

CHAPTER II

AUDIT OF TRANSACTIONS

Audit of transactions of the Departments of the Government and their field formations as well as 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.

2.1 Wasteful expenditure

MUNICIPAL ADMINISTRATION AND WATER SUPPLY DEPARTMENT

CHENNAI METROPOLITAN WATER SUPPLY AND SEWERAGE BOARD

2.1.1 Wasteful expenditure on a dropped water supply project

Taking up the work of arresting the sewage polluting Kolavoy lake in Chengalpattu, without ensuring availability of water in the lake for supply to Chennai city, led to abandonment of the work, resulting in wasteful expenditure of Rs 1.35 crore.

Chennai Metropolitan Water Supply and Sewerage Board (CMWSSB) proposed (April 2002) to draw water from the Kolavoy lake in Chengalpattu to augment the water supply to Chennai city. The proposal included two components, viz. water supply¹ and sewage treatment².

On the basis of storage capacity of the lake, CMWSSB anticipated (March 2003) that 20 million litres of water per day (mld) could be drawn for supply to Chennai city. The Board decided (December 2003) to execute the sewage treatment component first, at a cost of Rs 3.40 crore and to develop the lake as a source of water supply, without ascertaining whether 20 mld of water would be actually available in the lake for water supply, from the Public Works Department (PWD) which controlled and maintained the lake. When the work was under execution, the PWD intimated (September 2004) that only five mld of water would be available for 90 days for Chennai city as against 20 mld for the whole year as contemplated by CMWSSB. As the project was then found unviable by CMWSSB in view of the availability of the meagre quantity of water, it decided (March 2005) to drop the water supply component and to hand over the infrastructure valuing Rs 2.50 crore, created under the sewage treatment component³, to

¹ Carrying water from Kolavoy lake to Chennai after treatment.

² Arresting sewage from Chengalpattu town polluting the lake water by intercepting sewage flowing in the open drains and diverting it to a collection well for pumping to a treatment plant proposed to be located at a distance of 4.4 km in a forest area.

³ Interception, diversion of sewage to pumping station through pipes (2.89 km out of 4.4 km of pumping main were completed) and pumping station.

Chengalpattu Municipality for use in another scheme, viz., the Chengalpattu Underground Sewerage Scheme (UGSS). The Tamil Nadu Water Supply and Drainage (TWAD) Board⁴, which prepared (December 2008) the project report for Chengalpattu UGSS, however, proposed to utilise only a few components valuing Rs 1.15 crore subject to technical clearance.

When the matter was referred (April 2009) to Government, it replied (July 2009) that out of Rs 2.50 crore spent on the work, components worth Rs 2.17 crore would be utilised by dovetailing them with the proposed Chengalpattu UGSS and also by retrieving and using the pipes in future projects of the local body.

The reply is not acceptable as the Superintending Engineer, Kancheepuram and Thiruvallur Circle of TWAD Board stated (September 2009) that only two components viz. the pumping main for a length of 2143 metres and the collection well at Thimmarajakulam, costing Rs 1.15 crore, were being considered for utilisation in the proposed UGSS and that a final decision would be taken after ascertaining their condition and obtaining technical approval.

Though Government admitted (July 2009) wasteful expenditure of Rs 33 lakh, the remaining expenditure on lease rent paid to Railways (Rs 40.17 lakh), cost of land development (Rs 25.48 lakh), construction of pumping station at Thirukalukundram (Rs 3.34 lakh), advertisement and centage charges (Rs 10.33 lakh), cost of retrieval of pipes (Rs 20.64 lakh) and other miscellaneous items (Rs 2.04 lakh) were not included by TWAD Board in the cost of the proposed UGSS. Hence, this expenditure of Rs 1.02 crore also turned out to be wasteful.

Thus, expenditure of Rs 1.35 crore out of Rs 2.50 crore spent on the sewage treatment component proved wasteful due to abandonment of the work taken up for the execution without ensuring the availability of water in the lake.

2.2 Avoidable/Excess expenditure

SCHOOL EDUCATION DEPARTMENT

2.2.1 Avoidable expenditure of Rs 5.63 crore on purchase of furniture for schools

Ordering of furniture for Government schools, costing Rs 69.09 crore from the Tamil Nadu Small Industries Corporation Ltd., without ascertaining the rates of furniture available in other priority institutions, resulted in avoidable expenditure of Rs 5.63 crore.

Based on a proposal (August 2006) of the Director of School Education (DSE), Government sanctioned (March 2007) Rs 69.11 crore for benches, desks, tables and chairs for 15,845 classrooms in 1,530 Government High Schools and Higher Secondary Schools in 29 districts. A loan of Rs 58.76 crore for the purpose had been obtained (February 2007) from the

⁴ The agency for construction and maintenance of water supply and drainage schemes for the State except Chennai city.

