

CHAPTER III

AUDIT OF TRANSACTIONS

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

3.1 Excess payment/wasteful/infructuous expenditure

PUBLIC WORKS DEPARTMENT

3.1.1 Overpayment to a contractor for earthwork excavation

Failure of the Executive Engineer to substitute during the course of execution of work, the agreed item of earthwork excavation in the old bund by earthwork excavation without the component of watering and consolidation resulted in overpayment of ₹ 0.99 crore to a contractor.

With a view to providing permanent measures to restore the Willington reservoir in Thittakudi taluk of Cuddalore district to its full capacity, Government sanctioned (September 2008) rehabilitation and strengthening of earthen dam of the reservoir at a cost of ₹ 20 crore. In September 2008, the Chief Engineer (CE), Water Resources Organisation (WRO) of Public Works Department (PWD), Chennai region accorded technical sanction for the work for ₹ 20 crore. The sanctioned estimate provided for removal of the old bund made up of unsuitable soil for a length of 800 metre¹ and to form a parallel new bund with suitable soil. It was proposed to use the soil removed from the old bund for formation of a temporary ring bund or coffer dam at the upstream side to retain water in the reservoir, if required during the course of execution and to spread the excess soil on the rear side of the proposed bund or on the available PWD land.

The work was awarded (January 2009) to a contractor by the Tender Award Committee of PWD for ₹ 19.90 crore at 9.95 *per cent* tender premium and completed (September 2010) at a cost of ₹ 28.96 crore. The increase in the cost of work was mainly due to formation of the new bund for a length of 883 metres as against the estimated 800 metres and allowing additional lead (distance) for transportation of soil for formation of the new bund as well as for disposal of soil removed from the old bund. Government accorded (October 2010) revised administrative sanction for the work for ₹ 29.71 crore.

Scrutiny (May 2011) of records in the office of the Executive Engineer (EE), Special Projects Division, Cuddalore revealed that the estimated rate for the item 'earthwork excavation in the old bund' included the component of

¹ Longitudinal Section 1,700 metres to 2,500 metres of the bund

watering and consolidation by power roller at the rate of ₹ 10.10 per cubic metre (cu.m.), as formation of a ring bund or cofferdam, if required during the course of execution for storing water in the reservoir, would require watering and consolidation by power roller. Tenders were invited accordingly and the contractor's agreed rate was inclusive of the rate for watering and consolidation. The CE, during his inspection of the site on 9 October 2009, instructed the EE to identify additional areas for dumping the excavated soil from the old bund since sufficient area was not available on the rear side of proposed bund. The EE, accordingly, identified areas with a lead of 2 to 3 km and the contractor dumped 7.02 lakh cu.m. of excess soil in those areas at a cost of ₹ 5.40 crore. Total quantity of 9.69 lakh cu.m. of soil was removed from the old bund.

As per the agreement conditions in respect of substituted and extra items of work found necessary during the course of execution of work, mutually agreed rates were to be finalised and a supplementary proposal was to be approved by the competent authority before executing such items of work. It was noticed that the Superintending Engineer (SE), WRD, Vellar Basin Circle, Cuddalore approved (October 2010) a supplementary proposal of the EE for substitution of two items of work namely extra leads for conveyance of removed soil from the old bund and for conveyance of new soil for formation of the new bund and signed a supplementary agreement with the contractor. While doing so the original agreed item of "earthwork excavation in the old bund" which had the component of watering and consolidation, should have been modified in the new item of work by omitting the component of watering and consolidation. Failure of the EE and SE to make this change in the substituted items in the supplementary agreement resulted in over payment of ₹ 1.08 crore² to the contractor as he had to only dump the excavated soil and watering and consolidation operations were not involved in the substituted items of work.

The matter was referred to Government in July 2011; Government stated (August 2011) that out of the 9.69 lakh cu.m. of soil excavated from the old bund, 2.67 lakh cu.m. was used for cofferdam, banks of main canal berm, etc., and the remaining 7.02 lakh cu.m. was used to form a berm in the downstream abutting the newly formed bund, which would act as a supportive bund-cum-service road. It was further stated that this was a part of additional bund requiring watering and consolidation. However, perusal (September 2011) of the Measurement Books by Audit revealed that only 0.73 lakh cu.m. of removed soil was used for forming the cofferdam and no measurements were recorded for forming the berm-cum-service road. It was also noticed that payments to the contractor in respect of removal of soil was made for the quantity by comparing the pit measurement quantity with the quantity conveyed after deducting for the voids. Moreover, certificates to the effect that the removed soil was conveyed to the dumping yard were recorded in the Measurement Books by the field Engineers. Hence, the reply of Government that the soil removed from the old bund was utilised for formation of berm-

² 9,68,905 cu.m. x ₹10.10 (including tender premium of 9.95 per cent)

cum-service road requiring watering and consolidation is not acceptable and an expenditure of ₹ 0.99 crore³ is to be construed as overpayment to the contractor.

RURAL DEVELOPMENT AND PANCHAYAT RAJ DEPARTMENT AND ENVIRONMENT AND FORESTS DEPARTMENT

3.1.2 Wasteful expenditure on raising of Jatropha seedlings

Department's failure to maintain the Jatropha plantations led to poor survival of Jatropha seedlings raised by incurring ₹ 8.35 crore.

Jatropha curcas (Jatropha) is one among the many species of plants, which yield oil for use as bio-diesel⁴. The oil is extracted from seeds of Jatropha and the plantation starts yield from the third year of planting. Government of India (GOI) sanctioned (March 2006) a grant of ₹ 10.50 crore to the State for raising 3.50 crore Jatropha seedlings. The funds were directly released to 26 District Rural Development Agencies (DRDAs) in the State for further release to the Forest Development Agencies (FDAs) for raising of Jatropha nurseries. As per the conditions governing sanction of the grant, DRDAs were responsible for overall monitoring of the nursery/plantation works carried out by the implementing agencies (FDAs). GOI's operational guidelines (March 2006) to the implementing agencies stated that the implementing agencies shall ensure full utilisation of the Jatropha seedlings raised and the plantation shall be taken up on a cluster basis.

Scrutiny of records of 10 DRDAs between November 2009 and December 2010 revealed that the DRDAs had released ₹ 9.20 crore during June 2006 to December 2006 to 30 FDAs of the Forest Department as detailed in the **Appendix 3.1**, for raising of 3.50 crore seedlings. The FDAs raised 2.80 crore seedlings at a cost of ₹ 8.35 crore and refunded (March 2007 to November 2009) the balance amount of ₹ 0.85 crore to the DRDAs. Out of the 2.80 crore seedlings raised by the FDAs, the DRDAs lifted 1.40 crore seedlings and distributed to the Panchayats for planting (2006-07) in community/ Panchayat land. The Forest Department planted (2006-07) 1.36 crore seedlings in the forest fringes and the remaining four lakh seedlings were disposed of by distribution to local bodies and selling to private parties. Information gathered by Audit on the number of seedlings planted and their survival status disclosed that the survival rate of the seedlings planted in the Panchayat land was in the range of nil⁵ to 75 per cent in 10 districts. Instead of taking up the plantation work on a cluster basis and disregarding the instructions of the Principal Chief Conservator of Forests (July 2006) to follow GOI guidelines to facilitate economic collection of seeds, the seedlings were planted in forest fringes by the Forest Department and were grown under wild condition without tending and watering. The current status of survival was not on record except in

³ 9,68,905 cu.m. – 72,977 cu.m (utilised for filling cofferdam) = 8,95,928 cu.m. x ₹ 10.10 = ₹ 90,48,873 + ₹ 9,00,363 (tender premium of 9.95 per cent) = ₹ 99,49,236

⁴ Bio-diesel is a blend of diesel with Jatropha oil upto 20 per cent, and it is a substitute to petroleum diesel

⁵ In Nagapattinam District

Madurai and Theni FDAs. The DRDAs as well as the Forest Department did not have any action plan for eventual maintenance of the plantation and seed collection for oil extraction.

