

CHAPTER III

AUDIT OF TRANSACTIONS

Audit of transactions in the Municipal Administration and Water Supply Department in the Secretariat, Commissionerate of Municipal Administration, Corporations of Chennai, Coimbatore, Salem, Tiruchirappalli and Tirunelveli and selected municipalities brought out several instances of lapses in management of resources and failures in the observance of the norms of regularity, propriety and economy. These have been presented in the succeeding paragraphs under broad objective heads.

3.1 Losses detected in Audit

MUNICIPAL ADMINISTRATION AND WATER SUPPLY DEPARTMENT

CORPORATION OF CHENNAI

3.1.1 Loss of revenue

Delay in letting out 136 shops belonging to Corporation of Chennai resulted in loss of revenue of Rs 21.01 lakh.

The Corporation of Chennai (CoC) completed the construction (May 1999) of a vegetable market near Razak Market, Saidapet comprising 115 shops at a cost of Rs 33.60 lakh. As certain nearby shop owners affected by construction of an adjoining subway (started in June 1998) were to be considered for allotment of shops in the complex, the Standing Committee of the Corporation postponed (March, June and July 2000) authorising an auction for allotment of the above shops. Though the subway was completed and opened for traffic in March 2001, the auction of the shops was not considered by the Committee.

CoC also completed construction (July 2001) of a fish market comprising 21 shops adjacent to the aforesaid vegetable market at a cost of Rs 6.08 lakh.

Though the Land and Estate Department of the Corporation (LED) initiated action in August 2001 to get a minimum rate for rent fixed before auctioning of the shops, the rent of Rs seven per sq. ft. per month was approved belatedly in November 2003. Meanwhile, protracted correspondence ensued (January 2000 and October 2003) between the Zonal Office and the LED regarding who should conduct the auction. Finally, four auctions were conducted between August 2004 and November 2004 by the LED and all the vegetable and fish shops were let out at rates varying between Rs seven and Rs 35 per sq.ft. per month.

The undue delay in auctioning the 136 shops led to loss of revenue of Rs 21.01 lakh¹ towards rent calculated at Rs seven per sq.ft. per month for the period from June 2001² to July 2004. The delays indicate inadequate planning, coordination and monitoring.

The matter was referred to Government in July 2005. In its reply the Government stated (August 2005) that the auctions were delayed because

(a) the model code of conduct was in force during the period December 2001 - February 2002 for Saidapet Assembly bye election and general elections to Lok Sabha during May 2004.

(b) the shops were earmarked for hawkers of that area and the Chairman of the Hawkers Committee had submitted a report to the High Court. The CoC had also filed an objection to the report of the Hawkers Committee and the case was pending in High Court.

The above reply is not tenable as (a) model code of conduct came into force six months after the first opportunity for auctioning arose (June 2001), (b) the Hawkers Committees Report was not an impediment because there was no stay against auction of shops by High Court and (c) auctions were, in any case, conducted between August 2004 and November 2004, even while the said case was pending before High Court.

TAMBARAM MUNICIPALITY

3.1.2 Short levy of taxes

Due to application of incorrect rate, the Tambaram Municipality short levied Property tax, Education tax and Library cess totalling Rs 11.46 lakh.

In terms of the Tamil Nadu District Municipalities Act, 1920, Tambaram Municipality levies Property tax at 10 *per cent* of the annual value of the buildings or lands to be taxed every half year i.e. 20 *per cent* per annum. The Madras Elementary Education Act, 1920 provides for the levy of Education tax as a surcharge on the Property tax at a uniform rate of five *per cent* of the annual value per annum and Tamil Nadu Public Libraries Act, 1948 read with Education Department Government Order May 1992 provides for levy of Library cess at ten paise per whole rupee of Property tax. Thus, Tambaram Municipality has to levy taxes at 13.5 *per cent*³ on the annual

¹ 7,184 sq.ft (total area of vegetable shops) x Rs 7 per sq.ft. per month x 38 months (June 2001 to July 2004)

plus 756 sq.ft. (total area of fish shops) x Rs 7 per sq.ft. per month x 36 months (August 2001 to July 2004).

² Due to election to Legislative Assembly during May 2001, the months of April and May 2001 have not been considered.