National Bank for Agriculture and Rural Development (NABARD). The balance of Rs 10.35 crore was to be met by the State Government. The DSE was permitted to procure the furniture by following the existing procedure.

As the cost involved was more than Rs 10 crore⁵, the DSE sought (June 2007) permission from the Government to call for tenders through notifications in newspapers and finalising them. The Government, citing Section 16 (c)⁶ of the Tamil Nadu Transparency in Tenders Act, 1998, issued (June 2007) instructions to the DSE to procure the furniture directly from the Tamil Nadu Small Industries Corporation Limited (TANSI), without going in for the open tender system. Accordingly, the DSE placed (July 2007) an order with TANSI for supply of the furniture, with the condition that the furniture be door-delivered to the schools by the end of November 2007. Rupees 69.09 crore was released to TANSI in November 2007 (Rs 20.73 crore) and in March 2008 (Rs 48.36 crore). The entire supply of furniture was completed in May 2008.

The Tamil Nadu Transparency in Tenders Act did not specifically insist that procurement should be made only from a particular public sector undertaking or a statutory board. However, Government did not initiate any action to obtain comparative rates from other institutions like the Tamil Nadu Khadi and Village Industries Board (TNKVIB), which also manufactured and supplied furniture to Government Departments, before placing orders on TANSI. It was found the rates of TNKVIB prevailing during July 2006 (the month in which the rates were quoted by TANSI) in respect of furniture of the same specifications supplied to schools were lower⁷ in respect of two of the items supplied viz., steel desks and teachers' tables. Audit also found that TNKVIB, on finding out about the sanction of funds for procurement of furniture to schools, had contacted (June 2007) the DSE with a request for purchase of the furniture from them, citing Section 16 (c) of the Tamil Nadu Transparency in Tenders Act, 1998. However, the offer of TNKVIB was not brought to the notice of Government by the DSE. The Government also did not consider TNKVIB for procurement of furniture.

Government stated (August 2009) that TNKVIB had requested (June 2007) the DSE to place indents on them for supply of furniture to the schools, but they had not enclosed their proforma invoice on that date.

⁵ Tamil Nadu Transparency in Tenders Rules, 2000 stipulate that all procurements above Rs 10 crore require publication of tender notices in the Indian Trade Journal.

⁶ As per Section 16 (c) of the Tamil Nadu Transparency in Tenders Act, 1998 the tender procedure need not be followed for procurement from certain Departments of Government, public sector undertakings, statutory boards and such other institutions, only in respect of goods manufactured by them.

⁷ (Rate per unit in Rupees)

		TANSI rate	TNKVIB rate	Difference
i)	Steel desk	2,080	1,800	280
ii)	Teachers' table	2,542	2,350	192

Thus, the failure on the part of the Government to obtain comparative rates from another priority institution resulted in avoidable expenditure of Rs 5.63 crore (**Appendix 2.1**).

MUNICIPAL ADMINISTRATION AND WATER SUPPLY DEPARTMENT

TAMIL NADU WATER SUPPLY AND DRAINAGE BOARD

2.2.2 Avoidable liability due to rejection of valid tender

Rejection of a valid tender in the first call resulted in an avoidable liability of Rs 4.06 crore.

Government of Tamil Nadu sanctioned (October 2005) the Underground Sewerage Scheme - Phase I for Tuticorin Municipality under the World Bank-aided Third Tamil Nadu Urban Development Project (TNUDP) for execution by the Tamil Nadu Water Supply and Drainage (TWAD) Board.

The work of laying sewer lines was split up into three packages covering various municipal zones. The Chief Engineer (CE), Southern Region of the TWAD Board invited (January 2006) tenders for the three packages. While there was no response for Packages I and III, two tenders were received for Package II. The CE recommended the lowest bid of Rs 12.15 crore, but the tender committee rejected (July 2006) the tender on the ground that the tender notice had been published only in one English newspaper. There was no response for the second, third and fourth calls for all the three packages and the tenders were finalised in the fifth call. Package II was awarded (October 2007) for Rs 16.21 crore to the same contractor whose bid had been rejected in the first call. The work scheduled for completion in June 2009 was in progress and an expenditure of Rs 4.95 crore had been incurred on it up to May 2009. The tender notice for the sewage treatment plant which was essential for commissioning the scheme was issued only in January 2009, with a schedule of completion of 24 months.

