

CHAPTER I GENERAL

1.1 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.kms. For the purpose of Administration there are 37 Departments at the Secretariat level headed by Principal Secretaries/Secretaries who are assisted by Directors/Commissioners and Sub-ordinate officers under them.

Government functioning is broadly classified as General Services, Social Services and Economic Services. This report covers the functioning of 10 Departments of Economic Sector listed in the table given below.

Of the 10 Departments with a total expenditure of ₹ 16,980.57 crore covered here, a major portion of the expenditure was incurred by Highways and Minor Ports (28.96 per cent), Agriculture (24.58 per cent) and Public Works (21.66 per cent) Departments during 2012-13.

1.2 Trend of expenditure

Comparative position of expenditure incurred by the Departments during the year 2012-13 along with preceding two years is given in **Table 1**.

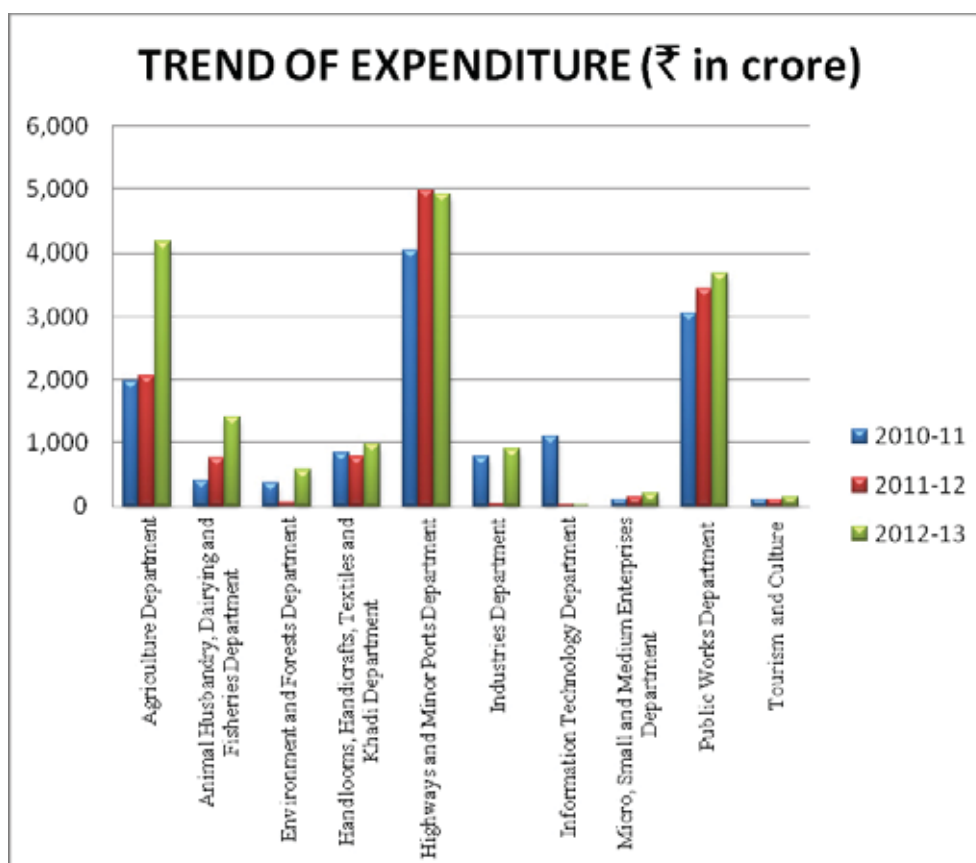
Table 1: Table showing the trend of expenditure for three years

(₹ in crore)

Sl. No.	Name of the Department	2010-11	2011-12	2012-13
1	Agriculture	1,965.99	2,050.02	4,173.29
2	Animal Husbandry, Dairying and Fisheries	400.99	758.98	1,398.06
3	Environment and Forests	365.52	64.92	578.32*
4	Handlooms, Handicrafts, Textiles and Khadi	836.88	763.82	986.79
5	Highways and Minor Ports	4,045.05	4,968.76	4,918.07
6	Industries	775.73	47.01	896.50
7	Information Technology	1,091.62	29.06	6.64
8	Micro, Small and Medium Enterprises	105.84	143.22	199.17
9	Public Works	3,051.92	3,427.39	3,677.31
10	Tourism and Culture	106.77	105.03	146.42
Total		12,746.31	12,358.21	16,980.57

(Source: Finance Accounts for the years 2010-11, 2011-12 and 2012-13)

(*includes Grant 54 pertaining to Forest (Environment and Forests Department))



Reasons for increase/decrease in expenditure are stated below:

Agriculture Department: The increase in expenditure was attributed to payment of grants in aid to Tamil Nadu Electricity Board on behalf of farmers using farm pump sets and also towards State's share to National Horticulture Mission to promote high end technology to increase production of Horticulture crops.