Thus, *Jatropha* seedlings at a cost of ₹ 8.35 crore were planted without any proper followup measures to ensure their survival and maintenance and collection of seeds for oil production. Consequently, the main purpose of raising of *Jatropha* seedlings for production of bio-diesel was defeated.

In response to the Audit observation referred to Government in March 2011, the Environment and Forests Department admitted (April 2011) that the seedlings were planted in the forest fringes in order to ensure full utilisation of the seedlings as they were not lifted in full by the DRDAs. The Department further stated that expenditure incurred for raising of *Jatropha* seedlings cannot be construed as wasteful, but a fruitful investment for multiple benefits including field level awareness generation among the Joint Forest Management Committee members. The Rural Development and Panchayat Raj Department stated (June 2011) that the poor growth of *Jatropha* seedlings planted in panchayat land was due to failure of monsoon and water scarcity and that *Jatropha* plants planted along the forest fringes serve as forest boundary demarcation strips, fire retardant, live hedge, soil binder and repel cattle entry into the forest areas.

The reply of Environment and Forests Department is not acceptable as GOI released (March 2006) funds to raise *Jatropha* seedlings for eventual collection of seeds and production of bio-diesel and thereby to provide an economic source of income to the farmers. This has not been achieved and hence implementation of the scheme was a failure. The reply of Rural Development and Panchayat Raj Department is general and not acceptable as *Jatropha* can be grown in areas of low rainfall (200 mm per year) and in problematic soils and in any district of Tamil Nadu, the annual rainfall had never been below 200 mm during the years 2006-07, 2007-08 and 2008-09. Further, though the plantation might serve other stated functions, the main objective of collection of seeds for extraction of oil has not been achieved.

PUBLIC WORKS DEPARTMENT

3.1.3 Non-achievement of objective of the scheme of artificial recharge to ground water

Due to ineffective implementation of the scheme of artificial recharge to ground water through dug wells, the department could not ensure utilisation of the subsidy amount by the farmers for the intended purpose.

Government of India (GOI), Ministry of Water Resources (MOWR) launched (December 2007) the scheme of “Artificial Recharge to Ground Water through Dug wells” in seven States⁶ including Tamil Nadu. The objective of the scheme was to recharge the existing irrigation dug wells using rain water run-

⁶ Andhra Pradesh, Gujarat, Karnataka, Madhya Pradesh, Maharashtra, Rajasthan and Tamil Nadu

off from the agricultural fields to facilitate improvement in ground water and quality of water in the affected areas. The scheme was to be implemented with involvement of the farming community in a period of three years (2007-10). The average unit cost of construction of artificial recharge structure (ARS) was estimated as ₹ 4,000 and the scheme provided for 100 *per cent* subsidy to the small and marginal farmers and 50 *per cent* subsidy to the other farmers owning dug wells in their agricultural lands. The Ministry of Finance, GOI was to provide funds for the scheme through the National Bank for Agriculture and Rural Development (NABARD), which, in turn was to credit the subsidy in advance directly to the beneficiaries' savings bank accounts through the lead banks in the districts. The scheme also provided for release of institutional charges to the nodal department at eight *per cent* of the scheme cost for carrying out activities like conducting awareness programmes, training, field visits, monitoring, etc.

In Tamil Nadu, 12.5 lakh wells in 232 over-exploited, critical and semi-critical blocks in 27 districts were proposed (April 2008) for artificial recharge with the central assistance. A State Level Steering Committee (SLSC) headed by the Chief Secretary and District Level Implementation and Monitoring Committees (DLIMC) headed by the District Collectors were constituted (April 2008). The Chief Engineer (CE), State Ground and Surface Water Resources Data Centre (SGSWRDC) was the nodal officer for identification of the beneficiaries, overseeing implementation of the scheme, monitoring of the physical and financial progress of the scheme and conducting awareness programmes and training to the beneficiaries. The scheme guidelines (October 2008) stipulated that the nodal department (SGSWRDC) was to obtain an undertaking from the beneficiary for construction of ARS within three months from the date of credit of subsidy in their accounts and for proper maintenance of ARS. In case of default by the farmers, the nodal department was to recover the subsidy amount from them along with interest at nine *per cent* per annum.

Scrutiny of records (October 2009) of SGSWRDC revealed that the nodal department identified 4.19 lakh beneficiaries in the State for coverage under the scheme during 2008-10 and the SLSC approved and forwarded (August 2008 to October 2009) to NABARD the list containing 3.39 lakh beneficiaries for crediting the subsidy. Out of ₹ 109.45 crore released by NABARD in favour of 2.93 lakh beneficiaries during 2008-10, the lead banks in districts credited ₹ 106.15 crore to the 2.81 lakh beneficiaries' accounts and refunded ₹ 3.30 crore to NABARD as the names and account numbers of some beneficiaries furnished by the nodal department were found incorrect. The SLSC, in its fourth meeting (November 2008), instructed that the nodal department should ensure construction of ARS by the beneficiaries to a minimum extent of 50 *per cent* of the wells for which subsidy was sanctioned in the second and third SLSC meetings. During the fifth meeting (February 2009) the SLSC, despite poor progress in the construction of ARS, continued to approve and forward further lists of beneficiaries to NABARD for crediting subsidy and suggested to the nodal department to focus on information, education and communication activities to motivate the beneficiaries for constructing ARS. An amount of ₹ 75.25 crore was released (between

November 2008 and October 2009) by NABARD to the beneficiaries after the fourth SLSC meeting. Subsequently, as per the directions (October 2009) of SLSC and considering the poor progress in construction of ARS, the nodal department stopped processing of fresh applications. The nodal department reported (October 2011) construction of ARS by 21,214 beneficiaries only (seven *per cent*) as against 2.93 lakh beneficiaries to whom subsidy was disbursed by NABARD. Letters and reminders to the defaulters and notices in press were issued by the nodal department requesting them to construct the structures.

Further, in order to conduct awareness programmes, the nodal department was sanctioned an amount of ₹ 2 crore initially towards institutional charges and further release of funds for the purpose was made on the basis of the number of approved beneficiaries at the rate of ₹ 320 per beneficiary. It was noticed that out of the institutional charges of ₹ 5.75 crore received from NABARD, the nodal department had spent ₹ 2.74 crore (48 *per cent*) till March 2010 on activities like conducting awareness programmes, training, field visits and monitoring.

Audit observed that failure of the nodal department to oversee implementation of the scheme effectively, monitor whether the physical progress was commensurate with the financial progress of the scheme and to stop forwarding of lists of beneficiaries for further sanction of subsidy to the extent of ₹ 75.25 crore, despite the directions of SLSC in November 2008, resulted largely in non-achievement of the objectives of the scheme. The department could confirm (October 2011) construction of ARS in respect of 0.21 lakh wells only out of the 2.93 lakh wells for which subsidy was released. As per the progress reports received from the respective districts by the nodal department, the remaining ARS were not constructed. Hence, utilisation of the subsidy released to the extent of ₹ 97.66 crore⁷ for the purpose cannot be proved. The nodal department also failed to recover the subsidy amount with interest from the beneficiaries who had not constructed the recharge structures within the stipulated time of three months.

When this was pointed out in audit, the CE stated (June 2010) that during the review meeting held in August 2009, the Secretary, MOWR instructed the State nodal department to initiate recovery process only as a last resort. It was further stated that when the reluctance of farmers to construct ARS was brought to the notice of the SLSC, the latter stated (March 2010) that besides motivating the beneficiaries to construct ARS, the beneficiaries be issued reminder letters requesting them to utilise the subsidy for construction of ARS before June 2010. The CE further stated that the poor response from farmers for construction of ARS was informed to MOWR on various occasions and MOWR insisted the State to disburse the subsidy to the beneficiaries and to get the structures constructed by resorting to motivation and awareness creation among the farmers about the benefits of the scheme.

⁷ ₹ 106.15 crore – ₹ 8.49 crore (₹ 4,000 x 21,214 ARS)

The reply is not acceptable because despite poor progress in construction of ARS by those who had received the subsidy, further subsidy to fresh cases was continued to be released and no recovery process was initiated against the defaulters by the nodal department.

The matter was referred to Government in May 2011; reply has not been received (January 2012).

