

CHAPTER IV
AUDIT OF TRANSACTIONS

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AUDIT OF TRANSACTIONS

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

4.1 Fraud, misappropriation/embezzlement/losses detected in audit

PUBLIC WORKS DEPARTMENT

4.1.1 Payment on the basis of fictitious measurements

Payment of Rs 96.61 lakh was made by recording fictitious measurements towards receipt of materials and execution of works.

The work of design, manufacture, supply, erection, testing and commissioning of radial gates in the spillway of Shenbagathope reservoir in Thiruvannamalai District was entrusted to a contractor in July 2004 for Rs 1.55 crore. The agreement envisaged commissioning of seven sets each of embedded parts, radial gates, hoists and deck bridges. Forty *per cent* of quoted price of these items was to be released on delivery of completed sets, 50 *per cent* on erection and the balance 10 *per cent* on satisfactory commissioning and issue of completion certificate. The Executive Engineer, Shenbagathope Reservoir Project Division (EE) paid Rs 1.34 crore during July 2004 (Rs 72.10 lakh), October 2004 (Rs 35.16 lakh) and January 2005 (Rs 26.98 lakh) to the contractor based on the fictitious recordings in the Measurement Books.

As the work was not completed by the scheduled date of completion (April 2005) even after making payment of more than 80 *per cent* to the contractor by January 2005, Audit called for the reasons in February 2006. A new EE, who took over charge in March 2006 correlated (8 March 2006) the actual supply of material with the recordings in Measurement Books and reported to the Special Chief Engineer, Project Circle, Vellore (Spl. CE) that (a) seven sets of embedded parts and two sets of radial gates had only been supplied and erected (b) erection work in respect of one more radial gate was in progress and (c) no other material were available at site. The payment to be made to the contractor for the actual supply and erection was only Rs 37.63 lakh. The Spl. CE as instructed by the Chief Engineer, Chennai (CE, Chennai), ordered to stop the work immediately. The erred EE was placed under suspension. Meanwhile, the contractor had brought the materials to site on 9 March 2006 and 16 March 2006 but the CE, Chennai had not permitted the resumption of the work.

It is evident from the above that the EE had made payment without receipt of materials and for items of work which were not actually

executed by the contractor. The Superintending Engineer who inspected the site in August 2005 failed to correlate the payments with the works actually executed. The fictitious payment on this account worked out to Rs 96.61 lakh.

The matter was referred to the Government in June 2006; reply had not been received (December 2006).

4.2 Wasteful/unfruitful expenditure and excess payment

PUBLIC WORKS DEPARTMENT

4.2.1 Delay in construction of a high level bridge

Delay in finalisation of tender and commencement of bridge work rendered the expenditure of Rs 3.79 crore incurred on the road unproductive for over two years.

Irukkangudi Reservoir Project, taken up (October 1998) at the confluence of Vaippar and Arjuna rivers in Virudhunagar District, included formation of a road for 3.7 km with a high level bridge across Arjuna river as a portion of existing Sattur-Nenmeni road lying in the water spread area of the reservoir. The reservoir and the road work, except the bridge, were completed in March 2004.

The tender for the bridge work called for in September 2002 was rejected due to high premium and the re-tender in July 2003 did not evince any response. Only one contractor was prequalified in the third tender (September 2003) and his tender for Rs 3.46 crore was recommended by the Superintending Engineer, Vaippar Basin Circle, Virudhunagar (November 2003) on the ground that the estimate for the work at the current market rate of materials would be Rs 3.58 crore. The Tender Award Committee, without considering these and urgency of completing the bridge work before completion of the reservoir work, delayed the finalisation of tender and accepted it only in June 2004. Though the work was to be completed in six months and the foundation works in the river portion completed before the onset of monsoon in October, the Executive Engineer (EE) of the Project had not handed over the site to the contractor to commence the work. Further, he stored water in the reservoir to test its stability and released the water in the river course in May 2005.

When the site was handed over to the contractor in June 2005, he demanded escalation on the ground that the rates were quoted in September 2003. The EE, however, continued to press the contractor to commence the work and water was again stored in the reservoir during November 2005 rains. The work was finally commenced in July 2006 and was under progress (September 2006).

Thus, the inordinate delay in finalising the tender and non-entrustment of site to the contractor delayed the construction of the bridge. This resulted in non-utilisation of the road constructed at a cost of Rs 3.79 crore for more than two years.

The matter was referred to the Government in July 2006; reply had not been received (December 2006).

REVENUE AND PUBLIC WORKS DEPARTMENTS

4.2.2 Unproductive expenditure due to delay in land acquisition

Failure to provide adequate funds for land acquisition and the delay in initiation of land acquisition proceedings resulted in unproductive expenditure of Rs 6.74 crore.

To irrigate 458 acres of land, the work of formation of a new tank across Nayodai in Dindigul District along with formation of canals was taken up in March 2001 for completion in 15 months. Though the tank was formed (March 2005) the excavation of four kilometre (km) out of 4.75 km of main canal and the entire length of branch canal (4.785 km) were not completed (May 2006) due to non-acquisition of land required for the work. Rupees 6.74 crore was spent as of May 2006.

Audit scrutiny (June 2006) revealed the following:

Revenue Department initiated action (June and September 2000) to acquire the land required for bund formation and head works under urgency clause of Land Acquisition (LA) Act and passed the award in December 2002. The work taken up (March 2001) in head works by obtaining consent letter from the landowners could not be continued for want of funds for payment of compensation to landowners. When this was pointed out by Audit in January 2004, the Department obtained funds in Revised Estimate and took over the land in March 2004. The tank was formed by March 2005.

Even though the Executive Engineer, Amaravathy Basin Division, Karur (EE) had sent proposals for acquiring the land required for canal formation to the District Collector, Dindigul in full shape (October 2001) the Revenue Department had not initiated action to acquire land under urgency clause as was done for head works. Only when the District Collector sought for the proposals (April 2005) based on a Press report, the Revenue Divisional Officer (RDO) demanded (May 2005) advance payment of Rs 12.14 lakh for processing the acquisition.

The LA Act provides for payment of 80 *per cent* of land cost before taking over the land under urgency clause. Though there was a provision of Rs 7.91 lakh in the Budget for making 80 *per cent* advance payment to landowners for taking over the land, the EE had not released it to Revenue Department to initiate acquisition proceedings. Instead, he sought additional funds (June 2005) by re-appropriation and deposited Rs 12.14 lakh in March 2006. The RDO had sent proposals for issuing notification under section 4(1) of LA Act to the District Revenue Officer only in August 2006 and the notification was not issued till September 2006.

Thus, the failure of the Department to provide funds for acquisition of land and the failure of the Revenue Department to initiate action to acquire the land required for excavation of canals rendered the expenditure of Rs 6.74 crore unproductive for more than a year. Besides, the delay also resulted in

non-utilisation of water realised in the tank site during 2004-05 and 2005-06 for irrigation.

The matter was referred to the Government in June 2006; reply had not been received (December 2006).

HIGHER EDUCATION DEPARTMENT

4.2.3 Release of ineligible grant

Non-verification of net deficit before release of grant resulted in release of ineligible grant of Rs 3.89 crore to Periyar University during 2001-2004. Failure of the University to invest the surplus funds in the institution providing higher rate of interest resulted in interest loss of Rs 56.83 lakh.

Government of Tamil Nadu sanctions block grants every year to universities to meet committed expenditure on a net deficit basis with reference to their normal annual income and expenditure as certified by the Director of Local Fund Audit (Director).

Periyar University was established at Salem in September 1997 and the audit of accounts of the university was entrusted to Director only in May 2000 and the same was completed upto the year 2003-04 between January 2001 and July 2005¹. Annual block grant payable to other universities was revised in May 1999 with reference to normal net deficit as reported by the Director in the audit report for the year 1996-97. As Periyar University was established only in September 1997 it was not covered by the above order and block grant was being sanctioned based on proposals year after year.

Government, while releasing (March 2001) grant for the year 2000-01, directed the Registrar, Periyar University to obtain and send audit certificate from the Director for further release of grants. The State Government continued to release the block grant without verifying the net deficit with reference to normal income and expenditure and thus also disregarded its instructions. The audit of the accounts of the university conducted revealed that the university had net surplus funds during 2001-05 and therefore was ineligible to receive block grants.

Despite this the State Government released Rs 3.89 crore² as block grant for the years 2001-02 to 2003-04 between March 2002 and March 2004. The Government, however, stated in the release orders that no further grant would be released for the next year without audit certificates of previous years. The failure of the State Government to ascertain the net deficit before

¹ 1997-98 and 1998-99 accounts in January 2001; 1999-2000, 2000-2001 and 2001-02 accounts in September 2003; 2002-2003 accounts in June 2004 and 2003-04 accounts in July 2005.

² 2001-02 Rs 88.63 lakh released in March 2002; 2002-03 Rs 199 lakh released between September 2002 and March 2003 and 2003-04 Rs 100.95 lakh released in March 2004. Total Rs 388.58 lakh or Rs 3.89 crore.

release of grant resulted in release of ineligible grant of Rs 3.89 crore to the university for the years 2001-04.

The University, while receiving ineligible grants from the Government during 2001-04 as brought out above, did not employ its surplus funds in a more gainful manner as discussed below.

