

**CHAPTER III**  
**COMPLIANCE AUDIT**



## CHAPTER III

### COMPLIANCE AUDIT

Compliance Audit of Departments of the Government and their field formations as well as autonomous bodies brought out several lapses in management of resources and failures in observance of norms of regularity, propriety and economy. These have been presented in the succeeding paragraphs.

#### 3.1 Excess expenditure

##### *HOME, PROHIBITION AND EXCISE DEPARTMENT*

#### 3.1.1 Excess payment of Value Added Tax on purchase of vehicles

**The Director General of Police paid Value Added Tax to a firm at 14.5 per cent during 2014-15, as against the reduced rate of five per cent allowed for Government Departments, resulting in excess payment of ₹ 1.49 crore.**

Government of Tamil Nadu notified<sup>1</sup> (July 2011) under the Tamil Nadu Value Added Tax Act, 2006, reduction in rate of tax to five *per cent* on the sale of goods, to the State and Central Government Departments including Indian Railways and Departments of other State Governments in Tamil Nadu, which are taxable at a rate higher than five *per cent* except petrol, diesel and cement, subject to the condition that the dealer furnishes a certificate prescribed in this regard to the Commercial Taxes and Registration Department.

Scrutiny (January 2016) of records in the Office of the Director General of Police (DGP), Chennai revealed that GoTN provided ₹ 30.95 crore during 2014-15 to the Home, Prohibition and Excise (Home) Department under the Head 'Provision for the purchase of Motor Vehicles in place of condemned vehicles'. In response to DGP's letter (January 2015) calling for quotations, firm 'A' in Chennai quoted (February 2015) the rates approved by the Director General of Supplies and Disposals (DGS&D) for the vehicles. These rates were inclusive of Value Added Tax (VAT) at 14.5 *per cent*, instead of five *per cent* meant for purchase for Government departments. The DGP placed purchase orders (March 2015) with the firm 'A', for procurement of 102 vans and 71 mini buses at a cost of ₹ 18.72 crore, inclusive of all taxes and transportation charges, without taking into account the above Notification of July 2011, which provided for payment of VAT at five *per cent* on sale to Government Departments. As per the terms of the purchase order, the firm 'A' was sanctioned (March 2015) ₹ 18.72 crore as advance based on the

<sup>1</sup> Notification No. II(1)/CTR/12(u-1)/2011 dated 19/07/2011 of the Commercial Taxes and Registration Department

proforma invoices submitted (March 2015) by them. The vehicles were supplied by the firm 'A' to the DGP in June and July 2015 and adjustment bills were passed for payment by the DGP in October 2015.

It was noticed that the proforma invoices were submitted by the firm 'A' to the DGP which were inclusive of VAT at 14.5 *per cent* of the basic cost of the vehicles. We, however, observed that the VAT on the above purchases was paid incorrectly, at 14.5 *per cent* (₹ 2.28 crore) of the basic cost of the vehicles (₹ 15.71 crore), instead of at the reduced rate of five *per cent* (₹ 78.60 lakh) applicable for sale to Government departments.

Thus, failure of the DGP to make payment of VAT at the correct rate of five *per cent* on the basic cost of vehicles resulted in excess payment of VAT amounting to ₹ 1.49 crore, which calls for fixing of the responsibility for causing loss to the Government exchequer. It was, however, noticed that the DGP had requested (December 2016) the Commercial Tax Department to refund the excess paid VAT amount, based on the audit objection.

The Principal Secretary to Government, Home Department replied (September 2016) that the firm had mentioned 14.5 *per cent* as VAT on the basic cost in the proforma invoice and that as the DGS&D rate contract provided for price inclusive of VAT, payment was made to the firm 'A', which was inclusive of 14.5 *per cent* VAT.

The reply was not tenable, as the DGP failed to verify the correct rate of VAT applicable for the purchase of vehicles, before placing purchase order with the firm.

## **3.2 Avoidable expenditure**

### ***REVENUE DEPARTMENT***

#### **3.2.1 Excess expenditure on distribution of sarees and dhoties**

**Tamil Nadu Handloom Weavers' Co-operative Society Limited supplied sarees and dhoties for the scheme 'Free supply of sarees and dhoties to pensioners covered under nine Social Security Pension schemes' at higher rates compared to those supplied by the same agency under another scheme with similar specifications, which resulted in avoidable excess expenditure of ₹ 43.94 crore.**

As per Article 3(1) of the Tamil Nadu Financial Code, every Government servant is expected to exercise the same diligence and care in respect of all expenditure from public moneys under his control as a person of ordinary prudence would exercise in respect of the expenditure of his own money.

GoTN has been implementing the scheme of 'Free supply of sarees and dhoties to pensioners covered under nine Social Security Pension (SSP) schemes<sup>2</sup>' since 1979. Under the scheme, one saree per female pensioner and one dhoti per male pensioner were distributed twice a year, once for the Pongal festival and another for the Deepavali festival. The Commissioner of Revenue Administration (CRA), Revenue Department was in charge of implementation of the scheme.

A similar scheme of 'Free supply of sarees and dhoties to the poor people<sup>3</sup>' was also being implemented by GoTN since 2004, with a view to benefit the poor and provide employment opportunities in handloom and power loom sector in the State. Under the scheme, one saree and one dhoti were supplied to the eligible poor people, once a year on the eve of Pongal festival. This scheme was renamed 'Scheme of distribution of priceless sarees and dhoties' in 2012. The Handlooms, Handicrafts, Textiles and Khadi (HHTK) Department was entrusted with the task of implementing the scheme by way of procurement of yarn, production and distribution of sarees and dhoties to the Revenue Department, which would in turn distribute them to the beneficiaries.

The Tamil Nadu Handloom Weavers' Co-operative Society Limited<sup>4</sup> (Co-optex), under the control of HHTK Department, was the nodal agency, for implementing both the schemes, which procured sarees and dhoties from Weavers' Co-operative Societies and supplied to Taluks, based on the requirements furnished by the District Administration.

We observed from the scrutiny of records (April 2016) in the HHTK Department that the rates of sarees and dhoties in respect of the 'Scheme of distribution of priceless sarees and dhoties' were being fixed by the Government, based on the proposals of Director of Handlooms and Textiles (DHT).

Further, scrutiny of records (March 2016) relating to 2013-16 in Revenue Department revealed that the rates of sarees and dhoties in respect of 'Free supply of sarees and dhoties to pensioners covered under nine SSP schemes' were fixed by the Co-optex and communicated to CRA, who accepted the same and payments were made accordingly to Co-optex.

