

# CHAPTER I







# 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 km. For the purpose of Administration, there are 37 Departments, headed by Principal Secretaries/Secretaries who are assisted by Commissioners/Directors 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 ₹ 20,356.02 crore covered here, a major portion of the expenditure was incurred by Highways and Minor Ports (30.73 per cent), Agriculture (25.78 per cent) and Public Works (20.21 per cent) and Animal Husbandry, Dairying and Fisheries (8.38 per cent) Departments during 2014-15.

## 1.2 Trend of expenditure

A comparative position of expenditure incurred by the Departments during the year 2014-15 along with preceding two years is given in **Table 1.1**.

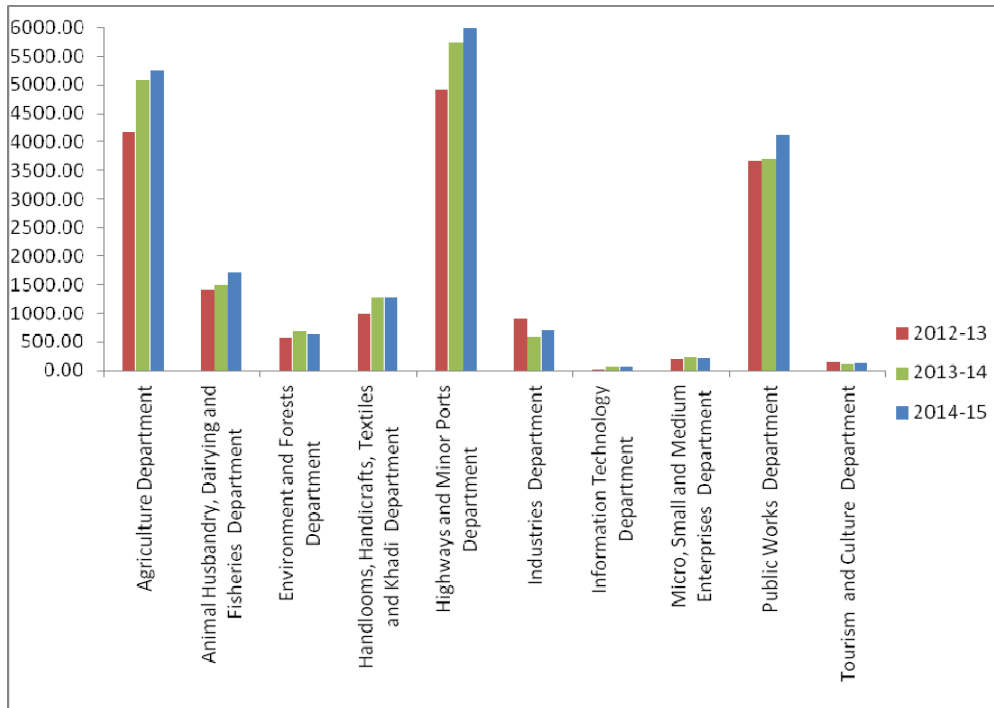
**Table 1.1: Trend of expenditure for three years**

(₹ in crore)

| Sl. No.      | Name of the Department                     | 2012-13          | 2013-14          | 2014-15          |
|--------------|--------------------------------------------|------------------|------------------|------------------|
| 1            | Agriculture                                | 4,173.29         | 5,067.84         | 5,247.25         |
| 2            | Animal Husbandry, Dairying and Fisheries   | 1,398.06         | 1,487.60         | 1,705.37         |
| 3            | Environment and Forests                    | 578.32           | 686.75           | 633.96           |
| 4            | Handlooms, Handicrafts, Textiles and Khadi | 986.79           | 1,287.38         | 1,271.56         |
| 5            | Highways and Minor Ports                   | 4,918.07         | 5,744.66         | 6,254.65         |
| 6            | Industries                                 | 896.50           | 591.90           | 703.58           |
| 7            | Information Technology                     | 6.64             | 75.83            | 81.72            |
| 8            | Micro, Small and Medium Enterprises        | 199.17           | 238.63           | 219.06           |
| 9            | Public Works                               | 3,677.31         | 3,710.66         | 4,113.54         |
| 10           | Tourism and Culture                        | 146.42           | 105.50           | 125.33           |
| <b>Total</b> |                                            | <b>16,980.57</b> | <b>18,996.75</b> | <b>20,356.02</b> |

