

PART-B
ECONOMIC SECTOR

CHAPTER V

GENERAL

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5.1 Introduction

Tamil Nadu is one of the largest States of India, with a population of 7.21 crore and a geographical area of 1,30,058 sq km. For the purpose of Administration, there are 37 Departments, headed by Principal Secretaries, who are assisted by Commissioners/Directors and subordinate officers under them.

Government functioning is broadly classified as General Services, Social Services and Economic Services. This part of Report covers the functioning of 10 Departments of Economic Sector listed in **Table No. 5.1**.

Of the 10 Departments with a total expenditure of ₹ 32,285.07 crore covered here, a major portion of the expenditure was incurred by Highways and Minor Ports (28.34 *per cent*), followed by Agriculture (28.22 *per cent*), Public Works (16.57 *per cent*) and Industries (11.75 *per cent*) Departments during 2018-19.

5.2 Trend of expenditure

A comparative position of expenditure incurred by the Departments during the year 2018-19 along with preceding four years is given in **Table No. 5.1**.

Table No. 5.1: Trend of expenditure for five years

(₹ in crore)						
Sl. No.	Name of the Department	2014-15	2015-16	2016-17	2017-18	2018-19
1	Agriculture	5,247.25	6,199.67	6,505.30	7,541.33	9,111.07
2	Animal Husbandry, Dairying and Fisheries	1,705.37	1,795.75	1,597.31	1,978.84	2,084.22
3	Environment and Forests	633.96	473.47	443.53	539.66	551.96
4	Handlooms, Handicrafts, Textiles and Khadi	1,271.56	1,234.97	1,257.55	1,223.53	1,345.59
5	Highways and Minor Ports	6,254.65	6,719.63	7,030.85	8,630.59	9,149.28
6	Industries	703.58	1,253.08	1,709.50	1,702.56	3,794.33
7	Information Technology	81.72	79.29	70.22	67.87	123.50
8	Micro, Small and Medium Enterprises	219.06	284.04	299.78	377.19	632.93
9	Public Works	4,113.54	3,628.23	4,038.92	4,460.77	5,350.81
10	Tourism	125.33	126.17	128.76	144.43	141.38
Total		20,356.02	21,794.30	23,081.72	26,666.77	32,285.07

(Source: Appropriation Accounts for the years 2014-15 to 2018-19).

Reasons for increase in expenditure are stated below:

Agriculture Department: The increase in expenditure was mainly due to payment to Electricity Board for supply of free electricity to the farmers, implementation of crop husbandry schemes viz., micro irrigation, National Horticulture Mission, etc. (₹ 1,592 crore).

Industries Department: The increase in expenditure was due to enhanced allocation of share capital assistance to Co-operative and Public Sector Sugar Mills (₹ 1,562 crore).

Animal Husbandry, Dairying and Fisheries Department: The increase in expenditure was due to free distribution of Aseel Bird scheme and expenditure for Veterinary Hospitals and Dispensaries besides establishment expenditure (₹ 42 crore).

5.2.1 Some major schemes implemented by the Departments of the Economic Sector during 2018-19

- (i) Highways Department incurred an expenditure of ₹ 4,043 crore towards implementation of Comprehensive Road Infrastructure Development Programme covering State Highways, Major District Roads and Other District Roads.
- (ii) Industries Department incurred an expenditure of ₹ 1,562 crore towards share capital assistance to Co-operative and Public Sector Sugar Mills.
- (iii) Agriculture Department incurred an expenditure of ₹ 1,012 crore towards implementation of Micro irrigation scheme.
- (iv) Handlooms and Textiles Department undertook free distribution of handloom cloth at an expenditure of ₹ 348 crore to the people living below poverty line.

5.3 About this Part of Report

This part of Report of the Comptroller and Auditor General of India (CAG) relates to matters arising from the Audit of 10 Government Departments and 48 Autonomous Bodies under the Economic Sector. Compliance Audit covers examination of the transactions relating to expenditure of the audited entities to ascertain whether the provisions of the Constitution of India, applicable laws, rules, regulations and various orders and instructions issued by the competent authorities are being complied with. Performance Audit examines whether the objectives of the programme/activity/Department are achieved economically, efficiently and effectively.

5.4 Authority for audit

The authority for audit by the CAG is derived from Articles 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) (DPC) Act, 1971. CAG conducts audit of expenditure of the Departments of Government of Tamil Nadu under Section

13¹ of the CAG's (DPC) Act. CAG is the sole Auditor in respect of Autonomous Bodies which are audited under Sections 19(3)² and 20(1)³ of the CAG's (DPC) Act. In addition, CAG also conducts audit of other Autonomous Bodies, under Section 14⁴ of CAG's (DPC) Act, which are substantially funded by the Government. Principles and methodologies for various audits are prescribed in the Auditing Standards and the Regulations on Audit and Accounts, 2007 issued by the CAG.