ANIMAL HUSBANDRY, DAIRYING AND FISHERIES DEPARTMENT

3.1.4 Unfruitful expenditure

Lack of proper instruction by the Government to the department regarding the methodology for release of subsidy resulted in unfruitful expenditure of ₹ 2.07 crore.

Government sanctioned (January 2005) a special assistance package for the Tsunami affected fishermen who had lost their means of livelihood. The package included replacement of fully damaged/lost mechanised boats. Government was to pay 35 *per cent* of the total cost of replacement of mechanised boats restricted to ₹ 5 lakh per boat as subsidy, and the balance was to be met by the fishermen through bank loan. However, Government waived (March 2010) the entire loans taken by the Tsunami affected fishermen and sanctioned ₹ 63.70 crore for settlement of the bank dues.

Scrutiny of the loan waiver records of the Assistant Director of Fisheries (ADF), Nagapattinam, revealed (May 2011) that 46 fishermen to whom total subsidy of ₹ 2.07 crore was disbursed, neither availed any bank loan nor created the assets as discussed below.

As per the Government guidelines, the subsidy was to be released by the Joint Director of Fisheries to the beneficiary and was to be placed in a joint account opened for the purpose by the beneficiary and the ADF concerned. All payments from the joint accounts were to be made by way of crossed cheque drawn in the name of manufacturer of boats, after verification of the work done/supplies made by a team of officials nominated by the District Collector and the Director of Fisheries. All cheques to the manufacturer were to be signed jointly by the beneficiary and the ADF concerned.

Records of ADF, Nagapattinam disclosed that the ADF had issued crossed Account Payee cheques for subsidy directly to the beneficiaries with instruction to open joint accounts and to deposit the cheques in the joint accounts. In a meeting of bankers held on 24 March 2005, the bank branches were provided with specimen signature of the ADF and were directed to use the same for opening of the joint account in the name of individual beneficiary and the ADF. However, the beneficiaries without opening the joint accounts, deposited the cheques in their own personal bank accounts and withdrew the amount from their accounts. The beneficiaries had neither availed any loan from banks nor created the assets. Consequently, the entire subsidy of ₹ 2.07 crore sanctioned to 46 fishermen was not utilised for the intended

purpose. Had the Government directed the department instead of the beneficiaries to deposit the cheques for subsidy in the joint accounts opened in the name of the beneficiaries and ADF, depositing of the cheques for subsidy by the beneficiaries in their bank accounts and withdrawing of the same could have been avoided. Further, the ADF, Nagapattinam failed to ensure opening of the joint accounts by the beneficiaries before releasing the cheques for subsidy to the beneficiaries. Thus, failure of the Government to issue proper direction to the department for the release of subsidy and the ADF's action of releasing the cheques directly to the beneficiaries without ensuring opening of the joint accounts resulted in unfruitful expenditure of ₹ 2.07 crore.

The Government *inter alia* replied (July 2011 and September 2011) that the ADF, Nagapattinam issued the cheques to the beneficiaries in good faith, but without opening joint accounts, amounts were released to the beneficiaries by some bankers. It was further stated that a criminal case against the bankers was pending at the District Munisif Court, Nagapattinam. The reply is not acceptable as this situation could have been avoided, had the Government issued proper direction to the department regarding the methodology for release of the subsidy and the ADF, Nagapattinam released the cheques after ensuring opening of the joint accounts.

HOME, PROHIBITION AND EXCISE DEPARTMENT

3.1.5 Unfruitful loan assistance

Failure of the Department to review the scheme of rehabilitation of prohibition offenders and continued release of funds for the purpose resulted in unfruitful expenditure of ₹ 64.60 lakh.

Government constituted (December 2002) a District Rehabilitation Fund (DRF) for prohibition offenders in each district in order to make the districts completely free from consumption of illicit liquor by de-activating the bootlegging activities of prohibition offenders through financial and moral support. The fund was made up of 25 *per cent* of the amount collected by way of fines and compounding fees in prohibition cases, restricted to ₹ 2.50 crore per annum, throughout the State. Every year, Government gave financial support to the prohibition offenders from the DRF. Financial assistance was provided in the form of loans with a maximum interest of four *per cent* to the prohibition offenders for purchase of milch animals, goats, sheep and for setting-up of tea shops, cycle shops and petty shops. The beneficiaries were required to repay the loan amount in 50 or 60 monthly equal instalments. During 2003-10, ₹ 17.36 crore was sanctioned as loan from the DRF to 13,366 prohibition offenders in the State.

Scrutiny of records in the office of Commissioner of Prohibition and Excise and details gathered from the Joint Commissioners of districts revealed (January 2011) that only a sum of ₹ 1.16 crore was recovered from the prohibition offenders during 2003-10 as against the loan of ₹ 17.36 crore sanctioned to them. In 2007, the Assistant Commissioners of all districts in their assessment report on this financial assistance had stated that the objective of the scheme was not achieved as (i) almost all the beneficiaries did not retain the assets created, (ii) almost all the beneficiaries sold their assets and had

gone for some other work and (iii) some of the rehabilitated prohibition offenders even resorted to their old profession of illicit distillation and sales. The Assistant Commissioners of four districts⁸ had sought revamping of the scheme.

The Commissioner while reviewing the performance of the scheme had observed (May 2008) that the financial assistance should be given for useful purpose and sanction of loan for purchase of milch animals/goats etc., should be avoided. However, Audit noticed that funds were continued to be allotted to the districts without any review of the scheme and instructions were issued (March, September and October 2008) to utilise the allotted funds fully. Information gathered by Audit in 25 districts revealed that ₹ 5.14 crore was sanctioned as loan to 3,897 erstwhile prohibition offenders for purchase of milch animals during 2007-10 as detailed in **Appendix 3.2**. Test check of records in the office of Assistant Commissioners of four⁹ out of the 25 districts revealed that 457 prohibition offenders who were sanctioned funds (₹ 64.60 lakh) for the purchase of milch animals during 2007-10, did not maintain the assets as of March 2011. The Assistant Commissioners of the districts had not furnished the details of assets created by the prohibition offenders as called for (December 2009) by the Commissioner.

Thus, the failure of the department to review the scheme despite adverse feedback from the field offices and continued release of funds resulted in non-ensuring of rehabilitation of the prohibition offenders. Consequently, an expenditure of ₹ 64.60 lakh incurred in four test-checked districts alone during 2007-10 towards the loan assistance to the prohibition offenders for the purchase of milch animals became unfruitful. In the light of above it is doubtful whether the benefits expected out of the expenditure of ₹ 5.14 crore (including ₹ 64.60 lakh) incurred during 2007-10 were realised or not.

The matter was referred to Government in June 2011; reply has not been received (January 2012).

3.2 Avoidable expenditure/Extra expenditure

HIGHWAYS AND MINOR PORTS DEPARTMENT

3.2.1 Avoidable extra expenditure due to non-finalisation of tender within the validity period

Failure to finalise the tender within the validity period and withdrawal of tender proposal from the Commissionerate of Tenders by the Chief Engineer, Highways, Projects without ascertaining the facts resulted in avoidable extra expenditure of ₹ 2.47 crore.

The Government sanctioned (October 2000) construction of a road over bridge (ROB) in lieu of an existing railway level crossing No.34 at Km 34 between Perungalathur and Vandalur railway stations at an estimated cost of

⁸ Salem, Thanjavur, Thiruchirapalli and Vellore.

⁹ Coimbatore, Erode, Madurai and Vellore.

₹ 13.78 crore. The Chief Engineer, Highways, Projects, Chennai (CE) accorded technical sanction (November 2005) for the estimate of the work for ₹ 15.16 crore.

Tenders invited for the work in November and December 2005 elicited no response. In the third tender call made in January 2006, a single bid was received. The bidder initially quoted ₹ 14.96 crore and subsequently reduced the amount to ₹ 14.68 crore after negotiation (March 2006), which was 10.30 *per cent* above the value of work put to tender (₹ 13.31 crore). The Superintending Engineer, Projects Circle, Chennai (SE), while recommending the bid to the CE in April 2006 stated that further call of tender would not fructify as single bid was received in the third call despite wide publicity. The bid validity was extended till 22 July 2006 and the bidder also agreed to further reduce the tender amount to ₹ 14.62 crore.