³ Property tax at 20 *per cent* per annum, Library Cess at 10 paise per Rupee of Property tax i.e. two *per cent* per annum, Education Tax: five *per cent* per annum, Total: 27 *per cent* per annum i.e. Half yearly = 13.5 *per cent*.

value of the property per half year. Further, in terms of Taxation and Finance Rules framed under the Tamil Nadu District Municipalities Act, assessments can be corrected for period not exceeding beyond the two half years immediately preceding the half year during which correction is proposed to be made.

Scrutiny in audit of 4,580 new cases assessed during 2000-05 and first half year of 2005-06 revealed that the Municipality levied and collected the above taxes at rates lower than 13.5 per cent as depicted below:

Year	No. of assessments	Rate levied (percentage)	Short assessment Rs	Amount irrecoverable Rs
2000-01	969	5.19 to 12.55	3,12,050	2,50,858
2001-02	148	11.95 to 12.61	41,177	31,927
2002-03	1,611	5.93 to 12.70	4,58,781	3,19,085
2003-04	557	12.65 to 13.17	1,64,607	97,859
2004-05	1,295	6.29 to 13.17	1,69,713	29,601
Total	4,580		11,46,328	7,29,330

Thus, the Municipality short levied taxes to the extent of Rs 11.46 lakh in respect of 4,580 assessments of which Rs 7.29 lakh had become irrecoverable (October 2005).

Government while accepting (February 2006) the short levy stated that demands were being revised and collection is in progress.

3.2 Unfruitful expenditure

CORPORATION OF CHENNAI

3.2 Unfruitful expenditure

Two community centres constructed at a cost of Rs 59.81 lakh were not utilised due to their inappropriate location.

Corporation of Chennai (CoC) constructed two community centres for utilisation by public on payment of daily rent. However, these community centres were not put to use by public, rendering the expenditure on their construction unfruitful, as brought out in the succeeding paragraphs.

(i) Construction of a community centre was completed at Gajapathi Lala Street at a cost of Rs 38.40 lakh in April 2000. Municipal Council of Chennai Corporation approved (May 2003) a rent of Rs 3,590 for 24 hours for the centre. However, it has not been utilised by public so far (July 2005). Superintending Engineer, Buildings Department, CoC stated (March 2005) that it could not be verified with reference to the records available as to whether the demand for community centre was assessed before construction.

On being pointed out, Government stated (August 2005) that (a) public have not been booking the centre because of a burial and cremation ground opposite to it, (b) there are no norms for selection of sites for community centres and (c) community centres are constructed to serve poor people and the income aspect is secondary.

The Government reply is not tenable because the centre did not serve its intended purpose and expenditure of Rs 38.40 lakh on its construction remained unfruitful.

(ii) The construction of a community centre was completed at Shaick Maistry Street, Royapuram at a cost of Rs 21.41 lakh in March 2000. The expenditure on its construction was met from the Capital Fund of the CoC (Rs 11.66 lakh) and from Member of Parliament Local Area Development Fund (Rs 9.75 lakh).

A rent of Rs 1,530 per day was fixed for the centre. However, it has never been utilised by the public (January 2005). The Revenue Office concerned of the Corporation stated (January 2005) that there was no demand from the public for the use of the centre ostensibly because a 40 year old public convenience was situated adjacent to it.

Government stated (August 2005) that all possible efforts would be taken by CoC to put the community centre to use.

3.3 Idle investments

CORPORATION OF CHENNAI

3.3.1 Building not put to use

Building for an Industrial Training Institute completed at a cost of Rs 1.06 crore in April 2001 has not been put to use due to delay in procurement of required equipment.

To start an Industrial Training Institute (ITI), the Corporation of Chennai (CoC) forwarded (March 1999) a proposal to the State Government for recommendation to Director General of Employment and Training (DGET), New Delhi for affiliation of the proposed ITI with National Council for Vocational Training (NCVT). Government granted permission (April 1999) for the opening of ITI with six trades subject to, among other things, provision of infrastructure facilities including tools and equipment as per norms prescribed by DGET.

The CoC completed construction (April 2001) of the building for the proposed ITI at a cost of Rs 1.06 crore. Though the Corporation placed supply orders for equipment costing Rs 25.61 lakh on five suppliers in November 2000, these were cancelled belatedly in September 2003 as most of the equipment supplied (December 2000 to May 2001) were found to be of poor quality.

Affiliation with NCVT has not been obtained, as required equipment had not been procured (August 2005).

Government stated (September 2005) that re-tender for the required equipment was floated in June 2005 and action for appointment of teaching staff had been initiated. This reply does not explain the delay of one year and nine months in floating the tender.

