

CHAPTER I

INTRODUCTION

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1.1 About this Report

This Report of the Comptroller and Auditor General of India (CAG) on Government of Tamil Nadu (GoTN) relates to matters arising from Performance Audit of selected programmes and activities and Compliance Audit of Government departments, Autonomous Bodies and Local Bodies.

The primary purpose of the Report is to bring important results of audit to the notice of the State Legislature. Auditing standards issued by the CAG require that the materiality level for reporting should be commensurate with the nature, volume and magnitude of transactions. The audit findings are expected to enable the Executive to take corrective actions as also to frame appropriate policies and directives that will lead to improved financial management of the organisations, thus, contributing to better governance.

Compliance Audit refers to examination of transactions relating to expenditure, receipts, assets and liabilities of audited entities to ascertain whether 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 the extent to which objectives of an organisation, programme or scheme are achieved economically, efficiently and effectively.

This Chapter provides profile of audited entities, planning and extent of audit and synopsis of audit observations. Chapter II of this Report deals with findings of Performance Audit and Chapter III deals with findings of Compliance Audit of various departments, Autonomous Bodies and Local Bodies.

1.2 Profile of Audited Entities

There are 37 departments in the State at the Secretariat level, headed by Additional Chief Secretaries/Principal Secretaries/Secretaries who are assisted by Commissioners/Directors and Subordinate Officers. Of these, 23 departments including 16 Public Sector Undertakings and 1,900 Autonomous Bodies/Local Bodies, falling under these departments, are under the audit jurisdiction of the Principal Accountant General (General and Social Sector Audit), Tamil Nadu.

A comparative position of expenditure incurred by the Government during the year 2017-18 and in the preceding four years is given in **Table 1.1**.

Abbreviations used in this report are listed in the Glossary at Page 238.

Table 1.1: Comparative position of expenditure

(₹ in crore)

| Disbursements | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 |
|---------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Revenue expenditure | 1,09,824 | 1,28,828 | 1,40,993 | 1,53,195 | 1,67,874 |
| General services | 35,729 | 41,655 | 45,512 | 51,452 | 60,451 |
| Social services | 45,276 | 50,349 | 54,806 | 55,297 | 59,790 |
| Economic services | 19,644 | 26,843 | 29,943 | 33,980 | 36,162 |
| Grants-in-aid and contributions | 9,175 | 9,981 | 10,732 | 12,466 | 11,471 |
| Capital expenditure | 17,173 | 17,803 | 18,995 | 20,709 | 20,203 |
| Loans and advances | 2,242 | 4,319 | 2,331 | 26,046 | 6,517 |
| Repayment of public debt | 4,977 | 6,488 | 6,605 | 8,200 | 8,991 |
| Contingency fund | 19 | Nil | 19 | Nil | Nil |
| Public account | 1,44,022 | 1,59,384 | 1,77,442 | 1,73,007 | 1,84,209 |
| Total | 2,78,257 | 3,16,822 | 3,46,385 | 3,81,157 | 3,87,794 |

(Source: Finance Accounts for the respective years)

1.3 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 Services) Act, 1971. The CAG conducts audit of expenditure of the departments of GoTN under Section 13¹ of the CAG's (DPC) Act, 1971. The CAG is the sole auditor in respect of 33 Autonomous Bodies which are audited under Sections 19(2)², 19(3)³ and 20(1)⁴ of the said Act. Audit of Government companies is also conducted under Section 19(1) of the CAG's (DPC) Act. In addition, the CAG conducts, under Section 14⁵ of the Act, audit of other Autonomous Bodies, which are substantially funded by the State Government. Audit of Urban Local bodies (ULBs) are conducted under Section 14(2) of the CAG's (DPC) Act, 1971. The CAG also provides technical guidance and support to the Local Fund Audit for audit of Local Bodies. The principles and methodologies for various audits are prescribed in the Auditing Standards and the Regulations on Audit and Accounts, 2007 issued by the CAG.

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

² Audit of the accounts of Corporations (not being Companies) established by or under law made by the Parliament in accordance with the provisions of the respective legislations.

³ 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.

⁴ 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.

⁵ 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 ₹ 1 crore.

1.4 Planning and conduct of audit

Audit process starts with the risk assessment of the Departments/organisations as a whole and that of each unit based on expenditure incurred and its type, criticality/complexity of activities, level of delegated financial powers, assessment of internal controls, concerns of stakeholders and the likely impact of such risks. Previous audit findings are also considered in this exercise. Based on this risk assessment, the frequency and extent of audit are decided. An Annual Audit Plan is formulated to conduct audit on the basis of such risk assessment.

