CHAPTER IV

AUDIT OF TRANSACTIONS

CHAPTER IV

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 Wasteful/unfruitful expenditure

MUNICIPAL ADMINISTRATION AND WATER SUPPLY DEPARTMENT

TAMIL NADU WATER SUPPLY AND DRAINAGE BOARD

4.1.1 Unfruitful expenditure due to failure to ensure adequacy of source of water

Creation of infrastructure without ensuring the adequacy of source resulted in non-utilisation of the infrastructure for over five years and in unfruitful expenditure of Rs 5.53 crore.

Based on the recommendation of the Committee on Public Undertakings (1991-92), the Tamil Nadu Water Supply and Drainage Board (Board) issued instructions (March 1990) that source creation in water supply projects would take precedence over all other sub-heads of sanctioned project and unless the existence of a proper source with adequate quantity and quality was established, there would be little point in going ahead with other components of the project.

The yield from the existing water supply scheme for Thiruttani town in Thiruvallur district proving insufficient, the Board proposed (March 1995) Thiruttani Water Supply Improvement Scheme to augment 2.69 mld of water for intermediate stage (2006) and 5.89 mld for ultimate stage (2021) by sinking new infiltration wells in Kosasthalayar river. As the proposed new wells were to be located in the vicinity of the source for the existing water supply scheme, the Hydrogeologist recommended (September 1998) construction of a check dam upstream of the river to facilitate recharge in the new wells and to improve sustainability of the scheme. Though the five new wells could yield (December 1998) only two mld of water, the EE Urban Division, Kancheepuram commenced the works (January 1999) relating to other components[1] and completed them in January 2002 at a cost of Rs 4.48 crore. Due to public protest, the check dam across Kosasthalayar river was not constructed. As an alternative, PWD constructed a sub-surface

[1] Construction of Sump-cum-pump Room, Pump House, Ground Level Service Reservoir and laying of Pumping Main.

barrier during August 2004 to March 2005 at a cost of Rs 1.35 crore despite which the yield did not show any improvement. The Executive Officer, Thiruttani Municipality informed Audit (May 2007) that water was supplied (through the infrastructure created under the Thiruttani Water Supply Improvement Scheme) only during October and November 2005 when there was some improvement in the source due to rain, and during the remaining period of 2002-07, water was supplied through the old pumping main for want of sufficient water in the new sources.

To overcome the continued scarcity of water in the town, the Board sanctioned (November 2006) a Combined Water Supply Improvement Scheme to Thiruttani town along with the adjacent Arakkonam Municipality at a cost of Rs 13.57 crore wherein it was proposed to use the 10 lakh Litre Ground Level Service Reservoir constructed at a cost of Rs 30 lakh under the Thiruttani Water Supply Improvement Scheme. Tender for the work on the new scheme had not been finalised as of August 2007. Thus, failure to ensure the existence of a reliable and dependable source before creation of infrastructure rendered the expenditure of Rs 5.53 crore[2] wasteful.

On being pointed out in audit, the Government attributed (December 2004) the low yield to failure of monsoon and indiscriminate and unscrupulous sand mining and added that the ground water level improved in the area due to recent rain and the Thiruttani Municipality could satisfy the needs of the public. The reply is not tenable as the low yield was identified as early as December 1998 and the source was insufficient even after the construction of sub-surface barrier in the river and above normal rainfall during the year 2005.

The matter was referred to Government in June 2007; reply had not been received (November 2007).

CHENNAI METROPOLITAN WATER SUPPLY AND SEWERAGE BOARD

4.1.2 Unfruitful expenditure in laying additional pipeline

Failure to delete the work of laying of additional pipeline while deleting the corresponding water transmission mains resulted in unfruitful expenditure of Rs 4.10 crore.

The work of construction of 530 MLD Water Treatment Plant (WTP) at Chembarambakkam and allied works to treat Krishna water (second stage) was approved by Government in August 1996. The work included, among other things, (i) construction of WTP including laying of clear water transmission main with two rows of 2000 mm pipeline for a length of 310 metres upto Bangalore-Chennai Highway (Component A) and (ii) laying two clear water transmission mains from WTP to Porur headworks (Component B). The pipelines laid under Component A were to be connected to the two rows of 2000 mm pipes proposed under Component B.

[2] Rs 4.48 crore + Rs 1.35 crore – Rs 0.30 crore.

Based on a study carried out, the Board resolved (October 1998) to lay only one row of 2000 mm pipeline initially and proposed to lay the second row after the water demand picks up. Though the second row of pipeline in Component B was deleted, the Board failed to delete one row of pipeline proposed in Component A. The tender was finalised and the work was awarded in April 2002. The laying of twin rows of clear water main was completed in June 2007 at a cost of Rs 8.20 crore and one row of pipeline was dummied. The work under Component B with only one row of pipeline was entrusted to a contractor in February 2006 and was in progress (May 2007).

The pipeline laid at a cost of Rs 4.10 crore for a length of 310 metres is thus just a dummy and can be used only when the second row is laid under Component B. The unnecessary laying of second row of pipeline under Component A resulted in unfruitful expenditure of Rs 4.10 crore.

The matter was referred to Government in June 2007; reply had not been received (November 2007).

HOME AND YOUTH WELFARE AND SPORTS DEVELOPMENT DEPARTMENTS

4.1.3 Unfruitful expenditure on shooting range equipment

A request for the wrong site for establishing trap and skeet shooting range resulted in non-installation of two out of five items of equipment purchased besides the failure to achieve the objective of creating a comprehensive shooting range even after spending Rs 3.44 crore.

Government sanctioned (November 2004) Rs four crore for upgrading the existing indoor shooting complex at Veerapuram, in the premises of Tamil Nadu Special Police (TSP) Battalion, to a comprehensive shooting range for hosting national and international events including a trap and skeet range for competitions. The amount was drawn (February 2005) and kept in Deposit account by Sports Development Authority of Tamil Nadu (SDAT), the agency to which the execution was entrusted. A Memorandum of Understanding (MoU) was also entered into (March 2005) by the Director General of Police (DGP) with SDAT.

SDAT purchased equipment for the comprehensive shooting range through global tender at a cost of Rs 3.44 crore between November 2005 and March 2006. This equipment had a warranty period of one year from the date of installation or 18 months from the date of shipment whichever was earlier. The details regarding date of shipments and date of installation of the equipment were as follows:

Sl. No.	Nature of equipment	Date of shipment	Date of installation	Cost of equipment (Rupees in lakh)
1.	Electrical target and range equipment	31 March 2006	1 June 2006	61.77
2.	Electronic scoring and ranking system	7 October 2005	1 June 2006	172.69
3.	Trap, double trap and skeet machine	22 October 2005	Yet to be installed	81.68
4.	Trap and skeet shooting range score board	21 February 2006	Yet to be installed	25.06
5.	Air compressor	2 November 2005	1 June 2006	2.97
	Total			**344.17**

Trap, double trap and skeet machine and trap and skeet shooting range score board purchased for Rs 106.74 lakh could not be installed because the Member Secretary, SDAT asked the District Collector, Tiruvallur (October and November 2004) for an incorrect site in Survey No 288/2(5.31.5 hectares) instead of the identified sites in Survey number 272 (1.70.5 hectares) for the shooting range for which permission was given by the Collector in September 2005. The request for the correct identified site required for the trap and skeet shooting range was made only in September 2006 by the Member Secretary, SDAT and the site was still to be handed over (January 2007).

As there were no competitions scheduled in the near future, the Member Secretary, SDAT decided (December 2006) to postpone the purchase of weapons, ammunitions and other accessories. However, due to escalation in cost over and above the sanctioned amount of Rs Four crore, and with a view to complete the comprehensive shooting range of international standard, SDAT approached the State Government in January 2007 for sanction of Rs 1.25 crore towards purchase of weapons, ammunitions and accessories and clay boards (Rs 75 lakh) and additional amount towards establishment of a trap and skeet range (Rs 50 lakh).

Government stated (May 2007) that items of equipment costing Rs 1.07 crore mentioned at serial 3 and 4 in the table above could not be installed because the trap and skeet shooting range was not ready due to shortage of funds. Consequently, the warranty period expired and the Department lost the benefit of the warranty. The entire set of equipment purchased between November 2005 and March 2006 at a cost of Rs 3.44 crore were also not utilised in the absence of weapons, ammunitions and accessories and the objective of creating a comprehensive shooting range of international standard could not be achieved even after incurring huge expenditure. Government accepted (August 2007) all the facts in general and reiterated that the delay was only due to the requisition of incorrect site by the SDAT.

SMALL INDUSTRIES DEPARTMENT

4.1.4 Unfruitful expenditure on establishment of Information Technology Incubator Centre

Underutilisation of computers after commissioning of Information Technology Incubator Centre resulted in revenue loss of Rs 36.80 lakh and, as the intended objective was not achieved, the expenditure of Rs one crore (including the borrowed amount of Rs 15 lakh) incurred on its establishment also became unfruitful.

According to the policy measures announced, (August 1991), Government of India communicated (June 1993) financial assistance to state level training institutions for supporting the entrepreneurship development efforts for improving areas like building, training aids/equipment and other support services on matching basis at 50 *per cent* restricted to Rs 50 lakh per case.

