

**Report of the
Comptroller and Auditor General of India
on
Economic Sector**

for the year ended March 2012

**Government of Tamil Nadu
Report No.4 of the year 2013**

TABLE OF CONTENTS

	Paragraph	Page
Preface		v
CHAPTER I - GENERAL		
Introduction	1.1	1
Trend of expenditure	1.2	1
About this Report	1.3	3
Authority for Audit	1.4	3
Planning and conduct of Audit	1.5	3
Response to Audit	1.6	4
Status of placement of Separate Audit Report on Autonomous Bodies	1.7	5
Significant Audit Observations	1.8	5
CHAPTER II		
Chief Controlling Officer Based Audit on Agriculture Department	2	7
Executive summary		
Introduction	2.1	8
Organisational Setup	2.2	8-9
Reasons for selection of the Department	2.3	9
Audit objectives	2.4	10
Audit criteria	2.5	10
Scope and methodology of Audit	2.6	10
Audit findings	2.7 - 2.15	11-33
Planning	2.7	11-12
Strategy for Agricultural growth	2.8	13-15
Seed Management	2.9	15-20

	Paragraph	Page
Implementation of Schemes	2.10	20-25
National Food Security Mission	2.11	25-27
Centre-State Shared Schemes	2.12	27-30
State Schemes	2.13	30-31
Internal Control and Monitoring	2.14	32-33
Constraints faced by Audit	2.15	33
Conclusion		33-34
Recommendations		34
CHAPTER III – AUDIT OF TRANSACATIONS		
Avoidable expenditure	3.1	
HIGHWAYS AND MINOR PORTS DEPARTMENT		
Manipulation of traffic census	3.1.1	35-36
Undue benefit to contractors	3.1.2	36-37
Unintended benefit to the contractor	3.1.3	37-38
Avoidable extra expenditure	3.1.4	38
Avoidable expenditure	3.1.5	38-39
Avoidable extra liability	3.1.6	39-40
Avoidable Expenditure due to excess provision of Cement in the estimate	3.1.7	40
PUBLIC WORKS DEPARTMENT		
Avoidable extra expenditure	3.1.8	41-42
HIGHWAYS AND MINOR PORTS DEPARTMENT		
Non-realisation of revenue due to Government	3.1.9	43-44

	Paragraph	Page
HANDLOOMS, HANDICRAFTS, TEXTILES AND KHADI DEPARTMENT		
Avoidable interest liability on the Government	3.1.10	44-45
PUBLIC WORKS DEPARTMENT		
Avoidable payment of interest	3.1.11	46-47
Blocking of funds	3.2	
HIGHWAYS AND MINOR PORTS DEPARTMENT		
Non-utilisation of Central Mixing Plants	3.2.1	47-48
HANDLOOMS, HANDICRAFTS, TEXTILES AND KHADI DEPARTMENT		
Release of grant without immediate requirement	3.2.2	48-50
Regularity issues	3.3	
HIGHWAYS AND MINOR PORTS DEPARTMENT		
Irregular retention of funds outside Government account	3.3.1	50-51

Annexure No.	Details	Reference to Para No.	Page No.
1.	Department wise details of Inspection Reports and Paragraphs pending	1.6.2	53
2.	Target and achievement in respect of area under cultivation of major crops during 2009-12	2.8.1	54
3.	State Seed Farms	2.9.3	55-56
4.	Details of Physical and Financial target and achievement under the Seed Village Scheme	2.9.7	57
5.	Drawal of GOI subsidy without actual distribution of seeds to the farmers	2.9.10	58
6.	Procurement of storage bins violating Government of India Guidelines	2.9.11	59
7.	(a) Funds drawn but Conoweeder, Marker not issued to farmers (b) Conoweeder, Marker partially distributed to beneficiaries	2.10.6	60-61

PREFACE

1. This Report has been prepared for submission to the Governor under Article 151 of the Constitution of India.
2. The Report starts with an Introductory Chapter outlining the audit scope, mandate and the key audit findings which emerged during the year-long audit exercise. Chapter II deals with the Chief Controlling Officer based Audit on Agriculture Department. Chapter III deals with findings of transaction audit in Highways and Minor Ports, Public Works and Handlooms, Handicrafts, Textiles and Khadi Departments.
3. Reports containing (a) observations arising out of audit of Statutory Corporations, Boards and Government Companies, (b) observations on revenue receipts of the State Government, (c) observations relating to local bodies and (d) observations on the finances of the State Government are being presented separately.
4. The cases mentioned in this Report are among those which came to notice in the course of test audit of accounts during the year 2011-12 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports. Matters relating to the period subsequent to 2011-12 have also been included, wherever necessary.

CHAPTER I GENERAL

1.1 Introduction

Tamil Nadu is one of the largest States of India with a population of 7.21 crore and a geographical area of 1,30,058 sq.kms. For the purpose of Administration there are 37 Departments at the Secretariat level headed by Principal Secretaries/Secretaries who are assisted by Directors/Commissioners and Sub-ordinate officers under them.

Government functioning is broadly classified as General Services, Social Services and Economic Services. This report covers the functioning of 10¹ major Departments of the Economic Sector including important Departments such as Agriculture, Industry, Highways, *etc.*

Of the 10 Departments with a total expenditure of ₹ 12,358.21 crore covered here, the bulk of the expenditure was incurred by Highways (40.21 *per cent*), Public works (27.73 *per cent*) and Agriculture (16.59 *per cent*) Departments during 2011-12.

1.2 Trend of expenditure

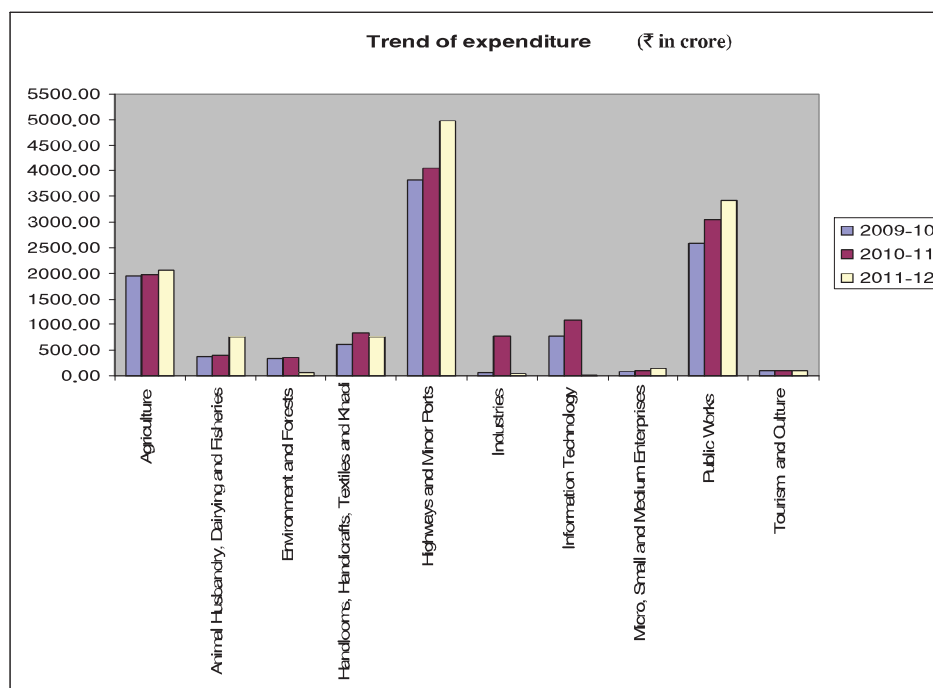
Table 1: Table showing the trend of expenditure for three years

(₹ in crore)

Sl. No.	Name of the Department	2009-10	2010-11	2011-12
1	Agriculture Department	1,960.65	1,965.99	2,050.02
2	Animal Husbandry, Dairying and Fisheries Department	370.13	400.99	758.98
3	Environment and Forests Department	343.14	365.52	64.92
4	Handlooms, Handicrafts, Textiles and Khadi Department	616.15	836.88	763.82
5	Highways and Minor Ports Department	3,816.05	4,045.05	4,968.76
6	Industries Department	67.67	775.73	47.01
7	Information Technology Department	771.10	1,091.62	29.06
8	Micro, Small and Medium Enterprises Department	78.20	105.84	143.22
9	Public Works Department	2,586.61	3,051.92	3,427.39
10	Tourism and Culture Department	106.27	106.77	105.03
Total		10,715.97	12,746.31	12,358.21

(Source: Finance Accounts for the year 2009-10, 2010-11 and 2011-12)

¹ 1. Agriculture 2. Animal Husbandry, Dairying and Fisheries 3. Environment and Forests 4. Handlooms, Handicrafts, Textiles and Khadi 5. Highways and Minor Ports 6. Industries 7. Information Technology 8. Micro, Small and Medium Enterprises 9. Public Works and 10. Tourism and Culture.



Analysis of increase in expenditure in 2011-12 over the previous year shows an increase of ₹ 923.71 crore in Highways and Minor Ports Department and ₹ 357.99 crore in Animal Husbandry, Dairying and Fisheries Department. The increase in Highways and Minor Ports department was mainly due to increase in expenditure on District and other Roads (₹ 465.64 crore), widening and strengthening of Roads and construction of Bridges (₹ 202.21 crore).

There was a decrease in expenditure of ₹ 1,062.56 crore in Information Technology Department, ₹ 728.72 crore in Industries Department, ₹ 300.60 Crore in Environment and Forests Department and ₹ 73.06 crore in Handlooms, Handicrafts, Textiles and Khadi Department during 2011-12 over the previous year.

1.2.1 Some major schemes implemented by the departments in the Economic Sector during 2011-12

- (i) National Agriculture Development Programme (₹ 166.18 crore) implemented by Agriculture Department.
- (ii) Comprehensive Road Infrastructure Development Programme (CRIDP) - (State Highways, Major District Roads, Other District Roads (ODR), ODR (Special component) (₹ 1,729.46 crore) implemented by Highways Department.
- (iii) Revamped Central Road Fund (₹ 147.45 crore) implemented by Highways Department.
- (iv) Tamil Nadu Road Sector Project (₹ 123.81 crore) implemented by Highways Department.

- (v) Flood Management Programme (₹ 508 crore) implemented by Public Works Department
- (vi) Free distribution of sheep/goat/milch cows to the persons living Below Poverty Line under special component (₹ 167 crore) implemented by Animal Husbandry Department.

1.3 About this Report

This Report of the Comptroller and Auditor General of India (C&AG) relates to matters arising from Compliance Audit of 10 Government Departments and 48 Autonomous Bodies under the Economic Sector. Compliance Audit covers the examination of the transactions relating to expenditure of the audited entities to ascertain whether the provisions of the Constitution of India, applicable laws, rules, regulations and various orders and instructions issued by the competent authorities are being complied with.

1.4 Authority for Audit

The Authority for Audit by the C&AG is derived from Articles 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) (DPC) Act, 1971. C&AG conducts Audit of Expenditure of the Departments of Government of Tamil Nadu under Section 13² of the C&AG's (DPC) Act. C&AG is the sole Auditor in respect of Autonomous Bodies which are audited under Sections 19(3)³ and 20(1)⁴ of the C&AG's (DPC) Act. In addition, C&AG also conducts Audit of other Autonomous Bodies, under Section 14⁵ of C&AG's (DPC) Act, which are substantially funded by the Government. Principles and methodologies for various audits are prescribed in the Auditing Standards and the Regulations on Audit and Accounts, 2007 issued by the C&AG.

1.5 Planning and conduct of Audit

The primary purpose of this Report is to bring to the notice of the State Legislature, important results of Audit. Auditing Standards require that the materiality level for reporting should be commensurate with the nature, volume and magnitude of transactions. The findings of Audit are expected to enable the Executive to take corrective action as also to frame policies and directives that will lead to improved Financial Management of the Organisations, thus contributing to better governance.

² Audit of (i) all transactions from the Consolidated Fund of the State, (ii) all transactions relating to the Contingency Fund and Public Accounts and (iii) all trading, manufacturing, profit and loss accounts, balance sheets and other subsidiary accounts.

³ Audit of the accounts of Corporations (not being Companies) established by or under law made by the State Legislature at the request of the Governor.

⁴ Audit of accounts of any body or authority on the request of the Governor, on such terms and conditions as may be agreed upon between the C&AG and the Government.

⁵ Audit of (i) all receipts and expenditure of a body/authority substantially financed by grants or loans from the Consolidated Fund of the State and (ii) all receipts and expenditure of any body or authority where the grants or loans to such body or authority from the Consolidated fund of the State in a financial year is not less than ₹ one crore.

Audit process starts with the assessment of risks faced by various Departments of Government based on expenditure incurred, criticality/complexity of activities, level of delegated financial powers, assessment of overall internal controls and concerns of stakeholders. Previous Audit findings are also considered in this exercise. Based on this risk assessment, the frequency and extent of Audit are decided.

After completion of Audit, Inspection Reports containing Audit findings are issued to the heads of the Departments. The Departments are requested to furnish replies to the Audit findings within one month of receipt of the Inspection Reports. Whenever replies are received, Audit findings are either settled or further action for compliance is advised. Important Audit observations arising out of these Inspection Reports are processed for inclusion in the Audit Reports, which are submitted to the Governor of the State under Article 151 of the Constitution of India. During 2011-12, 403 units of various Departments/Organisations under Economic Sector were audited and Inspection Reports issued containing 1,686 Paragraphs in total.

1.6 Response to Audit

1.6.1 Draft Paragraphs and Chief Controlling Officer Based Audit

Fourteen Draft paragraphs and Chief Controlling Officer (CCO) based Audit findings on Agriculture Department were forwarded demi officially to the Principal Secretaries/Secretaries of the Departments concerned between June and December 2012 with the request to send their responses within six weeks. Departmental replies for only four out of 14 Draft Paragraphs issued during the year 2011-12 have been received. The replies have been incorporated in the report. In respect of the CCO based Audit of the Agriculture Department, an Exit Conference was held with representatives of the Government in December 2012 and views expressed in the conference have been considered in the Report.

1.6.2 Pending replies to Inspection Reports

The Principal Accountant General (E&RS Audit), Tamil Nadu (PAG) arranges to conduct periodical inspections of the Government Departments to test check the transactions and verify the maintenance of important accounts and other records as prescribed in the rules and procedures. These inspections are followed up with Inspection Reports (IRs) incorporating irregularities detected during the inspection and not settled on the spot, which are issued to the heads of the offices inspected with copies to the next higher Authorities for taking prompt corrective action. The heads of the offices/Government are required to promptly comply with the observations contained in the IRs, rectify the defects and omissions and report compliance through initial replies to the PAG within one month from the date of issue of the IRs. Serious financial irregularities are reported to the heads of the Departments and the Government.

We reviewed the IRs issued upto 31 March 2012 and found that 4,372 paragraphs relating to 1,488 IRs remained outstanding at the end of September 2012 as detailed in **Annexure-1**.

This large pendency of IRs, due to non-receipt of replies, was indicative of the fact that heads of offices and heads of Departments did not initiate appropriate and adequate action to rectify the defects, omissions and irregularities pointed out by us in the IRs.

1.7 Status of placement of Separate Audit Report on Autonomous Bodies

Separate Audit Report (SAR) on Tamil Nadu Maritime Board for the year 2010-11 was placed in the State Legislature on 19 April 2012. SAR for the year 2011-12 is yet to be placed in the State Legislature.

1.8 Significant Audit Observations

1.8.1 CCO based Audit on Agriculture Department was conducted during the year. Some of the observations are given below:

- There was no control over conversion of agricultural lands for other purposes even though the Government aimed at stabilising area under agricultural production. The Centrally Sponsored Schemes were implemented without following the GOI guidelines. Subsidy was drawn without issue of seeds to the farmers and distribution of storage bins under the Seed Village Scheme was in violation of guidelines.
- Schemes for soil improvements intended to cater to the basic needs of farmers to improve the yield and reduce the fertiliser consumption were not implemented properly due to inadequate manpower, non-establishment of Agriclincs.
- The State Seed Farms established with the main objective of supplying quality seeds at economic cost to the farmers had produced only one MT to 1.5 MT as against the target of two MT per acre per State Seed Farms.
- Delay in communication of test results of seed samples beyond the stipulated time resulted in sale of seed available at the time of seed inspection before the ban orders on sales. As a result, the seeds of poor quality were supplied.
- National Agricultural Insurance Scheme lacked control and monitoring. Manipulation of the records and denial of compensation to genuine beneficiaries remained unchecked/uncorrected.
- Belated release of funds affected implementation of schemes and denial of benefits to the farmers. Further, continued savings due to allocation of scheme funds at the fag end of the financial year indicated improper planning.

1.8.2 Compliance Audit of transactions

Audit of financial transactions in various departments of the Government and the field offices, revealed instances of avoidable expenditure, blocking of funds and regularity issues. Some of the important findings are given below:

Adoption of fictitious traffic census for widening a road led to avoidable expenditure of ₹ 1.69 crore.

(Paragraph 3.1.1)

Rectification of defects in the widened portion of the two roads through new contractors instead of by the original contractors at their risk and cost led to avoidable extra expenditure of ₹ 2.31 crore.

(Paragraph 3.1.2)

Provision of excess cement in the estimates due to non-adherence of MORTH specifications resulted in avoidable expenditure of ₹ 1.33 crore.

(Paragraph 3.1.7)

Avoidable extra expenditure of ₹ 2.98 crore and an additional liability of ₹ 0.25 crore due to adoption of incorrect rates/specifications and unauthorised quarrying in PWD canal lands.

(Paragraph 3.1.8)

Imposition of unacceptable conditions on the Banks for adjustment of funds against the loan for Common Effluent Treatment Plants resulted in loss of ₹ 5.34 crore to the Government exchequer.