The audit scrutiny further revealed that the rates of sarees and dhoties supplied by Co-optex under the scheme 'Free supply of sarees and dhoties to

<sup>2</sup> (i) Indira Gandhi National Old Age Pension Scheme, (ii) Indira Gandhi National Widow Pension Scheme, (iii) Indira Gandhi National Disability Pension Scheme, (iv) Destitute Widow Pension Scheme, (v) Destitute Differently Abled Pension Scheme, (vi) Destitute/Deserted Wives Pension Scheme, (vii) Unmarried Women Pension Scheme, (viii) Chief Minister's Uzhavar Padukappu Thittam - Old Age Pension and (ix) Old Age Pension to Srilankan refugees

<sup>3</sup> Under the scheme, holders of Rice Option Cards (Green Cards) under Public Distribution System were eligible

<sup>4</sup> Established in 1935 with the objective of purchase and supply of required yarn to the affiliated Primary Weavers' Co-operative Societies and to procure and market the products of the Primary Weavers' Co-operative Societies

pensioners covered under nine SSP schemes' to the Revenue Department, during 2013-16 were higher than the rates charged under the 'Scheme of distribution of priceless sarees and dhoties' to the HHTK Department, though specifications of the items of sarees and dhoties were the same under both the schemes.

We further observed that there was no co-ordination between the two departments to assess the rates of the same supplier for their respective scheme for supply of sarees and dhoties, which resulted in procurement of sarees and dhoties at higher rates by CRA under the scheme 'Free supply of sarees and dhoties to pensioners covered under nine SSP schemes', leading to avoidable extra expenditure to the Revenue Department amounting to ₹ 43.94 crore.

Thus, the failure of the CRA to follow the provisions contained in the Tamil Nadu Financial Code and lack of co-ordination between the Revenue and HHTK Departments resulted in procurement of sarees and dhoties at higher rates from the same supplier i.e., Co-optex.

GoTN replied (November 2016) that for the 'Scheme of distribution of priceless sarees and dhoties', production activities were carried out with the advance payment made by DHT to Co-optex, handling and transportation charges actually incurred were claimed separately and were not included in the supply rate and the major requirement of yarn for production of dhoties and sarees was being procured through tender system. However, in respect of 'Free supply of sarees and dhoties to pensioners covered under nine SSP schemes', no advance payment was made and Co-optex included the handling and transportation charges in the sarees and dhoties price itself. Thus, there was variation in the price of sarees and dhoties supplied by Co-optex under the scheme 'Free supply of sarees and dhoties to pensioners covered under nine SSP schemes' when compared to the price of sarees and dhoties supplied under general scheme of distribution of priceless sarees and dhoties to the public through the DHT.

The reply was not acceptable as CRA who was responsible for distribution of sarees and dhoties for both the schemes could have co-ordinated with the DHT and explored the possibility of procuring the yarn through tender system as was done by DHT. Further, the excess expenditure was worked out by us after taking into account the handling, transportation charges and administrative expenses claimed by Co-optex/DHT. Even after taking into account the handling, transportation charges and administrative expenses claimed separately for the 'Scheme of distribution of priceless sarees and dhoties', the rates of sarees and dhoties were higher for the supplies made to CRA under 'Free supply of sarees and dhoties to pensioners covered under nine SSP schemes' than the rates of sarees and dhoties supplied under the 'Scheme of distribution of priceless sarees and dhoties', as detailed in **Appendix 3.1**. Thus, payment of excess expenditure for the same material calls for fixing of responsibility of the CRA.

## **SCHOOL EDUCATION DEPARTMENT**

### **3.2.2 Avoidable expenditure on payment of godown rent**

**Delay in taking decision by the Government in disposal of obsolete textbooks stored in godowns of Tamil Nadu Textbook and Educational Services Corporation resulted in avoidable expenditure of ₹ 13.37 crore towards payment of godown rent during 2012-16.**

The School Education Department has been supplying free textbooks for all students of standards I to XII in Government and Government aided schools through the Tamil Nadu Textbook and Educational Services Corporation (TNTEESC) from 2005-06. Upto 2011-12, the printed textbooks were stored in godowns owned or hired by the TNTEESC and then supplied to District Elementary Educational Officers (DEEOs)/District Educational Officers (DEOs) for eventual distribution to students. With a view to minimise transport cost, the textbooks, instead of being stored in godowns, were directly supplied by the printers to designated nodal schools for distribution to the schools concerned through DEEOs/DEOs, with effect from 2012-13. It was, however, noticed that TNTEESC continued to claim and receive godown rent from Directorate of School Education (DSE) and Directorate of Elementary Education (DEE), as one of the constituent components<sup>5</sup> of the cost of the free textbooks supplied during 2012-16.

On being asked during audit, the TNTEESC replied (February 2016) that rent was claimed as the godowns were utilised for storing obsolete stock of textbooks.

The scrutiny of records (January and February 2016) in the TNTEESC, DSE and DEE, however, revealed avoidable payment of godown rent due to delay on the part of the Government in disposal of obsolete textbooks as discussed below:

(i) The GoTN introduced the Uniform System of School Education (USSE) during 2010-11 for students in Standards I and VI with common syllabus, textbooks and examination for four streams of education<sup>6</sup> prevalent in the State. In modification of the above decision, GoTN issued instructions (May 2011) to TNTEESC to print textbooks for the academic year 2011-12 based on 2009-10 syllabus, which prevailed before the introduction of USSE. Accordingly, TNTEESC issued print orders for printing 5.27 crore textbooks for the academic year 2011-12. It was observed that printing commenced on 31 May 2011 and 4.41 crore textbooks had been printed by July 2011.

Subsequently, the GoTN instructed (19 July 2011) the TNTEESC to keep in abeyance the printing of textbooks for 2011-12 in view of the judgment of the Madras High Court (18 July 2011), which ordered the GoTN to adhere to USSE. The Supreme Court of India also directed (August 2011) the State

<sup>5</sup> The other components were cost of paper, printing charges and transport charges

<sup>6</sup> State Board, Matriculation, Oriental and Anglo-Indian

Government to enforce the High Court judgement. Thus, the textbooks printed under 2009-10 syllabus for 2011-12 had become obsolete in July 2011.

The Managing Director of TNTESC informed (March 2012 and February 2013) the GoTN that 12,182 MTs of books printed under 2009-10 syllabus (for 2011-12) were not distributed and hence, the unused and outdated books were proposed to be disposed of to Tamil Nadu Newsprint and Papers Limited (TNPL) for recycling. The GoTN agreed to this proposal only in July 2013 due to delay in finalisation of rates and as of April 2015, 11,293 MTs<sup>7</sup> of obsolete books were handed over to TNPL.