The CE forwarded the bid for ₹ 14.62 crore to the Commissionerate of Tenders (COT) on 8 June 2006 for its consideration and approval. The tender was, however, withdrawn from the COT by the CE stating that the Tamil Nadu Road Infrastructure Development Corporation Limited (TNRIDC) had planned to construct a bridge in the same alignment. The CE cancelled the tender on 21 July 2006 stating that he had been directed to cancel it during the review meeting held on that date. However, after a joint inspection on 27 July 2006 of the ROB site with the CE (TNRIDC), the CE decided to go ahead with construction of the ROB in the proposed alignment and instructed the SE to resubmit the tender for onward transmission to the COT, by which time the bid validity had expired.

In the tenders invited for the fourth time in August 2006 two bids were received. The lowest tender of the bidder, who was the single bidder during the third call, was recommended to the COT by the CE and the same was approved (January 2007) by the COT for ₹ 17.09 crore at 28.50 *per cent* above the estimated cost.

Scrutiny of records (March 2009) by Audit revealed the following:

(i) The Government prescribed a time limit of 15 days for the Superintending Engineer and seven days for the Chief Engineer to scrutinise and submit the tender proposals to the higher authorities. It was, however, noticed that in respect of the single tender received for the work in the third call, the SE and CE had taken 61 days and 45 days respectively for scrutiny and submission of the tender. Therefore, the bid could not be finalised even within the extended validity period which was to expire on 22 July 2006.

(ii) The tender proposal was hastily withdrawn from the COT and cancelled by the CE on the ground that TNRIDC had proposal to construct a bridge in the same alignment. The CE withdrew the tender without ascertaining the facts from TNRIDC, which had actually no proposal to construct a bridge in the said alignment. Only after cancelling the bid, the CE made a joint inspection with TNRIDC on 27 July 2006 and found that

TNRIDC proposed only to widen the Vandalur - Walajabad road. By that time, the validity of the bid had expired.

Thus, the undue delay on the part of the SE and CE in finalising the tender received in the third call despite the fact that there was no response for the first two calls and hasty withdrawal of the tender proposal from the COT without ascertaining the correct facts from TNRIDC had resulted in retendering of the work. Consequently, the work was awarded at a higher price to the same contractor in the fourth tender call resulting in extra expenditure of ₹ 2.47 crore.

The Government replied (November 2011) that the tender in the third call was cancelled only to avoid duplication of the same work by Highways and TNRIDC and that Highways Department was not in a position to ascertain the decision of TNRIDC as to whether the construction of bridge was to be taken up by TNRIDC. The reply is not acceptable in view of the fact that there was no documented basis for the contention of the department.

Thus, the lack of co-ordination between the two agencies, viz., CE, Highways and TNRIDC functioning under the same Highways Department led to the unwarranted cancellation of tender and consequent avoidable extra expenditure of ₹ 2.47 crore to Government.

MUNICIPAL ADMINISTRATION AND WATER SUPPLY DEPARTMENT

TAMIL NADU WATER SUPPLY AND DRAINAGE BOARD

3.2.2 Avoidable extra expenditure due to defective bid evaluation

Consideration of the conditional bids for evaluation purpose by the Chief Engineer, TWAD Board, Southern Region resulted in rejection of tenders and subsequent award of works at an avoidable extra expenditure of ₹ 9.51 crore.

Government accorded (December 2006) administrative approval for ₹ 616 crore for implementation of the Ramanathapuram combined water supply scheme. The scheme envisaged provision of drinking water to five municipalities, 11 town panchayats and 3,163 rural habitations in Ramanathapuram, Sivaganga and Pudukottai Districts. The Chief Engineer (CE), Tamil Nadu Water Supply and Drainage (TWAD) Board, Southern Region accorded technical sanction (December 2006) for the estimate relating to headworks of the scheme for ₹ 38.50 crore. The remaining components of the schemes were split into seven packages and sanctioned for a total cost of ₹ 596.50 crore. As the proposed water supply scheme had no water treatment plant, the central excise duty exemption for machinery and pipes as per Central Excise Notification No. 6 of 2006 was not available for the scheme. All the works except Package IV were completed between February 2009 and March 2010 at a cost of ₹ 428.88 crore.

Scrutiny (January 2011) of records relating to the packages IV and V¹⁰ revealed that the estimates were prepared (February 2007) including the central excise duty component. In response to the bid invitation, four bidders had participated in each of the tenders for the Packages IV and V. The technical bids were opened on 26 and 27 March 2007 and all the eight bidders were prequalified. The price bids were opened on 9 April 2007 and the lowest bids of a firm for both the packages (Package IV: ₹ 44.09 crore and Package V: ₹ 34.12 crore) were recommended to the Board by the CE for consideration. As the lowest bidder stated in the forwarding letter to bids that the quoted rates were excluding the excise duty, the Board requested (17 May 2007) the firm to withdraw the condition regarding the excise duty. The firm refused to withdraw the excise duty condition and hence the Board rejected (June 2007) the tender.

Tenders for the two Packages were called for again in June 2007 and the works were awarded to two contractors for ₹ 47.78 crore and ₹ 41.64 crore for the Packages IV and V in September 2007 and August 2007 respectively. Audit scrutiny of the tender documents revealed the following:

Despite the clarification given by the CE, TWAD Board, Madurai in the pre-bid meeting for the bids dated March 2007 for quoting the rates including excise duty, the lowest bidder in the first call had stated in his forwarding letter to the bids that the tender percentage quoted by him was excluding the excise duty. As per the instructions (April 1996) of TWAD Board, if a bidder did not agree to the departmental conditions, such tender was to be considered as conditional tender and the same should not be considered for processing. The CE, who was aware of the contents of the forwarding letter of the bidder at the time of opening of bids, should have treated the bids as conditional one and considered the other bids only for processing. While, the CE failed to request the firm to withdraw the condition after opening of the financial bids (9 April 2007), the Board addressed (17 May 2007) the firm to do so after evaluation of the bids. Had the CE set aside the conditional bids for tender processing, the second lowest tenderer (Package IV: ₹ 44.88 crore and Package V: ₹ 35.03 crore) would have been the L1. The failure of the CE to do so resulted in rejection of the tenders by the TWAD Board and subsequent award of works in retender at an avoidable extra expenditure of ₹ 9.51 crore.

When the matter was referred (June 2011) to Government, it stated (September 2011) that the bidder was informed in the pre-bid meeting that the scheme had no treatment plant and hence the excise duty exemption was not available. It was further stated that the statement of the firm in its forwarding letter to the bids could not be taken into credence and as a conclusive proof of the fact that the rates quoted in the price bids were excluding the excise duty and hence the bids were not considered by the CE as conditional ones. The reply is not acceptable as the CE had not complied with the Board's

¹⁰ Package IV:- All components in between the branch main to Devakottai, RS Mangalam and Thiruvadanai including maintenance for a period of 12 months (LS 0 – 59,700)

Package V:- All components in between the Sump at Kalayarkoil to RS Mangalam cross including maintenance for a period of 12 months (LS 1,55,530 – 1,87,595)

instructions on bid evaluation, but the Board, taking cognizance of the same forwarding letter, had requested the bidder to withdraw the condition stated in the letter, which he refused to accept. Therefore, the bids should have been considered by the CE as conditional one and proceeded with accordingly.

HIGHWAYS AND MINOR PORTS DEPARTMENT

3.2.3 Avoidable expenditure on strengthening of National Highway stretches under the State road project

Failure of the Highways Department to delete three stretches of National Highway 234 from the scope of State road project in time resulted in avoidable expenditure of ₹ 1.98 crore.

Based on a proposal (June 2009) of the Chief Engineer (CE), Highways Department, Government sanctioned (September 2009) ₹ 1,137 crore for widening and strengthening works including reconstruction of bridges in the State highways, major district roads and other district roads during 2009-10 under the State funded 'Comprehensive Road Infrastructure Development Programme' (CRIDP). Strengthening three stretches¹¹ of Thiruvannamalai – Villupuram road at a cost of ₹ 2 crore was one among the roads approved under the project. The technical sanction of the work was accorded (September 2009) by the Superintending Engineer (Highways), Villupuram and the work was awarded (December 2009) to a contractor and completed (March 2010) on incurring an expenditure of ₹ 1.98 crore.

