

## 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

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

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

##### ***4.1.1 Unfruitful expenditure in executing an unviable Project***

**Commencement of a project for renovating sewage without obtaining a firm commitment from beneficiary industries resulted in unfruitful expenditure of Rs 138.93 crore including interest.**

Under the Chennai Sewerage Renovation and Functional Improvement Project (Project), the Chennai Metropolitan Water Supply and Sewerage Board (Board) proposed (April 1994) to (a) lay an Effluent Conveyance System (ECS) for pumping secondary treated sewage from Koyambedu to Kodungaiyur, (b) construct Tertiary Treatment and Reverse Osmosis Plants (TTRO) of 100 million litres per day (mld) capacity for sewage renovation at Kodungaiyur and (c) lay Permeate Conveyance Pipeline (PCP) for conveying the renovated sewage from the TTRO to various industries in Manali area for industrial use.

As this infrastructure would become wasteful if the industries failed to draw the renovated sewage, the Central Public Health and Environmental Engineering Organisation (CPHEEO) of Government of India, in May 1994 and while technically clearing the Project in August 1994, instructed the Board to obtain written commitment from all the major industries that they would take the entire 100 mld of renovated sewage for the next 25 years at a realistic rate determined by the Board from time to time. Though the Board obtained (May 1994) written requirement for 128 mld from five industries, none of them gave a firm written commitment during the meetings held with them on five occasions during August 1996 to November 1998. In fact, many industries went back on their original requirement, some installed their own desalination plant and the total demand got reduced to 21 mld in December 1998.

Meanwhile, the Board arranged (February 1995) financial assistance by way of loan from Japan Bank for International Cooperation (Bank) and obtained

administrative approval for the Project from Government in February 1998. The Board also finalised the agreement in November 1998 for ECS and PCP components with a firm for Rs 31.87 crore plus Yen 125.65 crore (approximately Rs 38.36 crore) for execution on turnkey basis. In spite of poor demand, the Board proposed (May 1999) to continue the Project and supply renovated sewage to the new industries that would come up in the area. As no such development of new industries occurred, the Board, in September 1999, resolved (a) not to go ahead with the construction of TTRO, (b) to continue the execution of ECS and PCP, (c) to utilise the pipes laid under ECS for transporting excess sewage from Koyambedu Treatment Plant to Kodungaiyur Treatment Plant and (d) to utilise the pipes laid under PCP for transporting fresh water to industries. The Bank mission, which visited in December 1999 to review the justification, decided to foreclose the assistance to the Project as there was no firm demand for renovated sewage. Consequently, the Board abandoned (February 2001) the PCP component.

The Board obtained loan assistance of Rs 96.77 crore from the Bank and spent Rs 84.03 crore (March 2001). The pipes were laid for 15 kilometres (km) out of 16.4 km under ECS and for 3.75 km out of 28.75 km under PCP. As the Board commenced (September 2003) the construction of a 60 mld treatment plant to treat excess sewage at Koyambedu itself, the possibility of utilising the pipes laid under ECS was also ruled out. Thus, the failure of the Board to get firm commitment from industries for renovated sewage as instructed by CPHEEO resulted in unfruitful expenditure of Rs 84.03 crore. Besides, the Board also paid Rs 54.90 crore as interest till March 2004.

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

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

### ***4.1.2 Unfruitful expenditure on a sewerage scheme***

**Defective execution of works for augmentation of the sewerage system and its poor maintenance defeated the objective of prevention of pollution of Ooty lake despite expenditure of Rs 12.45 crore. Besides, Rs 1.42 crore was spent for cleaning the lake.**

To prevent pollution to the lake at Udthagamandalam (Ooty) by leakages from the existing sewerage system and raw sewage from the uncovered areas through Kodappamund Channel, the Tamil Nadu Water Supply and Drainage Board (Board) completed the work of Restricted Sewerage Scheme (RSS) in November 1998 at a cost of Rs 12.45 crore. The Municipality was reluctant to take over the scheme for maintenance as there were defects in the planning and execution of the scheme as detailed below :

- The level of water closets in houses was below the level of sewerage lines laid.
- Collapse of manholes.
- Hydraulic testing of the sewer system was not done and joints were not plugged properly.
- Board had neither repaired nor relaid the existing old drainage system and trunk sewers.
- There was no main trunk sewer for linking drainage connection.

However, the Municipality had to take over (October 2000) the scheme on the directions of the Government and spent Rs 13 lakh during 2001 to 2003 to carry out rectification works such as inter-linking the sewers, laying parallel sewer along the existing sewers to increase the capacity and construction of a weir to divert flow of the Kodappamund Channel into a collection well for onward transmission to treatment plant.

Scrutiny by Audit revealed the following:

- (a) The Board had under RSS made provision for sewerage connections to only 3960 houses as assessed in April 1993. Due to omission of certain dwelling houses and addition of new houses subsequently, 5000 house connections were not covered by the Municipality. Consequently, against the designed sewage collection of 8.32 million litres per day (mld) in 2001, the actual sewage collected was only 2.96 mld. Thus, the system was not put to optimum use. The Board decided to implement another underground drainage scheme and appointed a consultant in December 2003 for preparation of detailed Project Report.
- (b) Improper connections between houses and street sewers made by the Municipality resulted in sullage from houses in some areas discharging directly into the Channel.
- (c) As the pipes laid by the Municipality to divert the flow from Kodappamund Channel were at a higher level, they require to be dismantled and rectified.
- (d) There was back flow of sewage into the lake as the pumps at the collection well were not operated during night hours.
- (e) As there was continuous flow of pollutants in the lake, Public Works Department (PWD) was entrusted with the work of cleaning of the lake through Bio-remediation technique. The PWD took up cleaning work and spent Rs 1.42 crore upto March 2004.

Government stated (October 2004) that the defects in the execution of the scheme were rectified by the Municipality and construction of the weir across the Kodappamund Channel prevented the entry of sullage water into the lake. Government further contended that all the houses in the scheme area were given sewerage connection and the sewage generated by the present population of 58000 in the scheme area was treated and pollution is completely prevented in the lake. The contention of the Government is not tenable as:

- (i) the PWD reported (December 2003) to the Municipality that the purpose of construction of weir was defeated due to its defective execution,
- (ii) the Secretary, Municipal Administration and Water Supply Department after his visit to Ooty in September 2003 directed the District Collector (December 2003) that the remaining 5000 houses' service connections should be given by February 2004,
- (iii) as against the sewage of 5.20 mld generated by the present population of 58000 and the sewage generated by the floating population, only three mld were treated under the scheme and
- (iv) the Tamil Nadu Pollution Control Board observed (April 2004) that unless the flow of raw sewage through the Kodappamund Channel was stopped, the pollution of the lake would continue.

Thus, due to defective execution of the sewerage system by the Board and poor maintenance by the Municipality, the main objective of preventing pollution of Ooty lake was not achieved even after spending Rs 12.45 crore.

## **PUBLIC WORKS DEPARTMENT**

### **4.1.3 Wasteful expenditure due to poor investigation**

**Carrying out rehabilitation works of tank bund without proper investigation resulted in wasteful expenditure of Rs 5.04 crore which included avoidable extra expenditure of Rs 1.21 crore due to allowing excess lead for transportation of red earth and cost of earth.**

The earthen bund of the Willingdon Reservoir in Thittakkudi Taluk of Cuddalore District, constructed in 1913-23, had shown distress between LS<sup>1</sup> 2100 metre (m) and LS 2300 m at various times which were repaired from time to time. In order to provide a lasting solution for this problem, Government referred the rehabilitation of the Reservoir to the Dam Safety Review Panel (Panel). Based on the measures suggested by the Panel, the Department carried out repair works during 1995 to 1997 at a cost of Rs 51.87 lakh, but cracks and slips developed again on the bund in the same section. The Panel, after inspecting the tank embankment, decided (May 1998) that the slippage was only a result of slip failure of the slope and recommended strengthening of the embankment. Pending preparation of detailed drawing, the Department carried out (August 1998 to October 1998) partly<sup>2</sup> the measures recommended by the Panel at a cost of Rs 30.27 lakh, but the bund again sank during November 1998.

The Chief Engineer, Design Research and Construction Support, after carrying out soil tests, reported to the Panel (May 1999) that the soil at the bottom of the distressed portion comprised clay of high plasticity and any additional improvement to existing embankment would not solve the problem. He suggested that either the existing bund be removed and rebuilt or another bund of 50 m length be constructed downstream parallel to the existing bund.

The Panel, after inspecting the site, rejected (July 2000) the above proposal on the ground that the slip profile did not indicate failure due to foundation and the tests did not show high sub-soil pressures. The panel recommended carrying out stability analysis and certain additional remedial measures. In August 2001, the Chief Engineer, Chennai Region reported to the Panel that laboratory tests on the soil for the embankment and foundation confirmed the earlier stand of foundation failure. The Chairman of the Panel, however, replied (August 2001) that the test results were unrealistic and recommended that the soil tests be repeated by two independent and recognised agencies. Immediately thereafter (September 2001) the Department requested the Indian Institute of Technology, Chennai and Regional Engineering College, Trichy to take up the soil tests in the distressed portion. However, the tests were conducted only on the embankment and toe portion soils and not on foundation soil.

Meanwhile, tenders had been called for (May 2001) based on suggestions made by Panel in May 1998 and July 2000. Without conducting tests on foundation soil, the tendered work was awarded to a contractor in September 2001. When large-scale slippage was noticed in December 2001, the Panel and a Geo-technical consultant were requested to identify the nature of the

<sup>1</sup> Longitudinal Section

<sup>2</sup> Construction of rock toe and stone revetment on the upstream side after restoring the slope with pervious material and excavation of a toe drain on the downstream side

problem. The Geologist of the Panel after inspecting the site in January 2002 reported that the near liquid state of the foundation soil could trigger slips in the embankment slope. The Geo-technical consultant also opined (January 2002) that the sickness of the embankment was mainly due to presence of weak clay bed and improvement could be made only by stabilisation of foundation.

In March 2002, the Panel concluded that there was clear indication of seepage of flow through dam foundation and suggested installation of compacted clay quicklime columns in addition to works awarded in September 2001. These works were completed in March 2003 at a total cost of Rs 5.04 crore but large-scale distress occurred in the same area in April 2003 and many works just executed were damaged resulting in rendering the expenditure of Rs 5.04 crore largely wasteful. The foundation was not strengthened as of March 2004.

Further, though the quarry from which the red earth required for embankment work was to be transported was only six km from tank bund, the Department provided a lead of 25 km in the tender schedule on the ground that the road by shorter route was not motorable. It was, however, noticed that this road was motorable as per the traffic census conducted in 1999. Further, as red earth was quarried free of cost, inclusion of cost of earth in the contract was erroneous. These factors resulted in avoidable extra expenditure of Rs 1.21 crore<sup>3</sup> incurred out of Rs 5.04 crore for the works.

