

CHAPTER III

AUDIT OF TRANSACTIONS (URBAN LOCAL BODIES)

Audit of transactions in the Municipal Administration and Water Supply Department in the Secretariat, Commissionerate of Municipal Administration, Chennai, Madurai, Tiruchirappalli and Tirunelveli City Municipal Corporations, five municipalities and one town panchayat 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.

MUNICIPAL ADMINISTRATION AND WATER SUPPLY DEPARTMENT

3.1 Losses detected in Audit

MADURAI CITY MUNICIPAL CORPORATION

3.1.1 Loss of revenue

Non-collection of bus stand fee from Government transport corporation buses resulted in loss of revenue of Rs 1.54 crore for the period from August 2000 to February 2007.

The ULBs may collect a bus stand fee at prescribed rates from buses entering the bus stand, provided the bus stand is recognised by the Regional Transport Authority (RTA) under Tamil Nadu Motor Vehicle Rules, 1989. Bus stands are classified into four categories viz., A, B, C and D depending on the parking capacity and amenities available in the bus stand. The bus stand fee leviable at category 'A' bus stands was Rs 4 per day, which was enhanced to Rs 15 with effect from 11 March 2002.

The Madurai City Municipal Corporation (corporation) constructed an integrated bus stand at Mattuthavani in Madurai, which was operationalised in May 1999. The RTA recognised (May 1999) the bus stand as category 'A'. Every day 841 buses (717 Government transport corporation buses and 124 private buses) were entering the bus stand. Though the corporation collected entry fee from all private buses, it failed to collect entry fee from the buses owned by Government transport corporations. The Commissioner of the corporation addressed (August 2005) all transport corporations to pay arrears of Rs 1.60 crore for the period from June 1999 to March 2005. However, the State Express Transport Corporation of Tamil Nadu Limited refused (September 2005) to pay the arrears of bus entry fee stating that entry fee should have been collected at the time of entry of buses into the bus stand on

daily basis. Tamil Nadu Transport Corporation Limited, Kumbakonam Division remitted a sum of Rs 5.12 lakh. However, other transport corporations have not responded to the demand raised by the corporation (January 2008).

As against the entry fee of Rs 2.12 crore to be collected from the buses of Government transport corporations for the period from August 2000 to February 2007, the corporation collected just Rs 58 lakh (**Appendix 3.1**). The failure of the corporation to collect the entry fee resulted in loss of revenue of Rs 1.54 crore of which Rs 5.55 lakh, relating to the period 2000-01, had become time barred as per Section 483 of The Madurai City Municipal Corporation Act, 1971.

The matter was referred to Government in August 2007. The Government stated (March 2008) that the matter has been brought to the notice of the Special Secretary, Transport Department who has been asked to instruct the transport corporations to remit the fees.

NAMAKKAL AND MELUR MUNICIPALITIES

3.1.2 Loss of revenue

Failure of Namakkal Municipality in getting final approval for revision of water charges and failure of Melur Municipality to give effect to revised rates of water charges and deposits resulted in non-collection of Rs 52.25 lakh and Rs 34.62 lakh respectively.

Failure of the municipalities to get approval of enhanced water charges and failure to give effect to revised water charges/deposits resulted in non-collection amounting to Rs 86.87 lakh as discussed in the succeeding paragraphs.

(a) Based on the proposal of Namakkal Municipality (August 2002) the Commissioner of Municipal Administration, Chennai accorded general approval (November 2002) for revision of water charges from Rs 40 and Rs 100 to Rs 60 and Rs 150 for domestic and non domestic categories respectively. The revision was to take effect subject to the conditions that the by-law be published both in English and Tamil in the District Gazette, reasonable time be given to the public to give their opinion and that the municipality apply for final approval of the by-law along with council resolution, as stipulated in Sections 132, 309 and 310 of the District Municipalities Act, 1920.