Thus, the building constructed at a cost of Rs 1.06 crore for conducting ITI courses has been lying vacant since April 2001 (September 2005).

ARAKKONAM MUNICIPALITY

3.3.2 Blocking up of borrowed funds

Borrowing of Rs 9.88 lakh at 10.75 per cent per annum and paying it to Railways for purchasing their land without confirming their acceptance of price resulted in blockade of the entire amount since 1991.

Arakkonam Municipality, Vellore District proposed (1984) to acquire 22.26 acres of land from Southern Railway for construction of a new bus stand and for execution of Sites and Services Scheme and paid Rs 4.44 lakh (March 1985) based on the rate then fixed by the District Collector. However, the Southern Railway handed over (September 1985) 4.02 acres of land only stating that (a) the rate then prevailing was Rs one lakh per acre, (b) relinquishment of the remaining 18.24 acres of land was subject to payment at the revised rate and (c) that the Municipality should bear the cost of raising and strengthening of the compound wall of their Engineering Workshop. In October 1985, the District Collector refixed the cost of land at Rs 10.62 lakh for 22.26 acres. Without checking with the Railways whether this rate was acceptable, the Municipality paid (June 1991) Rs 9.88 lakh (balance cost of land: Rs 6.18 lakh and escalation in cost: Rs 3.70 lakh) by taking a loan of this amount from Government at 10.75 per cent per annum. Meanwhile, the Municipality constructed a new bus stand at a cost of Rs 31 lakh on the land (4.02 acres) acquired and put it into use from March 1988.

The Southern Railway, however, revised (December 1999) their demand for the balance land cost as Rs 39.18 lakh. As the price could not be settled with the Railways and the entire land got encroached, the Municipality dropped (January 2004) the proposal of its purchase.

Thus, failure of the Municipality to check with the Railway the acceptance of land price before paying them Rs 9.88 lakh resulted in this amount remaining blocked. The Municipality did not raise the matter with the Government to help obtain refund of Rs 9.88 lakh along with interest. As of October 2005, the Municipality had not repaid the loan taken for this purpose (Rs 9.88 lakh) along with interest (Rs 15.20 lakh) and penal interest (Rs 3.47 lakh).

The matter was referred to Government in December 2005; reply had not been received (January 2006).

3.4 Others

CORPORATIONS OF CHENNAI AND SALEM AND MUNICIPALITY OF MANNARGUDI

3.4.1 Non-realisation of cost of land

Due to delay in ascertaining cost of land, raising of demands and lack of pursuance on the part of the urban local bodies, Rs 5.87 crore was pending realisation from various user departments and Government organisations towards cost of land transferred to them.

Six cases of non-realisation of the cost of land transferred by Corporation of Chennai (CoC), Corporation of Salem and Mannargudi Municipality to Tamil Nadu Electricity Board, Tamil Nadu Housing Board, Tamil Nadu Tourism Development Corporation, Education Department and Health Department are discussed in the succeeding paragraphs.

Corporation of Chennai

(i) The CoC permitted (March 2001) the Tamil Nadu Electricity Board (TNEB) to establish a sub-station on its land measuring 11,019 sq.ft. located at MRC Nagar, Chennai pending (a) issue of orders by Government and (b) payment of cost of land at a rate fixed by District Collector, Chennai.

As the above land was reserved as an 'Open Space' (OS)⁴ in Master Plan, CoC requested (August 2001) the Government for change of classification and permission to transfer the land to TNEB. Permission of Government has not been received as of August 2005. Audit noted (December 2004) that (a) after August 2001 CoC had not issued any reminder to Government though TNEB had constructed the sub-station and commissioned it in February 2003 and (b) CoC had not raised demand of cost of land on TNEB though the District Collector had intimated its current rate as Rs 3,321 per sq.ft. in August 2004.

On being pointed out in Audit, CoC raised demand (March 2005) of Rs 3.66 crore on TNEB based on the aforesaid rate. The amount had not been paid by TNEB as of December 2005. Thus, delay on the part of the CoC in raising the demand resulted in non-realisation of cost of land amounting to Rs 3.66 crore.

Government stated (August 2005) that proposal of CoC to transfer the aforesaid land to TNEB is under consideration of Government.