To provide qualified and trained manpower in Information Technology under one roof and to prevent their migration, and based on Information Technology Policy (July 1998) of Government of India (GOI), the Industries Commissioner and Director of Industries and Commerce (ICDIC) proposed (October 1998) the setting up of Information Technology Incubator Centre (ITIC) at Madurai, in association with Centre for Entrepreneurial Development[3] (CED). State Government accorded sanction (May 1999) for incurring a non-recurring expenditure of Rs 50 lakh for establishment of ITIC at Madurai with the balance to be met by external borrowings. The CED was to identify at least 20 software entrepreneurs to set up their units in this ITIC before commencement of the implementation of the project and the facility offered to the entrepreneurs would be on rental basis.

The ICDIC entered (March 2000) into a Memorandum of Understanding (MOU) with CED. The amount was deposited in a joint fixed deposit (FD) account of Tamil Nadu Industrial Co-operative (TAICO) bank in the name of ICDIC and CED in May 2000. After raising (May 2000) a term loan of Rs15 lakh from the Global Trust Bank, the CED decided to avail matching grant of Rs 35 lakh from the GOI. GOI released its share (January 2001) Rs 35 lakh for procuring training aids for the ITIC at Madurai.

The CED proposed to house the ITIC in the rented premises of Madurai Corporation. The CED reported that due to the hostile attitude of Madurai Corporation by raising the rent of the hired premises often, non-receipt of adequate and prompt support during 2003-04 and reconstitution of the Board of Management in the end of 2003-04, the establishment of ITIC was delayed. Finally the ITIC was established in October 2004 at M/s Hotel Bluelines Pvt. Ltd. on lease basis at Rs 50,000 as lease rent per month after a delay of five years since the receipt of state funds, and an expenditure of

[3] CED is a registered public charitable trust and a recognised training and consultancy agency of the Industries Department of the State Government.

Rs one crore[4] was incurred on establishing it. In this connection, the following observations are made:

1. As against the orders of the State Government that the grant of Rs 50 lakh be released in stages against the creation of necessary facility, the entire grant was released by ICDIC in one lump sum to the CED, Madurai to avail of the GOI grant of Rs 35 lakh sanctioned on matching basis.

2. The joint account opened to operate the Government grant was not closed as stipulated in the MOU even after the grant was utilised and interest of Rs 19.58 lakh was still (February 2007) lying in FD account in TAICO bank.

3. Though the scheme commenced as early as in October 2004, only three entrepreneurs (who were not in the original list of 20 entrepreneurs) were benefited as against the envisaged 20 entrepreneurs during January 2005 and December 2006, indicating the absence of a proper survey before commencing the scheme to assess the demand from entrepreneurs likely to utilise the centre. Moreover, none of the three entrepreneurs utilised the systems for the entire period, which resulted in most of the systems lying idle depriving ITIC of potential rent of Rs 36.80 lakh **(Appendix 4.1).**

4. As against Rs 11.20 lakh collected by way of rent from the entrepreneurs, Rs 7.60 lakh had been paid by ITIC to CED as rent for the leased premises up to July 2006 as CED accounted only 33 per cent of the total rent for housing ITIC. CED did not collect rent afterwards due to lack of funds in ITIC account. However no records were made available to Audit for confirming the terms and conditions between CED and ITIC for sharing the rent.

5. With the limited use of ITIC by three entrepreneurs for short periods viz., seven months (January 2005 to July 2005) in data transcription and data conversion, 17 months (August 2005 to December 2006) in Geographical Information System Project and six months (March 2006 to August 2006) in data conversion respectively, the objective of providing qualified and trained manpower in Information Technology under one roof and thus prevent their migration was not achieved.

Apart from the underutilisation of computers, because the ITIC could not be put to use for the intended purpose, the expenditure of Rs one crore (State Government Rs 50 lakh; GOI grant : Rs 35 lakh; Borrowings made by CED : Rs 15 lakh) incurred on its establishment was largely unfruitful.

The matter was referred to Government in July 2007; the reply has not been received (November 2007).

---

[4] Computer systems and Networking : Rs 44.02 lakh; Building expenses and refundable advance : Rs 22.04 lakh; Vehicles, office equipments and others : Rs 33.94 lakh. Total : Rs one crore.

AGRICULTURE DEPARTMENT

4.1.5 Unfruitful expenditure on unutilised godown

Non-utilisation of the oil seeds godown with dehumidifier at Vellalaviduthi for the last seven years due to non-requirement rendered the expenditure of Rs 69.99 lakh incurred on it infructuous.

Based on the proposal of Director of Oilseeds and the approval of the State Level Sanctioning Committee, Government sanctioned (January 1989) Rs 88 lakh for the construction of two godowns with air-conditioner and dehumidifier facilities, one each at Foundation Seed Production Centres at Musaravakkam and Vellalaviduthi under cent *per cent* centrally sponsored Oilseeds Production Thrust Project. Of this, the unfruitful expenditure on construction of godown at Musaravakkam had been commented upon in Paragraph 4.1.7 of the Report of the Comptroller and Auditor General of India for the period ended 31 March 2004-(Civil)-Government of Tamil Nadu.

The construction of godown at Vellalaviduthi in Pudukottai District was commenced by Public Works Department (PWD) in September 1990 with targeted date of completion as October 1995. Though the work was completed, duly erecting the air-conditioner plant with dehumidifier in January 1996 at a cost of Rs 69.99 lakh, the godown was handed over only in January 1999 to the Assistant Director of Agriculture (ADA), State Oil Seed Farm, Vellalaviduthi. The godown was kept unutilised since January 1996 till date (July 2007) for the following reasons.

(a) The belated taking over of the godown by the ADA was due to the apprehension of non-availability of seeds for storage and also due to non-posting of technical staff to operate the plant. No post for operating the dehumidifier was sanctioned (July 2007).

(b) The ADA reported as early as in January 2000 to the Joint Director of Agriculture (JDA), Pudukottai, that the breeder seeds produced at the farm were immediately transferred to the Agricultural Extension centers and no necessity arose for storing the seeds even for a month and that the plant could not function due to low voltage power supply against the envisaged voltage of 450 volts. The annual average cost towards maintenance and electricity consumption charges of the godown would be Rs 6.72 lakh, which has to be compensated by bulk storage of oil seeds produced in the farm. The JDA, Pudukottai reported in January 1999 itself that such huge production of oil seeds was not possible in the farm. The above clearly indicated that the construction of godown was taken up without ascertaining the prevailing demand or actual requirement.

(c) As the godown was situated in an interior place and far away from the highways and the nearby cities, the action taken for utilising the godown for storing the other agricultural produces, sea foods etc., by other departments did not materialise. Similarly the action taken to transfer the air-conditioner plant with dehumidifier to other needy units/departments such as Horticulture, Tamil Nadu Co-operative Oil seeds Growers' Federation Limited (TANCOF), etc., also did not materialise.

Thus the godown constructed at a cost of Rs 69.99 lakh (Civil works: Rs 20.88 lakh and Equipment and Electrical Works including cost of air-conditioning: Rs 49.11 lakh) was lying unutilised since January 1999 and not put to alternative use during the last seven years, thereby rendering the expenditure incurred on it infructuous. The electrical equipment, air-conditioner plant and the dehumidifier also remained without any maintenance for want of required staff, losing their value.

Government stated (July 2007) that the Director of Agricultural Marketing and Agriculture Business had informed that action is being taken to consider the taking over of the storage godown.

ANIMAL HUSBANDRY AND FISHERIES DEPARTMENT

4.1.6 Ineligible expenditure on purchase of equipment

Ineligible expenditure of Rs 45.10 lakh was incurred on the purchase of equipment from the funds released by Government of India for implementing the Foot and Mouth Disease Control Programme.

Foot and Mouth Disease Control Programme is a cent *per cent* centrally sponsored scheme under which vaccination of all susceptible live stock is carried out in a phased manner in one district *viz*., Kanniyakumari District from 2003-04 to control Foot and Mouth disease, a viral disease affecting livestock resulting in economic loss to farmers. Cold cabinets and vaccination carriers were supplied by Government of India (GOI) under the scheme. Besides, laboratories in the district were to be strengthened at a cost of Rs 3 lakh per laboratory and communication network was to be developed. GOI released funds to the State Government for meeting expenditure towards purchase of syringes and needles for vaccination, sterilizers, vaccination guns, animal health cards, etc., and also for public awareness campaign, live stock census, hiring of cold storage and transportation of vaccine, as prescribed (October 2003) in their guidelines.

The position of utilisation of funds under the scheme during the last four years 2003-07 is given below:

(Rupees in crore)

Year	Unspent balance at the end of previous year which was revalidated	Funds released by GOI	Total funds available	Funds utilised during the year	Unspent balance at the end of the year
2003-04	Nil	14.00	14.00	3.13	10.87
2004-05	10.87	20.00	30.87	30.26	0.61
2005-06	0.61	40.00	40.61	39.73	0.88
2006-07	0.88	12.00	12.88	Nil	12.88*

* Rs 12.88 lakh including the amount of Rs 0.88 lakh revalidated was released by GOI only in February 2007

Scrutiny of the relevant files in the Directorate of Animal Husbandry (DAH) revealed that while Rs 28.02 lakh only were spent during 2003-06 on programme activities out of the total expenditure of Rs 73.12 lakh. The remaining amount of Rs 45.10 lakh was utilised towards purchase of fax machines, xerox machines, digital copiers, video projectors, duplo accessories, almirahs, gensets, computers with software and printers, laptops, booster with splitter, microscopes, computer stationeries and printing of books, specifically prohibited by Government and hence ineligible. As the utilisation certificates furnished by State Government to GOI did not contain the breakup details of expenditure incurred, it did not reveal to GOI the extent of violation/non-adherence of guidelines for the purchases made.