However instead of publishing the by-law in the District Gazette the municipality published it in the local newspaper (January 2003). The Municipal Council passed a resolution (March 2003) to collect the revised water charges with effect from 1 April 2003 and the proposal was forwarded (June 2003) to the Commissioner of Municipal Administration (CMA). However, the CMA did not accord final approval for the revision of charges

(February 2004) stating that the municipality did not furnish necessary documents like copies of revised by-laws both in English and Tamil, particulars in respect of revised water charges published in the District Gazette and copy of council resolution obtained after the publication of revised tariff in the District Gazette.

The municipality subsequently published the revision of rates in the District Gazette (June 2004) and the CMA accorded final approval for the revision of rate in May 2005. The Municipal Council also resolved (May 2005) to collect the revised rates from 1 July 2005.

Failure of the municipality in complying with the conditions of CMA in the first stage regarding the publication of the by-law for the revision of water charges resulted in delay in getting the final approval for the revision and this led to a revenue loss of Rs 52.25 lakh (**Appendix 3.2**).

The matter was referred to Government in October 2007. Government in reply stated (March 2008) that the delay in getting approval of CMA was due to administrative reasons. The reply is not tenable as there was delay of about 17 months in publishing the revision of rates in the District Gazette by the municipality.

(b) Based on the resolution of the Council in July 2002, the Commissioner of Municipal Administration (CMA) approved (December 2002 and November 2003) the revised rates for deposit and also water charges¹ in Melur Municipality. The CMA also authorised increase of water charges by five *per cent* per annum. The municipality did not, however, notify the revision in the District Gazette as instructed by CMA while approving the revised rates. Hence, the municipality could not issue demand notices for the increased deposit/water charges in respect of any of the 962 domestic connections and three commercial connections in the municipality. This had resulted in non-realisation of water charges of Rs 15.29 lakh and deposits of Rs 19.33 lakh for the period from December 2003 to October 2007.

As of April 2004, the municipality had various loans amounting to Rs 1.02 crore bearing interest at 13.5 *per cent* per annum. Had the municipality collected the increased deposit of Rs 19.33 lakh in respect of all the domestic (962) and commercial (3) connections, and adjusted the same against the loans outstanding as provided in Chapter 12 of the Accounting Manual for Urban Local Bodies in Tamil Nadu, the municipality could have saved Rs 10.22 lakh towards interest at 13.5 *per cent* for the period upto October 2007.

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(in rupees)

Nature of connection	Pre-revised		Revised with effect from November 2003	
	Deposit	Water charges	Deposit	Water charges
Domestic	1,000	20	3,000	50
Commercial	3,000	60	6,000	100
Industrial	2,000	50	10,000	100

The municipality stated (July 2007) that notices for revised rates have not been issued and the requisite amount was remitted for publishing the revised rates in District Gazette (November 2007).

The matter was referred to Government in December 2007; reply has not been received (April 2008).

AMBATTUR MUNICIPALITY

3.1.3 *Loss of revenue*

Failure of the municipality to invest the Elementary Education Fund in cumulative term deposits resulted in notional loss of revenue of Rs 80.63 lakh.

Education Tax is levied by municipalities at a uniform rate of five *per cent* per annum on the annual value of property as a surcharge under the Tamil Nadu Elementary Education Act, 1920 and the fund so collected is to be utilised for maintenance and development of municipal school buildings.

Test check of records of Ambattur Municipality (municipality) revealed that the municipality opened (April 2000) a current account in a nationalised bank for depositing the Education Tax collected. After incurring an expenditure of Rs 97.05 lakh during 2000-2006, the account had a balance of Rs 4.64 crore as of November 2006.

As the funds were not made use of, the education tax collected could have been invested in cumulative term deposits of three months. Failure of the municipality to invest the funds resulted in a notional loss of revenue of Rs 80.63 lakh (calculated at 5 *per cent* per annum) during April 2000 to December 2006 (**Appendix 3.3**).

On this being pointed out, the municipality stated (January 2007) that it had been informed that accounts relating to Government transactions should be opened only in current account. The local body did not produce any record in support of their reply and further the local body was not a Government Department. Hence the above contention was not tenable.

