. Government stated (November 2003) that these would be issued to needy units based on increase in strength as and when Police personnel were appointed.

Persistent excess stocking of TC cloth in Kancheepuram and Villupuram Districts was observed as detailed in Appendix XLVII. Against 15094.35 m and 27124.79 m of cloth available in Kancheepuram and Villupuram, as of March 2003, the requirement for 2003-04 was assessed as 9483.65 m and 3995.25 m. Thus 5610.70 m in Kancheepuram (value: Rs 1.89 lakh) and 23129.54 m in Villupuram (value: Rs 7.79 lakh) was in excess. Government stated (November 2003) that after supply for 2004 is complete, excess if any would be transferred to other needy districts.

HEALTH AND FAMILY WELFARE DEPARTMENT

4.4.4 Idle equipments

Equipments costing Rs 1.82 crore were kept idle in Government General Hospital, Chennai.

Heart Lung Machines (HLM), Arthroscope and nine other equipments costing Rs 1.82 crore were lying idle for long periods in Government General Hospital, Chennai due to inaction of officials, as detailed in the table below:

Name of the equipment	Cost (Rs in lakh)	Date from which kept idle	Remarks
1. Heart Lung Machine (2 Nos)	26.60	June 2000	Head of Cardio Thoracic Surgery (CTS) requested (June 2000) the Dean to arrange for repairing the equipment as adequate number of open heart surgeries could not be performed. Offer by a service agent at US\$ 10764 in March 2001 (with validity of 90 days) for repairing one of the machines could not be availed in time. When the Dean asked the agent to take up the work in April 2002, he refused on the ground that the contract with the foreign supplier was not in force. No action was taken to repair the other machine. Thus, two HLMs purchased during 1990-93 at a cost of Rs 26.60 lakh remained out of order for more than two years. If repaired they were expected to serve for another five years as stated by the Head of CTS. Incidentally the number of open heart surgeries performed in the CTS had declined from 622 in 1999 to 212 in 2002 (upto September 2002).
2. Arthroscope	9.95	July 2001	The purchase committee recommended (October 2000) purchase of the Arthroscope from the third lowest bidder as he claimed to have a service centre in Chennai and confirmed availability of spares locally. The equipment was purchased in March 2001 at a cost of Rs 9.95 lakh. But when the equipment went out of order in July 2001 the main accessory of the equipment (Camera console) had to be sent to Germany and it had not been repaired (August 2003). The equipment remained unutilised since July 2001.

Name of the equipment	Cost (Rs in lakh)	Date from which kept idle	Remarks
3. Nine X-ray Equipments	145.39	Between October 1995 and September 2000	<p>Nine out of 17 X-ray equipments (purchased during 1986-1998) in Bernard Institute of Radiology (BIR) were kept idle for periods ranging from two to seven years due to lack of repairs. Records did not indicate any efforts made to identify the unserviceable equipment for condemnation and disposal.</p> <p>One of these, 1000 mA. DSA X-ray system had been procured in 1986 at a cost of Rs 68.14 lakh, installed in July 1990 but put to regular use only from September 1991 due to delay in completing electrical and civil works. The equipment went out of order in May 1994. Government sanctioned in November 1995, Rs 33 lakh for executing Annual Maintenance Contract (AMC) with a firm for one year. It was re-commissioned in November 1996, but again went out of order in January 1999. The firm refused to extend the AMC beyond 1998 since the model was obsolete.</p>

The matter was referred to Government in March 2003; Government stated (November 2003) that steps are being taken to rectify the defects in the Heart Lung Machines and Arthroscope; one X-ray equipment (cost: Rs 1.67 lakh) has been repaired to working condition and the remaining equipments await condemnation.

HOUSING AND URBAN DEVELOPMENT AND REVENUE DEPARTMENTS

TAMIL NADU HOUSING BOARD

4.4.5 Loss of interest on deposits with Revenue department

The failure of the Board to get the refund of Rs 1.89 crore deposited with Revenue Department for land acquisition resulted in interest loss of Rs 1.60 crore.