(Source: Finance Accounts for the years 2012-13, 2013-14 and 2014-15)

**TREND OF EXPENDITURE (₹ in crore)**



Reasons for increase/decrease in expenditure are stated below:

**Agriculture Department:** The increase in expenditure was due to payment of subsidies to the Tamil Nadu Electricity Board on behalf of farmers using pumpsets in Crop Husbandry.

**Industries Department:** The increase in expenditure was due to grants-in-aid for implementation of e-governance projects.

**Animal Husbandry, Dairying and Fisheries Department:** The increase in expenditure was due to implementation of National Programme for Bovine Breeding.

**Roads and Bridges:** The increase in expenditure was due to maintenance of Panchayat and Panchayat Union roads through Chief Engineer (Highways) and maintenance expenditure of Rural Roads.

**Major and Medium Irrigation:** The increase in expenditure was due to payment of interest on funds borrowed for implementation of Medium Irrigation schemes and provision of Wide Area Network connections to the field offices of Water Resources Department.

**1.2.1 Some major schemes implemented by the Departments in the Economic Sector during 2014-15**

- (i) National Agriculture Development Programme (₹ 194.43 crore), implemented by Agriculture Department.
- (ii) Comprehensive Road Infrastructure Development Programme covering State Highways, Major District Roads, Other District Roads

(including Special Component Plan) at a cost of ₹ 2,780.68 crore, implemented by Highways Department.

- (iii) Free distribution of sheep/goat/milch cows to persons living below poverty line including Special Component Plan (₹ 239.93 crore), implemented by Animal Husbandry Department.
- (iv) Free distribution of handloom cloth to the people below poverty line including Special Component Plan (₹ 536.15 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. Performance Audit examines whether the objectives of the programme/activity/Department are achieved economically, efficiently and effectively.

### **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 13<sup>1</sup> of the CAG's (DPC) Act. CAG is the sole Auditor in respect of Autonomous Bodies which are audited under Sections 19(3)<sup>2</sup> and 20(1)<sup>3</sup> of the CAG's (DPC) Act. In addition, CAG also conducts audit of other Autonomous Bodies, under Section 14<sup>4</sup> 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.

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<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> 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.

## **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, 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 (IRs) 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 IRs. Whenever replies are received, audit findings 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. During 2014-15, 248 units of various Departments/Organisations under Economic Sector were audited and 251 IRs<sup>5</sup> containing 1,342 Paragraphs were issued.

## **1.6 Response to Audit**

### **1.6.1 Draft Paragraphs and Performance Audit**

Ten Draft Paragraphs and a Performance Audit report on Implementation of National Agriculture Development Programme were forwarded, demi-officially, to the Principal Secretaries/Secretaries of the Departments concerned between May and November 2015, with the request to send their responses. Departmental replies for all the Draft Paragraphs and Performance Audit on Implementation of National Agriculture Development Programme issued for the year 2014-15 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 the representatives of the Government in December 2015 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)/ Committee on Public Undertakings (COPU) directed that the Department concerned should furnish remedial Action Taken Notes (ATNs) on the

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<sup>5</sup> This included 33 IRs pertaining to 2013-14 and excluded 30 IRs relating to 2014-15 which were issued during 2015-16.

recommendations of PAC/COPU, relating to the Paragraphs contained in the Audit Reports, within the prescribed time frame. Audit reviewed the outstanding ATNs as of 31 March 2015, 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 the Departments did not submit ATNs for 779 and 17 recommendations pertaining to the Audit Paragraphs discussed by PAC and COPU respectively.

### **1.6.3 Outstanding replies to Inspection Reports**

The Accountant General (E&RSA), Tamil Nadu 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 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 2015 were reviewed and found that 3,141 Paragraphs relating to 1,118 IRs remained outstanding at the end of September 2015 (**Annexure - 1**).

