

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 2006-07, and three others, comprising eight reviews (including one information technology review) and 24 paragraphs dealing with the result of performance audit of selected programmes and schemes as well as audit of 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. Audit conclusions have been drawn and recommendations made taking into consideration the views of 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 2006-07 were Rs 40913 crore, registering an increase of 20.5 *per cent* over 2005-06. The revenue expenditure during the year was Rs 38265 crore, an increase of 19.5 *per cent* over 2005-06. Consequently, the State Government had a revenue surplus of Rs 2648 crore. Given an increase of Rs 710 crore in non debt capital receipts and an increase of Rs 1898 crore and Rs 1214 crore respectively in capital expenditure and disbursement of loans and advances, fiscal deficit has increased by Rs 1705 crore in 2006-07 over the previous year. An increase of Rs 947 crore in interest payments however resulted in a decline of Rs 758 crore in primary surplus in 2006-07 over the previous year. Return on investment of Government funds in companies, cooperative units etc., was only 0.6 *per cent* during the year while Government continued to borrow funds from the market at a higher rate of interest. The fiscal liabilities of the State Government during 2006-07 was Rs 66320 crore and were about 1.62 times the revenue receipts during the year.

(Paragraphs 1.1 to 1.13)

2 Allocative Priorities and Appropriation

During 2006-07, expenditure of Rs 52204.28 crore was incurred against the total grants and appropriations of Rs 57066.06 crore, resulting in a saving of Rs 4861.78 crore. The overall saving was the result of saving of Rs 4957.39 crore offset by an excess of Rs 95.61 crore. This excess requires regularisation under Article 205 of the Constitution of India. Substantial surrenders of Rs 5401.32 crore representing 85 *per cent* of total provision of Rs 6344.97 crore in respect of 166 schemes were made on account of either non-implementation or slow implementation of schemes. Of these, the entire provision of Rs 3336.79 crore made for 62 schemes was surrendered. Reappropriation proved excessive or insufficient and resulted in savings/excess over Rs 10 lakh in 594 sub-heads, of which the savings/excess was more than Rs two crore in 87 cases.

(Paragraphs 2.1 to 2.8)

3 *Irrigation projects financed by NABARD*

Projects sanctioned by NABARD were to be completed within a period of three years. Out of 269 projects with an irrigation potential of 71,235 ha which were proposed to be completed by March 2007, 251 projects with an irrigation potential of 42,839 ha were completed. Defective formulation of 10 projects sanctioned for Rs 191.60 crore, led to the creation of irrigation potential of 2,596 ha only against 21,004 ha envisaged. The department spent Rs 2.47 crore on works not contemplated in the approved project report. Poor investigation of the projects led to extra commitment of Rs 9.33 crore. Designing the reservoir/canals for higher capacity resulted in extra expenditure of Rs 5.77 crore. Adoption of higher specifications other than those prescribed by Bureau of Indian Standards resulted in avoidable expenditure of Rs 4.97 crore. Non-formation of Water User Association prevented participation of farmers in irrigation management.

(Paragraph 3.1)

4 *Medical Education*

A performance review on medical education in the State revealed that the primary objective of producing sufficient skilled medical and para medical personnel for providing effective and quality medical care was not achieved to a large extent due to poor planning and an inconsistent policy on the participation of private sector in medical education. This had also led to a wide gap between the existing intake capacity of medical seats and the demand for medical courses. Several post graduate medical courses were conducted in the State without getting the required recognition of Medical Council of India. Government medical colleges did not have the required continuous provisional affiliation to the Dr. MGR Medical University. Lack of teaching staff and infrastructure, continued absenteeism of doctors and deficiencies in conducting nursing/para medical courses affected the quality of medical education imparted. Poor Government patronage to research activities and non functioning of departments created for this purpose in the Dr. MGR Medical University resulted in inadequate research facilities.

(Paragraph 3.2)

5 *Functioning of teaching hospitals*

A performance review on the functioning of teaching hospitals in the State revealed that super speciality treatments like heart surgery and kidney transplant were not continuously provided in the teaching hospitals except in Chennai and Madurai. Peripheral hospitals established in Chennai for decongesting the nearby teaching hospitals failed to achieve this objective due to lack of important speciality services and vital diagnostic facilities besides inadequate medical/para medical and supporting staff and poor utilization of created infrastructure. Important diagnostic facilities were not available in 12 teaching hospitals which had a bed strength of more than 500. Idle/non-functioning equipment, ineffective and deficient supporting services like ambulance services and steam laundry services affected the quality of medical care extended to the public. Provisions of Environmental Acts and Rule were

not followed by the teaching hospitals for the disposal of bio-medical wastes. Funds earmarked for purchase of medicines and equipment were lying with Tamil Nadu Medical Service Corporation due to lack of proper monitoring.