After completion of audit of units, Inspection Reports (IRs) containing audit findings are issued to the Heads of the audited entities. The entities 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 pointed out in these IRs are processed for inclusion in the CAG's Audit Reports, which are submitted to the Governor of Tamil Nadu under Article 151 of the Constitution of India for being laid before the State Legislature.

1.5 Response to Audit

1.5.1 Draft Paragraphs and Performance Audit

Fourteen Draft Paragraphs and four draft Performance Audits were forwarded demi-officially to Additional Chief Secretaries/Principal Secretaries/Secretaries of the departments concerned between May and November 2018, requesting them to send their responses within six weeks. Departmental replies for 13 Draft Paragraphs and two Performance Audits were received. The replies received are suitably incorporated in the Report. In respect of Performance Audits, the views expressed by the representatives of the Government during Exit Conferences were considered while finalising the Report.

1.5.2 Pendency of Inspection Reports

(a) As on March 2018, 4,798 IRs issued to various departments and their subordinate offices with 18,018 paragraphs remained outstanding for more than six months as detailed in **Appendix 1.1**.

(b) In respect of ULBs, 605 IRs with 2,738 paragraphs remained outstanding for more than six months as on 31 March 2018.

1.6 Audit observations on Performance Audit

This Report contains four Performance Audits. The focus was on auditing the specific programmes/schemes and offering suitable recommendations with the intention to assist the Executive in taking corrective action and improving service delivery to the citizens. Significant audit observations are discussed below:

1.6.1 Road Safety System in Tamil Nadu

During the last five years, the State had the highest number of road accidents and the second highest number of fatalities at all India level. The State performed poorly in terms of the number of road accidents as a proportion to the vehicle population as well as road length. Despite being the first State to frame a Road Safety Policy and attempt an institutional framework for road safety measures, the goals set were not fully achieved. The number of road accidents kept increasing, despite the silver linings in terms of a marginal dip in the number of road accidents as a proportion of the vehicle population and road length. The Performance Audit on Road Safety System disclosed lapses in planning, enforcement and emergency care as detailed below:

- Absence of proper testing tracks and poor quality of testing of applicants compromised the quality of drivers on the roads, posing threat to road users. Inadequate testing and ignorance combined with non-observance of traffic rules contributed to driver error being responsible for 77 *per cent* of accidents.
- Under reporting of accident data, including fatalities, to an extent of 33 *per cent* in the sampled districts, made the accident data incomplete.
- Enforcement was ineffective due to non-prosecution of offenders driving motor vehicles without driving licence, failure to suspend the driving licences for drunken driving, non-revision of rates of fines for traffic rule violations for 18 years and lack of a system to identify repeat offenders, in the absence of smart card driving licences.
- Poor contract management resulted in abandoning the ambitious Integrated Traffic Management System to upgrade traffic management in Chennai City resulted in a liability of ₹ 72 crore and non-achievement of the project's objectives.
- Road engineering issues also contributed to accidents due to deviations from prescribed standards in maintenance of roads, shortfalls in conducting road safety audits and failures in rectifying 'black spots'.
- Failure to ensure implementation of decisions taken at Road Safety Council and District Road Safety Committee meetings rendered monitoring ineffective.

(Paragraph 2.1)

1.6.2 Performance Audit on Provision of Health Care Services and Medical Education through Indian Systems of Medicine

The policy of the Government is to provide holistic health care by bringing Indian Systems of Medicine (ISM) into the mainstream. Government seeks to achieve its objectives by expanding the existing network of ISM institutions, improving the quality of medical education, etc. The significant audit observations are:

- Delays in procurement of equipment resulted in huge sums lying in the bank accounts of Tamil Nadu Medicinal Plant Farms and Herbal Medicine Corporation Limited (TAMPCOL) and State AYUSH Society. The Department parked unutilised funds with TAMPCOL.
- The shortage of manpower across various posts ranged from 10 to 38 *per cent* in regular ISM wings, 48 *per cent* in ISM wings created under NRHM and up to 100 *per cent* in ISM wings created under AYUSH.
- Out of 297 ISM wings in the sampled districts, 31 stopped functioning and 25 functioned for four days or less per week due to shortage of medical personnel.
- TAMPCOL, the PSU which manufactures and supplies medicines to ISM wings supplied only 47 and 50 *per cent* of the total quantity of medicines indented by the hospitals/wings during 2016-17 and 2017-18 respectively due to inadequate provision of funds and short production. No medicines were supplied to Unani wings during 2016-17.
- During 2013-18, 82 drugs found to be 'Not of Standard Quality' could not be frozen or recalled immediately from distribution due to delay in drug testing on account of shortage of staff in drug testing laboratory.
- Ayurveda, Unani and Homoeopathy colleges of Government did not offer Post Graduate courses, hampering expansion of the reach of ISM.
- The Research and Development wing sanctioned by Government in 2013 at a cost of ₹ 12 crore did not start functioning even as of August 2018 and the assets created were lying idle due to lack of coordinated action in procuring equipment and recruiting staff.