This large pendency of IRs, due to non-receipt of replies, was indicative of the fact that Heads of the offices and Heads of the 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 Implementation of National Agriculture Development Programme was conducted during this year. Significant audit observations are given below:**

- Agriculture Department failed to prepare agricultural plan for the XII Five Year Plan period to ensure the selection of projects based on agro-climatic conditions and natural resources in the districts and implemented nine projects with an expenditure of ₹ 40.90 crore against the stipulations of State Level Sanctioning Committee. Shelf of projects was not prepared, on the basis of inputs from the districts for prioritisation of projects, resulting in dropping of some sanctioned projects.
- Government of Tamil Nadu failed to utilise Government of India grant of ₹ 36.62 crore during 2010-15 for implementation of projects in agriculture and allied sectors. Imprudent financial management resulted in blocking of funds of ₹ 86.26 crore in Personal Deposit/Savings bank accounts. Scheme funds of ₹ 45.06 crore were diverted for implementation of awareness programme, despite

availability of funds under Agricultural Technology Management Agency.

- Sanction of projects without definite timelines, incorrect site selection, failure to ascertain measurable output and delay in completion of projects resulted in avoidable and unfruitful expenditure of ₹ 25.25 crore, besides non-achievement of envisaged objectives of the projects.
- Lack of third party evaluation of the sanctioned projects and deficiencies in the web based monitoring of the programme indicated weak internal control.

## **1.7.2 Compliance Audit**

### **1.7.2.1 *Production improvement activities for inland fisheries***

Audit on Production improvement activities for inland fisheries by the Fisheries Department brought out the following observations:

- Fixation of targets for production of early fry and improper selection of sites for the fish seed rearing ponds indicated inadequate planning.
- Funds allotted for the schemes were under-utilised to an extent of 18 *per cent* of sanction and 20 *per cent* of the booked expenditure remained unspent.
- Actual fish seed production and exploitation of fish did not meet the expected production and productivity, despite enhancement of farm areas.
- Failure to identify suitable locations for cage culture resulted in non-achievement of desired production of fish by farmers, despite availability of Government of India grants.

### **1.7.2.2 *Human-Animal Conflict reduction measures of Forest Department***

Audit on Human-Animal Conflict reduction measures of Forest Department revealed the following deficiencies:

- Delay in framing of State Forest Policy and notifying the identified corridors indicated absence of proper planning to mitigate the conflict.
- There were insufficient allocations for certain mitigation measures and the Forest Department failed to fully utilise the funds.
- Inadequate creation of physical barriers, absence of periodical maintenance of the created barriers, failure to remove the invasive species and to meet fodder and water requirement of wild animals, led to increased conflict cases and loss of wild animals.
- Large scale vacancies in the frontline staff and non-conducting of periodical meetings of State Board for Wildlife also had an adverse impact.



**1.7.2.3** Audit of transactions of various Departments of Government and field offices revealed unfruitful expenditure, avoidable expenditure and blocking of funds as detailed below:

- Failure to ensure the availability of funds, before the commencement of Night Safari project, had resulted in unfruitful expenditure of ₹ 6.42 crore.

**(Paragraph 3.3.1)**

- Incorrect foreclosure of work resulted in avoidable expenditure of ₹ 1.95 crore, besides additional expenditure of ₹ 4.00 crore due to non-enforcement of defect liability clause and blocking of funds of ₹ 3.86 crore on account of non-utilisation of acquired land.

**(Paragraph 3.4.1)**

- Formation of bund embankment in Middle Paravanar River utilising excess quantity of earth resulted in avoidable expenditure of ₹ 3.48 crore.

**(Paragraph 3.4.2)**

- Execution of improvement works in violation of Thirteenth Finance Commission recommendations resulted in irregular utilisation of Government of India grants, besides avoidable expenditure of ₹ 1.18 crore due to non-adherence to Departmental instructions.

**(Paragraph 3.4.4)**

- Commencement of work in respect of two bridges prior to acquisition of land, resulted in blocking of funds of ₹ 11.92 crore, besides non-achievement of envisaged objectives.

**(Paragraph 3.5.1)**