(ii) It was further observed that the trimester system<sup>8</sup> was introduced (June 2012) for Standards I to VIII with effect from academic year 2012-13. The TNTESC approached (January 2014) GoTN, requesting approval for disposal of USSE books printed prior to 2012-13 and other obsolete books approximately weighing 5,239 MTs. Subsequently, TNTESC informed (April 2015) GoTN that the stock of books would approximately weigh 6,000 MTs. The GoTN issued orders for handing over 6,000 MTs of obsolete books to TNPL only in January 2016, after delay of two years from the date when TNTESC had initially approached them for orders.

Thus, delay in taking decision by the GoTN in disposal of obsolete books resulted in avoidable payment of godown rent of ₹ 13.37 crore (**Appendix 3.2**) during 2012-16.

GoTN replied (October 2016) that the books cannot be disposed of immediately, stating that had the USSE books printed initially for the year 2011-12 been disposed of immediately after Government's decision (May 2011) not to implement USSE, it would have resulted in huge loss as Government was forced to implement USSE based on the directions of the High Court (July 2011) and the Supreme Court (August 2011) and the printed books retained were distributed. Government also stated that the decision of lifting obsolete books/fixing the rates with TNPL was taken after several discussions due to which, issues which were faced earlier, such as return of the disposed of books to open market for resale, confusion relating to weighment procedures, loading, arranging for labour etc., were avoided.

The reply was not tenable as it highlighted probable loss, had USSE books been disposed of, whereas we pointed out delay in disposal of books printed based on 2009-10 syllabus. Further, Government had taken two years in deciding on each of the two occasions (July 2011 to July 2013 in the first instance and January 2014 to January 2016 in the second instance) in issuing orders for disposal of textbooks, which led to avoidable payment of godown rent of ₹ 13.37 crore to TNTESC during 2012-16.

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<sup>7</sup> TNTESC attributed (February 2016) the difference of 889 MTs (12,182 MTs - 11,293 MTs) to loss of quality and weight of papers in the books and inaccuracy in weighment of the initial estimate

<sup>8</sup> Under this system of education, the textbooks are divided into three volumes for the three terms in an academic year

## **HEALTH & FAMILY WELFARE AND PUBLIC DEPARTMENTS**

### **3.2.3 Avoidable payment of contracted demand charges and Belated Payment Surcharge**

**Failure to reduce the contracted maximum demand of load in High Tension service of electrical connection and non-payment of energy charges within due dates resulted in avoidable expenditure of ₹ 5.51 crore towards the contracted maximum demand and ₹ 2.46 crore as Belated Payment Surcharge.**

According to Tamil Nadu Electricity Supply Code (2004) (TNESC), High Tension (HT) power consumers were required to pay, besides current consumption charges, demand charges at rates prescribed from time to time, on maximum demand recorded in a month or 90 *per cent* of contracted demand, whichever was higher. Moreover, as per Regulation 5(2)(iv) of TNESC, no addition or reduction of demand in case of HT service was to be sanctioned unless outstanding dues in the same service connection had been paid. Regulation 5(4) of TNESC stipulated that all bills were to be paid in the case of HT consumers, within the due date specified in the bill. If the HT consumer failed to make payment against the bills by due dates, they were liable to pay Belated Payment Surcharge (BPSC) from the day following the due date for payment.

Consequent to shifting (May 2011) of the State Secretariat from the newly constructed Secretariat complex at Omandurar Government Estate, Chennai, to the earlier location at Fort St. George, GoTN ordered (September 2011) to utilise Block 'A' of this complex as a Government Multi Super Speciality Hospital (GMSSH) and issued necessary administrative and financial sanction (March 2012). Accordingly, the work of modification of the existing building was completed (February 2014) at an expenditure of ₹ 31.56 crore, by the Public Works Department<sup>9</sup> (PWD) and was inaugurated (February 2014). A total expenditure of ₹ 28.39 crore was incurred for the period September 2011 to October 2016 towards current consumption charges (₹ 15.28 crore), demand charges (₹ 10.65 crore) and BPSC upto January 2016 (₹ 2.46 crore).

Scrutiny of records (April 2016) in GMSSH and Health and Family Welfare (H&FW) Department, for the period February 2014 to March 2016, revealed as under:

- Due to change in usage of Block 'A' of new Secretariat complex, Public (Buildings) Department requested (September 2011) Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO) to reduce contracted maximum demand from 6,000 Kilo Volt Ampere (KVA) to 2,000 KVA. However, the request for reduction was not

<sup>9</sup> Public Works Department was entrusted (March 2012) with modification of newly constructed Secretariat complex as Multi Super Speciality Hospital

accepted (September 2011), in terms of TNESC provision viz., Regulation 5(2)(iv), as the payment of pending electricity dues of ₹ 1.47 crore relating to the period October 2010 to August 2011 was not made by the Public (Buildings) Department for want of funds from the GoTN.

- Subsequently, H&FW Department sought (February 2014) waiver of contracted demand charges and BPSC from TANGEDCO for the period September 2011 to December 2013, on the plea that actual monthly demand during this period ranged only between 72 KVA and 1,116 KVA. This request for waiver was rejected (March 2014) by TANGEDCO citing Regulation 5(4) of TNESC viz., all bills were to be paid in the case of HT consumers, within the due date specified in the bill.
- Later (December 2014), at the time of transferring the HT service connection of Block 'A' in the name of "Officer on Special Duty, GMSSH", an agreement was executed with TANGEDCO for the already contracted maximum demand of 6,000 KVA, without seeking reduction in the contracted maximum demand.
- The current consumption and demand charges for the period from September 2011 to January 2016 were not paid within due dates, due to failure of Public (Buildings) Department to obtain funds from GoTN. Due to delay in payment, TANGEDCO levied BPSC of ₹ 2.46 crore (upto January 2016) on the outstanding dues under Regulation 5(4) of TNESC.
- Though TANGEDCO made repeated requests<sup>10</sup> for payment of current consumption bills, pending since September 2011 along with resultant BPSC, H&FW Department cleared the current consumption charges only in instalments<sup>11</sup> resulting in piling up of BPSC of ₹ 2.46 crore, which was paid in March 2016.

Thus, (i) non-payment of current consumption and demand charges within due dates, (ii) failure of Public (Buildings) Department to get the contracted maximum demand reduced<sup>12</sup> due to non-payment of outstanding dues and (iii) incorrect action of H&FW Department, which was aware of the trend of reduced monthly demand (72 KVA to 2,742 KVA) during September 2011 to October 2016, in requesting waiver of payment of maximum demand charges and BPSC instead of seeking reduction of the contracted maximum demand, had resulted in avoidable expenditure of ₹ 7.97 crore (**Appendix 3.3**) on contracted maximum demand (₹ 5.51 crore) and BPSC (₹ 2.46 crore).

