

PRESS BRIEF

The Report of the Comptroller and Auditor General of India for the year ended March 2016 – No. 1 of 2017 – Economic Sector – Government of Tamil Nadu – Tabled in the Tamil Nadu State Legislature on 19 July 2017

The Report includes an Introductory Chapter, Performance Audit on Implementation of National Horticulture Mission in Tamil Nadu and Compliance Audit observations noticed during audit of financial transactions in the Departments of Economic Sector including Management of Co-operative Sugar Mills in Tamil Nadu by the Industries Department.

General

The Report covers the functioning of 10 Departments of Economic Sector, with a total expenditure of ₹ 21,794.30 crore during 2015-16. A major portion of the expenditure was incurred by Highways and Minor Ports (30.83 *per cent*), Agriculture (28.45 *per cent*), Public Works (16.65 *per cent*) and Animal Husbandry, Dairying and Fisheries (8.24 *per cent*) Departments.

Performance Audit on Implementation of National Horticulture Mission in Tamil Nadu

National Horticulture Mission (NHM) was implemented in the State through Tamil Nadu Horticulture Development Agency, in 22 out of 31 districts during 2011-12 to 2015-16, to promote holistic growth of horticulture sector. Audit observations have been mentioned hereunder.

Inadequate Planning

- Tamil Nadu Horticulture Development Agency failed to prepare State Horticulture Mission (SHM) Document to determine the potentiality of horticulture in the State. Annual Action Plan was prepared without baseline survey, finalisation of detailed project proposals was delayed and there was absence of sub-plan for the component area expansion. All these resulted in deferment of six sanctioned projects for ₹ 11.47 crore and non-availing of GOI sanction of ₹ 34.33 crore for 26 projects indicating inadequate planning in the development of horticulture sector.

Imprudent financial management

- Imprudent financial management resulted in blocking of funds of ₹ 4.35 crore towards establishment of Terminal Market Complex at Perundurai and non-utilisation of the released funds of ₹ 32.37 crore. There was delay in release of received Central funds and State funds by Government of Tamil Nadu resulting in delayed achievement of the envisaged objectives.

Absence of effective maintenance of new plantations

- Absence of effective maintenance of new plantations in the subsequent years despite incurring of ₹ 36.15 crore and delayed or under-completion of projects resulted in non-achievement of the objective of enhancement of production of horticultural crops.

Modification of NHM assistance in contravention of guidelines

- Modification of NHM assistance by the SHM in contravention of guidelines resulted in procurement of planting materials at the discretion of farmers for a value of ₹ 5.04 crore during 2011-12 to 2015-16 in the seven test checked districts, instead of supplying them through the accredited nurseries to maximise the yield of horticulture crops.

Organic Farming

- Selection of districts without baseline survey, selection of implementing agency, without adopting bidding process, payment of subsidy in advance in contravention of GOI instructions and diversion of sanctioned funds for other project resulted in unfruitful expenditure of ₹ 70 lakh besides non-achievement of the objective of promotion of organic farming and certification.

Inadequate spending for Scheduled Caste / Tribe beneficiaries

- For the benefit of SC/ST beneficiaries, Government of India separately released ₹ 32.15 crore during 2014-15 to 2015-16. SHM released ₹ 20.37 crore (61 *per cent*) and the actual expenditure incurred during these two years was ₹ 14.59 crore resulting in diversion of ₹ 17.56 crore of released NHM funds for the benefit of the economically underprivileged section of society to general beneficiaries. This resulted in non-generation of income and provision of social security to them.

Monitoring

- Lack of concurrent evaluation of projects and deficiencies in the monitoring of the programme indicated weak internal control.

Compliance Audit

Management of Co-operative Sugar Mills in Tamil Nadu

Audit of Management of Co-operative Sugar Mills (CSMs) in Tamil Nadu by the Industries Department brought out the following observations:

Faulty planning in ensuring the availability of sugarcane for crushing

- Commissioner of Sugar failed to consider the earlier years' productivity of sugarcane while fixing the targets for cane crushing by CSMs due to faulty planning in ensuring the availability of adequate quantity of sugarcane.

Financial status of Co-operative Sugar Mills

- The Co-operative Sugar Mills suffered losses of ₹ 1,095 crore during 2013-14 to 2015-16, due to high cost of production, coupled with interest burden of ₹ 963.73 crore on the borrowings. The measures to make CSMs financially self sustainable remained largely unimplemented and the CSMs became financially weak.

Inadequate procurement activities

- The objective of nursery programme to ensure the development of quality seeds for bulk plantations was not fulfilled, which impacted the optimum sugarcane production for crushing by CSMs. Procurement of over-aged canes in deviation to the directions of Commissioner of Sugar led to loss in recovery of 52,228 MT of sugar during 2013-14 to 2015-16 in the test checked CSMs.

Ineffective production activities

- Delayed crushing of harvested sugarcane, non-adherence to prescribed norms in production activities of sugar and ineffective utilisation of machinery resulted in revenue loss of ₹ 33.49 crore and excess expenditure of ₹ 47.98 crore.

Marketing activities of allied products

- Lack of invitation of tenders at regular intervals for sale of molasses, failure to offer complete quantity of stock for tenders and permitting lifting of excess quantity of molasses resulted in financial loss of ₹ 2.05 crore to CSMs. Non-disposal of alcohol products within the potential storage period of three months led to short realization of revenue.

Monitoring

- Due to lack of proper monitoring, above deficiencies were yet to be corrected. Some deficiencies continued to exist despite being pointed out in the CAG's Audit Report for the year 2008-09.

Audit of transactions of various Departments of Government and field offices revealed additional expenditure, avoidable expenditure and blocking of funds as detailed below:

- Non-adherence to guidelines in preparation of estimates for execution of road works resulted in non-utilisation of Government of India grant of ₹ 1.40 crore and incurring of expenditure from State funds besides delayed achievement of the objective of providing better roads to the public.

(Paragraph No.3.2)

- Delay in according Revised Administrative Sanction by the GoTN resulted in avoidable expenditure of ₹ 1.79 crore in the construction of High Level Bridge across Palar River.

(Paragraph No.3.5)

- Duplication in selection of blocks for installation of AWS, delay in completion of weather based Agro Advisory services to the farming community, absence of weather forecasting data and incomplete and unreliable weather data in the server resulted in avoidable expenditure of ₹ 1.42 crore and blocking of funds in procurement of hardware of ₹ 1.03 crore besides non-achievement of the envisaged objective of the project.

(Paragraph No.3.6)

- Non-adherence to instructions of GOI, preparation of defective type design of godowns leading to construction of eight godowns with grossly inadequate height and absence of three phase power supply in five godowns, resulted in non-receipt of balance GOI grants of ₹ 8.60 crore and blocking funds of ₹ 4.66 crore for two years besides non-achievement of the objective of strengthening the infrastructure facilities of Seed Processing Units in the State.

(Paragraph No.3.7)

- Adoption of stack measurements in violation to the agreement conditions, failure to deduct prescribed 40 *per cent* towards voids in allowing payments based on stack measurements resulted in excess payment of ₹ 2.38 crore to the contractor towards granite stones which were not supplied for the work.

(Paragraph No.3.8)

As approved by the Hqrs.