(ii) The CoC permitted (December 1990) the TNEB to establish a sub-station on CoC's land having two noon meal sheds and compound wall located at V.O.C.⁵ Nagar, Chennai pending (a) issue of orders by Government and (b) payment of cost of land. Accordingly, TNEB occupied (December 1990)

Lack of pursuance by CoC to obtain rate of land transferred by it to TNEB resulted in non-realisation of Rs 3.66 crore.

Delay by CoC in ascertaining the cost of land transferred to TNEB resulted in non-realisation of Rs 68.29 lakh and loss of interest of Rs 1.62 crore.

⁴ Open Space means any land whether enclosed or not, belonging to the Government or any local authority on which there are no buildings or of which not more than one third part is covered with buildings and the whole or the remainder of which is used for the purpose of recreation, air or light.

⁵ V.O.C. – V.O. Chithambaranar Nagar.

8.989 ground⁶ of vacant land and later took over two noon meal sheds occupying 0.361 ground in February 1999. After more than five years, CoC raised (March 1996) demands of (a) Rs 1.76 crore on TNEB with reference to the market rate of the land as of April 1995 and (b) Rs 2.84 lakh as compensation for the two noon meal sheds and compound wall. In response, TNEB requested (May 1996) the CoC to communicate the rate fixed by Collector, Madras as of December 1990 i.e. when TNEB took over the land. Finally, after more than eight years, CoC ascertained (September 2004) the 1990 guideline rate of Rs seven lakh per ground from the Sub-Registrar (North Chennai).

The cost of the land at the above rate works out to Rs 65.45 lakh. No demand has, however, been raised by the CoC so far (August 2005).

Thus, the delay on the part of the CoC in ascertaining the guideline rate and raising of demand resulted in non-realisation of cost of land and compensation for appurtenant buildings amounting to Rs 68.29 lakh in addition to loss of interest of Rs 1.62 crore⁷ at the rate of nine *per cent* per annum (compounded annually) from January 1991 to August 2005.

On the matter being pointed out, Government in the Municipal Administration and Water Supply Department stated (September 2005) that no demand could be raised by the CoC on TNEB as report on the correct value to be fixed for the land had not been received from the Collector. This reply is not tenable because CoC had not initiated any action to have the rate intimated by the Sub-Registrar ratified by the Collector, Chennai.

(iii) The CoC permitted (September 1998) the TNEB to use CoC's land measuring 6,206 sq.ft located at Sardarjung Garden Road, Chennai for establishing a sub-station pending (a) issue of orders by Government and (b) payment of cost of land. CoC's permission was silent about payment of interest on delayed payment. TNEB occupied the vacant land in November 1998.

TNEB agreed (December 1998) to pay the cost of the land as per the guideline value for the year 1997-98 as available at Sub-Registrar's Office. After more than two years, CoC reminded (September 2001) TNEB to pay the cost of the land as agreed in December 1998. TNEB replied (April 2002) that payment would be made on receipt of demand based on the guideline value prevalent at the time of allotment. After more than two years, CoC requested (September 2004) the Sub-Registrar, Triplicane to furnish the guideline value to fix the cost of the land. Sub-Registrar, Triplicane, Chennai is yet to furnish the guideline value of the land to CoC (June 2005). The CoC did not also pursue

Delay by CoC in ascertaining the cost of land transferred by it to TNEB and raising demand for it resulted in non-realisation of Rs 22.71 lakh and loss of interest of Rs 17.67 lakh.

⁶ 'Ground' is a unit of area of land equal to 2,400 sq.ft.

		(Rs in lakh)
		Interest
⁷	Land = 62.923 x 9% (compounding) x 14 years and 8 months	= 159.96
	Noon meal shed land = 2.527 x 9%(compounding) x 6 years and 6 months	= 1.90
		161.86
		or 1.62 crore

the matter with Government for issue of orders after February 1999 until August 2005. Meanwhile, in reply to an Audit enquiry, the Inspector General of Registration, Chennai intimated (November 2004) the guideline value of the land for the year 1997-98 as Rs 366 per sq.ft.

CoC replied (July 2005) to Audit that no Government Orders have been issued for transferring the land to TNEB and land transfer process will be initiated only on receipt of Government Orders.

Thus, the delay on the part of the CoC in ascertaining the guideline rate and raising of demand resulted in non-realisation of cost of land amounting to Rs 22.71 lakh besides loss of interest of Rs 17.67 lakh at the rate of nine *per cent* per annum (compounded annually) on the cost of land from November 1998 to June 2005.