Audit scrutiny revealed that the rejection of the bid in the first call (Package II) was not justified for the following reasons:

The World Bank guidelines for National Competitive Bidding stipulate that advertisements inviting tenders should be limited to the national press or the official gazette or a free and open access website. The Tamil Nadu Urban Infrastructure Financial Services Limited, the fund manager of TNUDP, while approving the bid documents, specified (20 January 2006) that the invitation for bids (IFB) should be published in at least one widely circulated national daily. The CE sent the IFB to the Director of Publications for arranging press publicity and placing in the Indian Trade Journal. It was also put on a website. Besides, wide publicity was given through all Superintending Engineers as well as the State Tender Bulletin. The IFB was also sent to all registered Class I contractors of the Board. The Director of

Publications released the advertisement in the New Indian Express, a national level newspaper and also in a Tamil daily⁸.

The CE, while sending (May 2006) the tender proposals to the TWAD Board, informed the Managing Director of the Board that the IFB had been published in one English newspaper, put on the website and sent to all registered Class I contractors of the Board. He, however, failed to mention that an advertisement had also been placed in a Tamil daily. Based on this information, the agenda for the tender committee meeting was prepared. The committee rejected the tender on the ground that the advertisement had been released only in an English newspaper.

Thus, the injudicious rejection of a valid tender in the first call resulted in an avoidable additional liability of Rs 4.06 crore.

The matter was referred to the Government in April 2009. Reply had not been received (October 2009).

HIGHWAYS DEPARTMENT

2.2.3 Avoidable expenditure on road improvement works

Failure to get substandard work rectified through a contractor during the defect liability period resulted in avoidable extra expenditure of Rs 2.57 crore on a road improvement work.

The Chennai-Mamallapuram road (reach from km 42/0 – 55/460 km) was widened to four lanes along with strengthening of the existing carriageway, during June 1999 to March 2002 at a cost of Rs 13.67 crore. The road was designed to withstand traffic for the next 10 years. The agreement provided for retention of 2.5 *per cent* of the total value of the work executed as a deposit for the defect liability period of five years. This amount would be released to the contractor on expiry of two years on production of a bond for the remaining three years, indemnifying the Government against any loss or expenditure incurred to rectify any defect due to substandard work.

A quality check conducted in June 2003 by the Director, Highways Research Station revealed substandard work by the contractor. Though the Director recommended disciplinary action against the field officers concerned, no action was taken by the Chief Engineer. The agreement provided for rectification of the defects by the contractor during the defect liability period (April 2002 to March 2007). The Divisional Engineer (DE), Chengalpattu, however, failed to get the defects rectified through the contractor. Instead, he released (June 2004) the retention money of Rs 34.16 lakh to the contractor after obtaining an indemnity bond valid upto March 2007. When the road condition deteriorated, the DE issued (February 2005) a notice to the contractor to rectify the damages at his cost. As the contractor did not respond, the DE, stating that the road was an important one⁹, rectified the

⁸ Makkal Kural

⁹ The road connects Mamallapuram, a tourist town, to Chennai City.

damage by improving the entire road at a cost of Rs 2.57 crore¹⁰ during May 2005 to May 2006. Though the rectification was done within the defect liability period, the DE failed to invoke the indemnity bond to recover the cost from the contractor.

When this was pointed out, the DE accepted (March 2008) that the improvement was necessitated due to poor quality of work executed by the contractor and promised to recover the cost from the contractor. The Superintending Engineer (Highways), Chennai Circle, however, stated (April 2009) that no action was taken against any officer for the substandard work and that the extra expenditure could not be recovered from the contractor as the validity period of the indemnity bond had already expired on 29 March 2007.

Failure to get the substandard work rectified through the contractor resulted in avoidable extra expenditure of Rs 2.57 crore on the road improvement work. Had the DE invoked the provisions of the indemnity bond within the validity period, the Department could have realised at least Rs 34.16 lakh as per the bond.

The matter was referred to the Government in April 2009. Reply had not been received (October 2009).

PUBLIC WORKS DEPARTMENT

2.2.4 Additional liability due to non-finalisation of tenders within the validity period

Delays in forwarding evaluated bids of two works by the Superintending Engineer, Buildings Circle, Trichirappalli resulted in non-finalisation of a tender in the first call and an additional liability of Rs 82 lakh on re-tender.

Scrutiny of the records of the Superintending Engineer (SE), Buildings (Construction and Maintenance) Circle, Trichirappalli revealed abnormal delays in forwarding evaluated bids of two works to the Chief Engineer (CE) for obtaining approval of the Tender Award Committee (TAC) and consequent non-finalisation of tenders before the validity periods. The cases are discussed below:

Case A:

Two bids, with a validity period of 90 days, i.e. up to 10 March 2008, for the work 'Construction of additional block, extension, repair and renovation of Government Hospital at Veppur in Perambalur District' were opened on 12 December 2007. The SE approved the evaluation of the bids on 14 December 2007 but forwarded it to the CE only on 27 February 2008. The SE got the validity period of the two bids extended up to 7 April 2008. The CE forwarded the bid proposals, recommending the lower offer of

¹⁰ Excludes cost of profile correction and surface course as they would be carried out during maintenance of the road.