(Paragraph 2.2)

1.6.3 Computerisation of functions in Urban Local Bodies

GoTN launched the Urban Tree Information System as an e-Governance tool to improve service delivery by Urban Local Bodies. The system envisaged timely, cost-effective and transparent service delivery with ease of access and seamless flow of information across all levels. The Performance Audit on Computerisation of functions in Urban Local Bodies covering the period 2013-18 revealed improvements in the system in terms of availability of a centralised database for ease of transactions and facilitation of online tracking of service requests, etc. Deficiencies were noticed in planning, implementation of modules and monitoring.

- Urban Tree Information System adopted Closed Source Software in place of Open Source Software resulting in avoidable recurring liability of ₹ 1.73 crore per annum.
- Licences procured for Disaster Recovery software at a cost of ₹ 2.62 crore expired without utilisation.
- The Citizen Web Portal provided only limited services defeating the objective of ‘Anywhere Anytime’ services to the public.
- The Grievance Redressal system module did not provide for toll free complaints. The project scheduled for completion in two phases by August 2015 was under progress even as of December 2018.
- Implementation of the project under various modules had deficiencies such as inaccuracies in data migration, non-correlation of mandatory fields in tables across various modules, incorrect capture of data, incorrect cancellation of assessments, missing demands and leakage of revenue.

(Paragraph 2.3)

1.6.4 Observance of Development Regulations for planning permission and building licence in Chennai Metropolitan Area

The Chennai Metropolitan Area measuring 1,189 square kilometres, cuts across three districts in the State of Tamil Nadu viz., Chennai, Kancheepuram and Tiruvallur. The local bodies under Chennai Metropolitan Area include the Greater Chennai Corporation, eight Municipalities, 11 Town Panchayats and 179 Village Panchayats in 10 Panchayat Unions. All types of building developments within Chennai Metropolitan Area limits require planning permission and building licence. The grant of planning permissions within Chennai Metropolitan Area is regulated in accordance with the Development Regulations forming part of Second Master Plan for Chennai Metropolitan Area. The Performance Audit on observance of Development Regulation for planning permission and building licence in Chennai Metropolitan Area covering the period from 2013 to 2018, conducted between April and September 2018, revealed the following:

- Planning permissions were issued for the construction of ordinary buildings with more than permissible floor area. Additional floors were constructed without planning permission. Structural stability of buildings was not ensured by local bodies.
- Local bodies and Chennai Metropolitan Development Authority did not explore the options for creation of green cover within Chennai Metropolitan Area despite availability of funds.
- Incorrect adoption of various parameters for calculation of floor space index resulted in non-assessment of premium floor space index charges of ₹ 66.94 crore.
- Provision of inadequate parking facilities was in violation of specified parameters. Enforcement Cell to monitor and control the unauthorised buildings was not strengthened.

(Paragraph 2.4)

1.7 Audit observations on Compliance Audit

We observed several deficiencies in critical areas, which had adverse impact on effective functioning of Government departments/organisations. Key audit findings of compliance issues are as under:

Implementation of “Hogenakkal Water Supply and Fluorosis Mitigation Project”

With a view to mitigate Fluorosis and to provide sustainable and protected drinking water to Dharmapuri and Krishnagiri districts, Government implemented “Hogenakkal Water Supply and Fluorosis Mitigation Project”. Audit scrutiny revealed that the inadequate supply of protected water through the “Hogenakkal Water Supply and Fluorosis Mitigation Project”, coupled with mixing of ground water with the river water, defeated the objective of supplying safe and potable drinking water. The Project failed in addressing the impact already caused by Fluorosis because of underperformance and deficiencies in household survey, inadequate micronutrient supply and corrective dental and orthopedic surgeries. Fluorosis mitigation activities require active co-ordination with the Public Health Department. Lapses in execution of civil works resulted in avoidable expenditure of ₹ 2.51 crore and the widening gap between O&M expenditure and revenue posed threat to proper maintenance of the project and its financial viability.

(Paragraph 3.1)

Irregular procurement resulted in an avoidable expenditure of ₹ 4.29 crore in respect of medical kits supplied to the seven sampled Medical College Hospitals as the equipment procured were neither required nor put to use. This raised a question on the entire procurement at a cost of ₹ 10.60 crore.