Audit also observed that certain items purchased at a cost of Rs 15.46 lakh were transferred to the offices of Animal Husbandry in other districts like Kancheepuram, Madurai, Coimbatore, Tiruchirappalli, Tirunelveli and Thoothukudi where the scheme was not implemented.

Justifying the purchases, the DAH stated that equipment/machinery and computers were purchased for elaborate documentation of all activities of the scheme upto State level. This was not tenable, as the scheme was earmarked for Kanyakumari district alone for which one computer with UPS and printer in each of the offices of two ADAH (Nagercoil and Thuckalay) alone were required. Further there was no on-line net working facilities available between the unit offices and the District/Regional/State level offices. Again, the purchase of machinery like copiers/Projectors/Fax machines etc., for this scheme was not justifiable.

The matter was referred to Government in March 2007; the reply has not been received (June 2007).

HIGHWAYS DEPARTMENT

4.1.7 Unnecessary provision of Bituminous Macadam

Provision of Bituminous Macadam in contravention of Indian Roads Congress guidelines on strengthening the existing roads resulted in wasteful expenditure of Rs 39.02 lakh.

The Indian Roads Congress (IRC) guidelines on strengthening the existing roads provides for a bituminous layer of 50 mm to 100 mm Bituminous Macadam (BM) with an additional surfacing course if structural deficiency is noticed. In reaches where there is no structural deficiency[5], only a thin surfacing is to be provided to improve the riding quality.

Test check of the records relating to six road strengthening works executed during April 2005 to October 2006 by two divisions[6] revealed that there was

[5] Structural deficiency is deformation of a road beyond certain limit measured by conducting a test.

[6] Sivagangai and Dindigul.

no structural deficiency in 22 reaches. However, based on the estimates furnished by the Divisional Engineers (DEs), the Superintending Engineer (Highways), Madurai approved a provision of 50 to 75 mm thick BM layers in addition to thin surfacing course of 25 mm Semi-Dense Bituminous Concrete (SDBC) in these reaches on the ground that the existing top layer was premix carpet with seal coat and SDBC was to be laid only on a bituminous surface. The works were executed accordingly.

Audit scrutiny revealed that the divisions did not maintain any record showing the composition of existing roads under their maintenance. Test check of the maintenance/strengthening works executed in four reaches of two roads[7] by Audit, disclosed that the top most layer contained 50 mm thick BM with 25 mm thick SDBC and not premix carpet. The additional 50 mm thick BM was provided in these reaches based on the wrong details furnished by the DEs. Provision of BM in contravention to the IRC specifications was unnecessary and resulted in wasteful expenditure of Rs 39.02 lakh.

The matter was referred to Government in March 2007; reply had not been received (November 2007).

PUBLIC WORKS DEPARTMENT

4.1.8 Unfruitful expenditure on the partly constructed stadium

Failure of the stadium committee headed by the District Collector in collecting committed funds from the sponsors led to abandonment of work and Rs 34.30 lakh incurred on the partly completed stadium became unfruitful.

Government of India (GOI) approved (January 2001) a project of constructing an indoor stadium in Tiruchirappalli for developing sports and games at an estimated cost of Rs 167 lakh and sanctioned Rs 60 lakh as its share. The balance was to be borne by the State Government (Rs 30 lakh) and was to be mobilised from the sponsors (Rs 77 lakh) by the stadium committee.[8] GOI also stipulated a condition that the State Government/sponsors should spend at least 50 *per cent* of their share for the work, before approaching GOI for the release of their share. The GOI sanction was valid for two years. The administrative sanction and technical sanction for the works were issued in August 2002 and October 2002 respectively.

The progress of work from its commencement in December 2003 was very slow due to poor inflow of funds. The contractor requested (May 2005) for increase in rates. The contractor stopped the work, after executing 28 *per cent* of the work (contract value of Rs 121.31 lakh) and sought (January 2006) foreclosure of the agreement, if his request made in May 2005 for escalation was not met with. The Executive Engineer (EE)

---

[7] Perambalur – Manamadurai road and Madurai – Devakottai road.

[8] Constituted in April 1998 with District Collector as President.

Technical Education Division, informed (May 2006) the District Collector that the foreclosure of the contract was under consideration and the contractor had left the site taking away all his material. He had also requested (September 2006) the Member Secretary, Sports Development Authority of Tamil Nadu to direct the District Sports Officer, Tiruchirappalli to take over the stadium, completed upto gallery level, in its existing condition.

The District Collector forwarded (November 2005) an incorrect Utilisation Certificate (UC) for Rs 61 lakh (which included Rs 23.49 lakh being the value for contractor's materials) against Rs 33.69 lakh incurred on works at that time. GOI conveyed (August 2006) their sanction for Rs 30 lakh and the amount is yet to be released by the State Government (March 2007).

Out of Rs 107 lakh committed for the work, Rs 59 lakh[9] only were received to date (March 2007). Out of the State share, Rs 12.50 lakh was utilised (May 2003) towards construction of a swimming pool near the stadium, which was not a part of this work. Out of the sponsors' share of Rs 45 lakh, Rs 34.30 lakh was incurred on the stadium. Thus as of March 2007, Rs 12.20 lakh still remained unutilised in the deposit account and the work has not been commenced till date (August 2007). Failure of the stadium committee headed by the District Collector in collecting committed funds from the sponsors led to abandonment of work by the contractor and Rs 34.30 lakh incurred on the partly completed stadium became unfruitful, besides non-achievement of the envisaged objective.

The matter was referred to Government in March 2007; the reply has not been received (November 2007).

HANDLOOMS, HANDICRAFTS, TEXTILES AND KHADI DEPARTMENT

4.1.9 Irregular payment of premium before enrolment of weavers

Payment of full premium for all the 1.3 lakh targeted weavers under Weavers Health Insurance Scheme, well before all the weavers were enrolled resulted in excess payment of premium amount of Rs 26.78 lakh

Government of India (GOI) conveyed (August 2005) their approval along with required guidelines for introduction of a "New Health Insurance Scheme" (Scheme) in place of the existing Health Package Scheme in

[9] State share Rs 14 lakh in May 2001 and sponsors share Rs 45 lakh (between March 2004 and March 2006).

collaboration with ICICI Lombard General Insurance Company Limited (ICICI Lombard) for Handloom Weavers from the year 2005-06. The scheme aims at financially enabling the weaver community in the country to avail the best of healthcare facilities. The scheme covers not only the weaver but also his family in the age group of 1 day to 80 years, consisting of wife and two children, from all pre-existing diseases as well as keeping substantial provision for out patient treatment.

The premium payable to ICICI Lombard was Rs 1,000 per annum (contribution by GOI: Rs 800 per annum and contribution by the weaver: Rs 200 per annum) for which the coverage per family was Rs 15,000 per annum. The limit upto which claims are allowed were also given for various treatments. The policy was to be valid for a period of 12 months from the date of receipt of premium by the insurer.

ICICI Lombard was to pay/reimburse expenses incurred by the weavers on medical treatment availed of in any hospital or nursing home within the country. The weaver should have been earning at least 50 *per cent* of his income from handloom weaving for availing of the benefits under the scheme.

The Director of Handlooms and Textiles (Director) submitted (August 2005) proposals to State Government for sanction of Rs four crore towards payment of premium on behalf of two lakh weavers for 2005-06 at the rate of Rs 200 per weaver per annum. The Development Commissioner (DC), New Delhi allowed states to cover the maximum number of weavers to enable GOI to achieve the specified target by 15 March 2006. The Director requested (January 2006) the State Government to sanction Rs 2.60 crore, if it is not possible to sanction the whole amount, to enroll at least 1.30 lakh weavers during 2005-06 and the rest to be admitted during the next financial year (2006-07). The Director also requested (February 2006) the DC to move the GOI for sanction of Rs 10.40 crore as GOI share and release it to ICICI Lombard.

The State Government sanctioned (February 2006) Rs 2.60 crore for enrolment of 1.30 lakh weavers during 2005-06 by contributing Rs 200 per weaver/per annum. The sum of Rs 2.60 crore was drawn and paid to ICICI Lombard on 21 February 2006. GOI also released its share of Rs 10.40 crore for 1.30 lakh weavers in Tamil Nadu directly to ICICI Lombard. ICICI Lombard confirmed (21 February 2006) that 1.30 lakh weavers were under coverage with the period of insurance coverage being 21 February 2006 to 20 February 2007. However the process of enrolment of weavers for this insurance scheme commenced only after 21 February 2006.

Test check of records revealed that the actual number of weavers enrolled were 1,17,730 on 27 April 2006, (the first report received from ICICI, Lombard) 1,23,337 on 15 May 2006 and 1,28,966 on 30 June 2006 and it reached the targeted 1.30 lakh only on 22 August 2006.