The matter was referred to Government in September 2007. In reply the Government stated (March 2008) that the Elementary Education Fund account was transferred from current account to Savings Bank account with effect from April 2007.

**TIRUNELVELI CITY MUNICIPAL CORPORATION AND
PUDUKOTTAI MUNICIPALITY**

3.1.4 Loss of revenue

Construction of shops without assessing the demand by Tirunelveli City Municipal Corporation and Pudukottai Municipality resulted in loss of anticipated revenue to the extent of Rs 38.87 lakh and Rs 36.63 lakh respectively.

Tirunelveli City Municipal Corporation and Pudukottai Municipality constructed shops without conducting any survey for assessing the demand. Most of the shops so constructed remained unoccupied resulting in loss of anticipated revenue as discussed in the succeeding paragraphs.

(a) Tirunelveli City Municipal Corporation (corporation) constructed 46 shops near Manakavalampillai Hospital (28 shops behind the hospital and 18 shops on its eastern side) and a mini market comprising 14 shops and two office rooms at Sindupoondurai. The construction cost amounting to Rs 61.12 lakh was met through a loan from Tamil Nadu Urban Finance and Infrastructure Development Corporation (TUFIDCO) under Integrated Development of Small and Medium Towns (IDSMT). The construction of shops near the hospital was completed in February 2005 and September 2005 respectively while the mini market was completed in October 2004. The projected revenue was Rs 33.73 lakh per annum. The loss of anticipated revenue to the corporation due to lack of demand for the shops is discussed in the succeeding paragraphs.

(i) In respect of the 28 shops located behind the hospital, the corporation fixed (May 2005) a monthly rent of Rs 5,500 per shop for the shops in the ground floor and Rs 5,000 per shop for the shops on the first floor of the complex. Though the corporation reduced the rent to Rs 3,250 and Rs 3,000 for shops on the ground floor and the first floor respectively with effect from February 2006, it could lease out only 11 shops (10 in ground floor and one in first floor) through various auctions conducted between July 2005 and March 2007.

(ii) In respect of shops constructed on the eastern side of the hospital, the corporation fixed (October 2005) a monthly rent of Rs 5,500 per shop for the shops on the ground floor and Rs 4,900 per shop for the shops on the first floor. Though 11 auctions were conducted between January 2006 and March 2007, none of the shops were leased out (March 2007).

(iii) Similarly, in respect of shops in the mini market, the corporation fixed a monthly rent ranging between Rs 2,000 and Rs 3,000 with reference to the area of the shops and Rs 14,000 and Rs 17,000 for office rooms in the first floor and second floor respectively. Though the corporation reduced the rent to Rs 720 - Rs 1,000 with effect from September 2006, none of the shops could be leased out. However, the two office rooms in the first and second floor were leased out with effect from January 2006.

Thus out of 60 shops constructed, only 11 shops could be leased out resulting in loss of anticipated revenue of Rs 38.87 lakh as of March 2007 (**Appendix 3.4**), besides unproductive investment of borrowed funds of Rs 61.12 lakh. The loss of anticipated revenue is attributable to the failure of the corporation to conduct demand survey before venturing into these projects and fixation of an unrealistic rent initially.

The corporation accepted the fact (March 2007) that no survey was conducted before taking up the projects, and stated that the high rent fixed was also responsible for lack of demand.

The matter was referred to Government in September 2007. The Government stated (March 2008) that all shops near Manakavalampillai Hospital and first floor of shopping complex at Sindupoondurai have since been leased out. However, the details as to the number of shops leased out and the month from which these were leased out have not been furnished. In respect of shops on the ground floor of Sindupoondurai shopping complex the Government stated that the reason for lack of demand was fixation of higher upset price and action was being taken to let out the remaining shops by reducing the upset price and deposit amount.

(b) Pudukottai Municipality (municipality) constructed (February 2006) a shopping complex at the junction of West 4th and South 2nd Street comprising 75 shops at a cost of Rs 73.71 lakh by availing loan assistance from State Government and TUFIDCO. The anticipated revenue through leasing out these shops was Rs 27 lakh per annum.