Section 32 of the Periyar University Act, 1997 stipulates that there shall be a Finance Committee for reviewing the financial position of the University from time to time and it shall make recommendation to the syndicate of the University on every proposal involving investment for approval and on all matters relating to finances of the University.

The Finance Committee in its meeting on 21 November 2003 resolved to deposit the surplus funds in Tamil Nadu Power Finance Development Corporation (TNPFD). During December 2003 to April 2004, the University invested surplus funds of Rs 6.44 crore in the TNPFD for a period of three years with rates of interest ranging from 7.23 to 7.76 *per cent*. It was observed that the University invested surplus funds of Rs 14.42 crore for a period of three years with four³ Nationalised banks between September 2003 and April 2004 at rates of interest ranging from 5.25 to 6 *per cent*. It was further noticed that in these cases, the investments already made having matured, were reinvested in the same banks with the approval of syndicate of the university without ascertaining the rates of interest offered by various other financial institutions. Rupees 5.69 crore out of the above 14.42 crore was deposited after November 2003 against the spirit of the recommendation of the Finance Committee in November 2003.

The failure of the University in investing surplus funds judiciously in the institution, which offered maximum benefit, resulted in loss of interest of Rs 56.83 lakh⁴. On this being pointed out, the Registrar replied that surplus funds were kept in banks for meeting anticipated expenditure.

The reply of the Registrar is not tenable as the University already had Rs 22.92 crore in the term deposits of one year/two year maturing between May 2004 and June 2006. Further, the University had not foreclosed any deposit so far (April 2006).

The matter was referred to the Government in May/June 2006; reply had not been received (December 2006).

³ Canara Bank, Central Bank of India, State Bank of India and Union Bank of India.				
⁴ Deposits made in Banks	Amount (Rs in crore)	Interest payable by banks (Rs in lakh)	Interest if deposited in TNPFD (Rs in lakh)	Difference (Rs in lakh)
Between September 2003 and 15.3.2004	11.94	228.51	@ 7.76 % 277.87	49.36
After 15.3.2004	2.48	46.40	@ 7.23 % 53.87	7.47
Total				56.83

**MUNICIPAL ADMINISTRATION AND WATER SUPPLY
DEPARTMENT**

**CHENNAI METROPOLITAN WATER SUPPLY AND
SEWERAGE BOARD**

4.2.4 Excess expenditure on purchase of pipes

Failure to avail of the lower rates offered by a new manufacturer resulted in excess expenditure of Rs 1.52 crore.

To ensure quality, the Chennai Metropolitan Water Supply and Sewerage Board (Board) introduced (April 2005) a new tender condition of five years experience in the manufacture and supply of each size of pipes in the tender called for (April 2005) for fixing annual rate contract for 2005-06 for supply and delivery of various sizes of Ductile Iron (DI) pipes. Owing to objections by new entrants, the Board relaxed this condition and proposed to place orders for supply of 10 *per cent* of the tendered quantity on the new manufacturers⁵ if their rate was the lowest. Consequently, annual rate contract for supply of 10 *per cent* of the tendered quantity of various sizes of DI pipes were concluded by the Board with firm 'A' which commenced production in March 2005. Negotiations with the other two tenderers to match their rates with firm 'A' proved futile as they refused stating that the factory of firm 'A' was eligible for a host of concessions as it was located in a backward area. Hence, the annual rate contract for the remaining quantity was concluded with the other two tenderers at higher rates.

The introduction of a new tender condition was not justified as the tender notice contained the following clauses to ensure quality:

- The tenderer should be a licence holder of Bureau of Indian Standards.
- The product should conform to the quality management system standard ISO 9001:2000.
- Third party inspection for ensuring quality before supply.
- Warranty of five years.
- Additional special performance bond valid for five years for a value of 10 *per cent* of supply.

Firm 'A' satisfied the above stipulations. The firm was approved by DGS&D and quality of material could be ensured through the quality assurance wing of DGS&D. They also offered further reduction of 0.5 *per cent* for orders from 25 to 50 *per cent* of the tendered quantity and one *per cent* for orders for more than 50 *per cent* of the tendered quantity. The Board failed to avail the competitive rates of firm 'A' on account of arbitrary insertion of clause that limited purchase from 'A' resulting in excess expenditure. Thus on total procurement made from August 2005 to March

⁵ Manufacturers having valid Bureau of Indian Standards licence and commenced commercial production within three years of tender notice.

2006 amounting to Rs 15.91 crore on which the savings that were available had the supplies been sourced from 'A' would have been of the tune of Rs 1.52 crore.

Incidentally, it was noticed that the other two tenderers had also not satisfied the qualification criteria prescribed in the tender⁶ for 700 mm to 1,000 mm pipes but the condition was relaxed and purchases were made at higher rates which were Rs 16.38 to Rs 1,956.68 higher on per meter basis for various diameters of pipes when compared with rates of firm 'A'.

The matter was referred to the Government in July 2006; Government stated (October 2006) that though the firm 'A' quoted lesser rate, orders were restricted to 10 *per cent* to protect against the risk of non-supply, defective/inadequate supply. The reply was not tenable as the rate contract was not for a single project and procurement would spread throughout the year for eventual use of pipes in various projects. Hence, the Board could enforce the agreement conditions in case of non-fulfilment of the obligation by the firm.

4.2.5 Wasteful expenditure on electricity charges

Excess assessment of contract demand for electricity to handle the sewage to be generated led to wasteful expenditure of Rs 28.92 lakh on account of higher demand charges.

To handle the sewage to be generated on completion of Stage II of Krishna Water Supply Project (KWSP) which would provide 530 million litres per day (mld) of water to Chennai city, the Chennai Metropolitan Water Supply and Sewerage Board (Board) took up the improvement of existing sewage pumping stations and also setting up of new pumping stations.

Test check of the records of the Board revealed (June 2006) that Tondiarpet F sewage pumping station, one among the newly setup pumping stations, was provided with four pump sets, each with a pumping capacity of 54 mld to handle the sewage expected to be generated on completion of KWSP Stage II. While commissioning the pumping station in September 2002, the Board obtained High Tension Power connection with contract demand of 900 Kilo Volt Ampere (KVA) for operating all the four pump sets. Two pump sets would have been sufficient to handle the waste water generated till the completion of Stage II of KWSP. The Board was aware that operation of four pump sets would not be required to handle the sewage generated at that time. Though infrastructure was created to handle sewage generated on completion of Stage II of KWSP, the power should have been obtained for the actual requirement and increased as and when necessary. The Board failed to do this. This had led to the wasteful expenditure. As the Board initially failed to assess the contract demand correctly, the expenditure was avoidable. Actually, the completion of the project was delayed and the Board operated only two pump sets even after 2004.

⁶ The tenderer should have manufactured and supplied at least one third of the tendered quantity in each size of pipes in the past five years.

Consequently, Board requested (April 2004) Tamil Nadu Electricity Board (TNEB) to reduce the contract demand to 400 KVA based on the actual demand realised (376 KVA). After payment of Rs 2 lakh towards charges for reduction of demand (September 2004) and service connection charges (January 2005) the demand was reduced to 400 KVA from April 2005. As the Board had to pay demand charges to TNEB on the demand actually recorded or the contract demand⁷ which ever is higher, it incurred excess expenditure of Rs 28.92 lakh during September 2002 to March 2005.

Thus, failure of the Board to assess the contract demand required to handle the actual sewage generated led to wasteful expenditure of Rs 28.92 lakh on account of higher demand charges.

The matter was referred to the Government in July 2006; reply had not been received (December 2006).

MUNICIPAL ADMINISTRATION AND WATER SUPPLY DEPARTMENT

4.2.6 Non-implementation of seawater desalination project

Government's indecision in selecting an agency for implementation of desalination project in Chennai resulted in an unfruitful expenditure of Rs 1.31 crore.

To augment water supply to Chennai City, the Government proposed (April 2003) a seawater desalination project on build, own, operate and transfer (BOOT) basis through the Chennai Metropolitan Water Supply and Sewerage Board (Board). As this was getting delayed, Government, keeping in view the acute water crisis, chose (December 2003) to implement the project through a special purpose vehicle (SPV) based on the model already existing in Tiruppur Water Supply Project.

Test check of records of the Commissioner of Municipal Administration and the basic records of the Board revealed the following:

Based on a discussion with the Government, Tamil Nadu Water Investment Company Limited (TWICL⁸), submitted (January 2004) a proposal to the Government for setting up of a desalination project, to be implemented in two phases of 100 mld. each. Government appointed (February 2004) TWICL as the promoter of the project and ordered incorporation of SPV for its implementation and released (May 2004) Rs 25 lakh to TWICL for meeting the initial expenses.

TWICL invited technical and financial bids from a comprehensive list of international consultants with prior requisite experience in desalination projects and after evaluation, firm 'A' was shortlisted (April 2004) for

⁷ 90 per cent of contract demand from 16 March 2003.

⁸ TWICL was jointly promoted by the State Government and Infrastructure Leasing and Financial Services Limited to implement water sector projects with private sector participation in the State.

technical consultancy. Government sanctioned (May 2004) Rs 8 crore to TWICL stating that it would be adjusted against the grant to be sanctioned by the Government of India (GOI) as the proposal (April 2004) seeking GOI's participation to the extent of Rs 220 crore was awaiting their approval. However, the amount sanctioned (i.e. Rs 8 crore) was not released to TWICL.

