

OVERVIEW

This Audit Report includes two Chapters containing observations on the Finance and the Appropriation Accounts of the Government of Tamil Nadu for the year 2004-05 and three others comprising five reviews (including one information and technology review) and one long paragraph and 24 paragraphs dealing with the result of performance audit of selected programmes and schemes as well as audit of the financial transactions of the Government.

The audit has been conducted in accordance with the Auditing Standards prescribed for the Indian Audit and Accounts Department. Audit samples have been drawn based on statistical sampling methods as well as on judgement basis. The specific audit methodology adopted for programmes and schemes has been mentioned in the reviews. The audit conclusions have been drawn and the recommendations made taking into consideration the views of the Government, wherever received.

A summary of the financial position of the State and the audit findings is given below.

1 Financial Position of the State Government

The revenue receipts of the State Government during 2004-05 were Rs 28,452 crore, registering an increase of 20 *per cent* over 2003-04. The revenue expenditure during the year was Rs 29,155 crore, an increase of 15 *per cent* over 2003-04. Consequently, the revenue deficit declined to Rs 703 crore during 2004-05 from Rs 1,565 crore in the previous year. This positive development enabled reduction of fiscal deficit as well as primary deficit. However, return on investment of the Government funds in companies, co-operative units etc., was only 0.9 *per cent* during the year while the Government continued to borrow funds from market at a higher rate of interest. The fiscal liabilities of the State Government was almost double its revenue receipts during the year. The percentage of total expenditure to revenue receipts was 122, indicating that only about 82 *per cent* of the State's total expenditure was met from its current revenues, leaving the balance to be financed by borrowings.

(Paragraphs 1.1 to 1.12)

2 Allocative Priorities and Appropriation

During 2004-05, expenditure of Rs 44,683.66 crore was incurred against the total grants and appropriations of Rs 48,661.52 crore, resulting in a saving of Rs 3,977.86 crore. The overall saving was the result of saving of Rs 3,980.68 crore offset by excess of Rs 2.82 crore. This excess requires regularisation under Article 205 of the Constitution of India. Substantial surrenders of Rs 4,494.33 crore representing 85 *per cent* of total provision of Rs 5,285.01

crore in respect of 148 schemes were made on account of either non-implementation or slow implementation of schemes. Of these, the entire provision of Rs 734.27 crore made for 46 schemes was surrendered. Reappropriation proved excessive or insufficient and resulted in savings/excess over Rs 10 lakh in 467 sub-heads, of which the savings/excess was more than Rs two crore in 62 cases.

(Paragraphs 2.1 to 2.7)

3 *Implementation of Acts and Rules relating to Consumer Protection*

The Consumer Protection Act, 1986 was enacted by the Parliament for better protection of the interests of the consumers.

Due to non-functioning of District Consumer Information Centres in all the districts of the State, the awareness about the Consumer Protection Act was lacking among the consumers. Out of the Government of India grant of Rs 2.70 crore received during 1995-97 for strengthening the infrastructure facilities for the State Consumer Disputes Redressal Commission and 22 District Consumer Disputes Redressal Forums only Rs 1.05 crore were utilised and building had been constructed for only one District Forum. The State and District Councils did not meet as frequently as prescribed. Failure of the State Government to fill up vacancies in the posts of the President of District Forums resulted in decline of cases disposed of by the District Forums from 5,723 in the year 2000 to 3,185 in 2004 and caused delay in redressal of grievances of consumers.

(Paragraph 3.1)

4 *Integrated Audit of Animal Husbandry Department*

In the first three years of the Tenth Plan, expenditure was only 39 *per cent* of the proportionate outlay. Due to staff vacancies in Artificial Insemination Centres and steep fall in the number of bulls maintained for production of Frozen Semen Straws, the number of Artificial Inseminations declined from 32.35 lakh in 2000-01 to 29.23 lakh in 2004-05. The cost of Liquid Nitrogen produced Departmentally was higher than that procured from market during 2002-05 and led to excess expenditure of Rs 51.07 lakh. Expenditure of Rs 43.80 lakh on Embryo Transfer Technology remained largely unfruitful and the objective of producing quality bulls in large numbers through this technology suffered. The services rendered by veterinary institutions was over stretched as the average number of cattle units served per institution was 9,939 against the norm of 5,000. Failure of Institute of Veterinary Preventive Medicine, Ranipet to adhere to "Good Manufacturing Practices", a mandatory provision stipulated by the Government of India, led to denial of renewal of its licence for production of vaccines and pharmaceutical products. Per capita availability of milk, the most important livestock product, decreased from 219 grams per day in 2001-02 to 206 grams per day in 2004-05 and was well below the level of 232 grams per day at National level.

(Paragraph 3.2)

5 Computerised Billing and Collection in the Chennai Metropolitan Water Supply and Sewerage Board

The major source of revenue of the Chennai Metropolitan Water Supply and Sewerage Board is Water and Sewerage Tax payable by all the owners of the property and Water/Sewerage Charges payable by those having water/sewerage connection. Incorrect adoption of 'Usage of a Property' (domestic, commercial, etc.) having a bearing on the calculation of Water/Sewerage Charges resulted in short raising of demand of Rs 1.30 crore. Failure to adopt the latest Annual Value of property, which is the basis for demanding Water/Sewerage Tax resulted in short assessment of tax to the tune of Rs 4.97 crore. Loss of interest of Rs 93.67 lakh was suffered on account of short assessments done earlier and corrected at the instance of audit. Lack of controls to ensure complete transfer of updated data from the Corporation of Chennai relating to Annual Value of assessed properties resulted in under-assessment. Due to non-matching of assessee codes between the Corporation and the Board, upward revision of Annual Value of properties relating to the concerned assessees could not be entered into the Board's computer system. Based on the observations of audit, the Board raised additional demands aggregating Rs 22.95 crore after adoption of correct usage and rectification of deficiency of non-adoption of the latest Annual Value.