Though the municipality fixed the monthly rent as Rs 3,000 per shop, it leased out 41 shops² at rents ranging from Rs 650 to Rs 2,430 between April 2006 and October 2007 due to lack of demand. Of the remaining 34 shops, three more were leased out subsequently in November 2007 and four shops were utilised as anganwadi centres. The revenue realised from the 22 shops leased out between April and December 2006 was Rs 2.79 lakh (October 2007) as against Rs 5.12 lakh due. None of the lessees of the 19 shops leased out between April and June 2007³ has paid the rent of Rs 0.85 lakh so far (November 2007).

Scrutiny (December 2006) of connected records of the municipality revealed that no assessment for demand was conducted before construction of the shops. Except that the complex was near to the market area, no other specific reasons were assigned for the fixation of rent at Rs 3,000 per month. Thirty shops were thus not leased out as of October 2007, due to lack of demand.

² April 2006: 12; May 2006: 2; July 2006: 3; September 2006: 1; December 2006: 4; April 2007: 7; and June 2007: 12. Total: 41 shops.

³ 17 shops at the rate of Rs 700 per month, one shop at the rate of Rs 725 and one shop at the rate of Rs 2,430.

As a result the municipality could not realise the anticipated revenue to the extent of Rs 36.63 lakh⁴ (October 2007). Further, it also resulted in idle investment of Rs 29.48 lakh being the proportionate cost of 30 shops not leased out.

The matter was referred to Government in December 2007; the reply has not been received (April 2008).

TIRUCHIRAPPALLI CITY MUNICIPAL CORPORATION

3.1.5 Non-collection of Property Tax from Bharat Sanchar Nigam Limited

Non levy of Property Tax on the building belonging to Bharat Sanchar Nigam Limited resulted in non-collection of revenue of Rs 40.53 lakh.

Tiruchirappalli City Municipal Corporation (corporation) levies Property Tax on the annual value of buildings calculated on the basis of category, location, type and age of the building at the applicable rates approved by the council, as stipulated under Section 121 of Tiruchirappalli City Municipal Corporation Act, 1994.

Department of Telecommunications built (1980) a building in Ponmalai Zone of the corporation with a plinth area of 5,492 sq.m. Subsequent to the creation of Bharat Sanchar Nigam Limited (BSNL) in October 2000 out of Department of Telecommunications, the building belonged to BSNL and therefore became liable for levy of Property Tax. However, the corporation had not raised any demand for Property Tax for this building.

Thus the failure of the corporation in raising demand for Property Tax led to non-collection of revenue of Rs 40.53 lakh for the period from second half year of 2000-01 to second half year of 2006-07 (**Appendix 3.5**).

The matter was referred to Government in December 2007; the reply has not been received (April 2008).

⁴ No. of shops constructed	75
Shops utilised as anganwadi centres	4
Shops to be leased out	71
Anticipated revenue at Rs 3,000 per month for 71 shops for the period from March 2006 to October 2007 (20 months)	Rs 42.60 lakh
Rent receivable from the shops leased out	Rs 5.97 lakh
Loss of anticipated revenue	Rs 36.63 lakh.

CHENNAI CITY MUNICIPAL CORPORATION

3.1.6 Short levy of Property Tax

The Chennai City Municipal Corporation lost revenue of Rs 20.88 lakh due to adoption of lower tariff and lesser number of seats than actual for arriving at the gross income of cinema theatres.