Government stated (August 2005) that proposal of the CoC to transfer an extent of 6,206 sq.ft. of Corporation land in favour of TNEB for establishing 33/11 KV sub-station at Sardarjung Garden road is under the consideration of Government and further action to collect the cost of land from TNEB will be taken on receipt of report on value of land from the Collector, Chennai.

(iv) Based on a Government Order (May 1977) the Commissioner, CoC handed over (June 1977) 73.73 acres of land in Arumbakkam village to Tamil Nadu Housing Board (TNHB) for implementing 'Sites and Services Programme' involving allotment of house sites to weaker sections of the society. The above Order mentioned that a formal order for the fixation of land price would be issued separately.

Due to lack of concerted efforts, the CoC has not recovered Rs 32.11 lakh and Rs 3.27 crore of interest from Tamil Nadu Housing Board.

The District Collector belatedly intimated CoC (February 1978) that the market value of land was Rs 2,400 per ground⁸ in 1976 to which nine *per cent* appreciation may be added per annum. The value of land at Rs 2,400 per ground worked out to Rs 32.11 lakh. Meanwhile, the TNHB valued the land at Rs 1,400 per ground for working out the cost to be recovered from the allottees. Based on this lower rate, the cost of 73.73 acres worked out to Rs 18.73 lakh at 1976 prices. Instead of paying this to CoC, TNHB paid this amount to the District Collector, Chennai in February 1986. Audit traced out (May 2005) that Collector, Chennai had remitted this amount into Government account in March 1986.

In June 1986, Government issued an order fixing the market value of land at Rs 2,400 per ground in 1976 with interest compounded at nine *per cent* per annum from the date of taking over of the land by TNHB. Despite this order, TNHB has not paid the difference in principal amount of Rs 13.38 lakh (June 2005). Even the amount of Rs 18.73 lakh paid by TNHB in February 1986 to the District Collector has not been remitted to CoC. Commissioner, CoC intimated (July 2005) that the District Collector, Chennai is being addressed for taking necessary action in transferring the amount to CoC.

Thus, due to lack of concerted efforts, CoC is yet to realise (a) Rs 18.73 lakh paid by TNHB to Collector of Madras in February 1986, (b) balance of Rs 13.38 lakh due towards cost of land and (c) Rs 3.27 crore of interest

⁸ One ground = 2,400 sq. feet and one acre = 18.15 grounds.

calculated at nine *per cent* (compounded annually) from July 1977 to June 2005 on the principal of Rs 32.11 lakh.

The matter was referred to Government in July 2005. Government stated (August 2005) that the Housing Board has been directed to remit the amount including interest at the earliest.

Corporation of Salem

Laxity in pursuing recovery of cost of land from Tamil Nadu Tourism Development Corporation resulted in non-realisation of Rs 42.34 lakh and interest of Rs 76.21 lakh.

At the request (November 1989) of the Tamil Nadu Tourism Development Corporation (TTDC) and Collector, Salem (December 1989), the Council of Salem Municipality⁹ resolved (January 1990) to transfer 38,135 sq.ft. of land adjoining Ramakrishna Road free of cost for construction of a hotel with assistance from Government of India. The Municipality handed over (April 1990) the land and addressed the State Government for post-facto approval. The State Government in Municipal Administration and Water Supply (MAWS) Department granted (March 1992) permission for the transfer of land on the condition that TTDC pays the cost of land with reference to guideline value in seven annual instalments with a moratorium of two years with interest at 12 *per cent* per annum.

The Corporation of Salem did not take any action between March 1992 and December 1998 to intimate the land value to TTDC for effecting recovery. Belatedly in January 1999, Corporation of Salem raised demand on TTDC for Rs 72.84 lakh (land cost: Rs 42.34 lakh and interest: Rs 30.50 lakh). Government in Information and Tourism Department also directed (July 2000) the TTDC to pay the cost of land. After protracted correspondence the TTDC agreed (April 2005) to lease out the hotel and share the income realised on 50:50 basis with Corporation of Salem. TTDC did not indicate a time limit for leasing out the hotel. Incidentally, the operating results of the Hotel indicate that it incurred a loss in each of the years during 1997-2004.

On being pointed out in Audit (June 2005), the Corporation resolved (July 2005) to resume the land from TTDC against payment of the depreciated cost of hotel building to TTDC and sought orders of the Government in MAWS Department.