Rs 1.74 crore to the TAC on 10 March 2008. A meeting of the TAC was held on 24 April 2008, but the bid proposals were not placed before it as their validity had expired by then and the tenderers had declined to extend the validity periods. The work was put to tender again in July 2008 and a single tender received from the contractor, who had made the lower offer earlier, for a value of Rs 2.05 crore, was accepted (October 2008) by the TAC. Therefore, the delay of 75 days (from 14 December 2007 to 26 February 2008) in forwarding the evaluated bids by the SE resulted in an additional liability of Rs 31 lakh.

Case B:

Two bids, with a validity period of 90 days, i.e. up to 17 March 2008, received for the work 'Construction of additional buildings, extension, repair and renovation of Government Hospitals at Manapparai and Thuvarankuruchy in Trichirappalli District' were opened on 18 December 2007. The bids were evaluated by the SE on 14 January 2008 and forwarded to the CE on 26 February 2008. The CE had not checked the evaluation report before the TAC meetings held on 27 February 2008 and 7 March 2008 and the validity of the two tenders were extended upto 13 April 2008. The CE could not finalise the tender even during the extended validity period and the tenderers refused to extend the validity period further as a result of which the tender could not be awarded to the lowest tenderer who had quoted Rs 4.20 crore. Re-tendering (July 2008) was done for the two hospitals separately and the lowest offers of Rs 3.26 crore for Manapparai Government Hospital and Rs 1.45 crore for Thuvarankuruchy Government Hospital were approved by the TAC in September 2008 and November 2008 respectively. The delay of 43 days (from 14 January 2008 to 25 February 2008) by the SE in forwarding the evaluated bids to the CE resulted in non-selection of a contractor for the work by the TAC during first call resulting in an additional liability of Rs 51 lakh.

Delays in forwarding the bid evaluation reports in the above cases resulted in a total additional liability of Rs 82 lakh to the Government. When this was pointed out, the SE without assigning any specific reasons, stated that the time availed of was as per the actuals for processing of tenders. The reply is not acceptable as the SE took abnormal time in forwarding the evaluated bids to the CE.

The matter was referred to the Government in April 2009. Reply had not been received (October 2009).

**MUNICIPAL ADMINISTRATION AND WATER SUPPLY
DEPARTMENT**

**CHENNAI METROPOLITAN WATER SUPPLY AND
SEWERAGE BOARD**

2.2.5 Use of costlier pipes

Costlier cast iron pipes were used in place of stoneware pipes resulting in extra expenditure of Rs 58.37 lakh.

The Detailed Project Report for the Madurai Underground Sewerage Scheme (Phase II) approved (July 2002) by the National River Conservation Directorate (NRCD) prescribed, among other design criteria, the use of stoneware pipes for gravity sewers upto a depth of 3.5 metres (m) and cast iron pipes for depths above 3.5 m. The Chennai Metropolitan Water Supply and Sewerage Board (Board) executed this work and provided for cast iron pipes for depths 2.5-3.5 m for gravity sewers for a distance of 10.52 km in the detailed estimates. The use of the costlier cast iron pipes resulted in extra expenditure of Rs 58.37 lakh.

When this was pointed out, the Board replied (July 2009) that NRCD had sanctioned the scheme based on the detailed estimate of the work, which provided for use of cast iron pipes for depths from 2.5 m to 3.5 m and stated that stoneware pipes were not suitable for greater depths and in areas where there was greater movement of heavy vehicles. The reply is not acceptable as the Detailed Project Report (DPR) approved by the NRCD envisaged use of stoneware pipes only up to 3.5 m depth and the Board had deviated from the norms prescribed in the DPR.

Further, the Board had executed Phase I of the Madurai Underground Sewerage Scheme with stoneware pipes up to 3.5m depth stating (December 2001) that stoneware pipes were preferable for laying sewers above the water table and that the ground water table in Madurai was four metres below the ground level. The contention of the Board that stoneware pipes were not suitable for laying in areas, where heavy vehicle movement was more, is not acceptable in view of the fact that stoneware pipes had already been used in Madurai city in Phase I as approved by NRCD.

The matter was referred to the Government in April 2009. Reply had not been received (October 2009).

2.2.6 Overpayment due to violation of agreement conditions

Incorrect calculation of price variation charges in Kumbakonam Underground Sewerage Scheme (Phase II) resulted in overpayment of Rs 36.65 lakh to a contractor.