Scrutiny (March 2011) of the records connected with the work revealed that Thiruvannamalai - Villupuram road was included in CRIDP proposal (June 2009) for the year 2009-10 under the category of State highways. It was noticed in audit that Government of India, Ministry of Shipping, Road Transport and Highways notified the highway starting from Mangalore in Karnataka to Villupuram in Tamil Nadu as National Highway (NH) 234 in February 2009 itself. As per Sections 2 (2) and 5 of the National Highways Act - 1956, on publication of notification declaring a highway as National Highway, it is the responsibility of the Union Government to develop and maintain it. Despite the GOI notification declaring the road as NH as early as in February 2009, the road was retained by the CE in the CRIDP proposal and the stated work was taken up for execution in December 2009 and completed under the State project.

Thus, failure of the department to delete the NH stretches from the scope of State road project in time resulted in avoidable expenditure of ₹ 1.98 crore from the State Plan funds. It is pertinent to mention here that the State Government borrowed ₹ 15,557 crore (public debt) during 2009-10 to meet the capital expenditure, debt servicing and deficit financing and that the average rate of interest on Government borrowings during 2009-10 was 7.3 per cent. Had the Department handed over the road stretches to NH

¹¹ K.m. 7/0 – 9/2, K.m. 14/0 -15.8 and K.m. 24/0 – 25.8

in time, the expenditure out of the borrowed funds with an annual interest liability of ₹ 14 lakh¹² could have been avoided.

The matter was referred to Government in May 2011; Government stated (July 2011) that consequent on the notification (February 2009) of GOI declaring the road as NH 234, Government of Tamil Nadu issued “No objection Certificate” in March 2010. Necessary instructions to hand over the road, to remove the said road from the State Roads list and not to take up any work in the declared road were issued in June 2010. The contention of the Government is not acceptable since the instructions of Government were issued after a delay of 16 months from the date of notification by GOI, which was attributable to the delay of 11 months in forwarding (January 2010) the proposal by the CE to Government. Thus, the avoidable delay cost the State Government.

3.2.4 Extra expenditure due to delay in finalisation of tenders

Extra expenditure of ₹ 12.44 crore was incurred on road maintenance works due to delay in evaluation and approval of the bids.

Government sanctioned (September 2005) ₹ 109.47 crore for maintenance of roads of 274.18 km length under the World Bank-aided Tamil Nadu Road Sector Project (TNRSP) and directed the Project Director (PD), TNRSP to take up execution of 11 contract packages adopting the national competitive bidding (NCB) process. The policy framework for TNRSP approved (October 2002) by Government, which was in conformity with the World Bank guidelines and procedures, stipulated completion of the tender process for NCB contracts within 90 days¹³ from the date of receipt of bids.

Audit observed that the bids received during the period between 13 October and 17 November 2005 for 11 packages (MC¹⁴ 18 to MC 28), which were valid upto 15 February 2006, were opened on 17 November 2005. The Bid Evaluation Committee recommended the successful bidders for the packages to the Steering Committee of TNRSP on 31 January 2006. The Steering Committee decided (2 February 2006) to award the contracts to the successful bidders. The Empowered Committee of TNRSP while confirming the Steering Committee’s decision, directed (2 February 2006) the PD to award the works after obtaining ‘no objection’ from the World Bank. In the meantime, the validity period of the bids in respect of 10 packages was got extended upto 17 March 2006 and the remaining one successful bidder for MC 25 refused to extend the validity period. The World Bank gave ‘no objection’ to the award of works on 23 February 2006 and letters of acceptance of bids were issued to the successful bidders on 1 March 2006 after obtaining orders of Government. However, on the same day, the Election Commission’s model

¹² 7.3 per cent of ₹ 1.98 crore for one year

¹³ Evaluation of the bids (25 days); approval of bids by the Steering Committee (15 days); getting clearance of the World Bank for the bid evaluation report (15 days); getting orders from Government for entrustment of works (15 days); award of works to successful bidders and signing of agreements (20 days)

¹⁴ Maintenance contract

code of conduct came into force prohibiting signing of agreements. In view of this, the agreements could not be concluded and letters were issued only on 31 May 2006 i.e. after expiry of the model code of conduct and the extended validity period, to the successful bidders for signing the agreements. The successful bidders of seven packages refused to sign the agreements and hence, the tenders for those packages were cancelled (July 2006) and the works were awarded in the subsequent tender calls (December 2006 and July 2007). In respect of three packages (MC 20, MC 26 and MC 27), the bidders agreed to sign the agreements. As per the conditions of contract, the contract prices for those three packages were increased by 1.42 *per cent* as the bidders were eligible for price increase by five *per cent* per annum for the period of extended bid validity.

It was noticed in audit that the Project Implementation Unit (PIU) took 78 days for evaluation of the bids and getting approval from the Steering Committee (17 November 2005 to 02 February 2006) as against 40 days stipulated in the policy framework of TNRSP. Due to this delay, the works could not be awarded to the successful bidders within the bid validity periods and they were awarded to bidders in the subsequent tender calls at higher rates resulting in extra expenditure. The extra expenditure incurred in four packages (MC 18, MC 19, MC 21 and MC 25) due to award of contracts in the subsequent tender calls at higher rates and in three packages (MC 20, MC 26 and MC 27) due to price increase allowed for the extended period of validity worked out to ₹ 12.44 crore, which was avoidable.

When this was pointed out, Government stated (June 2011) that the 38 days delay was mainly due to high volume of bids and due to following of the World Bank's evaluation procedure and that there was no wilful delay on the part of PIU. The reply is not acceptable in view of the fact that PIU was well aware of the World Bank's procedures and that as per the time schedule prepared by the PD himself for finalisation of the bids, agreements were to be signed by 15 February 2006. Thus, the delay in evaluation of the bids was avoidable and the evaluation should have been completed within the prescribed time schedule.

PUBLIC WORKS DEPARTMENT

3.2.5 Extra expenditure due to injudicious rejection of the tender

Failure of the Chief Engineer, Madurai Region to recommend to the Tender Award Committee the lowest tender obtained in the second call resulted in subsequent award of work at an extra expenditure of ₹ 1.33 crore.

Government accorded (June 1999) administrative sanction for formation of a reservoir across Mambazhathuraiar in Kanyakumari district at a cost of ₹ 9.50 crore. The sanction was revised (June 2005) to ₹ 14.80 crore based on the modifications suggested by the Chief Engineer (CE), Water Resources Organisation, Public Works Department (WRO, PWD), Madurai Region for increasing the capacity of the reservoir.

The Superintending Engineer (SE), WRO, PWD, Projects Circle, Tirunelveli invited (July 2005) tenders for the work and submitted the tender to the CE. The CE rejected the lowest tender for ₹ 11.55 crore on the ground of high tender premium of 10.24 *per cent*. Tenders were invited again in November 2005. The lowest negotiated tender for ₹ 11.54 crore, which was 9.42 *per cent* above the departmental value of work arrived at adopting 2005-06 Schedule of Rates (SRs), was also rejected (May 2006) by the CE for the same reason. There was no response for the third tender call made in July 2006. The CE recommended to the Tender Award Committee (TAC), the lowest tender in the fourth call (November 2006) for ₹ 12.88 crore, which was 9.20 *per cent* above the departmental value of work arrived at adopting 2006-07 SRs. The TAC approved the tender in April 2007. Government accorded (October 2009) revised administrative sanction for ₹ 20.98 crore by including provisions for tender premium, cost of acquisition of land, cost of formation of surplus course, formation of children's park etc. The work was completed (April 2011) at a cost of ₹ 18.39 crore.