Subsequently, the Government stated (June 2004) that a policy decision had been taken in supersession of its earlier order of February 2004 and that the seawater desalination project for Chennai City would be executed through a wholly owned Government company viz., the Chennai Desal Company Limited (CDCL). Consequent to this, TWICL had requested the consultant to stop work.

Though TWICL informed (July 2004) that the continuation of the technical consultancy agreement with firm 'A' till the Detailed Project Report stage would be of benefit and advantage to the Government, Government decided (March 2005) that there was no need for the consultancy. Accordingly it also directed TWICL to foreclose the consultancy. Government also sanctioned Rs 1.31 crore sought by TWICL and released (March 2005) Rs 1.06 crore to TWICL after deducting Rs 25 lakh already released in May 2004. As required by the Government, TWICL handed over (February 2005) the Inception Report and First Interim Report submitted by firm 'A' to the Board.

However, the Government again ordered (January 2006) winding up of the CDCL and the setting up of plant was handed over to a private firm on design, build, own, operate and transfer (DBOOT) basis through the Board. The Board had finalised the tender and the work was allotted to firm 'B' which was currently in the process of seeking requisite environmental and other clearances required. No specific reasons were, however, furnished by Government in their reply (August 2006) for transferring the project three times to various companies between December 2003 and January 2006.

Thus, the Government's indecision on selecting an agency for implementation of desalination project had resulted in an unfruitful expenditure of Rs 1.31 crore⁹ besides non-achievement of the objective of water supply to Chennai City through desalination process even after a lapse of more than two years since its sanction.

⁹ Fees to M/s.Fichtner (Firm 'A') – Technical Consultants for preparation of option study and prefeasibility : Rs 93 lakh. Travel, administrative and incidental expenses : Rs 38.07 lakh.

HOME DEPARTMENT

4.2.7 Infructuous expenditure on the purchase of communication equipment

Communication equipment worth Rs 55.77 lakh was damaged and had to be condemned even before the system integration of the communication network was completed thus leaving the objective of having effective communication unfulfilled.

To prevent smuggling of fuel, medicine, narcotics and other essential commodities by sea from Tamil Nadu to Sri Lanka, reduce intrusion of militants from Sri Lanka and minimise collusion between fishermen and militants/smugglers, a Coastal Security Group (CSG) was formed (June 1994). Government also sanctioned (June 1994) among other things, Rs 1.77 crore for the purchase of communication equipment¹⁰ to connect all the checkpoints on the entire coastline with headquarters at Chennai.

Police Radio Officer (PRO), Chennai allotted (November 1994) the contract for the supply, commission and system integration of communication equipment for the CSG to the Electronics Corporation of Tamil Nadu Limited (ELCOT). PRO paid (January 1995) Rs 1.37 crore to the ELCOT being 90 per cent advance for supply, erection and installation of equipment. Even though the equipment was supplied (July 1995) and erection of towers completed (October 1997) by the ELCOT, at a cost of Rs 1.53 crore, end-to-end connectivity could not be achieved.

Managing Director (MD), ELCOT informed (May 1998) the Additional Director General of Police that the VHF network with tandem repeaters (switching points) working in analog mode of transmission with limited pairs of VHF frequencies resulted in cumulative noise enroute and signals passing through more than three repeaters with two transpeaters in between were inaudible. MD, ELCOT also stated (May 1998) that no radio survey or system planning was done in advance to ascertain the voice quality for end-to-end communication and that it might not be possible to work with the above network end-to-end.

Deputy Inspector General of Police (DIG), Technical Services opined (February 2000) that the end-to-end connectivity by using VHF High band was not technically feasible and HF communication should have been opted instead of VHF. While the ELCOT stated (November 2000) that the contract agreement signed does not have any mention of end-to-end connectivity, the DIG, Technical Services opined (September 2002) that the "System Integration" mentioned in the agreement evidently refer to end-to-end connectivity only. Thus there was a difference of opinion in this regard between the Department and ELCOT.

¹⁰ Wireless sets: 97, Walkie-talkie sets: 100, Repeater stations: 10 and Telephones: 7.

Subsequently in the meeting held in October 2003 with the Inspector General of Police, Technical Services, ELCOT stated that end-to-end connectivity had been provided within three zones¹¹, although interzone and end-to-end connectivity could not be enabled since there was degeneration when signals passed through more than three repeaters in tandem. ELCOT suggested that either HF link or microwave link be considered for this purpose. ELCOT agreed to provide HF link and the end-to-end connectivity work was finally completed in July 2004.

Meanwhile, the CSG requested (February 2004) DIG (Technical Services), Police Telecommunication to condemn 100 walkie-talkie sets, 97 wireless sets and 16 transpeater wireless sets valuing Rs 55.77 lakh since the equipment were damaged and not working due to high humidity and salination and due to rough handling of sets by the check-post persons, who were constables and transferred every three months. Besides the VHF sets had completed more than their life of eight years.

The equipment were thus condemned (July 2004) even before the system integration of network, resulting in infructuous expenditure of Rs 55.77 lakh. The objective of having effective communication in CSG could also not be achieved fully as it took eight years to complete the work, and, by the time connectivity could be finally achieved the equipment was condemned. Though the department was well aware that the equipment were to be installed along the coastal line, they had not thought of any methods for preventing damage due to high humidity and salination and taken action for minimising such damages for prolonging the life of such equipment.

The remaining payment of Rs 15.25 lakh (10 *per cent*) withheld for want of end-to-end connectivity, was yet to be made to ELCOT as final Government orders are awaited (May 2006).

The matter was referred to Government in June 2006; reply had not been received (December 2006).

4.2.8 Excess expenditure due to non-adoption of common tender

Adoption of separate tender for the purchase of three non-perishable dietary articles for each central prison instead of a common tender for all prisons resulted in excess expenditure of Rs 51.74 lakh.

To reduce the scope for malpractices and effecting economy in procurement of dietary articles for prisons, the Government of Tamil Nadu ordered (January 2002) adoption of open tender procedure as envisaged in the Tamil Nadu Transparency in Tenders Act, 1998 while purchasing controlled commodities like wheat, sugar, rava, maida, etc., and commodities other than vegetables. Government clarified (March 2002) through a reference that tenders could be called for, on an annual basis for 12 regions separately, by the Inspector General of Prisons. Additional Director General of Prisons

¹¹ Cuddalore-Nagapattinam, Nagapattinam-Ramanathapuram and Ramanathapuram-Kanniyakumari.

(ADGP) finalised tenders (March 2005) for the supply of dietary articles during 2005-06 to 12 Prisons¹² separately and issued orders for supply of dietary articles. The approved cost is inclusive of transport cost, as per tender conditions.

Test check of the records and vouchers relating to the period May 2005 to March 2006 by Audit revealed (March 2006) that the three non-perishable dietary articles of AGMARK quality, were purchased at different rates based on tenders finalised in each region as indicated below.

Name of the dietary article	Number of prisons for which the article purchased	Rate per unit
Milled Rice (boiled)	10	Rs 7.70 (Madurai) to Rs 9.25 (Coimbatore) per kg
Toor Dhall	10	Rs 14.45 (Chennai) to Rs 24.70 (Palayamkottai) per kg
Groundnut oil	10	Rs 35.60 (Chennai) to Rs 46 (Palayamkottai) per kg

From the rates offered by the tenderers in each region, the ADGP who had finalised the tender for all regions knew that the same dietary article was supplied at much lower rates in other regions which was inclusive of transport cost. As the tenderers from the farthest points had participated in the process and were selected in all regions, the necessity for separate tenders for separate regions also loses their validity. Thus, the Department could have adopted the process of finalising a common tender for all the prisons for the supply of these three non-perishable dietary articles. Such adoption of the rate of common tender for supply of these articles would have saved Rs 51.74 lakh in supply of these three dietary articles during one year (2005-06) as mentioned in the **Appendix XXX**. As could be seen from the **Appendix XXX**, the contractor who was located in Madurai had quoted the lowest rate for supplying even upto Chennai. Therefore, the cost of transportation was duly considered while quoting this lowest rate. Further, most of the contractors who had got the orders were located at Madurai and had quoted higher rates when compared with the lowest rate quoted by the contractor who was also located at Madurai.

Government endorsed (August 2006) the reply (April 2006) of ADGP wherein he had stated that the common tender would cause monopolistic tendency among the tenderers and tenderer will quote higher rate and if there is any breakdown in supply, no alternative arrangement could be made. The reply of the Department was not tenable for the following reasons (a) since it was known that the articles were available at lesser rate, there was every scope for negotiation with other tenderers, which are permissible as per rules, for reducing the rate to the lowest rate and the required quantity of the article could be distributed among such tenderers who had accepted the

¹² Nine Central Prisons, two Special Prison for Women at Vellore and Tiruchirappalli and Borstal School at Pudukottai.

lowest rate, and, (b) Clause 9 of the contract agreement, now in existence, could be invoked in case of non-supply of dietary articles by purchasing it elsewhere and recovering the excess cost, if any, from the original contractor.

The Tamil Nadu Transparency in Tenders Act, 1998 and the rules followed, never advised about calling for separate tenders for separate districts by different institutions. In fact, it had suggested that the procurement may cover more than one district as per its Section 6 and the whole exercise of enacting the Act was to maximise economy in the Government procurement and to promote healthy competition among tenderers.