(Paragraph 3.3)

6 Augmentation of Water Supply to Chennai city from Veeranam tank

Government took up two projects and two contingency schemes to provide drinking water supply to Chennai city with the aim of increasing the storage capacity of Veeranam tank and the transmission of water. The works were implemented by the Public Works Department and the Chennai Metropolitan Water Supply and Sewerage Board (Board).

A Review of the Project revealed that the decision to avail subsequent instalments of a loan without considering the option of other available loans at lower rate of interest resulted in extra liability of Rs 82.43 crore. The Board failed to avail the benefit of Rs 1.68 crore on interest payments offered by the Life Insurance Corporation of India for reducing the rate of interest on payment of compensation. Failure to provide shutters and inadequate height of the concrete structure in foreshore bund resulted in wastage of water; besides, the objective of storage of additional water was not achieved. An extra expenditure of Rs 295.21 crore was incurred under the Project due to (a) delay in finalisation of tenders and commencement of works (Rs 246.25 crore), (b) failure to define the tender specifications without ambiguity (Rs 11.59 crore), (c) failure to consider economical option without affecting the quality of work (Rs 7.95 crore) which also resulted in provision of infrastructure in excess of requirement, (d) failure to ensure the fulfillment of contract conditions (Rs 20.43 crore) and (e) unnecessary sinking of 15 borewells without requirement and pre-project expenditure on a dropped project (Rs 8.99 crore).

(Paragraph 3.4)

7 Sampoorna Grameen Rozgar Yojana

Sampoorna Grameen Rozgar Yojana is being implemented with the primary objective of providing additional wage employment to poor in all rural areas and thereby providing food security.

Programme funds to the tune of Rs 7.22 crore in Coimbatore and The Nilgiris districts were diverted to small savings during 2001-05. The entire wage component of Rs 3.87 crore was paid in the form of rice in Coimbatore and Villupuram districts. In Coimbatore, Salem and Thanjavur districts, 2958.240 MT of rice valuing Rs 3.49 crore was diverted from the programme to Public Distribution System during 2002-05. Expenditure of Rs 52.79 crore was noticed to have been incurred on 5,077 works in all the test checked districts, which were not permitted to be taken under the scheme.

(Paragraph 3.5)

8 Internal Control and Internal Audit in Prison Department

The Internal Control System in Prison Department was not fully effective as indicated by deficiencies in following rules and directives of Government/ Department regarding budget preparation and control over performance of prison industries. Despite ban on filling up vacancies, the Department included provision of salary against vacant posts. The envisaged compensation to victims affected by crimes of the prisoners was not paid despite availability of amount in the fund created for this purpose. Rehabilitation measures undertaken were not adequate. Some prisons in the State were overcrowded and the one at Madurai had excess lodging ranging between 57 and 231 *per cent* during 2002-05. Under-utilisation of capacity in prison industries caused loss of mandays of captive labour and in deprivation of wages to prisoners. Entrustment of administrative and internal audit works to the same staff defeated the independence of internal audit. Absence of Internal Audit Manual, delay in finalising the audits and in issuing audit reports indicated that the Internal Audit System was not put to effective use.

(Paragraph 5.1)

9 Audit of Transactions

Besides the above, audit of financial transactions, test checked in various Departments of the Government and their field offices revealed instances of wasteful expenditure and other irregularities involving Rs 86.41 crore as mentioned below:

Wasteful/unfruitful expenditure and excess payments of Rs 21.26 crore was noticed in Public Works (Rs 13.31 crore), Municipal Administration and Water Supply (Rs 5.39 crore), Health and Family Welfare (Rs 1.21 crore), Highways (Rs 0.53 crore), Higher Education (Rs 0.27 crore) Departments,

besides the unfruitful expenditure of Rs 0.55 crore due to delay in issue of posting orders in Home, Public and Environment and Forest Departments.

(Paragraphs 4.1.1 to 4.1.7)

Avoidable expenditure of Rs 6.05 crore was noticed in Public Works Department.

(Paragraphs 4.2.1 to 4.2.3)

Idle investments/blocking of funds aggregating Rs 22.55 crore were noticed in Municipal Administration and Water Supply (Rs 16.54 crore), Health and Family Welfare (Rs 4.49 crore), Public Works (Rs 0.86 crore) and Small Industries (Rs 0.66 crore) Departments.

(Paragraphs 4.3.1 to 4.3.5)

Apart from these, there were regularity issues and other points aggregating Rs 36.55 crore in Labour and Employment (Rs 21.83 crore), Finance (Rs 9.75 crore), Backward Classes, Most Backward Classes and Minorities Welfare (Rs 3.02 crore), Municipal Administration and Water Supply (Rs 0.81 crore), Health and Family Welfare (Rs 0.68 crore) and Public Works (Rs 0.46 crore) Departments. Among these, one case relates to purchase of medicines in excess of normative ceiling for Employees' State Insurance dispensaries resulting in extra financial burden of Rs 10.26 crore to the State Government.

(Paragraphs 4.4.1 to 4.4.8)