The failure of the Corporation of Salem to realise the cost of land of Rs 42.34 lakh for the past 15 years is attributable to (a) handing over of land to TTDC without awaiting orders from the Government in MAWS Department and (b) failure to inform the TTDC the guideline value of the land immediately after the MAWS Department instructed (March 1992) the Salem Municipality to collect the cost of land at guideline value. An interest of Rs 76.21 lakh at 12 *per cent* had accrued till March 2005 on Rs 42.34 lakh due since April 1990.

On the matter being referred to it, Government in MAWS Department stated (August 2005) that necessary action is being taken for resumption of Corporation's land.

⁹ Upgraded as a Corporation in June 1994.

Mannargudi Municipality

In terms of a Government Order (December 1995), Mannargudi Municipality, Tiruvarur District handed over (January 1996) 19.03 acres of land to the Joint Director of Health Services (14.03 acres) and Chief Educational Officer (five acres) of erstwhile Nagapattinam District on the condition that the cost of land would be paid on the basis of market value. The District Collector, Tiruvarur, fixed the value of land as Rs 3.09 crore (June 2001), deducted Rs 2.54 crore towards estimated cost of leveling the site and arrived at the amount payable as Rs 55.36 lakh. The Municipality requested (August 2004) the Special Commissioner and Commissioner for Land Reforms to pay the cost of land without deducting the leveling charges. The Municipality is yet to realise the apportioned cost of land (Rs 55.36 lakh); besides, decision to pass on to them full cost of land without deducting the leveling charges was awaited (May 2005).

The matter was referred to Government in December 2005; reply had not been received (January 2006).

KUMBAKONAM MUNICIPALITY

3.4.2 Unauthorised diversion from Elementary Education Fund

Kumbakonam municipality unauthorisedly diverted Rs 1.80 crore from Elementary Education Fund that was to be used for maintenance and development of schools.

Education tax is levied by local bodies at a uniform rate of five *per cent* per annum on the annual value of property as a surcharge under the Madras Elementary Education Act, 1920. In terms of Government Order (March 1999), the Education tax so collected has to be transferred to an Elementary Education Fund (EEF) of the local body concerned for utilisation towards maintenance and development of municipal school buildings.

Test check of records of Kumbakonam municipality revealed that substantial amounts were transferred from EEF to other accounts during 2000-05 as depicted below:

(Rupees in lakh)

Year	OB	Receipts				Expenditure					CB
		Edu- cation Tax	Interest earned on EEF	Re- transfer back from other accounts	Other receipts	Transfer to other accounts	Main- tenance of schools	Cons- truction of class rooms	Rent for hired school buildings	Other expen- diture	
2000-01	21.11	43.67	0.60	20.05	..	44.17	5.19	14.49	..	0.04	21.54
2001-02	21.54	45.08	0.12	0.60	0.62	55.10	3.65	..	0.12	..	9.09
2002-03	9.09	46.61	0.16	..	..	31.43	2.10	..	0.03	5.00 [*]	17.30
2003-04	17.30	45.09	0.87	2.33	25.00 [*]	56.33	..	..	..	20.00 [*]	14.26
2004-05	14.26	35.07	0.07	1.35	..	17.00	27.25	..	..	..	6.50
Total		215.52	1.82	24.33	25.62	204.03	38.19	14.49	0.15	25.04	

* Deposits made in 2002-04 realised in 2003-04.

The net amount transferred during 2000-05 from EEF Account to other accounts was Rs 179.70 lakh (Rs 204.03 lakh - Rs 24.33 lakh) and was applied for meeting expenditure towards salary and pension including family pension (Rs 112.40 lakh), Integrated Sanitary Programme (Rs 3.50 lakh), Provident Fund (Rs 12.25 lakh), Water Supply (Rs 36.70 lakh) and transfer to Capital Fund (Rs 14.85 lakh).

The Commissioner, Kumbakonam municipality replied (May 2005) that the aforesaid diversion was inevitable due to financial crunch.

Thus, Rs 1.80 crore stood diverted for other unauthorised purposes from the Elementary Education Fund meant for maintenance and development of municipal school buildings.

The matter was referred to Government in December 2005; reply had not been received (January 2006).

***CORPORATIONS OF COIMBATORE, SALEM,
TIRUCHIRAPPALLI AND TIRUNELVELI AND KUMBAKONAM
MUNICIPALITY***

3.4.3 Non-collection of track rent

Rupees 1.19 crore was pending collection from Bharat Sanchar Nigam Limited towards annual track rent on 406.945 km of optical fibre cable laid in the urban area of five local bodies.