Scrutiny of records revealed (January 2011) that the lowest tender in the first call was rejected by the CE on the grounds of high tender premium and in view of the fact that the tender, if accepted, would necessitate revision of the administrative sanction for the second time. The lowest tender in the second call was also rejected by the CE citing high tender premium. As the response to the first and second calls was poor and the tender premium quoted in the two calls was almost the same, the CE, at the time of processing the tenders in the second call (May 2006), could have recommended the lowest tender to the TAC for approval. Due to adoption of the SRs for 2006-07, the value of work increased by ₹ 1.23 crore and the lowest tender accepted by the TAC in the fourth call was at 9.20 *per cent* over the increased value of work. Thus, injudicious rejection of the lowest tender in the second call by the CE resulted in extra expenditure of ₹ 1.33 crore as the work had to be awarded at a higher price in the fourth call. Consequent delay in finalising the tender also led to increase in the estimated cost.

When this was pointed out (April 2011), the CE replied (May 2011) that the trend of premium in respect of tenders accepted in the region during 2004-07 was below five *per cent* and that the high-pitched tenders were cancelled expecting tenders with premium not exceeding five *per cent* in the subsequent tender calls. The reply is not acceptable as the normal increase in value of work due to next SRs was not kept in consideration while rejecting the lowest tender in the second call and consequently the tender in the fourth call with 9.20 *per cent* tender premium over the increased value was accepted by the TAC.

Government stated (December 2011) that the lowest tender of the second call was rejected taking into account the unsatisfactory performance of the contractor in respect of six other works awarded to him, his low financial capacity and high tender percentage. The reply is not acceptable since the CE, while instructing (28 May 2006) the SE to cancel the tender and also in subsequent correspondences with TAC had cited only the high tender percentage and the contractor's refusal to further reduce the rates, as reasons for cancellation of the tender and the other reasons as reported by Government were not recorded in the tender documents.

3.3 Blocking of funds

ADI DRAVIDAR AND TRIBAL WELFARE DEPARTMENT

3.3.1 Non-utilisation of Government of India grant

Government of India grant of ₹ 4.80 crore sanctioned for construction of houses for the tribal groups remained unutilised for over two years due to failure of the department to identify the implementing agencies.

For the development of Particularly Vulnerable Tribal Groups (PTG's), Government of India (GOI) in March 2007 directed the State Governments to prepare Conservation-*cum*-Development (CCD) plan. Based on the CCD plan prepared by the State Government, GOI sanctioned (August 2008) grant-in-aid of ₹ 6.73 crore under the central sector scheme of "Development of PTG's" for the years 2007-08 and 2008-09. As per the conditions governing the grant, the State Government was to ensure that there was no unspent balance out of this grant at the end of the financial year and the unspent balance, if any, was to be surrendered to GOI.

Under the scheme, activities such as construction of houses, supply of milch animals, sheep and provision of drinking water facilities were proposed to be undertaken. Out of ₹ 6.73 crore sanctioned, a sum of ₹ 4.80 crore was allocated (November 2008) for construction of 836 housing units for the tribal groups in 13 districts of the State. Accordingly, the State Government sanctioned (February 2009) ₹ 4.80 crore for construction of housing units and directed the implementing agencies to send utilisation certificate on or before 31 October 2009. The Director in turn disbursed (March 2009) the funds to 13 district collectors. However, as of July 2011, the houses remained to be constructed as the implementing agencies to whom the works were entrusted, had failed to undertake the works.

Scrutiny of records in the office of the Director of Tribal Welfare Department revealed (February 2011) that construction of housing units for the tribals out of GOI/State funds was undertaken till 2007-08 by the District Rural Development Agencies (DRDAs) functioning under the Rural Development and Panchayat Raj Department. As the Rural Development and Panchayat Raj Department had expressed (September 2007) its inability to continue the housing works for the tribals due to the burden of their own rural development programmes, Government ordered (April 2008) transfer of all housing works for the tribals pending with DRDAs to the Tamil Nadu Adi Dravidar Housing and Development Corporation (TAHDCO). Accordingly, DRDAs transferred all the pending housing works and the funds to TAHDCO. However, as TAHDCO had demanded (July 2008) higher cost¹⁵ of ₹ 1,52,000 per house for construction of a housing unit than the cost of ₹ 36,500 per house proposed by the department, the department's effort to execute the work through TAHDCO did not materialise. Meanwhile, the Forest Department came forward

¹⁵ Cost as worked out based on the Public Works Department – schedule of rates for the year 2008-09

(June 2009) to execute the housing works for the tribals at the rate of ₹ 58,500 per house and Government ordered (September 2009) the district collectors to transfer the housing works for the tribals pending with TAHDCO to the district forest offices concerned for execution of the work. As ordered, all the housing works with allocated funds were transferred to the district forest offices concerned. However, as of July 2011, the Forest Department had not taken-up the work. The Principal Chief Conservator of Forests informed (July 2010) the Government that the Forest Department was not in a position to take-up the additional work due to heavy work load and vacancies of staff/officers in the department.

Thus, without firmly identifying an agency to execute the work, Government transferred the funds from one agency to another. As a result, as against 836 targeted houses for the tribals, not a single housing unit could be constructed (July 2011), which not only led to blocking of funds of ₹ 4.80 crore for over two years but also deprived the PTGs of being provided with the housing units.

The matter was referred to Government in April 2011; Government stated (December 2011) that based on the Audit observation on perfunctory implementation of housing scheme for PTGs, 223 houses were constructed as against 836 targeted and expeditious action was being taken to construct the balance houses. However, the fact remains that 613 PTG families are yet to be benefited despite the required funds were made available by GOI as early as in the year 2008.

3.4 Regularity issues and others

PUBLIC WORKS DEPARTMENT

3.4.1 Non-availment of the Asian Development Bank's grant for construction of a recharge structure

Undue delay in preparation of estimate for construction of a recharge structure, avoidable revision of the estimate and the department's failure to evaluate the bid as per guidelines resulted in non-availment of the Asian Development Bank's grant of ₹ 3.30 crore.

Government accorded (June 2005) administrative sanction for implementation of the Tsunami Emergency Assistance Project (TEAP) with the financial assistance of the Asian Development Bank (ADB). One of the sub-components of TEAP was 'Water Supply and Sanitation' for which the Tamil Nadu Water Supply and Drainage (TWAD) Board was the project implementing agency.

With a view to improving the sustainability of drinking water resources and arresting sea water intrusion in the Paravanar river, Government sanctioned (October 2005) construction of a sub surface dyke¹⁶ under TEAP at a cost of

¹⁶ Recharge structure like a bed dam constructed across the river

₹ 3.31 crore with stipulation that the project should be completed within three years. As the river was under the administrative control of the Public Works Department (PWD), TWAD Board entrusted (December 2005) the work to PWD as deposit work. The Executive Engineer (EE), PWD, Coleroon River Basin Division, Chidambaram prepared a detailed project report (DPR) and sent (February 2006) it to TWAD Board. The DPR envisaged the dyke design for a maximum discharge of 719 cubic metres per second. The TWAD Board cleared (June 2006) the DPR for invitation of bids and deposited (November 2006 and February 2007) ₹ 3.30 crore with the PWD. The Chief Engineer (CE), PWD Chennai Region forwarded (November 2006) the estimate of the work to the Designs Wing of PWD. The Designs Wing revised (June 2007) the designed maximum discharge at the site of the proposed structure to 1,227 cubic metres per second, taking into consideration the surplus discharge from four other tanks, which led to revision of the estimated cost to ₹ 5.50 crore. The omission on the part of EE (PWD) to include the correct quantum of discharge necessitated revision of the estimate. The TWAD Board obtained revised administrative sanction from Government for ₹ 5.50 crore in January 2008 and revised technical sanction to the estimate was accorded by the CE, PWD, Chennai Region in February 2008.

The Superintending Engineer (SE), PWD, Vellar Basin Circle, Cuddalore invited (March 2008) tenders for the work under two cover system¹⁷. Technical bids received from two bidders were opened (April 2008) by the bid evaluation committee headed by the SE and the technical bid evaluation report was forwarded (May 2008) to the CE to decide the list of eligible bidders for opening of the price bids. The technical bid evaluation report of PWD, with one responsive bid was recommended (May 2008) by TWAD Board to ADB for rejection of the bid as the bidder had not fulfilled the specified technical qualification criteria of execution of two works of value not less than ₹ 3 crore each. When ADB called for (June 2008) documentary evidence for the qualification criteria adopted, the CE *inter alia* replied (July 2008) that weightage of 10 *per cent* per year was added to the construction experience of bidders as the agency had to be decided as early as possible to complete the work within the target period. As reported (February 2009) by CE, based on the directions of ADB, the tender was cancelled (March 2009) by the SE.