(Paragraph 3.1.10)

CHAPTER II

2 Chief Controlling Officer Based Audit on Agriculture Department

Executive Summary

Tamil Nadu is an agrarian State and 45 *per cent* of the population depends on agriculture for the livelihood. However, the net area under cultivation had reduced from 50.62 lakh hectares in 2007-08 to 49.54 lakh hectares in 2010-11. The productivity of most of the crops has stagnated since 1990 despite incurring ₹ 1,487 crore on plan schemes of agricultural production during the period 2009-12. The Government of Tamil Nadu in its Eleventh Five Year Plan (2007-12) aimed to achieve four *per cent* increase in agricultural production but ended up with only 1.1 *per cent* increase with negative growth during 2007-09. Given this background, we took up Audit between April and September 2012 of major schemes implemented and the functioning of Agriculture Department during the period 2009-10 to 2011-12.

Planning

The Government did not formulate any long-term plans to identify critical areas for agricultural development. Government prepared its policy notes on annual basis in a routine manner without considering the inputs of field offices on local needs. There was no control over the conversion of agricultural lands for other purposes, largely due to lack of co-ordination between Agriculture and Revenue Departments. Consequently, the area under fallow lands increased from 24 lakh hectares in 2007-08 to 25.95 lakh hectares in 2010-11.

Implementation of the schemes

The 'Soil Health Scheme' intended to improve the yield and to reduce fertiliser was not effectively implemented. The State Seed Farms could achieve supplying quality seeds only upto 29 *per cent* of the required quantity and for balance of quantity, the farmers relied on costlier private sources.

The production of bio-fertilisers suffered due to inability of the Department to provide required infrastructure. Delay in communication of test results of the seed sampled led to sale of sub-standard seeds worth ₹ 3.54 crore in the market. The National Agricultural Insurance Scheme lacked control and monitoring. Excess premium amount of ₹ 2.59 crore collected by the nodal bank was not returned to the farmers. Compensation to the tune of ₹ 1.11 crore payable to the farmers whose lands were affected by natural calamity was not paid due to the submission of incorrect declaration by the bank.

There were instances of submission of bogus insurance claim to the extent of ₹ 25.28 crore by manipulating the records on ownership of agricultural lands at the village level.

Due to execution of an unviable scheme on cultivation of Jatropha plantations an expenditure of ₹ 1.80 crore became unfruitful.

Internal control and Monitoring

The control and monitoring of implementation of the schemes by the Department was deficient as was evident from the fact that there were instances of rush of expenditure at the fag end of the financial year and drawal of funds far ahead of the requirement.

2.1 Introduction

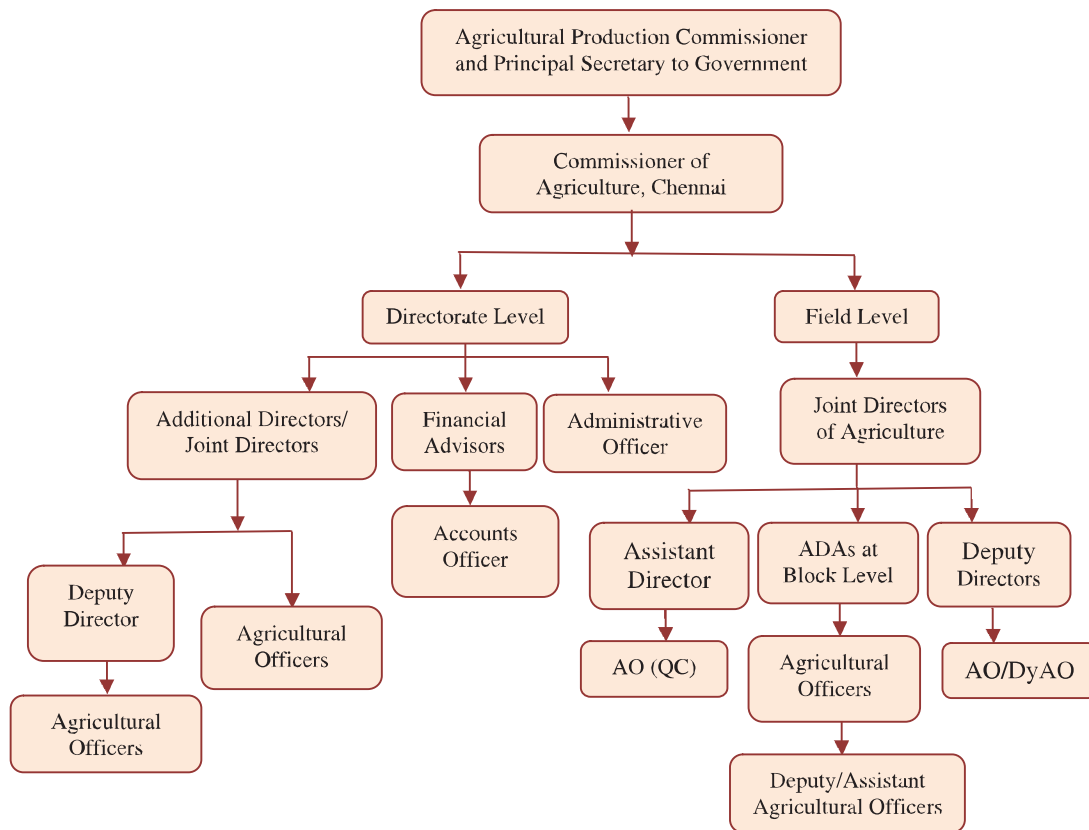
Tamil Nadu is an agrarian State. Out of the total geographical area of 130.33 lakh hectares in the State, 57.53 lakh hectares (44 *per cent*) was cultivable land. Approximately 52 *per cent* of the population of the State lives in rural areas (as per Census 2011) while 45 *per cent* of the population depends on agriculture for their living and livelihood. Rice has been the main crop of the State constituting 33.1 *per cent* of the cultivable area. Agriculture is still regarded as the mainstay of the State's economy.

The broad objective of the State Agriculture Department is to increase agricultural production and productivity as well as farmer's welfare. Keeping in line with Eleventh Five Year Plan period, the State aimed at achieving a growth rate of four *per cent* in the agriculture sector on a sustainable basis and enhancing productivity of important crops. Some of the major Centrally Sponsored Schemes under implementation in the State were National Agriculture Development Programme (NADP), Seed Village Scheme (SVS), National Food Security Mission (NFSM) *etc.*, and the Shared Schemes included National Agricultural Insurance Scheme (NAIS). The State Sponsored Schemes concentrate on Procurement and distribution of paddy and millet seeds, Crop and plant protection scheme, Scheme for increasing production of oil seeds *etc.*

2.2 Organisational setup

The Agricultural Production Commissioner and the Principal Secretary is the Chief Controlling Officer (CCO) of the Agriculture Department. The Commissioner of Agriculture (COA) is the Functional Head and Controlling Officer (CO) of the Agriculture Department. The Commissioner is assisted by Additional Directors, Joint Directors of Agriculture (JDA), Deputy Directors of Agriculture (DDA) and Agricultural Officers (AO) at the Commissionerate. The planning, execution and monitoring of different schemes in the State are entrusted to the Additional/Deputy Directors. At district level, each district is headed by a JDA who is assisted by Deputy Director and AO. At block level, the Assistant Directors of Agriculture (ADA) are assisted by AO/Deputy Agricultural Officers (DAO) and Assistant Agricultural Officers (AAO). At block level, there are 379 Drawing and Disbursing Officers (DDO) in the cadre of ADA.

The Organisational chart of the Agriculture Department is given below:



2.3 Reasons for selection of the Department

The net area under cultivation had reduced from 50.62 lakh hectares in 2007-08 to 49.54 lakh hectares in 2010-11 despite incurring an expenditure of ₹ 1,487 crore on plan schemes during the period 2009-12. Moreover, out of the 80 lakh farmers, 91 *per cent* constitute small and marginal farmers with an average land holding of 0.83 hectares as per 2005-06 census which was lower than the All India average of 1.33 hectares. While preparing the Eleventh Five Year Plan, the Government of Tamil Nadu (GoTN) noticed that production and productivity of most of the crops have stagnated since mid-1990 due to widespread degradation of natural resources including declining soil fertility, organic matter and depletion of ground water resources as well as deterioration of water quality.

Audit of Agriculture Department was taken up between April and September 2012 to assess the impact of schemes taken up by the Department to achieve the Eleventh Five Year Plan target of four *per cent* and the achievements made there against.

2.4 Audit objectives

The objectives of this audit were to assess whether:

1. Perspective plan and Annual Plans for the Agricultural Sector dovetailed to the Eleventh Five Year Plan were prepared for comprehensive agricultural growth,
2. Implementation/strategies for the plans were effective and efficient and
3. Internal control system and Inspection/monitoring were in place and effective.

2.5 Audit criteria

Audit criteria were adopted from the following sources:

- Eleventh Five Year Plan and Annual Plans
- Policy notes of the GoTN and the targets proposed under the Annual Plans
- Budget allocations of the GoTN for various schemes.
- Guidelines of the Government of India (GOI), GoTN and Departmental guidelines for implementation of Schemes.
- Tamil Nadu Financial Codes and Manuals for procurement and expenditure.
- Prescribed Monitoring Mechanism.

2.6 Scope and methodology of Audit

The audit of Agriculture Department was conducted between April and September 2012 by test checking the records of the Directorate and Field Offices for the years 2009-12. Ten¹ districts out of 30 agricultural districts, and 47 Blocks out of the total number of 142 Block level offices of the selected 10 districts were chosen using Simple Random Sampling Method. An Entry Conference was held in March 2012 with the Joint Secretary to Government, Agriculture Department and the COA during which audit methodology, objective and coverage were discussed. Audit findings were explained in the Exit Conference (December 2012) with the Government which was headed by the Agricultural Production Commissioner and the Principal Secretary to Government, Agriculture Department and the COA. Responses of the CCO during the Exit Conference were considered and appropriately incorporated in the report.

The draft report on audit was issued to the Government in December 2012 and their reply is awaited.

¹ Coimbatore, Dindigul, Kanyakumari, Madurai, Nagapattinam, Thanjavur, Thoothukudi, Tirunelveli, Tiruvannamalai and Villupuram

Audit Findings

The findings of audit as a result of such test check of records are detailed below:

2.7 Planning

The Eleventh Five Year Plan of GoTN aimed at achieving a growth rate of four *per cent* in agricultural sector and food security through higher food grain production by stabilising area under production and bridging the yield gap, focusing on rainfed crops to increase production as well as farmer's income and achieving soil health security through Soil Health Care, moving from input driven agriculture to technology driven agriculture and Organic Farming for growth of agriculture in the State. Against this, the actual growth rate during 2007-12 was, however, 1.1 *per cent* and there was negative growth during 2007-08 and 2008-09. Our analysis for shortfall is given below:

2.7.1 Absence of long-term planning

Long-term planning is essential for good governance. The Government did not formulate any long-term plan to identify the critical areas and to take remedial action for agriculture development. However, the Government prepared policy notes every year in a routine fashion for implementation of Centrally sponsored/State schemes without a comprehensive Perspective Plan.

The Government confirmed during the Exit Conference that no long-term Perspective Plan was formulated for agricultural development and informed that the process of making such plans has been started. In the absence of long term plans, issues like soil testing, plant protection, agriculture mechanisation, shortage of staff, timely availability of funds and other factors affecting the agricultural growth and productivity could not have been addressed in a scientific and focused manner.

2.7.2 Annual plans

Planning for the GoTN is done by the State Planning Commission which prepares annual plans based on the policies and priorities of the Government, undertake mid-term review of the Five Year Plans, carryout special studies as required for formulation and implementation of plan projects and programmes. The annual plan for the agriculture and allied sector forms part of State annual plan.

The Agriculture Department prepares annual plan based on outlay for the on-going State/Centrally sponsored schemes. Audit, however, noticed that the annual plan did not prioritise activities based on any consultations at the grass root level or lay down a strategy for bringing synergy and convergence between GOI sponsored schemes such as NADP, NFSM etc. Failure to do so resulted in overlapping of components of various schemes as discussed in paragraph 2.7.4.

2.7.3 Planning without consulting the field level

Planning Commission of India in its ‘Manual for Integrated District Planning’ emphasised the need for planning at field level to ensure that plans relevant to the local area were prepared with participation of local communities. The District Agricultural Plan (DAP) was, however, prepared (2008) only for NADP. Audit noticed that the Department did not prepare comprehensive agricultural plan for the districts. It is pertinent to mention that the guidelines of NADP stipulated the preparation of DAP projecting the requirement of local needs for development of Agriculture and allied sector of the districts and incorporate them into a comprehensive State Agricultural Plan taking into account the local needs.

In order to increase the productivity and also to mitigate the local problems, the District offices had proposed various components in the DAP submitted under the NADP. In five test checked districts² audit noticed that the proposal and funds requirement as stipulated in the DAP were not considered while releasing funds. Thus the local needs were not taken into account and the planning did not cater to the requirements of the field offices.

2.7.4 Overlapping of activities under different schemes

A State Level Sanctioning Committee (SLSC) constituted (August 2007) under NADP was responsible for sanctioning the projects of the scheme and to ensure that no duplication of efforts or resources took place. Audit noticed that, despite this, the components of the schemes were overlapping as the same were implemented within the Department in other schemes and also through schemes in other Departments. Scrutiny of records on implementation of the schemes revealed that Power tillers and Rotovators were distributed by the Government under the GOI schemes namely, Macro Management of Agriculture (MMA), NADP by Agriculture Engineering Department and NFSM by the COA. The amounts incurred on supply of Power tillers and Rotovators were ₹ 32.85 crore and ₹ 8.52 crore respectively under these schemes as given below in **Table 2.1**.

Table 2.1: Distribution of Rotovators/Power tillers under different schemes
(₹ in crore)

Name of the scheme	Implementing Agency	Power tiller	Rotovator	Total
MMA	Agriculture Engineering Department	23.36	1.04	24.40
NADP	Agriculture Engineering Department	2.66	3.10	5.76
NFSM (Rice)	Agriculture Department	2.29	3.11	5.40
NFSM (Pulses)	Agriculture Department	4.54	1.27	5.81
Total		32.85	8.52	41.37

(Source: Details furnished by Agriculture Department/Agriculture Engineering Department)

During the Exit Conference, the Principal Secretary to Government concurred with the audit point and informed that suitable remedial action would be taken in future.

² Madurai, Tirunelveli, Thoothukudi, Kanyakumari and Villupuram.

2.8 Strategy for Agricultural growth

In the Eleventh Five Year Plan, the Government aimed to increase the productive capacity of agriculture through increased acreage and higher productivity. To achieve the projected growth, Government laid down strategies which, *inter alia*, included bringing fallow lands under cultivation, adequate care of soil health, *etc.*

2.8.1 Decrease in area under cultivation

The main objective as per the Eleventh Five Year Plan was to achieve food security through stabilising area under production and bridging the yield gap. It was proposed to bring every piece of land/fallow land under cultivation. The Government in the Eleventh Five Year Plan aimed at reduction in the current³ and other fallow⁴ lands by bringing every piece of cultivable land under cultivation and increasing cropping intensity significantly.

As against the strategy to reduce the current and other fallow lands to increase the available area for agricultural operations, audit noticed that the area under fallow lands increased from 24 lakh hectares at the beginning of Eleventh Five Year Plan (2007-12) to 25.95 lakh hectares during 2010-11.

Increase in fallow lands reflects diversion of land for other purposes. Further, the total area under cultivation declined from 50.62 lakh hectares in 2007-08 to 49.54 lakh hectares in 2010-11. As against the targeted area of coverage fixed for Eleventh Five Year Plan period, the achievement of area under cultivation in respect of all the major crops indicated a shortfall during 2009-12 (except for sugarcane in 2011-12) (**Annexure-2**).

Paddy

As against the targeted area of coverage of 22 lakh hectares fixed for Eleventh Five Year Plan period, the achievement of area under cultivation in respect of paddy was 87 *per cent* during 2009-12. Audit analysis in 10 test checked districts revealed that in respect of paddy cultivation, targeted area could be covered only in two out of the eight districts during 2009-11⁵ and the shortfall was in excess of 20 *per cent* in four districts.

Pulses

The Government could cover only 6.51 lakh hectares area under cultivation of pulses during 2009-12 as against the targeted area of coverage of 10 lakh hectares fixed for Eleventh Five Year Plan period. Scrutiny of records in test checked districts revealed that targeted area could be covered only in Kanyakumari district and the shortfall was observed in all other districts during 2009-11. In eight districts, the shortfall was in excess of 20 *per cent*.

³ Current fallow lands: Lands which are kept uncultivated during the current year.

⁴ Other fallow lands: Lands which were taken up for cultivation but are temporarily out of cultivation for a period of not less than one year and not more than five years.

⁵ District figure for cultivation available only upto 2010-11.

Oil seeds

As against the targeted area of coverage of 6.5 lakh hectares fixed for Eleventh Five Year Plan period, the achievement of area under cultivation in respect of oil seeds was 4.95 lakh hectares during 2009-12.

The Department replied (September 2012) that the decline in the area under cultivation was due to industrialisation and other reasons like rainfall, flood, dwindling groundwater resources, price fluctuations *etc.* The Department also stated (December 2012) that the control over conversion of cultivable lands for other purposes rests with the Revenue Department and the coverage area quoted by the Agriculture Department varied with the figures of revenue records since the method of collection of statistics was different.

During the Exit Conference, the Principal Secretary to Government informed that the feasibility of co-ordination at the District level between Revenue and Agriculture Departments would be explored. However, the fact remains that the existing data on agricultural crop statistics is not reliable and the Department is not in a position to exercise any control over the conversion of agricultural lands though the Government aimed at stabilizing area under production.