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<sup>10</sup> June 2014, September 2014, December 2014, June 2015, November 2015, December 2015, January 2016 and February 2016

<sup>11</sup> March 2015, April 2015, February 2016 and March 2016

<sup>12</sup> By reducing from 6,000 KVA to 2,000 KVA during September 2011 to January 2014 and by reducing from 6,000 KVA to 3,600 KVA during February 2014 to October 2016

While accepting audit observations, the GoTN stated (December 2016) that the TANGEDCO had been requested (August 2016) to reduce the contracted demand to 3,600 KVA based on the load requirement. The fact, however, remains that till October 2016, GMSSH continued to pay for the contracted demand of 6,000 KVA, as it had failed to seek reduction of contracted maximum demand in time and also failed to reduce the contracted maximum demand while executing fresh agreement. Thus, the departments failed to make the payment in a timely manner and reduce the contracted demand for power as per actual requirement.

## **HIGHER EDUCATION DEPARTMENT**

### **3.2.4 Avoidable extra expenditure**

**Failure of the University of Madras to obtain planning permission for construction of building for National Centre for Nanosciences and Nano technology before entrusting the work to the contractor resulted in avoidable extra expenditure of ₹ 2.87 crore and liability of ₹ 86.66 lakh.**

According to Section 49 of the Tamil Nadu Town and Country Planning Act, 1971, permission of Chennai Metropolitan Development Authority (CMDA) for taking up any development, is a pre-requisite for commencing the construction. Further, as per Section 3(1) of the Development Regulations (September 2008) forming part of the second Master Plan for Chennai Metropolitan Area, written permission (planning permission) of the designated authority for development was necessary.

The University of Madras (University) received, between September 2007 and November 2010, ₹ 70 crore as grant from GoI to commemorate its 150<sup>th</sup> year celebrations, which *inter alia* included ₹ 14.48 crore for constructing a building for National Centre for Nanosciences and Nano Technology (Centre) at its campus in Guindy, Chennai. After finalisation of tenders for civil works (February 2011), an agreement for a value of ₹ 14.95 crore was entered into (June 2011) and work order was issued (July 2011) to a contractor.

From the scrutiny of records of the University and the CMDA during April/June 2016 in this regard, we observed that though the work was entrusted (July 2011) to the contractor, it was not commenced because CMDA advised (July 2011) the University not to proceed with the work on the basis of a representation (July 2011) made to it by Alumni Association of Anna University, which objected to the construction of the Centre in an area falling under Heritage Zone.

We further observed that the University, after applying to CMDA for planning permission (July 2011) and establishing that the construction site did not fall under Heritage Zone, obtained approval (January 2012) from the Government

in Housing and Urban Development Department and handed over the site (February 2012) to the contractor for commencing construction work.

Subsequently, the contractor, citing delay in handing over the site (i.e., as work order was issued initially in July 2011) requested (March 2012) for rate escalation on the contract value due to abnormal increase in cost of construction material prevailing at the time of handing over of site.

When the contractor's request for cost escalation was taken up by the University with the Chief Engineer, Public Works Department, he suggested that though a clause for cost escalation was not available in the agreement, the contractor could be compensated with some nominal percentage due to the cost escalation of building material. Accordingly, the Building Committee of the University resolved (May 2012) to pay cost escalation to the contractor. The University, after holding negotiations (July 2012) with the contractor enhanced the contract value and executed a revised agreement (September 2012) with the contractor for ₹ 19.14 crore (i.e., an increase of 28 per cent<sup>13</sup>). The work was started by the contractor after a fresh work order was issued (October 2012) for completion by March 2014. Later, the University obtained (June 2013) planning permission from CMDA during execution of the project. The work was completed (March 2015) at a cost of ₹ 18.69 crore<sup>14</sup>, after a delay of one year, from the stipulated date of completion.

From the scrutiny of records, the following lapses were noticed:

- Planning permission was not obtained by the University in violation of the Tamil Nadu Town and Country Planning Act, 1971.
- The University compromised for cost escalation, though there was no such clause in the agreement.

Thus, failure to obtain planning permission from CMDA for construction of building before entrusting the work (July 2011) to the contractor compelled the University to revise and increase the contract value in order to complete the work, by incorrectly allowing price escalation to the contractor, when no such clause was provided in the agreement. This resulted in avoidable extra expenditure of ₹ 2.87 crore<sup>15</sup> and liability of ₹ 86.66 lakh, besides delay in completion of the work.

The GoTN replied (November 2016) that the delay to obtain planning permission from CMDA was due to Heritage Zone intervention by the Alumni Association of Anna University. The GoTN further stated that through negotiations with the contractor, the University succeeded in maintaining the

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<sup>13</sup> The increase was due to adoption of 2012-13 PWD Schedule of Rates (SOR) in place of 2010-11 SOR adopted in the original agreement

<sup>14</sup> ₹ 86.66 lakh was pending settlement to the contractor

<sup>15</sup> Total amount paid to contractor: ₹ 17.82 crore (-) Original agreement rate: ₹ 14.95 crore

increase at 28 per cent of the cost (₹ 19.14 crore) instead of 45 per cent claimed by the contractor and added that if the tender had been called after obtaining planning permission, the cost would have been more than ₹ 19.14 crore. The reply was not tenable, as the University had applied to CMDA (19 July 2011) for written permission only after executing the agreement (7 July 2011) with the contractor, contrary to the rule provision that no person shall carry out any development without the written permission of the CMDA.

### 3.3 Idle Investment

#### *HEALTH AND FAMILY WELFARE DEPARTMENT*

##### 3.3.1 Non-availability of essential infrastructure facilities in the maternity block

**Poor planning and delay in providing necessary infrastructure facilities in the maternity block, constructed at a cost of ₹ 3.52 crore, in Government Medical College Hospital, Villupuram, resulted in non-availability of essential infrastructure facilities as per Indian Public Health Standards.**

As per paragraph 4.4.3.8 of Indian Standard (IS) 15903:2010 on guidelines for Maternity Nursing Home, besides stairways, electrically operated automatic control lift shall be provided, if the building is having more than one storey. Further, as per Indian Public Health Standards (IPHS) for 31 to 100 bedded hospitals, ramp as per specification must be provided for easy access to non-ambulant (wheel chair, stretcher), semi-ambulant, visually disabled and elderly persons.

The Committee on Public Accounts (PAC), had expressed serious concern over delays in creation of facilities in hospitals, after completion of civil works on several occasions<sup>16</sup>. GoTN had also assured the PAC of simultaneous co-ordinated action for commissioning of medical facilities without loss of time in future.