The Chennai City Municipal Corporation (corporation) levies Property Tax for 'A' class cinema theatres on the basis of gross income. Sixty *per cent* of total annual income, which is calculated as per seating capacity of the theatre and tariff rate for each class, is reckoned as gross income of the theatre after setting aside 40 *per cent* for Entertainment Tax. Out of the gross income, 53 *per cent* is reckoned as annual income by the corporation. The annual rental value for 'A' class theatres is 7.5 *per cent* of annual income and the monthly rental value is arrived at by dividing annual rental value by 12. Apart from the above, monthly rental value for other areas like restaurant, shops, vehicle parking, etc., are added for arriving at the monthly rental value for the entire cinema theatre. The annual value for calculating Property Tax is arrived at by multiplying the monthly rental value by 10.92 and the Property Tax is levied half yearly at 12.40 *per cent* on this annual value.

A comparison of records of assessment of Property Tax in respect of five 'A' class theatres by the corporation with the information collected from Commercial Taxes Department of Government of Tamil Nadu disclosed that the corporation had adopted lower tariff and lesser number of seats for arriving at the annual income for assessment of Property Tax during 2001-05. The loss of revenue due to this short assessment of tax worked out to Rs 20.88 lakh for the period 2001-05 (**Appendix 3.6**).

The matter was referred to Government in November 2007. In reply the Government stated (March 2008) that the Property Tax was levied with reference to seating capacity and ticket rates that existed at the time of assessment. The reply is not tenable as the tax was not revised as and when there was change in the number of seats and price of tickets.

ALANGULAM TOWN PANCHAYAT

3.1.7 Loss of revenue

Failure of the town panchayat to evolve suitable method to allot new water supply connections resulted in loss of revenue of Rs 18.87 lakh.

Tamil Nadu Water Supply and Drainage Board (TWAD) has been providing drinking water to Alangulam Town Panchayat (town panchayat) from 1994 under the combined water supply scheme. Utilising the nine lakh litres of water supplied by TWAD daily, the town panchayat had given 1,300

connections (1,270 household and 30 commercial connections) at about 100 litres per capita per day (lpcd) against the norms of 70 lpcd. An amount of Rs 9 lakh was paid to TWAD every year towards maintenance. Though the town panchayat fixed the water charges for household connections at Rs 2 per thousand litres with a minimum of Rs 25 per month (revised to Rs 5 per thousand litres with a minimum of Rs 50 per month from December 2002), it was collecting water charges at a flat rate of Rs 25 per month per connection which was increased to Rs 50 per month per connection with effect from December 2002.

With a view to enhance the number of household connections, the town panchayat resolved (August 2000) to provide additional water supply connections for 700 houses based on which, the Director of Town Panchayats accorded sanction (August 2001) for new connection to 400 houses. Thereafter, the town panchayat issued a general notice inviting applications for provision of house connections against which 2,000 applications were received. However, the town panchayat did not give water supply connection to any of these houses on the grounds that huge applications were received against the sanctioned 400 connections. After a time gap of more than four years, the town panchayat again sought permission (October 2005) from the Director, Special Village Panchayats to provide 1,800 additional house⁵ connections. The town panchayat proposed to utilise 75 per cent (6.75 lakh litres) of the available water for house connections at 40 lpcd and the balance through public fountains. Against this, the Director accorded sanction only for 500 connections (December 2005). The town panchayat once again did not provide any new water supply connection (March 2007) on the plea that there was heavy demand for new water supply connection.

Against the available water resources, the town panchayat could have provided water supply connection to 1,929 houses⁶ at 70 lpcd. However, due to failure of the local body to evolve a method for providing water supply in a fair manner, the water supply connections were restricted only to 1,300 connections.

This resulted in a loss of revenue of Rs 18.87 lakh⁷ (worked out on the basis of the flat rates adopted by the town panchayat)⁸ towards water supply charges for the period from August 2001 to March 2007 besides denial of drinking water to the habitation. The town panchayat also did not take any appropriate action to increase the supply of water so as to cover the entire area.

⁵ This was in addition to the 400 connections already sanctioned.

⁶ Available water resources of 6,75,000 litres/5 members per family x 70 litres per person per day = 1,929 connections.

⁷ Rs 25 per month from August 2001 to November 2002 (629 connections (1,929-1,300) x 25 x 16 months) = Rs 2,51,600; Rs 50 per month from December 2002 to March 2007 (629 connections x 50 x 52 months) = Rs 16,35,400.
Total: Rs 18.87 lakh.