(Paragraph 3.3)

6 Educational Development of Scheduled Castes and Scheduled Tribes

Government earmarked major portion of the funds allocable to the Scheduled Castes and Scheduled Tribes to their educational development for their upliftment. Despite spending huge funds in this connection, the literacy rate of SCs and STs was below the over all literacy rate as per 2001 census and the difference in the literacy rate of ST and the overall literacy rate was more pronounced. Non-compilation of data on number of SC and ST students eligible for various concessions and scholarships resulted in provision of funds for various schemes on their educational development on an adhoc basis in the budget estimates leading to non-extension of such concessions and scholarships in time, as envisaged under various directions of Government of India and State Government. Delay in opening of schools and hostels for SC/ST students and failure to provide proper infrastructure in schools adversely affected education of the students and the amenities available to them. Pass percentage of SC/ST children in Tenth and Twelfth examinations deteriorated from 2002-03 onwards and was much lower than the overall pass percentage during 2002-06 and needs immediate attention.

(Paragraph 3.4)

7 Functioning of Tamil Nadu Agricultural University

A review of the functioning of Tamil Nadu Agricultural University revealed that the quality of valuation of examination papers needs to be improved. There was shortfall in coverage of students ranging between 30 and 55 *per cent* during 2001-05 in respect of "Periyar Endowment" scholarship. Forty two sub-projects were abandoned due to retirement, transfer or death of principal investigators which indicate that the sub-projects did not serve the intended purpose. The University had not introduced any successful hybrids for rice, sorghum, pearl millet and cotton during the last ten years and failed to popularise new varieties. Non-reckoning of certain items of University receipts for the purpose of grant resulted in excess claiming of grant to the extent of Rs 9.55 crore during 2002-06. University diverted plan funds of Rs 26.23 crore to meet Non plan expenditure during 2003-06 and spent Rs 7.40 crore over and above the funds received for 259 schemes indicating diversion of funds.

(Paragraph 3.5)

8 Member of Legislative Assembly Constituency Development Scheme

Member of Legislative Assembly Constituency Development Scheme is being implemented in the State since 1997-98 with the objective of bridging the critical infrastructure gap in the Assembly Constituencies. A review on the functioning of the scheme revealed that a database of the works required to be

taken up in each district had not been compiled. Funds were retained even after completing the works targeted for execution. Scheme funds were diverted for an unrelated scheme and for execution of works prohibited by Government during 2002-06. No register was maintained for the assets created under the scheme. No utilisation certificates were furnished by the Director of Rural Development and Panchayat Raj since 2004-05 and by the Commissioner of Corporation of Chennai since 2001-02.

(Paragraph 3.6)

9 *Ineffective computerisation in Agriculture Department*

Though computerisation in the Department had commenced in 1994, there exists no long-term strategic Information Technology plan aimed at achieving their functional objectives. Computerisation of the Monday Message Monitoring System commenced in October 2004 without a feasibility study and without going through the full course of a System Development Life Cycle. At the districts, there existed no mechanism for timely collection of all the required data. The National Informatics Centre developed software was deficient and required feeding several items of either already available data or derived data, which combined with the lack of input and validation controls, resulted in a deficient and un-reliable database.

(Paragraph 3.7)

10 *Internal control in Inspectorate of Factories*

A review of the internal control on selected areas in the Inspectorate of Factories revealed ineligible provision of salary for vacant posts in the budget estimate in contravention to the existing provision in Tamil Nadu Budget Manual, non reconciliation of receipts realised though envisaged in Tamil Nadu Treasury Rules, incorrect maintenance of basic registers meant to ensure mandatory issue/renewal of licences of all factories and testing of all existing pressure vessels as required in the Tamil Nadu Factories Rules. No independent internal audit system existed in the Inspectorate to assist them in knowing the extent of compliance of various norms/rules prevailing and to correct them selves periodically.

(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/unfruitful expenditure and other irregularities involving Rs 31.89 crore as mentioned below:

Unfruitful/wasteful expenditure of Rs 16.22 crore were noticed in Municipal Administration and Water Supply Department (Rs 9.63 crore), Home and Youth Welfare and Sports Development Departments (Rs 3.44 crore), Small Industries Department (Rs One crore), Agriculture Department (Rs 0.70 crore), Animal Husbandries and Fisheries Department (Rs 0.45 crore), Public

Works Department (Rs 0.34 crore) Highways Department (Rs 0.39 crore), and Handlooms, Handicrafts, Textiles and Khadi Department (Rs 0.27 crore) .

(Paragraphs 4.1.1 to 4.1.9)

Avoidable/excess expenditure of Rs 7.41 crore were noticed in Municipal Administration and Water Supply Department (Rs 3.30 crore), Highways Department (Rs 1.85 crore), Public Works Department (Rs 0.88 crore), Home Department (Rs 0.58 crore) Rural Development Department (Rs 0.53 crore) and Revenue Department (Rs 0.27 crore).

(Paragraphs 4.2.1 to 4.2.8)

Blocking of funds aggregating Rs 5.05 crore were noticed in Home Department (Rs 2.29 crore), Animal Husbandry and Fisheries Department (Rs 1.08 crore), Housing and Urban Development Department (Rs 0.91 crore), Tourism and Culture Department (Rs 0.40 crore) and Highways Department (Rs 0.37 crore).

(Paragraphs 4.3.1 to 4.3.5)

Apart from these, there were regularity issues and other points aggregating to 2.83 crore in Higher Education Department.

(Paragraph 4.4.1)