CHAPTER III

CIVIL DEPARTMENTS

SECTION – A

AUDIT REVIEW

3.1 Liberation and Rehabilitation of Scavengers (Adi-Dravidar and Tribal Welfare Department)

Summary Highlights

Government of India launched the National Scheme of Liberation and Rehabilitation of Scavengers in March 1992 to liberate scavengers from the existing hereditary obnoxious and inhuman occupation of manually removing night soil and filth and to provide them with alternative and dignified occupations. Out of 35,561 persons identified for rehabilitation through a survey in 1992, only 23,114 persons were rehabilitated upto March 2002. The innovative scheme of sanitary marts introduced during 1999-2000 had also not achieved the desired results. As there are no scavengers involved in manual cleaning of dry latrines in the State, assistance under the scheme is being extended for the rehabilitation of the dependants of sanitary workers, who were not eligible under the scheme.

- **Central assistance of Rs 32.72 crore was lying unutilised with Tamil Nadu Adi-Dravidar Housing and Development Corporation Limited.**

(Paragraph 3.1.4.2.1 (a))

- **Only 23,114 persons out of 35,561 identified in 1992 were rehabilitated by March 2002, due to reluctance of banks to extend loans and ineligibility of the applicants.**

(Paragraph 3.1.4.5.1)

- **Physical verification revealed that 99 assets created with an assistance of Rs 24.44 lakh were not in existence; 23 assets created with an assistance of Rs 6.93 lakh could not be verified as the beneficiaries and assets were not traceable.**

(Paragraph 3.1.4.5.4)

- **Only 158 sanitary marts at a cost of Rs 3.88 crore were established rehabilitating 3,074 persons, although Rs 40.17 crore of Central assistance was sanctioned to set up 1000 sanitary marts.**

(Paragraph 3.1.4.6.1)

3.1.1 Introduction

The scheme "Liberation of Scavengers" was introduced by Government of India during 1980-81 as a Centrally sponsored scheme under the Protection of

Civil Rights (PCR) Act 1955, to eradicate manual scavenging by converting dry latrines into sanitary latrines. The cost of conversion was equally shared between Government of India(GOI) and State Government upto 1989-90.

Since the implementation of the scheme was very slow, Government of India launched (March 1992) National Scheme of Liberation and Rehabilitation of Scavengers (NSLRS). While the component of "Conversion of dry latrines into water borne flush latrines" was entrusted to the Ministry of Urban and Rural Development, the other component *viz*, "Rehabilitation of scavengers and their dependants" was entrusted to the Ministry of Social Justice and Empowerment so that within five years, all the scavengers and their dependants are rehabilitated in alternative occupations.

The implementation of NSLRS was reviewed by GOI in 1995-96 and some of the parameters were modified with effect from 1 April 1996.

The objectives of the scheme were to be achieved through (i) time-bound programme for identification of scavengers and their dependants and their aptitude for alternative trade through a survey (ii) training in identified trades at the nearest local training institutions/centres of various departments of State and Central Government and other semi-Government and non-Government organisations (NGOs) and (iii) rehabilitation of scavengers in various trades and occupations by providing subsidy, margin money loan and institutional finance through banks.

The responsibility for rehabilitation of municipal scavengers was with local bodies. The scheme included rehabilitative training to private scavengers and their dependants also.

3.1.2 Organisational set up

Secretary, Adi-Dravidar and Tribal Welfare Department was required to co-ordinate the implementation of the scheme. Tamil Nadu Adi-Dravidar Housing and Development Corporation Limited (TAHDCO) was to implement the scheme through their District Managers. The District Collector was responsible at the district level and Mohalla Committees at the village/town levels.

3.1.3 Audit coverage

The implementation of the scheme was test-checked during November 2001 to April 2002 in two departments[1] of the Secretariat, three Directorates[2],

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[1] Adi-Dravidar and Tribal Welfare Department and Municipal Administration and Water Supply Department

[2] Directorates of Adi-Dravidar Welfare, Municipal Administration and Town Panchayats.

TAHDCO, offices of 5 Regional Directors of Municipal Administration (RDMA), offices of 6 Assistant Directors of Town Panchayats (ADTP), offices of 6 District Managers[3] (DM) of TAHDCO, besides 63 Municipalities and 75 Town Panchayats in 6 districts out of 30 in the State. The implementation of the scheme during 1997-2002 was generally reviewed. Certain comments on the utilisation of grants released prior to 1997-98 are also included.

3.1.4 Implementation of the scheme

3.1.4.1 Funding pattern

For training of scavengers, GOI provided 100 *per cent* assistance. For rehabilitation, 50 *per cent* subject to a ceiling of Rs 10,000 was provided as subsidy, 15 *per cent* was provided as Margin Money Loan (MML) at 4 *per cent* rate of interest which would be shared by the Central and State Governments in the ratio of 49:51 respectively and the remaining 35 *per cent* was provided as term loan by banks and other financial institutions.

3.1.4.2 Financial Performance

3.1.4.2.1 The year-wise funding and expenditure details are as follows:

(Rupees in lakh)

Year	Unspent opening balance available on 1 April	Amount received from GOI	Total funds available	Expenditure incurred for				Other expen-diture	Unspent Central assistance available on 31 March col. 4 - col. (5+6+7+9)
				Training	Rehabilitation				
				out of GOI assistance	out of GOI subsidy	out of Margin Money Loan			
						of GOI (49 *per cent*)	of State Government (51 *per cent*)		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1991-92 to 1996-97	NIL	3526.89	3526.89	112.65	910.35	142.49	148.32	5.93[A]	2355.47
1997-98	2355.47	--	2355.47	4.30	224.10	38.91	40.49	--	2088.16
1998-99	2088.16	--	2088.16	11.40	221.47	42.86	44.61	--	1812.43
1999-2000	1812.43	--	1812.43	25.61	132.58	25.97	24.58	--	1628.27
2000-2001	1628.27	2253.19[B]	3881.46	31.80	364.70	78.24	38.71	--	3406.72
2001-2002	3406.72	--	3406.72	4.00	104.00	26.23	8.32	--	3272.49
Total		**5780.08**		**189.76**	**1957.20**	**354.70**	**305.03**	**5.93**	

A Spent on survey of beneficiaries

B Relating to the year 1999-2000. Out of Rs 4017.50 lakh released as Central assistance for 1999-2000, Rs 1764.31 lakh available with TAHDCO had been adjusted and the balance of Rs 2253.19 lakh was released.

3 Coimbatore, Cuddalore, Kancheepuram, Madurai, Thanjavur and Vellore.

A Financial chart indicating funds released, expenditure incurred and deficiencies noticed in test-checked districts for the period 1991-2002 is given in Appendix XI.

GOI released the funds, from 1996-97 onwards, directly to TAHDCO through demand drafts.

Rupees 32.72 crore were lying unutilised with TAHDCO due to poor performance.

(a) Rupees 32.72 crore were lying unutilised as of March 2002. The Managing Director (MD), TAHDCO in his report (June 2000) to GOI attributed the poor financial performance to refusal of banks to sanction loans as the targeted group was not in a position to offer collateral security. He further stated that a number of applications were rejected at the District level due to non-viability of projects, beneficiaries being chronic defaulters and rejection of the applications of sanitary workers who did not satisfy the definition of scavengers. These reasons indicate that the scheme was not well administered.

Rupees 2.29 crore were diverted to rehabilitate dependants of sanitary workers.

(b) Rupees 2.29 crore were utilised during 1999-2002 for providing subsidy and margin money loan to 1677 dependants of SC sanitary workers covered under National Safai Karamcharis Finance and Development Corporation (NSKFDC) assisted 'Individual loan scheme for social and economic development of Safai Karamcharis and their dependants'. As NSLRS was meant only for scavengers and their dependants, utilisation of Rs 2.29 crore for the dependants of sanitary workers resulted in diversion.

(c) Delays ranging from 10 to 14 months were noticed in the release of Central assistance to TAHDCO by State Government.

Central assistance of Rs 17.64 crore was lost.

(d) Though Rs 40.17 crore were sanctioned for the year 1999-2000 for setting up 1000 sanitary marts, GOI released (March 2000) only Rs 22.53 crore, after deducting the unspent Central assistance of Rs 17.64 crore with TAHDCO. Thus, because of poor performance, the State was deprived of Rs 17.64 crore. But even Rs 22.53 crore released was only utilised partially; the expenditure during 2000-2002 was only Rs 3.88 crore leaving an unspent balance of Rs 18.65 crore in March 2002.

Non-submission of UCs by State Government to GOI.

(e) Utilisation Certificates (UCs) for Rs 18.99 crore incurred during 1993-2000 were not sent though they were sent for subsequent period.

3.1.4.2.2 The amounts provided under margin money loan and NSKFDC term loan were recoverable in 20 quarterly instalments. While the margin money loan was to be recovered by banks and transferred to TAHDCO, the NSKFDC term loan was to be recovered by TAHDCO itself. As per the progress reports of TAHDCO, the amount of margin money loan and NSKFDC term loan extended to the beneficiaries by March 2002 were Rs 5.98

crore and Rs 2.15 crore respectively. However, details of demand, collection and balances towards these loans for the State as a whole were not compiled.

Recovery of margin money loan and NSKFDC term loan upto March 2002 was poor.

Test-check of records in four districts[4] revealed that upto December 2001/March 2002, Rs 65.49 lakh of margin money loan was due to be recovered but only Rs 12.64 lakh was recovered (19 *per cent)* and passed on to TAHDCO. Similarly, out of Rs 6.17 lakh due to be recovered towards NSKFDC term loan in these 4 districts, only Rs 3.31 lakh was recovered (54 *per cent)* as of December 2001 (3 districts) /March 2002 (one district). In the co-ordination meeting of State level Bankers, the MD, TAHDCO attributed (April 1999) the poor collection to non-remittance of margin money loan collected by banks to TAHDCO and the absence of recovery machinery with TAHDCO at the district level. The continued poor recovery clearly revealed ineffective action by TAHDCO.

Rupees 9.74 crore was extended as term loan to beneficiaries till November 1999. TAHDCO had no details of term loans extended or recoveries made before and after November 1999.

3.1.4.3 Survey and Identification

Delay in completion of survey.

3.1.4.3.1 (a) Identification of scavengers and their dependants and their aptitude for specific alternative trade/occupation/job in a time-bound programme was essential. For effective implementation of the scheme, the Ministry had directed all States to complete the required survey before 30 June 1992. GOI had also directed that the survey be carried out through officers and employees of Government departments, urban local bodies etc., and the expenditure on the survey, be met from the Special Central Assistance (SCA). However, the State Government conducted (October-November 1992) the survey in all districts (except Chennai) through 43 NGOs and paid Rs 5.93 lakh from the scheme funds.

(b) Though GOI instructed that the survey had to be completed by 30 June 1992 and assistance was released during 1991-92 and 1992-93, no expenditure was incurred by the State during those years. State Government reported (June 1995) to GOI that after completing the voluminous work of enumeration of scavengers and their dependants in 1992-93, training and rehabilitation started only during 1993-94.

(c) The survey identified 16,937 scavenger families consisting of 35,561 persons. State Government observed (November 1995) that the survey omitted quite a few genuine scavengers and their dependants. Audit also

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[4] Coimbatore, Cuddalore, Madurai and Vellore.

observed that the survey in Vellore District included sweepers and their dependants, who were not eligible under the scheme.