Industries Department: The increase in expenditure was mainly due to Value Added Tax refund subsidy for promotion of Industries and reimbursement of cost of land allotted for Industrial corridor development plans.

Animal Husbandry, Dairying and Fisheries Department: The increase in expenditure was mainly on account of opening of 70 veterinary dispensaries/sub centres in needy places and distribution of goat/sheep and milch cows to women beneficiaries during 2012-13.

Information Technology Department: The expenditure decreased from ₹ 1,091.62 crore in 2010-11 to ₹ 6.64 crore in 2012-13. The Department did not furnish reasons for decrease in expenditure.

1.2.1 Some major schemes implemented by the Departments in the Economic Sector during 2012-13

- (i) National Agriculture Development Programme (₹ 463.84 crore) implemented by Agriculture Department.
- (ii) Comprehensive Road Infrastructure Development Programme (CRIDP) covering State Highways, Major District Roads, Other

- District Roads (including Special component plan) at a cost of ₹ 1,905.38 crore implemented by Highways Department.
- (iii) Works under Revamped Central Road Fund (₹ 116.88 crore) implemented by Highways Department.
 - (iv) Tamil Nadu Road Sector Project (₹ 115.03 crore) implemented by Highways Department.
 - (v) Coastal protection and Restoration of water bodies (₹ 93.21 crore) implemented by Public Works Department (PWD).
 - (vi) Free distribution of sheep/goat/milch cows to persons living Below Poverty Line including special component plan (₹ 235.31 crore) implemented by Animal Husbandry Department.
 - (vii) Free distribution of handloom cloth to persons living Below Poverty Line including special component plan (₹ 365.34 crore) by Handlooms and Textiles Department.

1.3 About this Report

This Report of the Comptroller and Auditor General of India (CAG) relates to matters arising from Compliance 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.

1.4 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

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/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.

various audits are prescribed in the Auditing Standards and the Regulations on Audit and Accounts, 2007 issued by the CAG.

1.5 Planning and conduct of Audit

The primary purpose of this Report is to bring to the notice of the State Legislature, important results of Audit. Auditing Standards require that the materiality level for reporting should be commensurate with the nature, volume and magnitude of transactions. The findings of Audit are expected to enable the Executive to take corrective action as also to frame policies and directives that will lead to improved Financial Management of the Organisations, 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 findings are also considered in this exercise. Based on this risk assessment, the frequency and extent of Audit are decided.

After completion of Audit, Inspection Reports containing Audit findings are issued to the heads of the Departments. The Departments are requested to furnish replies to the Audit findings within one month of receipt of the Inspection Reports. Whenever replies are received, Audit findings are either settled or further action for compliance is advised. Important Audit observations arising out of these Inspection Reports 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. During 2012-13, audit of 328 units of various Departments/Organisations under Economic Sector were audited and Inspection Reports containing 1,921 Paragraphs were issued.

1.6 Response to Audit

1.6.1 Draft Paragraphs and Performance Audit

Eleven Draft Paragraphs and a Performance Audit report on Irrigation Activities in Chennai Region of Public Works Department were forwarded demi officially to the Principal Secretaries/Secretaries of the Departments concerned between June and November 2013 with the request to send their responses. Departmental replies for only five out of 11 Draft Paragraphs issued during the year 2012-13 have been received. The replies have been incorporated in the Audit Report wherever applicable. In respect of Performance Audit, an Exit Conference was held with representatives of the Government in December 2013 and views expressed in the conference have been included in the Report.

1.6.2 Follow-up 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) directed that the Department concerned should furnish remedial Action Taken Notes (ATN) on the recommendations of PAC relating to the paragraphs contained in the Audit Reports within the prescribed time frame. Audit reviewed the outstanding ATNs as of 31 March 2013 on the paragraphs included in the Report of the Comptroller and Auditor General of India,

Economic Sector, Government of Tamil Nadu and found that the Departments did not submit ATNs for 578 recommendations pertaining to the audit paragraphs discussed by PAC.

1.6.3 Outstanding replies to Inspection Reports

The Principal Accountant General (E&RSA), Tamil Nadu (PAG) arranges to conduct 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 Inspection Reports (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 reported to the heads of the Departments and the Government.

Inspection Reports issued upto 31 March 2013 were reviewed and found that 4,231 paragraphs relating to 1,374 IRs remained outstanding at the end of September 2013 (**Annexure 1**).

