

OVERVIEW

This Audit Report has two chapters containing observations on the Finance and the Appropriation Accounts of the Government of Tamil Nadu for the year 2005-06, and three others, comprising eight reviews (including two information technology reviews) 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.

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 2005-06 were Rs 33960 crore, registering an increase of 19.4 *per cent* over 2004-05. The revenue expenditure during the year was Rs 32009 crore, an increase of 9.8 *per cent* over 2004-05. Consequently, the State Government had a revenue surplus of Rs 1951 crore which enabled reduction in fiscal deficit and achievement of an overall primary surplus. This had also helped the State Government to manage its cash balance by getting lesser Ways and Means advance during the year from Reserve Bank of India. However, return on investment of the Government funds in companies, cooperative units etc., was only 0.8 *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 during 2005-06 was Rs 62310 crore and were about 1.83 times the revenue receipts during the year.

(Paragraphs 1.1 to 1.11)

2 Allocative Priorities and Appropriation

During 2005-06, expenditure of Rs 41737.63 crore was incurred against the total grants and appropriations of Rs 46817.75 crore, resulting in a saving of Rs 5080.12 crore. The overall saving was the result of saving of Rs 5089.12 crore offset by excess of Rs 9 crore. This excess requires regularisation under Article 205 of the Constitution of India. Substantial surrenders of Rs 4649.41 crore representing 82 *per cent* of total provision of Rs 5677.43 crore in respect of 189 schemes were made on account of either non-implementation or slow implementation of schemes. Of these, the entire provision of Rs 1281.21 crore

made for 79 schemes was surrendered. Reappropriation proved excessive or insufficient and resulted in savings/excess over Rs 10 lakh in 528 sub-heads, of which the savings/excess was more than Rs 2 crore in 57 cases.

(Paragraphs 2.1 to 2.7)

3 *Chennai Waterways Project*

The Chennai Waterways Project aimed at alleviation of flood and abatement of water pollution in Chennai city by increasing the carrying capacity of waterways and preventing it from pollution. Many works essential for achieving the objective were not included in the Project. The Project was affected by lack of funds and diversion of funds. Slums polluting the waterways were relocated partially. Non-adherence to prescribed specifications led to avoidable expenditure and poor coordination between the implementing agencies hampered the execution of work. Consequently, there was inundation during flood and sewage continues to pollute the waterways even after implementing the Project for seven years at a cost of Rs 621.41 crore.

(Paragraph 3.1)

4 *Functioning of Horticulture and Plantation Crops Directorate*

Horticulture and Plantation Crops Directorate is in charge of development of horticulture in the State.

A review of the functioning of the Directorate revealed that the provision made during the first four years of Tenth Five Year Plan was only Rs 61.59 crore as against proportionate outlay of Rs 103.32 crore. The expansion of cropping area was not given thrust in the Cauvery delta districts. Productivity suffered due to delay in supply of seeds, planting material, inferior planting material produced by private nurseries and non-multiplication of seeds developed by Tamil Nadu Agricultural University for supply to farmers. Development of horticulture in the state also suffered due to defects in implementation of Hill Area Development Project and non-implementation of Tamil Nadu Horticulture Mission. Under Tamil Nadu Precision Farming Project implemented in Dharmapuri and Krishnagiri Districts farmers with a minimum land holding of one hectare were only covered though 70 per cent of the farmers in these districts held less than one hectare of land and were thus deprived the benefit of the project.

(Paragraph 3.2)

5 *Tsunami Relief, Rehabilitation and Reconstruction*

A review on the activities under Tsunami Relief, Rehabilitation and Reconstruction revealed incorrect initial assessment of requirement of funds, incorrect adoption of rate/norms for payment of compensation and utilisation of funds from Calamity Relief Fund for activities not mentioned in the

guidelines of Government of India. Further, improper selection of sites for temporary shelters resulted in unfruitful expenditure. Delay in construction of permanent shelters necessitated the maintenance of temporary shelters at huge cost till the completion of such permanent houses. Besides, the necessary amendments to Town and Country Planning Act and Building Bye-laws, notification of Disaster Management Rules by the State Government were yet to be made and works for demarcation of Coastal Regulation Zone have to be executed so as to enable relocation of houses to lesser calamity prone areas.

(Paragraph 3.3)

6 *Sarva Shiksha Abhiyan*

Sarva Shiksha Abhiyan is a programme to provide elementary education for all children in the age group of 6 to 14 years. A review of the project revealed that the Government of India had not released Rs 319.32 crore out of their share fixed in their approved annual plan for the State during 2001-06. The main objective of bringing all children to regular/alternate schools by 2005 was not achieved as 1.12 lakh children in the age group of 6-14 years were out-of-school as of March 2006. The specified teacher student ratio of 1:40 was not achieved in 14 districts at primary level and 26 districts at upper primary level. The State level drop out rate at primary and upper primary school level was 3.81 *per cent* and 7.58 *per cent* as of September 2005. This requires further improvement to enable the department to achieve the objective of achieving universal retention by 2010.