Delay in commencement of quick survey and deficiencies in registering the beneficiaries.

(d) Subsequently, in October 1995, GOI required the State Government to conduct a quick survey within two months to ensure the genuineness of the original survey. However, only in October 1999, State Government directed the Corporations, Municipalities and Town Panchayats (TPs) to register all cases of manual scavengers after giving due publicity. Audit observed that 17 Municipalities and 47 TPs did not register scavengers in their areas, whereas 12 Municipalities and 23 TPs had registered sanitary workers who were already employed under them as sweepers, drain cleaners, etc. As of April 2002, TAHDCO had no information whether the quick survey had been completed or not.

Inclusion of sweepers as beneficiaries contrary to GOI guidelines.

Although, under the scheme, sweepers could not be categorised as scavengers, State Government ordered (December 1999) inclusion of sweepers so that they could receive benefits under the scheme, without obtaining concurrence from GOI for their inclusion.

Test-check of records in sample districts revealed that assistance in 48 cases was provided to sons/daughters/daughters-in-law of sanitary workers who were not living with them, as seen from the family cards. Absence of any criteria for determining the dependency had led to such situation. Scrutiny of 495 applications in 6 sample districts revealed that countersignature of District Collectors/RDMA/Director of Town Panchayats (DTP) was not obtained in any of the cases during 1998-2002. While the RDMA, Thanjavur and Vellore and ADTP, Coimbatore, Madurai, Thanjavur and Vellore reported (January-April 2002) that they had not received the certificates for countersignature, the DM, TAHDCO at Vellore stated that he had no instructions in this regard.

Non-conducting of month-long survey.

For preparing a time-bound action plan for conversion of dry latrines into wet latrines and rehabilitation of scavengers in alternative professions, GOI required the State Government to conduct a month-long survey in July 2001 in all urban/semi-urban areas. The Ministry of Urban Development also advised the State Governments to have the survey results cross-checked for accuracy by District Collectors through a random sample check. MD, TAHDCO reported to Audit (July 2002) that the said survey was not conducted and that he had addressed the Government for collection of necessary data.

3.1.4.3.2 Identification of occupational suitability

According to TAHDCO, out of 35,561 persons belonging to 16,937 families identified in the survey, only 4,860 scavengers and their dependants (14 *per cent*) had opted for training and 30,701 persons (86 *per cent*) had opted for financial assistance only.

3.1.4.4 Training

The objective was to create or upgrade skills for self-employment. Accordingly, the aptitude and interest of the scavengers and scope of the trade was to be ascertained and training institutions identified.

The training programmes were conducted by Government/ private institutions and voluntary organisations/agencies for 1477 persons in the 6 sample districts and were reported as approved by District Collectors after ascertaining the availability of infrastructure and other facilities. However, the training facilities available under Khadi and Village Industries Commission were not explored by TAHDCO though this was suggested as early as in July 1995 by the National Scheduled Castes and Scheduled Tribes Finance and Development Corporation (NSFDC).

Of 35,561 beneficiaries identified by the survey, 7,053 persons were given training under various trades during 1993-2000. Apart from the persons who opted for training at the survey stage, fresh persons were also considered for training based on the certificates furnished by Health Officers, Commissioners of Corporations/Municipalities and Executive Officers of Town Panchayats to the effect that they were dependants of sanitary workers already employed in local bodies. As a result, audit could not ensure whether all identified persons were trained. Moreover, as no cross reference was given in the Training registers/applications to the survey list in 5 out of 6 sample districts, audit could not also verify that the persons trained were actually drawn from the survey list. Consequent to the implementation of sanitary mart scheme from 2000-2001, training in other trades like tailoring, typewriting, bamboo-basket making, air-conditioner/refrigerator mechanism etc., was not given.

Non-provision of tool-kits to trainees.

Test-check of records in 6 sample districts also revealed that tool-kits required to be provided to trainees as per Training of Rural Youth for Self Employment (TRYSEM) norms were not provided to 348 persons[5] out of 403 trained, mainly due to the absence of any claim from the beneficiaries. Despite instruction from GOI (April 1996), TAHDCO had not taken steps to constitute State level and District level co-ordination committees on the TRYSEM

[5] Coimbatore : 108, Cuddalore : 15, Kancheepuram : 20, Madurai : 60, Thanjavur : 35 and Vellore : 110.

pattern for deciding various aspects of training. A network with private and public sector firms required to be created for providing training as envisaged in the GOI guidelines was also not created.

3.1.4.5 Rehabilitation of Scavengers

3.1.4.5.1 As of March 2002, 23,114 persons out of 35,561 identified in 1992 were rehabilitated as per the reports of TAHDCO.

Shortfall in the number of persons rehabilitated mainly due to refusal of banks to provide loans to beneficiaries.

(a) By the end of 1997-98, 16,219 persons[6] (46 *per cent*) had been rehabilitated. 19,342 persons were targeted to be rehabilitated during 1998-2002 at the rate of 4,850 persons per year. Against this, only 6895 persons[7] were rehabilitated as of March 2002. The DMs of the sample districts attributed the shortfall in achievement to refusal of banks to give loans on grounds of non-viability of projects, beneficiaries not residing in the service area of banks, beneficiaries not having experience in the trade, non-fixing of targets by banks for provision of loans, applicants not turning up and ineligibility of applicants as they were not partially or wholly engaged in the obnoxious occupation. Test-check revealed that out of 39,782 applications forwarded by TAHDCO to various banks, 23,563 applications (59 *per cent*) were rejected by banks, mainly due to one or more of the above reasons. The operational failures were not set right by the nodal agency in four years.

TAHDCO adds interest burden.

(b) The banks refused term loan to Safai Karamcharis[8] on the ground that they did not satisfy the definition of scavengers given in NSLRS, according to which "a scavenger is one who is partially/wholly engaged in the obnoxious occupation of removing night soil and filth". However, NSKFDC extended financial assistance to Safai Karamcharis from 2000-2001 onwards under Sanitary Mart Scheme. While NSKFDC was charging an interest of 4 *per cent* per annum from TAHDCO for these term loans, TAHDCO was charging 6 *per cent* per annum thereby burdening the beneficiaries further.

277 trained scavengers not provided rehabilitation.

3.1.4.5.2 Test-check of records in 5 sample districts revealed that out of 293 persons trained during 1997-2000, only 16 persons of two districts were provided with the necessary rehabilitation package. While the DM, TAHDCO, Kancheepuram stated (February 2002) that the assistance for rehabilitation was not provided to all trained persons because the banks did not sanction all the applications forwarded for assistance, the DMs of Coimbatore, Cuddalore and Thanjavur stated (March-April 2002) that the trainees did not turn up for getting the rehabilitation assistance. As the training was not

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6 1993-94 : 2556, 1994-95 : 4987, 1995-96 : 4094, 1996-97 : 2048 and 1997-98 : 2534.

7 1998-99 : 2430, 1999-2000 : 1391, 2000-2001 : 2530 and 2001-2002 : 544.

8 People involved in sanitation works, called sanitary workers in urban local bodies in Tamil Nadu.

followed up by a rehabilitation package, the expenditure incurred on training (Rs 10.37 lakh) was largely unfruitful.

Chennai Corporation not rehabilitating scavengers.

3.1.4.5.3 (a) Out of the Central assistance of Rs 10 lakh released in February 1996 by TAHDCO to Chennai Corporation for providing rehabilitative assistance, only Rs 0.68 lakh[9] was released (March 1998) to 5 persons and the balance of Rs 9.32 lakh was not yet refunded by the Corporation (May 2002).

Rupees 83.65 lakh spent by DM in Chennai was for dependants of sanitary workers and not scavengers.

(b) As per observation made (July 1995) by Senior Manager (Projects) NSFDC, no survey was conducted in Chennai Corporation, reportedly due to conversion of all dry latrines in the city into flush borne-latrines and due to non-existence of private scavenging. Since there are no targeted beneficiaries, it is clear that there was no need for implementing the scheme in Chennai. Thus, the training and rehabilitative measures undertaken by DM, TAHDCO in Chennai during 1996-97 to 2000-2001 at a cost of Rs 83.65 lakh benefited only sanitary workers, who are not scavengers.

3.1.4.5.4 No recorded evidence was produced to Audit by DM, TAHDCO, Coimbatore and Thanjavur, though they had reported (February-April 2002) that the assets of the beneficiaries were verified. No follow up action was taken by the DMs of Cuddalore, Kancheepuram, Madurai and Vellore to ensure that all the rehabilitated scavengers had actually taken up their relevant trades.

Physical verification conducted by Audit revealed that 99 assets reported to have been created did not exist.

Audit conducted test-check by way of physical verification with the help of departmental officers during January-April 2002. Out of 141 assets taken up for verification, 99 assets (70 *per cent*) for which assistance of Rs 24.44 lakh was extended were not in existence. It is evident that these assets were either not created or disposed of by the beneficiaries after their creation. Further, in respect of 23 assets (Rs 6.93 lakh), beneficiaries and assets were not traceable.

3.1.4.6 Poor performance under Sanitary Mart scheme

3.1.4.6.1 As the scheme for rehabilitation of individual scavengers met with limited success, Ministry of Social Justice and Empowerment introduced an alternative scheme of Sanitary Marts to be run by groups of about 25 scavengers each. The marts were to serve as a shop and a production *cum* service centre for creating demand for wet latrines through information, education and communication. The identified scavengers for this scheme were to be given motivational training through NGOs in the first phase and skill training in construction of latrines and production of sanitary items in the second phase. Further, a subsidy of Rs 10,000, margin money loan of

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9 Subsidy : Rs 0.45 lakh and margin money loan : Rs 0.23 lakh.

Rs 3,000 and NSKFDC term loan of Rs 7,000 were also to be provided under the scheme.

Against 1,000 sanitary marts to be set up for rehabilitating 25,000 persons, only 158 sanitary marts were established rehabilitating 3,074 beneficiaries.

GOI sanctioned (March 2000) Rs 40.17 crore for setting up 1000 sanitary marts in the State for rehabilitating 25,000 persons during 1999-2000 and released (March 2000) Rs 22.53 crore towards subsidy, margin money loan and training, after deducting the unutilised Central assistance of Rs 17.64 crore available with TAHDCO (Para 3.1.4.2.1 (d)). However, 158 sanitary marts were set up at a cost of Rs 3.88 crore during 2000-2002, rehabilitating 3,074 persons [10] (12 *per cent* of the target) and Rs 18.65 crore remained unutilised at the end of March 2002. Against Rs 2.62 crore received towards term loan from NSKFDC during 2000-2002, Rs 2.15 crore was disbursed to 3,074 beneficiaries and Rs 0.47 crore remained unutilised as of March 2002.

Deficiencies noticed under Sanitary Mart Scheme.

3.1.4.6.2 Test-check of records in the sample districts relating to the establishment of sanitary marts revealed the following.

(a) In 6 sample districts, out of 246 sanitary marts proposed to be established, assistance was provided to set up only 47 sanitary marts. As of March 2002, only 32 marts[11] were established. For the remaining 15 marts, members were only trained but the marts were not set up due to non-co-operation and lack of interest among the members. Only 15 marts were actually functioning for the intended purpose as of March 2002.