The reply of the Commissioner of Handlooms attributed the delay to the involvement of many processes of identification, enumeration and eligibility of beneficiaries before enrolment of beneficiaries. The reply was not tenable as the real coverage of insurance would begin only after identification and enrolment of weavers for the insurance schemes. But even before completion of the process of enrolment of 1.30 lakh weavers, the Director paid the entire premium of Rs 13 crore (GOI share: Rs 10.40 crore and State share: Rs 2.60 crore) to ICICI Lombard. This had resulted in excess release of premium to the tune of Rs 26.78 lakh for the period from 21 February 2006 to 21 August 2006 (the date of achievement of target), worked out on the number not actually enrolled during the period.

The matter was referred to Government in February 2007; the reply has not been received (November 2007).

4.2 Avoidable/excess expenditure

MUNICIPAL ADMINISTRATION AND WATER SUPPLY DEPARTMENT

4.2.1 Avoidable expenditure

Unnecessary supply of software, 'Visual Studio.Net 2002', to each of the 611 Town Panchayats resulted in avoidable expenditure of Rs 2.68 crore.

Government of Tamil Nadu took up (October 2002) computerisation of Town Panchayat Department including all the 611 Town Panchayats at a cost of Rs 7.17 crore, based on the proposal of Project Director, Tamil Nadu Urban Development Project (TNUDP)-II, as part of the 'Institutional Development Component' under the World Bank aided TNUDP-II. It included supply of hardware and software to each of these institutions and a copy of software package 'Visual Studio.Net 2002' at cost of Rs 43,828. In all, seven[10] functions were to be computerised in these civic bodies.

The software 'Visual Studio.Net 2002' is a package for development of Windows/Web-based applications by professional programmers in institutions, which undertake program development on a continuous basis. The developer of the application alone is required to hold a licensed copy of the software and the applications developed by him could be distributed to the end-users.

The required software was centrally developed and executable versions were supplied to all (between April 2004 and December 2005). The Town panchayats were neither required to change or modify any of these modules nor were they required to develop any program of their own, hence one copy of the software was sufficient for development of the application software. As such the software supplied (October 2003) to each of the 611 Town Panchayats at a total cost of Rs 2.68 crore remained unutilised.

[10] Birth and Death, Administration, Property Tax, Water Charges, Non-tax, Professional Tax and Collections.

No justification or requirement for supply of the software was proposed and put on record. The expenditure of Rs 2.68 crore on supply of the software to all 611 Town Panchayats was thus unfruitful and avoidable.

The matter was referred to Government in February 2007; no reply has been received so far (November 2007).

HIGHWAYS DEPARTMENT

4.2.2 Avoidable expenditure due to unnecessary provision of bituminous binder

Unnecessary provision of bituminous binder course in road works in contravention of Indian Roads Congress specifications resulted in avoidable expenditure of Rs 98.32 lakh.

The Indian Roads Congress (IRC) specification 37-1984 stipulated that whenever stage construction technique was adopted, only a thin bituminous surfacing without any underlying layer of bituminous binder course should be provided. The specification was revised in 2001 (IRC 37-2001) which stipulates provision of bituminous binder course only where the traffic intensity is two million standard axles (MSA) or more. These specifications were not followed in the following road works resulting in an avoidable expenditure of Rs 98.32 lakh.

Provision of bituminous binder course for stage construction work

While designing the pavement for the work of widening and strengthening of Thidavoor-Thammampatti road km 0/0-10/0, the Director, Highways Research Station (HRS) followed stage construction technique but provided for 70 mm thick bituminous macadam (BM) with 25 mm semi dense bituminous concrete in violation of IRC specification 37-1984. The work, taken up for execution in March 2002, was completed in September 2003. When the unnecessary provision of bituminous binder course costing Rs 74.92 lakh was pointed out in audit, the Director, HRS replied (February 2007) that IRC 37-1984 provided for the bituminous binder, which is not factual. Even by adopting the revised IRC 37-2001, the road would only qualify for a provision of 50 mm BM and thus the provision of 70 mm thick BM resulted in avoidable extra expenditure of Rs 22.65 lakh.

Provision of bituminous binder course for a road having lesser traffic intensity

The estimate for the work of widening 34 kilometre stretch of Mannargudi-Muthupet road was prepared based on three traffic census points in that stretch and the projected traffic intensity for the design period of five years was 1.81 MSA, 1.65 MSA and 1.44 MSA respectively. Though bituminous binder course was not required for these traffic intensities, the Chief Engineer (Highways), Chennai (CE) unnecessarily provided 50 mm BM treating the traffic intensity for the entire stretch as two MSA. The work was taken up in April 2005 and completed in April 2006.

When pointed out by Audit (November 2006), the CE contended that IRC specification allows provision of BM if the traffic intensity exceeds one MSA. This contention is not factual and it was also noticed in audit that the Superintending Engineer (Madurai) had not provided bituminous binder course in respect of two other road works having traffic intensity of 1.57 MSA and 1.42 MSA.

The provision of BM for traffic intensity less than two MSA was in contravention of IRC specifications and resulted in avoidable expenditure of Rs 75.67 lakh.

The matter was referred to Government in June 2007; reply has not been received (November 2007).

PUBLIC WORKS DEPARTMENT

4.2.3 Extra expenditure due to excess provision of cement

Failure to revise the Data Book based on the latest revision of Indian Standard specifications resulted in excess provision of cement leading to extra expenditure of Rs 87.87 lakh.

The Standard Data Book (Data Book), which forms the basis for preparation of estimates, has been prepared by the Chief Engineer, PWD(General), based on various technical specifications and one among them was Indian Standard (IS) specifications. The data for preparation of cement concrete (CC) was prescribed in the Data Book with quantum of cement by volume based on IS 456-1978 and the quantum of cement required for CC 1:2:4 was 323.1kg/m^3. The IS specifications for CC was revised in July 2000 (IS 456-2000) which prescribed minimum cement content for various grades of CC ranging from 300kg/m^3 to 360 kg/m^3. The data in the Data Book was, however, not revised taking into consideration the revised IS specifications.

Test check of the records of the Superintending Engineer (SE), Public Works Department, Buildings Construction and Maintenance Circle, Tirunelveli and Salem revealed that 128 building construction estimates were sanctioned during 2003-04 to 2006-07 adopting the cement content of 323.1 kg/m^3 for CC 1:2:4 as prescribed in the Data Book and cement content of 430.8 kg/m^3 for CC 1: 1½:3 by linear interpolation of prescribed data for CC 1:2:4. The works were executed accordingly. As per the revised IS 456-2000, the required compressive strength for CC 1:2:4 and CC 1:1½:3 could be achieved with a minimum cement content of 300 kg/m^3. The provision of excess quantity of 23.1 kg/m^3 and 130.8 kg/m^3 for CC 1:2:4 and CC 1:1½:3 respectively was unwarranted and resulted in extra expenditure of Rs 87.87 lakh for 128 works.

The SE, Tirunelveli stated that the estimates were prepared based on the Data Book and the revised IS would be adopted after obtaining the orders of Chief Engineer, Buildings, Chennai. This contention is not acceptable as the SE is aware of the revision and should have obtained the orders of the CE to economise Government expenditure. Audit noticed that the Water Resources

Organisation Wing had adopted IS 456-2000 in the works of improvements to Virugambakkam-Arumbakkam drain and Otteri-Nullah.

The matter was referred to Government in June 2007; reply had not been received (November 2007).

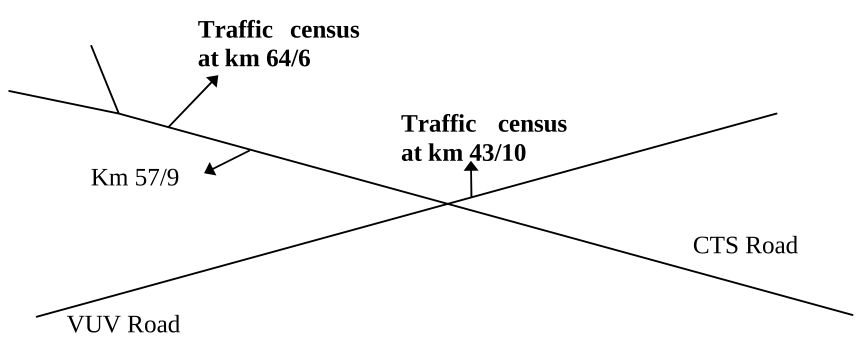
HIGHWAYS DEPARTMENT

4.2.4 Avoidable expenditure due to incorrect adoption of traffic census

Adoption of inapplicable traffic census resulted in provision of higher specification in a road work leading to avoidable expenditure of Rs 86.73 lakh.

The Indian Roads Congress (IRC) specifications 37-2001 stipulates ten levels of design for traffic ranging from 1 to 150 million standard axles (MSA) for calculating the pavement composition and thickness of roads newly formed. The traffic intensity in terms of MSA should be calculated based on traffic census and for intermediate traffic ranges, the thickness should be interpolated linearly. The IRC also stipulates that where stage construction was adopted, the thickness of the sub-base should be provided for the full design life.