This large pendency of IRs, due to non-receipt of replies, was indicative of the fact that heads of offices and heads of Departments did not initiate appropriate and adequate action to rectify the defects, omissions and irregularities pointed out by audit in the IRs.

1.7 Significant Audit Observations

1.7.1 Performance Audit on Irrigation Activities in Chennai Region was conducted during this year. Significant audit observations are given below:

- State Water Policy was not revised in line with National Water Policy April 2002. In absence of revised State Water Policy with legal frame work for regulation and control of surface and ground water, Department did not have effective control over surface water and drawal of ground water.
- Imprudent financial management resulted in locking up of Government funds of ₹ 217.12 crore outside Government account.
- Ineffective planning and delay in implementation of various schemes defeated intended objective of improving irrigation potential. An amount of ₹ 505.61 crore was locked up in 16 incomplete works ranging from one to eight years.
- Rules and regulations were not framed to protect ground water resources against over exploitation. Observation wells maintained for monitoring ground water were also far below prescribed standards.
- Due to ineffective functioning of Laboratory, water samples could not be analysed on special parameters since 2006 to identify presence of heavy metals, pesticides and pollutants which cause health hazard.
- Deficiencies in hydrological and meteorological data indicate that full potential of data could not be utilised for hydrological design, planning,

water resources management, flood management and for formulation of schemes.

- Preventive measures to control sea water intrusion were inadequate. Coastal protection works were commenced without obtaining environmental clearance from Government of India (GOI). Pollution in Palar River was not controlled despite high level of pollution since the year 2000.
- Defective planning of flood control works in Chennai city led to delay and increased cost thereby defeating objective of the scheme formulated to avoid flooding in Chennai.
- Original capacity of tanks was not restored due to ineffective enforcement of Act for eviction of encroachments.
- Water Resources Management remains unachieved even after a lapse of three years since establishment of SWaRMA, an agency constituted for this purpose.

1.7.2 Compliance Audit

1.7.2.1 *Scheme of Free Distribution of Milch Cows*

Audit on implementation of the scheme brought out following observations:

- Lack of transparency in selection deprived needy eligible women beneficiaries of the benefits envisaged in the scheme.
- Deficiency in procurement mechanism resulted in procurement of poor quality cows and poor milk yield which impacted objectives of improving economic status of poor women in rural areas and increasing milk productivity of the State.
- Poor post procurement management particularly in provision of fodder and insurance coverage impacted sustainability of the Scheme.

1.7.2.2 *Functioning of State Compensatory Afforestation Fund Management and Planning Authority*

Audit conducted on functioning of State CAMPA revealed following deficiencies:

- Deficiencies in the system to assess, levy, collect and remit funds deprived State CAMPA of its share of ₹ 15.49 crore for afforestation during 2009-13.
- Funds of ₹ 6.20 crore received were utilised to the extent of 55 *per cent* only which included ineligible expenditure to the extent of ₹ 0.92 crore.
- Eighty five *per cent* of land received from user agencies for Compensatory Afforestation was yet to be declared as Reserved/Protected forest.
- Apart from 561 ha diverted for non-forest purposes, an extent of 346.53 ha of forest land was utilised by user agencies without prior concurrence of GOI.
- Deficiencies were noticed in the monitoring system for concurrent evaluation of the works implemented in the State.

1.7.2.3 Audit of transactions in various Departments of Government and field offices revealed avoidable expenditure, unfruitful expenditure, retention of funds outside Government account *etc.* Some of the audit findings are given below:

- Defective design in execution of bridge work resulted in avoidable additional expenditure/liability of ₹ 6.02 crore besides defeating the objective of providing bypass link to Ramanathapuram town for more than two years even after incurring an expenditure of ₹ 23.95crore.

(Paragraph 3.3.1)

- Avoidable expenditure/committed liability of ₹ 6.57 crore and non-recovery of ₹ 1.10 crore due to incorrect award of road works to contractor with record of poor performance.

(Paragraph 3.3.2)

- Injudicious rejection of tenders in construction of two bridge works resulted in excess expenditure/liability of ₹ 1.09 crore.

(Paragraph 3.3.3)

- Non-adherence to MORTH specifications resulted in excess payment of ₹ 1.73 crore to contractors.

(Paragraph 3.3.4)

- Short collection of fees of ₹ 8.08 crore from a licensee and interest loss of ₹ 1.91 crore to Tamil Nadu Maritime Board.

(Paragraph 3.5.1)

- Injudicious selection of road resulted in non-availing of GOI funds and also defeated the intended objective of providing an alternate route to an important pilgrim town besides rendering the expenditure of ₹ 2.20 crore unfruitful.

(Paragraph 3.5.2)