4.3 Avoidable/excess expenditure

HIGHWAYS DEPARTMENT

4.3.1 Unnecessary widening of road

Unnecessary conversion of a single lane road into double lane resulted in an extra expenditure/ estimated liability of Rs 40.64 lakh.

Indian Road Congress (IRC) specifications stipulate traffic intensity of 2,000 to 6,000 passenger car units (PCU) per day for a single lane road (3.75 metre width) and 15,000 to 35,000 PCU for two lane road (7 m width). 'Rural and Other District' roads having a traffic intensity up to 450 commercial vehicles per day (CVD) should be of single lane width.

The sanctioned estimate (May 2004) for the work 'Widening and strengthening of the Vaigai causeway road km 0/0 – 2/6' provided for widening the existing single lane road to double lane on the ground that it is a bye-pass road for Ramanathapuram town and the traffic was increasing day by day. The traffic census of May 2002, however, indicated that the projected traffic intensity was less than 450 CVD and 2,908 PCU at the end of the design period of 12 years¹³. Besides, the increase in traffic between 1999 census and 2002 census was found to be normal and the traffic intensity based on 2005 census, at the end of the design period would be 4,088 PCU only. As such, the road did not require widening to two lane. The unnecessary widening of the road also resulted in provision of additional length of pipes on both sides of the existing pipe culvert.

The road and culvert works are under progress (August 2006). Based on the actual quantity of work so far executed, the extra expenditure on unnecessary widening worked out to Rs 31.87 lakh. In addition, there was an estimated liability of Rs 8.77 lakh on works under execution.

The matter was referred to the Government in July 2006; reply had not been received (December 2006).

¹³ Includes the increase in traffic for two years up to May 2004.

4.3.2 Avoidable extra expenditure due to adoption of higher specifications

Failure to adhere to the norms prescribed for surfacing the roads resulted in extra expenditure of Rs 33.21 lakh.

Chief Engineer (CE) (Highways), NABARD and Rural Roads issued instructions in May 2004 to follow the Indian Roads Congress – Special Publication 20-2002 (IRC SP 20-2002) specifications for improvements to Other Districts Roads having low traffic. The IRC SP 20-2002 recommended considering traffic for arriving at the thickness of the road and both traffic and annual rainfall for providing surface dressing. For roads with motorised traffic up to 150 vehicles per day and annual rainfall between 500-1000 mm, IRC SP 20-2002 recommended only single coat surface dressing.

Scrutiny of 14 road works executed after May 2004 by the Divisional Engineer, Rural Roads Division, Theni, (DE) revealed (May 2006) that the DE, while following IRC SP 20-2002 for arriving at the thickness of the road, failed to provide surfacing as prescribed in this specification. The motorised traffic of these roads was less than 150 vehicles and the annual rainfall was also below 1,000 mm. However, premix carpet with seal coat applicable for traffic of more than 150 vehicles or rainfall of more than 1,500 mm was provided instead of single coat surface dressing. Provision of higher specification for surfacing resulted in extra expenditure of Rs 33.21 lakh (details in **Appendix XXXI**).

The CE stated (September 2006) that premix carpet with seal coat was provided as surface dressing as it would last for the design period of 10 years. The reply was not tenable since IRC SP 20-2002 recommended only single coat surface dressing for this category of roads. Moreover, the IRC guidelines provides for renewal of surface every five years.

The matter was referred to the Government in July 2006; reply had not been received (December 2006).

4.4 Idle investment/blockage of funds

HEALTH AND FAMILY WELFARE DEPARTMENT

4.4.1 Non-commissioning of Regional Diagnostic Centres

Despite an expenditure of Rs 17.18 crore, seven earmarked Regional Diagnostic Centres were not functional as of March 2006 and out of the expenditure incurred Rs 11.51 crore was not admissible for Central assistance.

The Eleventh Finance Commission recommended (November 2000) a grant of Rs 21 crore for health services under the scheme of upgradation of standards of administration. The grant was for the establishment of seven

Regional Diagnostic Centres (RDC) in Tamil Nadu to provide medical diagnostic facilities at the grass root level in health sector.

Based on the guidelines of Government of India (GOI), the State Government accorded sanction (February 2002) of Rs 21 crore¹⁴ for the establishment of seven RDCs¹⁵ in District Headquarters Hospitals and the work was entrusted to the Tamil Nadu Medical Services Corporation (TNMSC). GOI released Rs 14.78 crore during 2002-05 for this purpose with the condition that the grants remaining unutilised on 31 March 2005 would lapse. The remaining amount of Rs 6.22 crore was not received from GOI (August 2006).

The entire permitted amount of Rs 21 crore was sanctioned and released by the State Government and credited to the Deposit Account of TNMSC between September 2002 and December 2003. Of this, TNMSC incurred Rs 15.84 crore upto March 2005 and Rs 1.34 crore between April 2005 and March 2006. Rupees 3.82 crore were available as unutilised amount in the Deposit Account as of April 2006. However, the Director of Medical and Rural Health Services (DMRHS), who is monitoring the scheme, had issued utilisation certificate for the entire amount of Rs 21 crore in March 2005 itself, which was irregular.

Perusal of connected records during March - May 2006 in the Secretariat, the office of DMRHS and the five Joint Director of Health Services (JDHS) to whom RDCs¹⁶ were attached revealed the following:

- Though the power to sanction individual schemes vest with the State Level Empowered Committee (SLEC), the State Government purchased through TNMSC various equipment¹⁷ costing Rs 4.44 crore in violation of the approved action plan. State Government ordered (January 2004) the above purchase, the equipment were subsequently installed in 12 other Government hospitals/Government Medical College hospitals¹⁸ (October 2004) not connected with the earmarked seven RDCs for which the grant was sanctioned.
- Based on the Government orders, TNMSC utilised Rs 1.03 crore for purchase of computers (Rs 35 lakh) and lab apparatus and chemicals (Rs 68.22 lakh) for conducting various clinical tests, the main function of the laboratories, though they do not form part of the proposed action plan. As the request of DMRHS for ratification of

¹⁴ Construction of buildings for RDCs: Rs 1.18 crore, purchase of equipment: Rs 11.99 crore and strengthening and upgrading: Rs 7.83 crore.

¹⁵ Tiruvannamalai, Villupuram, Namakkal, Tiruppur, Pudukottai, Virudhunagar and Ramanathapuram.

¹⁶ Namakkal, Pudukottai, Tiruppur, Villupuram and Virudhunagar.

¹⁷ Mammography units: 7, Haemodialysis units with accessories: 14, Echocardiogram with colour Dopplers: 7.

¹⁸ General Hospitals at Chennai, Madurai, Tiruchirappalli and Karapettai and eight Medical College Hospitals viz., Government Stanley Hospital, Chennai, Government Kilpauk Medical College Hospital, Chennai and Medical College Hospitals at Chengalpattu, Coimbatore, Kanniyakumari, Thanjavur, Thoothukudi and Salem.

the deviation was not yet approved by State Government, the same was not intimated to GOI for getting their approval.

- State Government further sanctioned (January 2005) purchase of 13 types of equipment totalling to 72 at a cost of Rs 2.93 crore from the savings out of the grant of Rs 21 crore available with TNMSC and subsequently ordered (October 2005) for the transfer of 21 out of 72 equipment costing Rs 1.82 crore to various teaching medical institutions/hospitals, not connected with the earmarked RDCs for which the grant was sanctioned. Details for the remaining equipment were not made available to Audit.

Though CT scanners were available in four District Headquarters Hospitals at Tiruvannamalai, Villupuram, Ramanathapuram and Tiruppur wherein RDCs are specified, the Government purchased (December 2003) four new CT scanners costing Rs 4.22 crore for these four RDCs and transferred (October 2003) the available CT scanners with them to other hospitals¹⁹.

- Though the buildings constructed for five test checked RDCs were handed over, no staff were posted to the RDC, no training was imparted to the existing staff attached to the hospital for operating the equipment and no certificate was issued for commencement of RDC by a team of experts as envisaged under the action plan. Even the buildings were not utilised for the purpose for which they were constructed and the Administrative Officer of the office of DMRHS reported (May 2006) to Audit that the operation theatres in RDCs were converted into store rooms, scan rooms were converted as Bio-chemistry labs, CT scan dark room converted into Histo-pathology Department room and equipment room converted into store room.

Thus, out of Rs 17.18 crore incurred upto March 2005, Rs 11.51 crore spent on purchase of equipment and other items either not connected with the RDCs or in violation of the approved action plan, became ineligible. As the RDCs were not made functional till March 2006, the remaining expenditure also became unfruitful and the envisaged objective of providing medical diagnostic facilities through RDCs to grass root level was also not achieved.

The matter was referred to Government in July 2006; Government in their reply stated (November 2006) that the machinery were transferred to the Medical College Hospitals in the vicinity of the RDCs, since the equipment purchased could not be installed in the RDCs due to lack of manpower with requisite knowledge/training to operate the machinery. Hence, the affected patients were being referred to those Medical College Hospitals. As the Eleventh Finance Commission specified that such specific purpose grants have to be utilised to provide facilities at the grass root level approved in the action plan and not for improving the facilities at higher formation, the transfer of equipment purchased to provide necessary services in the RDCs at District Headquarters Hospitals to the higher formation of Medical College Hospitals on the plea of non-availability of manpower was incorrect

¹⁹ Government General Hospital at Chennai, Government Rajaji Hospital at Madurai, Government Hospital at Thanjavur and IRT Hospital at Perundurai.

and was in violation of GOI guidelines. Though Government had indicated in their proposals (April 2001) that the staff required for manning the equipment would be appointed on contract basis and their salary would be met from user charges to be collected from the beneficiary patients, no further action had been taken in this regard. Government stated (November 2006) that it had now instructed the TNMSC to run and maintain the RDCs, duly appointing the necessary staff to operate the RDCs.