(b) The beneficiaries selected to set up sanitary marts were not drawn from the original survey list but were included afresh based on the certificates given by the officers of the urban local bodies to the effect that they were dependants of sanitary workers working in urban local bodies. Out of 856 applications verified by audit in 6 sample districts, 806 were from dependants of sanitary workers. As NSLRS was meant for scavengers and their dependants, inclusion of dependants of sanitary workers, without the concurrence of GOI was irregular. For the remaining 50 members included in the scheme, even the database of scavengers on whom the members were dependant was not available. It is evident that the assistance was extended without ensuring eligibility.

(c) Rupees 56.19 lakh incurred on 32 marts (Appendix XII) became unfruitful, as the marts were either not established/ or were discontinued.

(d) In two sanitary marts established in Kancheepuram, 21 out of 40 members were not given training.

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[10] 2000-2001 : 2530 (128 marts) and 2001-2002 : 544 (30 marts).

[11] Full assistance given to 28 marts and partial assistance given to 4 marts.

(e) To protect the interest of TAHDCO, DM, TAHDCO, Madurai had obtained three-year fixed deposits of Rs one lakh each out of the working capital of Rs 12 lakh provided to three sanitary marts, thereby curtailing the working capital.

(f) Though it is required that the beneficiaries of the sanitary marts have to maintain a register of houses where dry latrines are in existence, no such registers were maintained.

3.1.4.6.3 As the sanitary marts were not functioning effectively, State Government forwarded (June 2002) to GOI an alternative proposal submitted by TAHDCO. GOI is yet to approve this proposal (July 2002).

3.1.4.6.4 Besides a State Level committee, three-tier committees were to be set up at lower levels *viz*., Liberation Committee at ward level, Local body committee and District level committee to oversee the functioning of the marts. However, no such committees were formed in the six districts.

3.1.4.6.5 Though the State level committee required TAHDCO to take up an evaluation study of sanitary marts to assess their success, no such study was taken up.

3.1.5 Monitoring and evaluation

Shortfall in conducting prescribed number of SLMC meetings.

GOI required (May 1993) the State Government to constitute a State Level Monitoring Committee (SLMC) with the Chief Secretary as Chairman, representatives of all concerned departments and two non-official members from scavenger community. The SLMC constituted in the State in October 1994 had met only on two occasions in eight years (1994-2002), instead of once in every quarter.

District level Committees not formed/ not met.

The District Level Monitoring Committee (DLMC), with the District Collector as Chairman is responsible for overall implementation and monitoring of the scheme. No DLMC was formed in 2 districts (Madurai and Cuddalore); only 2 meetings of DLMCs were held in the remaining 3 districts[12] and none in Thanjavur.

No village level committees were formed in any of the six sample districts.

No evaluation of the scheme was made.

No evaluation of the scheme was conducted by Government either through its department or through external agencies.

3.1.6 Conclusion

Though the State had adopted the Employment of Manual Scavengers and Construction of Dry Latrines (Prohibition) Act 1993 (Central Act No.46 of

[12] Coimbatore, Kancheepuram and Vellore.

1993) from 11 May 1999, the matter of framing rules and issue of notifications was still under the consideration of the Government (July 2002).

In December 1999, Government extended the benefit of the scheme to sweepers who were not covered under the definition of 'scavengers'.

The survey conducted during October-November 1992 identified 35,561 scavengers in the State. In order to rectify the omissions, GOI required the State Government to conduct a quick survey (October 1995) and a month long survey (June 2001) for identifying the scavangers in urban and semi-urban areas; but no such re-surveys were conducted. The exact number of scavengers was, therefore, not ascertained. On the one hand, 12,447 persons identified during 1992 were yet to be rehabilitated. On the other, State Government concluded that there were no dry latrines in the State and hence all the scavengers have been rehabilitated. This was contradictory.

'Sanitary mart scheme' was implemented for only two years from April 2000, but not seriously. An alternative proposal forwarded (June 2002) by State Government to GOI for the economic development of sanitary workers is yet to be approved by GOI (July 2002). As a result, Central assistance of Rs 32.72 crore remained unutilised out of Rs 57.80 crore received and 12,447 persons already identified were not given any assistance for rehabilitation.

The above points were referred to Government in July 2002; reply had not been received (December 2002).

SECTION – B

AUDIT PARAGRAPHS

AGRICULTURE DEPARTMENT

3.2 Poor implementation of Integrated Horticulture Development Project

Poor performance by Tamil Nadu Horticultural Producers' Cooperative Enterprises Limited under the Integrated Horticulture Development Project resulted in locking up of Government funds to the tune of Rs 1.12 crore for over 3 years, besides payment of interest of Rs 51.74 lakh on the unutilised loan.

Tamil Nadu Horticultural Producers' Cooperative Enterprises Limited (TANHOPE) submitted (May 1996) proposals to Government on "Integrated Horticulture Development in Tamil Nadu" with special reference to marketing at a total outlay of Rs 40.52 crore spread over five years. The project envisaged direct purchase of fruits and vegetables from the farmers for sale, eliminating middlemen. Government, after obtaining clearance from the State Planning Commission, recommended (June 1997) the proposal to National Cooperative Development Corporation (NCDC).

NCDC conveyed (July 1998) their approval for taking up the project at Chennai, Dindigul and Salem initially at a cost of Rs 4.70 crore, phased over a period of 3 years. Of this Rs 4.23 crore (90 *per cent*) was loan to State Government and Rs 47 lakh was to be raised as additional share capital by TANHOPE. State Government was to release this Rs 4.23 crore to TANHOPE as term loan (Rs 2.35 crore) and share capital (Rs 1.88 crore).

Accordingly, Government released (March 1999 and April 1999) Rs 1.88 crore as share capital to TANHOPE. Rs 1.06 crore (25 *per cent* of Rs 4.23 crore) received by Government as first instalment of loan from NCDC during March 1999 was retained in Government Account.

The implementation of the project was slow and as of June 2002, only Rs 76.30 lakh was spent by TANHOPE on infrastructure* leaving Rs 1.12 crore kept in fixed deposits. Interest of Rs 22.88 lakh accrued on the fixed deposits upto June 2002 was also kept unutilised with TANHOPE.

The Managing Director (MD), TANHOPE stated (December 2001) that the commercial activities were commenced in these three districts only during May to November 2000. The delay was due to non-availability of suitable sites, delay in construction of procurement centres, and difficulties in getting

* Retail outlets (17): Rs 15.80 lakh, Procurement Centres with walk-in-coolers (2): Rs 26.03 lakh, Transport Vehicles (3): Rs 13.11 lakh, Multi-Fruit Drink Unit: Rs 0.80 lakh, Margin Money: Rs 2.45 lakh, Pre-operative expenses: Rs 17.54 lakh and Contingencies: Rs 0.57 lakh.

suitable sites for retail outlets. He also stated that subsequent introduction of "Uzhavar Sandhais" by State Government (November 1999), which had similar objective, affected the implementation of the project. Consequently, an alternative plan was formulated in consultation with NCDC in April 2002, with reduced coverage to set up 2 procurement centres at Hosur and Tiruchirappalli and 8 retail outlets in Chennai, to be serviced by 6 transport vehicles and one refrigerated truck, with an outlay of Rs 2.35 crore. The alternative plan is yet to be approved by Government (August 2002).

Audit scrutiny has revealed that

(a) When NCDC sought clarification (August 1997) regarding the availability of land, TANHOPE had replied (October 1997) that land would be purchased or leased to establish the retail outlets. However, no tangible efforts were made to arrange for land to set up retail outlets as planned.

(b) TANHOPE was able to raise additional share capital of only Rs 3.80 lakh (July 2002), as against Rs 47 lakh envisaged.

(c) Government paid interest of Rs 51.74 lakh upto February 2002 to NCDC on the loan, while Rs 1.12 crore was lying unutilised with TANHOPE. Interest earned by TANHOPE on fixed deposit of unutilised share capital should have been passed on to Government.

(d) Out of the infrastructure already created at a cost of Rs 76.30 lakh, retail outlets and procurement centres built at a cost of Rs 36.13 lakh[*] do not find place in the alternative plan under consideration.

Thus, the project had dragged on for 4 years and the alternative plan proposed by TANHOPE was still pending approval of Government. As soon as "Uzhavar Sandhais" scheme was introduced in November 1999 the scope of TANHOPE project should have been reformulated.

The matter was referred to Government in March 2002. Government, while generally accepting the facts, stated (September 2002) that due to non-availability of suitable sites for retail outlets and procurement centres the required target could not be achieved. The revised proposal of TANHOPE which would cost Rs 2.35 crore is under consideration of the Government. While wholesale trading activities would be undertaken in a greater measure, simultaneously retail marketing would be continued through the existing retail outlets.

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[*] 10 retail outlets (Dindigul: 3 and Salem: 7): Rs 9.30 lakh (Proportionate cost); 2 Procurement centres (Chennai and Dindigul one each) : Rs 26.03 lakh and Multi Fruit Drink Unit (Villupuram District): Rs 0.80 lakh.

FINANCE DEPARTMENT

3.3 Failure to deploy surplus Office Assistants

Comprehensive enumeration of surplus Office Assistants (OAs) has not been made even after a lapse of seven years; instead 314 OAs were recruited resulting in avoidable expenditure of Rs 3.25 crore. 762 surplus OAs of Irrigation Department have been paid Rs 20.03 crore as salary.

Finance Department issued (September 1995) orders prescribing employment of one OA for every 15 ministerial staff in Government departments and one OA for every 12 staff in Secretariat departments, besides two OAs for IAS Officers in supertime-scale of pay, Secretaries and Special Secretaries and one OA for all officers in the pre-revised scale of pay of Rs 3000-4500 and above. All the Government departments were requested to work out the surplus for redeployment. The departments were prohibited from filling up any vacancy from the Employment Exchanges until the surplus OAs were redeployed. Government also directed the Director of Employment and Training not to forward any names to any Government department/local bodies for recruitment of OAs.

Scrutiny of records in Finance Department and information collected from District Collectors, District Employment Exchange Officers (DEEOs) and Heads of Departments (HODs) and heads of offices in the districts revealed the following.

(i) As of November 2001, six years after the issue of Government orders, only 43 HODs had identified 7900 surplus OAs. The remaining 60 HODs were yet to complete the process. Similarly, while all the District Collectors were to furnish the district-level surplus list to Finance Department quarterly from September 1995, as of September 2001, only 11 out of 29 District Collectors had compiled a list of 2457 surplus OAs. Of this, only 456 OAs were redeployed as of September 2001. Test-check revealed that the data had not been collected from all the departments by all the Collectors.

(ii) Particulars collected by Audit from 21 DEEOs revealed that 314 new OAs were recruited through Employment Exchanges in 15 districts during 1996-2001, in violation of the Government order and despite the availability of surplus OAs in these districts. Audit observed that Secretary to Government in Home Department issued (October 1997) orders for making recruitment through Employment Exchanges after obtaining a certificate of non-availability of candidates from the surplus list maintained by the District Collectors. Rupees 3.25 crore was incurred on salaries of these 314 OAs during 1996 to 2001.

(iii) It was also seen in Audit that 20 divisions of Irrigation Department reported 762 surplus OAs to the District Collectors, but they were not redeployed as of March 2002. The cost of establishment of these 762 OAs during 1996-2002 worked out to Rs 20.03 crore.