(Paragraph 3.4)

7 *Conservation of flagship species -Tiger*

Project Tiger implemented in Kalakad-Mundanthurai Tiger Reserve aimed at ensuring maintenance of a viable population of tigers. Failure to prepare the Management Plan, inadequate funds, delay in release and diversion of funds and shortage of manpower hampered the protection measures and promotional activities. There was delay in declaring the entire reserve forest and forest land as sanctuary. Consequently, conservation activities could not be carried out effectively and there was continued dependence of the villagers on forest for their livelihood. The estimation of tiger population was not realistic. The Project was also not monitored in accordance with the guidelines.

(Paragraph 3.5)

8 *Implementation of the Well Census Project*

The Well Census Project was conceived to create a consolidated database of all the existing wells in the State to cater to the Tamil Nadu Ground Water (Development and Management) Act, 2003 for protection of the ground water resources in the State. However, the time for proper planning, conducting feasibility study, ensuring the correctness and completeness of the software for data capture, etc., was inadequate. The application software developed was

devoid of controls to ensure completeness and correctness of data. This critically impaired the attainment of the objective of Well Census Project. Data in respect of five per cent of the villages was yet to be compiled. The geo-database (GIS) with the objective of generating outputs in a graphical form also was not created.

(Paragraph 3.6)

9 *Ineffective Computerisation in Police Department*

To achieve its objectives of control, investigation and prevention of crime, the Department decided to computerise its functions. A centrally sponsored scheme of “Crime and Criminal Information System (CCIS)” was introduced in 1996 by the National Crime Records Bureau (NCRB), New Delhi. The objective of this scheme was storage of crime and criminal related data and easy retrieval of information in support of crime detection. In addition, in the year 2001, another scheme “Crime Analysis and Automated Record Updating System” (CAARUS) was introduced, to computerise all manual records of police stations. However, deficient planning and implementation led to duplication of data entry resulting in wastage of manpower as well as errors. The database of CCIS was incomplete and contained incorrect data due to lack of input and validation controls leading to the database being unreliable. Non provision of the linkage between the CAARUS and CCIS for data porting from CAARUS to CCIS has led to duplication of data entry resulting in wastage of manpower as well as errors. Even after 10 years of implementation, the District Crime Record Bureaus and the State Crime Record Bureau are yet to be connected in a network, resulting in abnormal delay in the transmission of data from districts to the state headquarters. The critical data required for generating reports from CCIS is still largely incomplete.

(Paragraph 3.7)

10 *Internal Control System in Small Industries Department*

Internal Control System in Small Industries Department was not fully effective as indicated by the deficiencies in compliance of various rules and directives of Government. Faulty preparation of budget estimates resulted in persistent savings in all the years and huge surrender of funds. Cash management was deficient and absence of periodical physical verification of cash by the heads of offices in all test checked districts and deficiencies in writing of cash book was fraught with the possibility of misappropriation. Poor inspection of field units and cooperative societies under the control of the Department resulted in various deficiencies lying undetected and uncorrected. The understaffing of the Internal Audit wing led to huge arrears in Internal Audit of many of the units for years together.

(Paragraph 5.1)

11 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 153.67 crore as mentioned below:

A case of payment (Rs 0.97 crore) being released on the basis of fictitious measurement was noticed in Public Works Department.

(Paragraph 4.1.1)

Unfruitful/unproductive/wasteful expenditure and excess payments of Rs 19.19 crore were noticed in Public Works (Rs 10.53 crore), Municipal Administration and Water Supply (Rs 3.12 crore), Higher Education (Rs 4.46 crore) and Home (Rs 1.08 crore) Departments.

(Paragraphs 4.2.1 to 4.2.8)

Avoidable/excess expenditure of Rs 0.74 crore was noticed in Highways Department.

(Paragraphs 4.3.1 and 4.3.2)

Idle investments/blocking of funds aggregating Rs 34.39 crore were noticed in Health and Family Welfare (Rs 17.37 crore), Energy (Rs 8.33 crore), Youth Welfare and Sports Development (Rs 4 crore), Municipal Administration and Water Supply (Rs 2.75 crore), School Education (Rs 1.04 crore), Information and Tourism (Rs 0.52 crore) and Public Works (Rs 0.38 crore) Departments.

(Paragraphs 4.4.1 to 4.4.9)

Apart from these, there were regularity issues and other points aggregating Rs 98.38 crore in Co-operation, Food and Consumer Protection (Rs 92.98 crore), Health and Family Welfare (Rs 3.07 crore) and Youth Welfare and Sports Development (Rs 2.33 crore) Departments.

(Paragraphs 4.5.1 to 4.5.4)