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

## ***HIGHWAYS DEPARTMENT***

### ***4.1.4 Unfruitful expenditure on a contributory work***

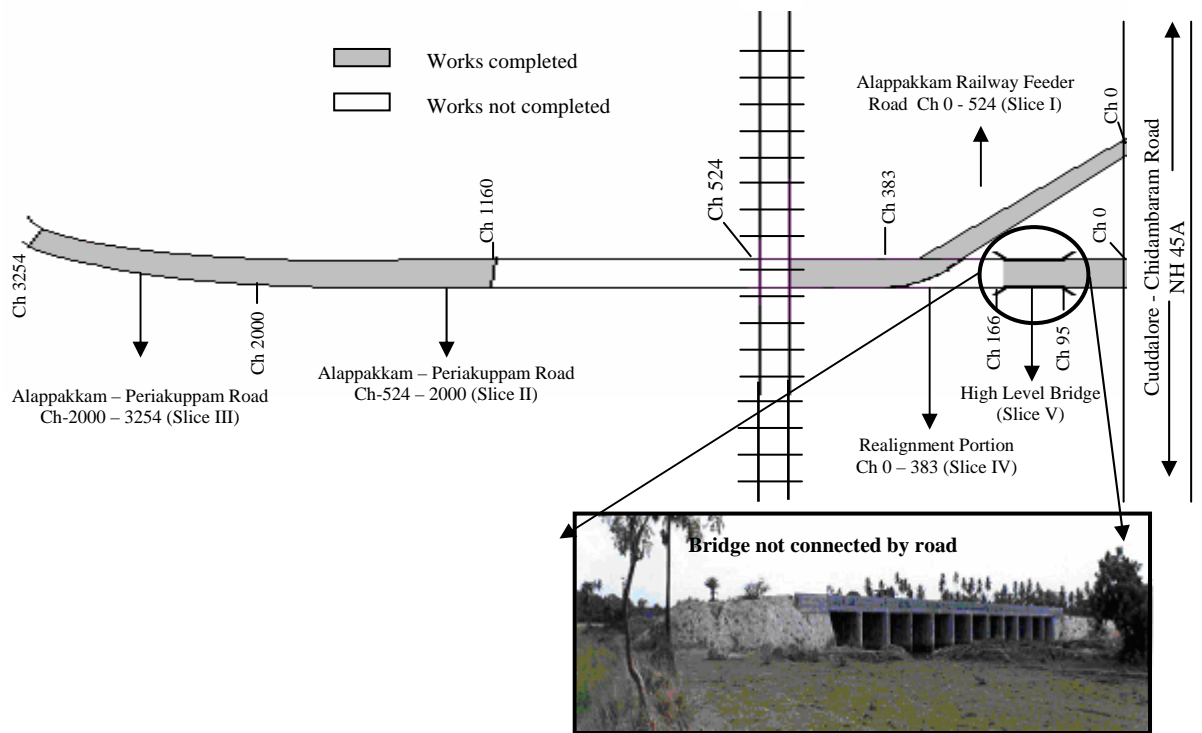
**Commencement of work without completing acquisition of land and obtaining the required contribution in full from the refinery resulted in expenditure of Rs 2.86 crore being largely unfruitful.**

Government sanctioned (May 1999) Rs 3.65 crore towards widening and strengthening the existing Alappakkam railway feeder road and Alappakkam-Periakuppam road to the project site of a proposed petroleum refinery. The work also included formation of a new approach road for a length of 383 metre (m) to join the Alappakkam railway feeder road with provision for the construction of a high level bridge to handle the heavy density of traffic. The work, split into five slices for early completion, was contracted out between September 1999 and November 1999 for completion by May 2000. The work was stopped due to non-acquisition of land in certain reaches and Rs 3.11 crore was spent by March 2001. The following observations are made:

- (i) A sketch showing the present stage of the work is given below:

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<sup>3</sup> Excess lead : Rs 1.01 crore and cost of red earth : Rs 0.20 crore



A length of 636 m on Alappakkam-Periakuppam road and 210 m in the new approach road could not be completed as the owners of these lands refused to give consent for carrying out the work before payment of compensation. The proposals for acquiring lands in three relevant villages for the work were initiated (December 1999 and January 2000) by the Divisional Engineer (DE) only after awarding the work to the contractors. The Revenue Department, after calling for Government permission for acquisition and permission to acquire wetland, issued notification under Section 4(1) of the Land Acquisition (LA) Act in respect of two villages in February and March 2002. However, the Revenue Divisional Officer, Cuddalore, did not obtain the concurrence of Hindu Religious and Charitable Endowments Department for acquisition of temple land included in the notification. Consequently, the declaration under Section 6 of LA Act could not be issued within one year from the date of 4(1) notification as required under the Act and the land acquisition proposals lapsed (March 2003). In respect of the remaining village, the Revenue Department pointing out differences in the Land Plan Schedules returned the proposals. The revised proposals were forwarded by the DE belatedly in January 2003.

Meanwhile, Government passed the Highways Act (September 2002) empowering the Collector to acquire land required for formation of roads and framed Rules (June 2003) prescribing the procedures to be followed. Consequently, the District Collector, Cuddalore ordered that all pending cases of land acquisition be brought under the new Act. The proposals to acquire the land required for the road were sent by the DE to the Revenue Department in April 2004. Further progress on acquisition of land is awaited.

(ii) According to Government's sanction of May 1999, half of the cost of the work was to be contributed by the promoters of the refinery and deposited before commencement of the work. However, the Chief Engineer (General), Chennai, took up the work even before remittance of the contribution by the refinery. Of its share of Rs 1.83 crore, the refinery paid only Rs 25 lakh (November 1999). In spite of reminders, the balance amount was not paid. Government suffered an interest loss of Rs 80.58 lakh for the period from

April 2000 to June 2004 (at 12 *per cent* per annum) on Rs 1.58 crore spent by it on behalf of the refinery. Incidentally, the construction work on the refinery was slowed down by the promoters due to financial constraints.

Thus, commencement of work without (a) firming up availability of land and (b) obtaining the refinery's contribution resulted in Rs 2.86 crore of Government funds (Rs 3.11 crore - Rs 0.25 crore) being blocked on a work whose purpose appears doubtful.

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

## **PUBLIC WORKS DEPARTMENT**

### **4.1.5 Wasteful expenditure due to defective designing of canal**

**Designing a canal for a higher capacity than required had resulted in wasteful expenditure of Rs 97.85 lakh.**

Mention was made in paragraph 4.1.7.1 of the Report of the Comptroller and Auditor General of India - Tamil Nadu (Civil) for the year ended 31 March 2001 regarding five schemes which were taken up to utilise the surplus water when both Vaigai Dam and Ramnad Big Tank fill up simultaneously, but were not successful for want of surplus water. Government sanctioned (May 1999) one more scheme to utilise the surplus water when both Vaigai Dam and Ramnad Big Tank fill up simultaneously. This scheme envisaged the excavation of 18<sup>th</sup> canal in the Cumbam Valley for a length of 38.95 kilometre (km) to feed 36 existing tanks and four new tanks in the valley by diverting 26.2 million cubic feet (mcft) of water from Suruliyar river at 0.79 km from Periyar Power House for nine days and utilising 72.73 mcft of water realised from five small streams in the valley which did not have any ayacut. The work was split up into three reaches<sup>4</sup> and entrusted to three contractors in March and June 2001 at a cost of Rs 15.73 crore for completion in 36 months. Due to change in alignment, delay in acquiring the land required and meagre allotment of funds, only 1.86 km of canal had been excavated and Rs 2.82 crore spent as of June 2004. Audit scrutiny revealed the following:

The canal was to carry 26.20 mcft of water in nine days in the first reach and 98.93 mcft of water in the remaining reaches when water was realised from the streams. Therefore, the canal should have been designed for carrying 34 cubic feet per second (cusecs) in the first reach. However, the Superintending Engineer (SE), Plan Formulation Circle, Trichy designed the canal for 279 cusecs uniformly for all the reaches. When the unnecessary larger width in the first reach was pointed out by the SE, Periyar Vaigai Basin Circle, the SE, Plan Formulation Circle suggested (April 2000) change of design during execution. The SE, Periyar Vaigai Basin Circle, however, did not revise the design of the canal and started (October 2001) excavating the canal to carry 279 cusecs uniformly in all the reaches. The extra liability due to excavation of canal of larger width including cross drainage works in the first reach was Rs 3.51 crore. Considering the value of work executed so far (Rs 1.55 crore) in the first reach (contract value: Rs 5.56 crore) the wasteful expenditure worked out to Rs 97.85 lakh.

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

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<sup>4</sup> Reach I: 0m to 10 km; Reach II: 10 to 24 km and Reach III: 24 to 38.95 km



## HEALTH AND FAMILY WELFARE DEPARTMENT

### 4.1.6 Non-functioning of three eye wards with operation theatres

**Non-functioning of three eye wards with operation theatres resulted in the failure to achieve the intended objective and unfruitful expenditure of Rs 88.88 lakh.**

The Public Accounts Committee in their 33<sup>rd</sup> report (VII Assembly) recommended simultaneous coordinated action for providing all the requirements including staff for putting the medical facilities to beneficial use without delay. Assurance was also given by Government in August 1986 that the recommendation would be followed in future.

Under the World Bank assisted Cataract Blindness Control Project, Government of Tamil Nadu set up 35 eye wards with operation theatres and modern equipment during March 1998 to September 2001 at a cost of Rs 13.25 crore. Of these, three were established at a cost of Rs 88.88 lakh in the Government hospitals at Arcot, Kallakurichi and Thirukkuvalai for providing benefits to people of backward areas.

Director of Medical and Rural Health Services (DMRHS) submitted (November 1999) a consolidated proposal for Rs 1.09 crore towards recurring and non-recurring expenditure for two eye wards (Thirukkuvalai and Arcot). No proposal was sent for the eye ward at Kallakurichi. Government requested (March 2000) DMRHS to fill up the posts required for the three new wards either by redeployment or by surrender of equivalent number of posts. DMRHS intimated (April 2000) his inability to redeploy or to surrender equivalent number of posts and requested for creation of new posts. DMRHS followed up his request till February 2002 through reminders. However, no orders were issued by Government (October 2003).

Audit observed that the above three eye wards were not functional due to non-posting of staff on regular basis as detailed below:

Name of the Hospital	Date from which not functional	Total cost incurred (Rs in lakh)	Number of operations performed	Present status regarding utilisation of equipment/ward
Thirukkuvalai	15.05.1999	29.84	9(2000)	No staff was attached except a surgeon during 12.12.1999 to 24.06.2002. Equipment is kept in a storeroom. The eye ward was being utilised for general out patients. Patients with eye ailments are being referred to the District Headquarters Hospital
Kallakurichi	21.11.1998	27.27	NIL	No staff was attached. A surgeon from Puthupettai Primary Health Centre was attending once a week.
Arcot	10.06.1999	31.77	1999:132 2000:500 2001: 36 2002 : NIL 2003 : NIL	Equipment was transferred to Government Hospital, Arakonam and Government Pentland Hospital, Vellore after 2001. Ward was being utilised for the treatment of outpatients on general side.
		<b>88.88</b>		

Thus, non-deployment of required medical/para medical staff had rendered expenditure of Rs 88.88 lakh incurred on establishing eye wards with operation theatres largely unfruitful.

The matter was referred to Government in July 2004; reply had not been received (December 2004).

## **AGRICULTURE DEPARTMENT**

### **4.1.7 Unfruitful expenditure on construction of an oilseed storage godown**

**An oilseeds godown with air conditioning and dehumidifying facilities constructed at a cost of Rs 66.48 lakh at Foundation Seed Production Centre, Musarawakkam remains unutilised for more than six years.**

With a view to providing facilities for stocking of foundation seeds before distribution to Agricultural Extension Centres, an oilseed storage godown with air-conditioner and dehumidifier facilities was constructed at Foundation Seed Production Centre, Musarawakkam at a cost of Rs 66.48 lakh, under 100 *per cent* Centrally Sponsored Oilseed Production Thrust Project. The Public Works Department (PWD), through which the construction was undertaken, handed over the godown with the required facilities to Assistant Director of Agriculture (ADA), Musarawakkam Farm in December 1997. While handing over, the PWD Electrical Division instructed that the electrical equipment be operated at least once or twice every week for maintaining it in good working condition and that a wireman be employed on a regular basis for operation of the equipment. However, no staff had been appointed (March 2004) inspite of request by ADA to Director of Agriculture as early as October 1996.