A maternity block (i.e., CEmONC<sup>17</sup> centre), comprising ground plus two floors, was constructed in Government Medical College Hospital, Villupuram (Hospital) under National Rural Health Mission (NRHM) scheme viz., 'Strengthening of First Referral Units (FRUs)' at a cost of ₹ 3.52 crore. On completion of civil works (December 2013), the maternity block was taken

<sup>16</sup> Para 10.2.3, 33rd Report (VII Assembly) - 1984-85; Para 6.4, 50th Report (X Assembly) - 1991-92; Para 8.1.5, 60th Report (X Assembly) - 1991-92; Para 6.4, 322nd Report (XI Assembly) - 2000-01; Para 4.9, 141st Report (XII Assembly) - 2002-03 and Sl. No. 2, Para 10.2.3, 69th Report (X Assembly) - 1991-92

<sup>17</sup> CEmONC: Comprehensive Emergency Obstetric and Newborn care

over (August 2014) by the Dean of the Hospital (Dean). Though the new block was inaugurated (September 2015), due to non-provision of lift and ramp facilities, the ground floor of the building was only utilised for Ante-natal ward and Gynaecology ward and the remaining portion of the ground floor and the two other floors were not put to use. As a result, all labour-deliveries and connected activities were carried out in the old maternity wing of the main hospital.

Scrutiny of records in the Hospital and Health and Family Welfare (H&FW) Department during August-September 2015 and March-June 2016 revealed the following:

- GoTN accorded (November 2012) Administrative and Financial sanction for ₹ 3.80 crore for construction of the maternity block and directed the Dean to discuss with the Mission Director, State Health Society (MD), NRHM and finalise the works. Accordingly, the design was finalised (December 2012) by the then Dean in consultation with the MD, NRHM. Subsequently, based on the plan prepared by the Chief Architect, PWD, the estimate for the work was prepared by PWD (January 2013), approved by the Dean (January 2013) and technically sanctioned (February 2013) by the Chief Engineer, PWD. In the above estimate, ramp and lift facilities were not provided but only lift duct was provided.
- Later, the next incumbent Dean, realising the essentiality of ramp and lift facilities for the maternity block, requested PWD, in a review meeting (February 2014), for rough cost estimate for providing ramp facility. The Assistant Executive Engineer (AEE), PWD furnished (February 2014) the rough cost estimate for ₹ 53 lakh and requested the Dean to countersign the estimate for taking further action. The Dean, after forwarding (February 2014) the same to PWD also sent (September 2014) a copy of the rough cost estimate to the Director of Medical Education (DME), the administrative head under whose control the hospital functions. However, as no further action was taken in this regard by the DME, the Dean, after a period of 17 months requested (February 2016) for another rough cost estimate from Assistant Engineer, PWD based on plinth area rate of 2015-16. The same was forwarded (March 2016) to DME for approval, which was awaited (October 2016).
- The Dean requested (July 2014) the MD, NRHM to provide lift facility in the maternity block. Subsequently, Chief Engineer (Buildings), PWD sent (November 2014) the estimate for lift facility to DME for obtaining administrative and financial sanction from the Government. The DME, in turn, sought (December 2014) and obtained (April 2015) Government Order sanctioning ₹ 21.50 lakh, which mentioned the building as ground plus four floors instead of ground plus two floors. The Dean, who initially decided to obtain modification of the Government Order, with regard to number of floors, later, without

obtaining the modification, requested (June 2016) PWD to start the work. The work commenced in October 2016.

Thus, the maternity block of the hospital remained without essential infrastructure as per IPHS norms for over two years, due to the failure of the MD, NRHM and the Dean to design the building with lift and ramp facilities at the planning stage and the failure of the DME to take timely action in this regard. Further, GoTN did not adhere to its earlier assurance to PAC on prompt commissioning of facilities. As a result, even after incurring an expenditure of ₹ 3.52 crore, the building, except for a portion of the ground floor, was not put to use for over two years (from August 2014) and maternity patients were deprived of essential facilities.

GoTN replied (October 2016) that action was being taken to provide lift and ramp facilities in the new maternity block. The fact, however, remained that the building lacked essential infrastructure facilities as per IPHS norms even after more than two years since taking over the maternity block from PWD.

## **HEALTH AND FAMILY WELFARE DEPARTMENT**

### **3.3.2 Non-establishment of District Geriatric Units under National Programme for Health Care of the Elderly**

**Delays at various levels resulted in non-establishment of District Geriatric Units, despite availability of funds of ₹ 7.96 crore.**

Government of India had launched (2010) National Programme for Health Care of the Elderly (NPHCE) with GoI/State share of 80/20 *per cent* respectively to provide easy access to preventive, curative and rehabilitative services for the elderly<sup>18</sup> persons aged 60 and above. The funds for the Programme were routed through Tamil Nadu State Health Society<sup>19</sup> (SHS) and the programme was to be implemented through Tamil Nadu Health Systems Project<sup>20</sup> (TNHSP).

The GoI released (December 2010 and September 2012) ₹ 6.23 crore<sup>21</sup> to the SHS, for implementation of NPHCE during 2011-13 in five districts<sup>22</sup> by setting up District Geriatric Units (DGUs), to carry out various functions such

<sup>18</sup> As per Census 2011, the total population of elderly people in the State was 75.76 lakh.

<sup>19</sup> A society registered under Tamil Nadu Societies Registration Act, 1975 to achieve the objectives of National Rural Health Mission

<sup>20</sup> Tamil Nadu Health Systems Project is functioning from January 2005 for implementing various schemes to improve the health status of the people of the State.

<sup>21</sup> ₹ 2.79 crore for 2011-12, released in December 2010 and ₹ 3.44 crore for 2012-13 released in September 2012

<sup>22</sup> Coimbatore, Theni, Thoothukudi, Tirunelveli and Virudhunagar

as provision of Geriatric Clinics for outpatients, Laboratories for diagnosis, medicines for geriatric medical and health problems and ten-bedded Geriatric wards for the in-patient care of the elderly. The GoTN released (June 2013) ₹ 1.73 crore towards its share (20 *per cent*) to the SHS. As per the guidelines of the scheme issued by GoI in August 2011, the DGUs were required to supervise and co-ordinate the activities of Community Health Centres (CHC), Primary Health Centres (PHC) and Sub-Centres.