Government of India approved (February 2001) the Kumbakonam Underground Sewerage Scheme under the National River Conservation Plan for execution by the Chennai Metropolitan Water Supply and Sewerage Board (CMWSSB). Scrutiny of records relating to execution of the scheme disclosed overpayment of Rs 36.65 lakh as detailed below:

The terms and conditions of the contract envisaged payment of escalation charges to the contractor for variations in the prices of labour and materials with reference to the price index applicable on the start date. The escalation charges were to be calculated on the value of work measured during each quarter with reference to the prices prevailing in that quarter. Escalation charges were not admissible for additional items of work found necessary during execution of the work, for which payments were to be made at mutually agreed rates.

The Executive Engineer (EE) of CMWSSB paid (January 2004 to October 2007) escalation charges to the contractor on the basis of the payments made during each quarter instead of the value of actual work measured in that quarter. Audit noticed that the EE, in contravention of the terms and conditions of the contract, made payments of escalation charges, taking into account the payments made during each quarter, which also included works measured during the previous quarters. This resulted in overpayment of Rs 22.20 lakh. Further, the EE paid Rs 14.45 lakh towards escalation charges for removal of surplus earth, an additional item of work.

The matter was referred to the Government in April 2009. Reply had not been received (October 2009).

MUNICIPAL ADMINISTRATION AND WATER SUPPLY DEPARTMENT

TAMIL NADU WATER SUPPLY AND DRAINAGE BOARD

2.2.7 Avoidable expenditure due to defective agreement conditions

The Tamil Nadu Water Supply and Drainage Board incurred avoidable expenditure of Rs 30.56 lakh on rectification of flood damages due to non-inclusion of a risk insurance clause.

As per the general conditions of civil contracts laid down in the Tamil Nadu Building Practice Manual of the Public Works Department, a contractor is required to arrange for insurance against natural calamities such as fire, floods, earthquakes, etc. on his own. The Government is not liable for any loss arising out of such risks. The Tamil Nadu Water Supply and Drainage (TWAD) Board followed the provisions of the said manual while executing its works.

Government of India sanctioned (February 2001) the Trichirappalli-Srirangam Underground Sewerage Scheme for execution by the TWAD Board, which awarded (September 2003) the work for a total value of Rs 26.16 crore to a contractor for completion by March 2006.

Audit scrutiny of records revealed that the TWAD Board, while entering into an agreement with the contractor, failed to incorporate the above mentioned condition regarding risk insurance. Instead, a *force majeure* clause was included in the agreement for non-performance of the contract due to acts of God. It was also observed that the contractor did not take any risk insurance to cover losses or damages to the work, arising out of natural calamities.

During execution, the sewage treatment plant of the scheme was damaged due to floods in November 2005. The Chief Engineer, Eastern Region, TWAD Board, executed flood damage work during 2006-07 for Rs 30.56 lakh as an additional item. The expenditure on this work was borne by the TWAD Board as the contractor had not taken any risk insurance.

The Finance Director of the TWAD Board contended (September 2008) that the expenditure was met on the orders of the Managing Director in view of the *force majeure* clause in the agreement.

The reply is not acceptable as the TWAD Board had initially failed to incorporate the risk insurance clause prescribed in the Tamil Nadu Building Practice Manual, leading to avoidable expenditure of Rs 30.56 lakh.

The matter was referred to the Government in April 2009. Reply had not been received (October 2009).

AGRICULTURE DEPARTMENT

2.2.8 Blocking of Government funds and avoidable interest payment due to drawal of funds far in advance

Release of Rs 4.20 crore in advance to the Tamil Nadu State Agricultural Marketing Board resulted in blocking of funds. Government also ended up paying interest on their own funds released to the agency due to depositing of the funds in an interest-bearing Personal Deposit Account.

During September and October 2006, Government approved proposals of the Director of Agricultural Marketing and Agri-Business for establishment of terminal markets for vegetables and fruits in Chennai, Coimbatore and Madurai and cold storages for specific produce at three places¹¹ in the State. The projects were to be implemented on public-private partnership basis, with contribution from the State Government, Government of India, financial institutions and private entrepreneurs.

In March 2007, Government nominated the Chief Executive Officer (CEO) of the Tamil Nadu State Agricultural Marketing Board (Agri Marketing

¹¹ Cold storage for mango in Krishnagiri District, for onion in Coimbatore District and grapes in Theni District.

Board) as the nodal officer for identifying private entrepreneurs through a prequalification process and to prepare a Detailed Project Report (DPR). The exact amounts of contribution from the State Government, Government of India (GOI) and private entrepreneurs were to be decided only after the approval of the DPR. Under the original funding pattern, GOI was to contribute 49 *per cent* equity. GOI, however, modified the funding pattern in October 2008 and decided to provide subsidy not exceeding 40 *per cent* of the project cost, instead of equity participation.