The godown constructed for storing oilseeds such as groundnut, sunflower, gingely, castor etc. and preserving them under the prescribed temperature, was kept unutilised, as of March 2004. ADA informed (May 2000) the Director of Agriculture that this was because breeder seeds produced at the farms were immediately transferred to Agricultural Extension Centres and the cost of air conditioning the godown was prohibitive. The ADA stated (April 2004) in reply to Audit that necessity of storing of seeds in the godown did not arise from the date of takeover as the seeds were distributed to the Agricultural Extension Centres within a period of one month based on the requirement.

Thus, the storage godown constructed at a cost of Rs 66.48 lakh (Civil Works: Rs 18.95 lakh and Electrical Works: Rs 47.53 lakh) was lying unutilised without being put to suitable alternative use, even after six years of creation of the facilities. The electrical equipment provided remained without operation/maintenance.

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

## **4.2 Avoidable/excess expenditure**

## **INDUSTRIES DEPARTMENT**

### **4.2.1 Grant of concession to power tariff to ineligible companies**

**Government paid Rs 18.47 crore as concession to power tariff though no liability on account of such a commitment existed.**

Government signed a Memorandum of Understanding (MOU) with Mahindra and Mahindra Limited<sup>5</sup> (Company 'A') in January 1996 and another with Hyundai Motor Company (Company 'B') in July 1996 for formation of

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<sup>5</sup> Now Ford India Limited

companies for manufacturing vehicles. According to clause 13 of the MOUs ‘the companies were entitled to all the incentives offered to industries set up in Tamil Nadu’ which were outlined in a brochure “Incentives offered by Government of Tamil Nadu to Industries” published by the Tamil Nadu Industrial Guidance and Export Promotion Bureau in June 1994. The companies were also entitled to other incentives available for ‘Super Mega Projects’ announced by Government in January 1996.

One of the incentives available for new industries as per the brochure was concession to power tariff by 40 *per cent* in the first year, 30 *per cent* in the second year and 20 *per cent* in the third year subject to amendments issued by Government from time to time. The concession to the tariff was to come into force from the date an industry was ‘set up’ which in terms of Government Order of February 1993, was defined as the date on which connection under High Tension Tariff was given. However, the concessions to the tariff were withdrawn in February 1997 for new industries set up on or after 15 February 1997.

Company ‘A’ availed High Tension Power supply connection in April 1998 and Company ‘B’ in February 1998, i.e., long after the date from which power tariff concession was withdrawn. Despite this, Government sanctioned concessional power tariff in February/June 2002 and paid the two companies the amounts as reflected in the table below:

(Rupees in crore)

	Amount sanctioned	Amount of power tariff concession	
		Paid	Period of payment
Company A	7.02	6.47	July 2002 to December 2003
Company B	13.10	12.00	February 2003 to December 2003
<b>Total</b>	<b>20.12</b>	<b>18.47</b>	

Government sanctioned tariff concession to the above companies on the ground that the MOUs represented an explicit commitment of the Government to the investor investing in the State. Scrutiny by Audit did not indicate that any legal opinion was obtained by the Government to check if indeed liability on account of an explicit commitment existed.

The matter was referred to Government in July 2004; Government stated (October 2004) that the concession arose out of the MOUs and the State had to honour the commitment it made while attracting investment in Tamil Nadu. The reply is not tenable as (i) the setting up of the companies was after the withdrawal of the concession and (ii) the brochure cited in the MOUs clearly cautioned that incentives are based on Government orders including amendments issued from time to time. Thus, there was no explicit and specific commitment arising from the MOUs for providing the concession.

## **HIGHWAYS DEPARTMENT**

### **4.2.2 Avoidable extra expenditure due to adoption of higher specifications**

**The failure of the Chief Engineer and Director, Highways Research Station to follow the latest census and the revised specifications in widening and strengthening the radial roads leading to Madurai resulted in avoidable extra expenditure/liability of Rs 9.46 crore.**

The works of widening and strengthening 12 radial roads leading to Madurai City contracted out in September 2002 (11 works) and February 2003 (one work) were in progress and Rs 50.70 crore were spent as of April 2004. Audit

scrutiny revealed that the roads were designed adopting higher specifications leading to avoidable extra expenditure/ liability of Rs 9.46 crore as discussed below.

(i) According to Indian Road Congress (IRC) specifications, the existing roads are to be strengthened on the basis of projected traffic at the end of designed life computed with reference to commercial vehicles weighing three tons or more. The widening of roads depends upon the projected traffic at the end of designed life computed in terms of Passenger Car Units<sup>6</sup> (PCU) determined with reference to all types of vehicles.

Contrary to IRC specifications, the Director, Highways Research Station, Chennai (HRS) who prepared the estimates in 1999-2000 considered 20 *per cent* of vehicles weighing less than three tons also for arriving at the projected traffic for strengthening and adopted 1996 traffic census for determining the projected traffic in respect of nine roads instead of 1999 census. As per the 1999 traffic census, there was a marked decrease in traffic in respect of five roads due to formation of a ring road in 1998, shifting of bus stand to Mattuthavani in 1998 and change in flow of traffic to another road upgraded as National Highway from 1999. Besides, the IRC specifications were also revised in 2001. When the Chief Engineer, Project I, Chennai (CE) pointed out the necessity for revision of estimates (February 2002), the Director, HRS suggested adoption of the design already finalised to avoid delay in revising the estimates and in obtaining revised sanction from Government. Due to adoption of higher design traffic, the Department strengthened five roads<sup>7</sup> and also widened four out of the five roads with greater thickness than that required as per IRC specifications. This resulted in extra expenditure of Rs 2.51 crore and additional liability of Rs 1.27 crore on works to be completed.

Government stated (December 2004) that there was no decrease in traffic due to the reasons stated by Audit and that the decrease in 1999 traffic census might be due to the traffic intensity prevailing at the time of census. The contention of Government is not tenable as the reasons for decrease in traffic were furnished by the Department and the CE also pointed out the need for revision of estimates based on the 1999 traffic census and to conform to revised IRC specifications.

(ii) According to IRC specifications, if the projected traffic at the end of the design life was between 6000 and 15000 PCUs, the width of the road should be 5.5 metre. In respect of two roads<sup>8</sup>, though the projected traffic computed on the basis of 1999 traffic census was 10334 and 13852 PCUs only, these roads were widened to seven metre width resulting in extra expenditure of Rs 1.33 crore and additional liability of Rs 32.15 lakh.

Government stated that in general, traffic will jump enormously after completion of a road and hence the road was widened to seven metre width.

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<sup>6</sup> Passenger Car Unit is a method for accounting the interaction of various fast and slow moving vehicles by expressing the capacity of the roads in terms of a common unit.

<sup>7</sup> Alagarkoil road, Palamedu road, Aruppukottai road, Melakkal road and Thirunagar-Palkalainagar road.

<sup>8</sup> Thirunagar-Palkalainagar road and Avaniyapuram-Thirupparankundram road.

This reply was not tenable since the width was arrived at based on the projected traffic at the end of the design life period.

(iii) The specifications of the composition to be adopted for paved shoulders<sup>9</sup> have been prescribed by the Ministry of Road Transport and Highways. However, the CE designed the paved shoulders for six roads<sup>10</sup> by adopting the composition provided for widening the main carriageway. This resulted in an avoidable extra expenditure of Rs 4.03 crore.

Government stated that in the six roads there was a mixed and congested traffic and the paved shoulders would be utilised by all types of traffic. This contention is not tenable as these roads were widened adequately after considering the projected traffic at the end of the design life period.

#### **4.2.3 Extra expenditure on provision of wearing course in excess of standards**

##### **Provision of Bituminous Concrete in excess of standard requirement resulted in avoidable extra expenditure of Rs 6.33 crore.**

With a view to improve the riding quality of city roads, Government ordered (June 2002) transfer of 65 bus route roads from Chennai Corporation to Highways Department for improvement and maintenance. The Divisional Engineer, Saidapet (DE) took over the roads in September 2002 and spent Rs 3.68 crore during November 2002 to March 2003 for laying Dense Bituminous Macadam (DBM) of 50 millimetre (mm) thickness for filling potholes, dips and sunken portions and for providing wearing course with 25 mm thick Semi Dense Bituminous Concrete.

Meanwhile, the DE also prepared nine detailed estimates (September to December 2002) for improving these roads at a cost of Rs 29.20 crore. These estimates were based on the consideration that the existing riding surface had deep potholes, ruts, cracks and sunken portions resulting in the entire profile of the roads being disturbed. To improve the riding quality, provision was made for profile correction with DBM and 40 mm thick Bituminous Concrete (BC) as wearing course in all estimates. The works were awarded during March to April 2003 at an estimated cost of Rs 28.50 crore. At the end of May 2004, seven works were completed, two works were in progress and the expenditure incurred was Rs 24.50 crore.

The guidelines issued by the Ministry of Road Transport and Highways (MORTH) for improving the riding quality of roads provide for 25 mm thick BC as wearing course on roads with heavy vehicular traffic. Therefore, providing 40 mm BC was excessive and led to avoidable extra expenditure of Rs 6.33 crore (Appendix XXIX). The DE stated (February 2004) that 40 mm BC was to be provided as per Indian Road Congress (IRC) specifications for roads carrying heavy vehicle traffic.

The above reply is not tenable because the IRC specifications cited by the DE relate to construction of new roads and strengthening of roads with additional thickness only. For improving the riding quality of roads not requiring

<sup>9</sup> Provided on either side of the road for overtaking manoeuvres, movement of slow moving vehicles and for lending structural support.

<sup>10</sup> Alagarkoil road, Palamedu road, Aruppukottai road, Natham road, Thondi road and Avaniyapuram bye-pass road.

strengthening, IRC specifications as well as MORTH guidelines stipulate that only a thin surfacing (25 mm) as wearing course need be provided.

The matter was referred to Government in July 2004; reply had not been received (December 2004).

## **HANDLOOMS, HANDICRAFTS, TEXTILES AND KHADI DEPARTMENT**

### **4.2.4 Avoidable extra expenditure**

**Payment for cloth for uniforms for students without accounting for the elongation of cloth during processing, resulted in extra expenditure of Rs 2.98 crore.**

Government of Tamil Nadu introduced in 1985-86 a scheme 'Free Supply of Uniform' for students studying in Standard I to VIII in the schools covered by 'Nutritious Meal Programme'. Commissioner of Handlooms and Textiles (CHT) procured the cloth for uniforms from Tamil Nadu Textile Corporation (TNTC), Coimbatore and Tamil Nadu Handloom Weavers Co-operative Society (Co-optex), Chennai, and delivered it to the District Social Welfare Officers (DSWOs) for getting the uniforms stitched.

Supply rate for the cloth to be purchased was arrived at by the CHT after taking into account yarn rate, weaving charges, sizing charges, margin to primaries, processing charges, handling charges etc., to Co-optex and TNTC.

The weaving of the cloth was done by handloom/ power loom societies and processed by processing units. In the course of processing, cloth gains in length. In the absence of industrial norms for such elongation, it was fixed mutually each year between the processing units and the suppliers *i.e.* TNTC and Co-optex. The percentage of gain due to elongation agreed to was as below:

(Per cent)

Cloth	By TNTC			By Co-optex		
	1999-2000	2000-01	2001-02	1999-2000	2000-01	2001-02
Khaki drill (for half-pant)	2	2	-	3.25	1.40	2.90
Blue casement (for skirt)	-	-	-	3.14	3.40	3.95
Blue Dhavani (half-saree)	2	1	-	-	-	-
White Shirting (for shirt, blouse/choli)	2	2.5	2.5	-	-	-

Settlement of claim to TNTC/Co-optex without reducing the extra quantity gained through elongation, resulted in an avoidable expenditure of Rs 297.69 lakh (TNTC: Rs 84.04 lakh and Co-optex: Rs 213.65 lakh during 1999-02) *vide* Appendix XXX.