Scrutiny of records (January 2016) in the SHS and TNHSP revealed the following:

- GoTN had decided (April 2011) to implement NPHCE through TNHSP. Though as per GoI's guidelines, the NPHCE was to be implemented through Non-Communicable Diseases (NCD) Cell wherever available in the State Government, but the Project Director, TNHSP requested (March 2012) GoTN to authorise the NCD Cell<sup>23</sup> of the TNHSP to implement the NPHCE. The GoTN authorised NCD Cell for the purpose only in September 2013, after a delay of 2 years and 8 months from the date of receipt of initial release of funds from GoI in December 2010. Since there was no need for seeking authorisation of GoTN as per the GoI's guidelines, the delay of 2 years and 8 months was avoidable.
- Though GoI released ₹ 6.23 crore in December 2010 and September 2012, SHS sanctioned and transferred ₹ 3.49 crore to TNHSP only in June 2013. Thus, the funds were released after delay of two years and five months from the receipt of first instalment of funds by GoTN in December 2010 from GoI.
- The Special Secretary, Health and Family Welfare Department, GoTN cum Project Director, TNHSP sought (May 2013) clarification from GoI for identifying activity/component on which GoI funds could be utilised under NPHCE. He also stated that no funds allocated under NPHCE had been utilised till then i.e., May 2013. Thus, even though funds had been received from GoI as early as in December 2010, GoTN sought clarification only in May 2013 from GoI in this regard after a gap of two years and four months from the receipt of funds initially in December 2010.
- We further noticed that the GoI asked (June 2014) GoTN to refund the unspent balance as on 31 March 2013 in respect of NPHCE, to the GoI Account, so that future releases were not adversely affected. Accordingly, the Mission Director, SHS, Tamil Nadu refunded (March 2015) ₹ 6.71 crore<sup>24</sup> to GoI, being the unspent balance under NPHCE as of 31 March 2014. The SHS also refunded (March 2016) ₹ 1.73 crore to the GoTN, which was released by GoTN as its 20 *per cent* share under the scheme.

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<sup>23</sup> Formed for NCD Intervention Programme of the World Bank supported TNHSP

<sup>24</sup> Including interest amounting to ₹ 0.48 crore

Thus, the National Programme for Health Care of the Elderly could not be implemented in the State due to various lapses as pointed out above.

On being asked, the Principal Secretary, Health and Family Welfare Department replied (October 2016) that the funds for the years 2010-11 and 2011-12 could not be utilised due to non-availability of operational guidelines for the utilisation of funds and that the funds for the two years were not requested by GoTN and the districts identified for implementation were not the choice of GoTN. It was further stated that NCD control programme was being implemented in all the districts by TNHSP from 2011 onwards.

The reply was not acceptable, as it was noticed that the Operational Guidelines for NPHCE were released by GoI in August 2011 itself. Further, the funds, though stated to be not required, were not returned by GoTN to GoI immediately, if the same were not required and were refunded in March 2015, only on being asked by GoI. Moreover, the NCD control programme was implemented by GoTN for prevention and control of NCDs like diabetes, Hyper Tension, Cervix Cancer and Breast Cancer and was not a focused one, as in the case of NPHCE, which was meant to cater to the elderly people exclusively.

### 3.4 Regularity issues

#### *REVENUE DEPARTMENT*

##### 3.4.1 Delay in fixation of lease rent

**Delay in revising and fixing the lease rent resulted in non-collection of lease rent of ₹ 2,081 crore for the period 2000-16 from Tamil Nadu Cricket Association and Madras Cricket Club.**

Under the provisions of Revenue Standing Order 24-A (RSO 24A), comprising of various executive orders issued from time to time by the Revenue Department, lease rent for Government land granted to individuals, private bodies, companies or associations and local bodies should be revised at the time of renewal of lease or once in three years, whichever was earlier. As per GoTN orders (December 1970), issued by Revenue Department, lease rent for properties situated in Chennai City was to be levied at seven *per cent* of double the market value of the property in the case of rich persons i.e., persons or organisations dealing with commercial activities and seven *per cent* of the market value of the property in other cases. The market value of the land was to be assessed by the Revenue Department on the basis of the details of sale of land during the relevant period from the records of Sub-Registrar and the highest value of these sales within the vicinity was to be adopted.

Audit scrutiny of the records (April to June 2016) of the Revenue Department, Office of the Additional Chief Secretary and Commissioner of Land

Administration (ACS/CLA) and the Collectorate, Chennai revealed that the GoTN renewed (June 1995) the lease<sup>25</sup> for Government land (7,48,453 sq. ft.<sup>26</sup>) to Tamil Nadu Cricket Association (TNCA) and Madras Cricket Club (MCC). Lease agreements were executed (February 2001) by the District Collector, Chennai with TNCA and MCC for a period of 20 years from 20 April 1995 and the lease rent was fixed at ₹ 50,000<sup>27</sup> per annum for the first five years (i.e., 20 April 1995 to 19 April 2000), which was payable in advance (on 1 April) for each year. The lease rent for the remaining 15 years was, however, not fixed by the GoTN.

Scrutiny of records revealed that the lease rent had neither been fixed nor collected from the TNCA and MCC for the period from 2000 to 2015, due to delaying tactics adopted by the Government (Revenue Department) as discussed below:

The ACS/CLA had requested (March 2007) the Revenue Secretary to fix the lease rent for the period with effect from April 2000 in terms of 'RSO 24A' on commercial basis in respect of TNCA and MCC. On being asked, the additional particulars on the issue were also submitted (September 2011) by the ACS/CLA to the Government but the lease rent was not fixed.

Subsequently, the District Collector, Chennai submitted (January 2014) a proposal to the ACS / CLA for levy of lease rent of ₹ 592.85 crore<sup>28</sup> to be collected from TNCA and MCC, for the period 2000-15. The ACS/CLA, however, had found three mistakes in the proposal submitted by the District Collector *viz.*, (i) the lease rent calculated at the rate of seven *per cent* on double the market value of land for only one year was adopted by the District Collector, instead of for three years for each block period with effect from the year 2000; (ii) the land to the extent of 3,640 square feet was not taken into account by the District Collector and (iii) the rate per square feet for the period 2009-12 was adopted by the District Collector as ₹ 12,549, which related to the previous block year i.e., 2006-09, instead of the rate of ₹ 14,055.

After getting the above discrepancies rectified from the District Collector, the ACS/CLA submitted (April 2014) a revised proposal to the Government (Revenue Department) for fixing the lease rent for 7,52,093 sq.ft. (7,48,453 sq.ft. + 3,640 sq.ft.) on commercial basis, which worked out to ₹ 1,834.78 crore<sup>29</sup> for the period 2000-15. It was, however, noticed that instead of accepting and fixing the lease rent in respect of TNCA and MCC, as proposed by the ACS / CLA in the light of the provisions of RSO 24A, the Secretary to Government, Revenue Department held (April 2014) a meeting with the District Collector, Chennai and Joint Commissioner (Land Administration) by discussing with them various methods for fixing the lease rent. The Revenue Secretary also appointed a Joint Committee (JC), consisting of (a) District Collector, Chennai and (b) Joint Commissioner (Land

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<sup>25</sup> The original lease was for 30 years from 20/04/1965 to 19/04/1995

<sup>26</sup> Includes land to an extent of 98,344 sq. ft. leased to Madras Cricket Club

<sup>27</sup> Fixed adopting the 1970 orders, based on the then prevailing market value

<sup>28</sup> The lease rent was calculated at 14 *per cent* on the highest value of land lying within the radius of 1.6 km, for each block of three year periods during 2000-15.