The CEO, Agri Marketing Board called for tenders inviting 'Expression of Interest' for the cold storage and terminal market projects in November 2006 and October 2007 respectively. Due to lukewarm response from private entrepreneurs, re-tendering was done once for the terminal market projects and twice for the cold storage projects during 2007-08. As of April 2009, the terminal market projects were kept in abeyance due to changes in the funding pattern and the DPR proposed by the identified private entrepreneur for the cold storage projects was under consideration of the Government.

In the meantime, even before selection of the private entrepreneurs, the Government released (March 2007) Rs 4.20 crore¹² to the Agri Marketing Board. The Agri Marketing Board kept the funds in an interest-bearing Personal Deposit Account with the Government¹³ and earned an interest of Rs 28.80 lakh¹⁴ for the period from March 2007 to March 2009. The funds were transferred to a Personal Deposit Account not bearing interest on 26 March 2009. Interest-bearing Personal Deposit Accounts are meant for depositing the own funds of Government Companies/Corporations. Therefore, depositing scheme funds in interest bearing Personal Deposit Account was incorrect.

As the projects were proposed to be implemented in the public-private partnership basis, the hasty release of funds coupled with inordinate delay in identifying suitable private entrepreneurs resulted in blocking of Rs 4.20 crore¹⁵ for over two years and avoidable interest payment/liability of Rs 28.80 lakh.

¹² Terminal Markets : Rs 3 crore, cold storages : Rs 1.20 crore.

¹³ 8342 - Other Deposits - 103 – Deposits of Government Companies and Corporations.

¹⁴ Interest credited by Government for period up to December 2007 : Rs 12.52 lakh and interest to be paid for the period from January 2008 to March 2009: Rs 16.28 lakh.

¹⁵ Including Rs 13 lakh spent on advertisements calling tenders.

2.3 Idle investment/Blockage of funds

HEALTH AND FAMILY WELFARE DEPARTMENT

2.3.1 Unfruitful expenditure on establishing a Drug Testing Laboratory

A drug testing laboratory established at a cost of Rs 1.10 crore under a Centrally sponsored scheme could not perform its statutory functions effectively due to failure in filling up technical posts.

The Drugs and Cosmetics Act, 1940 and the rules made thereunder, envisage periodical testing of samples of Ayurvedic, Siddha and Unani medicines. The State Government proposed (March 2001) to strengthen the existing State Drug Testing Laboratory in Arignar Anna Government Hospital for Indian Medicine, Chennai under the Centrally sponsored scheme of 'Strengthening of Drug Testing Laboratories'. The objectives of the scheme were to ensure the quality of Indian medicines sold in the market. Based on this proposal, Government of India (GOI) released (March 2001 to October 2005) Rs 1.10 crore¹⁶ to the Department.

Construction of the building for the Drug Testing Laboratory at a cost of Rs 15 lakh was completed in February 2003 and machinery and equipment were purchased at a cost Rs 85 lakh during the period January 2002 and March 2008. Rupees 10 lakh was utilised for contractual labour.

The Special Commissioner of Indian Medicines and Homoeopathy submitted (January 2002 and August 2006) proposals for the creation of 43 posts (which included the statutory post of a Government Analyst) to make the Drug Testing Laboratory a statutory body and to carry out the tests prescribed by the pharmacopoeia in areas such as pharmacognosy, chemistry, microbiology etc. Against the 43 posts required, State Government sanctioned (May 2007) just eight posts, of which only the posts of Office Superintendent and Laboratory Assistant were filled up on regular basis in December 2007 and December 2008.

In the absence of the statutory post of a Government Analyst and the other technical staff, the laboratory could not perform its statutory function of ensuring the quality of Indian medicines available in the market effectively. During the years 2004-09, the laboratory tested only 987 samples received from the Tamil Nadu Medicinal Plant Farms and Herbal Medicine Corporation Limited (TAMPCOL), a Government undertaking, but had not commenced testing of Indian medicine samples of any other manufacturers as envisaged under the Drugs and Cosmetics Act, 1940.

Thus, Rs 1.10 crore incurred on establishment of the Drug Testing Laboratory had not served the intended purpose. Moreover, an amount of

¹⁶ GOI Funds released in March 2001 (Rs 50 lakh), March 2003 (Rs 35 lakh) and October 2005 (Rs 25 lakh) towards, Building : Rs 15 lakh, Machinery and Equipments : Rs 85 lakh and Contractual manpower : Rs 10 lakh.

Rs 37.03 lakh, subsequently released (July 2008) by GOI in order to strengthen the laboratory, was kept unutilised in a nationalised bank as the plan and estimate for the proposed building were under preparation (June 2009).

In their reply, Government accepted (June 2009) the facts and stated that the proposal for creation of the additional 35 posts was under consideration and that the drug enforcement mechanism in the State was at a take off stage. The fact, however, remained that the Government had failed to ensure the issue of good quality Indian medicines to the general public, even after five years of establishment of the Drug Testing Laboratory.