On being pointed out by Audit, CHT stated that TNTC and Co-optex utilised the benefit accrued out of elongation for compensating processing losses such as fents, rags and seconds and to meet their handling charges. The reply is not tenable as the costing included charges separately towards processing and handling costs incurred by TNTC/Co-optex.

On the above matter being pointed out, Government stated (December 2004) that as elongation is not a definite parameter, it is not necessary to take this as a component for arriving at procurement price. The reply of the Government is not tenable as the same percentage of elongation as agreed to between the processing mill and TNTC/Co-optex while fixing the price could have been adopted.

## **HIGHWAYS DEPARTMENT**

### **4.2.5 Avoidable expenditure on a consultancy contract**

**Entering into an open ended contract with vital omissions with a foreign Consultant and delay in providing him necessary data and facilities resulted in avoidable expenditure of Rs 2.97 crore.**

The Project Director (PD) of Tamil Nadu Road Sector Project appointed a foreign Consultant (May 1997) for preparation of the Project Report (Phase I) for obtaining loan from World Bank and extended the agreement by way of variation orders (November 1998 and August 2000) for additional work (Phases IA and IB). The PD signed the contract without having it vetted by the Law Department.

The Consultant completed Phases I and IA in June 1999 and part of Phase IB in March 2001. Against the contract value of Rs 24.45 crore for these works, the Consultant was paid Rs 22.59 crore (March 2001). Mention has been made in paragraph 4.1.6.4.1(i) of the Report of the Comptroller and Auditor General of India – Tamil Nadu (Civil) for the year ended 31 March 2002 regarding (i) overpayments due to duplication of works included in Phase IA and IB and (ii) non-adherence to cost ceilings.

Subsequent scrutiny in Audit revealed that in April 2001, the Consultant raised a supplementary claim for additional expenditure incurred for Phase I and IA and release of withheld amounts under Phase IB for a total amount of Rs 11.04 crore before the arbitrators. Based on the arbitration award (February 2003), the Department paid (September 2003) Rs 10.79 crore. As explained in the subsequent paragraphs, out of the amount paid, Rs 2.97 crore is attributable to various lapses on the part of the Department.

- The general conditions of contract stipulated that the cost ceilings in local and foreign currency should not be exceeded and additional payments, if any, should be made to the Consultant to cover any additional expenditure not envisaged in the cost estimate. After completion of Phases I and IA the Consultant preferred supplementary claims over and above the monthly claims. The PD restricted the claims to ceilings fixed in the contract.
- The Consultant's claims before the arbitrators comprised (a) the rejected claims and (b) additional claims relating to works not envisaged in the cost estimate, change in scope of work during execution and delayed/incorrect supply of inputs by the Department. The Consultant also contended that the contract was only a reimbursible contract and the actual time taken for each item of work at the rate prescribed was to be paid irrespective of the contract value. The PD agreed before the arbitrators that it was a reimbursible contract. As the contract did not indicate the man-months required for each item of work, milestones required to be achieved at different points of time and the monthly claims also did not indicate the man-months employed for each item of work, the PD could not refute the extra man-months claimed to have been employed for the additional works as well as for the works included in the contract. Consequently, the arbitrators ordered payment based on the extra man-months employed as claimed by the Consultant.
- The award included Rs 1.44 crore for extra time claimed by the consultant due to changed/delayed/ incorrect inputs furnished by the PD. As explained in Appendix XXXI, this payment was avoidable.

- The negotiated contract value for Phase I and IA included preparation of Land Plan Schedules for acquisition of land required for the work and pegging of centre line by the Consultant. However, these items were omitted to be included in the cost schedule of the agreement. As the Consultant had not prepared the Land Plan Schedule, the PD withheld Rs 75 lakh being the amount spent by the Department on this work. The Consultant claimed reimbursement of this amount along with the expenditure of Rs 23.84 lakh incurred on pegging of centre line. The arbitrator allowed both the claims accepting that these did not form part of the agreement. Thus, their non-inclusion in the cost schedule resulted in extra expenditure of Rs 98.84 lakh.
- Rupees 1.66 crore out of Rs 2.43 crore (Rs 1.44 crore + Rs 0.99 crore) was paid in Australian Dollars and due to increase in the exchange rate between the dates payable and actually paid, the Department incurred additional expenditure of Rs 35.20 lakh.
- Though the contract with the Consultant provided for the preparation of Resettlement Rehabilitation Action Plan (RAP) by March 2001, the Consultant did not prepare it even by March 2002. Consequently, the independent review of the Project as envisaged could not be completed timely by the second Consultant. This led to the Project Director having to pay Rs 18.55 lakh to the second Consultant for the delay. The Department could not claim this from the first Consultant due to absence of penal provision in the agreement.

Thus, entering into the agreement without adequate scrutiny of its terms by Legal Department and avoidable delay in providing inputs resulted in avoidable payment of Rs 2.97 crore to the Consultant.

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

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

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

#### ***4.2.6 Unfruitful expenditure due to deficiencies in strengthening of distribution network***

**Leakages in distribution network despite its strengthening at a cost of Rs 32.75 crore resulted in the sub-optimal use of pumping capacity created and unfruitful expenditure of Rs 1.44 crore.**

The Chennai Metropolitan Water Supply and Sewerage Board (Board) constructed the Water Distribution Station for Choolaimedu Zone under Second Chennai Water Supply and Sewerage Project to supply 105 million litres per day (mld) of treated water envisaged for the population of 2011. The Project envisaged, among others, (a) pumping of treated water directly into the distribution network to the consumers for four hours every day and (b) strengthening of the distribution network by replacing pipes over a length of



131 kilometre (km) and lining of pipes with cement mortar wherever required to increase their capacity to withstand pressure. The strengthening work commenced in May 1999 was completed except flushing of about 22 km and expenditure of Rs 32.75 crore was incurred. The functioning of the Station, which was commissioned in May 2001, revealed the following:

➤ Based on the designed peak flow of the distribution network, the Pumping Station was designed to pump 15.12 million litres of water per hour (mlh) by operating four pump sets simultaneously (two more pump sets were to be kept as spare). However, when commissioned, the newly laid pumping main and the delivery network developed leakages forcing the Board to operate only one pump to maintain lesser pressure. Even with this reduced operation, leaks were developing regularly (May 2001 to May 2004) forcing stoppage of pumping for attending to the leakages.

During the periods when there was no water shortage the Board could pump a maximum of 51.05 mld of water using just one pump running for 23½ hours. The Area Engineer stated (May 2004) that the pumps were operated at lesser efficiency due to deficiency in the delivery network. As the Board could utilise only one pump set, the remaining five pump sets were kept idle. Allowing one more pump set as spare, the expenditure of Rs 1.16 crore incurred on procuring four pump sets remained unfruitful. Besides, the distribution network strengthened at a cost of Rs 32.75 crore could not also be put to optimum use due to leakages.

On being pointed out, the Government contended (September 2004) that all the pump sets could not be used due to water shortage. This contention is not tenable as the Board could use only one pump set even during the periods when there was no water shortage.

➤ To run the four pump sets and motors, the Board obtained a contracted demand of 1200 KVA from Tamil Nadu Electricity Board (TNEB) in July 2001. Due to operating constraints, the maximum KVA reached between July 2001 and December 2003 was only 432 KVA. The Board requested for reduction of contracted demand to 600 KVA in July 2002 and TNEB reduced it from January 2004. As TNEB charged with reference to approved contracted demand, the Board had to incur an avoidable expenditure of Rs 27.92 lakh upto December 2003.

## ***PUBLIC WORKS DEPARTMENT***

### ***4.2.7 Extra financial commitment due to execution of unnecessary work and allowing higher rates***

**Increase in the width of the jeep track without any justification and allowing higher rates than admissible for the quantity of earth conveyed from longer distances resulted in avoidable extra commitment of Rs 1.12 crore.**

The work of providing irrigation facilities to 58 villages situated in Usilampatti Taluk of Madurai District was approved by Government in October 1996 for Rs 33.81 crore. The work envisaged, among other things, excavation of a high level main canal for 27.20 kilometre (km) from Vaigai reservoir with left and right branch canals of 22.08 km. The work was split up into 14 sub-works and they were taken up between February 1999 and October

2000. As there was large scale increase in the quantity of earthwork during execution, the Chief Engineer, Madurai (CE) sent a revised estimate (January 2002) for Rs 78.40 crore which is pending with Government for approval. Fund restriction and land acquisition problems affected the progress of work and Rs 21.88 crore was spent as of February 2004. Test-check of the execution of two sub-works on which Rs 8.05 crore was spent, revealed the following:

(i) The sanctioned estimate for excavation of high level canal contemplated formation of jeep track mainly with borrowed earth for a width of 3.30 metre (m) in the reaches km 0 - 3, km 3 - 11.65 and km 12.25 - 16.30 for inspection purposes. The cart track, Panchayat Union road and forest road already available in the remaining reaches were to be linked to the jeep track. During execution, the CE instructed (June 2000) to provide jeep track in the right branch canal also. Though the Department formed jeep tracks for inspection purposes for a width of 3.65 to 4 m in other projects, the Superintending Engineer, Designs circle, Chennai instructed (February 1998) to provide the jeep track for a width of five metre. Accordingly, the Executive Engineer, Periyar Improvements Division VII, Madurai formed 5m width jeep track in km 3 - 6.78 of main canal and km 0 - 6.5 of right branch canal involving increase in the quantity of earthwork. The CE, while preparing revised estimate, however, allowed only 3.3 m jeep track for the remaining reaches. Thus, the formation of the jeep track with larger width in a portion of the work was not justifiable and resulted in extra financial commitment of Rs 85.86 lakh.

(ii) Due to non-availability of sufficient quantity of earth, the contractor conveyed only 94452 cubic metre (cu.m) of earth from the stipulated area within one kilometre (km) for executing work in km 3 - 11.65 of main canal and conveyed 2.70 lakh cu.m from seven km and 2.07 lakh cu.m from 10 km. Though the agreement provided for deriving the rates with reference to current schedule of rates without tender premium for the quantity of earth conveyed from longer distances, the Superintending Engineer, Periyar Vaigai Basin Circle, incorrectly approved higher rates with reference to schedule of rates adopted in the estimate allowing tender premium for earth to be conveyed with seven km lead. However, the rate for conveying earth with 10 km lead was derived as per agreement. The incorrect derivation of rate resulted in extra commitment<sup>11</sup> of Rs 25.84 lakh for 2.70 lakh cu.m of earthwork executed so far by conveying earth with seven km lead.

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

#### **4.2.8 Avoidable expenditure due to non-acquisition of land**

**Failure to investigate field conditions, follow the prescribed procedure before sending Land Plan Schedules and poor co-ordination with Revenue Department caused abnormal delay in land acquisition and caused avoidable expenditure of Rs 1.09 crore.**

The Chennai City Waterways Project sanctioned by Government in August 1998 included improvements to surplus courses<sup>12</sup> of Madhavaram, Red hills, Korattur and Chembarambakkam Tanks by acquiring 117.15 hectares (ha) of

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<sup>11</sup> Pending approval of Revised Estimate, only part rate was allowed.

<sup>12</sup> Water way for carrying surplus water from the tanks.

Government and private lands. The work along with two other sub-works which did not involve land acquisition, were entrusted to a contractor in July 1999 for completion in 21 months. The work commenced in September 1999 but could not be completed mainly due to non-acquisition of required land. Out of Rs 14.60 crore spent (November 2003), Rs 1.09 crore related to escalation in prices for the works executed after the agreement period (Rs 0.34 crore) and compensation for non-handing over of site in time to the contractor (Rs 0.75 crore). Audit scrutiny revealed the following reasons for the delay in acquisition of land.