2.8.2 Agricultural Productivity

The Department aimed at achieving annual agricultural growth rate of four *per cent* by the end of Eleventh Five Year Plan (2007-12) by enhancing the productivity of important crops. However, the productivity of important crops like paddy, pulses and oil seeds remained below the target during the period of audit as detailed in **Table 2.2** below:

Table 2.2: Target and Achievement of Productivity
(Quantity in Kg per hectare)

Crop	Target of productivity at the end of XI plan (2011-12)	Target (T) and Achievement (A) of productivity (Kharif +Rabi)					
		2009-10		2010-11		2011-12	
		T	A	T	A	T	A*
Paddy	3,886	3,800	3,070	3,791	3,039	3,886	3,848
Millets	2,350	1,917	2,504	1,917	2,467	2,350	3,015
Pulses	600	575	381	625	385	600	512
Oil seeds	2,250	1,750	1,909	1,800	2,078	2,250	2,103
* (As per fourth advance estimate)							

(Source: Details furnished by Agriculture Department)

The target for production of paddy was reduced by six *per cent* during Eleventh Five Year Plan as compared to the target for the Tenth Five Year Plan. Even after this, the achievement was less than the reduced targets. Scrutiny of records in 10 test checked districts revealed that there was shortfall in productivity of important crops like paddy, pulses and oil seeds compared to the target fixed in the Eleventh Five Year Plan which varied between three and 72 *per cent* in eight out of 10 districts test checked.

The Department replied that the drop in yield was due to delay in the opening of Mettur Dam and slow progression of South West Monsoon. The reply was not acceptable as the target for growth rate of four *per cent* was fixed by the

Department in the Eleventh Five Year Plan (2007-12) taking into account the ground realities and available infrastructure facilities.

2.9 Seed Management

Seed is a vital input for increasing the production and productivity of agricultural crops. Supplementing seed with other technical inputs like water, pesticide, fertiliser *etc.*, in the right proportion improves agricultural productivity. Seeds used for sowing should be genetically pure and have high germination capacity. Supply of quality seeds before the right season is, thus, essential.



Seed multiplication is the production of a particular class of seed starting from breeder stage to certified stage. Breeder seed is produced from nucleus seed under the supervision of a qualified plant breeder in a Research Institute of Agricultural University. This provides for initial and recurring increase of foundation seed. The genetic purity of breeder seed crop should be maintained at hundred *per cent*. Breeder seeds obtained from Tamil Nadu Agricultural University (TNAU) are multiplied as foundation seeds through State Seed Farms (SSF). These foundation seeds are further multiplied as certified seeds in the SSF and also in the farms of selected progressive farmers. The seeds thus produced are processed in the Seed Processing Units and certified by the Department of Seed Certification and Organic Certification and distributed to farmers through Agriculture Extension Centers (AEC).

2.9.1 Short supply of breeder seeds by TNAU

The quantity of Breeder seeds indented by the Agriculture Department and that supplied by TNAU during 2009-10 to 2011-12 are as in **Table 2.3** below:

Table 2.3: Details of breeder seeds supplied by TNAU
(Quantity in Kg)

Sl. No.	Name of the crop	2009-10			2010-11			2011-12		
		Quantity indented	Quantity supplied by TNAU	Percentage of supply	Quantity indented	Quantity supplied by TNAU	Percentage of supply	Quantity indented	Quantity supplied by TNAU	Percentage of supply
1	Pulses	9,570	11,098	116	20,325	17,777	87	29,008	20,097	69
2	Oil seeds	25,459	31,608	124	39,280	34,001	87	35,850	27,414	76
3	Paddy	20,656	21,902	106	15,666	15,800	101	11,225	11,275	100

(Source: Details furnished by TNAU)

The percentage of supply of breeder seeds against the indent ranged from 69 to 124 *per cent*. While the supply of breeder seeds for paddy was meeting the requirement, there was shortfall in supply of pulses and oil seeds during the years 2010-11 and 2011-12 ranging from 13 to 31 *per cent*, which ultimately resulted in shortfall in the production of these crops against the targets fixed by the Department. The shortfall was attributed to drought, untimely rainfall,

invasion by pests and diseases *etc.*, and crop damage due to wild animals. The reasons attributable to the shortfall in production of breeder seeds of Pulses and Oil seeds by TNAU are not acceptable for the reason that the same are applicable to paddy seeds also where the production was higher than the requirement.

TNAU having incurred an expenditure of ₹ 2.83 crore during the period 2008-09 to 2010-11 towards creation of facilities for breeder seed production in TNAU research stations should have taken adequate care to ensure the supply of breeder seeds of indented quantity. Audit also noticed that there was significant shortfall in production of pulses in the State ranging from 34 to 66 *per cent* during the period 2009-12 compared to the target fixed for the Eleventh Five Year Plan period as already discussed in paragraph 2.8.2.

2.9.2 Production of Foundation/Certified Seeds

Foundation seeds are produced in the SSF from the Breeder Seeds obtained from the TNAU. The foundation seeds produced are multiplied again as certified seed in SSF. Production of certified seeds, from foundation seeds, is supervised and approved by Seed Certification Department (Certification Agency) for distribution to the farmers at economical cost. There were 41 SSF functioning in the Department.

2.9.3 Short Production of Foundation/Certified seeds by SSF

The SSF were formed with the main objective of producing quality seeds for distribution to farmers at economic cost. The performance of the SSF in the State and 13 SSF in 10 test checked districts during the period 2009-10 to 2011-12 were analysed. The COA fixed a production target of two metric tonnes (MT) per acre for paddy for the SSF. The details of land cultivated, production target and actual production in 13 SSF are given (**Annexure-3**). Audit analysis of the production of paddy in the SSF revealed the following:

- As against the production target of two MT fixed for paddy seeds, the average production of paddy seed in the State ranged from one to 1.5 MT per acre.
- In the test checked farms, the average production of paddy was only 0.71 MT per acre during the period of Audit. Compared to the target of two MT fixed by the Department, actual production was very low. The shortfall in production ranged from 25 to 87 *per cent* during the period of audit.

The COA replied (December 2012) that the shortfall in production was due to non availability of labour, power scarcity, pest and diseases and inadequate rainfall. Further, the Department stated that the establishment expenditure occupied major portion of the expenditure on SSF and steps were taken to improve the infrastructure facilities.

The reply is not acceptable as the reasons attributed for shortfall should have been addressed with proper planning, control and co-ordination. Further, the target was fixed taking into account the requirements and the facilities available. There was a continued shortfall in production of

foundation/certified seeds against the target even after incurring an expenditure of ₹ 1.69 crore and ₹ 5.17 crore during 2009-10 to 2011-12 towards infrastructure facilities and maintenance of 13 SSF in the test checked districts. The fact remained that the production and supply of foundation/certified seeds by SSF declined gradually from 29 *per cent* in 2009-10 to 24 *per cent* in 2011-12 as discussed in the subsequent paragraph.

2.9.4 Reduction in Supply of Certified Seed by SSF

Production and supply of seeds of all crops to the farmers are carried out by both the Department and the private agencies. The contribution of Agriculture Department and the private agencies in the production of seeds is detailed in **Table 2.4** below:

Table 2.4: Details of production of certified seeds by Government and others

Year	Total quantity of seed produced in MTs	Agency wise production of certified seed (in <i>per cent</i>)		
		Government	Quasi Government	Private
2009-10	69,943	29	2	69
2010-11	93,551	24	3	73
2011-12	1,02,000	24	2	74

(Source: Details furnished by COA)

Audit analysis revealed that the contribution of the Department in the production of seeds ranged from 24 to 29 *per cent* during 2009-12, while the remaining quantity was supplied by the private agencies. In view of the inadequate production of certified seeds by SSF to cater to the requirements, the farmers were forced to purchase certified seeds from the private sources. Since the private dealers supply 71 to 76 *per cent* of the total requirement, the certification of these seeds by the Department assumes greater significance. Audit also noticed that the seeds were sold by the private dealers through a system of self certification (“Truthfully labelled tag”) and the Seed Certification Department conducted only test checks of these seeds. There were other deficiencies in seed inspection as brought out in succeeding paragraphs. Hence, the genetic purity of the entire lot of these seeds could not be ensured by the Department, which would have a direct impact on productivity.

When the poor performance of the Department was discussed in the Exit Conference, Government informed that a proposal to transfer the control of the SSF to TNAU for improved performance is under active consideration. This highlights the need to take urgent steps to enhance productivity through improved supply of quality seeds.

2.9.5 Seed Inspection

The basic objective of Seed Legislation is to regulate the quality of seeds sold to the farmers. Seed inspection is carried out by the Director of Seed and Organic Certification. Seed samples from seed lots kept for sale would be drawn for analysis in the testing laboratories. As against the target of 1.90 lakh samples to be drawn for inspection during 2009-12, 1.60 lakh samples

were actually drawn. Audit further noticed that stop sale orders for 5,856 MTs worth ₹ 20.23 crore were issued during the audit period 2009-12.

There are 15 Seed Inspection regions under the control of the Director of Seed Certification. Scrutiny of records of four test checked seed inspection regions (Chennai, Karur, Villupuram and Vellore), revealed that the dealers sold 1,421 MT of paddy and other seeds worth ₹ 3.54 crore during the period 2009-12 before the receipt of stop sales orders as detailed in **Table 2.5** below:

Table 2.5: Details of samples found sub-standard and issue of stop orders

Sl. No.	Name of the unit	No. of samples drawn	No. of samples found sub-standard	Quantity available at the time of taking samples (MT)	Quantity sold before the issue of stop order (MT)	Value of seeds sold (₹ in crore)
1.	Karur	10,442	280	123	123	0.68
2.	Vellore	7,586	394	537	537	1.01
3.	Chennai	9,317	40	59	59	0.12
4.	Villupuram	9,437	363	702	702	1.73
Total		36,782	1,077	1,421	1,421	3.54

(Source: Details furnished by Director of Seed Certification and Organic Farming)

The Seed Act, 1966 stipulated that the results of the quality of the seeds should be communicated within one month from the date of drawal of samples. However, we found that there was delay in communication of test results of samples beyond the stipulated time limit upto 36 days in the four test checked regions. Audit observed that the entire stock available at the time of inspection was sold before the issue of stop orders.

The Government did not furnish reply to the audit point and the action proposed on the sale of sub standard quality seeds. Sale of sub-standard quality seeds would adversely affect the production of the crops.

2.9.6 Seed Village Scheme

To motivate the farmers to produce quality seeds for their own use, to ensure adequate availability of quality seeds at farm and to create awareness of the seed production technology, GOI introduced “Seed Village Scheme” (SVS) with hundred *per cent* GOI assistance. The objective of the SVS was to make the farmers aware of the seed production technology and after the training period, the farmers were to take up the seed production independently for future. The scheme *inter alia* comprised the following components:

- Distribution of seeds at 50 *per cent* subsidised rates
- Training of farmers on seed production technologies
- Subsidy for storage bins of specified material for preservation till next sowing season.

Under the SVS, as against the sanction of ₹ 84.26 crore, an amount of ₹ 77.25 crore was incurred during 2009-12.

2.9.7 Distribution of seeds at subsidised rates

Under the scheme, seeds procured by the Government would be sold to farmers through AEC. According to the scheme guideline, the subsidy of 50 *per cent* extended by the GOI would be drawn from the District Treasury and remitted into State Government Revenue Head of Account after the sale of seeds along with the sale proceeds received from farmers.

The targets and achievements of seeds distribution are detailed in **Annexure-4**. Audit analysis of test checked districts revealed the following discrepancies/violations of GOI guidelines.

2.9.8 Diversion of subsidy

- As against the distribution target of 3,190 MTs during 2009-12, 4,500 MTs of paddy crop were shown as achievement under seed distribution scheme. The expenditure incurred during the period 2009-12 was ₹ 4.23 crore as against the financial target of ₹ 3.07 crore due to diversion of subsidy to paddy from other crops.
- As against the target of 3,530 MTs fixed for oil seeds, only 2,774 MTs were distributed. Only an amount of ₹ 7.70 crore was incurred as against the financial target of ₹ 9.59 crore. The subsidy for oil seeds was partly diverted for paddy.

2.9.9 Excess distribution of seeds

As per the guidelines, seeds were to be distributed at 10 kg per half an acre per farmer at 50 *per cent* subsidised cost. Audit, however, observed that seeds were distributed in excess of stipulated quantity at 50 *per cent* subsidised cost. The excess quantity ranged even up to 26 times of the eligible quantity violating GOI guidelines. Further, it was noticed that the Department diverted the subsidy component available under other crops to paddy. Thus, the distribution of seeds in excess of norms by the JDA/ADA to few select beneficiaries deprived the benefits to other genuine poor farmers.

2.9.10 Drawal of subsidy without issue of seeds

Audit noticed that distribution subsidy amounting to ₹ 56.80 lakh (**Annexure-5**) was drawn by the block level offices during March 2012 for the year 2011-12. Though subsidy was adjusted, seeds were not issued to the farmers till August 2012. There was no internal control mechanism to ensure distribution of seeds immediately on drawal of subsidy from the treasury by the JDA/ADA.

2.9.11 Supply of Poly Vinyl Chloride/Wood/Metal storage bins

One of the components under the SVS is supply of storage bins for preservation of the seeds up to the next sowing season. The guidelines, *inter alia*, stipulated that the type of material should be of PUSA/Mud/Paper pulp/Specified metal. The Department incurred an expenditure of ₹ 12.44 crore in the State during the period 2009-12 for procurement of storage bins

and an amount of ₹ 3.99 crore was spent in 10 test checked districts during 2009-10 and 2010-11.

Scrutiny of records in these districts revealed that Wood/Poly Vinyl Chloride (PVC)/Metal storage bins worth ₹ 2.70 crore (**Annexure-6**) were procured and supplied to the farmers. While JDA/ADA extended assistance to the farmers for procurement of PVC bins in four districts, assistance was extended for procurement of metal/wooden bins in three districts violating the scheme guidelines.

While the COA replied (December 2012) that the bins other than the prescribed materials were distributed as per the farmer's choice, the Principal Secretary to Government, in the Exit Conference accepted the violations.

2.9.12 Training under SVS

Training of farmers on seed production technologies is one of the components under the SVS. The guidelines *inter alia* stipulated that the duration of training would be three days spread over the seasons of sowing, flowering and harvesting.

The Department incurred an expenditure of ₹ 14.99 crore on training of farmers in the State during the period 2009-12 and an amount of ₹ 5.50 crore was incurred in the test checked districts. Scrutiny of the records relating to training programme revealed that there were violations of guidelines with respect to duration and periodicity of training and training programme was conducted continuously for three days in February/March in 217 villages in five districts instead of conducting the same in a phased manner. Similarly, the training programme was conducted within a month in 287 villages thereby violating the scheme guidelines of conducting the same in three phases. Moreover, the training plan calendar was also not drawn.

While in some blocks the training was conducted during the year end with limited officers, there was no evidence for having conducted the training at all in some other blocks. Thus, effectiveness of the training conducted at a cost of ₹ 5.50 crore in the test checked districts was not ensured as the scheme guidelines were violated.

When the deficiencies were brought to the notice of the Government during Exit Conference, it was informed that delay in release of funds was the main reason for shortfall in training. Considering the importance attached to the training programme and release of substantial funds for the component, the Department should have ensured release of funds on time and adhered to training schedule as per guidelines.

2.10 Implementation of Schemes

Centrally Sponsored Schemes which aim at increasing the productivity of crops being implemented by the Department were NADP and NFSM. The expenditure incurred during 2009-12 on implementation of NADP, NFSM (Rice), NFSM (Pulses) was ₹ 249.12 crore, ₹ 70.65 crore and ₹ 28.61 crore respectively.

2.10.1 National Agricultural Development Programme

NADP is implemented with cent *per cent* assistance from GOI. An amount of ₹ 249.12 crore was incurred during 2009-12 as against the allotment of ₹ 296.03 crore.

Out of the total expenditure of ₹ 249.12 crore incurred under NADP during the years 2009-12, an amount of ₹ 78.33 crore was spent in the 10 selected districts. The components of the scheme which varied from year to year included System Rice Intensification (SRI), Rainfed Area Development Programme (RADP), Establishment of Agriclinic, Development of Infrastructure facilities in SSF, *etc.* The Audit findings on the implementation of major components under the NADP are discussed below:

2.10.2 Agriclinic Scheme

As an intervention to the declining soil organic matter and imbalance in nutrition, GoTN sanctioned (March and November 2008) subsidy of ₹ 11.55 crore for establishment of Agriclinic cum Mini Soil Testing Laboratories (labs) in 385 blocks in the State under NADP. The labs, functioning under the supervision of the District Soil Testing Laboratories, were to carryout tests of soil organic matter/nutrients and quality testing of irrigation water, with testing charge of ₹ 50 per sample. Unemployed agricultural graduates were to be motivated to set up the labs at the unit cost of ₹ six lakh with 50 *per cent* subsidy. The target of the labs for soil testing was fixed at 3,000 numbers per annum.

Against 385 labs proposed, 355 labs were established in the State (August 2012). Review of the performance report available only for 21 of the 29 districts which had this facility, however, revealed that none of the laboratories had achieved the annual targeted level of 3,000 samples since their inception. The number of samples tested by the labs varied from Nil to 1,313. Audit observed that against the total target of 10.65 lakh samples to be tested every year in the 355 labs, only 2.19 lakh samples were collected in 21 districts during the period 2009-12 indicating gross under utilisation of the laboratories. Besides, no soil/water sample was analysed in six labs resulting in unfruitful payment of subsidy of ₹ 18 lakh.

2.10.3 Performance of Soil testing laboratory

The Department launched (August 2011) a new programme which provided for issue of Farmer's Integrated Hand Book (FIHB) incorporating all first hand information about the soil nutrient content, plant nutrient requirement, quality inputs, infrastructure availability and marketing intervention. It was planned to conduct the soil test for all 82 lakh farmers during 2011-12 and 2012-13.