Government also stated that it had issued necessary ratification for purchase of equipment not covered in the approved action plan. Since the entire expenditure on purchase of equipment was met from Finance Commission grants, permission of GOI should have been obtained for the purchase of equipment not covered under the approved action plan.

4.4.2 Non-utilisation of funds and unfruitful expenditure

By not buying equipment for the development of Oncology wings of two hospitals in Chennai and Salem, Government blocked Rs 4 crore received from Government of India and unnecessarily spent Rs 53.40 lakh on the construction of building to house the equipment.

Under the National Cancer Control Programme, Government of India (GOI) released Rs 2 crore each to the Government Mohan Kumaramangalam Medical College Hospital (GMKMCH), Salem (March 2003), and the Stanley Government Medical College and Hospital (SGMC&H) Chennai (December 2003). This amount was to be utilised for purchase of cobalt unit, simulator and treatment planning system.

State Government while releasing the grant, instructed the Director of Medical Education (Director) to deposit the amount in personal deposit (PD) account of the Tamil Nadu Medical Services Corporation (Corporation), Chennai for procurement of the requisite equipments. The amount was drawn by Director in January 2004 (Rs 2 crore) and January 2005 (Rs 2 crore) and deposited in the PD account of Corporation. A building to accommodate the cobalt therapy unit at GMKMCH, Salem was constructed with the sanction (June 2003) of Government at a cost of Rs 53.40 lakh by the Public Works Department and was handed over to the hospital in December 2004.

In the meantime, a tender was floated in July 2004 by the Corporation for purchase of equipment to GMKMCH, Salem. As the tender amount exceeded the sanctioned amount of Rs 2 crore, the tender was cancelled. Tender floated for the second time (April 2005) to purchase the equipment for both the hospitals was also cancelled as the tender committee recommended (September 2005) purchase of latest and sophisticated equipment like Linear Accelerator to provide specialised treatment to poor patients. Government instructed the Director to send a fresh proposal for purchase of latest sophisticated equipment. In December 2004 the GOI increased the quantum of grant to Rs 3 crore each. GOI also stated (March 2006) that the institute will be eligible for the increased quantum of Rs 1 crore only on submission of utilisation certificate for the previous grant-in-aid released to them.

The Director forwarded the proposal for purchase of linear accelerators for both the hospitals at a cost of Rs 6 crore each (October 2005 and January 2006). The Director requested (January 2006) the State Government to take up the matter with the GOI for increasing the grant from Rs 3 crore to Rs 6 crore for the purchase of equipment. As GOI did not accede to this request, the State Government decided (July 2006) to purchase cobalt therapy unit pattern prescribed by GOI and instructed Director to send utilisation certificate direct to GOI to get the balance amount of Rs 2 crore released. The Director instructed (August 2006) the Corporation to take urgent steps to procure the cobalt therapy unit.

Following observations are made in this regard:

- Non-procurement of the equipment even 19 to 31 months after drawal of central assistance deprived cancer patients of the intended benefits.
- Failure of the department to procure the equipment either within the grant received or obtain sanction from Government for meeting out the excess cost led to cancellation of tenders resulting in blocking of central assistance.
- The department not only failed to utilise the funds and blocked Rs 4 crore received from GOI for the development of Oncology wings of the hospitals but also incurred unfruitful expenditure of Rs 53.40 lakh on construction of the building to house the equipment.

The matter was referred to the Government in May/June 2006. Government stated (September 2006) that Director has been directed to refund the amount with interest to Pay and Accounts Officer, Ministry of Health and Family Welfare, New Delhi in case of non-utilisation of Rs 2 crore in respect of SGMC&H, Chennai. GOI also stated (March 2006) that the institute will be eligible for the increased quantum of Rs 1 crore only on submission of utilisation certificate for the previous grant released. The reply in respect of GMKMCH, Salem had not been received (December 2006).

4.4.3 Delay in establishment of Accident Trauma centre

Delay in upgradation of Accident Trauma centre and purchase of equipment/ambulances resulted in denial of intended benefit to patients besides leaving Rs 1.33 crore unutilised.

To strengthen and upgrade Accident Trauma centre in Chengalpattu Medical College Hospital, the Government of India (GOI) sanctioned (March 2004) Rs 1.50 crore²⁰ with the condition that the funds be utilised within a year. The State Government released (July 2004) the said amount, to the Director

²⁰ Ambulance (2) with equipment: Rs 18 lakh; Maintenance, POL and contingencies: Rs 2 lakh; Communication equipment: Rs 1 lakh; Equipment and furniture: Rs 60 lakh; Equipment Maintenance: Rs 3 lakh; Civil works: Rs 60 lakh and Special maintenance works: Rs 6 lakh.

of Medical Education (DME), Chennai with instruction to purchase the equipment through Tamil Nadu Medical Services Corporation (TNMSC).

Though the Dean of the hospital forwarded (January 2005) a proposal to the DME for purchase of equipment for Rs 57.12 lakh, no action was initiated towards the purchase of ambulance with equipment. DME had requested the TNMSC (February 2005) to purchase non Central Purchase Committee (CPC) items of equipment whose approximate value was Rs 14.28 lakh and instructed the Dean to purchase CPC items of equipment costing Rs 42.84 lakh. The Dean sought permission for purchase of remaining equipment (cost: Rs 19.33 lakh) the cost of which were beyond his monetary power. As no orders from the DME were received, the Dean procured (March 2005) equipment worth Rs 17.08 lakh which were within his powers and surrendered Rs 1.33 crore at the end of 2004-05.

The DME requested Government (September 2005) to revalidate the sanction for Rs 1.33 crore for the upgradation. Government issued orders (January 2006) for revalidation of Rs 66.92 lakh²¹ towards purchase of ambulances and equipment. The sum was credited (February 2006) to the Deposit Account of the TNMSC by the DME. Fresh proposals for purchase of equipment for Rs 42.41 lakh forwarded (February 2006) by the DME to TNMSC varied from the requirement statement forwarded earlier in January 2005, except in respect of four items of equipment, even for which the cost and code numbers differed. The ambulances and equipment were not procured by the TNMSC (March 2006). Though the amount of Rs 66.92 lakh was shown as expenditure in Government accounts, the same was lying unutilised in the Deposit Account of TNMSC as of March 2006.

Even Rs 60 lakh allotted for civil works remained unutilised as the necessary orders for disbursing this amount was only issued in March 2006. The DME stated (July 2006) that the permission to utilise the amount during 2006-07 is yet to be received from GOI. As a result, the amount of Rs 1.33 crore is still lying unutilised (July 2006).

The matter was referred to the Government in June 2006; reply had not been received (December 2006).

ENERGY DEPARTMENT

4.4.4 Drawal of funds in advance of requirement

Tamil Nadu Energy Development Agency kept Rs 8.33 crore, released for various schemes during 2003-06, outside Government account due to drawal of funds in advance of requirement.

Tamil Nadu Financial Code clearly stipulate that Government funds should not on any account be reserved or appropriated by transfer to a deposit or

²¹ Ambulance (2) with equipment: Rs 18 lakh, maintenance of POL and contingencies: Rs 2 lakh, communication equipment: Rs 1 lakh, equipment and furniture: Rs 42.92 lakh and maintenance of equipment: Rs 3 lakh.

any other head or be drawn from the treasury and kept in a cash chest, in order to prevent the funds from lapsing (Article 39).

State Government released funds to Tamil Nadu Energy Development Agency (TEDA) for implementing various schemes by debiting these funds to the final expenditure head of the scheme and contra credit to the Deposit Account of TEDA in Government account. Perusal of connected records (April 2006) of TEDA, revealed that TEDA had resorted to the practice of drawing the funds released for the schemes and keeping them in their savings bank account, outside Government account, whether the funds were required or not.

Out of Rs 9.83 crore²² sanctioned and released for implementation of schemes during 2003-06 to TEDA, Rs 8.33 crore were lying unutilised at the end of March 2006 and were kept outside Government account, details of which are given below:

- Rupees 2.72 crore were lying unspent under the schemes sanctioned and implemented during 2003-06.
- Rupees 5.26 crore sanctioned and released for 10 schemes²³ by State Government between August 2004 and March 2006 were not operational even as of April 2006.

Rupees 35 lakh were released by State Government during September 2004 and May 2005, as its share to meet the cost of civil works for setting up of “State Level Renewable Energy Awareness/Education Park” at Chennai for creating awareness among the public on the uses of renewable energy devices, even before the final sanction by Government of India (GOI). The amount was drawn without immediate requirement by TEDA and was lying unutilised, outside Government account (March 2006). The reply (April 2006) of the Chairman and Managing Director, TEDA that no expenditure was incurred due to delay in finalising the site and formulation of project based on other State Level Energy Parks and the sanction of the project by GOI, also confirmed that the amounts were drawn and kept outside Government account without immediate requirement.