(i) The Chief Engineer, Chennai (CE) accorded sanction (March 1999) for the work without conducting detailed investigations. The Land Plan Schedules (LPS) sent to the Revenue Department were returned (June 1999 and October 1999) as the lands were not demarcated, LPSs were not prepared separately for Government and private lands, Government approval for acquiring wet lands was not obtained, provision for cutting measurements were not made in field sketches and intervention of outer ring road was not considered while deciding alignment. During the field investigations conducted for rectifying the defects, the Department found that the original LPSs did not consider the built-up areas in the alignment and the land requirement for widening the canals and flood banks. As there were large-scale variations in the requirement of land for the work, the CE obtained (December 2001) approval of Government for acquiring 230.56 ha of land. As there were variations in survey numbers, the CE obtained (January 2003) another revised sanction for acquiring 209 ha of land for the work. During the survey conducted by the Revenue Department, the actual area of private land and Government land required for the work was found to be 98 ha and 102 ha respectively.

(ii) Though the Revenue Department was allowed 150 days from the date of receipt of LPS for acquiring land under urgency clause of Land Acquisition Act, there was undue delay in conducting survey and finalising the acquisition proceedings. Only three hectares of private land were handed over and the remaining land was under various stages of acquisition as of May 2004. The Department also did not obtain consent letters from the landowners for handing over the land to the contractor for continuing the work. Further, Government lands, which constituted more than 50 *per cent* of the total land requirement were not alienated and handed over to the contractor.

Thus, the Department failed to investigate the field conditions, send LPSs as per the prescribed procedures and coordinate with the Revenue Department for timely acquisition of land required for the work. This resulted in an avoidable expenditure of Rs 1.09 crore to Government.

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

## ***HIGHWAYS DEPARTMENT***

### ***4.2.9 Extra cost due to injudicious rejection of lowest valid tenders***

**Rejection of the competitive bids received for construction of two Road Over Bridges resulted in extra liability of Rs 77.38 lakh. Besides, the achievement of the objective of easing out traffic congestion in railway level crossings was delayed.**

With a view to ease traffic congestion at the three Level Crossings (LC) leading to Kovilpatti town and for safety, Government sanctioned (October

2000) construction of Road Over Bridges (ROB). The portion of the bridges above the railway lines were to be constructed by Railways while the remaining portion of the bridges were to be constructed by the Department. The Railways completed their part of the construction of the bridges at LC 437 (ROB 1) and at LC 440 (ROB 2) in July 2002 and March 2003 respectively. As the remaining portion of these bridges were not constructed by the Department, the construction of bridge at LC 439 (ROB 3) was kept in abeyance to maintain flow of traffic. Audit scrutiny revealed the following failure in finalising the tenders for ROB by the Department.

The estimates, prepared on the basis of 2001-02 Schedule of Rates (SR) for ROB 1 and ROB 2 were sanctioned by the Chief Engineer, Designs and Investigation, Chennai in January 2002 and tenders, on percentage basis, were called for by the Superintending Engineer, Project I Circle, Madurai (SE) in May 2002. The lowest tenders of Nagarjuna Construction Company Limited (19.6 *per cent* and 19.7 *per cent* above estimated cost) were negotiated by the SE to 9.70 *per cent* excess over the estimates. On the ground that the prevailing market rates of 2002-03 were higher than that of 2001-02 SR, the SE recommended the negotiated tenders to the Chief Engineer, Project I, Chennai (CE) for acceptance. In response, the CE instructed (August 2002) the SE for further negotiation. Thereupon the tenderer reduced the rate to 8.90 *per cent* over estimated cost. This was not considered adequate by the CE and he ordered (October 2002) re-tender.

In the second tender calls (October 2002) the same tenderer was the lowest (12 *per cent* excess over estimate) and on negotiation he offered (December 2002) Rs 3.85 crore for ROB 1 and Rs 4.86 crore for ROB 2, which were 4.90 *per cent* excess over the estimate. However, the SE rejected these rates without referring them to CE. Scrutiny by Audit revealed that during this period the CE had accepted a tender for another ROB involving a premium of 6.35 *per cent*.

There was no response to the third tender calls and the offers of the same tenderer which were the lowest (14.95 *per cent* excess over the estimate) in the fourth call (February 2003) were also rejected by the SE due to higher tender premium. In the fifth tender calls (June 2003), the lowest negotiated offers of Rs 4.15 crore for ROB 1 and Rs 5.33 crore for ROB 2 (13.10 and 14.62 *per cent* excess over the estimated rates) from the same tenderer were recommended (October 2003) by the SE on the grounds that (i) the tender premium would be 8.98 *per cent* over the estimate as per SR 2003-04, (ii) there was increase in the market trend, (iii) there were agitations by the public and political groups against delay in commencement of work especially as the Railways had completed their works long back and (iv) the work of ROB 3 was held up.

At this stage the CE called for (October 2003) explanation from the SE for suppressing the facts regarding the receipt of competitive offer in the second call thereby misguiding him. Responding, the SE stated that the omission was only accidental. Accepting this, the CE recommended the latest offers, which were approved by the Commissionerate of Tenders (November 2003). The works, commenced in December 2003, were scheduled for completion in 18 months.

Thus, the imprudent and injudicious rejection of the competitive bid received in the second tender call by the SE resulted in extra liability of Rs 77.38 lakh.

In addition, the achievement of the objective of easing out traffic congestion was delayed in spite of completion of the railway portion of the bridges in July 2002 and March 2003.

The matter was reported to Government in May 2004; Government stated (December 2004) that the SE might have rejected the tender received during the second call (October 2002) probably taking into account the pattern of tender practice prevailing at that time. The reply was not tenable as the CE had accepted a tender involving a premium of 6.35 *per cent* at that time. Moreover, the CE called for specific explanation of the SE for hiding the facts and the latter also accepted the omission.

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

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

#### **4.2.10 Avoidable extra expenditure in purchase of liquid chlorine**

**Failure to accept the unconditional offer in purchase of liquid chlorine resulted in avoidable extra expenditure of Rs 27.92 lakh.**

The Chennai Metropolitan Water Supply and Sewerage Board (Board) called for tenders in October 2001 for the supply of 2100 Metric Tonne (MT) of liquid chlorine spread over a period of one year. Four firms<sup>13</sup> participated in the tender. As all the tenders were conditional and the bid documents prohibited accepting conditional offers, the Board requested (November 2001) the tenderers to withdraw their specific conditions. Only Tamil Nadu Petro Products Limited (TPL) and Sree Rayalaseema Alkalies and Allied Chemicals Limited (RACL) agreed to waive their conditions and their tenders alone were evaluated. While TPL agreed to supply 900 MT at the rate of Rs 3502.16 per MT, RACL agreed for supply at the rate of Rs 4012.80 per MT. As the rates of these firms were much less compared to the previous year's rate of Rs 8582.88 per MT, the Purchase Manager proposed that (5 January 2002) orders be placed with TPL for 900 MT and with RACL for 1200 MT.

While the Finance Director recommended negotiation with RACL to match its rate with TPL, the Tender Scrutiny Committee recommended negotiation with Chemfab Alkalies Limited (CAL) for withdrawing their conditions of loading and unloading at Board's cost and price escalation clause for freight charges as their basic rate were comparable to that of TPL. Accordingly, the Negotiation Committee constituted for this purpose, called (January 2002) all the four tenderers for negotiation. While TPL expressed their inability to supply in excess of 900 MT, RACL informed that they were unable to match with the rates of TPL. The Managing Director placed orders with TPL for 900 MT in January 2002.

Though CAL did not come for negotiation and refused to furnish the details of loading and unloading charges and their formula for escalation, the Purchase Manager worked out the loading and unloading charges departmentally and arrived at an all inclusive rate of CAL. As this was less than the rate of RACL, on the directions of the Managing Director, order for 1200 MT was

<sup>13</sup> Tamil Nadu Petro Products Limited, Chemfab Alkalies Limited, Sree Rayalaseema Alkalies and Allied Chemicals Limited and Kothari Petrochemicals Limited.

placed on CAL on 12 February 2002. As the validity of their offer had expired on 3 February 2002, CAL refused to supply. The Board disqualified the tenderer for one year and in order to meet their urgent requirement, re-tendered in May 2002. The lowest negotiated offer of RACL at the rate of Rs 11559 per MT was accepted and the Board purchased 370 MT by December 2002.

The action of the Managing Director in placing the supply order with CAL in spite of their failure to come for negotiation and in rejecting the unconditional offer of RACL, resulted in avoidable extra expenditure of Rs 27.92 lakh.

The matter was referred to Government in May 2004; Government stated (July 2004) that (a) in view of the price advantage over the then market rate the conditional tender of CAL was accepted and (b) order was placed on CAL because under the Tamil Nadu Transparency in Tenders Act the tender was valid upto 13 February 2002 (90 days from the date of opening the tender).

Placing order on CAL is not justifiable as (i) the offer of CAL was valid only for 90 days from the date of their offer (6 November 2001), (ii) the validity was not got extended, (iii) CAL did not come forward for negotiation and (iv) RACL confirmed their rate in final negotiation in spite of increase in the market rate.

### **4.3 Blocking of funds**

#### ***HOUSING AND URBAN DEVELOPMENT DEPARTMENT***

##### ***4.3.1 Blocking of funds due to non-allotment of flats/houses/plots by Government***

**Failure to implement the High Court order for allotment of flats/houses/plots under Government Discretionary Quota resulted in blocking of at least Rs 26.13 crore.**

Paragraph 6.5 of the Report of the Comptroller and Auditor General of India – Tamil Nadu (Civil) for the year ended 31 March 1995 mentions non-allotment of flats/ houses/plots (1143 housing units valuing Rs 15.80 crore) under various housing schemes of Tamil Nadu Housing Board reserved for allotment under Government Discretionary Quota (GDQ). The Committee on Public Undertakings (COPU) recommended (May 2002) that Government should fix a time limit for allotment under GDQ and hand over the unsold housing units to the Board thereafter for further sale. Scrutiny of the records of the Board and the Government revealed the following:

In August 1997, Government issued guidelines regarding categories of people who would be eligible for allotment under GDQ. In November 1998, the High Court ruled that units reserved under GDQ were to be allotted to eligible categories through tendering or open auction. Government, however, did not take any action on this order. In July 1999, the Board requested the Government to release the housing units reserved under GDQ in schemes that had high demand (i.e. all other units had been sold) so that they could be sold. Government, however, rejected these proposals (March 2003).

Meanwhile, based on the orders of the High Court and the recommendations of COPU, the Board sent proposals (May and November 2002) to allot the units reserved under GDQ by calling for tenders and to fix a time limit of one year for allotment of these units by Government. Pending decision on these proposals, the Government stated (July 2002 and March 2003) that the existing system should continue. In May 2003, the Government included

some more categories of persons as eligible for allotment under GDQ, but did not issue any orders on the proposals of the Board (May 2004).

It was seen that 1750 flats/houses and 3358 plots (valued at Rs 113.22 crore) reserved under GDQ remained unallotted as of April 2004; of these 377 flats/houses constructed during 1984-85 to 2002-03 and 1104 plots developed during 1996-97 to 2001-02 valued at Rs 26.13 crore were in schemes which had high demand. The action of the Government in retaining the powers of allotment of flats/houses/plots in contravention of High Court order and its failure to fix time limit as recommended by COPU resulted in blocking up of Board's funds of at least Rs 26.13 crore.