30 Soil Testing Laboratories (STL) and 16 Mobile Soil Testing Laboratories (MSTL) were functioning in the State under the Agriculture Department for analysing the soil samples and to provide recommendations for using appropriate fertilisers depending upon the soil health. The Department had fixed target for testing of soil by these laboratories. The details of target and

achievement of soil samples tested from 2009-12 are as given in **Table 2.6** below:-

Table 2.6: Details of Target and Achievement of soil samples tested

Sl. No.	Year	Target		Achievement		Shortfall	
		STL	MSTL	STL	MSTL	STL	MSTL
1.	2009-10	8,44,250	2,88,960	7,27,136	2,80,752	1,17,114 (14)	8,208 (3)
2.	2010-11	8,44,800	2,88,000	5,78,466	2,04,179	2,66,334 (32)	83,821 (29)
3.	2011-12	20,00,000		12,46,537		7,53,463 (38)	

(Source: Details furnished by COA)

Figures in bracket indicate the percentage of shortfall

Audit analysis of the performance of STL revealed the following:

- The Department could not achieve the targets in any of the years and there were shortfall in all the districts. The shortfalls which were at 14 *per cent* in 2009-10 increased to 38 *per cent* in 2011-12.
- Also the results of such tests were not communicated in none of the cases test checked. Consequently, the objective of carrying out these tests was not met.
- As against the targeted issue of 20 lakh FIHB in 2011-12, the Department could distribute 2.22 lakh Books only.

The COA replied (December 2012) that the shortfall in analysis was due to shortage of man power at block levels, vacancies in the posts of analysts and delay in issue of Government Orders (November 2011). Thus, the scheme intended to cater to the basic needs of farmers to improve the yield and to reduce fertiliser consumption was not effectively implemented.

2.10.4 Establishment of nine Bio-fertiliser Production Units

Bio-fertilisers such as Azospirillum, Phosphobacteria and Rhizobium are cheap and safe fertilisers which fix atmospheric nitrogen into the soil. The Bio-fertiliser packets produced in Bio-fertiliser production units (BFPU) in Tamil Nadu were distributed to farmers at subsidised rate of ₹ six per 200 gram. There were six BFPU in the State (Cuddalore, Salem, Trichy, Pudukottai, Thanjavur and Ramanathapuram).

As the annual production of 1,600 MT from the existing six BFPU did not meet the requirement of the farmers, Government sanctioned the establishment of additional nine BFPU under NADP during 2008-09 with an annual production capacity of 250 MT each at an outlay of ₹ 8.15 crore. Though, the establishment of new BFPU were shown as completed and an amount of ₹ 8.15 crore reported as utilised in the targeted year 2009-10 under NADP, these units started production only in 2011-12 due to delay in commissioning the new units. Even after the establishment of nine new units in 2011-12, the production during 2011-12 was only 1,643 MT (56 *per cent*) as against the target of 2,950 MT.

The performance of the three new units functioning in the test checked districts is detailed in **Table 2.7** below:

Table 2.7: Performance of BFPU in test checked districts

Sl. No.	Location of BFPU	Districts to be covered for supply	Date of Commissioning	Quantity Produced (MT)		Shortfall in percentage
				Target	Produced	
1.	Polur, (Tiruvannamalai)	Tiruvannamalai, Vellore	October 2011	167	23.00	86
2.	Tenkasi, (Tirunelveli)	Tirunelveli, Virudunagar, Dindigul	September 2011	150	52.05	65
3.	Thoothukudi, (Thoothukudi)	Thoothukudi, Kanyakumari	September 2011	150	30.97	79

(Source: Details furnished by COA)

Audit observed that the shortfall in production ranging from 65 *per cent* to 86 *per cent* was due to sub standard quality of raw material (lignite powder). There was also delay in commissioning of BFPUs for nearly two years for want of power supply of 70 KW capacity and equipments.

In response to the audit observation, the COA replied (December 2012) that Government sanctioned staff only in July 2011 and had further stated that the complaints in the quality of lignite powder, lack of sufficient funds for the project and non-posting of AO in the units played a vital role in reduced production.

Thus improper planning and inability to provide required infrastructure by Government adversely affected the production. As a result, the objective of supply of Bio-fertiliser which reduces the use of chemical fertilisers up to 25 *per cent* could not be achieved even after spending ₹ 8.15 crore under NADP for establishing additional units to increase the production.

2.10.5 System Rice Intensification

SRI improves the productivity even with lesser input and water. Under the scheme, a financial assistance of ₹ 3,000 per hectare is provided out of which seeds and other inputs are provided for ₹ 800 and agricultural implements *viz.*, Conoweeder and Marker are provided for ₹ 2,200.

The Department carried out demonstrations under SRI in all the districts as per the targets and incurred expenditure of ₹ 47.82 crore during last three years.

2.10.6 Non-distribution of conoweeder, marker and paddy weeder

As part of SRI System under NADP, Government extended assistance for the purchase of Conoweeder and Marker at subsidised rates. Scrutiny of records in 10 test checked districts revealed that an amount of ₹ 28.67 lakh (**Annexure -7 (a)**) drawn from the treasury in March 2012 were either retained in banks, or, the equipments procured were not issued pending identification of the beneficiaries in four test checked districts (Madurai, Tirunelveli, Thoothukudi, Kanyakumari). Further, in two test checked districts (Villupuram, Dindigul), equipments worth ₹ 20.92 lakh (**Annexure -7 (b)**)

were yet to be issued to the beneficiaries. However, the scheme was declared implemented in 2011-12 by drawing the amount on 30 March 2012. Thus the grant from GOI was availed of without issue of equipment to the farmers thereby defeating the objective of the scheme.

The adoption of SRI technology involves simultaneous distribution of seeds, other implements such as Conoweeders, Markers *etc.* Audit observed that there was mismatch in distribution of agricultural implements after the completion of harvest process indicating ineffective implementation of SRI technology.

The Secretary to Government during the Exit Conference (December 2012) stated that the delay in supply of Conoweeders and Markers was due to problems in finalisation of tenders and unsuitability of the equipments.

The Government reply indicated that the Department procured agricultural implements in 2011-12 without correlating the purchase to the operational needs of the farmers.

2.10.7 Rainfed Area Development Programme

One of the objectives of the Eleventh Five Year Plan was to focus on rainfed crops in a mission mode so as to increase production as well as farmer income. RADP, a sub scheme of NADP was introduced by GOI during 2011-12 with the objectives of increasing agricultural productivity of rainfed areas, minimise the adverse impacts of possible crop failure, drought, flood or uneven rainfall and enhancement of farmer's income and livelihood support *etc.* The components of the scheme were (i) Cropping system, (ii) Crop Insurance for cropping system, (iii) Production of certified seeds, and (iv) Establishment of Vermi Compost units.

As compared to the allotment of ₹ 13.85 crore during 2011-12, the expenditure incurred was ₹ 12.22 crore in 20 districts where the programme was implemented. Out of the 10 test checked districts, the programme was implemented in seven districts⁶ incurring an expenditure of ₹ 4.25 crore. Scrutiny of records on implementation of RADP in the test checked districts revealed the following deficiencies:

2.10.8 Expenditure incurred in violation of guidelines

As per the guidelines of RADP, the area of operation should exclude area under assured irrigation. An amount of ₹ 50 lakh was allotted in 2011-12 for implementation of RADP in 500 hectares of land in the Kanyakumari district. The JDA, Nagercoil (May 2011) informed the COA that Kanyakumari district had been categorised under high rainfall zone and the total area for paddy was fully covered under assured irrigation and therefore requested to exclude the district from the implementation of RADP. Despite, the entire amount of ₹ 50 lakh was incurred in the District under RADP during 2011-12 overlooking the reservations of JDA, thereby violating the guidelines of RADP.

⁶ Coimbatore, Dindigul, Kanyakumari, Madurai, Thoothukudi, Villupuram, Tiruvannamalai.

2.10.9 Belated remittance of Cropping Insurance Premium

As per the guidelines of RADP, all the crops cultivated under the cropping system of RADP need to be covered under insurance. A total amount of ₹ 47.73 lakh was sanctioned under the component during 2011-12 for the selected seven districts.

Scrutiny of the connected records revealed that a sum of ₹ 10.33 lakh drawn from Sub-Treasury/Ottapidaram was remitted (March 2012) by ADA, Ottapidaram (Thoothukudi District) to Primary Agricultural Co-operative Society (PACS) after the cutoff date (February 2012) for remittance of the premium fixed by the Agricultural Insurance Company of India Ltd., (AIC). Since AIC does not accept premium beyond the cutoff date, the farmers ultimately lost the benefit of insurance coverage due to belated remittance of premium. The Department also failed to ensure the timely remittance of premium by the PACS to the AIC before the cutoff date.

The COA replied (December 2012) that steps were being initiated to pay back the premium amount of ₹ 10.33 lakh due to expiry of cutoff date for remittance of premium.

Thus, it is evident that the Department implemented the scheme in areas without need, remitted the insurance premium belatedly and did not ensure monitoring the benefits extended to farmers thereby defeating the objectives of the scheme.

2.10.10 Development of Infrastructure facilities in SSF

Performance of SSF was already discussed under the Chapter Seed Management. As part of NADP, an amount of ₹ five crore was allotted during 2011-12 towards infrastructure development of SSF which *inter alia* included development of land and irrigation facilities *etc.*, for the improvement of the performance of State Seed Farms. It was observed that out of the total expenditure of ₹ 4.55 crore incurred under this component during 2011-12, an amount of ₹ 1.69 crore was spent for SSFs functioning in the test checked districts.

Scrutiny of the records revealed that an amount of ₹ 59.15 lakh drawn in two test checked districts was reported as spent, though the works for which the funds were sanctioned to these farms were yet to be commenced. Even after allocation of funds for improving the performance of SSF, the Department could not utilise them in time and there was no marked improvement in the performance of SSF.

2.11 National Food Security Mission

NFSM, a cent *per cent* centrally sponsored scheme has the main objective of increasing production of rice, wheat and pulses by 10, eight and two million tonnes at the National level by the end of Eleventh plan (2007-12) through area expansion and productivity enhancement on sustainable basis in the identified districts. In Tamil Nadu, two components *viz.*, NFSM (Rice) and

NFSM (Pulses) were implemented (2007-08) in five districts⁷ and 12 districts⁸ respectively.

The total expenditure incurred in the State during last three years on the Rice component and Pulses component was ₹ 70.78 crore and ₹ 28.80 crore respectively. In the test checked districts, the amount spent was ₹ 21.11 crore under rice and ₹ 12.57 crore under pulses. Analysis of the records relating to implementation of the schemes revealed the following deficiencies.

2.11.1 Excess issue of paddy seeds

NFSM guidelines, *inter alia*, provide for supply of seeds (Paddy) at subsidised rate of ₹ five per kg. As per guidelines, 40 kg of paddy seeds per hectare is eligible at subsidised rate. Scrutiny of records in Nagapattinam District, revealed that seeds were issued to the farmers with land holding of two hectares in excess of norms on the recommendation of the AO of the block. The details of quantity issued, number of farmers, average quantity issued in the test checked blocks in Nagapattinam District are given in Table 2.8 below:

Table 2.8: Details of excess subsidy availed by farmers

Sl. No.	Name of the Block	Quantity of seed issued (Kg)	Total farmers	Average quantity issued (Kg)	Excess quantity (Kg)	Excess subsidy availed (In ₹)
(1)	(2)	(3)	(4)	(5)	(6)	(7) = (4)* (6) * ₹ 5
1.	Thirumarugal	1,82,264	1,156	158	78	4,50,840
2.	Kizhayur	6,70,400	4,096	164	84	17,20,320
3.	Nagapattinam	5,42,020	3,369	161	81	13,64,445
4.	Kuttalam	4,02,960	3,107	129	49	7,61,215
Total						42,96,820 (or) 42.97 lakh

(Source: Details furnished by JDA, Nagapattinam)

The quantity of seeds issued to the farmers in excess of norms ranged from 49 Kg to 84 Kg. The incorrect recommendation of AO in the supply of paddy seeds in excess of the eligible norms of 40 kg/hectare resulted in availing of excess subsidy of ₹ 42.97 lakh by a few select beneficiaries besides deprival of benefits to other poor farmers.

The COA replied (December 2012) that the seed distribution was made based on criteria which required different quantity of seed for different varieties. The audit observation was based on the GOI guidelines which require ceiling at specified quantity of 40 kg per hectare and the fact remains that the distribution of higher quantum in violation of the GOI guidelines would result in denial of benefits to more farmers.

⁷ Nagapattinam, Pudukkottai, Ramanathapuram, Sivaganga, Tiruvarur.

⁸ Coimbatore, Cuddalore, Erode, Nagapattinam, Namakkal, Thiruvallur, Tiruvarur, Thoothukudi, Tiruvannamalai, Vellore, Villupuram, Virudhunagar.

2.11.2 Release of subsidy for High Yielding Varieties over 10 years

Seed Replacement Rate (SRR) is the percentage of area sown out of total area of crop planted in the season by using certified/quality seeds other than farm saved seeds. Certified seeds have to be replaced once in three cropping seasons.

To bring the SRR up to 33 *per cent* in the identified districts and to enhance the productivity level, NFSM Operational Guidelines provided for assistance for the distribution of High Yielding Varieties (HYV) of rice and wheat at ₹ 500 per quintal or 50 *per cent* of the cost, whichever is less. Subsidy for hybrid varieties is allowed only for varieties introduced within last 10 years.

Audit, however, observed that the Government obtained exemption every year and continued (2009-12) to avail financial assistance from GOI under NFSM for varieties more than 10 years old. The total expenditure incurred in the State during last three years (2009-12) under the component “Assistance for distribution of HYV under NFSM (Rice)” was ₹ 20.77 crore and in the test checked district (Nagapattinam), the amount spent was ₹ 5.38 crore.

When this issue was discussed in the Exit Conference, it was replied that the farmers preferred the older varieties. In the context of increase in productivity as stipulated in the Eleventh Five Year Plan, the productivity of the test checked Nagapattinam district was low even after availing GOI assistance of ₹ 5.38 crore for HYV under NFSM (Rice) compared to other Non-NFSM districts.

2.12 Centre–State Shared Schemes

The schemes implemented with financial assistance from GOI and GoTN include NAIS.

Analysis of the records relating to collection/remittance of premium and receipt/distribution of compensation under the scheme is discussed in the succeeding paragraphs.

2.12.1 National Agricultural Insurance Scheme

NAIS is being implemented by the Agriculture Department from 2007 onwards for the crops in all the districts of the State with the notified firka as the insurance unit. It is mandatory to join the NAIS for farmers availing loans from PACS, Co-operative Banks, Nationalised Banks *etc.*, while the scheme is optional for the non-loanee farmers.

The premium collected would be transferred to the nodal bank which in turn would remit the amount to the AIC, Chennai.

Payment of claims was regulated on the basis of the anticipated threshold yield of crop and actuarial premium rate determined by the crop yield agencies. As per the scheme guidelines, claims exceeding hundred *per cent* of premium would have to be shared equally by the GOI and the State Governments. The compensation would be disbursed through nodal banks/commercial banks in the district through PACS.

2.12.2 Target and Achievements

The details of target fixed under the scheme and the achievement thereon for the period from 2009-10 to 2011-12 are given in **Table 2.9** below:

Table 2.9: Target and Achievement under NAIS

Sl. No.	Year	Target		Achievement	
		Loanee	Non-loanee	Loanee	Non-loanee
1.	2009-10	10,00,000	15,00,000	3,15,624	5,51,741
2.	2010-11	5,00,000	10,00,000	2,43,040	5,75,050
3.	2011-12	3,25,000	4,98,000	4,83,103	3,22,069

(Source: Details furnished by COA)

Audit observed that despite the reduction of target every year, the achievement under insurance scheme was also going down. The performance was poor when compared to the total number of 80 lakh farmers.

The Government stated that this was because Insurance was not compulsory for non-loanee farmers. Audit, however, observed that the reduction in coverage and other deficiencies noticed in implementation of the scheme defeat the objective of financial security to farmers.

2.12.3 Collection of excess premium from farmers

Out of the total premium of two *per cent* of the sum insured, loanee farmers were required to contribute one *per cent* which are remitted in the nodal bank. which in turn remits the amount to the AIC, Chennai. The additional one *per cent* premium was borne by the Central and State Government.

Scrutiny of records of a nodal bank (Kumbakonam Central Co-operative Bank) indicated that the PACS collected premium in excess of norms to the tune of ₹ 2.59 crore during the period from 2008-09 to 2011-12 and transferred to the nodal bank. Though the nodal bank remitted the correct rate of premium to the AIC, the excess premium amount of ₹ 2.59 crore was not returned to the farmers through PACS but retained in the suspense account of the nodal bank as on 31 March 2012.

In the absence of a proper mechanism in the office of the COA to monitor the collection and remittance thereof by the PACS, the farmers were thus unnecessarily burdened to the extent of the excess premium.

2.12.4 Non-disbursement of compensation

Scrutiny of records relating to premium collection and remittance in District Central Co-operative Bank (DCC), Thanjavur (Nodal Bank) revealed that the premium collected from the farmers at the time of availing agriculture loan/crop loan by PACS would be remitted to Thanjavur DCC Bank. Needamanagalam firka and Mannargudi firka come under the jurisdiction of

Poovanur PACS. The premium declaration amounting to ₹ 4.52 lakh in respect of 1,124 non-loanee farmers who were holding lands in the Needamangalam firka was incorrectly included in the declaration of Mannargudi Firka by the nodal bank and sent to AIC.

Due to the submission of incorrect declaration and failure to check the correctness of declaration by the nodal bank before sending to the AIC, the genuine farmers belonging to Needamangalam were made ineligible for insurance coverage. Compensation to the tune of ₹ 1.11 crore to these farmers whose lands were affected by natural calamity was not paid due to the submission of incorrect declaration and their claims remained unsettled even after a lapse of more than two years.

Scrutiny of records relating to premium collection and remittance in Madurai DCC Bank (Nodal Bank) revealed that compensation amounting to ₹ 94.18 lakh payable to 3,548 loanee and non-loanee farmers in Madurai and Theni Districts for paddy II 2008-09 crops was released (September 2009) by the Insurance Company. However, the DCC, Madurai diverted ₹ 21.50 lakh from the eligible firkas to non eligible firkas not covered under the insurance scheme which resulted in misappropriation of amount by the special officer of the co-operative society. It is pertinent to mention that the Department was not aware of the irregularity and there was no mechanism to redress the loss to the farmers involved.