The Tamil Nadu Housing Board (Board) acquired land for their schemes under Land Acquisition Act. The prescribed procedure contemplated that the Board was to deposit the cost of the land as assessed by the Land Acquisition Officer (LAO) for passing the award. The LAO would keep the amount in "8443 - Civil Deposits", pass the award and make payment to the land owners. This procedure ensured that the Board would deposit only the amount required for disbursement to land owners.

Test-check of the records of the Board and LAOs of four districts* showed that in seven schemes, the LAOs could not pass the award due to stay obtained against the acquisition proceedings or they passed award for a lower amount than the funds obtained from the Board or could not disburse the amount due to quashing of acquisition proceedings. The Board also released more funds than that demanded by the LAO. Consequently, Rs 1.89 crore deposited by the Board was kept unutilised. The details are given in the Appendix XLVIII. The LAOs failed to refund the amount deposited in excess of requirement. The Executive Engineers of Divisions also did not take effective steps to get the

* Dharmapuri, Tirunelveli, Tiruvallur and Vellore.

refund. As the Board implements the schemes with borrowed funds, this failure caused interest loss of Rs 1.60 crore to the Board as indicated in the Appendix XLVIII.

The matter was referred to Government in May 2003. Government stated (September 2003) that necessary action was being taken by the Board to get the refund from the Revenue Officials.

MUNICIPAL ADMINISTRATION AND WATER SUPPLY DEPARTMENT

TAMIL NADU WATER SUPPLY AND DRAINAGE BOARD

4.4.6 Wrong fixation of lease rent

Fixing the royalty without following the norms prescribed by Government resulted in short collection of Rs 88.49 lakh and additional expenditure to local bodies on maintenance.

Under Salem Water Supply Sub Project (Project), the Tamil Nadu Water Supply and Drainage Board (Board) constructed a bridge across Cauvery River and laid water pipeline and service road over it. Southern Iron and Steel Company Limited (SISCOL), which formulated a water supply project for their industrial requirement, approached the Board for permission to lay their water supply line over the bridge and to use the service road on payment of proportionate cost. The Board permitted SISCOL to utilise the infrastructure on payment of royalty.

Though Government had prescribed norms for fixing royalty for leasing land to private parties, the Board fixed (October 1993) royalty of Rs three lakh *per annum* on *ad hoc* basis. The agreement entered into with SISCOL provided for enhancement of royalty at the time of annual renewal but the Board failed to renew the agreement and continued to recover the *ad hoc* amount. Only in July 1998, the Board fixed the royalty at Rs 11.55 lakh *per annum* adopting the norms. As the Project was implemented on behalf of local bodies, the Board sought the approval of Government for the rate of royalty fixed. Government, while accepting the recommendation, ordered (October 1998) to adjust the royalty received against the operation and maintenance charges payable by the local bodies.

SISCOL represented to the Board not to revise the *ad hoc* royalty already fixed. The Board then proposed (July 1999) to reduce the royalty to Rs 5.78 lakh *per annum* on the ground that SISCOL laid only single pipeline instead of two pipelines originally envisaged. The Government, however, rejected (April 2000) this proposal. SISCOL requested for reconsideration and continue to pay the *ad hoc* amount. Consequently, the enhanced rate of royalty approved by Government was not collected by the Board as of March 2003.

The Board should have fixed the royalty as per Government norms and obtained Government approval before permitting the company to utilise the infrastructure created for the Project. Failure to do so resulted in collection of only Rs 27 lakh instead of Rs 115.49 lakh as royalty up to March 2003. The short collection of Rs 88.49 lakh, in turn, resulted in additional expenditure to the local bodies on maintenance of the Project.

The matter was referred to Government in May 2003; reply had not been received (January 2004).