On being pointed out (July 2004), the Government contended (August 2004) that the huge pendency was due to general inflation, lack of demand and competition from private builders and there would be no loss to the Board as the price at the time of allotment includes interest till the date of allotment. These contentions are not tenable as the Audit observation is limited to units remaining unallotted in schemes in which the Board had sold all unreserved units and the Board, under orders of Government had waived (January 2001) the capitalisation of interest till the date of sale for the units constructed prior to June 2000.

## **ADI DRAVIDAR AND TRIBAL WELFARE DEPARTMENT**

### **4.3.2 Blocking of Government of India assistance**

**Due to incorrect estimation by State Government Rs 11.46 crore was received in excess from Government of India for the scheme “Free supply of bicycles to SC/ST/SCC girl students of Class XI and XII” which remained unutilised for more than two years and led to avoidable interest liability of Rs 4.23 crore.**

With the objective of preventing dropouts in higher secondary education by SC/ST/SCC girl students due to lack of mobility, State Government introduced a scheme “Free supply of bicycles to Scheduled Caste (SC)/Scheduled Tribe (ST)/Scheduled Caste Convert (SCC) girl students of Class XI and XII” in July 2001.

Purchase of bicycles was to be made centrally through a purchase committee with the Commissioner of Adi Dravidar Welfare (ADW) as Chairman. At the district level, District Collectors were responsible for implementation of the scheme.

The Commissioner of ADW sent a proposal to Government in July 2001 for supply of 80000 bicycles to eligible students at a cost of Rs 14.35 crore which was accepted by the State Government for the academic year 2001-02. However, State Government submitted a proposal to Government of India (GOI) in January 2002, requesting a sum of Rs 20 crore for covering 80000 students. Accordingly, Additional Central Assistance (ACA) for State Annual Plan 2001-02 amounting to Rs 20 crore (Loan: Rs 14 crore and Grant: Rupees six crore) was received in February 2002 from GOI. A sum of Rs 7.69 crore was spent for 56525 bicycles purchased for 2001-02 and State Government furnished utilisation certificate (UC) for this amount to GOI in March 2003. Thus, the State Government obtained assistance of Rs 12.31 crore in excess of requirement.

The State Government received a sum of Rupees six crore (Loan: Rs 4.20 crore and Grant: Rs 1.80 crore) for 2002-03 and spent Rs 6.85 crore. Accordingly, at the end of 2002-03, total unspent balance available was

Rs 11.46 crore and the interest liability @ 12 per cent was Rs 4.23 crore for period up to September 2004.

Test-check of 1166 cases relating to 15 schools in Tirunelveli and Vellore districts, revealed 262 students (22 per cent) who were either availing free bus pass or were residing in hostels in the same campus in which the school was situated were given free bicycles though they were ineligible under the scheme. The irregular expenditure on these 262 bicycles works out to Rs 3.56 lakh.

The matter was referred to Government in July 2004; Government in reply to Audit stated (August 2004) that the balance of Rs 11.46 crore of ACA available was utilised for other priority schemes in the same sector. However, intimation of this diversion has not been sent to GOI.

Hence, utilisation of unspent amount of Rs 11.46 crore for other schemes constituted unauthorised diversion.

## **INFORMATION AND TOURISM DEPARTMENT**

### **4.3.3 Irregular parking of Government funds outside Government Account**

**To avoid lapse of budget grant sums of (a) Rupees five crore pertaining to schemes awaiting sanction (drawn in March 2004) and (b) Rs 40 lakh (drawn in March 2002) were deposited in bank accounts.**

(a) In the Budget Estimates and Revised Estimates for 2003-04, provision for a sum of Rs 8.01 crore was made for creation of infrastructure facilities at various Tourist Centres. While Rs 2.05 crore were released during the year, sanction orders in respect of 33 schemes for which Rs 5.96 crore were provided were pending issue towards the end of the year.

With a view to avoid lapse of budget provision for the pending schemes, the Commissioner of Tourism (CoT) requested on 29 March 2004 that a sum of Rs 5.96 crore (including Government of India share of Rs 93.61 lakh) may be drawn as Advance under Article 99 of Financial Code and deposited in the bank account operated by the Department of Tourism. Accordingly, Government sanctioned the drawal of Rupees five crore as advance on 31 March 2004 and cheque for this amount was deposited in a Current Account in Indian Bank, in the name of Directorate of Tourism.

This deposit violated Article 39 of Tamil Nadu Financial Code which prohibits appropriation of funds by transferring to a deposit to prevent lapse of funds, for the reasons mentioned below:

(i) Article 99 of Financial Code relates to Temporary Advance for the purpose of meeting contingent expenditure which is generally of a small amount. The advance drawn by CoT related to significant expenditure on schemes that had not even been approved on the date of drawal of the advances.

(ii) The scheme head of account was debited even before the sanction of the scheme, while the amount remained unutilised in the bank account. Consequently, the expenditure accounts would be overstated and misleading.

CoT replied (July 2004) to Audit that (a) the drawal was made to meet the contingency situation and for ensuring speedy completion of works to avoid escalation in costs and (b) as Government subsequently sanctioned works valuing Rs 1.05 crore between April 2004 and July 2004, Rs 3.95 crore were remitted to Government in July 2004. Though Government stated (September 2004) that the practice of drawal of funds in advance by CoT and keeping the drawn funds outside Government account was as per their directions issued in



June 1983, the said order permitted drawing officers to deposit the undisbursed money in excess of Rs 1000 in a savings bank account opened for the purpose. However, this irregularity relates to drawal of huge funds for schemes even before their sanction which constitutes a gross violation of financial principles.

(b) Based on the proposal of CoT, the State Government sanctioned (December 2001) Rs 40 lakh to the Collector, Sivaganga for development of infrastructural facilities<sup>14</sup> in the Heritage area of Karaikudi Municipality, Sivaganga District. Instead of drawing and disbursing the sanctioned amount in instalments as work progressed the Collector, Sivaganga drew the sanctioned amount of Rs 40 lakh in March 2002 and deposited in a savings bank account with State Bank of India, Sivaganga.

District Munsif Court, Devakottai had banned (June 1983) construction of any building in Maharnonbupottal, Karaikudi. In February 2003, a sum of Rs 10 lakh was released to Karaikudi Municipality for executing the works other than the work in banned area. These works have not commenced as yet (June 2004).

The Commissioner, Karaikudi Municipality sent (July 2003) another revised proposal to CoT through Collector for taking up new works at total cost of Rs 40 lakh, including two in the banned area. Simultaneously, the Municipality sought the opinion of their advocate on the legality of executing the works in Maharnonbupottal. Decision on the proposals sent to CoT in July 2003 had not been taken (June 2004). As a result, Government funds of Rs 40 lakh and interest of Rs 3.30 lakh earned in the savings bank account continued to remain outside Government account.

When the matter was referred to Government in August 2004, Government stated (November 2004) that the implementation of the scheme is being delayed due to administrative reasons.

## **RURAL DEVELOPMENT DEPARTMENT**

### **4.3.4 Irregularities in the implementation of Self Sufficiency Scheme**

**Non-maintenance of accounts of the scheme for the State as a whole by the Director of Rural Development resulted in non-ascertaining of details of unutilised funds of Rs 2.69 crore with 10 DRDAs as of March 2004. Expenditure of Rs 63.01 lakh was incurred for purchase of furniture in violation of Government instructions.**

With the objective of strengthening self reliant attitude of the rural community through educating people to identify their requirement through ‘gram sabha’ and planning for creating community assets like school building, bridges, road works etc., State Government has been implementing a Self Sufficiency Scheme<sup>15</sup> since 1997-98. The scheme is funded through (a) public

<sup>14</sup> (a) Modern urinals at two places in Kallukatti area (Rupees one lakh), (b) Improvement of taxi stand at Kallukatti (Rupees three lakh), (c) Parking Zone at Kallukatti (Rupees one lakh), (d) Modern toilet at Maharnonbupottal (Rs 15 lakh), (e) Compound wall around Maharnonbupottal (Rs 15 lakh) and (f) Deep bore wells with motor and pump room at Muthupattinam area (Rupees five lakh)

<sup>15</sup> The scheme originally implemented as Namakku Name Thittam (NNT) since 1997-98, was renamed as “Village Self Sufficiency Scheme” in August 2001 and ‘Thanniraivu Thittam’ in July 2002.

contribution in cash and kind and (b) financial assistance by Government. Director of Rural Development (DRD) implemented the scheme through the Project Officers of the District Rural Development Agencies (DRDAs).

Government allotted Rs 40 crore in 2001-02 and sanctioned release (December 2001) of Rs 20 crore to 28 DRDAs and Chennai Corporation. Subsequently, Government decided (January 2002) to fund the scheme for 2001-02 through loan with the project period as January to June 2002 and authorised (March 2002) the DRD to obtain loan of Rs 24 crore from Housing and Urban Development Corporation (HUDCO) through Tamil Nadu Rural Housing and Infrastructure Development Corporation (TNRHC). In March 2002, Government withdrew the sanction of December 2001 for release of Rs 20 crore and sanctioned the balance Rs 16 crore from State funds.

The loan amount of Rs 23.72 crore (net of front end fee, etc.) was deposited by TNRHC into a Personal Deposit Account and was distributed to 28 DRDAs in May 2002 under Government order. The State share of Rs 16 crore, sanctioned in March 2002, was not released for want of ways and means clearance from Finance Department till October 2002. Government issued a fresh sanction in November 2002 for this amount and accordingly Rs 14.50 crore were distributed to 28 DRDAs and Rs 1.50 crore to Chennai Corporation in February 2003.

Perusal of records revealed the following.

(i) Accounts of the scheme for the State as a whole were neither available with DRD nor Government. Thus, the extent of unutilised funds available with the DRDAs including that arising from public contribution was not available.

(ii) Audit scrutiny in respect of 14 DRDAs revealed that as of March 2004 Rs 2.69 crore were lying unutilised in 10 DRDAs including Rs 1.67 crore with DRDA, Salem. The heavy balance at DRDA, Salem was due to drawal of Rs 1.19 crore originally sanctioned by Government in December 2001 that was subsequently cancelled in January 2002. As Government/Department did not take into account this withdrawal, it released Rs 1.08 crore afresh in May 2002.

(iii) In violation of Government instructions four DRDAs spent Rs 63.01 lakh towards purchase of furniture out of the scheme funds.

The matter was referred to Government in June 2004. The reply given (December 2004) by Government was silent on non-availability of accurate accounts with DRD and on the failure of Government/Department to monitor unutilised funds lying with DRDAs. Also, Government's reply that expenditure incurred on furniture was reckoned as capital expenditure is contrary to the established norms of classification of Government expenditure and DRD himself had specifically instructed (February 2002) all DRDAs that supply of furniture should not be included under this scheme. A clarification on these points and also on inconsistencies in expenditure reported by DRDAs was sought from the Government in January 2005. Their further reply is awaited (January 2005).

## ***SCHOOL EDUCATION DEPARTMENT***

### ***4.3.5 Operation Black Board***

<b>Delay in/non-supply of teaching and learning materials to the schools under Operation Black Board Scheme Phases I – III and V</b>
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Operation Black Board (OBB) was a Centrally sponsored scheme implemented in the State since 1987-88 through the Director of Elementary

Education (DEE). Perusal of records relating to Phases I to III and V revealed that besides long delays in supplying teaching and learning materials to schools, materials valuing Rs 3.22 crore remained to be supplied as discussed below:

### **Phases I to III**

There was an unspent amount of Rs 57.31 lakh (March 1994) with the State under these phases. DEE placed orders for supply of one set of teaching materials (comprising seven maps and five charts) each to 27647 schools at a cost of Rs 57.31 lakh with Tamil Nadu Khadi and Village Industries Board (TNKVIB) and paid (March 1994) Rs 51.58 lakh being 90 *per cent* advance to it. TNKVIB was to complete the supplies by March 1994 through the co-operative societies under their control. As of March 2004, out of 27647 sets ordered, 19686 sets had not been supplied, while in respect of 1823 schools only part supply was effected, the total value of unsupplied materials being Rs 41.83 lakh (73 *per cent*). Even after 10 years, one society (Panamarathupatti Multipurpose Workers Industrial Co-operative Society) has not supplied the materials against the advance of Rs 13.63 lakh. Two other societies<sup>16</sup> started supplying materials only after six years of receipt of advance amounts. An amount of Rs 36.10 lakh retained by TNKVIB for which no supplies were made, was also not got refunded as of December 2003. The balance 10 *per cent* of the unspent Rs 57.31 lakh i.e. Rs 5.73 lakh was deposited (January 1998) by DEE with Tamil Nadu Text Book Corporation (TNTBC) and remains unutilised.