Thus, the Department failed to ensure that the mechanism for claim and settlement to eligible farmers was functioning properly.

2.12.5 Bogus claim

A review of records in Ramanathapuram District Central Cooperative Bank (RDCCB) indicated that for the year 2009-10, a total claim amount of ₹ 45.83 crore was received (December 2010 to April 2011) as compensation for paddy in the second season of 2009 in respect of insured area of 64,484.44 hectares. As the insured area was more than the actual cultivated area, the District Collector ordered detailed verification of the claims of the three Taluks (Kamuthi, Kadaladi and Mudukulathur). Based on the report of the committee, only a claim of ₹ 20.55 crore was found to be genuine.

Audit observed that non-loanee farmers were included in the scheme by the PACS for coverage based on bogus “Patta” and “Adangal” during the year 2009-10 and also on the recommendations of the AO of the Department without verifying the genuineness of the ‘Patta’. Failure of the Department to effectively monitor the scheme led to bogus claim of ₹ 25.28 crore.

2.12.6 Other deficiencies

Procedural deficiencies noticed on a test check of records of the PACS in Nagapattinam District are detailed below:

- There were mismatch of signatures between vouchers and ledgers, acquaintances and ledgers, last instalments and previous instalments *etc.*, in respect of 214 cases involving ₹ 7.85 lakh in 14 test checked PACS
- The compensation amount was paid in four instalments for 2008-09 (50, 25, 15 and 10 *per cent*) and in two instalments for 2010-11 (65 and 35 *per cent*). A single signature was obtained from farmers for three payments (25, 15 and 10 *per cent*) in two PACS. Further, there were no entries in the Savings Bank ledgers exhibiting credit of the second and third instalments in one PACS. The correctness of payment of ₹ 58.94 lakh could not be confirmed in view of the above deficiency.
- In one PACS, compensation of ₹ 5.10 lakh was paid to 27 farmers who did not contribute premium/possess land under eligible firkas.

The above deficiencies revealed lack of effective control and monitoring of scheme by the Department. During the Exit Conference, the Principal Secretary stated that the irregularities at the bank level could not be verified by the Department and it was essentially the responsibility of the Insurance Company.

The above reply confirms an immediate requirement at the Government level for a suitable mechanism for monitoring the scheme to ensure that the compensation is paid to the entitled farmers.

2.13 State Schemes

GoTN focuses on criticalities in farming such as soil health management, procurement and distribution of quality seeds, augmenting the production of pulses, cotton and sugarcane, plant protection, crop insurance, crop yield competition, *etc.*, Seed is a major input required by the farmers to take up for cultivation of agricultural crops. The productivity of the crops basically depends on the quality of seeds and more specifically on genetic and physical purity. Hence, it is imperative that quality seeds of high yield potential varieties suitable for different agro climatic conditions and seasons are made available to the farmers at affordable price adequately. As part of the State Schemes, Government is committed to production of quality seeds and distribution to farmers for increasing productivity.

2.13.1 Procurement and distribution of paddy and millets seeds

Analysis of the records in Nagapattinam District revealed the following deficiencies:

GoTN implements Seed Multiplication Scheme (SMS) to ensure production and distribution of quality seeds to farmers. The Agriculture Department procures quality seeds from the registered seed farmers at the rate fixed every year. GOI extends subsidy of ₹ 15 per kg under NADP and ₹ 7.50 per kg under NFSM for procurement of pulses from the seed farmers. Under SVS, a centrally sponsored scheme, seeds are distributed to the needy farmers at 50 *per cent* subsidy.

Scrutiny of records on procurement of pulses seeds in the office of the JDA, Nagapattinam revealed that there was no stock of pulses in April 2010 and also could not procure Black Gram seed from the farmers for want of funds. In the meantime, the farmers started selling the seeds in the local market at the rate of ₹ 57 per kg. Though, the JDA sought (May 2010) for allotment of funds of ₹ 62.50 lakh for the year 2010-11, funds were sanctioned only in October 2010. The JDA procured (January 2011) 12 MTs of foundation seeds and 105.36 MTs of certified seeds at the rate of ₹ 122 per kg and ₹ 112 per kg respectively fixed by the Department. This led to avoidable extra expenditure of ₹ 44.02 lakh which in turn overburdened the farmers due to fixation of higher selling price of seeds.

2.13.2 Promotion of Cultivation of *Jatropha* in Tamil Nadu

TNAU forwarded (September 2006) a proposal for “cultivation of *Jatropha curcas* and Bio-diesel production in Tamil Nadu” in both irrigated as well as rainfed lands. Based on the above proposal, Government introduced (March 2007) this scheme and programmed to cover one lakh hectares for the next five years from 2006-07 at the rate of 20,000 hectares per year at a total project outlay of ₹ 25.10 crore. The scheme was to be implemented by the COA with the assistance of TNAU for raising the seedlings. Out of the sanctioned amount of ₹ 4.98 crore⁹, the Government released an advance of ₹ 2.50 crore to TNAU during 2007-08 pending sanction of financial assistance by National Oil seeds and Vegetable Oils Development (NOVOD) Board¹⁰ for further maintenance. Government did not release financial assistance to TNAU thereafter.

We noticed that against the combined plantation target of 80,000 hectares up to 2010-11, seedling subsidy was released only for 6,072 hectares. Even out of this small area, the plant had survived only in 692 hectares (11 *per cent* of plantation area) for which a total expenditure of ₹ 1.80 crore was incurred on the scheme.

The COA attributed (October 2010) the poor growth to unsuitability of the plantations in rainfed areas, non-release of an assured high yielding hybrid variety by TNAU, non-sanctioning of subsidy by NOVOD Board for maintenance *etc.* Since the yield potentiality of the seedlings was low and the farmers were not coming forward to take up the crop, the COA proposed to Government (October 2010) that the continuance of the scheme be considered after release of potential hybrid varieties by TNAU.

Thus the scheme which aimed to augment the Bio-diesel production in Tamil Nadu was abruptly stopped (April 2011) due to tardy implementation by COA. Thereby an expenditure of ₹ 1.80 crore spent on the scheme became unfruitful.

TNAU (December 2012) stated that they did not recommend *Jatropha* under rainfed conditions. This was contrary to its earlier proposals (September 2006) to GoTN which stated that *Jatropha* was suitable for irrigated as well as rainfed lands.

⁹ 50 *per cent* of 20,000 hectares * 1,660 seedlings * ₹ three.

¹⁰ Established by Government of India for bio-fuel promotion.

2.14 Internal control and Monitoring

Internal control is an integral component of an organisation's management process which provides reasonable assurance that the operations are carried out effectively and efficiently. During the audit, we found that the internal control system largely remained ineffective and there were instances of non-compliance with Financial Rules as detailed below:

2.14.1 Rush of Expenditure

According to Article 39 of the Tamil Nadu Financial Code, rush of expenditure in the closing month of the financial year should be avoided. Analysis of expenditure incurred by the Department revealed that expenditure was incurred in respect of 21 heads of account in March during 2009-12 indicating a tendency to incur expenditure to exhaust budget provisions.

During the Exit Conference, the Secretary to Government explained that delay in release of funds was the main reason. The process of identification of beneficiaries and inviting tenders were taken up subsequently. He further, stated that the delays would be avoided by improvement in the system of Budget release.

2.14.2 Funds drawn far ahead of requirements

Scrutiny of records in the five test checked districts revealed that funds to the extent of ₹ 98.69 lakh released for implementation of SVS and NADP were drawn from the treasury between March 2009 and March 2012 far ahead of requirements in order to exhaust budget provision and the same were kept in bank accounts and in the form of treasury cheques.

2.14.3 Arrears in internal audit

The Department has an internal audit wing headed by the Financial Controller (FC) of the Commissionerate, which conducts the internal audit of the district level offices. Besides, there are four Regional Accounts Officers (Audit) (RAO) for carrying out the internal audit of the offices under the control of the district level officers. Out of the total units of 102 for the year 2010-11 in Chennai region, internal audit of all units was pending till date (October 2012).

2.14.4 Pendency in clearance of internal audit objections

A review of the pending audit observations in RAOs during the period 2009-12 revealed that out of 9,357 paragraphs, 2,245 paragraphs (24 *per cent*) of the audit observations were pending settlement for more than 10 years and 1,060 paragraphs (11 *per cent*) for more than five years (September 2012).

2.14.5 Pendency in clearance of disciplinary cases

There were cases of shortages of stock, idling of agricultural inputs for long periods, locking up of scheme funds in bank accounts, holding of time barred

cheques and non-finalisation of disciplinary cases. Final action on 18 cases involving misappropriation of ₹ 2.14 crore and 107 cases of shortages/theft/loss involving money value of ₹ 1.81 crore were pending issue of orders of recovery/write off.

2.14.6 Monitoring

The observations brought out in the preceding paragraphs clearly indicate that the monitoring of the schemes was grossly inadequate.

During the Exit Conference, the Government stated that the schemes were impacted by the severe shortages of manpower at various levels and this would be addressed shortly. We found that the shortages ranged from 14 to 60 *per cent* in various cadres.

These constraints need to be tackled urgently in view of the non-achievement of objectives in most of the schemes of the Department.

2.15 Constraints faced by Audit

Difficulties in getting records in the unit offices at Thoothukudi district was a major constraint faced by Audit and replies to 37 audit slips were not furnished (October 2012) by JDA, Thoothukudi even after repeated reminders and the matter already taken to the notice of CCO/COA.

Conclusion

- The Government did not formulate any long-term/Perspective/Strategic/Annual Plan dovetailed to the Eleventh Five Year Plan to identify the critical areas for comprehensive agricultural growth.
- Government prepared its policy notes on annual basis in a routine manner without considering the inputs of field offices on local needs.
- There was no control over the conversion of agricultural lands for other purposes. Consequently, the area under fallow lands increased from 24 lakh hectares in 2007-08 to 25.95 lakh hectares in 2010-11.
- The State Seed Farms could achieve supplying quality seeds only upto 29 *per cent* of the required quantity and for balance of quantity, the farmers relied on costlier private sources. Delay in communication of test results of the seed sampled led to sale of sub-standard seeds in the market worth ₹ 3.54 crore.
- Non achievement of objective of the SVS due to irregular drawal of subsidy without issue of seeds to the farmers and distribution of storage bins of materials other than the material prescribed in the GOI guidelines.
- Soil Health Scheme intended to improve the yield and to reduce fertiliser was not effectively implemented due to large shortfall in coverage of farmers. The production of bio-fertilisers suffered due to inability of the Department to provide infrastructure.

- There was mismatch in distribution of agricultural implements after the completion of harvest process indicating ineffective implementation of System Rice Intensification technology.
- Control on implementation of insurance scheme was lacking as was evident from the fact that there were instances of excess insurance premium of ₹ 2.59 crore collected by the nodal bank, compensation of ₹ 1.11 crore payable to the farmers whose lands were affected by natural calamity was not paid due to the submission of incorrect declaration by the bank, bogus insurance claims to the extent of ₹ 25.28 crore by manipulating the records on ownership of agricultural lands at the village level etc.
- Cultivation of Jatropha plantation scheme was unviable and an expenditure of ₹ 1.80 crore became unfruitful.
- Control and monitoring of implementation of the schemes by the Department was deficient.

Recommendations

The Government should:

- Prepare a long-term plan for increasing the agricultural productivity and prepare annual plans taking into consideration the local requirements.
- Maintain a uniform database of agricultural lands in the records of revenue and agricultural departments.
- Improve performance so as to achieve targets set for Soil Management Scheme and State Seed Farms Scheme.
- Adhere to the guidelines of GOI for Seed Village Scheme and National Food Security Mission.
- Ensure that compensation under the insurance scheme is disbursed to the actual beneficiaries.

CHAPTER III

AUDIT OF TRANSACTIONS

HIGHWAYS AND MINOR PORTS DEPARTMENT

3.1 Avoidable expenditure

3.1.1 Manipulation of traffic census

Adoption of fictitious traffic census for widening a road led to avoidable expenditure of ₹ 1.69 crore.

Indian Road Congress (IRC) 64-1990 prescribes an intermediate lane of 5.5 metres width carriageway for a design service volume between 2,000 and 6,000 Passenger Car Units (PCU) and double lane of seven metres width carriageway for the design service volume exceeding 6,000 PCU.

Widening of Puliyankulam road at km 0/0 – 11/2 from single lane to double lane was sanctioned (December 2010) by the Chief Engineer (Construction and Maintenance), Highways, Chennai (CE) on the grounds that the PCU of the road as per the traffic census taken in 2008 was 7,336 and was awarded to the contractor (February 2011) for the value of ₹ 6.63 crore. The work was completed (March 2012) at a cost of ₹ 6.38 crore.

Scrutiny of the traffic census register available in the office of the Divisional Engineer (Highways), (Construction and Maintenance), Sivaganga (Division) revealed that the actual traffic intensity of the road as per the census taken in May 2008 was 1446 PCU only. After projecting the traffic census for next 10 years as per the IRC provisions with reference to base year 2011, the design traffic volume would work out to 3,086 PCU¹. Therefore, the road could be widened to intermediate lane of 5.5 meters only as per the aforesaid IRC provision. However, the Division had adopted fictitious traffic census. For instance, the actual number of “cars, jeeps, vans, three wheelers, *etc.*,” as per Traffic Census Data Sheet for the 24 hours period starting from 1 May 2008, 6.00 am to 2 May 2008, 6.00 am was only 90; whereas the Division modified the number to 890 in the weekly traffic count in order to justify widening the road to double lane. Similarly, the actual number of “bullock carts” and “cycles” was 36 and 740 whereas the Division modified the numbers to 436 and 1,740 respectively and there were number of such ‘irregular modifications’ in the traffic census in respect of other categories of vehicles also. Thus, the action of the Division in adopting a fictitious figure resulted in unwarranted widening to double lane by incurring an avoidable expenditure of ₹ 1.69 crore.

Government replied (October 2012) that the road was widened adopting 7,502 PCU on the basis of traffic census taken in May 2010. The reply is not

¹ A way of accounting for the interaction of various kinds of vehicles to express the capacity of roads in terms of common unit is known as PCU = $[(1,446 \times (1.06)^3 \times (1.06)^{10})] = 3,086$

acceptable as the Division adopted the traffic census of 2008 in the estimate and there were no basic records available in the Division for the traffic census taken in 2010 justifying widening as per IRC norms.

3.1.2 Undue benefit to contractors

Rectification of defects in the widened portion of the two roads through new contractors instead of by the original contractors at their risk and cost led to avoidable extra expenditure of ₹ 2.31 crore.

Agreements for widening of the two roads² in Virudhunagar District *inter alia* provided 'Defects liability period clause' for rectification of the defects by the contractors at their cost for a period of 36 months from the actual date of completion. The road works were completed during the period from December 2007 to October 2009 and therefore the contractors should have rectified the defects, if any, upto December 2010 and October 2012 at their own cost. It is pertinent to mention that the Superintending Engineer (Highways), Tirunelveli (SE) while countersigning the completion report of the work instructed (November 2008) that the defects liability period should be taken into account and defects if noticed, should be got rectified by the original contractors at their cost within the defects liability period.

However, the same widened portion of the two roads were included in nine estimates sanctioned (April and August 2010) at a cost of ₹ 6.26 crore by Divisional Engineer (Highways), Virudhunagar (DE)/SE under 'Special Repair works'/'Improvement works'. All the nine works entrusted to four contractors were completed and payments made (March and July 2011).

As the widened portions of these roads were under the defects liability period of the contractors when estimates for Special Repair works/Improvement works were approved by the DE/SE, the action of the department in calling for fresh tenders instead of directing and getting the contractors to rectify the defects resulted in avoidable expenditure of ₹ 2.31 crore.

Government replied (November 2012) that the entire width of the road was now taken up for rectification of the damages and for improvement as the existing carriageway was not improved when the widening work was taken up and also to accede to the request of public.

The reply of the Government is not acceptable as the Special repair works and Improvement works were proposed (2010-11) for the reason that the riding surface of both widened and existing portion of the road was damaged and worn out. As such the rectification work in the widened portions should have been carried out through the contractors who did the widening work, at their cost and the Department should have borne the expenditure for the remaining portion (existing portion) of the road alone.

As rectifying the defects developed on the road in the defect liability period was mandatory for the contractors and the rates quoted for the work were

² Melamadai - Palavanatham Road (three reaches) and Virudhunagar - Krishnapuram Road (five reaches)

inclusive of it, the Department incurred avoidable extra expenditure of ₹ 2.31 crore thereby giving undue benefit to the contractors.

3.1.3 Unintended benefit to the contractors

Non-inclusion of recovery clause in the agreements for the works for restricting the payment to the contractors, based on the actual consumption of cement resulted in unintended benefit to the contractor to the tune of ₹ 1.69 crore.

Indian Standard (IS) 456-2000 and Ministry of Road Transport and Highways (MORTH) recommends design mix for mix strength above M 20. Concrete mix for various strengths was designed by the Highways Research Station (HRS) based on the sample of brand and grade of cement, fine aggregates and coarse aggregates furnished by the contractors and the same was communicated to the divisions for adoption in the work. HRS in the circular memorandum instructed (October 2004) all Divisional Engineers to get the mix design for concrete structures done only from HRS.

Scrutiny of estimates prepared by Divisional Engineers (Highways), Karur and Chengalpattu for seven bridge works revealed that for cement concrete works involving mix strength of M 25 and above, design mix with proportion of materials such as 1:1.5:3 (M 25) 1:1.2:2.4 (M 30/M 35/M40) were proposed. Estimates were prepared by the Department adopting standard data available with them. While the quantity of cement recommended by HRS for M 25 ranged from 380 to 390 kg and for M 30/M 35/M 40 from 380 to 450 kg, the division adopted 432 kg for M 25 and 540 kg for M 30/M 35/M 40. The mix designed by HRS involved lesser quantity of cement than that proposed in the estimates and the contractors also utilised quantities of cement as per design mix in the works concerned. Payments to the contractors were however made with reference to higher quantity of cement adopted in the estimates due to non-inclusion of recovery clause in the agreements for restricting the payment to the contractor, to actual consumption.