The work of widening and strengthening three stretches of Cuddalore-Thirukoilur-Sankarapuram (CTS) road[11] was sanctioned in November 2004. The work was technically sanctioned for Rs 3.87 crore and entrusted to a contractor for Rs 3.67 crore in March 2005 and completed in February 2007. The estimates for the work provided for raising the level of pavement by adopting IRC 37-2001. The Chief Engineer (General) (CE) who sanctioned the estimates had, however, adopted the traffic census at km 43/10 of Virudhachalam-Ulundurpet-Villupuram (VUV) road instead of adopting the traffic census available at km 64/6 of CTS road. A pictorial representation of the roads and the traffic census points is given below:



The work was executed under stage construction. The CE, arrived at the traffic intensity as 19.77 MSA for the full design life of 15 years and five MSA for the stage construction period of five years adopting the incorrect traffic census. The traffic intensity based on the traffic census of CTS road

[11] Km 47/200 – 47/600, 52/200 – 52/600 and 57/987 – 64/597.

worked out to 5.68 MSA and 1.26 MSA respectively for these design periods. The pavement thickness to be provided as per IRC and actually provided are given in the table below:

Pavement Composition

(Thickness in mm)

Stretches	To be Provided			Actually Provided			
	GSB	WBM	PC	GSB	WBM	DBM	SDBC
47/200 – 47/600	450	225	20	460	250	70	25
52/200 – 52/600	345	225	20	380	250	60	25
57/987 – 64/597	190	225	20	230	250	50	25

GSB : Granular Sub-Base
WBM : Water Bound Macadam
PC : Premix Carpet
DBM : Dense Bituminous Macadam
SDBC : Semi-Dense Bituminous Concrete

Thus, by adopting the incorrect traffic census, the CE provided DBM and SDBC instead of PC in these stretches resulting in an avoidable additional expenditure of Rs 86.73 lakh as detailed in **Appendix 4.2**.

When this was pointed out, the Divisional Engineer stated that there was no other traffic point between km 64/6 and 47/2 in CTS road and as all the sugarcane trucks plying in this reach would turn into VUV road at km 43/10 and lead to sugar mill at km 39/0, the traffic census in VUV road was adopted. The reply was not tenable as the prescribed traffic census point for CTS road is located at km 64/6. The traffic census point at km 43/10 of VUV road pertains to the traffic of the VUV road and the department had adopted this traffic census point for strengthening the VUV road.

The matter was referred to Government in June 2007; reply had not been received (November 2007).

MUNICIPAL ADMINISTRATION AND WATER SUPPLY DEPARTMENT

TAMIL NADU WATER SUPPLY AND DRAINAGE BOARD

4.2.5 Avoidable expenditure on restoration of flood damages

Failure to insist upon the contractors taking risk insurance as stipulated in the agreement resulted in avoidable expenditure of Rs 62.29 lakh on restoration of flood damaged works.

The agreements of two Combined Water Supply Schemes (CWSS) in Dindigul and Nagapattinam districts, taken up for execution by the Tamil Nadu Water Supply and Drainage Board (Board) through contractors on turnkey basis contained a condition that the contractors should provide risk insurance at their cost to cover the loss or damage to the works till completion and also during the maintenance period. If the contractor does not take insurance, the Board should take insurance and recover the premium from the contractors. The agreements also contained '*Force Majeure'* clause which contemplated that neither party shall be liable for any loss or damage arising out of acts of God implying that such loss would be compensated by the insurance company.

The works were commenced during October 2003 (Dindigul) and January 2004 (Nagapattinam). While the works were under execution/ maintenance by the contractors, structures valuing Rs 65.29[12] lakh got damaged and washed away by floods during October and November 2005. In both the works, neither the contractors nor the Board had taken risk insurance. Consequently, the damages were rectified by the Board (December 2005 to July 2006) by spending Rs 62.29 lakh.

The Chief Engineer, Southern Region, Madurai stated (August 2006) that the mishap had occurred before the Board could direct the contractor to provide for risk insurance. The reply was not tenable as the mishap occurred 20 months after the entrustment in respect of one work and during the maintenance period in respect of another work.

The failure of the Board to insist upon the contractors for taking risk insurance or to take insurance on behalf of the contractors as stipulated in the agreement resulted in avoidable expenditure of Rs 62.29 lakh on restoration of flood damaged works.

The matter was referred to Government in April 2007; reply had not been received (November 2007).

HOME DEPARTMENT

4.2.6 Avoidable expenditure due to delay in purchase of arms and ammunitions.

Delay in issuing orders for procurement of arms and ammunitions resulted in avoidable expenditure of Rs 58.37 lakh.

Based on the firm demand of State Government, Government of India issued an allotment order (January 2005), for the purchase of rifles and rifle spares to the Ordnance Factory (OF), Tiruchirapalli. On this order, the OF sent (February 2005) a proforma invoice for Rs 8.78 crore valid upto 31 March 2006 for the supply of 3,000 numbers of rifle 5.56 INSAS and 3,000 sets of CES 'A' and 'B' items (rifle spares) to the Director General of Police (DGP), Chennai. The terms and conditions attached to the proforma invoice specifically stipulated that payment be made by demand draft and if the demand draft was not realised by 15 March 2006, it would be deemed that payment had not been made during the financial year 2005-06 and prices ruling with effect from 1 April 2006 would be applicable for issue during the next financial year.

Proposals for the financial sanction for a total cost of Rs 11.70 crore including the purchase of 3,000 rifles (5.56 INSAS) and 3,000 sets of CES

[12] Rs 53 lakh for CWSS, Dindigul and Rs 12.29 lakh for CWSS, Nagapattinam.

'A' and 'B' items at a cost of Rs 8.78 crore, among other things, was submitted by DGP to Government in September 2005. Specific reasons for the delay in submission of proposal to Government were not available in the records produced to Audit. Government, however, requested (17 February 2006) the DGP to forward a revised proposal restricting the proposal to the available amount within the budget provision for 2005-06. Accordingly, the DGP submitted, (24 February 2006) a revised proposal for Rs 8.88 crore which included the purchase of the above mentioned 3,000 sets at the same cost of Rs 8.78 crore, mentioned in the original proposal, duly indicating that the OF would escalate the prices with effect from April of the new financial year. However, Government accorded the final sanction for the purchase only on 24 March 2006. DGP drew the amount and obtained demand draft dated 18 April 2006 and forwarded the same to the OF. The OF informed (May 2006) the DGP that the rifles and CES items could not be supplied at the rates of 2005-06, as the prices of rifles and CES items had been revised upwards for the year 2006-07 and requested him to pay additional amount of Rs 76.83 lakh towards the supply of the ordered quantity or to restrict the indent to 2,758 rifles and 2,758 CES 'A' and 'B' items. The indent was subsequently restricted by DGP to 2,758 rifles and 2,758 CES 'A' and 'B' items and these were supplied in July 2006.

Despite knowing the consequences of delay, belated submission of proposal by the DGP, Chennai to Government and consequent belated issue of Government sanction resulted in supply of rifles and CES items at 2006-07 issue rate instead of 2005-06 issue rate involving an avoidable additional expenditure of Rs 58.37 lakh (excluding Tamil Nadu Sales Tax and Surcharge on Sales Tax) as detailed below:

Nature of items purchased	Quantity purchased (In numbers)	Cost paid as per the issue price of 2006-07 (Rs in lakh)	Cost payable as per issue prices of 2005-06 (Rs in lakh)	Amount paid in excess over 2005-06 issue rate. (Rs in lakh)
Rifles 5.56 mm INSAS	2,758	606.76 (@ 22000 per rifle)	551.60 (@ 20000 per rifle)	55.16
CES 'A' and 'B' items	2,758	91.15 (@ 3305 per item)	90.19 (@ 3270 per item)	0.96
Total cost		**697.91**	**641.79**	**56.12**
DGQA Inspection charge @ 4 *per cent*		27.92	25.67	2.25
Total cost (including inspection charges)		**725.83**	**667.46**	**58.37**

Government in their reply (August 2007) accepted the facts without giving any specific reasons for the delay except stating that the demand draft for Rs.8.78 crore dated 18.04.2006, received from the Pay and Accounts Officer was sent to OF, Tiruchirapalli on 27.04.2006.

RURAL DEVELOPMENT AND PANCHAYAT RAJ DEPARTMENT

4.2.7 Avoidable payment of front end fee and R&D fund fee

Payment of Rs 0.53 crore as front end fee and R&D fund fee to Housing and Urban Development Corporation, on loan not required could have been avoided had the actual requirement of loan for the construction of 3,408 sanitary complexes, instead of 6,309 as earlier estimated, been ascertained by Government.

Based on the proposal (January 2003) of the Director of Rural Development (DRD) and sanction (September 2003) of the Government, Housing and Urban Development Corporation (HUDCO) approved (March 2003) a loan of Rs 151.96 crore for the construction of 6,309 Integrated Sanitary Complexes for Women (ISCW) in as many village panchayats under phase – II during 2003-04 at the rate of Rs 2.25 lakh per complex.