### **Phase V**

Government of India (GOI) sanctioned in July 1999 a sum of Rs 9.14 crore for provision of teaching/ learning equipment to 1828 upper primary schools in tribal areas at Rs 50000 per school. During November 2001-February 2002, the DEE incurred expenditure of Rs 1.94 crore on procurement of steel almirahs, tables and chairs.

GOI informed (January 2002) that the OBB scheme would be substituted by the new scheme 'Sarva Shiksha Abhiyan' from April 2002 and called for comprehensive proposals for utilising the unspent amount before 31 March 2002. However, Government without intimating the GOI ordered (July 2002) utilisation of available funds under OBB during 2002-03. Balance unspent amount of Rs 7.20 crore was deposited (March – September 2002) with TNTBC by debiting the final service head without actually incurring the expenditure, resulting in misreporting of expenditure on OBB to the Legislature. Further, from time to time, DEE transferred money from TNTBC to a savings bank account for incurring expenditure. An expenditure of Rs 4.40 crore was incurred till March 2004 in this manner.

There was an unspent amount (March 2004) of Rs 2.80 crore (Rs 2.56 crore with TNTBC and Rs 0.24 crore with DEE SB Account).

The matter was referred to Government in March and April 2004; reply had not been received (December 2004).

<sup>16</sup> Karungulam Carpentry and Blacksmithy Workers Industrial Co-operative Society and Tiruppur Timber and Blacksmithy Workers Industrial Co-operative Society.

## **RURAL DEVELOPMENT DEPARTMENT**

### **4.3.6 Irregularities in the implementation of Anna Marumalarchi Thittam**

**Government resorted to off-budget borrowing of Rs 69.25 crore during 2001-02 for implementing a scheme relating to rural development. Though the scheme was discontinued from April 2003, unutilised funds of Rs 2.22 crore, due for refund to Government were lying with 11 DRDAs for more than a year.**

Government, since 1997-98 was implementing the scheme “Anna Marumalarchi Thittam” (AMT) for creating basic amenities and infrastructure at village level. The Director of Rural Development (DRD) implemented the scheme through the Project Officers (POs) of District Rural Development Agencies (DRDAs).

Government sanctioned (September 2001) Rs 75 crore as grant for the implementation of the scheme for 2001-02 of which Rs 37.50 crore were to be released as first instalment. During 2000-02, the cash position of the Government was critical and in March 2002 it ordered that the bills presented to the treasuries in pursuance of the sanction order of September 2001 should be treated as withdrawn. However, to fund the scheme, Government made Tamil Nadu Rural Housing and Infrastructure Development Corporation (TNRHC) take a loan of Rs 69.25 crore at 10.25 *per cent* interest from Housing and Urban Development Corporation (March 2002) and had it deposited in a Personal Deposit Account.

The loan amount of Rs 68.49 crore (net of Front end fee, etc.) was released to the implementing DRDAs in May 2002 (Rs 39.33 crore) and November 2002 (Rs 29.16 crore). The last instalment of Rs 5.75 crore was released in December 2002.

Perusal of connected records revealed the following:

- (i) By making TNRHC as the borrower instead of itself, Government circumvented exhibiting liability of repayment of the loan in its accounts. This resulted in understatement of Public Debt liabilities.
- (ii) The extent of unutilised funds available with DRDAs was neither ascertained by DRD nor the Government. The scheme was discontinued from 2003-04 but no action was taken by them to get back the unutilised funds available with DRDAs. Details obtained by Audit from 12 DRDAs showed that Rs 2.22 crore were available with 11 DRDAs as of March 2004. Of this, Rs 1.67 crore was with PO, DRDA, Salem. The main reason for this huge unutilised amount was the drawal of Rs 1.61 crore in January 2002 on the basis of Government sanction of September 2001 that was subsequently cancelled in March 2002. DRD did not restrict further releases by deducting the amount drawn by the DRDA, Salem. This resulted in a release of Rs 5.15 crore against the allotted amount of Rs 3.57 crore.
- (iii) A perusal of cash book and other connected records of DRDA, Kancheepuram revealed that Rs 2.90 lakh were diverted for meeting office contingencies, cost of fuel, repairs to vehicles, telephone charges, etc., which was irregular. Though Rs 2.81 crore was released to eight Panchayat Unions (PUs) during 2001-02, as of March 2004 PO had obtained utilisation certificates for Rs 1.50 crore only from five PUs.
- (iv) In Thiruvallur District, scheme funds of Rs 30.51 lakh were available as of March 2004 (inclusive of unutilised funds of earlier years).

As the cost of borrowing the funds for this scheme was specially high, we recommend urgent action for obtaining refund of the unutilised amounts lying with the DRDAs.

The matter was referred to Government in August 2004. In their reply (December 2004), Government stated that action is being taken to obtain refund of the unutilised funds and the pending utilisation certificates. Government's reply, however, indicated that expenditure had been incurred even after closure of the scheme in March 2004. Clarification on this aspect had been sought (January 2005).

#### 4.4 Other Points

### **MUNICIPAL ADMINISTRATION AND WATER SUPPLY AND HOUSING AND URBAN DEVELOPMENT DEPARTMENTS**

#### **4.4.1 Loans by State Government under Sewerage and Sanitation, and Housing**

Results of review of loans outstanding against some selected schemes in Sewerage and Sanitation and Housing sectors are reflected in the succeeding paragraphs.

##### **Sewerage and Sanitation**

Government repaid the following loans obtained by Tamil Nadu Water Supply and Drainage Board for implementing drainage/sewerage schemes of five corporations and three municipalities on the condition that the amount would be recovered from these urban local bodies.

Sl. No.	Loans obtained		Details of repayment made by Government	
	From	For	Period	Amount repaid (Rs in crore)
1.	Life Insurance Corporation of India (LIC)	Implementing eight drainage schemes in two Municipalities and five Corporations	April 1998 to March 2004	2.39
2.	Housing and Urban Development Corporation Ltd. (HUDCO)	Implementing a sewerage scheme in Kumbakonam Municipality	June 1989 to March 2004	0.52 (Including interest of Rs 0.26 crore)

However, Commissioner of Municipal Administration (CMA) had not raised any demand against the eight urban local bodies and no amount has been collected so far (September 2004).

##### **Chennai Metropolitan Water Supply and Sewerage Board (CMWSSB)**

CMWSSB obtained loans from Government for various schemes at interest rates ranging from eight to 14.5 per cent during 1989 to 2004.

CMWSSB sought permission (May 2003) of Government for obtaining loans from financial institutions at lower rate of interest to foreclose the 14 loans taken from Government aggregating Rs 99.57 crore that carried interest at 14.5 per cent. Later in October 2003, CMWSSB requested Government for reducing the rate of interest on the entire outstanding loan of Rs 793.90 crore as on 31 March 2003 to 8.5 per cent which would save them interest burden of Rs 37.50 crore per annum. CMWSSB added that if this was not acceptable, it be permitted to foreclose the Government loans carrying interest of 14.5 per cent and 13.5 per cent by availing loans from HUDCO, which had orally agreed to loan them the above amount at 8.5 per cent. Government's response on this proposal is pending (September 2004).

As Government is lender of last resort to CMWSSB and guarantees loans raised by the latter, the cost of indecision in permitting CMWSSB to swap the loan, could in the long run, fall on itself.

### **Housing - Rural Housing schemes**

Out of Rs 184.70 crore given by Government till March 2004 as interest free loan to the Tamil Nadu Co-operative Housing Federation (TNCHF) for meeting its repayment obligation to HUDCO, only Rs 44.70 crore were repaid by the TNCHF resulting in dues of Rs 140 crore. Government, from time to time, announced incentives to beneficiaries for prompt payment of the principal outstanding by waiving a portion of principal, interest and penal interest. Despite such concessions, repayment of loans by the beneficiaries to the TNCHF continued to be meagre and TNCHF was forced to divert its general funds that were intended for urban housing, towards their share of repayment to HUDCO to avoid invokement of the guarantee clause. TNCHF attributed (June 2004) the poor recovery mainly to (a) parallel organisations such as Tamil Nadu Adi Dravidar Housing and Development Corporation (TAHDCO) that were constructing and allotting houses to beneficiaries free of cost and (b) due to prevailing drought situation in the State.

➤ The principal/interest overdue and penal interest on the loans payable by TNCHF to (i) General Insurance Corporation of India (GIC) and LIC; and (ii) Government in respect of loans availed during 1979 to 1987 for implementation of rural housing schemes aggregated Rs 96.17 crore<sup>17</sup> as of 31 March 2003.

TNCHF sent a proposal to Government in June 2002 through Registrar of Co-operative Societies (Housing) for waiver of interest and penal interest and to allow them to repay the principal at the rate of Rupees one crore per month. Pending decision of Government in this proposal, TNCHF has not repaid any amount (March 2004).

### **Tamil Nadu Housing Board**

Government's guidelines of January 2002 for economy in expenditure by the public sector undertakings and statutory boards specifically enjoined them to reduce their financing costs by substituting high interest loans with the low interest loans.

Scrutiny revealed that Tamil Nadu Housing Board (TNHB) had complied with this guideline in respect of loans obtained from various financial institutions. However, it continued to pay annual interest of Rs 2.68 crore per annum in respect of 67 loans carrying interest in the range of 11 to 15 *per cent* raised from Government during 1975 to 1998.

On the above being pointed out (July 2004) by Audit, TNHB stated (August 2004) that it had addressed the Government in August 2004 for reducing the rate of interest on Government loans or to permit it to foreclose the high cost loans by availing loans at cheaper rate. The matter is pending with Government (September 2004).

The matter was referred to Government in September 2004; reply had not been received (December 2004).

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<sup>17</sup> Over due amounts – Principal: Rs 28.14 crore, Interest : Rs 21.83 crore and Penal Interest : Rs 46.20 crore.

## **HOUSING AND URBAN DEVELOPMENT AND REVENUE DEPARTMENTS**

### **TAMIL NADU HOUSING BOARD**

#### **4.4.2 Non-taking over of the land due to encroachments**

**Failure of the Board to take over the vacant land valued at Rs 12.70 crore resulted in encroachment, the eviction of which could not be ensured by Revenue Department.**

Based on the request of the Tamil Nadu Housing Board (Board), the Special Deputy Collector, Tamil Nadu Housing Board Schemes, Chennai (LAO) passed an award (March 1970) for acquiring 1.04 acres in Kodambakkam village of Chennai District. There were structures in 0.12 acre in the land at the time of award. The land was not taken over by the LAO as the landowners appealed for exclusion of their land from acquisition to various forums. The appeals were rejected and Government directed (August 1980 and December 1981) the LAO to hand over the land to the Board. Instead of taking over 0.92 acre of land where there were no structures, pending eviction in the remaining land, the Board requested the LAO to hand over the entire land. The Tahsildar, Mambalam-Guindy Taluk, who was directed to carry out the eviction contended (July 1982) that Collector alone could issue 'surrender of possession' orders. The Revenue Department did not take any further action to resolve this impasse.