In respect of two other works sanctioned in the office of the Superintending Engineer (Highways), NABARD and Rural Roads Circle, Trichy (SE), SE had included a suitable clause in the agreements for recovery of cost of cement utilised in excess of the quantity approved by HRS and effected recoveries (December 2011) from the contractors bills.

Thus, non-inclusion of recovery clause in the agreements for the works for restricting the payment to the contractors, based on the actual consumption of cement resulted in unintended benefit to the contractors to the tune of ₹ 1.69 crore.

The Government replied (December 2012) that as per the conditions of the contract, the contractor has to execute the work as per the design mix even if it stipulates higher quantity of cement which may result in higher rate than that of the estimated one or lower quantity cement, but should attain the required strength of concrete. The reply is not acceptable since the design mix

approved by HRS involved lesser quantity of cement than that contemplated in all the estimates and payment was made based on estimated quantity.

3.1.4 Avoidable extra expenditure

Adoption of ex-Coimbatore rates in the estimates for various grades of Bitumen instead of the economical ex-Cochin rates resulted in avoidable extra expenditure of ₹ 4.73 crore.

The Highways department of the Government of Tamil Nadu (Department) obtained the prevailing ex-Coimbatore and ex-Cochin market rates of Bitumen from Oil Companies for various grades³ of Bitumen before preparing the estimates for various road works in three Construction and Maintenance (C&M) divisions⁴ under Coimbatore Circle and two C&M divisions⁵ under Tiruppur circle. Analysis of the market rates of various grades of Bitumen obtained from Oil Companies revealed that ex-Cochin rates inclusive of lead charges were less than the ex-Coimbatore rates for various grades of Bitumen and difference in cost per MT ranged from ₹ 925 to ₹ 5,171 for Bitumen Emulsion, ₹ 1,312 to ₹ 2,445 for Bitumen 60/70 and ₹ 1,330 to ₹ 2,417 for Bitumen 80/100.

Audit scrutiny of estimates in respect of 339 road works revealed that the Department adopted ex-Coimbatore rates in all the above estimates prepared during 2009-10 to 2011-12. Incidentally, it was also observed that the economical rates of ex-Cochin were adopted in the estimates prepared during 2010-11 in the office of the Divisional Engineer (Highways), NABARD and Rural Roads Division, Erode. As the works were awarded on percentage tender system, non-adoption of the economical ex-Cochin rates in the estimates resulted in avoidable extra expenditure of ₹ 4.73 crore. The matter was referred to Government in September 2012; reply has not been received (January 2013).

3.1.5 Avoidable expenditure

Delay in granting Financial Sanction for Revamped Central Road Fund works resulted in avoidable excess expenditure of ₹ 10.53 crore.

The Ministry of Road Transport and Highways (MORTH), Government of India (GOI) sanctions funds every year under the Revamped Central Road Fund (RCRF) for executing road and bridge works. For the year 2010-2011, administrative approval for ₹ 130.62 crore was accorded (February 2011) by MORTH for executing 17 road and bridge works in Tamil Nadu. As per the RCRF (State Roads) Rules 2007, the executing agency should ensure that the project is technically approved, financially sanctioned by Government of Tamil Nadu (GoTN) and awarded within a period of four months from the date of Administrative Sanction (AS) of work, failing which the work shall be deemed to have been desanctioned. Out of 17 works approved by GOI, two works were deleted and technical sanction for ₹ 111.63 crore was accorded (February 2011) by the Chief Engineer (National Highways), Chennai (CE)

³ Emulsion Bitumen, Bitumen 60/70 and 80/100

⁴ Coimbatore, Gobichettipalayam and Pollachi

⁵ Erode and Tiruppur

for 15 works. One work was not taken up as the bid was not technically qualified.

CE addressed (February 2011) GoTN for granting financial sanction and also invited tenders (February 2011). The evaluated bids for 14 works were submitted (April and May 2011) for approval of Commissionerate of Tenders (COT). The total value quoted by the lowest bidders for 14 works worked out to ₹ 94.73 crore.

In the wake of Assembly Elections the model code of conduct of Election Commission came into force with effect from 1 March 2011. Hence, the CE requested (March 2011) MORTH for extension of time till 31 July 2011 for awarding the works. After the elections, the CE addressed GoTN on 19 May 2011 citing the necessity for financial sanction to the works before 10 June 2011. As neither financial sanction from GoTN nor revalidation of AS from MORTH were received (June 2011), tenders for 14 works were cancelled and retendered in the same month. After obtaining (July 2011) financial sanction from GoTN, tenders were approved by COT (August 2011) in anticipation of orders of revalidation from MORTH. Orders of revalidation were received in March 2012 from MORTH. In the meantime, agreements were executed (August 2011) with the contractors for the value of ₹ 105.26 crore. The works are in progress and a total expenditure of ₹ 92.93 crore has been incurred (March 2012).

GoTN had requested (January 2011) MORTH for early AS for the works citing the likelihood of implementation of Election Commission's model code of conduct from March 2011. The CE also sought (February 2011) financial sanction and pointed out (May 2011) the possibility of lapse of administrative approval unless the financial sanction was issued before 10 June 2011. Despite these facts and availability of budget provision of ₹ 100 crore in 2010-11, financial sanction was not accorded by GoTN leading to cancellation of tenders received in the first call. This had resulted in avoidable extra expenditure of ₹ 10.53 crore to Government due to retendering. The matter was referred to Government in July 2012; reply has not been received (January 2013).

3.1.6 Avoidable extra liability

Incorrect cancellation of contract resulted in avoidable extra liability of ₹ 1.29 crore to Government.

Government of Tamil Nadu (GoTN) accorded (August 2010) administrative approval for the work of "Formation of a bye-pass road at Pattukottai from 0/0-2/8 (up to Ponnavarayankottai)" for ₹ 660 lakh. The work technically sanctioned (September 2010) by the Chief Engineer (C&M) Highways, Chennai (CE), was awarded (February 2011) to the lowest contractor (L-1) for a value of ₹ 5.89 crore at 0.01 *per cent* less estimate rate of 2010-11 with a completion period of 12 months. Land to an extent of 11.15.21 hectare situated in four villages acquired (February and March 2011) for the work by the Revenue Department was handed over (July 2011) to the Divisional Engineer (H), Thanjavur (DE).

Citing the reasons of non-possession of land for over six months and cultivation on the land, the contractor requested (July 2011) the DE to cancel the contract. On a specific query from the Superintending Engineer (Highways), Trichy (SE) on the stage of the land acquisition for the work, the DE suppressed (July 2011) the fact of possession of land with the Department and informed (August 2011) SE that the lands were under cultivation and yet to be taken over. SE cancelled the above contract (August 2011). Tenders were called again for the work (August 2011).

Out of the two tenders received, L-1 of the previous tender was again found to be the lowest and accepted by Commissionerate of Tender (December 2011). Work was assigned to the contractor (January 2012) for ₹ 7.18 crore at 22 *per cent* above the estimate rate and an expenditure of ₹ 1.44 crore has been incurred so far (June 2012).

Thus, the incorrect cancellation of the original contract by suppression of facts and subsequent entrustment of work by fresh tender at 22 *per cent* premium over the earlier rates to the same contractor, resulted in avoidable extra liability of ₹ 1.29 crore to Government.

The matter was referred to Government (July 2012) and Government replied that the land acquisition process was not completed (August 2011) even after the completion of six months from the date of execution of agreement (February 2011). The reply is factually incorrect as the Highways Department was already in possession (July 2011) of the required land.

3.1.7 Avoidable expenditure due to excess provision of cement in the estimate

Provision of excess cement in the estimates due to non-adherence of MORTH specifications resulted in avoidable expenditure of ₹ 1.33 crore.

Section 601.3.3 of Specifications for Road and Bridge Works issued by the Ministry of Road Transport and Highways (MORTH) provided for minimum cement content of 150 Kilogram/cubic metre (kg/cu.m) in lean concrete. It also provided for increased quantity of cement as necessary, if the minimum cement content was not sufficient to produce concrete of the specified strength without additional compensation to the contractor for the increased quantity of cement.

Test check of records relating to 26 works executed by Divisional Engineers (DE) Nagapattinam, Thiruvarur and Virudhunagar revealed that Lean Cement Concrete (LCC) mix of 1:3:6 with a cement content of 216 kg per cu.m was proposed in the estimates and agreements entered into with the contractors. As the works are awarded on percentage tender system, incorrect adoption of 216 kg per cu.m instead of 150 kg per cu.m resulted in avoidable extra expenditure of ₹ 1.33 crore. The matter was referred to Government in July 2012; reply has not been received (January 2013).

PUBLIC WORKS DEPARTMENT

3.1.8 Avoidable extra expenditure

Avoidable extra expenditure of ₹ 2.98 crore and an additional liability of ₹ 0.25 crore due to adoption of incorrect rates/specifications and unauthorised quarrying in PWD canal lands.

Government of Tamil Nadu (GoTN) accorded (October 1996) administrative sanction for the Project “Providing irrigation facility to 58 villages in Usilampatti Taluk of Madurai District” at an estimate cost of ₹ 33.81 crore under part II scheme for the year 1996-97 and the Project envisaged carrying the surplus waters from Vaigai Dam. It also included excavation of a high level canal for a length of 27.20 Km from the proposed head sluice (Ogee weir) on the right flank of Vaigai Dam at LS 2,425 m from the spillway. The scheme, commenced in February 1999, has not yet been completed (July 2012) due to changes in design and alignment, land acquisition etc. An amount of ₹ 74.59 crore has been spent on the scheme as of June 2012.

Based on the scrutiny (May-June 2012) of the records of Chief Engineer (PWD), WRO, Madurai Region (CE), and other subordinate offices⁶, the following audit observations are made:

(i) As per the agreements (1999-2000) with the contractors for reaches LS 17.55–23Km and LS 24.40–27.20Km, rate for additional works shall be derived from the rates for similar items of work in an accepted agreement. In case of works for which supplemental agreement was to be entered into and where the Schedule of Rates (SOR) had changed in the intervening period, the SOR prevailing at the time of execution of additional items would be adopted with no tender premium over this rate.

The first approved Revised Administrative Sanction (RAS) for ₹ 74.60 crore, inter alia, provided for execution of additional items and quantities in these reaches. The additional items of work included conveying earth from a distant place (more than one km).

Audit however observed that the SOR prevailing during execution of the additional works (2002-03) was lower than the rate prevailed during the execution of original agreement (1999-2000). Higher rates as per the agreement instead of lower rates prevailing at the time of execution were adopted violating the conditions of contract. Thus, incorrect adoption of rates resulted in extra expenditure of ₹ 2.06 crore.

(ii) The Work of “Excavation of main canal from LS 3.0 Km to 11.65 Km including all cross masonry structures” was one of the sub works of the scheme. The site was handed over to the contractor on 23 November 1999 with the stipulation that the work be completed by 22 November 2001. When

⁶ Office of the Superintending Engineer, (PWD), WRO, Periyar Vaigai Basin Circle and Office of the Executive Engineer (PWD, WRO), Periyar Improvements Division VII, Madurai.

the work was in progress (January 2001), a change of alignment was proposed due to existence of granite/metal/sand in the original alignment and the revised alignment was approved by the Superintending Engineer (March 2003). The work was further delayed due to various other reasons⁷.

During inspection (April 2009), CE noticed that the ground levels in the revised alignment at LS 6810M to 6960M had further gone down from the levels furnished in revised Condensed Longitudinal Section (CLS) due to unauthorised quarrying operation in the intervening period necessitating additional quantity of 40,835 cu.m. of earthwork and other incidental work thereon for formation of canal embankment. The work was executed during August and September 2009 and part payments to the tune of ₹ 43.09 lakh were made pending approval of RAS II.

Audit observed that though the site had already been handed over (November 1999) to the contractor and the work was under execution with several extensions of time, neither the contractor nor the department had taken up the matter of unauthorised quarrying stated to have taken place in 2004-05 with the competent authority to prevent the same. Further, the CE noticed only belatedly in April 2009 the unauthorised quarrying. In reply to audit query, the Executive Engineer, PWD stated (August 2012) that the matter was not taken up with the Revenue/Police Department (August 2012) and no complaint was registered.

Thus, the failure of the contractor and the department to safeguard the PWD canal lands and prevent unauthorised quarrying resulted in an avoidable expenditure of ₹ 43.09 lakh and avoidable liability of ₹ 14.37 lakh.

(iii) Table 5 of revised IS-456 issued in the year 2000 prescribes the use of minimum cement content of 250 and 300 Kg per cu.m. for PCC and RCC M 20 concrete under moderate exposure conditions. Concrete continuously under water was also classified as moderate exposure condition in Table 6 of the IS *ibid*. The estimate sanctioned for construction of aqueducts at LS 16.625–17.875 Km and at LS 23.245–24.645 Km during 2007-08 contained provision for use of 432 Kg/430.8 Kg of cement per cu.m. of PCC/RCC M 20 concrete using 20mm metal. The agreements with the contractors during 2007-08 specified that the cement content shall conform to IS 456-1978 instead of the latest revision of 2000 which provided for lesser usage of cement content. Thus, non-adoption of cement content as per IS 456:2000 by the department resulted in excess usage of cement at 182 Kg per cu.m. of PCC M 20 and 130.80 kg per cu.m. of RCC M 20 in the aqueduct works resulting in extra expenditure of ₹ 49.05 lakh and avoidable liability of ₹ 11.04 lakh. The matter was referred to Government in September 2012; reply has not been received (January 2013).

⁷ i) Delay in approval of RAS I (approved in March 2006) ii) Pending approval of RAS II iii) Non-receipt of Letter of Credit

HIGHWAYS AND MINOR PORTS DEPARTMENT

3.1.9 Non-realisation of revenue due to Government

Non-recovery of extra cost of terminated contracts and delay in forfeiture of security deposits resulted in non-realisation of revenue of ₹ 5.30 crore.

Clause 109.06 of Preliminary Specifications (PS) to “Standard Specification for Roads and Bridges” (SSRB) of Tamil Nadu Highways Manual, 1995 (Manual) stipulates that in the event of failure of a contractor to complete a work, Highways Department has the authority to proceed with the execution of the balance portion of the work through any other agency at the risk and cost of the original contractor. As per Clause 109.07 of the manual, the Security Deposit (SD) and Additional Security Deposit (ASD) remitted by the original contractor at the time of execution of agreement shall also stand forfeited. Clause 5.1 B of General conditions of contract stipulated that if the tender percentage quoted by the contractor is five to fifteen *per cent* less than the estimated amount, the contractor shall pay ASD at two *per cent* of the estimated value. Further, Clause 110.12 of *ibid* Manual stipulates that in every case in which provision is made for recovery of money from the contractor, the Government shall be entitled to retain or deduct the amount thereof from any moneys that may be due to the contractor under this or under any other contract or contracts or on any other account.

Twelve cases of terminated contracts necessitating recovery of extra cost from the original contractors due to completion of the balance works through another contractor during the period from 2008-09 to 2011-12 were examined in five⁸ divisions.

In this regard, the following audit observations are made:

A sum of ₹ 5.30 crore was to be recovered from seven contractors in 12 works and a single contractor (Contractor A) was involved in six works terminated during 2008 and 2009. The balance works were got completed during 2010 and 2011 with the extra cost of ₹ 0.85 crore recoverable from Contractor A. The same contractor had executed road works in another division (Construction and Maintenance Division, Highways, Tiruvannamalai) since 2007 and payment of ₹ 1.68 crore was made from January 2010 to January 2012. Had the Superintending Engineer/Chief Engineer (General) intimated the amount of recovery to other divisions/circles as per the above manual provisions immediately after termination of the contract, extra cost of ₹ 0.85 crore could have been recovered. Thus, there was lack of coordination among divisions/circles in the recovery of dues to the department.

The SD and ASD amounting to ₹ 14.54 lakh in respect of five terminated contracts were not forfeited and credited to Government account as per the

⁸ Divisional Engineer (Highways), Project Division, Vellore and Tiruvarur, Divisional Engineer (Highways), (Construction and Maintenance Division), Tiruchirappalli and Chengalpattu, Divisional Engineer (Highways), NABARD and RR Division, Chengalpattu.

agreement clause. Further, ASD at two *per cent* of the estimated value amounting to ₹ 9.35 lakh⁹ was not collected from the contractor by the Highways Project Division, Vellore.

In respect of such cases where the extra cost was found to be irrecoverable even after exhausting other dues payable to the contractor through SD/ASD/other pending bills, the Revenue Department could be addressed for the recovery of the same by invoking Revenue Recovery Act as per Clause 110.12 of the Manual. No such action was initiated by the divisions.

Thus, the lack of coordination among divisions/circles in the recovery of extra cost due to the department in respect of terminated contracts from the payment made to the contractor in other divisions and also delay in forfeiture of security deposits resulted in non-realisation of revenue of ₹ 5.30 crore.

The matter was referred to Government in September 2012; reply has not been received (January 2013).

HANDLOOMS, HANDICRAFTS, TEXTILES AND KHADI DEPARTMENT

3.1.10 Avoidable interest liability on the Government

Imposition of unacceptable conditions on the banks for adjustment of funds against the loan for Common Effluent Treatment Plants resulted in loss of ₹ 5.34 crore to the Government exchequer.

The Hon'ble High court, Madras (December 2006) directed the Tiruppur dyeing industries to establish Common Effluent Treatment Plants (CETP) to treat effluents through Reverse Osmosis. Accordingly, 18 CETP were established (2007) availing loan assistance to the tune of ₹ 525 crore from Nationalised/Private Banks. Each CETP is functioning as Special Purpose vehicle (SPV) to ensure its proper operation for achieving Zero Liquid Discharge.