SCHOOL EDUCATION DEPARTMENT

2.3.2 Non-installation of computers for want of basic facilities

Computers procured at a cost of Rs 1.06 crore by the Director of School Education for 24 Government High Schools in Thanjavur District could not be installed for want of facilities like computer rooms and appropriate power supply.

The Director of School Education submitted (November 2006) a proposal to Government for the construction of computer laboratories and supply of computers to 500 high schools to impart computer education to the students, at a cost of Rs 63.75 crore. However, Government issued (July 2007) an order for purchase of computers at a cost of Rs 44.48 crore for 1,000 Government High Schools at the rate of 10 computers per school. Later, in December 2007, Government revised its sanction to Rs 44.53 crore and ordered the issue of seven computers to each of the 1,000 schools. The computers were to be installed in a classroom of 400 sq.ft. in each school. The Electronics Corporation of Tamil Nadu supplied the computers and accessories to the schools at a cost of Rs 35.58 crore between January 2008 and January 2009.

Scrutiny of records in the office of the Chief Educational Officer, Thanjavur revealed that out of 294 computers supplied to 42 high schools, only 126 had been installed in 18 schools. The remaining 168 computers, costing Rs 1.06 crore were not installed in 24 high schools for want of infrastructure facilities such as separate computer rooms and three phase power supply.

Thus, the supply of computers and accessories to high schools in Thanjavur District without ensuring availability of the required facilities for installation of the computers resulted in non-imparting of computer education to the students in the schools. The computers and accessories purchased at a cost of Rs 1.06 crore were lying idle (March 2009).

The matter was referred to the Government in May 2009. Reply had not been received (October 2009).

2.4 Regularity issues and other points

RURAL DEVELOPMENT AND PANCHAYAT RAJ DEPARTMENT

2.4.1 Lapse of unutilised Research and Development funds

Research and Development charges deducted out of a loan taken from the Housing and Urban Development Corporation reverted to it in the absence of any proposal from the Department, resulting in a loss of Rs 54.25 lakh.

The Tamil Nadu Rural Housing Corporation¹⁷ obtained loans on behalf of the Rural Development and Panchayat Raj Department from the Housing and Urban Development Corporation (HUDCO), a Government of India undertaking, for various rural development schemes. Government repaid these loans through budget provisions. The implementation of the schemes and proper utilisation of funds obtained from HUDCO was monitored by the Commissioner of Rural Development and Panchayat Raj.

The financing pattern, agreement and guidelines issued by HUDCO stipulated an additional front end fee of 0.25 *per cent* of the loan amount. This additional front end fee recovered from the loan amount was transferred to a Research and Development (R&D) Fund Account created and maintained by HUDCO for each borrower. The R&D Fund was available to a borrower for upgrading its organisational capabilities and capacity building *viz.*, conducting training, seminars or workshops etc. The R&D Fund Account balance would lapse to HUDCO if the borrower failed to utilise the fund within five years from the date of credit to the Fund Account.

Government paid Rs 54.25 lakh to HUDCO towards the R&D Fund in respect of five loans amounting to Rs 217 crore taken between March 2002 and March 2003 (**Appendix 2.2**). Though the utilisation period of this amount lapsed between March 2007 and March 2008, the Commissioner, Rural Development and Panchayat Raj could not forward any proposal for utilisation of the same. Due to non-utilisation, the amount was credited as income to HUDCO after a lapse of five years.

The Secretary to Government, Rural Development and Panchayat Raj Department stated (July 2009) that the R&D Fund could not be utilised within the time limit as specific employees/officials to be trained were not available. The Secretary further stated that his department was busy with scheme implementation and hence could not utilise the R&D Fund and the request made (August 2008) to HUDCO to extend the time limit for utilising R&D fund was not accepted by it. The reply is not acceptable as the training envisaged under the R&D Fund was not limited to any specific group of personnel. Officials and elected members of local bodies could be sponsored for training/seminars/workshops in the areas of urban planning and

¹⁷ Tamil Nadu Rural Housing Corporation was converted to the Tamil Nadu Rural Housing and Infrastructure Development Corporation in January 2003 and redesignated as the State Rural Road Development Agency in February 2007.

management, disaster management, information technology project formulation, financial strengthening etc. There were 1,17,716 elected members in Panchayat Raj Institutions in the State and the total man power of the Rural Development Department itself was 28,957. Further, the R&D Fund created by HUDCO could also be utilised for all activities that would improve organisational effectiveness. Therefore, the reply furnished by the Government is untenable.

Failure of the Department / Government in utilising the R&D Fund within the prescribed time resulted in the Department losing Rs 54.25 lakh available for improving the organisational effectiveness of the Department.