Meanwhile, the landowners constructed (1981 to 1983) more structures on the land and the vacant land got reduced to 0.73 acre. The Board requested the Government (January 1990) to arrange for possession of this land which had 15 feet access from the Inner Ring Road to prevent further encroachments. When inspected by the LAO (June 1991), the vacant land was found reduced to 0.50 acre. The Board refused (October 1991) to take over the available vacant land as there was no approach road from any side due to encroachment. Protracted correspondence between the Board and Revenue officials till June 2004 did not yield any results as the Board insisted for handing over the entire land whereas the LAO could hand over only the vacant land. The Revenue Department did not make any fruitful efforts to evict the encroachments. Consequently, the land, which was acquired in March 1970 was still in possession of the owners.

Thus, failure to take over the vacant land of 0.92 acre which was available in August 1980 when Government rejected the appeal of the landowners, coupled with inaction of Revenue Department in evicting the encroachment resulted in increase in the encroachment and blocking the approach to the vacant land. The present market value of 0.92 acre is Rs 12.70 crore.

The matter was referred to Government in July 2004. The Secretary, Revenue Department contended (July 2004) that the eviction could not be made under 'Tamil Nadu Encroachment Act, 1905' as it applies only to land owned by Government. This contention is not tenable as the Revenue Department is responsible for eviction under Land Acquisition Act. Reply from the Housing and Urban Development Department has not been received (December 2004).

## **HOUSING AND URBAN DEVELOPMENT DEPARTMENT**

### **CHENNAI METROPOLITAN DEVELOPMENT AUTHORITY**

#### **4.4.3 Loss due to failure to watch payment of interest on loan**

**Failure to watch payment of interest on a loan to Chennai Metropolitan Development Authority resulted in loss of interest of Rs 7.57 crore accrued during the moratorium period and penal interest.**

Government sanctioned (November 1995) Rs 10 crore as loan to Chennai Metropolitan Development Authority (CMDA) for acquiring land for implementing Outer Ring Road Project. The loan carried an interest of 14 *per cent* per annum with a moratorium period of five years for repayment of loan and interest. The loan and accumulated interest thereon were to be repaid in five annual instalments. The amount was to be released by adjustment to Personal Deposit (PD) account of CMDA bearing five *per cent* interest.

Government released Rs 20 lakh in January 1996 and Rs 9.80 crore in March 1997 and deposited the amount in the PD account of CMDA on 28 March 1996 and 27 March 1997 respectively. While the release order for Rs 20 lakh was based on the November 1995 sanction, that for Rs 9.80 crore enhanced the interest to 15 *per cent* per annum. Another modification in the release order was that interest was to be paid to Government every calendar quarter. Penal interest at 2.75 *per cent* per annum was to be charged on all overdue instalments of principal and interest.

In September 1997, Government at the request of CMDA allowed a moratorium of five years for payment of interest. The CMDA commenced the repayment of the Rs 20 lakh loan in December 2000 and the Rs 9.80 crore loan in December 2001 and paid quarterly interest from 28 March 2001 and 27 March 2002 respectively. In May and June 2003, CMDA repaid the balance amount of principal and interest till the date of foreclosure of loan. CMDA, however, failed to calculate and pay the interest of Rs 7.42 crore accrued during the moratorium period. Penal interest of Rs 14.66 lakh was also payable to Government (up to May 2004) by CMDA on overdue instalments of moratorium period interest. As Government did not maintain any record for watching the clearance of the loan, these omissions went unnoticed.

In order to avoid reoccurrence of such cases, Government may like to consider releasing loans through Heads of Department since they have a machinery in place for watching recoveries against loans.

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

## **SCHOOL EDUCATION DEPARTMENT**

#### **4.4.4 Non-refund of unutilised scholarship grant and excess claim of grant**

**Principal, Sainik School, Amaravathy Nagar (a) unauthorisedly retained the unutilised scholarship grant of Rs 1.03 crore given to the school by Government during 1999-2003 and (b) submitted excess claims of Rs 27.90 lakh.**

The scheme of awarding scholarships to students of Sainik School, Amaravathy Nagar, Coimbatore has been under implementation since 1963.



Based on the proposal of the Principal of this school, Government introduced a Block grant system from 1994-95. This authorised the Principal to draw a grant of Rs 45 lakh per annum and after meeting the scholarship commitments of all beneficiaries, he could utilise the balance amount to meet the deficit, if any, in the school budget.

Consequent to the enhancement of fee of the school, Government increased (May 2000) the block grant to Rs 63 lakh with effect from 1999-2000 for three years. Government also advised the Principal of the school to increase the strength of payment seats so that the number of scholarships can be reduced such as to enable reduction of 20 *per cent* in the block grant for 2002-03. However, in the above order of May 2000, Government did not permit the Principal of the school to utilise the unspent balance available out of the block grant of Rs 63 lakh to meet the deficit in the school budget. The request (March 2002) of the Principal for this purpose was not acceded to by Government (March 2004).

Out of Rs 2.39 crore received as block grant from Government during 1999-2003, Rs 1.36 crore only was utilised towards scholarship. Contrary to the requirement of Article 270 A (1) of the Tamil Nadu Financial Code, the Principal had neither surrendered the unspent balance of Rs 1.03 crore nor sought its adjustment against grant for successive years.

Scrutiny by Audit also revealed that claims of scholarships in respect of general category students was made at the enhanced rate applicable to Scheduled Caste/Scheduled Tribe students. This had resulted in inclusion of excess claim of Rs 27.90 lakh within the aforesaid claims of Rs 1.36 crore.

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

## ***SOCIAL WELFARE AND NUTRITIOUS MEAL PROGRAMME DEPARTMENT***

### ***4.4.5 Irregular implementation of the restructured girl child protection scheme***

**Non-adherence to Rules of the scheme by the Department resulted in assistance of Rs 39.89 lakh being extended to 258 ineligible beneficiaries.**

For promoting small family norms, arresting the adverse juvenile sex ratio and eradicating female infanticide, Government launched a scheme “Puratchi Thalaivi Dr. Jayalalitha Scheme for Girl Child” in April 1992. The scheme underwent various changes and was restructured in December 2001.

Rules were framed by the Government (December 2001) for implementing the scheme. Selection of beneficiaries was to be done after scrutinising the prescribed documents<sup>18</sup>. Between December 2001 and October 2003, Rs 21.40 crore were spent to assist 14013 beneficiaries.

Test-check of records of the Directorate of Social Welfare and of the District Social Welfare Officers (DSWOs) in Chennai, Salem, Thanjavur and

<sup>18</sup>

(i) Birth certificate of girl(s) child, (ii) Income certificate of parents, (iii) Age and community certificates of parents, (iv) Copy of ration card, (v) Family planning operation certificate issued by Government approved hospital and (vi) Nativity certificate.

Thiruvallur revealed that assistance of Rs 39.89 lakh was extended to 258 ineligible beneficiaries as detailed below:

Chennai	Thiru- vallur	Salem	Thanja- vur	Total (cases)	Ineligible Assistance (Rs in lakh)	Remarks
4	2	7	-	13	2.05	Contrary to rules, the application was filed one year after the birth of the second girl.
2	-	-	-	2	0.30	Annual income of the parents exceeded the maximum limit of Rs 12000 specified in the rules.
8	26	8	-	42	6.38	Scrutiny of copies of ration cards enclosed with the application revealed that there were either a third male or female child of the parents
-	1	-	-	1	0.22	Contrary to rules, assistance was given in respect of a girl child adopted from an orphanage.
4	6	2	-	12	1.83	In these cases either of the parents did not reside in Tamil Nadu for a minimum of 10 years preceding the date of application.
8	-	28	36	72	10.95	Family Planning operations were conducted in private hospitals not recognised by Government.
-	4	-	-	4	0.61	Parents underwent family planning operation after the age limit of 35 years.
-	-	26	-	26	5.77	Assistance was given to unrecognised orphanages.
-	86	-	-	86	11.78	Though applications were filed prior to December 2001, before launching of the restructured scheme payments were made at the enhanced rates under the restructured scheme. No specific instruction was issued by Government for covering the pending applications under the restructured scheme and in no other districts assistance were sanctioned at the rates fixed under the restructured scheme. As such the release of assistance at the rates of restructured scheme was ineligible.
26	125	71	36	258	39.89	

Apart from the ineligible payments, the following irregularities were also noticed:

➤ The DSWOs were to ensure that in case of children born in other districts, there should not be duplication of application by the parents. They were to obtain a 'No Objection Certificate' from the DSWO of the district in which the child was born. Thirty six applications were processed and recommended for sanction in two sample districts (Salem: 35; Thanjavur:1) without following this procedure. Thus, duplication of applications was not effectively checked.

➤ Income Certificates obtained from the Tahsildar covered only the income of the father. As Government had fixed the income ceiling for the family, application should have been supported with the income certificate of the mother, if any.

➤ Rules specified that 15 *per cent* random checks should be carried out every quarter by the Directorate to ensure the genuineness of the beneficiaries. However, this has not been done so far. The Director attributed (August 2003) this to shortage of officers.

The matter was referred to Government in July 2004; reply had not been received (December 2004).

**GENERAL****4.4.6 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 2003-04, financial assistance of Rs 5128 crore was given to various autonomous bodies and other institutions as detailed in Paragraph 1.7.4 of this report. Audit of accounts of the bodies mentioned in the Appendix XXXII 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 wing of the Directorate of School Education.
	b) Colleges	Internal audit wing 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.

**4.4.7 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 5789 utilisation certificates due in respect of grants aggregating Rs 793.95 crore paid prior to April 2002 and further grants of Rs 104.78 crore (970 cases) given during 2002-03, only 1627 utilisation certificates for Rs 593.17 crore had been furnished to the Accountant General by 30 July 2004. Thus, 5132 certificates for an aggregate amount of Rs 305.56 crore were in arrears. Department-wise break-up of outstanding utilisation certificates is given below.

Sl. No.	Department	Number of Certificates	Amount (Rupees in lakh)
1.	Adi Dravidar and Tribal Welfare	378	63.30
2.	Animal Husbandry and Fisheries	6	9.04
3.	Backward classes and Most Backward classes	2638	5111.32
4.	Handlooms, Handicrafts, Textiles and Khadi	21	288.32
5.	Higher Education	4	39.16
6.	Municipal Administration and Water Supply	1291	16026.46
7.	Revenue	72	3265.04
8.	Rural Development	688	5113.75
9.	Art and culture	1	10.00
10.	Social Welfare and Nutritious Meal Programme	33	629.89
<b>Total</b>		<b>5132</b>	<b>30556.28</b>

## **FINANCE DEPARTMENT**

### **4.4.8 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 through 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 2004, out of the IRs issued upto December 2003, 14977 paragraphs relating to 5034 IRs remained to be settled for want of satisfactory replies. Of these, 151 IRs containing 660 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 XXXIII.

A review of the pendency in respect of Agriculture, Animal Husbandry and Fisheries and Highways Departments revealed the following:

- Even the initial replies had not been received as of June 2004 in respect of 130 paragraphs contained in 37 IRs issued between January and December 2003.
- As a result of the long pendency, serious irregularities as detailed in Appendix XXXIV had not been settled as of June 2004.
- The Heads of Department did not reply to 804 paragraphs contained in 307 IRs.

Government constituted at both State level and Department level, Audit and Accounts Committees for consideration and settlement of outstanding audit observations. 42 paragraphs were settled by convening the committee and further, at the instance of Audit, during joint sittings with departmental officers, 561 paragraphs were settled during 2003-04.