GENERAL**4.4.7 Financial assistance to local bodies and others**

Autonomous bodies and authorities receive substantial financial assistance from Government. Government also provides substantial financial assistance to other institutions such as those registered under the State Cooperative Societies Act, Companies Act, etc., to implement certain programmes. During 2002-03, financial assistance of Rs 5988 crore was given to various autonomous bodies and other institutions as detailed in Paragraph 1.7.3 of this report. Audit of accounts of the bodies mentioned in the Appendix XLIX has been entrusted to the Comptroller and Auditor General of India. Primary audit of local bodies, educational institutions and others is conducted as detailed below.

Sl. No.	Name of the Institution	Audit conducted by
1.	Panchayat Raj Institutions	Director of Local Fund Audit
2.	Educational Institutions	
	a) Schools	Internal audit of the Directorate of School Education
	b) Colleges	Internal audit of the Directorate of Collegiate Education
	c) Polytechnics	Chief Internal Auditor and Chief Auditor of Statutory Boards.
	d) Universities	Director of Local Fund Audit
3.	Cooperative Institutions	Director of Audit of Co-operative Societies
4.	Miscellaneous Institutions	Chartered Accountants

4.4.8 Delay in furnishing utilisation certificates

Financial rules of Government require that, where grants are given for specific purposes, certificates of utilisation should be obtained by departmental officers from grantees and after verification, these should be forwarded to the Accountant General within one year from the date of sanction, unless specified otherwise.

Of 18,797 utilisation certificates due in respect of grants aggregating Rs 989 crore paid prior to April 2001 and further grants of Rs 146.37 crore (884 cases) given during 2001-2002, only 13892 utilisation certificates for Rs 341.42 crore had been furnished by 30 July 2003 to the Accountant General. 5789 certificates for an aggregate amount of Rs 793.95 crore were in arrears. Department-wise break-up of outstanding utilisation certificates is given below.

Serial Number	Department	Number of Certificates	Amount (Rupees in lakh)
1.	Adi Dravidar and Tribal Welfare	273	27.49
2.	Agriculture	1	167.39
3.	Animal Husbandry and Fisheries	6	9.04
4.	Backward classes and Most Backward classes	2462	4436.03
5.	Co-operation, Food and Consumer Protection	24	21.92
6.	Handlooms, Handicrafts, Textiles and Khadi	23	295.34
7.	Higher Education	1	20.00
8.	Municipal Administration and Water Supply	1359	12022.42
9.	Revenue	176	4454.68
10.	Rural Development	1364	57576.34
11.	Social Welfare and Nutritious Meal Programme	100	364.34
	Total	5789	79394.99

FINANCE DEPARTMENT

4.4.9 Failure to protect the interests of Government

Important irregularities detected by Audit during periodical inspection of Government offices through test-check of records are followed up with Inspection Reports (IRs) issued to the Heads of offices with a copy to the next higher authorities. 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 of the prescribed rules and procedures and accountability for the deficiencies, lapses, etc. A half-yearly report of pending inspection reports is sent to the Secretary of the Department by the Accountant General to facilitate monitoring of action on the audit observations.

As of June 2003, out of the IRs issued upto December 2002, 18,435 paragraphs relating to 5,978 IRs remained to be settled for want of satisfactory replies. Of these, 549 IRs containing 1,376 paragraphs had not been replied to/settled for more than ten years. Year-wise position of the outstanding IRs and paragraphs is detailed in the Appendix L.

A review of the pendency in respect of Adi Dravidar and Tribal Welfare, Public Works and School Education Departments revealed the following.

- Even the initial replies were not received as of June 2003 in respect of 335 paragraphs contained in 64 IRs issued between January and December 2002.
- As a result of the long pendency, serious irregularities as detailed in Appendix LI had not been settled as of June 2003.
- The Heads of Department did not reply to 2,081 paragraphs contained in 653 IRs.

Government constituted at both State level and Department level, Audit and Accounts Committees for consideration and settlement of outstanding audit observations. At the instance of Audit, during joint sittings with departmental officers, 1346 paragraphs were settled during 2002-2003.