<sup>29</sup> 2000-2003 : ₹ 198.46 crore; 2003-2006 : ₹ 352.61 crore; 2006-2009: ₹ 396.40 crore; 2009-2012 : ₹ 443.97 crore; 2012-2015 : ₹ 443.34 crore

Administration). The mandate of the JC was to verify the details about the fixation of lease rent, arrears due from TNCA and MCC and examination of various options for future use of leased land on expiry of the lease in 2015.

After conducting deliberations in the light of the discussion held by the Revenue Secretary, the members of JC submitted (September 2014) their report to the Government, recommending three options for fixing the lease rent in respect of the leased lands *viz.*, the lease rent be fixed at (i) ₹ 917.39 crore, by adopting the rate of seven *per cent* of prevailing market value of land, applicable for non-commercial usage; (ii) ₹ 1,834.78 crore, by adopting the rate of seven *per cent* of double the prevailing market value, applicable to commercial usage and (iii) ₹ 34.70 crore, by adopting the nominal lease rent of 15 *per cent* of gross income of the audited balance sheets of TNCA and MCC and additional tax, as was done in the case of Tamil Nadu Golf Federation and Cosmopolitan Club.

In the meantime, after the expiry of the lease period of the land in April 2015, TNCA requested (April 2015) the GoTN for renewal of lease for a period of 30 years. However, the GoTN had neither taken any decision on the proposal of ACS / CLA submitted in April 2014 nor on the recommendations of the JC about the quantum of lease rent or the renewal of lease in respect of TNCA and MCC till date (January 2017).

We observed following lapses as a result of scrutiny of records:

(i) As per RSO 24A, though the revision of lease rent was due once in three years (from 2000), but the ACS/CLA had submitted a proposal (March 2007) for revision in the lease rent to GoTN after a period of seven years. Thus, the GoTN had failed to take action in time to determine and revise the lease rent for the relevant three years period, as and when it became due.

(ii) As per GoTN orders (December 1970), lease rent was to be levied at seven *per cent* of double the market value of land. Thus, as per these norms, the lease rent in this case was required to be worked out at the rate of seven *per cent* of double the market value of land. Since the proposal submitted by ACS/CLA in April 2014 to the GoTN was based on the prescribed procedure for fixation of lease rent i.e., at seven *per cent* of double the market value of land in terms of RSO 24A, which was quite clear, JC was not required to be constituted by the GoTN.

(iii) On being asked by the GoTN to offer comments on the recommendations of the JC, the ACS/CLA reiterated (February 2015) previous stand (April 2014) for fixing the lease rent in terms of the provisions of RSO 24A (i.e., ₹ 1,834.78 crore for the period 2000-15) and requested Government to pass orders as deemed fit. Even after obtaining views of the ACS/CLA on the report of JC, the GoTN had not taken any action to fix the lease rent till date (January 2017).

(iv) The action of the Revenue Secretary to appoint District Collector and Joint Commissioner (Land Administration) as members of the JC was not in order, as they were submitting proposals to the ACS / CLA and GoTN for fixing the lease rent in respect of TNCA and MCC, instead of appointing some

other independent officer/committee having no stake and role in the submission of the proposal for fixing of lease rent. We observed that the Revenue Secretary briefed the members of JC to submit their recommendations in a particular manner, thereby influencing the possible recommendations of the JC in advance.

(v) Since TNCA and MCC were still in occupation of the land after expiry of the lease period, the lease rent for the period after expiry of the lease (April 2015) upto December 2016 (20 months) amounting to ₹ 246.30 crore<sup>30</sup> had also become due and payable by TNCA and MCC. Thus, the total lease rent for the period 2000-2016 amounted to ₹ 2,081.08 crore (₹ 1,834.78 crore (+) ₹ 246.30 crore), which was still remaining outstanding for recovery from TNCA and MCC.

On being asked, GoTN replied (March 2017) that in view of the various proposals mooted and meetings conducted and additional particulars called for between March 2007 and February 2016 from various departments, including Inspector General of Registration and Commissioner of Commercial Taxes about the activities of the TNCA for fixing the lease rent, there was continuous process carried out at Government level regarding fixing the lease rent. It was also stated that there was no undue influence on the JC and that there was no intention to favour any particular private body. The decision on fixing the lease rent could not be taken in the absence of required particulars to be collected from various departments. It was also stated that ₹ 1.05 crore was collected from MCC and TNCA as lease rent for the period 1995-2015 and the lease rent due from the lessee would be collected along with interest retrospectively.

The reply of the Government that the action was continuous was not acceptable as this had not helped the Government to arrive at a decision to fix the lease rent for the period 2000-15 while the lease rent should have been fixed before the commencement of the sixth year of the lease period i.e., before April 2000 itself and subsequently thereafter, as and when it became due. Thus, the GoTN has failed to fix, determine and collect the lease rent due even after a lapse of more than 16 years of lease rent becoming due in April 2000.

Besides, the formation of JC was not only unwarranted in view of the provisions about fixing the lease rent already existing in RSO 24A, it had also resulted in further delays in postponing the decision on fixing lease rent. Further, the JC did not function independently, as its likely outcome was already under influence / overshadowed by the advice of the then Secretary, Revenue Department. The failure on the part of the GoTN to fix the lease rent based on proposal of ACS/CLA, which was again reiterated (by ACS/CLA) on being asked about comments on the report of JC, was not in the interest of the Government. On further verification, it was also seen that only ₹ 8 lakh<sup>31</sup> out of ₹ 1.05 crore pertained to the leased land discussed in the paragraph for the period 2000-15 and even after taking into account this amount, lease rent of

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<sup>30</sup> 7,52,093 square feet x ₹ 14,035 = ₹ 1055,56,25,255; ₹ 1055,56,25,255 x 14 per cent x 20/12 = ₹ 246,29,79,226 or ₹ 246.30 crore. ₹ 14,035 per square foot taken for calculating the market value for 2012-15 has been adopted.

<sup>31</sup> Collected at the old rate of ₹ 50,000 fixed for the period 1995-2000

₹ 2,081 crore was still remaining outstanding for recovery from TNCA and MCC. The Government's stand that interest would be collected along with lease rent retrospectively was not tenable as the interest becomes payable only if the lessee fails to pay the lease rent in time whereas the Government had failed even to fix and demand the lease rent for the period 2000-15, as per RSO 24A.