Under the agreement entered into by DRD, Chennai with HUDCO (September 2003) for availing of the loan of Rs 151.96 crore[13], a front end fee at 0.5 *per cent* plus R&D fund fee at 0.25 *per cent* of the total amount of loan was payable to HUDCO and no refund was to be made in case of any subsequent reduction in the loan amount. The loan amount was later reduced (October 2003) to Rs 151.07 crore[14] because of the reduction in the interest rate by HUDCO from 10.25 *per cent* to 9.5 *per cent.* HUDCO while releasing (December 2003) the first instalment of loan assistance of Rs 36.61 crore, deducted a sum of Rs 1.13 crore as front end fee (0.5 *per cent*) and R&D fund fee (0.25 *per cent*) and released the balance amount of Rs 35.48 crore.

After proposing the construction of sanitary complexes in 6,309 village panchayats during 2002-03 under Phase-I, utilising HUDCO loan and under other schemes like Member of Legislative Assembly Constituency Development Scheme (MLACDS), Total Sanitation Campaign, etc., Government decided to construct the sanitary complexes in the remaining 6,309 village panchayats and issued (September 2003) sanction for construction by obtaining loan from HUDCO. Despite the implementing authorities being requested in the above Government order to follow the earlier order issued in August 2002 wherein funds were to be allotted from MLACDS for construction of 1,872 complexes (at the rate of Rs 2.25 lakh per complex), both the Government and the department, without excluding the number of complexes to be constructed under MLACDS and other schemes as was done under Phase I and without ascertaining the number already constructed under Phase I, went ahead for obtaining loan from

[13] Loan component Rs 141.95 crore; Interest on loan Rs 9.63 crore and front end fee Rs 0.38 crore.

[14] Loan component Rs 141.95 crore; Interest on loan Rs 8.87 crore and front end fee Rs 0.25 crore.

HUDCO for the construction of 6,309 complexes proposed to be constructed in as many village panchayats during 2003-04.

Only after obtaining the position in March 2004 from the District Collectors regarding the number of complexes already constructed under Phase I utilising both HUDCO loan and funds of other schemes and the remaining number of complexes to be constructed under Phase II, as mentioned below, the actual number of complexes to be built with the loan from HUDCO was determined as 3,408.

Name of the Scheme	**Number of complexes**		**Total**
	Constructed under Phase I	**Proposed to be constructed under Phase II**	
Integrated Sanitary Complexes for Women	4,317	3,408	7,725
MLACDS	3,355	1,235	4,590
Total Sanitation Campaign	144	285	429
Other schemes	233	87	320
Total	**8,049**	**5,015**	**13,064**

Accordingly, Government requested (March 2004) HUDCO to reduce the sanctioned loan of Rs 151.07 crore to Rs 80.48 crore[15] for construction of only 3,408 complexes utilising this loan. Though HUDCO agreed to reduce the loan amount as per the request of Government, it did not agree to Government's proposal for refund of proportionate front end fee and R&D fund fee already deducted for the original loan amount sanctioned quoting clause 2.4 of the loan agreement. The second and third instalments of Rs 37.24 crore and Rs 6.63 crore were subsequently released (March 2004) by HUDCO.

Thus, due to the failure of the department and the Government in assessing the actual requirement of loan after ascertaining the number of complexes to be built with the loan, an avoidable extra expenditure of Rs 0.53 crore[16] towards front end fee and R&D fund fee on the portion of loan, reduced subsequently was incurred.

The matter was referred to Government in April 2007; the reply has not been received (November 2007).

REVENUE DEPARTMENT

4.2.8 Avoidable expenditure on land acquisition

Non-adherence to time schedule for processing land acquisition cases resulted in avoidable expenditure of Rs 26.97 lakh.

---

15 Loan component: Rs 76.68 crore, Interest on loan: Rs 2.67 crore and front end fee and R&D fund fee: Rs 1.13 crore.

16 Front end fee and R&D fund fee charged by HUDCO-0.75 *per cent* on Rs 151.07 crore-Rs 1.13 crore.
Front end fee and R&D fund fee chargeable by HUDCO-0.75 *per cent* on Rs 80.48 crore-Rs 0.60 crore Extra expenditure-Rs 0.53 crore (1.13 – 0.60).

According to the Land Acquisition Act, 1894 of Government of India, as amended in 1984, in addition to the market value of the land an additional compensation at 12 *per cent per annum* on the market value is payable to land owners from the date of notification under Section 4(1) of the Act to the date of the award or date of taking possession of the land whichever is earlier. As per the Government of Tamil Nadu (GTN) Order (September 1986) the award was to be passed within 186 days from the date of notification under Section 4(1) in respect of unobjectionable cases and within 241 days in respect of objectionable cases.

A test check of records in Backward Classes, Most Backward Classes and Minorities Welfare Department and Adi Dravidar and Tribal Welfare Department revealed that in 61 cases (between April 2002 and March 2005) delays beyond the prescribed limit ranging from 67 days to 902 days occurred in passing the award against the admissible period of 241 days in respect of objectionable cases resulting in payment of enhanced compensation of Rs 26.97 lakh.

The Public Accounts Committee while deliberating on a similar point contained in Paragraph 3.20 of Audit Report 1996-97 had wondered (July 2004) whether extension of time limit according to the extent of land was necessary. However, no effective action was taken by the department on the above observation so far.

Non-adherence to time schedule prescribed by the Government for processing land acquisition cases had resulted in avoidable expenditure of Rs 26.97 lakh towards payment of additional compensation to the land owners. The Directors of (i) Most Backward Classes and Denotified Communities Department and (ii) Adi-Dravidar Welfare Department stated (September 2007) that the time schedule could not be adhered to due to paucity of staff.

The matter was referred to Government in March 2007; the reply has not been received (November 2007).

4.3 Idle investment/blockage of funds

HOME AND TOURISM AND CULTURE DEPARTMENTS

4.3.1 Blocking of Government of India funds

Construction of a shooting range for Police department despite possession of land, was delayed due to belated revision of estimates resulting in blocking of central assistance of Rs 1.20 crore for about two years; Faulty selection of site for setting up of a c*haupal* (village square) in Mamallapuram resulted in blocking up of central assistance of Rs 40 lakh for more than two years and further cost escalation.

(a) The Director General of Police (DGP) submitted to Government in July 2004, a proposal for construction of an outdoor shooting range at a cost of Rs 2.20 crore to be executed in two phases. Land measuring 89.82 hectares ordered in July 2002 for alienation by Government for this scheme was also taken over by the DGP in December 2004. Meanwhile, Government of India (GOI) approved the scheme for the construction of Commando/Security shooting range at Othivakkam at a cost of Rs 2.20 crore during 2004-05 with cent per cent assistance under the centrally sponsored scheme of Modernisation of Police Force (MPF) and released (May 2005) Rs 1.20 crore for Phase I of the scheme.

Accordingly Tamil Nadu Police Housing Corporation (TNPHC) revised and forwarded (December 2005) the estimate of Rs 1.20 crore in consultation with the department which was approved by Government in May 2006. After a site visit in September 2006, the Additional Director General of Police (ADGP) requested eastern bunds for a uniform height of 0.6 mts to 1 mt according to the terrain of the site instead of RCC support platforms, a storeroom, watch tower in the second floor, and a class room with necessary provision for road, sump, separate tank and proper rain water draining system. Based on the above TNPHC revised (November 2006) the estimate for the work at the same cost of Rs 1.20 crore, adopting the scheduled rates of Public Works Department for 2006-07.

Government stated (June 2007) that the modification was adopted to suit the needs as well as to minimise the cost of construction within the sanctioned amount. It was further stated that tenders had been called for towards the construction of buildings and the work would be commenced soon. However, the fact remains that the Police Department being involved in finalising the estimate, these modifications/revisions which are necessarily required could have been made by the department at the first stage itself, which would have avoided subsequent delay of about ten months (between December 2005 and November 2006). Besides locking up of Rs 1.20 crore, the delay also led to the functioning of the department without an outdoor shooting range and the recruits/probationers and commandos/PSO not being trained with bigger weapons like rifles and muskets and in non-conducting of annual shooting practice of the units.

(b) Government of India (GOI) sanctioned (February 2004) Rs 40 lakh for setting up of a top class *chaupal* (Village square) with facilities of a library in commemoration of birth centenary of Chaudhary Charan Singh. The amount was released (March 2004) by GOI to Tamil Nadu Tourism Development Corporation (TTDC). Instead of the site identified by TTDC, as discussed with the Secretary to Government of India, Ministry of Tourism, the Commissioner of Tourism (Commissioner) suggested (July 2004) the land opposite the office of the Archaeological Survey of India (ASI) in survey number 167/2 for the scheme.

The Commissioner instructed (July 2004) the District Collector, Kancheepuram to alienate the above land classified as 'thoppu porambokku'[17] and sanctioned (May 2003) by Government for another scheme, for this work immediately.

Consequent on the rejection of the request for additional funds of Rs 10 lakh for this purpose, the Commissioner proposed to utilise Rs 10 lakh sanctioned

[17] Wasteland.

(February 2005) for another work.[18] As that work was to be executed by State Public Works Department (PWD), State Government issued (October 2005) orders and entrusted the village square work also to PWD.

However, the Principal, Tamil Nadu Institute of Architecture and Sculpture, Mamallapuram objected to this (April 2006) and stated that the proposed land was with the institution for many years and that the site was required for various purposes for getting recognition of All India Council of Technical Education.