As the CETP were unable to repay the loan availed, the Dyers' Association represented (April 2008) to the Government for financial assistance for repayment of loan. Government of India (GOI) and Government of Tamil Nadu (GoTN) acceding to the request of the owners of Tiruppur Dyeing industries decided to provide (March 2010) subsidy¹⁰ to alleviate the loan burden. Accordingly, GoTN accorded sanction (September 2010) for ₹ 120 crore and released ₹ 33.09 crore for adjustment of overdue instalments of Principal and Interest.

Subsequently, based on the proposals (October 2010) of Director of Handlooms and Textiles (DHT), Chennai, GoTN released (October 2010) ₹ 116.91¹¹ crore *suo-motu* with the condition that the bank which extended

⁹ ₹ 4, 67, 50,702 x 2 *per cent* = ₹ 9.35 lakh

¹⁰ GOI Assistance – ₹ 200 crore, GOTN Assistance - ₹120 crore

¹¹ Government of India share – ₹ 100 crore, Government of Tamil Nadu Share - ₹ 16.91 crore

loan for establishing CETP should furnish Bank Guarantee to GoTN valid for eight years with a view to ensure the proper functioning of CETP. GoTN further directed that the grant released to six banks (12 branches) was to be kept in a separate bank account pending compliance of the conditions. Accordingly, the grant of ₹ 116.91 crore was deposited in Savings Bank (SB) Account opened in the name of the DHT.

The banks, however, expressed (October 2010) their inability to furnish Bank Guarantee on grounds that they did not possess the expertise to ensure the performance of the CETP and could not guarantee the successful running of the plant. However, they offered (October 2010) to cede first *pari passu* charge in favour of GoTN on Project Assets. Finally, GoTN ordered (January 2012) DHT to release the subsidy amount of ₹ 116.91 crore kept in SB accounts of DHT without insisting on the Bank Guarantees. An amount of ₹ 5.59 crore accrued as interest in the SB account (May 2012).

In this regard, the following audit observations are made:

Though the initial subsidy of GoTN (₹ 33.09 crore) was immediately adjusted against the outstanding loans with the banks (September 2010), further assistance of ₹ 116.91 crore was released (October 2010) to the banks conditionally without consulting the banks and ascertaining the feasibility of ensuring the functioning of CETP by the banks.

Government subsidy was intended to lessen the loan burden of CETP with the banks at the earliest. Though DHT informed (November 2010) the Government about the inability of the banks to furnish Bank Guarantee, GoTN issued orders (January 2012) for release of the subsidy amount of ₹ 116.91 crore after a delay of 14 months. Consequently, interest liability of the CETP further increased to ₹ 20.85 crore¹².

While Government borrowed funds at the rate of 7.29 and 7.53 *per cent* during the periods 2009-10 and 2010-11, the interest paid on the SB account on deposits was at the rate of 3.82 *per cent* only. Further, the interest of ₹ 5.59 crore accrued on SB account has also been kept outside the Government account.

Thus, the failure to frame modalities before the release of subsidy and imposition of conditions unacceptable to the banks for adjusting ₹ 116.91 crore against the loan dues of CETP defeated the purpose of timely alleviation of loan burden of CETP and also resulted in loss of ₹ 5.34 crore to the Government exchequer due to retention of money outside the Government account besides increasing the interest liability of the industries to the extent of ₹ 20.85 crore.

The matter was referred to Government in September 2012; reply has not been received (January 2013).

¹² Calculated on simple interest adopting floating rates of interest ranging from 11.25 to 18 *per cent* charged by the respective Banks.

PUBLIC WORKS DEPARTMENT

3.1.11 Avoidable payment of interest

Injudicious decision to approach the courts against the opinion of the Government Pleader resulted in avoidable commitment for payment of interest of ₹ 1.89 crore.

Adjudication and Arbitration clauses were provided in the agreement for the work of rehabilitation of contour canal from LS 0.00 km to 25.490 km of Parambikulam Aliyar Project to settle disputes, if any, which arose between the contractor and Public Works Department (PWD). As per the adjudication clause, the process for adjudication should be notified within 14 days of such dispute and the adjudicator should pronounce his decision within 28 days of notification. If either party was not satisfied with his decision, then the dispute could be referred to arbitration. For contract values exceeding ₹ five crore, arbitration clause provided for appointment of Arbitral Tribunal consisting of three arbitrators viz., one each to be appointed by the employer and contractor and the third arbitrator chosen by two arbitrators so appointed by the parties.

The contractor notified (November 2001) certain disputes that arose since 1998 for adjudication. Instead of opposing the adjudication at the admission stage itself citing the delays in notifying the dispute by the contractor, PWD participated in the adjudication. After deliberating on all the disputes for one year, the adjudicator pronounced (December 2002) that the matter was beyond the scope of adjudication as the contractor had continued the works and approached him only after bunching the disputes instead of posing them as and when they occurred. He also opined that he had no power to pass an award after completion of the work and several disputes referred were beyond the scope for adjudication.

Consequently, on the request of the contractor (December 2002), the Chief Engineer, WRO, PWD, Pollachi Region (CE) appointed (April 2004) an arbitrator as sole Arbitral Tribunal. The arbitrator passed (September 2004) the award of ₹ 2.14 crore in favour of the contractor as against the claim of ₹ 12.05 crore preferred by the contractor. PWD sought (September 2004) the legal opinion of the Government Pleader (GP) on which the GP opined (October 2004) that the case was not fit for filing an appeal as the arbitration award was passed taking into account the grievances of the CE as well as the contractor and the arbitrator had also given reasons for arriving at the conclusions. Contending that the GP's opinion was not legally binding, an appeal was filed (December 2004) in the District Court (DC) based on the directions (October 2004) of the CE. The appeal was dismissed (September 2009) by the DC.

Against this, an appeal was filed (March 2010) by PWD in the Hon'ble High Court (HC), Chennai contesting that the sole arbitrator had no jurisdiction to entertain the disputes as the contract value exceeded ₹ five crore. However, this appeal was also dismissed (December 2010) by the HC as the department

had failed to raise the question of jurisdiction of the Sole Arbitrator at the appropriate time. Moreover, the sole arbitrator represented both the parties as he had been appointed, after the PWD and the Contractor agreed to it.

After obtaining legal opinion (February and September 2011) from the Special Government Pleader, HC, Chennai and the Additional Advocate General, Tamil Nadu that the case was not fit for further appeal, Government decided (January 2012) to make a payment of ₹ 4.74 crore comprising the award of ₹ 2.14 crore and interest thereon of ₹ 2.60 crore (from September 2001).

The action of the department in not opposing the adjudication proceedings at the admission stage itself delayed the process of arbitration. Further, appeal made against the arbitration award in the DC against the advice of the GP and questioning the jurisdiction of the arbitrator, though appointed by the PWD themselves in the HC, was injudicious as there was no case for appeal. This resulted in committed payment of additional interest of ₹ 1.89 crore to the contractor (September 2004-January 2012) which was avoidable.

Government replied (November 2012) that an appeal petition was filed in the Supreme Court of India against the orders (December 2010) of the High Court of Madras. Audit observed that the decision to prefer appeal was contrary to the earlier decision of Government (October 2011) to implement the orders of the High Court of Madras.

3.2 Blocking of funds

HIGHWAYS AND MINOR PORTS DEPARTMENT

3.2.1 Non-utilisation of Central Mixing Plants

Failure to assess the necessity before requesting for supply of the Central Mixing Plants resulted in poor/non-utilisation of the plants worth ₹ 1.24 crore.

Ministry of Shipping, Road Transport and Highways (MOSRT&H), New Delhi considered the request (August 2006) of Government of Tamil Nadu (GoTN) and approved (September 2006, August 2007) supply and erection of three Central Mixing Plants (CMP) in the hill areas at Ooty, Kodaikanal and Valparai to overcome the difficulties in transporting the bituminous mix with required temperature from foot hills to work sites. The plants were consigned to the GoTN free of cost with the stipulation that GoTN had to bear the initial expenditure towards Civil Engineering works, fuel etc., required for Commissioning of CMP which would be later charged to the civil works of the Ministry. Plants costing ₹ 131.86 lakh supplied by MOSRT&H between June 2007 and July 2008 were erected by the Divisional Engineers, Ooty (September 2008), Dindigul (December 2008) and Pollachi (August 2009) incurring an expenditure of ₹ 69.82 lakh. Ministry also directed (November 2010) the Chief Engineer (H) (Construction and Maintenance) (CE) to issue instructions to field officers for proper utilisation of CMP.

The CMP erected (March 2009) at Kodaikanal was not utilised so far (July 2012) and that erected (September 2008) at Ooty was utilised only for 15 days since erection in the bituminous works executed by the divisions.

Reasons for gross underutilisation of CMP as analysed by audit revealed that the common tender conditions stipulated that the contractors should furnish proof for possession of their own CMP for the works involving CMP and the tenders received without such proof would be rejected. Therefore, tender conditions prevented the contractors from using department CMP. In the absence of specific clause in the agreement for the use of CMP, the department could not force the contractors to use their CMP.

The Divisional Engineer (Highways), Pollachi citing Table 500-5 of MORTH specifications (IV Revision) replied (June 2012) that the required temperature of the mix could be maintained even while transporting the mix from foot hills to work sites in hilly regions.

In view of the above, the request of GoTN and the supply of CMP by MOSRT&H were unnecessary. In the absence of any demand for CMP, proposals were sent (September 2008, June 2009) to GoTN to lease out the CMP for meeting the expenditure towards maintenance of the CMP, and the same were yet to be approved by the GoTN (June 2012).

The reimbursement claim for the expenditure of ₹ 69.82 lakh incurred towards civil works is yet to be preferred (July 2012) by GoTN.

Thus, the failure of the department in assessing the necessity before supply of the plants from the MOSRT&H and non-inclusion of a suitable clause in the agreement after the procurement of CMPs resulted in poor/non-utilisation of the plants costing ₹ 1.24 crore¹³ besides defeating the purpose for which the plants were supplied by the MOSRT&H.

The matter was referred to Government in August 2012; reply has not been received (January 2013).

HANDLOOMS, HANDICRAFTS, TEXTILES AND KHADI DEPARTMENT

3.2.2 Release of grant without immediate requirement

Release of grants disregarding financial principles even before the proposal for establishment of Vaigai Hi-Tech Weaving Park resulted in non-utilisation of grant of ₹ 5.78 crore.

Government of Tamil Nadu (GoTN) sanctioned (June 2005) an amount of ₹ 4.37 crore for establishment of Vaigai Hi-Tech Weaving Park at Andipatti under Textile Centre Infrastructure Development Scheme (TCIDS) with the assistance from Government of India (GOI) to uplift the Power loom sector.

¹³ Dindigul Cost of Plant: ₹ 42.91 lakh Erection charges: ₹ 20.00 lakh.
Ooty Cost of Plant: ₹ 42.91 lakh Erection charges: ₹ 17.82 lakh.

The scheme to be executed by a *Special Purpose Vehicle*¹⁴ (SPV) envisaged creation of infrastructural facilities like development of roads, Effluent Treatment Plant, Training Centre, Testing etc., required for production of export quality fabrics for earning foreign exchange to the tune of ₹ 360 crore per annum and thereby creation of employment opportunities to about 16500 persons.

The project cost of ₹ 17.81 crore under TCIDS scheme was to be shared by GOI and GoTN in the ratio of 75:25 and the share of GoTN of ₹ 4.37 crore was released (June 2005) to SPV with the instructions to deposit the amount in a separate bank account pending clearance of project proposal by GOI.

As the project was not executed before the cut off date (July 2005) fixed by GOI and due to poor progress, the scheme was revived (August 2009) under “*Scheme for Integrated Textile Parks*”¹⁵ (SITP) by GOI. The total *project cost*¹⁶ under SITP was ₹ 61.01 crore. GOI released (March 2010) ₹ 2.44 crore for this purpose and out of this, SPV utilised ₹ 2.34 crore for the purchase of land, factory buildings, etc.

The State Government contribution of ₹ 4.37 crore released in June 2005 along with interest of ₹ 1.41 crore was not utilised (July 2012) and kept in the bank account of SPV. In the meantime, GOI cancelled (October 2011) the project (SITP) citing poor progress due to *various reasons*¹⁷ and requested the SPV to refund the grant of ₹ 2.44 crore already released. GOI also requested the State Government to initiate the revenue recovery proceedings to recover the amount from SPV. GoTN addressed (January 2012) GOI for extension of time up to October 2012 for commissioning of Vaigai Hi-Tech Weaving Park. SPV had neither refunded the grant of GOI nor obtained extension of time (July 2012).

According to Rule 210 A (3) of Tamil Nadu Financial Rules, only so much of grants-in-aid is to be released in a financial year as is likely to be expended during that year. In the case of grants for specific works, payments must be made according to the needs of the works undertaken and money should not be drawn in advance of requirement.

The state share of ₹ 4.37 crore released in June 2005 along with interest of ₹ 1.41 crore (upto July 2012) for establishment of Vaigai Hi-Tech Weaving Park at Andipatti was lying unutilised and kept outside Government Account for more than seven years defeating the purpose of release of the grant. It is pertinent to mention that the Finance department of GoTN had also opined (March 2005) to release only a token amount of ₹ two crore as “only in principle” approval for the project had been given by GOI.

¹⁴ SPV- formed with the representative of local Industry, Financial Institutions, State and Central Government. SPV shall invariably be a Corporate Body registered under the Companies Act.

¹⁵ SITP – New Scheme introduced by GOI in August 2005 by integrating TCIDS and another scheme “Scheme for Apparel Parks for Exports”.

¹⁶ GOI assistance: ₹ 24.40 crore, State Government assistance: ₹ 5.49 crore, Promoters contribution: ₹ 2.78 crore, Bank Loan ₹ 28.34 crore

¹⁷ Non-mobilisation of finance by investors, delay in completion of construction activities, non-installation of machineries, etc.

Thus irregular release of grants-in-aid violating the financial principles even before formulation of viable proposals and also disregarding the advice of Finance department (March 2005) resulted in non-utilisation of Government grant of ₹ 5.78 crore (Grant ₹ 4.37 crore + Interest ₹ 1.41 crore) for more than seven years.

The matter was referred to Government in August 2012; reply has not been received (January 2013).

3.3 Regularity issue

HIGHWAYS AND MINOR PORTS DEPARTMENT

3.3.1 Irregular retention of funds outside Government account

Due to non-adherence of revised land acquisition procedure, an amount of ₹ 30 crore was kept outside the Government account for more than three years resulting in loss of interest of ₹ 4.07 crore.

The procedure of opening of Personal Deposit Account in the name of the Land Acquisition Officer (LAO) for payment of compensation for land acquisition in respect of National Highways (NH), Public Works and Highways Departments was in vogue from January 1972. Government discontinued (July 1987) this procedure and ordered that the amount payable towards compensation be kept in Treasury accounts under 8782 Remittance Head in respect of Public Works Department and under 8658 Suspense and Miscellaneous in respect of NH and Highways Department. As per procedure, the LAOs have to make the payment of compensation for the land acquisition by presenting bills at the treasury which will pass on the debit to the Divisional Officers concerned for eventual adjustment in the accounts of works. Contrary to the above revised procedure, an amount of ₹ 30 crore was kept out of Government accounts for three years and seven months as discussed below:

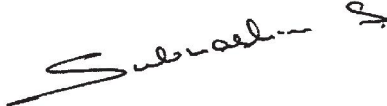
Government of Tamil Nadu accorded (March 2007) administrative sanction of ₹ 70 crore for land acquisition for the work of upgrading the road from Siruseri to Mahabalipuram (IT Expressway Phase II). Based on the sanction, Chief Engineer (General), Highways (CE) allotted (March 2008) ₹ 30 crore to the Divisional Engineer (Highways), Chengalpattu (DE) for the work and instructed the DE to present the adjustment bill with the Treasury Officer (TO) concerned. The bill was presented to the Sub-Treasury Officer, Chengalpattu (STO) who in turn issued a cheque in favour of the Special Tahsildar/Land Acquisition (STLA) IT Highways Corridor Phase II, Tambaram. Without insisting the STO to keep the amount under Suspense Head as outlined in the LA procedure, the DE obtained the cheque and sent (March 2008) it to STLA who in turn deposited it in the Savings Bank (SB) account maintained by him in State Bank of India (SBI), Tambaram and earned an interest of ₹ 3.99 crore at 3.5 per cent per annum during the period from March 2008 to October 2011. He withdrew (October 2011) ₹ 30 crore from the SBI and

credited it to Deposits Head at Sub Treasury, Tambaram. However, the interest amount of ₹ 3.99 crore was not yet (February 2012) credited to Government account pending clarification from Collector, Kancheepuram regarding the Head of Account to which the interest was to be credited.

The action of DE in sending the cheque for ₹ 30 crore to the STLA contravening the Government Orders and CE's instructions resulted in irregular retention of public money outside Government account for three years and seven months and loss of ₹ 4.07 crore to the Government (difference between borrowing rate of Government at 7.3 to 7.7 *per cent* and interest earned at 3.5 *per cent* on SB account).

The matter was referred to Government in June 2012; reply has not been received (January 2013).