5.5 Planning and conduct of audit

The primary purpose of this Report is to bring to the notice of the State Legislature, significant results of audit. Auditing Standards require that the materiality level for reporting should be commensurate with the nature, volume and magnitude of transactions. The audit observations are expected to enable the Executive to take corrective action, as also to frame policies and directives that will lead to improved financial management, thus, contributing to better governance.

Audit process starts with the assessment of risks faced by various Departments of Government based on expenditure incurred, criticality/complexity of activities, level of delegated financial powers, assessment of overall internal controls and concerns of stakeholders. Previous audit observations are also considered in this exercise. The frequency and extent of audit are decided based on this risk assessment.

Inspection Reports (IRs) containing audit observations are issued to the Heads of the Department/field officers after completion of audit. The Departments are requested to furnish replies to the audit observations within one month of receipt of the IRs. Whenever replies are received, audit observations are either settled or further action for compliance is advised. Important audit observations arising out of these IRs are processed for inclusion in the Audit Reports, which are submitted to the Governor of the State under Article 151 of the Constitution of India for laying on the table of the house of the State Legislature.

The total audit universe under the 10 departments of the Economic Sector was 900 and out of which 117 audit units were planned and audited during 2018-19. Of the 48 Autonomous Bodies under the control of these departments, seven Autonomous Bodies qualified for conduct of audit under Sections 14 and 19(3) of the CAG's (DPC) Act, 1971.

¹ Audit of (i) all transactions from the Consolidated Fund of the State, (ii) all transactions relating to the Contingency Fund and Public Accounts and (iii) all trading, manufacturing, profit and loss accounts, balance sheets and other subsidiary accounts.

² Audit of the accounts of Corporations (not being Companies), established by or under law made by the State Legislature, at the request of the Governor.

³ Audit of accounts of any body or authority on the request of the Governor, on such terms and conditions as may be agreed upon between the CAG and the Government.

⁴ Audit of (i) all receipts and expenditure of a body or authority substantially financed by grants or loans from the Consolidated Fund of the State and (ii) all receipts and expenditure of any body or authority where the grants or loans to such body or authority from the Consolidated Fund of the State in a financial year is not less than ₹ one crore.

5.6 Response to audit

5.6.1 Draft Paragraphs and Compliance Audit

Five Draft Paragraphs and Compliance Audit on Functioning of Tamil Nadu Agricultural University were forwarded, demi-officially, to the Principal Secretaries of the Departments concerned between November 2019 and June 2020, with the request to send their responses. Government replies to five Draft Paragraphs and the Compliance Audit were received. The replies have been incorporated in the Audit Report, wherever applicable.

5.6.2 Follow-up action on Audit Reports

With a view to ensuring accountability of the Executive in respect of the issues dealt with in the Audit Reports, the Public Accounts Committee (PAC)/ Committee on Public Undertakings (COPU) directed that the Departments concerned should furnish remedial Action Taken Notes (ATNs) on the recommendations of PAC/COPU, relating to the Paragraphs contained in the Audit Reports, within six months. We reviewed the outstanding ATNs on the Paragraphs included in the Reports of the Comptroller and Auditor General of India relating to the Departments of Economic Sector, Government of Tamil Nadu and found that 668 and 15 recommendations pertaining to the Audit Paragraphs discussed by PAC and COPU respectively were pending as on 31 March 2019. Of the 668 PAC recommendations, 19 recommendations and out of 15 COPU recommendations two recommendations were settled as of December 2019; 230 recommendations were under consideration of PAC; and Department did not furnish ATNs for 419 recommendations. The delay in submission of ATNs ranged between six months and five years.

5.6.3 Outstanding replies to Inspection Reports

On behalf of the Comptroller and Auditor General of India (CAG), the AG conducts periodical inspections of the Government Departments to test check transactions and verify maintenance of important accounts and other records as prescribed in the rules and procedures. These inspections are followed up with issue of IRs, incorporating irregularities detected during the inspection and not settled on the spot, which are issued to the Heads of the offices inspected with copies to the next higher authorities for taking prompt corrective action. The Heads of the offices/Government are required to promptly comply with the observations contained in the IRs, rectify the defects and omissions and report compliance through replies. Serious financial irregularities are brought to the notice of the Heads of the Departments and the Government.

Inspection Reports issued upto 31 March 2019 were reviewed and found that 3,540 Paragraphs relating to 1,071 IRs remained outstanding at the end of September 2019 (**Annexure 3**). Of the same 194 IRs containing 359 Paragraphs were pending for more than five years and 749 IRs containing 2,326 Paragraphs were pending between one and five years.

This large pendency of IRs, due to lack of corrective action or non-receipt of replies, was indicative of the fact that Heads of the offices and Heads of the Departments did not take appropriate action to rectify the defects, omissions and irregularities pointed out in the IRs.