The matter was referred to Government in March 2007; Government replied (March 2007) that the District Collector, Kancheepuram had informed that the land in S.F. No.167/2 has never been alienated in favour of Art and Culture College, Mammallapuram. However, the fact remains that the DTE Chennai had already informed Mammallapuram Planning Authority in November 1979 itself that the said land was owned by the institution and a wire fencing was also raised to protect the land under intimation to District Collector, Kancheepuram in July 2002. The Institute had also reported the requirement of this land for their own purposes in July 2002 itself and reiterated it again in May 2006 to the District Collector, Kancheepuram. No final decision was taken by the District Collector in this regard (July 2007).The construction works could not commence since the site ownership issue was not resolved and escalation cost not sanctioned by Government.

Thus, GOI funds of Rs 40 lakh was lying unutilised for more than two years due to framing of the proposal without ascertaining the ownership of the land identified for alienation. Besides, the envisaged creation of a top class chaupal for organising folk dances, rural festivals etc., that would attract foreign as well as domestic tourists was also not achieved. This delay had also resulted in cost escalation of Rs 20 lakh for this work due to the revision of estimate (September 2006) to Rs 60 lakh by Commissioner based on 2006-07 schedule of rate.

HOME DEPARTMENT

4.3.2 Faulty planning and delayed communication about the inadequacy of equipment to Government of India

Absence of planning by the Department and delayed intimation to GOI about drawbacks of the proposed equipment to be installed under POLNET project, resulted in equipment purchased at a cost of Rs 1.09 crore lying idle, besides failure to achieve the cent per cent connectivity as envisaged

POLNET (Police Communication Net Work Project) was a cent *per cent* Central project to be implemented by State Governments under Modernisation of Police Force from 2003-04. Due to non-preparation of

[18] Work of landscape development of area opposite the office of the ASI under "Integrated Development of Mamallapuram".

sites for installation of POLNET equipment, the target date for the completion of the project was extended year after year by GOI.

GOI allotted 29 VSAT[19] terminals and 1090 MART (Multi Access Radio Telephone) remote subscriber units to the State under this scheme. When GOI pointed out (January 2005) the slow progress made in the implementation of the project, the State Government stated (February 2005) that installation of VSAT terminals was under progress at the State and district headquarters and sought from GOI additional allotment of 67 VSAT terminals, 641 MART remote subscriber units and 17 single channel Voice VSAT for 17 police stations which could not be covered as they were not in the line of sight of the project route, so as to ensure cent *per cent* connectivity to cover all the 1731 police stations existing in the State. Besides, State Government also sought permission for purchase of accessories like batteries (12 volt 100 AH VRLA SMF), power supply units with boost charger (12-13.6 VI, 10 Amps) and 60 feet lattice type light weight aerial mast, for the installation of 1090 mart equipment in as many police stations.

State Government sanctioned (August 2005) Rs 2.98 crore for the project, including the provision for the above accessories. Tenders were called for (October 2005) and after evaluation of technical and commercial bids received, supply orders were issued (March 2006) to the successful tenderers. Required accessories[20] were supplied between March 2006 and November 2006 at a cost Rs 1.09 crore.

Firm "A" to whom the supply and erection of the 1090 numbers of 60 feet lattice mast at a total cost of Rs 1.08 crore was entrusted, (March 2006) with the condition that the work was to be completed within 16 weeks, did not commence work till 20 May 2006, as the list of installation sites were not furnished by the office of the Director General of Police (DGP). The work was subsequently delayed due to other practical problems such as obtaining permission from police stations, installation of MART in rented buildings, cutting of trees/branches for installation etc. The firm's bill for Rs 27.73 lakh for the works already done was under scrutiny of the Department.

In the meantime, the DGP, Chennai informed (December 2006) the GOI that the Analog MART proposed for the project by GOI, was an outdated and obsolete technology, which neither provided adequate data transfer facility nor served/future communication needs. There were also other drawbacks like delay in voice communication, delay in data transmission due to network congestion on account of limited bandwidth, idle installation of 601 MART due to lack of coverage with base stations, as 489 out of 1090 MARTs purchased only had the line of sight with base stations, defective battery circuits and non-provision of lighting/surge protection etc. No response to these observations was received from GOI till date (July 2007). Had the department taken necessary action earlier, purchase of equipment

[19] Very Small Aperture Terminal.

[20] Batteries (1090), battery chargers (1090), air conditioners (58) and power socket with cable (1090).

worth Rs 1.09 crore could have been deferred. In the absence of non-provision of additional allotment sought for from GOI, the envisaged objective of cent *per cent* connectivity could also not be achieved.

The matter was referred to Government in July 2007; the reply has not been received (November 2007).

ANIMAL HUSBANDRY AND FISHERIES DEPARTMENT

4.3.3 Poor implementation of Model Fishermen Village scheme

Formulation of proposals for the construction of tube wells and community halls for fishermen under the scheme "Development of Model Fishermen village" without conducting an in-depth feasibility study resulted in their non-commencement for about three years besides locking up of Rs 1.08 crore, being the assistance received from GOI.

Government of India (GOI) gave (May 2001) administrative approval for "Development of Model Fishermen Village" scheme, one of the three components of the cent *per cent* centrally sponsored "National Scheme of Welfare of Fishermen"[21]. State Government submitted (October 2001) proposals to GOI at a total cost of Rs 8.34 crore (construction of 2,000 houses at the rate of Rs 40,000 each, 90 tube wells at the rate of Rs 30,000 each and four community halls at the rate of Rs 1.75 lakh each) with the cost to be shared equally.

Consequent on the release of GOI share between November 2001 and August 2003, State Government sanctioned and released Rs 8.34 crore including GOI share between March 2002 and January 2004. Of this, Rs 833.99 lakh was drawn (April 2004) by Superintending Engineer (SE), Fishing Harbour Project Circle (FHPC) and released to Executive Engineers (EEs), Thanjavur[22] and Nagercoil[23] and Project Director (PD), District Rural Development Agency (DRDA), Kancheepuram[24] besides giving Rs one lakh to Tamil Nadu Water Supply and Drainage (TWAD) Board, Cuddalore towards digging five tube wells with handpumps in three selected villages in Cuddalore District.

Perusal of connected records revealed the following:

(a) Against the targetted 2,000 houses, as of July 2007, 1913 houses[25] were completed. However utilisation certificate for the entire GOI

---

[21] Construction of 6,000 houses, 150 tube wells and 10 community halls during 2001-02 at an outlay of Rs 12.31crore.

[22] Rs 4.17 crore for the construction of 987 houses, 52 tube wells and 3 community halls.

[23] Rs 3.32 crore for the construction of 796 houses, 38 tube wells and one community hall.

[24] Rs 83.99 lakh for the construction of 217 houses.

[25] Tiruvallur: 60, Kancheepuram (DRDA): 203, Villupuram: 50, Cuddalore: 90, Nagapattinam: 235, Pudukottai: 479, Ramanathapuram: 521, Thoothukudi: 80 and Kanniyakumari: 195.

assistance of Rs 4.17 crore[26] was furnished by DOF stating that there was no balance remaining unutilised through the State Government to GOI. This was irregular as 52 houses (cost Rs 19.24 lakh) were cancelled and 35 houses (cost Rs 12.95 lakh) were under progress even as of July 2007.

(b) Due to the restriction of the unit cost of each house to Rs 37,000, being the rate prevailing in the State for construction of each house under Group house scheme since 1998-1999 instead of Rs 40,000 approved by GOI, there was a saving of Rs 60 lakh and the same was remitted back (June 2005) by the EEs, Thanjavur and Nagercoil to the Savings Bank (SB) account of the Director of Fisheries (DOF). However, the amount is still lying outside Government account without refunding the same to GOI (July 2007).

(c) Even as of July 2007, 12 tube wells in Cuddalore District out of the targeted 90 tube wells were alone constructed and Rs 23.40 lakh released to the Assistant Director of Fisheries of various districts for the construction of the remaining 78 tube wells was lying unutilised, as TWAD Board expressed their inability to provide tube wells with hand pumps at a cost of Rs 30,000 each, in places other than Cuddalore District. The SE, FHPC also informed the DOF that the digging of tube wells along the sea shore would not be viable due to salinity of water and existence of loose soil. No alternative viable proposal had been considered so far (July 2007).

(d) Similarly the EE, Fishing Harbour Project Division, Thanjavur expressed his inability to construct the community hall with two toilets and a tube well at the unit cost of Rs 1.75 lakh, as the total cost for this would come to about Rs 2.35 lakh. Hence the DOF requested the Assistant Directors of Fisheries (ADFs) to take up construction of community halls through Fishermen Co-operative societies. DOF released (October 2005) Rs 5.25 lakh to ADF, Pudukottai for construction of three community halls after approving the required estimates. Even as of July 2007, no halls were taken up for construction. This revealed that proposals for construction of tube wells and community halls were made without any in depth feasibility study initially, resulting in non-commencement of these works.

Due to non-completion of all these works, the envisaged objective of establishing model fishermen villages was not achieved, besides locking up of GOI assistance of Rs 1.08 crore.

The matter was referred to Government in March 2007; reply has not been received (November 2007).