Chennai
Dated 04 Mar 13


(SUBHASHINI SRINIVASAN)
Principal Accountant General
(Economic and Revenue Sector Audit)
Tamil Nadu

Countersigned

New Delhi
Dated 05 Mar 13


(VINOD RAI)
Comptroller and Auditor General of India

Annexure - 1

(Referred to in Paragraph 1.6.2)

**Department wise details of Inspection Reports
and Paragraphs pending**

Sl. No.	Name of the Department	Number of Outstanding	
		Inspection Reports	Audit Observations
1.	Public Works Department (Water Resources)	193	455
	Public Works Department (Buildings)	118	365
2.	Highways	284	858
3.	Environment and Forests	205	674
4.	State Autonomous Bodies	13	47
5.	Agriculture	330	1,027
6.	Animal Husbandry	107	265
	Dairy Development	22	62
	Fisheries	50	154
7.	Handlooms and Textiles	40	127
	Khadi Village Industries	2	16
	Sericulture	24	38
8.	Industries and Commerce	81	219
9.	Tourism	19	65
Total		1,488	4,372

Annexure – 2

(Referred to in Paragraph 2.8.1)

Target and achievement in respect of area under cultivation of major crops during 2009-12

(Area in lakh hectares)

Crop	Area as per X plan (2006-07)	Target of Area at the end of XI plan (2011-12)	Target and achievement of area under cultivation (Kharif + Rabi)					
			2009-10		2010-11		2011-12	
			T	A	T	A	T	A*
Paddy	19.31	22.00	21.50	18.45	21.50	19.06	22.00	20.14
Millets	6.98	10.00	12.00	6.53	12.00	6.31	10.00	7.93
Pulses	5.37	10.00	12.00	5.36	12.00	6.37	10.00	7.81
Oil seeds	5.92	6.50	10.00	4.95	10.00	4.49	6.50	5.42
Cotton	1.00	1.50	1.50	1.04	1.50	1.21	1.50	1.45
Sugarcane	3.91	3.50	3.50	2.93	3.50	3.16	3.50	4.05
Total	42.49	53.50	60.50	39.26	60.50	40.60	53.50	46.80

(Source: Season and crop report published by Department of Economics and Statistics)

(*As per fourth advance estimate)

Annexure –3
(Referred to in Paragraph 2.9.3)

State Seed Farms

Sl. No.	Name of the farm	year	Area cultivable (in Acre)	Area irrigated (in Acre)	Targeted production (in MT)	Actual production		Shortfall in production FR (MT)	Shortfall in production PS (MT)
						FR(MT)	PS(MT)		
1	State Seed Farm, Karaiyiruppu, Tirunelveli District	2009-10	62.38	62.38	124.76	46.30	29.40	78.45 (63)	95.35 (76)
		2010-11	62.38	48.48	96.96	40.35	20.85	56.62 (58)	76.11 (79)
		2011-12	62.38	35.05	70.10	39.67	12.78	30.42 (43)	39.74 (57)
2	State Seed Farm, Thirupathisaram, Kanyakumari District	2009-10	39.27	78.54 *	157.08	88.94	76.32	68.14 (43)	75.70 (49)
		2010-11	39.27	78.53 *	157.06	112.38	96.12	74.17 (47)	60.94 (39)
		2011-12	39.27	62.09 *	124.18	67.01	53.86	57.17 (46)	70.31 (57)
3	State Seed farm, Vinayagapuram, Madurai District	2009-10	45.52	21.70	43.40	35.53	30.13	7.87 (18)	13.26 (31)
		2010-11	45.52	26.32	52.64	26.96	26.35	25.68 (49)	26.29 (50)
		2011-12	45.52	30.26	60.52	45.35	37.87	15.17 (25)	22.74 (38)
4	State Seed Farm Pappankulam, Tiruppur District	2009-10	46.36	26.50	53.00	31.30	26.19	21.70 (41)	26.81 (51)
		2010-11	46.36	26.50	53.00	19.00	17.76	34.00 (64)	35.23 (66)
		2011-12	46.36	26.50	53.00	34.62	31.83	18.37 (35)	21.17 (40)
5.	State Seed Farm, Sakkaottai, Thanjavur District	2009-10	56.77	85.57	171.14	83.63	72.16	87.51 (51)	98.98 (58)
		2010-11	56.77	66.07	132.14	68.84	58.58	63.69 (48)	73.56 (56)
		2011-12	56.77	59.31	118.62	70.24	57.53	48.38 (41)	61.09 (52)
6.	State Seed Farm, Thirukadaiyur, Nagapattinam District	2009-10	29.67	39.72	79.44	58.50	47.40	20.94 (26)	32.04 (40)
		2010-11	29.67	30.59	61.08	37.31	33.15	23.77 (39)	27.93 (46)
		2011-12	29.67	16.23	32.46	18.85	17.00	13.61 (42)	15.46 (48)
7.	State Seed Farm, Nagamangalam, Nagapattinam District	2009-10	56.81	42.24	84.68	63.17	50.77	21.31 (25)	33.71(40)
		2010-11	56.81	53.93	107.86	60.79	58.75	47.07 (44)	49.11(46)
		2011-12	56.81	69.69	--	--	--	--	--
8.	State Seed Farm, Iruvelpattu, Villupuram District	2009-10	40.23	84.00	168.00	44.40	38.75	123.60 (74)	129.25 (77)
		2010-11	40.23	84.00	168.00	68.87	60.41	99.13 (59)	107.59 (64)
		2011-12	40.23	84.00	168.00	116.13	99.63	45.87 (28)	62.37 (39)

...contd

Sl. No.	Name of the farm	year	Area cultivable (in Acre)	Area irrigated (in Acre)	Targeted production (in MT)	Actual production		Shortfall in production FR (MT)	Shortfall in production PS (MT)
						FR(MT)	PS(MT)		
9.	State Seed Farm, Vanur, Villupuram District	2009-10	53.70	75.00	150	61.64	54.29	88.36 (59)	95.71 (64)
		2010-11	53.70	75.00	150	74.19	63.68	75.81 (51)	86.32 (58)
		2011-12	53.70	75.00	150	20.45	18.39	129.55 (86)	131.61 (87)
10.	State Seed Farm, Vadakkanandal, Villupuram District	2009-10	44.87	89.00	178	66.70	53.50	111.30 (63)	124.50 (70)
		2010-11	44.87	89.00	178	-Nil-	-Nil-	-Nil-	-Nil-
		2011-12	44.87	89.00	178	-Nil-	-Nil-	-Nil-	-Nil-
11.	State Seed Farm, Kakuppam, Villupuram District	2009-10	25.00	20.00	40	29.94	25.96	10.06 (25)	14.04 (35)
		2010-11	25.00	20.00	40	35.26	30.20	4.74 (12)	9.80 (25)
		2011-12	25.00	20.00	40	26.28	11.91	13.72 (34)	28.09 (70)
12.	State Seed Farm, Vazhavachanur, Tiruvannamalai District	2009-10	65.00	63.75	130	25.00	22.85	105.00 (81)	107.15 (82)
		2010-11	65.00	65.00	130	22.84	19.23	107.16 (82)	110.77 (85)
		2011-12	40.00	46.00	80	34.48	29.65	45.52 (57)	50.35 (63)
13.	State Seed Farm, Athiyandhal, Tiruvannamalai District	2009-10	42.00	6.70	84	12.08	11.27	71.92 (86)	72.73 (87)
		2010-11	42.00	17.00	84	23.07	19.26	60.93 (73)	64.74 (77)
		2011-12	30.00	8.00	60	10.09	8.27	49.91 (83)	51.73 (86)

*Both Kharif and Rabi seasons

Figures in bracket indicate the percentage of shortfall

Annexure – 4

(Referred to in Paragraph 2.9.7)

**Details of Physical and Financial target and achievement
under the Seed Village Scheme**

(Physical Target in MTs)

(Financial Target ₹ in crore)

Component	2009-10				2010-11				2011-12			
	Physical		Financial		Physical		Financial		Physical		Financial	
	T	A	T	A	T	A	T	A	T	A	T	A
A. Paddy	1,600	2,687	1.60	2.70	3,000	4,722	2.70	4.96	4,000	6,433	4.00	5.10
Millets	200	169	0.20	0.19	300	174	0.45	0.21	250	204	0.50	0.28
Pulses	660	640	1.32	1.52	2,000	2,025	6.00	6.85	2,500	2,276	10.00	8.41
Oilseeds	3,600	1,687	7.20	3.99	3,750	2,508	11.25	6.75	3,500	3,040	10.50	8.85
Total	6,060	5,183	10.32	8.40	9,050	9,429	20.40	18.77	10,250	11,953	25.00	22.64
B. Training	4,000	3,682	6.00	6.00	2,000	2,000	3.00	3.00	4,000	4,000	6.00	6.00
C. Storage Bin	52,900	56,921	7.68	6.73	39,650	58,283	5.86	5.71	NIL	NIL	NIL	NIL

Annexure – 5

(Referred to in Paragraph 2.9.10)

Drawal of GOI subsidy without actual distribution of seeds to the farmers

Sl.No.	Year	Block/District	Name of the crop	Quantity issued (in MT)	Quantity adjusted (in MT)	Excess quantity (in MT)	Excess subsidy drawn (₹ in lakh)
1.	2010-11	Ottapidaram/Thoothukudi	Black Gram	1.33	86.26	84.93	24.20
2.	2011-12	Ottapidaram/Thoothukudi	Black Gram and Green Gram	Nil	45.32	45.32	10.88
3.	2011-12	Sathankulam/Thoothukudi	Paddy and Groundnut	Nil	5.86	5.86	1.20
4.	2011-12	Seithunganallur/Thoothukudi	Paddy	Nil	40.85	40.85	4.08
5.	2011-12	Kottampatti/Madurai	Paddy and Groundnut	Nil	17.74	17.74	2.80
6.	2011-12	Cheranmadevi/Tirunelveli	Paddy	Nil	5.60	5.60	0.50
7.	2011-12	Ambasamudram/Tirunelveli	Paddy	Nil	6.10	6.10	0.60
8.	2011-12	Palayamkottai/Tirunelveli	Paddy	Nil	5.00	5.00	0.45
9.	2011-12	Melaneelithanallur/Tirunelveli	Paddy and Black Gram	Nil	9.94	9.94	1.85
10.	2011-12	Kalakad/Tirunelveli	Paddy	Nil	4.95	4.95	0.47
11.	2011-12	Mukkudal/Tirunelveli	Paddy	Nil	15.00	15.00	1.48
12.	2010-11	Thirunavalur/Villupuram	Black Gram	Nil	5.00	5.00	2.25
13.	2010-11	Kanai/Villupuram	Paddy, Black Gram, Groundnut	Nil	27.08	27.08	5.17
14.	2011-12	Vanur/Villupuram	Black Gram	Nil	4.49	4.49	0.87
Excess Subsidy							56.80

Annexure – 6

(Referred to in Paragraph 2.9.11)

Procurement of storage bins violating Government of India Guidelines

Sl. No.	District	Year	Items procured	Amount (₹ in lakh)
1.	Madurai	2009-10 and 2010-11	3,047 PVC bins	60.94
2.	Kanyakumari	2009-10 and 2010-11	877 Water Tanks	30.81
3.	Villupuram	2010-11	967 PVC bins	25.23
4.	Coimbatore	2009-10 to 2011- 12	546 PVC bins	24.46
5.	Nagapattinam	2010-11	3,161 (25 kg/50 kg Aluminium bins)	18.24
6.	Thanjavur	2009-10 and 2010-11	1,127 Metal/Wood 307 Metal/Wood	63.59 17.28
7.	Dindigul	2009-10 and 2010-11	302 Metal 321 Metal	14.35 14.61
Total				269.51 (or) 2.70 crore

Annexure – 7 (a)

(Referred to in Paragraph 2.10.6)

Funds drawn but Conoweeder, Marker not issued to farmers

Name of the Block	Name of the equipment	Amount (In lakh)	When drawn	Further remarks
Thirumangalam	Marker	0.42	Drawn from Treasury based on Pro-forma Invoice	Equipments not received till May 2012. Entries made as received
Kottampatti	Marker and Paddy Weeder	1.73	Drawn from Treasury based on Pro-forma Invoice	Equipments not received till May 2012. Entries made as received.
Chellampatti	Paddy Weeder	3.56	Payment made in April 2012	Received in April 2012 but not distributed due to non-identification of beneficiaries
Boothapandi	Marker and Paddy Weeder	2.98	—	Received between May and July 2012 but not issued to farmers
Kuruthencode	Paddy weeders and markers	1.25	Payment made in June and July 2012	Received in June/July 2012 but not issued pending identification of beneficiaries
Madurai East	Power Weeder and Rotovator	3.84	Payment made in March 2012	Equipments not received
Palayamkottai	Marker, Paddy Weeder	5.47	₹ 4.92 lakh still kept in bank and payment not made	Equipments received in July 2012 but not issued pending identification of beneficiaries
Melaneelithanallur	Marker, Paddy Weeder	1.73	Payment made in June and July/August 2012	Equipments received in July/August 2012 but not issued pending identification of beneficiaries
Mukkudal	Marker, Paddy Weeder	2.71	Payment made only for ₹ 1.64 lakh and balance kept in bank	Equipments for ₹ 1.64 lakh received but not distributed pending beneficiary identification
Cheranmadevi	Marker, Paddy Weeder	4.98	Payment made in June and September 2012	Equipments received in June and September 2012 but not issued though beneficiaries identified in August 2011.
Total		28.67		

Annexure – 7(b)

(Referred to in Paragraph 2.10.6)

Conoweeder, Marker partially distributed to beneficiaries

Name of the Block	Name of the equipment	Amount (In lakh)	When drawn	Further remarks
Ambasamudram	Marker, Paddy weeder	4.70	Payment made in June and July 2012	Equipments received in April June and August 2012 – Balance stock : Marker : 120 Paddy weeder : 11
Vallam	Six Row Marker, Conoweeder/Wet weeder	1.64	March 2012	Supplies received in June – August 2012 distributed. Balance stock on 30.11.2012 Marker : Nil, Weeder: 6
Thirukovilur	Six Row Marker, Conoweeder/Wet weeder	0.69	March 2012	Supplies received in June and July 2012 distributed. Balance stock on 30.11.2012 Marker : 20, Weeder : 2
Thirunavalur	Six Row Marker, Conoweeder/Wet weeder	0.82	March 2012	Supplies received in April, June and July 2012 distributed. Balance stock on 30.11.2012 Marker : Nil, Weeder : 3
Marakkanam	Six Row Marker, Conoweeder/Wet weeder	4.31	March 2012	Supplies received in April 2012 distributed. Balance stock on 30.11.2012 Marker : 300 (Full supply), Weeder : 8
Vanur	Six Row Marker, Conoweeder/Wet weeder	4.97	March 2012	Supplies received in July 2012. Balance stock as on 30.11.2012 : 13 power weeders, Markers : 200
Natham	Power weeder	0.82	March 2012	Three Numbers – Not distributed
Vedasanthur	Power weeder	0.27	March 2012	One Number – Not distributed to beneficiaries
	Six row marker	0.21	March 2012	30 Numbers – Not distributed to beneficiaries
Palani	Six row marker	0.85	March 2012	120 Numbers – Not distributed to beneficiaries
	Power weeder	1.64	March 2012	6 Numbers – Not distributed to beneficiaries
Total		20.92		

Glossary

AAO	Assistant Agricultural Officers
ADA	Assistant Directors of Agriculture
AEC	Agriculture Extension Centers
AIC	Agricultural Insurance Company
AO	Agriculture Officers
AO(QC)	Agriculture Officer (Quality Control)
ASD	Additional Security Deposit
BFPU	Bio-fertiliser Production units
C&AG	Comptroller and Auditor General of India
CE	Chief Engineer
CETP	Common Effluent Treatment Plant
CLS	Condensed Longitudinal Section
CMP	Central Mixing Plant
CO	Controlling Officer
CCO	Chief Controlling Officer
COA	Commissioner of Agriculture
COT	Commissionerate of Tenders
CRIDP	Comprehensive Road Infrastructure Development Programme
Cu.m.	Cubic Metre
DAO	Deputy Agriculture Officer
DAP	District Agriculture Plan
DC	District Court
DCCB	District Central Co-operative Bank
DDA	Deputy Director of Agriculture
DDO	Drawing and Disbursing Officers
DE	Divisional Engineer
DHT	Director of Handlooms and Textiles
DPC	Duties, Powers and Conditions of Service
E&RSA	Economic and Revenue Sector Audit
FC	Financial Controller
FIHB	Farmer's Integrated Hand Book

GOI	Government of India
GOTN	Government of Tamil Nadu
GP	Government Pleader
HC	Hon'ble High Court
HRS	Highways Research Station
HYV	High Yielding Variety
IR	Inspection Report
IRC	Indian Road Congress
IS	Indian Standard
JDA	Joint Director of Agriculture
KCCB	Kumbakonam Central Co-operative Bank
Kg	Kilogram
Km	Kilometre
LAO	Land Acquisition Officer
LCC	Lean Cement Concrete
LS	Longitudinal Section
MDCCB	Madurai District Central Co-operative Bank
MMA	Macro Management of Agriculture
MORTH	Ministry of Road Transport and Highways
MOSRT&H	Ministry of Shipping Road Transport and Highways
MSTL	Mobile Soil Testing Laboratories
MT	Metric Tonnes
NADP	National Agriculture Development Programme
NAIS	National Agriculture Insurance Scheme
NFSM	National Food Security Mission
NH	National Highways
NOVOD	National Oil seeds and Vegetable Oils Development
ODR	Other District Road
PACS	Primary Agriculture Co-operative Society
PAG	Principal Accountant General
PCC	Plain Cement Concrete
PCU	Passenger Car Unit
PS	Preliminary Specifications
PWD	Public Works Department
PVC	Poly Vinyl Chloride

RADP	Rainfed Area Development Programme
RAO	Regional Accounts Officers
RAS	Revised Administrative Sanction
RCC	Reinforced Cement Concrete
RDCCB	Ramanathapuram District Central Co-operative Bank
RCRF	Revamped Central Road Fund
SAR	Separate Audit Report
SB	Savings Bank
SBI	State Bank of India
SD	Security Deposit
SE	Superintending Engineer
SITP	Scheme for Integrated Textile Parks
SLSC	State Level Sanctioning Committee
SMS	Seed Multiplication Scheme
SOR	Schedule of Rates
SPV	Special Purpose Vehicle
SRI	System Rice Intensification
SRR	Seed Replacement Rate
SSF	State Seed Farm
SSRB	Standard Specification for Road and Bridges
STL	Soil Testing Laboratories
STLA	Special Tahsildar/Land Acquisition
STO	Sub-Treasury Officer
SVS	Seed Village Scheme
TCIDS	Textile Centre Infrastructure Development Scheme
TDCCB	Thanjavur District Central Co-operative Bank
TO	Treasury Officer
TNAU	Tamil Nadu Agricultural University