As a result, the Government failed to determine, demand and collect the lease rent for the period 2000-16 as per RSO 24A, even after the expiry of the lease period in April 2015 and the lease rent was still remaining outstanding for recovery (January 2017) against TNCA and MCC.

It is recommended that the Government should decide on priority the extent of lease rent to be fixed and recovery thereof.

## **ADI-DRAVIDAR AND TRIBAL WELFARE DEPARTMENT**

### **3.4.2 Excess utilisation of Special Central Assistance towards administrative charges**

**Adi-Dravidar and Tribal Welfare Department and Tamil Nadu Adi-Dravidar Housing and Development Corporation incurred ₹ 35.57 crore out of Special Central Assistance (SCA) funds towards staff cost of monitoring and evaluation cell and administrative expenses during 2009-15, in excess of the prescribed limit, which resulted in depleting SCA funds to that extent for implementation of schemes for the economic development of Scheduled Castes.**

Government of India releases Special Central Assistance (SCA) each year to the State Governments in addition to the States' Special Component Plans (SCPs) for the economic development of Scheduled Castes. The Tamil Nadu Adi-Dravidar Housing and Development Corporation Limited (TAHDCO) was the State Channelising Agency for implementing the economic development schemes for the welfare of Scheduled Castes using SCA funds.

SCA funds received by GoTN were transferred to the Personal Deposit Account of TAHDCO for implementing economic development schemes and to the Commissioner of Adi-Dravidar Welfare for implementing infrastructure facilities at the ratio of 90:10 respectively. A Monitoring and Evaluation Cell (MEC) was functioning in the Adi-Dravidar and Tribal Welfare (ADTW) Department for monitoring the progress on implementation of schemes and the staff cost of MEC was to be met out of 10 *per cent* SCA funds released to the Director of ADTW Department.

The GoI gave the State Governments full flexibility in utilising SCA funds, subject to the condition that the expenditure on staff meant for implementation, supervision, monitoring and evaluation was limited to three *per cent* of the funds released every year. GoTN, however, instructed (December 1990) TAHDCO that its administrative cost may be met from SCA with effect from the year 1990-91 without fixing any limit.

Scrutiny of records of the ADTW Department (October-November 2016) and TAHDCO (March-June 2016) revealed that, contrary to GoI guidelines, ADTW Department and TAHDCO incurred expenditure on staff cost of MEC and administrative expenditure amounting to ₹ 52.55 crore during 2009-10 to 2014-15, as against admissible amount of ₹ 16.98 crore, resulting in excess expenditure of ₹ 35.57 crore for the period 2009-10 to 2014-15 as shown in the **Table 3.1**.

**Table 3.1: Excess utilisation of SCA funds towards administrative charges**

(₹ in crore)

| Year         | SCA released by GoI | Admissible administrative expenditure @ three per cent | Administrative expenditure incurred from SCA funds by MEC and TAHDCO |              |              | Excess administrative expenditure incurred from SCA funds | Percentage of SCA funds utilised towards administrative expenditure |
|--------------|---------------------|--|--|--------------|--------------|---|---|
|              |                     |  | MEC  | TAHDCO       | Total        |   |   |
| 2009-10      | 65.86               | 1.98   | 0.09   | 6.77         | 6.86         | 4.88  | 10.42   |
| 2010-11      | 34.19               | 1.03   | 0.07   | 13.14        | 13.21        | 12.18   | 38.64   |
| 2011-12      | 114.70              | 3.44   | 0.08   | 9.31         | 9.39         | 5.95  | 8.19  |
| 2012-13      | 125.50              | 3.76   | 0.13   | 7.41         | 7.54         | 3.78  | 6.01  |
| 2013-14      | 100.00              | 3.00   | 0.15   | 4.62         | 4.77         | 1.77  | 4.77  |
| 2014-15      | 125.60              | 3.77   | 0.17   | 10.61        | 10.78        | 7.01  | 8.58  |
| <b>Total</b> |                     | <b>16.98</b>   | <b>0.69</b>  | <b>51.86</b> | <b>52.55</b> | <b>35.57</b>  |   |

(Source: Details furnished by the Department and TAHDCO)

From the **Table 3.1**, it may be seen that administrative expenditure was incurred by TAHDCO ranging from 4.77 to 38.64 per cent, as against the permissible three per cent of SCA funds. It was further noticed that GoTN indicated only the staff cost of MEC separately and included the entire administrative expenditure incurred by TAHDCO in scheme expenditure in the annual progress report on the utilisation of SCA furnished to GoI.

It is pertinent to mention that in the previous Audit Report (Civil) of the CAG for the year ended March 1996, it was commented that the actual staff expenditure met out of SCA funds by TAHDCO during 1990-91 to 1994-95 was far in excess of the eligible amount resulting in overcharging the scheme by ₹ 7.37 crore. In reply to the PAC, the Department stated (August 2002) that the entire staff cost was charged to SCA funds as instructed by the GoTN in December 1990 and further added that GoI had given a ruling in October 1998 that the States were given full 'flexibility' in utilising the SCA funds and therefore, all costs were booked under the orders of the GoTN. The PAC had expressed its unhappiness with the reply of the Department and observed that the 'flexibility' mentioned (October 1998) by GoI evidently applied to the scheme implementation proper and was not meant for being applied for incurring expenditure on establishment without any limit. Similar audit comments were also included in the subsequent Audit Reports<sup>32</sup> of CAG of India.

<sup>32</sup> Paragraph 2.7 of the Audit Report (Commercial) for the year ended 31 March 2003; Paragraph 2.3.1 of the Audit Report (Civil) for the year ended 31 March 2010; and Paragraph 2.9 of the Audit Report (Commercial) for the year ended 31 March 2010

Thus, GoTN, in disregard of GoI instructions and PAC recommendations, continued to allow TAHDCO to utilise ₹ 35.57 crore of SCA funds for administrative expenses in excess of the prescribed limit for the period from 2009-10 to 2014-15, due to which SCA funds to that extent could not be spent for implementation of schemes for the economic development of Scheduled Castes, which calls for fixing of responsibility for violation of GoI's instructions.

GoTN replied (January 2017) that the administrative cost was limited to three *per cent* by GoI with effect from 1998 and was not revised thereafter. The administrative cost of TAHDCO increased due to adoption of revised pay scales of V and VI Pay Commissions and also due to increase in cost of petrol, rent, telephone charges etc. The GoTN further stated that GoI was requested (January 2017) for enhancement of administrative cost from three *per cent* to six *per cent* and the response of GoI was awaited. The reply of GoTN was not tenable in view of the fact that incurring of administrative cost in excess of three *per cent* of SCA was in violation of GoI's instructions.

Chennai  
The 16 May 2017



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New Delhi  
The 17 May 2017

**(SHASHI KANT SHARMA)**  
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