The Revenue Department fixed (March 2000) an annual track rent at the rate of Rs 5,500 and Rs 6,300 per km of optic fibre cable (OFC) laid in the urban areas falling under the jurisdiction of municipalities and corporations¹⁰ respectively.

Bharat Sanchar Nigam Limited (BSNL) became liable, since its creation out of Department of Telecommunication in October 2000, for paying the aforesaid rent. However, annual track rent of Rs 1.19 crore (**Appendix XXI**) till November 2005 was not collected by the following urban local bodies:

Sl. No.	Name of the local body	Length of OFC laid in kms.	Month from which track rent due	Track rent due (Rs in lakh)
Corporations				
1.	Coimbatore	86.606	January 2001	25.45
2.	Salem	83.806	October 2000	25.90
3.	Tiruchirappalli	149.954	October 2000	46.88
4.	Tirunelveli	29.291	June 2001	5.98
Municipality				
5.	Kumbakonam	57.288	October 2000	14.80
Total		406.945		119.01

¹⁰ The rate for CoC is Rs 9,400 per km.

Corporations of Coimbatore, Tiruchirappalli and Tirunelveli raised demands in July 2005, May 2005 and December 2005 respectively at the instance of Audit. While Kumbakonam Municipality raised (March 2003) demand on its own, Corporation of Salem was yet to raise the demand (November 2005).

Government stated (June 2005) that (a) decision of Chief General Manager (CGM), BSNL, Tamil Nadu circle, Chennai to make the payment was awaited and (b) depending on the decision of the CGM, further action would be taken. The reply is not tenable as a Government Order had already been issued in September 2004 instructing BSNL to pay annual track rent to the local bodies.

In this context it is noted that Government Orders for levy of track rent do not provide for any punitive measures to deter non-payment or levy of interest for delay in payment.

CORPORATION OF COIMBATORE

3.4.4 Non-collection of tax on profession

<p>The Corporation of Coimbatore failed to collect tax on professions amounting to Rs 14.03 lakh from the employees of the Commissioner of Central Excise, Coimbatore.</p>

Section 3 of Tamil Nadu Tax on Professions, Trades, Callings and Employments (TPTCE) Act, 1992 empowered every local body to levy a tax on profession, trade, calling and employment within the maximum and minimum amounts specified. In respect of employees of Central and State Governments, the deduction of the half yearly tax and its remittance to the local authority was the responsibility of the Drawing and Disbursing Officers (DDO) concerned.

With the repeal of the TPTCE Act, 1992 the aforesaid tax continued to be levied under the Tamil Nadu Municipal Laws Act, 1998 at the rates prescribed under the new Act. Rule 5 of Tamil Nadu Town Panchayats, Municipalities and Municipal Corporations (Collection of Tax on Professions, Trades, Callings and Employments) Rules, 1999 provides that (i) all DDOs shall recover the half yearly tax on professions due from the pay of the employees in month of August and January and remit it to the municipality concerned along with a return in Form I, (ii) if any employer fails to file the return in Form I, the Commissioner shall prepare a return and furnish a copy of it to the employer along with a notice for payment of tax and (iii) levy of penalty at the rate of one rupee per mensem or part of a month for the tax amount of every Rs 100 or part thereof due. The Commissioner is also required to maintain a master register containing details relating to traders, professionals and employers within the municipal limit for the above purpose.

Scrutiny of records of Corporation of Coimbatore and Commissioner of Central Excise (CCE) located there revealed that the DDO in the Office of the CCE had not recovered the profession tax for remittance to the Corporation.

Only in May 2003 the Corporation wrote to the CCE to pay the profession tax. Though the CCE did not pay the tax (June 2005), the Corporation did not prepare a return and initiate action for levy of penalty.

Scrutiny of the Pay Bill Register of the CCE revealed that tax aggregating Rs 14.03 lakh was not recovered from 275 to 319 employees who had served for varying period in this office during October 1998 - March 2005. It was also noticed that the tax on profession in respect of this office had not been recovered since April 1992.

Government stated (September 2005) that the Corporation has initiated action to effect the recovery of the tax from 1992 onwards.

Chennai
The

(SHANKAR NARAYAN)
Principal Accountant General (Civil Audit)
Tamil Nadu and Pondicherry

Countersigned

New Delhi
The

(VIJAYENDRA N. KAUL)
Comptroller and Auditor General of India