[26]

August 2003, November 2003 and December 2003	: Rs 2.55 crore
June 2004	: Rs 1.62 crore
Total	: Rs 4.17 crore

HOUSING AND URBAN DEVELOPMENT DEPARTMENT

TAMIL NADU HOUSING BOARD

4.3.4 Loss of revenue due to non-renewal of lease

Inaction of the Government/Board either to take over the land leased out or to renew the lease resulted in loss of revenue of Rs 90.82 lakh .

The Tamil Nadu Housing Board (Board) allotted 6615 square feet (sq ft) of land in West CIT Nagar to the Residents' Association (Association) on lease for a period of 25 years from April 1972 for running an elementary school. The lease rent was fixed at Rs 25 per month enhanceable by 25 *per* cent at the end of every five years. The lease agreement provided for surrender of the site by the lessee at the expiry of the tenancy and the lease could be renewed at the sole discretion of the lessor at the rate of rent fixed by the lessor. The Board also allotted (December 1992) 2174 sq ft of open space to the Association at a lease rent of Rs 30 per month for a period up to March 1997 for use as playground for the school. The lease period for the school and playground expired in March 1997.

The Association, in November 1996, requested the Board to renew the lease for a further period of 25 years. The Board offered (May 1998) to sell the land for Rs 74.40 lakh (at the prevailing market rate of Rs 846.50 per sq ft), however, the Association expressed (July 1998) its inability to purchase the land. Thereafter, the Board, after obtaining legal opinion and exploring the possibility of constructing a residential complex, finally decided (February 1999) to sell the land by public auction and issued (July 1999) a show cause notice to the Association for taking over the land. The Association, however, appealed (August 1999) to Government for renewal of lease, citing public service. Though, the Board informed (August 1999) the Government of their decision to sell the land due to their poor financial status, the Government had not taken any decision.

Audit scrutiny revealed that the Tamil Nadu Housing Board Act empowers the Board to lease, sell, exchange or otherwise dispose of its lands. The Board also prescribed a rate of Rs 3 per sq ft for land leased to private parties in June 1993 with 15 *per cent* increase every year from April 1994. Though the Board had powers either to take back the land or to renew the lease at the prescribed rate, the Board continued to address Government for their orders. Had the Board renewed the lease at the prescribed rate[27] in 2000, the Board would have earned a revenue of Rs 90.90 lakh during 2000-07.

[27] Rs 8 per sq.ft. to Rs 18.45 per sq.ft. during April 2000 to March 2007.

The inaction of the Board to extend the lease at the prescribed rate resulted in financial loss of Rs 90.82 lakh to the Board[28]. The present market value of the land is Rs 2.15 crore.

The matter was referred to Government in June 2007; reply had not been received (November 2007).

HIGHWAYS DEPARTMENT

4.3.5 Incomplete bridge work

Failure to obtain permission from the Forest Department for construction of a bridge resulted in construction being stopped two years after commencement of work and non provision of safe connectivity to the people besides blocking of Rs 37.10 lakh.

The Forest (Conservation) Act, 1980 prohibits the State Government or any other authority using of any forest land or portion thereof for any non-forest purpose without the prior approval of the Government of India. Besides, the Supreme Court ruled (December 1996) that the permission of the competent authority under the provisions of Forest Act had to be obtained even for reconstruction works not involving any change in the existing area, which were carried out on lands covered under Janmam Act[29].

The existing steel truss wooden bridge constructed in 1946 across a jungle stream bifurcating Hellan and Yellamalai in Gudalur Union was rusted and worn out. It was not able to meet the traffic requirement and could not be used during rainy season. To provide a good connectivity to the people living in this area, the Superintending Engineer, Coimbatore (SE) proposed (December 2002) to construct a new high level bridge. The estimate for the work sanctioned by the SE in October 2003 indicated that the alignment of the new bridge did not require land acquisition. The work was entrusted to a contractor in August 2004 for Rs 56.18 lakh with a completion period of six months. The work was delayed due to heavy rain and flow of flood water in the stream. All works except laying of deck slab completed at a total cost of Rs 37.10 lakh, when the District Forest Officer, Gudalur (DFO) stopped (January 2006) the work on the ground that the alignment of the bridge lies in Janmam land and 0.30 hectare of forest land, transfer of which required the approval of the Forest Department. The proposals sent by the Divisional Engineer, Rural Roads, Coimbatore (DE) in July 2006 were returned by the DFO (August 2006) as incomplete and the fresh proposals sent in December 2006 were pending with the DFO (May 2007).

Poor investigation by the SE while sanctioning the estimate resulted in non-achievement of providing safe connectivity to the people living in this area even after three years of sanctioning the work. Besides, Rs 37.10 lakh spent on the work remained blocked for more than a year.

[28] The Association paid rent of only Rs 7,880 during 2000-07.

[29] An act enacted to abolish the Jamindari system to protect the interest of the cultivators or the tenants.

The matter was referred to Government in June 2007; reply had not been received (November 2007).

4.4 Regularity issues and other points

HIGHER EDUCATION DEPARTMENT

4.4.1 Retention of Government receipts outside Government account

In violation of Government instructions, Commissioner of Technical Education retained revenues of three schemes outside Government account in savings/current accounts of nationalised banks and in fixed deposits in such banks, after incurring expenditure of Rs 2.10 crore directly from these revenues. Rs 2.83 crore remained outside Government account as of March 2007.

Government of Tamil Nadu approved (February 1997, July 2001 and February 2002) the implementation of three self supporting schemes[30] by the Commissioner of Technical Education (CTE) and permitted the fees collected from the beneficiaries to be kept in Personal Deposit accounts opened for this purpose to meet all related expenses. The Government order was incorrect as all Government receipts should be initially credited to Government accounts. Also the Government receipts should not be utilised directly towards Government expenses as per Financial Code.

In violation of the existing financial principles, CTE kept the fees outside Government account, in savings bank and current accounts of various nationalised banks. Besides, part of the funds were also invested in fixed deposits of nationalised banks.

As of March 2007, Rs 2.83 crore were thus kept outside Government account under these schemes as mentioned below:

Name of the Scheme	Total revenue received	Expenditure incurred	Funds kept outside Government account as of March 2007 (Rs in lakh)		
			In Fixed Deposits	In Savings/ Current account	Total
Inspection for starting new self-financing Engineering Colleges and Polytechnic colleges	390.07	149.24	154.62	86.21	240.83
Revaluation of answer scripts for diploma students	56.57	31.42	9.12	16.03	25.15
Conducting of certificate course in computer on office automation	45.60	29.05	10.96	5.59	16.55
Total	**492.24**	**209.71**	**174.70**	**107.83**	**282.53**

Test check of records revealed that Rs 2.10 crore were spent on these three schemes till March 2007 from the revenues collected, without getting any budget provision or Legislative approval. Though the CTE had the accounts

30 Inspection for starting new self financing Engineering Colleges/Polytechnic colleges, Revaluation of answer scripts for diploma students and Certificate course in computer on office automation.

audited by chartered accountants without getting approval from Government, the veracity of expenditure incurred for various purposes reported as connected with the scheme could not be ensured in audit.

Based on an earlier audit observation about keeping Government money outside Government account and its direct utilisation by the Director of Collegiate Education, the Government in Finance Department issued (May 2005) instructions to all Secretaries to Government directing them to discontinue the practice of retaining Government revenue outside Government account by Heads of Departments. Government in Higher Education Department also instructed (March 2006) the CTE, in response to an audit observation (June 2005) on these schemes, to end the practice of keeping the receipts of his department relating to all wings in bank accounts and remit them to Government account. Government also directed CTE to obtain budget provision for incurring any expenditure.

Disregarding these directions, CTE continued to retain Government revenue outside Government account, violating the existing financial principles, and incurred expenditure from these revenues, thus circumventing the mandatory requirement of obtaining Legislative approval (May 2007).

The matter was referred to Government in June 2007; the reply had not been received (November 2007).

GENERAL

FINANCE DEPARTMENT

4.4.2 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 Accountant General to facilitate monitoring of action on the audit observations.

As of March 2007, out of the IRs issued upto September 2006, 10,488 paragraphs relating to 3,846 IRs remained to be settled for want of satisfactory replies. Of these, 166 IRs containing 411 paragraphs (issued upto 1996-97) had not been settled for more than ten years. Year-wise position of the outstanding IRs and paragraphs is detailed in the **Appendix .4.3** Compilation of details by Audit revealed that among the unsettled paragraphs even the initial reply was not received for 1,427 paragraphs contained in 415 IRs relating to 36 departments as detailed in the **Appendix 4.4**. This included non-receipt of reply from the Secretaries to Government / Heads of Department for 95 paragraphs contained in 21 IRs.

A test check of the pendency in respect of three departments viz., Social Welfare, Home and Highways Departments revealed the following:

- Even initial replies had not been received as of March 2007 in respect of 297 paragraphs contained in 113 IRs issued upto September 2006.
- As a result of the long pendency, serious irregularities as detailed in **Appendix 4.5** had not been settled as of March 2007.

Government constituted at both state level and department level, Audit and Accounts Committees for consideration and settlement of outstanding audit observations. 30 paragraphs were settled by convening the committee between June 2006 and March 2007 and further, at the instance of Audit, during joint sittings with departmental officers, 1,725 paragraphs were settled between September 2006 and March 2007.