Since the HODs have not comprehensively enumerated surplus OAs, the Joint Secretary, Finance Department suggested (November 2001) to close the previous papers and refer the subject to "Staff and Expenditure Reforms Commission" proposed to be set up.

The matter was referred to Government in April 2002; Government generally accepted the facts in September 2002 and stated that the recommendations of the Staff and Expenditure Reforms Commission, to whom the matter was referred (February 2002), were still awaited (September 2002).

3.4 Avoidable payment of Front End Fee

Payment of Rs 30 lakh as Front End Fee to Housing and Urban Development Corporation on loan not required could have been avoided had the actual requirement of loan been ascertained from Tamil Nadu Police Housing Corporation Limited by Government.

Housing and Urban Development Corporation (HUDCO) sanctioned (December 1999) a loan of Rs 193.06 crore for financing the construction of Government buildings like Police Stations, offices, etc., including a Police Academy to be constructed by Tamil Nadu Police Housing Corporation Limited (TNPHC) at a cost of Rs 40 crore.

Chief Engineer (CE) (Buildings), Public Works Department communicated to HUDCO (January 2000) that the projected expenditure for works to be executed by him was Rs 153.06 crore. He also requested Special Secretary, Finance Department that amount required for Police Academy may be intimated by TNPHC. However, Finance Department accorded sanction (January 2000) for availing the loan of Rs 193.06 crore including Rs 40 crore for the Police Academy, without consulting TNPHC. An agreement was executed by the CE with HUDCO (January 2000) for the entire amount. As per the agreement, a Front End Fee (FEF) at 0.75 *per cent* of the total loan amount was payable to HUDCO and no refund would be made in case there was any subsequent change in the loan amount. Rupees 140 crore was released by HUDCO between January and March 2000.

Government sanction for Rs 36.23 crore for the Police Academy was issued only in July 2000 and the Government was considering getting a separate loan for this from HUDCO, as of July 2002, since the agency to execute the work would be TNPHC.

Therefore, CE (Buildings) informed HUDCO in September 2001 that loan of Rs 40 crore for Police Academy work was not required. He forwarded a loan repayment schedule for only Rs 153.06 crore, which was approved by HUDCO, with the conditions of the loan agreement remaining the same.

Though the loan of Rs 40 crore for Police Academy work was not availed, payment of Rs 30 lakh as FEF had to be made. The expenditure could have been avoided had the Government restricted the loan amount to Rs 153.06 crore which CE (Buildings) needed.

Government stated (July 2002) that change in the agency executing the work of Police Academy from CE (Buildings) to TNPHC had resulted in restriction of loan and HUDCO was being addressed to adjust the front end fee of Rs 30 lakh from future loan. The reply was not tenable as the decision to entrust the work of Police Academy to TNPHC was taken in 1995, much before the loan was sought from HUDCO. Also, the agreement executed with HUDCO clearly stipulated that no refund of front end fee would be made.

HEALTH AND FAMILY WELFARE DEPARTMENT

3.5 Unfruitful expenditure due to non-commissioning of steam laundries

Delay in completion of civil works, supply of machinery and appointment of qualified staff led to non-establishment of steam laundries resulting in unfruitful expenditure of Rs 6.81 crore.

Mention was made in para 3.11 (i) of the Report of the Comptroller and Auditor General of India (Civil) – Government of Tamil Nadu for 1995-96 on the failure to commission steam laundry installed in the District Headquarters Hospital (DHH), Virudhunagar at a cost of Rs 55 lakh, due to piecemeal submission of proposals and delay in sanctioning of staff.

A comprehensive review of the installation of all the 16 steam laundries* sanctioned in November 1991 including Virudhunagar was conducted in November 2001 and the following observations are made.

(i) Government had sanctioned (November 1991) the establishment of steam laundries (cost : Rs 50 lakh each) in 16 DHHs due to increase in number of soiled linen pieces which could not be washed in time by the limited number of dhobies available. However, except in Nagercoil, none of the remaining 15 steam laundries was commissioned as of April 2002.

* Asaripallam, Cuddalore, Dharmapuri, Erode, Kancheepuram, Kumbakonam, Nagapattinam, Nagercoil, Periyakulam, Ramanathapuram, Sivaganga, Tenkasi, Thiruppur, Tiruvannamalai, Tuticorin and Virudhunagar.

(ii) In DHHs Dharmapuri, Erode and Nagercoil, the installation of the equipment was completed between January 2001 and July 2001. Though Government had sanctioned (January 1997) one post each of Mechanical Chargeman, Engine Driver (boiler operator), fitter and cleaner, these posts were not filled up. The steam laundry at Nagercoil was functioning with the staff deputed from Tirunelveli Medical College Hospital. The Joint Director of Health Services (JDHS) of the two hospitals, *viz.,* Dharmapuri and Erode addressed the Director of Medical and Rural Health Services (DMRHS) in February 2002 to revive the sanction of the technical posts, but this has not been done as of July 2002.

(iii) In DHHs, Kumbakonam and Nagapattinam, the buildings to house the laundry were completed at a cost of Rs 70.91 lakh[**] as of April 2002. Government gave revised administrative sanction for Rs 62.65 lakh and Rs 82 lakh respectively for installation of steam laundries at Kumbakonam and Nagapattinam in March 2001. However, the Chief Engineer (Buildings) stated that Letter of Credit (LOC) from Government had not been received as of July 2002 and, therefore, no action was taken to procure the equipment.

(iv) Building works were completed in DHHs, Kancheepuram, Cuddalore, Thiruppur, Tiruvannamalai and Tenkasi at a cost of Rs 1.50 crore[@] as of April 2002. However, boiler and other equipments were not supplied to these hospitals. When administrative sanction was sought from Government, Secretary to Government asked (February 2001) DMRHS to explore the possibility of utilising the buildings for other purposes. But, only after Audit enquiry (November 2001), DMRHS addressed the JDHS of these 5 hospitals and sought (July 2002) proposals for alternative use of the buildings already constructed.

(v) In respect of DHHs at Ramanathapuram, Sivaganga, Periyakulam, Asaripallam, Tuticorin and Virudhunagar, building works were completed and machinery were partly supplied. DMRHS asked (July 2002) the JDHS of 6 hospitals[*] to re-examine the economics of washing linen through private agencies.

(vi) Out of Rs 265.93 lakh given as advance for supply and erection of steam laundries in 10 hospitals[***] to 7 Industrial Cooperative Societies, Rs 93.92 lakh was pending adjustment due to non-supply/part-supply.

** Kumbakonam: Rs 35.16 lakh and Nagapattinam: Rs 35.75 lakh.

@ Kancheepuram: Rs 34.29 lakh; Cuddalore: Rs 38.00 lakh; Thiruppur: Rs 32.75 lakh; Tiruvannamalai: Rs 35.40 lakh and Tenkasi: Rs 9.79 lakh.

* Ramanathapuram, Sivaganga, Periyakulam, Tuticorin, Virudhunagar and Asaripallam.

*** Ramanathapuram, Sivaganga, Nagercoil, Asaripallam, Thiruppur, Tiruvannamalai, Cuddalore, Periyakulam, Kancheepuram and Nagapattinam.

Thus, there was inordinate delay in procuring equipment, although buildings were ready. In June 2001, Government reviewed the setting up of steam laundry as it was much more expensive than engaging private contractors for washing linen. The expenditure on buildings and equipment already incurred on the ill-considered project of establishing 16 steam laundries was Rs 6.81 crore, which was unfruitful. Only one steam laundry at Nagercoil was put to use as of July 2002.

The matter was referred to Government in June 2002; reply had not been received (December 2002).

3.6 Unfruitful expenditure on hospital buildings without staff/equipment

Failure to provide staff and equipment for Neurosurgery and Accident and Emergency Block resulted in unfruitful expenditure of Rs 98.06 lakh on Government Hospital buildings at Ramanathapuram and Thiruvarur.

Public Accounts Committee (1984-85) in its 33rd Report (VII Assembly) recommended that proposals to upgrade facilities in the Hospitals should cover all aspects like requirement of buildings, ancillary equipment and additional staff for operation and maintenance of machinery, so that equipment could be put to use right from their installation/commissioning. Assurance was given in August 1986 that the recommendation of the committee would be followed in future. Infringement of this recommendation was noticed by Audit in the cases discussed below:

Government sanctioned, in June 1997, construction of 23 bedded Neurosurgery block at Government District Headquarters Hospital (GDHH), Ramanathapuram and Accident and Emergency Services (A & ES) block with 10 beds in GDHH, Tiruvarur with the objective of giving prompt and timely treatment to the accident victims.

The dates of taking over of the building and cost of construction are as follows:

	Nuerosurgery block GDHH, Ramanathapuram	**A & ES block, GDHH, Tiruvarur**
Date of taking over	May 2001	November 2000
Total expenditure	Rs 64.85 lakh	Rs 33.21 lakh

The buildings have not been put to use as envisaged, in the absence of staff and equipment, as discussed below:

(a) Neurosurgery Block, GDHH, Ramanathapuram: Joint Director of Health Services (JDHS) addressed Director of Medical and Rural Health Services (DMRHS) for staff only in August 2000. DMRHS had not processed the proposal even as of May 2002. As regards purchase of furniture and equipment, DMRHS sought revalidation of Government orders only in January 2002, which was given in March 2002. Further action has to be taken in this regard by DMRHS. No specific proposal for Neurosurgery equipment was made as of May 2002. Thus, neither staff nor furniture or equipment was sanctioned to GDHH, Ramanathapuram till July 2002, though buildings were ready by May 2001.

Government in their reply (August 2002) stated that new posts could not be created in view of ban on recruitment and the proposal for redeployment of existing staff was being sent by the Director. In the meantime, the Director has decided to utilise the block to look after emergency cases and accident victims with the available staff.

(b) A & ES Block, GDHH, Tiruvarur: JDHS requested (November 2000) DMRHS to take necessary action for filling up the posts and purchase of furniture, equipment etc. DMRHS requested (March 2001) Government for revalidation of earlier sanction (June 1997) for equipment (X-Ray plant, furniture, equipment and ambulance) and for 14 posts. But, sanction for staff or purchase of furniture and equipment had not been revalidated, as of April 2002. Thus, the A & ES block at GDHH, Tiruvarur was yet to become operational.

The observations regarding non-functioning of the A & ES Block in GDHH, Tiruvarur was referred to Government in May 2002; reply had not been received (December 2002).

3.7 Avoidable payment of water charges

Government Royapettah Hospital, Chennai failed to fix the water meter and paid Rs 31.84 lakh towards water charges, although there was no water supply from December 1999 and water was being purchased from outside sources.

Government Royapettah Hospital, Chennai, functioning under the administrative control of the Director of Medical Education (DME) obtained water connection for two blocks from Chennai Metropolitan Water Supply and Sewerage Board (Board). In addition, the hospital had one well in each block to supplement the water supply.

The water meters fixed at both the inlets went out of order and billing was made by the Board by adopting average monthly consumption at 44.29 lakh litres from July 1987 onwards. Though the defective meter was replaced in July 1997, the same was disconnected by the hospital authorities on the plea that it obstructed the free flow of water. However, the water supplied by the Board was reported to be meagre and nil from December 1999. In order to meet its requirement of 1.50 lakh litres of water per day, the hospital purchased water through tanker lorries. Between April 1998 and May 2002, Rs 45.59 lakh were spent on such purchase.