Meanwhile, the Chief Secretary to Government instructed (October 2008) PWD and TWAD Board to conduct a joint inspection of the site and to report to Government whether the project was actually required. The Managing Director, TWAD Board, while stating (November 2008) that the scheme was important, suggested to Government to delink the scheme from TEAP as completion of the scheme before October 2009, the closure date for reimbursement of grant by ADB, was impossible. TWAD Board further suggested (January 2009) to take up the work using State funds. PWD had spent ₹ 5 lakh on advertisement charges and other contingencies and refunded (March 2009) to TWAD Board ₹ 3.25 crore. PWD again revised the estimate

¹⁷ Technical bids and price bids separately

of the work to ₹ 5.75 crore and Government was yet (January 2011) to sanction the scheme out of State funds.

Scrutiny of records revealed (November 2010) that PWD took eleven months (December 2005 to November 2006) to send the estimate of the work to the Designs Wing for finalising the design. The designed discharge at the site of the structure had to be changed by the Designs Wing because of omission on the part of the EE to include the surplus discharges from four other tanks. The revision of estimate resulted in further delay of 13 months (December 2006 to December 2007) leading to delay in inviting bids.

Even though PWD invited tenders in March 2008, it could not finalise the bid due to the defective technical bid evaluation report recommending a bidder, who did not fulfill the required qualification criteria. The TWAD Board recommended to ADB (May 2008) to reject the bid as the bid evaluation done by PWD was not as per the ADB guidelines.

Thus, undue delay on the part of Engineers of PWD in preparation of estimate, avoidable revision of estimate due to incorrect assessment of the quantum of surplus discharge and wrong recommendation of the unqualified bidder for ADB's approval resulted in non-commencement of construction of the recharge structure, which was important for protecting the drinking water resources in the river bed. The ADB's grant of ₹ 3.30 crore earmarked for the project could not be utilised due to these departmental failures.

The matter was referred to Government in June 2011; reply has not been received (January 2012).

3.4.2 Non-encashment of the Performance Guarantee on termination of contract

Due to acceptance of the bank guarantee from a foreign bank in violation of the agreement condition and failure to confirm its encashability in India, performance guarantee for ₹ 1.58 crore could not be encashed on termination of contract.

The work of 'Construction of flood defences and resectioning of the Adyar river' was awarded (August 1999) by the Superintending Engineer (SE), Palar Basin Circle, Public Works Department, Chennai to a Malaysian firm at a contract price of ₹ 22.63 crore. As stipulated in the bid documents, performance security of ₹ 1.58 crore was obtained from the firm in the form of Bank Guarantee (BG) issued (24 August 1999) by a bank¹⁸ in Malaysia. The validity of the BG was upto twenty eight days from the date of expiry of defects liability period. Agreement for the work was signed between the firm and SE on 22 September 1999. The target date for completion of the work was 30 June 2001.

The contractor failed to complete the work despite extensions of time given by the department upto March 2007. Show cause notices sent (August 2006 to

¹⁸ Oriental Bank Berhad, Kuala Lumpur

January 2007) to the firm came back undelivered and the firm's whereabouts could not be traced. The work remained incomplete from November 2006 after incurring an expenditure of ₹ 9.79 crore (43 *per cent*). The Executive Engineer, Kosasthalaiyar Basin Division, Thiruvallur addressed (March 2007) the Standard Chartered Bank (SCB), Mumbai which was reported as the corresponding bank in India for the Malaysian Bank, to confirm whether they would act as nodal agency for collecting the claims. A letter sent (March 2007) by the SE to the Malaysian Bank regarding furnishing of bank guarantee for the extended period, returned with the remarks 'left'. When contacted (July 2007) to encash the BG, the SCB clarified that it was only an intermediary corresponding bank for passing the claims to the Malaysian bank and *vice versa* and it had no other responsibility. It also stated that the Malaysian bank was acquired by another bank (Eon Bank Berhad, Kuala Lumpur), which turned down the request of honouring the BG on the ground that there was no record to confirm the issue of BG. A complaint on the issue filed with the Banking Ombudsman by the SE against SCB was rejected (March 2008) on the ground that there was no privity of contract between the SCB and the SE and that the SCB was acting only as a collection agency. The contract was finally terminated by the SE in November 2009 and the work remained incomplete as of September 2011.

Scrutiny of records revealed (November 2010) the following:

As per bid conditions, the performance security in the form of BG should be either from a Nationalised/Scheduled Indian Bank or from a foreign bank located in India. However, the BG issued by the bank located in Malaysia was accepted by the SE in violation of the bid condition. The SE also failed to get it confirmed from the SCB, in clear terms, whether the BG issued by the Malaysian bank was genuine and could be encashed in SCB. As a result, the agreement condition that in case of termination of contract due to the contractor's failure, the security deposits were to be forfeited to Government by invoking the BG, could not be enforced by the SE.

Thus, failure to get the BG from a bank in India and the SE's failure to confirm from SCB about the genuineness and encashability of the BG issued by the foreign bank resulted in loss of ₹ 1.58 crore to the Government.

The Chief Engineer, Water Resources Department stated (November 2011) that the tender which was 27.85 *per cent* less than the departmental estimate was accepted in view of the cost advantage to Government and that an amount of ₹ 56.80 lakh due to the contractor was not paid to the contractor. The reply does not address the issue and the above mentioned failure of the SE resulted in loss of ₹ 1.58 crore to the Government. The work of construction of flood defences and resectioning of the Adyar river also remained incomplete for over five years (September 2011).

The matter was referred to the Government in June 2011; reply has not been received (January 2012).

**FINANCE; BACKWARD CLASSES, MOST BACKWARD CLASSES
AND MINORITIES WELFARE; ANIMAL HUSBANDRY,
DAIRYING AND FISHERIES; AND ENVIRONMENT AND
FORESTS DEPARTMENTS**

3.4.3 Lack of responsiveness of Government to Audit

Response to audit was inadequate as 4,129 Inspection Reports involving 13,772 paragraphs, issued upto September 2010 remained outstanding as of March 2011.

Important irregularities detected by Audit during periodical inspection of Government offices are followed up through Inspection Reports (IRs) issued to the Head of Office with a copy to the next higher authority. Government issued orders in April 1967 fixing a time limit of four weeks for prompt response by the authorities to ensure corrective action against the deficiencies, lapses, etc., pointed out in the IRs. A half-yearly report of pending IRs is sent to the Secretary of the Department by the Accountant General to facilitate monitoring of action on the audit observations.

As of March 2011, 13,772 paragraphs relating to 4,129 IRs (issued upto September 2010) remained to be settled for want of satisfactory replies. Of these, 1,109 IRs containing 2,173 paragraphs (issued upto 2007-08) had not been settled for more than three years. Year-wise position of the outstanding IRs and paragraphs is detailed in the **Appendix 3.3**. Compilation of details by Audit revealed that of the above mentioned unsettled paragraphs, even the initial reply was not received for 353 IRs involving 1,502 paras, relating to 26 departments as detailed in the **Appendix 3.4**. This showed the absence of response from the authorities and as a result, the deficiencies and lapses pointed out continued to be unaddressed.