SCHOOL EDUCATION DEPARTMENT

2.4.2 Non-reimbursement of leave encashment to Government

Delay by the Director of Local Fund Audit in certifying the earned leave accounts of teaching and non-teaching staff of the Corporation of Chennai resulted in non-reimbursement of surrender leave encashment amounting to Rs 79.38 lakh, initially paid by Government.

The teaching and non-teaching staff of the educational institutions of the Corporation of Chennai were declared as Government servants with effect from 01 April 1990. Government ordered (April 2004) that, initially, the expenditure towards the encashment of surrender leave made to these Government servants upon their retirement, was to be met by it from 01 October 2002 and subsequently, the same would be shared between it and the Corporation respectively, according to the number of days of leave earned by the staff during Government service i.e., 01 April 1990 to the date of retirement and the number of days of leave earned by the staff during the Corporation's service i.e., earned leave at credit as on 01 April 1990 of the retirees.

Government also ordered (April 2004) the Director of Local Fund Audit to certify the number of days of earned leave at credit as on 01 April 1990 of the retirees. Based on these certificates, the Educational Officers of the Corporation were to reimburse the Corporation's share to Government.

Government paid Rs 2.30 crore as surrender leave encashment to the staff of educational institutions of the Corporation of Chennai, who had retired during October 2002 to December 2008. The Corporation, however, did not reimburse to Government its share of Rs 79.38 lakh as the Director of Local Fund Audit had not certified the earned leave accounts of the retirees. After Audit pointed out (April 2009) non-certification of the earned leave accounts of the retirees, the Director certified (September 2009) the leave accounts of the staff who retired between October 2002 and May 2008 and called for leave particulars in respect of the staff who had retired between June and December 2008 from the Corporation.

Thus, due to delays in certifying the earned leave accounts of the retirees, the Corporation of Chennai had not paid its share of surrender leave encashment of Rs 79.38 lakh to the Government so far (September 2009).

The matter was referred to the Government in April 2009. Reply had not been received (October 2009).

FINANCE, AGRICULTURE, ADI-DRAVIDAR AND TRIBAL WELFARE AND PUBLIC WORKS DEPARTMENTS

2.4.3 Lack of responsiveness of Government to Audit

Response to Audit was inadequate as 3483 Inspection Reports involving 11395 paragraphs, issued upto September 2008, remained outstanding as of March 2009.

Important financial 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 copies of same to the next higher authorities. Government had issued orders in April 1967, fixing a time limit of four weeks for prompt response from the authorities, to ensure corrective action in compliance with the prescribed rules and procedures and accountability for the deficiencies and lapses. Half-yearly reports of pending IRs are, therefore, sent to the concerned Secretaries of the Departments by the Accountant General to facilitate monitoring of action on the audit observations.

As of March 2009, 11395 paragraphs relating to 3483 IRs (issued up to September 2008) remained to be settled for want of satisfactory replies. Of these, 513 IRs containing 968 paragraphs (issued up to 2005-06) had not been settled for more than three years. The year-wise position of the outstanding IRs and paragraphs is detailed in **Appendix 2.3**. Compilation of details by Audit revealed that in respect of the above unsettled paragraphs, even the initial replies had not been received for 459 IRs involving 2292 paragraphs, relating to 24 Departments as detailed in **Appendix 2.4**. This showed the absence of response from the authorities, as a result of which the deficiencies and lapses pointed out continued to remain unaddressed.

A scrutiny of the IRs issued up to September 2008 pertaining to three Departments viz., Public Works Department, Agriculture Department and Adi-Dravidar and Tribal Welfare Department revealed the following:

A total of 697 IRs involving 2030 paragraphs, issued up to September 2008, remained outstanding as of March 2009 as given in **Table 1**.

Table 1 : Inspection Reports outstanding as of March 2009

Year in which IRs were issued	Agriculture Department		Adi Dravidar & Tribal Welfare Department		Public Works Department		Total	
	IRs	Paras	IRs	Paras	IRs	Paras	IRs	Paras
Up to 2004-05	2	2	2	3	27	32	31	37
2005-06	27	40	10	20	30	62	67	122
2006-07	47	76	22	64	46	91	115	231
2007-08	119	251	31	202	82	157	232	610
2008-09	171	557	20	206	61	267	252	1030
Total	366	926	85	495	246	609	697	2030

Even initial replies had not been received as of March 2009 in respect of 118 IRs involving 485 paragraphs issued upto September 2008.

As a result of the long pendency, serious irregularities as detailed in **Appendix 2.5** had not been settled as of March 2009.

Government constituted Audit and Accounts Committees at both State and Departmental levels for consideration and settlement of outstanding audit observations. During the meetings of the above committees between April 2008 and March 2009 1,443 paragraphs were settled.

The matter was referred to the Government in October 2009. Reply had not been received (October 2009).