Inspite of meagre water supply, the Board charged for 44.29 lakh litres of water per month from October 1998 at the rate of Rs 20 per thousand litres in addition to sewerage charges at 25 *per cent* of water charges.

As there was practically no water inflow from the Board's pipelines from December 1999 onwards, the Board should have levied only the minimum charge of Rs 201 per month. Instead, the Board continued to levy water charges for 44.29 lakh litres per month. The Superintendent of the hospital paid the bills without protest.

The Superintendent of the hospital, thus, failed to get the water meter provided for more than 15 years. Rupees 31.84 lakh has been paid, when there was no water supply, between January 2000 and May 2002.

The DME, while generally accepting the facts, stated (May 2002) that the Board had been addressed by the hospital in May 2002 to adjust the excess amount paid against future water supplies by the Board. However, the Board did not agree (July 2002), citing a previous request made to the hospital for fixing the water meter at their cost, which would have recorded the actual consumption. It was reported in July 2002 that a water meter has since been fixed and the water charges were Rs 7950 for July 2002 and Rs 1850 for August 2002. This proves that Rs 31.84 lakh paid upto May 2002 was avoidable.

The matter was referred to Government in May 2002; Government in August 2002 reiterated the reply furnished by DME and generally accepted the facts.

HEALTH AND FAMILY WELFARE
AND
HOUSING AND URBAN DEVELOPMENT DEPARTMENTS

3.8 Encroachment of departmental land due to lack of vigilance and care

Government property valued Rs 42.29 crore was encroached by slum dwellers due to lack of coordination and cooperation at different levels of Government.

Government established (1977) a Peripheral Hospital at K.K. Nagar, Chennai, to reduce congestion at the teaching hospitals and to slowly develop it into a multi-speciality hospital to cater to the needs of public in the suburban area. Land measuring 11.70 acre was acquired by Government from Tamil Nadu Housing Board (TNHB) at a cost of Rs 21.03 lakh. While the main building of the hospital was constructed on the northern side, the southern side with an area of 120 grounds (2.88 lakh sq. ft) was kept vacant for future expansion.

The vacant land on the southern side was encroached by slum dwellers, due to non-construction of the compound wall and was reported to the Director of Medical Education in November 1988. Therefore, Public Works Department (PWD) was requested for an estimate for construction of a compound wall, which it submitted in July 1995 for Rs 4.40 lakh. Government approved the same in December 1995 and instructed PWD to meet the expenditure from within its overall budget.

In the meantime, the Tamil Nadu Slum Clearance Board (TNSCB) unauthorisedly utilised a piece of the vacant land for accommodating 152 families as a temporary measure. In August 1996, the Chief Medical Officer (CMO), Peripheral Hospital K.K. Nagar requested the Chairman, TNSCB to make arrangement for vacating the encroachment, as the Casualty Receiving Station constructed at a cost of Rs 30 lakh was likely to be commissioned in September 1996. In October 1996, PWD informed that unless the encroachments were removed, it would not be possible to take up construction. The Chairman, TNSCB in January 1997 stated that 152 families occupying the vacant land will be evicted only after constructing and allotting flats and assured action by April 1998. However, as of May 2002, no action has been taken. In addition, 300 families have erected huts on the vacant land, which was unauthorised; the total land thus encroached measured about 1.64 lakh sq. ft.

As a result, the hospital land of 1.64 lakh sq.ft. valued Rs 42.29 crore (based on the current market rate obtained (April 2001) from Sub-Registrar's office) remained either encroached by slum dwellers or was used by TNSCB to accommodate them.

Thus, due to non-construction of a compound wall on the southern side, Government property valued Rs 42.29 crore had fallen into the hands of encroachers. This showed lack of coordination between the hospital authorities, the TNSCB and the revenue authorities.

The matter was referred to Government in March 2002; Government generally accepted the facts (September 2002) and stated that eviction of slum dwellers and construction of compound wall were being pursued vigorously.

HOME DEPARTMENT

3.9 Irregular retention of Government receipts outside Government Account

Towing charges collected since 1986 were deposited into Savings Bank account by Commissioner of Police. As of August 2002, Government had neither approved the towing charges, nor directed the Commissioner of Police to deposit the collection into Government account. Rupees 1.73 crore was lying outside Government account.

Commissioner of Police (COP), Chennai sought (July 1986) approval of Government to collect charges for towing away unauthorisedly parked vehicles, with the help of two wreckers purchased (August 1985) at a cost of Rs 7.50 lakh. COP proposed to credit 50 *per cent* of the collections to Government account and retain 50 *per cent* in “Wrecker Fund” to meet the maintenance cost of the two wreckers.

In the meantime, without waiting for Government decision, COP constituted (October 1986) a committee named ‘Wrecker Management Committee’ under his chairmanship and with four other members from the City Police establishment, which resolved to collect towing charges ranging from Rs 250 to Rs 750 from the owners of the towed away vehicles.

In December 1986, COP addressed Government for the approval of the committee constituted and for the charges levied on towed away vehicles. Government asked (July 1987) COP to confirm that the charges were being collected at the rates intimated by him and to furnish the Draft Rules and Regulations for the Fund and the head of account to which the amount collected was to be credited. COP in his reply (August 1987) intimated that the entire collection was deposited into Savings Bank account, pending receipt of Government orders on his proposal sent in December 1986. Government did not approve the Draft Rules framed (January 1988) by COP, and pointed out that specific orders of Government were necessary to fix charges and for the constitution of management committee and requested COP to send necessary proposal in that regard. After prolonged correspondence, Government returned (December 1992) the Draft Rules with a suggestion to come up with a draft amendment to Tamil Nadu Motor Vehicle (TNMV) Rules, 1989 in consultation with the Transport Commissioner (TC). The matter was still under correspondence between COP, TC and Government (August 2002). Thus, all the issues remain unresolved even after 15 years of the proposal.

Pending approval of Government, Police Officers attached to the traffic wing of the City Police continued collection of wrecker charges. While particulars of total receipts and expenditure met therefrom were not available, scrutiny of records showed that Rs 1.73 crore was the closing balance kept outside Government account as of August 2002.

The following observations are made in this regard.

(1) COP collected towing charges without proper approval of the Government and also ordered the remittance of such collections into a Savings Bank account.

(2) Cash records prior to August 2001 were not maintained to show receipt/expenditure.

(3) Between August 2001 and February 2002, COP made 24 withdrawals from the fund account amounting to Rs 35.99 lakh. Out of this, Rs 11.17 lakh was withdrawn in October 2001 towards purchase of new wreckers as permitted by Government. The balance 23 withdrawals amounting to Rs 24.82 lakh were partly spent on establishment pending receipt of funds from Director General of Police/Government and partly towards purchase of furniture, first-aid kits etc which were not connected with maintenance of wreckers. Thus Government receipts were used to meet irregular expenditure.

As a result of the indecision on the part of Government, legitimate Government receipts were not brought to Government account and the receipt and expenditure out of "wrecker fund" had remained outside Legislative and Budgetary control for 15 years. An amount of Rs 1.73 crore remained outside the Government account as of August 2002.

On the matter being referred to Government in May 2002, Government accepted the facts and issued orders (September 2002) that balance amount as on 1 October 2002 in Savings Bank Account be remitted to a specified head of account in Government Accounts, the amount lying in Fixed Deposits be remitted to Government Account when they matured and the future receipts be deposited into Government Account every fortnight. Government also ordered that accounts of receipts and expenditure so far maintained are to be submitted by Commissioner of Police, Chennai.

3.10 Uncoordinated purchase of an equipment and construction of the building to house the equipment

Rupees 1.27 crore advanced to Electronics Corporation of Tamil Nadu in March 2001 for purchase of equipment for modern control room remained outside Government account since the building remained to be commissioned. The Executive Engineer got the building constructed through a contractor even without receiving the administrative approval and expenditure sanction from Government.

Modernising the existing 40 year-old VHF communication system used by Madras Police was a long-felt need (since August 1995) which also necessitated the construction of a new building in lieu of the Police Control Room which was housed in a 100 year-old building.

Government approved (June 2000) the construction of a modern control room at a cost of Rs 80 lakh. Government also sanctioned (August 2000) Rs 1.27 crore for the purchase of equipment (Global Positioning System, Micro Special Telephone Exchange, Computer, Servers and Dial 100 Application, etc) and authorised (September 2000) the Commissioner of Police (COP), Chennai to draw and disburse the money to the Managing Director, Electronics Corporation of Tamil Nadu (ELCOT), Chennai for procuring the equipment. COP advanced the money to ELCOT in March 2001 who kept the amount in short term deposit as of July 2002. ELCOT could not purchase the equipment because the building to house the same was not yet ready (July 2002).

Before construction of the modern police control room was taken up, it was found that soil conditions warranted revision of foundation design. Thus, instead of isolated footing, continuous raft foundation was provided for the building at an additional cost of Rs 15.14 lakh. Further, the elevation of the building was raised and extra cost due to this was estimated as Rs 11.50 lakh. Consequently, the estimated cost for civil works had to be revised to Rs 1.15 crore. The revised estimate was forwarded to Home Department for administrative sanction in February 2002, which was not accorded as of July 2002 . However, the Executive Engineer got the work executed for a value of

Rs 1.15 crore by October 2001 even without the administrative sanction. Rupees 60.26 lakh has been paid to the contractor and Rs 54.74 lakh remained to be paid, for want of funds.

At the instance of Government, the estimate for Rs 35.05 lakh for air-conditioning facility had been pruned to Rs 15.00 lakh. Thereafter the Government informed (July 2002) the COP that the expenditure on air conditioning has to be met out of savings available with ELCOT.

Thus, Rs 1.27 crore was released to ELCOT for purchase of equipment even before the building was ready. It remained outside Government account for more than 15 months.

The matter was referred to Government in May 2002; Government stated in July 2002 that the delay in completing construction of the Modern Police Control Room was due to time taken for detailed examination with a view to reducing immediate financial burden to Government. However, no justification was given for the release of Rs 1.27 crore to ELCOT (March 2001) far in advance of requirement.

HOUSING AND URBAN DEVELOPMENT DEPARTMENT

3.11 Unutilised Seed Capital Assistance

Premature release of Seed Capital assistance to Commissioner of Town and Country Planning without proposals for implementation of Master Plan, District Development Plan and New Town Development Plan resulted in retention of Rs 3.36 crore unutilised in the Personal Deposit Account of the Commissioner.

Based on the proposal of the Commissioner of Town and Country Planning (CTCP) and the budget provisions made, Government released seed capital and credited it to the State Town and Country Planning and Development Fund, maintained by CTCP in a Personal Deposit Account. CTCP released the seed capital to the Local Planning Authorities and New Town Development Authorities mainly for making advance payments to Revenue Department for acquisition of land. The local bodies have to spend 50 *per cent* of the project cost initially and the remaining 50 *per cent* was released as assistance thereafter.