A scrutiny of the IRs issued upto September 2010 pertaining to three departments viz., Backward Classes, Most Backward Classes and Minorities Welfare Department; Animal Husbandry, Dairying and Fisheries Department; and Environment and Forests Department revealed the following:

- A total of 447 IRs involving 1,370 paragraphs, issued upto September 2010 remained outstanding as of March 2011 as detailed below:

Inspection Reports outstanding as of March 2011

Year in which IRs were issued	Backward Classes, Most Backward Classes and Minorities Welfare Department		Animal Husbandry, Dairying and Fisheries Department		Environment and Forests Department		Total	
	IRs	Paras	IRs	Paras	IRs	Paras	IRs	Paras
Upto 2006-07	6	7	17	28	25	43	48	78
2007-08	3	5	11	17	31	58	45	80
2008-09	16	39	25	69	38	97	79	205
2009-10	11	47	96	264	43	130	150	441
2010-11	22	120	39	145	64	301	125	566
Total	58	218	188	523	201	629	447	1,370

- Even initial replies had not been received as of March 2011 in respect of 33 IRs involving 158 paragraphs issued upto September 2010.
- As a result of the long pendency, audit observations involving money value of ₹ 402.38 crore as detailed in Appendix 3.5 had not been settled as of March 2011.

Government constituted Audit and Accounts Committees at both the State and department level for consideration and settlement of the outstanding audit observations. During the meetings of these committees and joint sittings with the departmental officers between April 2010 and March 2011, 841 paragraphs were settled.

The matter was referred to Government in November 2011; reply has not been received (January 2012).

3.5 Thematic issues

HEALTH AND FAMILY WELFARE DEPARTMENT

3.5.1 Augmentation and upgradation of the Accident and emergency care centres in Government Hospitals

3.5.1.1 Introduction

The accident and emergency care centres (AECC) in the Government hospitals play a major role in providing proper medical treatment in the first “golden hour” of accidents. A well equipped AECC by providing timely and proper medical treatment can save the victim’s life and avoid possible disability. The Government of India (GOI) released ₹ 14.48 crore during 2001-06, for augmentation and upgradation of emergency care services in 10 Government hospitals¹⁹ in the State. The process of augmentation of accident and emergency services involved (i) purchase of well-equipped ambulance and basic essential equipment required for accident and trauma services; (ii) communication system; (iii) setting up of infrastructure (Blood Bank, Examination Room, Intensive Care Unit and Burn beds, X-ray Room, Reception and Control room, Minor Operation Theatre); and (iv) beds and equipment. The process of upgradation involved execution of civil/electrical works for smooth functioning of the accident and trauma services.

A study on the augmentation and upgradation of AECCs in the Government hospitals covering the period 2008-11 was conducted (April 2011 to June 2011) in all the 10 AECCs for which GOI sanctioned funds. The records in the office of Director of Medical and Rural Health Services (DM&RHS) were also audited. The audit findings are discussed in the succeeding paragraphs.

¹⁹ Cuddalore, Melur, Namakkal, Omalur, Padmanabapuram, Perambalur, Tambaram, Tenkasi, Villupuram and Wallajah

3.5.1.2 Ambulance services

As per GOI guidelines (1999) for providing financial assistance to the selected Government hospitals of various States for emergency care centres in towns/cities on national highways, each AECC was to be supplied two ambulances with life saving equipment such as ferno flex chair, ventilator, vacuum split kit, scoops stretcher, oxygen cylinder, suction pump, spine board, resuscitation bag, wireless equipment, B.P. instrument etc. Though two ambulances were purchased and supplied (August 2002 to April 2007) to each AECC, it was noticed (April and May 2011) that no ambulance was fitted with life saving equipment like ventilator. Equipment worth ₹ 56 lakh were yet to be procured and fitted in the ambulances.

Out of 20 ambulances supplied, one in Cuddalore and another in Tenkasi Government hospitals met with fire/road accident (February/ March 2009) and the department had not taken any action to obtain replacement for the accident hit ambulances.

As per GOI guidelines, the ambulances should be deployed at strategic locations on highways in consultation with the transport/police authorities so as to reach the accident site within the shortest possible time for resuscitation and shifting of the patients to the AECCs. It was noticed that in the upgraded AECCs, the ambulances were stationed at the hospital premises. Audit scrutiny of records revealed that the ambulances were used to carry the patients only to other referral hospitals. The task of lifting the accident victims from the accident site to the AECCs was left to the “108 free Ambulance Services” operated in the State.

3.5.1.3 Inadequacy of equipment

As against ₹ 7.28 crore allotted during 2001-06 by GOI for the purchase of sterilization, surgical, orthopaedic, anaesthetics and resuscitation equipment, the department spent only ₹ 6.45 crore during May 2003 to February 2007 on purchase of equipment. It was noticed that X-ray accessories for seven AECCs²⁰ were yet to be purchased and supplied to them. Anaesthetic ventilator supplied (March 2007) to the AECC in Melur Government hospital at a cost of ₹ 1.09 lakh was not used due to non-conduct of demonstration by the supplier and non-imparting of training to the Anaesthetist. C.T. scan facilities to diagnose head injury and other related ailments were not available in six²¹ out of 10 Government hospitals where the AECCs were upgraded.

3.5.1.4 Shortage of manpower

As per the condition governing GOI grant, the State Government should ensure posting of the required specialists like Anaesthetist, surgical specialist, orthopaedic specialist and supporting staff in the AECCs. The analysis of details of manpower in eight Government hospitals revealed that the number

²⁰ Cuddalore, Melur, Namakkal, Padmanabapuram, Tambaram, Tenkasi and Wallajah

²¹ Melur, Omalur, Padmanabapuram, Tambaram, Tenkasi and Wallajah

of medical specialists such as orthopaedic surgeon and Anaesthetist in position was far less than the requirement as detailed in **Appendix 3.6**. Further in all the 10 Government hospitals where AECCs were upgraded, there was no neuro surgeon/neuro physician to treat head injury/multiple injury. The DM&RHS stated (November 2011) that post like ortho specialist was operated in AECCs as sanctioned by the Government and posts such as neurologists, cardiologists and gastroentologists etc., which come under the super speciality category were not sanctioned for the Government Hospitals functioning under DM&RHS. The DM&RHS further stated that posts such as neurologists and cardiologists were not only coming under the super speciality category but also available as scarce category only in few numbers in medical college hospitals. Non-posting of specialist doctors in upgraded AECCs could affect rendering of qualitative medical treatment to the victims in the golden hour of accidents. Further, Audit noticed that though 20 posts of drivers were sanctioned for operating ambulances in 10 AECCs, only 16 drivers were in position. As a result, round the clock operation of ambulances in AECCs could not be ensured.

3.5.1.5 Performance of medical care services in AECCs

The details of road traffic accident cases reported and referred to other hospitals in the 10 AECCs during 2008-11 are as follows:

Government Hospital	(Number of cases)					
	2008-09		2009-10		2010-11	
	Road Traffic Accident cases	Orthopaedic/ Neuro Referral out cases	Road Traffic Accident cases	Orthopaedic/ Neuro Referral out cases	Road Traffic Accident cases	Orthopaedic/ Neuro Referral out cases
Cuddalore	2,315	1,089	2,390	1,148	3,299	1,151
Melur	551	471	945	739	1,123	864
Namakkal	1,320	88	1,116	59	1,454	52
Omalur	376	91	623	151	757	272
Padmanabapuram	NA	NA	236	212	352	187
Perambalur	2,108	172	1,869	155	1,763	132
Tambaram	468	22	172	106	587	230
Tenkasi	123	65	738	203	2,716	532
Vellore/Wallajah	970	202	1,374	636	1,428	534
Villupuram	2,843	453	2,934	852	3,470	998
Total	11,074	2,653	12,397	4,261	16,949	4,952

NA: Not available

It could be seen from the above that the number of cases referred to the other hospitals had increased over the years despite efforts of upgradation.

Further, cases not requiring referral, but manageable by the Government hospitals, were admitted as in-patients in the Accident and Emergency (A&E) wards. Records revealed that 1,376 patients died in the A&E wards of nine Government hospitals during 2008-2011 (**Appendix 3.7**). This indicated the

inadequacies in extending proper medical care services at the crucial time to the accident victims in the AECCs.

Thus, lack of infrastructure such as non-equipping of the ambulances with life saving equipment, non-deployment of the ambulances on strategic locations on highways and inadequate number of specialists had contributed to denial of timely medical care services to the accident victims. Therefore, Government needs to address these deficiencies to provide adequate and effective health care services to the victims.

The above points were referred to Government in August 2011; reply has not been received (January 2012).