These unutilised funds clearly revealed that the funds were drawn by TEDA without actual requirement. Records revealed that TEDA was investing the unutilised funds in short term Deposits in Tamil Nadu Power Finance Corporation and earning interest.

Government could have mentioned a clause in their sanction orders for the schemes to the effect that money should not be drawn unless it is

²² 2003-04: Rs 1.67 crore, 2004-05: Rs 1.30 crore and 2005-06: Rs 6.86 crore.

²³ 2004-05: Installation of bio mass gasifier (two schemes: Rs 0.20 crore), distribution of solar educational kits (one scheme: Rs 0.07 crore) 2005-06: Assistance to Research and Development Projects (one scheme: Rs 0.20 crore), Installation of bio gasifier (one scheme: Rs 0.46 crore), Installation of Solar Air heating systems (one scheme: Rs 0.06 crore), distribution of solar educational kits (one scheme: Rs 0.09 crore) and Electrification of Remote habitations (three schemes: Rs 4.18 crore).

immediately required for spending on the scheme to avoid such drawal of scheme funds far in advance of requirement.

The matter was referred to the Government in September 2006; Government stated (December 2006) that the funds released to TEDA were drawn from PD account and kept in its Savings Bank Account of Nationalised Bank and the interest accrued in Savings Bank Account are adjusted while sanctioning grants for current expenditure. The reply is not tenable because the amounts which were not for immediate use were drawn and kept outside the Government account, violating the existing financial principles.

YOUTH WELFARE AND SPORTS DEVELOPMENT DEPARTMENT

4.4.5 Irregular drawal of funds and their retention outside Government account

Drawal of funds of Rs 4 crore from Government account even before finalisation of estimates for the construction of a velodrome was irregular. The funds were also kept outside Government account without use for more than one year.

Government sanctioned (November 2004) Rs 4 crore to the Member Secretary, Sports Development Authority of Tamil Nadu (SDAT) for the construction of a velodrome (a cycling track with steeply banked curves) near Chennai, based on the proposal of SDAT. The construction work was entrusted to the Tamil Nadu Police Housing Corporation (TNPHC) and the Government also accorded (February 2005) necessary permission to SDAT for usage of land measuring 6.72 acres at Avadi.

The amount of Rs 4 crore initially credited (February 2005) to the Deposit Account of SDAT. Of this, Rs 1.50 crore were paid to TNPHC (31 March 2005). The remaining amount of Rs 2.50 crore were invested/reinvested in fixed deposits (FDs) since March 2005 by SDAT to date (June 2006).

No estimates were finalised for the construction till August 2005. The Member Secretary, SDAT intimated (September 2005) the Government that the original proposals were made based on an approximation due to lack of detailed estimates and most of the equipment to be procured would require global tenders. He had further stated that the infrastructure for the velodrome would likely to cost Rs 10.67 crore and the same would be proposed in two phases²⁴.

As about Rs 6.67 crore was required additionally, the Member Secretary, SDAT sought for (September 2005) orders from the Government whether to restrict the scheme to phase I consisting of a functional velodrome or to divert the amount already given for other works. Government questioned

²⁴ First Phase: Cycling track with minimum amenities at a cost of Rs 4.42 crore
Second Phase: Spectators gallery and other development works at a cost of Rs 6.25 crore.

(December 2005) the necessity for spending huge amount of Rs 4.42 crore for a functional velodrome, which would not, in the absence of spectators gallery, attract international competitions. No final action was taken in this regard as of March 2006.

In the meanwhile the TNPHC submitted to SDAT two more sets of estimates, for Rs 11.19 crore and Rs 11.07 crore (September/November 2005) stating that they had been prepared based on the estimates received from the consultant. Thus it is clear that no decision was taken even as of date for arriving at the final estimate for the work either by TNPHC or by SDAT.

Perusal of records also revealed that SDAT had not prepared a fair estimate for the construction of the velodrome after ascertaining the status of other velodromes existing in the country at the initial stage. The basis on which the initial estimate of Rs 4 crore was prepared, though called for by Audit (March 2006) were also not made available.

TNPHC refunded (March 2006) Rs 1.34 crore to SDAT after adjusting Rs 16 lakh towards consultancy and centage charges.

Thus, drawal of funds to the tune of Rs 4 crore based on temporary estimates, without collecting all the details required for the construction of a velodrome and keeping the funds outside the Government account even before the preparation of the final estimate for more than one year was in violation of financial propriety.

The matter was referred to the Government in June 2006. Government accepted (June 2006) exact cost of velodrome could not be ascertained and a clear picture could emerge only after the engagement of architects by TNPHC, who had submitted their detailed designs/estimates in September 2005. Reply thus agrees with Audit contention that the drawal of Rs 4 crore from the Deposit Account was irregular and without immediate requirement. Government further stated that request of the Member Secretary for construction of a functional velodrome which do not have a spectator gallery was still under examination with Government.

MUNICIPAL ADMINISTRATION AND WATER SUPPLY DEPARTMENT

4.4.6 Poor implementation of the scheme for creation of awareness on hygiene among urban population

Implementation of the scheme for creation of awareness on hygiene and sanitation among urban population, sanctioned in April 1999, was poor and the Government funds of Rs 2.75 crore remained unutilised.

Considering that 67 per cent of the houses in urban areas of the State did not have bathing or toilet facilities and 70 per cent of the population use open space as toilets, the Government sanctioned (April 1999) Rs 2.50 crore²⁵ for

²⁵ Publicity material: Rs 2 crore and works to be carried out by NGOs: Rs 50 lakh.

creating general awareness on personal hygiene, sanitation and civic sense among urban population. This amount was released (July 1999) and deposited (August 1999) in the savings bank account of the State Bank of India in August 1999 in a joint account in the name of the Commissioner of Municipal Administration (CMA) and the AIDS committee.

For implementation and monitoring the aforesaid scheme, the Government ordered (December 1999) the constitution of a Society with an Executive Committee (EC) consisting of Secretary to the Government, Municipal Administration and Water Supply Department as Chairman, CMA as Member Secretary and representatives from other departments and NGOs as members. The Society namely, 'Tamil Nadu Society for awareness creation in areas of Urban Hygiene and Sanitation' was registered in May 2000. The objectives of the Scheme were to be implemented by the Society by launching intensive campaign involving audio, visual and print media and NGOs to strengthen community awareness. However, no time limit was fixed by Government for utilisation of the funds released for the scheme.

During the course of audit (August 2005 and August 2006), it was observed that expenditure of Rs 40.98 lakh²⁶ only was incurred by the CMA on information, education and communication (IEC) activities as of March 2006. Due to non approval of the action plan by the EC for further activities, Rs 2.75 crore (including interest accrued) were lying unutilised in Fixed Deposit (Rs 2.64 crore) and Joint Savings Bank Account (Rs 0.11 crore) (March 2006). The amount was not transferred to the Society created in May 2000 for implementing the scheme. No EC meeting had been held since its earlier meeting in August 2002 till February 2006, though it was to meet at least once in three months. Absence of such meeting of the EC resulted in the Society, not being able to fulfil its objectives.

In response to the audit observations, the CMA replied (June 2006) that though an action plan was prepared, it could not be approved and implemented till March 2006 and due to pre-occupation and frequent transfer of members the EC meeting could not be conducted. The approval was finally obtained only in the EC meeting held on 22 March 2006. As per the action plan, it is proposed to identify the public areas wherein open defecation took place and to suggest measures for solid waste management/garbage clearing besides to conduct a survey to identify the houses without toilets. Further action taken on these is yet to be made available (June 2006).

Thus, the Scheme for creation of awareness on hygiene among urban population, considered essential by the Government as early as April 1999 remained largely unimplemented and the Government funds amounting to Rs 2.75 crore were lying in fixed deposits and SB accounts outside Government account, unexpended mainly due to non-approval of the required action plan (March 2006).

The matter was referred to the Government in March 2006; reply had not been received (December 2006).

²⁶ 2002-03: Rs 39.41 lakh and 2003-04: Rs 1.57 lakh.

SCHOOL EDUCATION DEPARTMENT

4.4.7 Retention of Government receipts outside the Government account

Director of Teacher Education Research and Training was permitted to retain Government receipts of Rs 1.04 crore outside Government account.

Government in School Education Department authorised (February 2002) the Director of Teacher Education Research and Training (DTERT) to collect a non-refundable inspection fee of Rs 18,000 (revised to Rs 25,000 from August 2004) from each private educational institution through demand draft. This was for processing the application for the issue of no objection certificate (NOC) for starting new Teacher Training Institutes (TTIs). Government also authorised (August 2004) collection of Rs 10,000 per institution for scrutiny of the rectification of deficiencies from the institutions which were not issued with an NOC due to certain deficiencies. The amount so collected was to be kept in a bank account and no expenditure was to be incurred from this amount. The above orders were issued without the concurrence of the Finance Department.

DTERT deposited Rs 1.04 crore between February 2002 and December 2005 in a savings bank account. Interest of Rs 9.51 lakh was also earned on such deposits as of 31 December 2005. Demand drafts worth Rs 22.35 lakh received from 94 TTIs between October 2004 and October 2005 were sent to bank concerned for revalidation in December 2005 as these were not deposited in the account within the validity period. Meanwhile, Rs 7.54 lakh were spent out of such receipts on various items.