The funding details under the two schemes are as given below:

(Rupees in lakh)

	Name of the Scheme	Period	Seed capital assistance sanctioned and released to CTCP	Outlay on approved projects	Seed capital released by CTCP	Balance Seed capital
(1)	Master Plan and District Development Plan (MP & DDP)	1989-90 to 2000-2001	160.20	286.07	123.11	37.09
(2)	New Town Development Plan (NTDP)	1990-91 to 2000-2001	325.00	105.58	25.77	299.23
						336.32

As of July 2002, Rs 3.36 crore was lying unutilised under these two schemes in the Fund.

The following observations are made.

(a) Though funds were released to CTCP every year and credited to his PD Account, no projects were approved and no money was released till 1994-95 under MP&DDP and till 1996-97 under NTDP.

(b) Under MP&DDP against the project proposals for 18 Urban Local Bodies (ULBs) for which the seed capital assistance of Rs 2.86 crore was received from Government, CTCP released only Rs 1.23 crore for implementation of projects in 8 towns. No assistance was released to 7 ULBs[#] for which projects were approved for Rs 1.15 crore, despite availability of funds.

(c) Under NTDP, although project proposals for 3 new towns[α] for Rs 1.06 crore were approved as of September 2002, only Rs 25.77 lakh was released (September 1997) to Mamallapuram. Thus, the seed capital released to CTCP under NTDP remained mostly unutilised.

Thus, budget provision and release of funds were made in a routine manner without ascertaining the actual requirement for the approved projects. Government also did not ascertain the amount utilised out of the funds released for these schemes.

[#] Arcot, Karaikudi, Pattukottai, Rasipuram, Tindivanam, Tiruppur and Villupuram.

[α]

Chithode	:	2 projects for Rs 30 lakh
Kurichi	:	one project for Rs 10 lakh
Mamallapuram	:	3 projects for Rs 65.58 lakh

The matter was referred to Government in May 2002 and Government in their reply (July 2002) generally accepted the facts and stated that the local bodies were not able to find resources for meeting 50 *per cent* of the project cost initially. A proposal sent (August 1998) by CTCP to provide financial assistance with 75 *per cent* as grant and 25 *per cent* as loan (subject to a ceiling of Rs 20 lakh under grant component) in respect of non-remunerative projects was still under consideration. So far, neither the CTCP nor the Government had made any indepth study to address the problem of lack of funds with local bodies and Rs 3.36 crore was lying with CTCP unutilised.

INDUSTRIES DEPARTMENT

3.12 Release of State Capital subsidy to SIPCOT in excess of requirements

Government funded State Industries Promotion Corporation of Tamil Nadu towards State Capital Subsidy Scheme on the basis of inflated claim.

State Industries Promotion Corporation of Tamil Nadu (SIPCOT) is implementing the State Capital Subsidy Scheme (SCS) from October 1981 and a scheme of subsidy for purchase of Generator Sets (GS) from May 1989.

SIPCOT submits its requirement of funds for these schemes through Director of Industries and Commerce (DIC) for making provision in the annual Budget. Government have authorised the DIC to draw the amount sanctioned and credit the same to Personal Deposit (PD) account of SIPCOT. The Managing Director, SIPCOT was required to send disbursement statement to Government and to DIC for each quarter.

Details regarding funding of both the schemes are as follows

(Rupees in lakh)

Period	Opening Balance	Amount received by SIPCOT towards			Amount disbursed by SIPCOT to industries towards			Balance available on 31 March		
		SCS	GS	Total	SCS	GS	Total	in PD account	kept outside PD account	Total
1998-99	731.85	500.00	32.50	532.50	605.14	31.21	636.35	Nil	628.00	628.00
1999-2000	628.00	250.00	65.00	315.00	347.03	55.27	402.30	250.00	290.70	540.70
2000-2001	540.70	332.00	97.50	429.50	446.57	29.73	476.30	332.00	161.90	493.90
2001-2002	493.90	666.48	--	666.48	577.77	46.12	623.89	Nil	536.49	536.49

Perusal of connected records revealed the following :

(i) Budget provision for subsidy was made by DIC/Government without taking into account the opening balance available with SIPCOT and actual subsidy disbursed in the previous year.

(ii) Incorrect reporting of expenditure* by SIPCOT to DIC/Government led to unrealistic release of funds.

(iii) DIC permitted SIPCOT to withdraw money in excess of immediate requirement from PD account and keep the same in bank account, on the plea of SIPCOT that applications were pending for sanction.

SIPCOT assessed the requirement of funds based on pending applications on hand and anticipated receipt of new applications, without providing for probable rejections due to ineligibility/defects in the claims and probable number of applications likely to be processed during the year. Test-check by Audit for the year 1998-99 revealed that only 6 out of 48 applications were settled in the same year; 23 were settled in the subsequent years; 17 were rejected/not processed and balance 2 were still under process as of June 2002. Similarly, during 1999-2000 and 2000-2001, against the projected expenditure of Rs 10.85 crore and Rs 12 crore by SIPCOT, the actual amount of subsidy disbursed was only Rs 4.02 crore and Rs 4.76 crore respectively. Thus, test-check confirmed that subsidy projections made by SIPCOT were inflated.

The above factors led to accumulation of Rs 5.36 crore lying unutilised outside Government account, since December 2001. Since the amount was kept in Current account no interest accrued to SIPCOT and was only beneficial to the Bank. In November 2001, Government transferred the function of release of loans/subsidy to industrial units from SIPCOT to the Tamil Nadu Industrial Investment Corporation (TIIC). Following this, SIPCOT stopped disbursement of subsidy from December 2001 onwards. However, the unutilised amount has not been refunded by SIPCOT as of July 2002.

The matter was referred to Government in March 2002; Government in July 2002 replied that SIPCOT had withdrawn the subsidy money based on the pending claims, in order to disburse the subsidy amount immediately after the beneficiary complied with the legal formalities. The reply was not tenable as money was to be withdrawn only to the extent of immediate requirement and not for parking the money in current accounts in banks. The irregular withdrawal on inflated claim affected the ways and means position of the state finances.

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* **(Rupees in crore)**

Period	Expenditure reported by SIPCOT to Government	Actual Expenditure
April 1998 to June 1998	2.92	1.60
September 2000 to January 2001	3.55	0.51

INFORMATION AND TOURISM DEPARTMENT

3.13 Irregularities in raising a monument for Saint Thiruvalluvar

Government did not insist on detailed accounts for the advance of Rs 610.72 lakh released to the Sthapati. Capital assets procured by the Sthapati for Rs 63.40 lakh were not returned to Government on completion of the project.

Government of Tamil Nadu decided (July 1990) to raise a monument (133 feet high sculpture) for Saint Thiruvalluvar at Kanyakumari through a 'Sthapati' (Sculptor). Tamil Nadu State Construction Corporation (TNSCC) was nominated (October 1990) as monitoring agency for the execution of work and was vested with the responsibility for providing approaches and arranging for transportation of stones (from seashore to the site), etc. Based on the approximate estimate of Rs 360.15 lakh quoted by the Sthapati, funds were released in instalments through TNSCC. The work, commenced in January 1991, was scheduled to be completed by July 1994.

In February 1991 the Sthapati and TNSCC entered into a Memorandum of Understanding (MoU) for executing the work. Two agreements were also entered into in March and May 1991 – one between Government and TNSCC and the other between Sthapati and TNSCC – detailing the modalities of establishing the monument. The work was, however, stopped from March 1995 reportedly due to non-availability of funds and resumed only in September 1997.

In February 1997, the Sthapati revised the estimate to Rs 614 lakh due to escalation in cost of inputs, labour and transportation.

A comparison of the original and revised estimates revealed that the following were the main component-wise variations:

Sl. No.	Component of work	Original estimate (Rs in lakh)	Revised estimate (RE) (Rs in lakh)	Percentage variation in PWD* Schedule of Rates (%)	Percentage variation in the rates quoted by Sthapati in the RE (%)	Inbuilt excess in the RE (Rs in lakh)	Reasons attributed by Sthapati
		(a)	(b)	(c)	(d)	(d-c) a/100	
1.	Cost of Labour	74.17	136.50	52	84	23.73	Skilled labour for stone carving work demanded higher wages; demand in the open market for temple and other important works; and limited availability of labourers.
2.	Cost of Jointing	55.62	128.36	..	130	72.31	Worked out based on the rate for carving work. Hence increase is inevitable.
3.	Cost of steps	2.03	4.65	52	130	1.58	..

Sl. No.	Component of work	Original estimate (Rs in lakh)	Revised estimate (RE) (Rs in lakh)	Percentage variation in PWD* Schedule of Rates (%)	Percentage variation in the rates quoted by Sthapati in the RE (%)	Inbuilt excess in the RE (Rs in lakh)	Reasons attributed by Sthapati
		(a)	(b)	(c)	(d)	(d-c) a/100	
4.	Retaining wall and Scaffolding	25.00	50.00	71	100	7.25	This is incomparable with any other onshore works.
5.	Transportation cost (from Sthapati's work shed)	17.10	48.13	58	181	21.03	Conveying dressed stones cannot be compared with other conveyance as preserving them to shape during transportation is the main criterion
	Total					125.90	

* **Public Works Department**

Thus, the Revised Estimate contained a minimum inbuilt excess of Rs 125.90 lakh. Chief Engineer (Buildings), PWD, who was consulted by Government, stated (February 1997) that reasonableness of the revised estimate for main components was not assessable as there were no PWD norms for such type of work. However, Government, accepting the reasons attributed by Sthapati (as detailed in the table above), approved the revised estimate in July 1997, without independent verification of the reasonableness of the rates quoted. In all, Government released Rs 899.22 lakh as advance for the work during February 1991 to November 1999, of which Rs 610.72 lakh was released direct to Sthapati and Rs 288.50 lakh to TNSCC. The work was finally completed in April 2001 after a delay of about 7 years.

Test-check revealed the following:

(i) The estimates proposed by the Sthapati included procurement of capital assets for Rs 63.40 lakh like fork lift, crane, hoisting equipment, chain pulley, vehicles and a jeep. Neither the orders issued by Government nor the MoUs signed specified as to how these capital assets were to be accounted for, after the completion of work. As of May 2002, the capital assets were not handed over to the Government.

(ii) Besides the inbuilt excess of Rs 125.90 lakh in the revised estimate, discontinuance of the work for 31 months (March 1995 to September 1997) caused additional expenditure of Rs 20 lakh[@] which was avoidable.

(iii) According to clause 4 of the agreement between the Sthapati and TNSCC, the Sthapati was to produce detailed estimates, plans, vouchers, bills and accounts to TNSCC for transmission to Government after verification. Similarly, according to clause 4 of the agreement between Government and

[@] Expenditure of Rs 15 lakh for restoration of damaged large sized model; reconstruction of damaged work sheds etc; and Rs 5 lakh for flood light arrangements for carrying out the work during night time also.

TNSCC, the latter was to produce detailed estimates, bills, vouchers etc., to Government. However, contrary to these agreements, Sthapati failed to render detailed account for the advance of Rs 610.72 lakh given to him. Government also did not insist for such detailed accounts.

Government stated (May 2002) that the work was entrusted to the Sthapati on turnkey basis and the work was monitored by an Expert Committee appointed by Government in October 1997 and based on its monthly inspection reports, payments were made to the Sthapati. Hence, handing over of capital assets and rendering of detailed accounts by the Sthapati were not insisted upon by Government. The reply was not tenable as (i) Government failed to ascertain the reasonableness of the revised estimate of the Sthapati; (ii) it was in Government's own interest to make available capital assets for the work and retrieve the same; (iii) payments to the Sthapati were all made only as advances and (iv) Government failed to obtain vouchers in support of the claim made by Sthapati.