(Paragraph 3.2.1)

Failure of the University of Madras to assess the demand for new hostel facility resulted in non-utilisation of newly constructed hostel building for more than three years and consequent unfruitful expenditure of ₹ 10.10 crore.

(Paragraph 3.2.2)

Irregular purchase of two Ayurvedic medicines by Employees' State Insurance (ESI) hospitals and Director of Medical and Rural Health Services (ESI) resulted in an avoidable expenditure of ₹ 2.67 crore.

(Paragraph 3.2.3)

Tamil Nadu Water Supply and Drainage Board laid pipes without obtaining the mandatory permission from National Highways Authorities of India, leading to avoidable expenditure of ₹ 2.42 crore.

(Paragraph 3.2.4)

Cafeterias and common rooms constructed at a cost of ₹ 1.35 crore were kept idle for more than six years at Chengalpattu Medical College, Chengalpattu and more than two years at Mohan Kumaramangalam Medical College, Salem, for want of basic amenities and Rent Reasonableness Certificate from Public Works Department.

(Paragraph 3.2.5)

Lack of concerted efforts in completing a hostel project for working women resulted in an avoidable expenditure of ₹ 1.05 crore and idling of central assistance of ₹ 2.48 crore in bank account. The objective of the scheme was also not achieved in full even after 10 years of its sanction, leading to estimated escalation of project cost by ₹ 20.54 crore.

(Paragraph 3.2.6)

Irregular award of ₹ 5.12 crore Annual Maintenance Contract for computer systems and electronic devices by the Director of Public Libraries and lack of due diligence in contract management resulted in avoidable expenditure of ₹ 0.85 crore.

(Paragraph 3.2.7)

Non-compliance to applicable codal provisions and deviations from financial propriety resulted in loss of ₹ 124.43 crore to the Government in the implementation of the scheme for free distribution of electric fans, mixies and grinders to women beneficiaries in the State.

(Paragraph 3.3.1)

In violation of scheme guidelines and the directions of Hon'ble Supreme Court, Tamil Nadu Construction Workers Welfare Board diverted ₹ 44.24 crore from Manual Workers General Welfare Fund for construction of building to house Government offices.

(Paragraph 3.3.2)

Inordinate delay in revising and fixing lease rent resulted in non-realisation of revenue of ₹ 4.10 crore.

(Paragraph 3.3.3)

The objective of establishing Bio-Methanation-cum-Power Generation Plant at a cost of ₹ 89.75 lakh in Tiruttani Municipality in Tiruvallur District remained unachieved for want of desired quantity of bio-degradable waste

(Paragraph 3.3.4)

Improper planning and non-adherence to International Hockey Federation standards resulted in non-utilisation of artificial hockey turf created at a cost of ₹ 3.24 crore.

(Paragraph 3.3.5)

Incorrect assessment of property tax resulted in loss of revenue of ₹ 40.02 lakh and short levy of ₹ 67.51 lakh.

(Paragraph 3.4.1)

1.8 Recommendations

This Report contains specific recommendations on a number of issues involving non-observance of the prescribed internal procedure and systems, compliance with which would help in promoting good governance and better oversight on implementation of departmental programmes and objectives at large. The State Government is requested to take cognizance of these recommendations and take appropriate action in a time bound manner.

1.9 Follow-up on Audit Reports

The Committee on Public Accounts of the Legislature prescribed a time limit of two months from the date of placement of the Audit Reports for furnishing Explanatory Notes by Government departments on the audit observations included in the Audit Report. The Explanatory Note should indicate the corrective action taken or proposed to be taken by them.

The position of pendency of paragraphs/Performance Audits, for which Explanatory Notes were not received as of 31 December 2018 is shown in **Table 1.2**.

Table 1.2: Paragraphs/PAs for which Explanatory Notes not received

| Details of number of Paras/Performance Audits for which Explanatory Notes are awaited | Audit Report | | | |
|---|--------------|---------|---------|---------|
| | Upto 2013-14 | 2014-15 | 2015-16 | 2016-17 |
| General and Social Sector | 52 | 16 | 31 | 11 |
| Local Bodies | 101 | 12 | 18 | 9 |

Further, Government departments are to submit Action Taken Notes (ATNs) on the recommendations of PAC. As of December 2018, Government Departments did not furnish ATNs on 1,656 recommendations made by PAC in respect of Audit Reports on Civil, State Finances, General and Social Sector and Local Bodies pertaining to the period 1973-74 to 2010-11.