DTERT did not maintain any record indicating the number of applications received and NOC issued so as to correlate NOCs issued and the amount received.

In this regard the following observations are made:

- Issue of Government order in School Education Department without the concurrence of the Finance Department is against the Rules 10 and 39 of the Tamil Nadu Government Business Rules and Secretariat Instructions which stipulate that all cases involving the State Finances have to be referred to the Finance Department except those for which general delegation have been indicated by the Finance Department.
- Government order instructing DTERT to keep the amount collected in bank account instead of remitting the same into the Government account is against the Rule 7(1) of Tamil Nadu Treasury Rules.
- The expenditure incurred by DTERT by appropriating Government receipts without getting funds through budget circumvented the authority of the State Legislature.

The matter was referred to the Government in May 2006; reply had not been received (December 2006).

INFORMATION AND TOURISM DEPARTMENT

4.4.8 Blocking of funds due to failure in identifying a proper executing agency

Funds to the extent of Rs 51.53 lakh for modernisation of sound and light show were blocked for more than four years for want of an executing agency.

Government of India (GOI) sanctioned (March 2000) the scheme of 'Modernisation of sound and light show equipment system at Thirumalai Naicker Palace, Madurai' at a cost of Rs 96.18 lakh (Central share : Rs 54.65 lakh; State share : Rs 41.53 lakh) based on the proposal of the Director of Tourism, Government of Tamil Nadu. This show was meant to highlight the greatness of the role of Thirumalai Naicker and that of the Tamil Epic 'Silappadigaram' for the tourists who visit the palace. GOI also directed that the work should be completed within one year from the date of sanction.

GOI released Rs 10 lakh (Rs 0.05 lakh in March 2000 and Rs 9.95 lakh in March 2001) to the State Government. The State Government sanctioned (December 2001) its share of Rs 41.53 lakh and released Rs 51.53 lakh along with the GOI share of Rs 10 lakh, only in April 2002, after a delay of more than a year, to the Superintending Engineer (SE), Electrical, Public Works Department (PWD) Madurai, for executing the work.

Even though the estimates for the work prepared by the SE, was approved in July 2002, the Chief Engineer (CE) (Buildings), PWD, Chennai, stated (January 2003) that the work could not be commenced due to non-availability of expertise in the finalisation of script. SE was requested (January 2003) to refund the amount given for this purpose. The amount refunded (June 2003) to the Commissioner of Tourism (CoT) was remitted to the Government account by the CoT in the same month. Neither did the CoT ascertain the availability of expertise with PWD before entrusting the work nor did the PWD bring it out immediately upon entrustment of work. This had resulted in blocking of funds outside the Government account for more than one year.

As the India Tourism Development Corporation Limited (ITDC) came forward (November 2003), to execute the work, the work was entrusted to the ITDC and the Government sanctioned (March 2004) the amount of Rs 51.53 lakh again for the said scheme. Government had also decided to retain the original script prepared for this show. The amount was released to the ITDC in April 2004. However, the ITDC assigned the contract of this work to M/s Integrated Digital Solutions Private Limited, New Delhi only in May 2006, two years after the receipt of funds. The work had not been commenced by the contractor. Though ITDC assured to complete the work by August 2006, CoT failed to prescribe any terms and conditions for commencement and completion of the scheme stating that ITDC is a Central Government organisation.

In the department reply (June 2006) merely endorsed (August 2006) by Government, the CoT stated that the PWD had prepared the estimates in 1999 based on the rates furnished by M/s Phillips India Limited, who initially installed the show in 1981. As M/s Phillips India Limited closed down its lighting division, the CE informed (January 2003) their inability to commence the work due to non-availability of experts in the field. The reply was not tenable as the CoT could have ascertained the closure of the earlier company which had installed the show initially, at the time of entrustment of work (December 2001) to PWD and could have chosen another agency for implementing the work. Thus, the failure of the CoT in identifying a proper executing agency for the scheme coupled with delayed release of funds and non finalisation of the script and the subsequent delay of two years on the part of the ITDC to whom the work was entrusted, for finalising the contractor for the work had resulted in non-achievement of modernisation of sound and light show equipment system at Thirumalai Naicker Palace, Madurai.

PUBLIC WORKS DEPARTMENT

4.4.9 Unproductive expenditure due to non-installation of repeater stations

Failure to install repeater stations at hill tops to receive and transmit the signals from/to base stations resulted in non-utilisation of Very High Frequency sets and unproductive expenditure of Rs 38.11 lakh.

To ensure efficient communication of canal system operations and flood control activities, the Superintending Engineer, Plan Preparation Cell, Chennai, entrusted the work of establishing Very High Frequency (VHF) communication system in five irrigation projects to a contractor for Rs 1.22 crore in March 1995. The work comprised installation of base stations at various offices/sites, supply of VHF Trans receivers and Walkie talkies (VHF units) and installation of repeater stations to receive and transmit signals from/to the base stations and the VHF units. The repeater stations were to be installed at hill tops. By April 2000, the contractor completed the work partially as all the required VHF sets, antennas and batteries were not supplied/installed. Besides, the repeater stations for three projects were not installed at hill tops due to delay in providing sites. The contract was terminated (April 2000). The value of work done by the contractor was assessed as Rs 1.21 crore. The contractor was paid only Rs 60.40 lakh and the balance amount was not paid for want of recorded measurements for the works executed. An estimate for completing the balance work was prepared in November 2002 for Rs 30.60 lakh but the work was not taken up (September 2006) mainly for want of funds and non-availability of site to locate VHF sets and repeater stations.

Out of five irrigation projects, the VHF system was in operation partially in two projects²⁷ as only 36 out of 45 VHF units were supplied and installed.

²⁷ Sathanur and Sethiathope.

In the remaining three projects²⁸, though base stations and 59 out of 69 VHF units were installed, repeater stations were not installed in two²⁹ projects and the station was not installed on hill top in one³⁰ project. This was mainly due to selection of inaccessible land without power supply, delay in taking over the land by the Department and non-receipt of permission from Forest Department.

Thus, due to the failure to install repeater stations, the base stations and the VHF units could not be put to use for effective communication. Consequently, the expenditure of Rs 38.11 lakh incurred on these projects remained unproductive for more than five years.

The matter was referred to the Government in June 2006; reply had not been received (December 2006).

4.5 Regularity issues and other points

COOPERATION, FOOD AND CONSUMER PROTECTION DEPARTMENT

4.5.1 Non-achievement of food security and delay in implementation of Antyodaya Anna Yojana

The delay in implementation of Antyodaya Anna Yojana resulted in denial of benefit of Rs 6.49 crore to families below poverty line.

The objective of Public Distribution System (PDS) of Government of Tamil Nadu is to ensure food security by making available adequate quantity of food grains at all times in places accessible to all and at prices affordable to all. The scale³¹ of supply for rice per month for a family card was fixed by State Government.

According to the Report of the Steering Committee of Nutrition for Tenth Five Year Plan constituted (December 2000) by Planning Commission of Government of India, one adult requires 436 grams of cereals per day and hence, the monthly requirement is 13.26 kgs. Hence, none of the categories of families in the above table was supplied the required quantity of rice as per the standard. Further, as per Census 2001, the average size of household

²⁸ Amaravathy, Kothayar and Tambaraparani.

²⁹ Amaravathy and Tambaraparani.

³⁰ Kothayar .

³¹

Sl.No.	Composition of family	Entitlement (in Kgs)
1.	One Adult (One Unit)	12
2.	One Adult + one Child	14
3.	Two adult or One adult + two children	16
4.	Two adult + one Child	18
5.	Three adult and above	20

in the State was 4.3. Taking into account the maximum eligibility per family, 20 kgs, the supply would only be 35 *per cent* of the requirement as per the standard of the Planning Commission of India. Thus, the PDS as implemented in the State did not ensure food security to all cardholders.

Further the State Government delayed the implementation of Antyodaya Anna Yojana (AAY), which was introduced (December 2000) by Government of India (GOI) with a view to ensuring food security to the poorest of the poor.

GOI guidelines for AAY envisaged issue of rice upto 25 kgs per month at Rs 3 per kg to AAY families identified for the purpose, which was raised to 35 kgs per month with effect from 1 April 2002. GOI covered 7.46 lakh households under AAY scheme in Tamil Nadu and later, expanded it to cover 11.19 lakh families from June 2003 and 14.77 lakh families from August 2004. As GOI did not agree to the State Government's proposal (January 2001) to cover 10.45 lakh old age pensioners under AAY, the State Government belatedly instructed (September 2001) all the Collectors to identify AAY families. The scheme was implemented from November 2001 based on the reports of the Collectors.

Had the scheme been launched at least in April 2001 the delay of seven months in implementation of the scheme could have been avoided. The delay has resulted in denying the benefit of Rs 3.13 crore calculated with reference to the minimum entitlement of 12 kg to 7.46 lakh intended beneficiary households, who had to buy the rice at Rs 3.50 per kg instead of Rs 3 per kg. Further, the additional five kgs of rice per month admissible under the AAY Scheme could not be availed of by the 7.46 lakh households for seven months. Thus, 1,30,550 MT of rice potentially available to Tamil Nadu at Rs 3 per kg was foregone.