MUNICIPAL ADMINISTRATION AND WATER SUPPLY DEPARTMENT

3.14 Integrated Development of Small and Medium Towns

3.14.1 The Centrally sponsored scheme of Integrated Development of Small and Medium Towns[1] (IDSMT) was launched in 1979-80 to generate economic growth and employment and reduce migration from rural areas and smaller towns to larger cities. Central assistance to the State Government was in the form of loan to the extent of 50 *per cent* of the project cost. Ministry of Urban Affairs and Employment, New Delhi sanctioned the projects and released the Central assistance.

The guidelines of the scheme were revised in 1992-93 to extend the scheme to small and medium towns with population upto three lakh and the project cost was shared between Government of India (GOI), State Government and Financial Institutions. The Urban Local Bodies (ULBs) were to meet 40 to 70 *per cent* of the project cost, depending on the population of the town, by obtaining assistance from financial institutions and the balance was to be provided as loan from GOI and State Government in the ratio of 60:40. The scheme was modified from August 1995 with the institutional finance restricted to 20 to 40 *per cent* of the project cost. The most significant change

[1] Town with population below one lakh is a small town and a town with the population above one lakh but below three lakh (increased to five lakh from 1995) is a medium town.

was that the assistance from GOI/State Government would be as grant-in-aid instead of loan. The emphasis was to adopt a comprehensive town development approach and create a State Urban Development Fund to provide capital base and revolving funds at the Municipal level for continuous sustainable development of infrastructure in towns. The expenses incurred on non-remunerative projects and for the weaker sections were to be made up through adequate returns from remunerative components such as markets, shopping centres, bus and truck terminals etc. The indicative ratio between commercial projects, cost recovery or user charge-based projects and non-remunerative projects was 40:30:30.

3.14.2 Important points noticed during Audit scrutiny of the records relating to 30 projects in 7 towns[2] relating to VIII and IX Plan period and records relating to the maintenance of assets created in 10 Towns[3] during VI and VII Plan periods, conducted during July - November 2000 and June 2001 in Municipal Administration and Water Supply (MAWS) Department and in the offices of Director of Town and Country Planning, Commissioner of Municipal Administration and in Tamil Nadu Urban Finance and Infrastructure Development Corporation (TUFIDCO) are detailed in the succeeding paragraphs.

3.14.3 Financial performance

Rupees 25.43 crore was released by Government of India (Rs 13.62 crore) and State Government (Rs 11.81 crore) to TUFIDCO during 1992-2001. Of this TUFIDCO released Rs 23.58 crore to ULBs including the institutional finance. As of September 2002, Rs 25.56 crore was spent by ULBs, including the contribution from their own funds.

3.14.4 Project implementation

80 projects were dropped.

(a) The projects were sanctioned by GOI based on recommendation by the State Level Sanctioning Committee (SLSC), which examined the project proposals for their feasibility, viability etc. Despite this, 26 approved projects (outlay : Rs 4.44 crore) in 7 towns[4] and 54 approved projects (outlay : Rs 9.22 crore) in 25 other towns were dropped for want of site, unviability,

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2 Cuddalore (1992-93), Manamadurai (1993-94), Sholingur (1994-95), Tenkasi (1992-93), Thathiangarpet (1995-96), Thuraiyur (1995-96) and Tiruchendur (1994-95).

3 Chengalpattu, Dharapuram, Kovilpatti, Nagappattinam, Namakkal, Pattukottai, Ramanathapuram, Theni - Allinagaram, Udumalpet Municipalities and Kallakurichi Town Panchayat.

4 1993-94 : Adirampattinam, Usilampatti, Kotagiri
1994-95 : Kulithalai, Vandavasi and
1996-97 : Pallikonda, Walajapet.

lack of repaying capacity of ULBs, litigation etc. This clearly indicated that the project reports were prepared without ascertaining the availability of all inputs.

Funds of dropped projects not remitted back to State Government.

(b) Rupees 1.24 crore released for these 26 dropped projects was not remitted back to State Government. The unnecessary retention of funds by TUFIDCO had resulted in payment of interest of Rs 39.21 lakh upto March 2002 by the State Government to the Central Government.

The CUISS grants given to 7 towns became unnecessary, consequent on dropping of the projects.

(c) During 1993-97, Rs 18.27 lakh was released under Central Urban Infrastructure Support Scheme (CUISS) for preparation of project reports for 7 towns. Out of this, only Rs 5.33 lakh was utilised. As all the projects were dropped, the expenditure of Rs 5.33 lakh became unfruitful. Besides, the unspent balance of Rs 12.94 lakh remained locked up.

(d) According to the revised guidelines (August 1995), the Central and State share of funds would flow as grant to Special Revolving Fund created at the ULB level. While 25 *per cent* of the fund could be used as outright grant for non-remunerative projects, the remaining 75 *per cent* was to form the corpus of the revolving fund to be repaid by local bodies in a period of 7 to 10 years. Cost recovery has to be built into the projects, through rents, user charges, betterment levies, property tax hike etc and part of the recoveries are to be credited to the revolving fund so that the revolving fund will be able to support infrastructural projects on a continuous basis. However, TUFIDCO did not follow the guidelines and no revolving fund was set up in any ULB.

(e) Audit scrutiny also revealed that 22 sample ULBs had credited Rs 20.85 crore generated from the assets into their general funds instead of to the revolving fund, and used it to meet their regular expenditure.

Funds were released by TUFIDCO as a mix of grant and loan in contravention to the norm specified by GOI.

(f) Further, out of Rs 10.66 crore being the Central and State grants released by State Government to TUFIDCO for executing 106 approved projects in 24 towns, TUFIDCO released Rs 5.63 crore as a mix of loan (Rs 3.87 crore) and grant (Rs 1.76 crore) to 15 towns in contravention of the orders of GOI, which stipulated that the funds were to be released only as grants.

(g) In the SLSC meeting held on 30 December 1997, it was felt that a revolving fund at ULB level was not possible and a recommendation was made to GOI for maintaining the revolving fund at the State Nodal Agency level, which will enable it to cover more towns and projects under this programme. GOI had not approved the deviation so far.

(h) Guidelines issued by GOI prohibit construction of administrative buildings. However, four Municipalities[5] constructed administrative buildings at a cost of Rs 41.60 lakh.

Loss of revenue due to delay in completion of commercial projects.

(i) On account of delay in completing the 16 commercial projects in 7 sample towns, the estimated loss of revenue was Rs 4.21 crore from the scheduled date of completion to the date of putting into use as of March 2000. The delay was mainly in technical processing and slow progress during the execution stage, which was avoidable.

Diversion of loan annuity by TUFIDCO to pay their loan.

(j) TUFIDCO had collected IDSMT loan annuity dues of Rs 33.73 crore from the ULBs upto 2000-2001. This was not remitted to Government account on the ground that the proposal of TUFIDCO for crediting the collection to a revolving fund was yet to be approved by Government. However, Rs 16.19 crore was utilised out of the collected amount by TUFIDCO for settlement of HUDCO loan payable by the ULBs towards other schemes like Low Cost Sanitation and Nehru Rozgar Yojana. The diversion of funds received under IDSMT to other schemes was irregular.

3.14.5 Physical performance

3.14.5.1 Out of 253 projects, 80 projects were dropped; of the remaining, 128 works were completed, 12 under progress and 33 yet to be commenced.

3.14.5.2 Time and cost overrun

Delay in planning and execution.

(a) Delays ranging from 25 to 59 months were noticed in 6 other projects[6] as of July 2002, in 5 towns. The delay was attributable to the contractors.

Cost overrun noticed in 4 towns.

(b) In another 27 projects of 7 towns[7] sanctioned during 1992-97, time overrun ranged from 14 to 65 months due to delay in getting technical sanction, delay in plan approval and slow progress in execution except in the case of bus stand at Manamadurai, in which the delay was due to faulty design.. The cost escalation of Rs 1.07 crore[8] was met from internal funds of ULBs, eroding the resources of ULBs.

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5 Namakkal, Nagappattinam, Pattukottai and Udumalpet Municipalities.

6 Inam Karur (2), Vaniyambadi, Ponnamaravathi, Thathiangarpet and Denkanikottai.

7 Cuddalore, Tenkasi, Manamadurai, Sholingur, Tiruchendur, Thathiangarpet and Thuraiyur.

8 Cuddalore : Rs 11.17 lakh, Sholingur : Rs 4.44 lakh, Tenkasi : Rs 86.23 lakh and Thuraiyur : Rs 4.79 lakh.

The work of formation of a link road at Cuddalore was not commenced due to non-finalisation of site acquirement for over 5 years.

(c) Formation of a link road at Cuddalore at a cost of Rs 70 lakh was approved in March 1993. Though the proposed road passed through a site occupied by the State Transport Corporation, the project assumed availability of land. Action to acquire the site commenced in 1997, but did not materialise (March 2002) as the State Transport Corporation refused to part with the land. In the meantime, Rs 37 lakh released in October 1997 to Cuddalore Municipality as institutional finance was returned to TUFIDCO in November 1999 with interest. Thus, the work proposed in March 1993 is yet to be commenced due to delay in getting the required land.

Faulty design, resulting in revision of estimate and consequent time/cost overrun in the work of construction of a bus stand at Manamadurai.

(d) The construction of a bus stand at Manamadurai was sanctioned in March 1999 and awarded in May 1999 at an estimated cost of Rs 57.75 lakh. In the estimate, the depth for laying foundation had been fixed as 6 feet. But the soil studies carried out at the site indicated that sandy soil was seen only after 11 feet below the ground level and, therefore, for structural stability, the foundation had to be laid at least 11 feet below ground level. Moreover, the site was located 5 feet below the National Highway level and if the bus stand was constructed as designed, it would have been flooded during rainy season. Hence, a revised estimate for Rs 88 lakh was sanctioned in March 2000 and the work started in May 2000 was completed in March 2002 at a cost of Rs 86.64 lakh. The cost overrun of Rs 28.89 lakh was proposed to be met from Panchayat funds. Had the project been planned properly, time and cost overrun could have been avoided and Panchayat funds would not have been strained.

3.14.6 Utilisation certificates

As ascertained from TUFIDCO (September 2002), Utilisation Certificates (UCs) were received for Rs 25.56 crore from ULBs. However, no details regarding the amounts for which UCs were sent was furnished by TUFIDCO.

3.14.7 Maintenance of assets

In all, 102 projects in 26 ULBs were executed at a cost of Rs 20.12 crore by 1991-92. A total revenue of Rs 30.80 crore was derived from these assets, which had helped ULBs not only to repay the project loan but also to meet their day-to-day financial commitments. Of this, nine ULBs had reported that Rs 0.97 crore was incurred for maintaining the assets created under the scheme. In other cases, maintenance of assets was not carried out for over 10 years on the plea that (i) structures were in good and usable condition (5 ULBs) (ii) lessees had themselves maintained the assets (7 ULBs) and (iii) funds were not available (3ULBs). The reason of lack of funds is not tenable as sizeable revenue was derived from those assets. 11 ULBs had not furnished any details to Audit.