GOI instructed (June 2003) the State Government to cover 3.73 lakh additional beneficiaries under AAY within one month's time. However, the scheme was implemented only from November 2004, due to delay in identification of beneficiaries. Due to the delay of 15 months in implementation of the scheme 3.73 lakh intended beneficiaries were deprived of benefit of Rs 3.36 crore calculated with reference to the minimum entitlement of 12 kg as they had to purchase the rice at Rs 3.50 per kg instead of Rs 3 per kg. Further the Government also lost 1,95,825 MT of rice available at a lesser rate of Rs 3 per kg.

As the State Government could not lift 3,26,375 MT of rice at Rs 3 per kg under the scheme during the period of delay, it also lost an opportunity to save payment of differential cost of Rs 86.49 crore.

The matter was referred to Government in July 2006. Government replied (November 2006) that rice was not the only cereal that is consumed by the public. Further, entire requirement was not met by PDS and a portion of paddy cultivated was being retained by farmers and distributed to labourers as portion of their wages. The reply is not tenable as the declared policy of the Government is to provide adequate quantity of food grains. Further, the quantity supplied under PDS was just 35 *per cent* of the requirement with reference to maximum eligibility of 20 Kgs.

As far as delay in implementation of AAY Scheme, the Government admitted that there was delay in identification of beneficiaries and attributed this to administrative reasons.

HEALTH AND FAMILY WELFARE DEPARTMENT

4.5.2 Retention of Government receipts outside Government account

Government receipts to the tune of Rs 3.07 crore were kept outside Government account.

State Government, while sanctioning (November 2003) the establishment of 11 new schools of nursing to conduct diploma courses in nursing and increasing the seats in nine existing schools of nursing in nine Government Medical College Hospitals, directed the collection of tuition fee of Rs 7,500 and special fee of Rs 2,500 per candidate per year to meet development cost of institution. Government also permitted (July 2004) the concerned Deans of the Medical College Hospital/Joint Director of Health Services to open Personal Deposit (PD) accounts in their name and deposit the entire tuition fee and special fee collected from the students into the PD account and incur expenditure as per rules in force.

Test check of the records during April 2006-August 2006 in four District Headquarters Hospitals³² and seven Medical College Hospitals³³ revealed that out of the tuition fee and special fee collected from the students during 2003-06 and credited into their savings bank accounts in the nationalised banks, Rs 3.07 crore was lying unspent in these savings bank accounts, outside Government account after meeting Rs 0.47 lakh as expenditure³⁴.

The orders of the Government permitting the institutions to incur expenditure to meet development cost of institution besides recurring costs, out of the tuition fees and special fees collected from the students amounted to utilisation of Government receipts directly without remitting them to Government account and violated the requirement of obtaining legislative approval for incurring expenditure.

The Finance Department, in connection with an earlier paragraph relating to the retention of inspection fees by the Director of Collegiate Education pointed out by Audit, had issued (May 2005) letters to all Secretaries to Government, stating that revenue receipts collected had to be remitted to Government account and should not be utilised for meeting expenditure. The letter also instructed the Secretaries to discontinue the practice of retaining

³² District Headquarters Hospitals at Kancheepuram, Cuddalore, Udhamandalam and Tiruppur.

³³ Government General Hospital, Chennai, Chengalpattu Medical College Hospital, Annal Gandhi Memorial Hospital, Tiruchirappalli, Thoothukudi Government Medical College Hospital, Thanjavur Medical College Hospital, Tirunelveli Medical College Hospital and Government Mohan Kumaramangalam Medical College Hospital at Salem.

³⁴ Rs 0.10 lakh towards payment of inspection fees to Nursing Council of India in District Headquarters Hospital at Tiruppur and Rs 0.37 lakh refunded to the student in Government Mohan Kumaramangalam Medical College Hospital at Salem.

Government revenue outside Government account. Despite this, no action was taken by the Health and Family Welfare Department (July 2006).

Government should have credited these receipts in PD account and the expenditure could be incurred from the PD account after getting the necessary approval through budget provision.

The matter was referred to the Government in June 2006; Government stated (October 2006) that orders have been issued (September 2006), for the collection of fees for Self-Financing seats at the rate of fees collected for Government seats and Rs 200 would be collected instead of Rs 7,500 and Rs 2,500 towards tuition fees and special fees respectively from the academic year 2006-07 onwards and the fees would be remitted into Government account.

YOUTH WELFARE AND SPORTS DEVELOPMENT DEPARTMENT

4.5.3 Irregular utilisation of funds under National Service Scheme

Scheme Funds to the tune of Rs 1.32 crore were allowed in excess by Universities towards administrative charges as per the directions of State Coordinator and an amount of Rs 1.01 crore were blocked up for more than nine years.

With the objective of giving an extension dimension to the higher education system and orient the student youth to community service while they are studying, the Government of India (GOI) was implementing the National Service Scheme (NSS) at University level and at +2 stage. The expenditure is shared by the GOI and the State Government in the ratio of 7:5. A State NSS cell functioning under the control of the Director of Collegiate Education (DCE), Chennai was administering the Scheme. University Council and the Director of School Education (DSE) were responsible for implementation of the Scheme at the university/college and school level. During the period April 2001 to December 2005 funds amounting to Rs 28.57 crore³⁵ were released for implementing the Scheme of which Rs 0.98 crore was lying unutilised at the end of March 2006. Scrutiny of records during December 2005 relating to the Scheme, revealed the following deficiencies in financial management.

Unspent amounts adjusted by the Government of India

Perusal of records revealed that the GOI adjusted Rs 1.61 crore³⁶ while releasing its eligible share during the period 2001-03, being the unspent amount of NSS funds lying with the State Government. Thus, the State Government was deprived of such large amounts due to non-utilisation of funds for the intended purpose.

³⁵ Funds released during 2001-06 by GOI: Rs 16.73 crore, State : Rs 11.84 crore.

³⁶ 2001-02: Rs 42.22 lakh, 2002-03: Rs 119.02 lakh.

Excess allocation of funds for administrative expenditure

Till June 2000, as per the pattern of expenditure prevailing, Rs 120 per volunteer³⁷ per annum was allowed for NSS regular activities. GOI revised (July 2000) the rate from Rs 120 to Rs 160. While an amount of Rs 30 was allowed towards administrative expenditure per volunteer per annum at the college/school level, the remaining amount of Rs 130 per volunteer was to be passed to the scheme activities. Based on the decision (October 2000) of the State Level Advisory Committee (SLAC), the DCE issued (October 2000) instructions to the universities to retain Rs 40, as against Rs 30 prescribed by the GOI towards administrative expenditure from 2000-01 stating that the amount was not sufficient to meet out the administrative expenditure. No concurrence from the GOI was obtained for this. Unauthorised retention with the universities for expenditure on administration amounted to Rs 1.32 crore for the period 2000-06. As a result, programme activities were deprived of funds to that extent.

Retention of unutilised grants of earlier years

Prior to 1997, the State cell was under the administrative control of Sports Development Authority of Tamil Nadu (SDAT). The amount of unspent grant was kept in fixed deposit by SDAT. Even after the DCE took over the administration of the Scheme as per the Government Orders (January 1997), the SDAT continued to renew the fixed deposit. Interest earned on the fixed deposit was being transferred to a separate savings bank account. An amount of Rs 1.01 crore, available in the fixed deposit of SDAT as of November 2005 was thus blocked till date (March 2006) without showing it as unspent amount under NSS to GOI (June 2006).

The matter was referred to Government in April 2006; reply had not been received (December 2006).

GENERAL

FINANCE DEPARTMENT

4.5.4 Lack of responsiveness of Government to Audit

Important 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 Head of office with a copy to the next higher authority. Government issued orders in April 1967 fixing a time limit of four weeks for prompt response by the authorities to ensure corrective action in compliance with the prescribed rules and procedures and accountability for the deficiencies, lapses, etc. A half-yearly report of pending IRs is sent to the Secretary of the Department by the Principal Accountant General to facilitate monitoring of action on the audit observations.

As of June 2006, out of the IRs issued upto December 2005, 13,122 paragraphs relating to 4,733 IRs remained to be settled for want of

³⁷ Rs 30 towards administrative expenditure at University/DSE level, Rs 30 towards administrative expenditure at college/school level and Rs 60 towards scheme activities.

satisfactory replies. Of these, 268 IRs containing 643 paragraphs had not been settled for more than ten years. Year-wise position of the outstanding IRs and paragraphs is detailed in the **Appendix XXXII**. Compilation of details by Audit revealed that among the unsettled paragraphs even the initial reply was not received for 1,895 paragraphs contained in 469 IRs relating to 34 departments as detailed in the **Appendix XXXIII**.

A test check of the pendency in respect of Health and Family Welfare, Higher Education and Public Works Departments revealed the following:

- Even initial replies had not been received as of June 2006 in respect of 360 paragraphs contained in 89 IRs issued between January and December 2005.
- As a result of the long pendency, serious irregularities as detailed in **Appendix XXXIV** had not been settled as of June 2006.
- The Heads of Department did not reply to 2,068 paragraphs contained in 737 IRs.

Government constituted at both state level and department level, Audit and Accounts Committees for consideration and settlement of outstanding audit observations. 68 paragraphs were settled by convening the committee and further, at the instance of Audit, during joint sittings with departmental officers, 529 paragraphs were settled during 2005-2006.