3.14.8 Conclusion

An evaluation of the works executed under IDSMT in 6 towns sanctioned prior to VIII plan period, conducted during 1995-96 by the consultants like (1) Consulting Engineering Services (India) Private Limited, (2) Division of Traffic and Urban Systems Engineering, College of Engineering, Anna University and (3) Operations Research Group recommended the following:

(i) Preparation of a list of projects to be taken up on priority basis in the towns; (ii) Execution of both remunerative and service projects in right proportion in order to achieve the main objectives of increasing the financial status as well as the service levels of the towns; (iii) Execution of the projects after determining reliable site and demand survey; (iv) Careful preparation of plans and estimates before commencement of works to avoid inordinate delay due to subsequent change of design and revision of plans; (v) Avoidance of diversion of funds from projects for other purposes and lesser repayment of loans, misutilising the receipts accrued; (vi) Monitoring the repayment of loans by the nodal agency, TUFIDCO; and (vii) Collection of sufficient information for assessment of the impact of the projects executed under IDSMT.

However, the deficiencies continued even during the subsequent period 1996-97 to 2001-2002.

The above points were referred to Government in June 2002; reply had not been received (December 2002).

SOCIAL WELFARE AND NUTRITIOUS MEAL PROGRAMME DEPARTMENT

3.15 National Social Assistance Programme

National Old Age Pension Scheme (NOAPS), National Family Benefit Scheme (NFBS) and National Maternity Benefit Scheme (NMBS) are three schemes introduced by Government of India (GOI) from 15 August 1995 under National Social Assistance Programme (NSAP). The objectives of these schemes are as given below:

Name of the Scheme		Objective
i	NOAPS	To extend pension to the destitute persons of 65 years of age or above.
ii	NFBS	To provide a lumpsum one time relief assistance to the family below the poverty line on the death of its primary bread winner, who is above 18 years and less than 65 years of age. In case of death due to unnatural causes, the central assistance is more.
iii	NMBS	To provide a lumpsum assistance to pregnant women of 19 years of age or more, who belongs to the family below the poverty line, for upto first two live births, 12 to 8 weeks prior to delivery.

The intention of providing cent *per cent* Central assistance in the above schemes was to ensure that social protection to the beneficiaries was uniformly available without interruption. GOI had stipulated in their guidelines (August 1995) that the State Governments were expected to maintain the level of their own current expenditure and central assistance to these schemes was in addition to the state budgetary outlays of 1995-1996 or 1993–1994 whichever was more. Government of Tamil Nadu implemented these schemes with effect from 02 October 1995, dovetailing similar schemes already being implemented in the State.

Ministry of Rural Development and Employment Affairs, GOI sanctioned the grants and released them to the District Collectors directly through bank drafts. Secretary to Government of Tamil Nadu, Social Welfare and Nutritious Meal Programme Department was the Nodal Officer and was assisted by the Commissioner of Revenue Administration (CRA) for implementing and monitoring the schemes.

The details of Central assistance received and expenditure incurred under the schemes during the period 1995–2001, as reported by CRA, along with the number of beneficiaries covered are given in Appendix XIII. The quantum of assistance already provided under the State schemes before the introduction of these schemes and the quantum of assistance provided to each beneficiary from Central and State funds from the date of introduction (2 October 1995) are given in Appendix XIV.

Test-check of records revealed the following

(i) While dovetailing the State's old age pension scheme with NOAPS, State Government ordered that the Central assistance of Rs 75 per month per beneficiary be taken under Revenue receipts and the expenditure continued to be incurred under the head of account through which the scheme was already implemented, as if the scheme was entirely implemented by the State Government. From the expenditure on the scheme, it is observed that after deducting the Central assistance received, the State's share of expenditure was far less than the level of funding in 1994-95, the shortfall being Rs 35.87 crore. This meant that the Government did not use the Central assistance as an addition to its own funding to increase the quantum of pension or to cover more number of beneficiaries as envisaged by GOI.

(ii) On introduction of NFBS, State Government issued (February 1996) instructions that the District Collectors should utilise the amount received from GOI first and after exhausting it, assistance was to be disbursed from the State Budget provisions. Thus, instead of utilising the Central assistance to cover more beneficiaries, State Government had reduced/withdrawn their existing share. The shortfall in State's contribution was Rs 28.99 crore during the period 1995-2001. Perusal of records also revealed that 869 applications under Accident Relief Scheme (ARS) and 50,913 applications under Death Relief Scheme (DRS) were pending for the State as a whole. Of these, 35,941 applications were pending for over one year. Records of the 8 sample districts[1] revealed that the applications were pending for want of funds.

(iii) Under NMBS also, State Government instead of maintaining their level of assistance under the then existing Dr. Muthu Lakshmi Reddy Memorial Maternity Benefit Scheme and utilising the Central assistance for covering additional beneficiaries, actually reduced the State share (from Rs 300 in October 1995 to Rs 200 in July 1998) and withdrew it entirely from August 1998. Thus, the State contributed Rs 13.86 crore less than what it would have spent at the rate of Rs 300 to each beneficiary during 1995-2001.

Since Central assistance was used to cover existing beneficiaries and State's share was withdrawn, additional beneficiaries could not be covered as envisaged. As a result 2,55,609 applications were pending as of March 2001 for the State as a whole. Records of the 6 sample districts[2] also revealed that 70,417 applications (more than 3 years: 5,932, more than 2 years: 17,397, more than one year: 27,454 and less than one year: 19,634) were pending for want of funds.

(iv) Besides the release of programme money, GOI also released assistance towards administrative charges to meet money order commission, publicity and such other items connected with the schemes. Annual release of funds,

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1 Chennai, Coimbatore, Erode, Madurai, Salem, Tiruchirappalli, Tirunelveli and Tiruvannamalai.

2 Chennai:8160, Coimbatore:3095, Madurai:423, Salem:26099, Tiruchirappalli:23033 and Tiruvannamalai:9607.

without ascertaining the actual expenditure, resulted in accumulation of Rs 4.48 crore[3] with the State Government under these three schemes.

(v) Rupees 62.29 lakh released (December 1996) by GOI towards wide publicity to these schemes were kept unutilised (March 2002) on the plea that necessary publicity was being done by the District Collectors.

(vi) GOI assistance of Rs 1.13 crore for NOAPS (Rs 90.27 lakh) and NMBS (Rs 23 lakh) was temporarily diverted to post office savings bank by District Collectors of Coimbatore and Tiruvannamalai to enable them to achieve their target under small savings.

(vii) Although a percentage check was prescribed by the State Nodal Officer at various levels from District Collector to Tahsildhar to verify implementation of NOAPS, no recorded evidence was made available to Audit in the sample districts to show that verification of the eligible beneficiaries and their bonafides was carried out.

The above points were referred to Government in April 2002; reply has not been received (December 2002).

GENERAL

3.16 Misappropriations, losses, etc.

(i) Cases of misappropriation of Government money reported to Audit upto March 2002 and on which final action was pending at the end of June 2002 were as under:

		Number of cases	Amount (Rupees in lakh)
1.	Cases reported to end of March 2001 and outstanding at the end of June 2001.	433	290.57
2.	Cases reported during April 2001 to March 2002.	10	97.77
3.	Total	443	388.34
4.	Cases cleared during July 2001 to June 2002.	41	15.83
5.	Cases outstanding at the end of June 2002.	402	372.51

Department-wise and year-wise analyses of the pending cases are given in Appendix XV. In all these cases, report on the departmental action taken and results of the proceedings against Government servants responsible, which is required to be sent to audit were still awaited (August 2002).

3 NOAPS : Rs 1.46 crore, NFBS : Rs 2.55 crore and NMBS: Rs 0.47 crore.

(ii) In addition, during May 1999 to August 2001 three Heads of Department/ Office reported to Audit cases of persistent misappropriation of Government funds totalling Rs 1.40 crore during the period from December 1991 to May 2000 as detailed in Appendix XVI.

(iii) Further, 299 cases of shortage, theft, damage to property, etc., involving Rs 1.65 crore were reported to Audit upto March 2002 by departments other than Public Works and Highways Departments. 7,272 cases involving Rs 29.40 crore were either reported by or noticed during audit of Public Works and Highways and Forests Departments upto March 2002. Department-wise and year-wise analyses of these cases are contained in Appendix XVII.

(iv) In 30 cases, details of which were made available to Audit, losses and irrecoverable loans/interest etc., amounting to Rs 0.14 crore were written off/waived by Government during 2001-2002.

Department-wise details are indicated below:

(Rupees in lakh)

Sl. No.	Department	Written off		Waived	
		No. of items	Amount	No. of items	Amount
1.	Agriculture	6	10.30	..	..
2.	Commercial Taxes	..	..	15	0.02
3.	Co-operation, Food and Consumer Protection	1	0.06	..	..
4.	Education	1	0.02	..	..
5.	Health and Family Welfare	2	0.16	..	..
6.	Home (courts)	1	0.03	..	..
7.	Rural Development	4	2.96	..	..
	TOTAL	**15**	**13.53**	**15**	**0.02**

FINANCE DEPARTMENT

3.17 Failure to enforce accountability and protect the interests of Government

Important irregularities detected by Audit during periodical inspection of Government offices through test-check of records are followed up with Inspection Reports (IRs) issued to the Heads of offices with a copy to the next higher authorities. Government issued orders in April 1967 fixing a time limit of 4 weeks for prompt response by the authorities to ensure corrective action in compliance of the prescribed rules and procedures and accountability for the deficiencies, lapses, etc. A half-yearly report of pending inspection reports is sent to the Secretary of the Department to facilitate monitoring of action on the audit observations.

As of June 2002, out of the IRs issued upto December 2001, 21,482 paragraphs relating to 6,977 IRs remained to be settled for want of satisfactory replies. Of these, 606 IRs containing 1,196 paragraphs had not been replied to/settled for more than 10 years. Year-wise position of the outstanding IRs and paragraphs is detailed in the Appendix XVIII.

A review of the pendency in respect of Forests, Handloom and Textiles and Social Welfare and Nutritious Meal Programme Departments revealed the following.

(i) Even the initial replies, required to be sent to Audit within four weeks from the date of issue of IRs, were not received in respect of 44 divisions/offices for IRs issued between April 2001 and December 2001.

(ii) As a result of the long pendency, serious irregularities as detailed in Appendix XIX had not been settled as of June 2002.

(iii) The Heads of Departments did not reply to 1,369 paragraphs contained in 450 IRs, indicating their failure to initiate action. The Secretaries of the Departments concerned, who were informed of the position through half yearly reports, also failed to ensure action.

In view of the large number of outstanding IRs and paragraphs, Government constituted at both State level and Department level, Audit and Accounts Committees for consideration and settlement of outstanding audit observations. In the Department level Audit Committee Meeting (October 2001), only 33 paragraphs were settled. Further, at the instance of Audit, during joint sittings with departmental officers, 310 paragraphs were settled during 2001-2002. Despite such efforts by Audit, pendency of large number of paragraphs indicated inadequate response to audit observations even at higher level of Government.

To prevent any more erosion of public servants' accountability, it is recommended that Government should relook into this matter and ensure that procedures exist for (a) action against the officials who failed to send replies to IRs/paragraphs in time (b) action to recover loss/outstanding advances/overpayments in a time-bound manner and (c) revamping the system of Audit and Accounts Committee to ensure proper and prompt response to the audit observations.