⁸ The loss of revenue would have been much more had the town panchayat adopted rates proportionate to usage of water and revised the rates regularly.

The matter was referred to Government in September 2007. Government in reply stated (March 2008) that the town panchayat sought for 1,800 additional house service connection in anticipation of supply of an additional quantity of 16 lakh litre of water through Vasudevanallur – Alangulam combined water supply system by TWAD. As the additional water was not supplied, the town panchayat could not give additional house service connection.

The reply is not tenable as the town panchayat could have given 629 additional connections with the available water at 70 lpcd as commented upon by audit.

3.2 Avoidable expenditure

TIRUNELVELI CITY MUNICIPAL CORPORATION

3.2.1 Avoidable payment of interest

Failure of the Tirunelveli City Municipal Corporation to discharge high cost loan in time with assistance from Tamil Nadu Urban Finance Infrastructure Development Corporation Limited resulted in avoidable interest payment of Rs 93.13 lakh.

Tirunelveli City Municipal Corporation (corporation) had a total loan liability of Rs 30.31 crore⁹ as of February 2003 with rate of interest ranging from 13.5 to 16 *per cent* per annum. Tamil Nadu Urban Finance Infrastructure Development Corporation Limited (TUFIDCO) expressed its willingness (January 2003) to take over the high cost loans of the corporation at a lesser rate of interest. The Municipal Council also approved (February 2003) the proposal of taking over these high cost loans by TUFIDCO. However as seen from the records produced to audit, the Commissioner, Tirunelveli City Municipal Corporation had not taken any further action in this regard immediately.

Perusal of records revealed that consequent to the decision taken by Commissioner of Municipal Administration (CMA), a Government order (April 2003) was issued for conversion of loans obtained from Tamil Nadu Urban Infrastructure Financial Services Limited (TNUIFSL) for special road works and TUFIDCO took over (May 2003) a loan of Rs 6.30 crore obtained

⁹ Funding Agency	Rate of Interest (in per cent)	Amount (Rupees in lakh)
1. Government of Tamil Nadu loan	14.50	750.00
2. Tamil Nadu Urban Infrastructure Financial Services Limited	15.50 15.70	630.00
3. Integrated Urban Development Fund (IUDF)	14 – 16	11.53
4. Consolidated Government/LIC Loan	13.50	1639.09*
Total		3030.62 (or) Rs 30.31 crore

* Government of Tamil Nadu since written off the loan with interest in November 2007.

by the corporation for this purpose. The rate of interest of 11 *per cent* per annum on this converted loan was further reduced to 10.5 *per cent* from August 2003. Another loan of Rs 11.53 lakh obtained from Integrated Urban Development Fund (IUDF) was discharged by the corporation from their own funds in September 2006.

However for settling the loan liability of Rs 7.50 crore obtained for basic amenities from State Government, the Commissioner conveyed his willingness to avail conversion of loan from TUFIDCO only in June 2005. Based on the request of the Commissioner (June 2005), CMA obtained the approval of State Government for this purpose in November 2005. Accordingly, the Commissioner obtained Rs 9.22 crore as loan from TUFIDCO with interest of 8.25 *per cent* per annum and foreclosed (February 2006) the State Government loan of Rs 7.50 crore.

Thus, despite the willingness (January 2003) of TUFIDCO for conversion of all loans and obtaining resolution (February 2003) of the Corporation Council, the corporation failed to take immediate action for settling the above loan amount of Rs 7.50 crore in February 2003 itself. This resulted in the existence of the loan liability till January 2006 and in avoidable payment of interest of Rs 93.13 lakh on this loan for the period from June 2003 to January 2006 (**Appendix 3.7**).

The matter was referred to Government in August 2007. In reply the Government stated (March 2008) that first letter from TUFIDCO for the conversion of high cost loan was received by the corporation only in May 2005 and no previous letter was available in that office. The reply is not tenable as the letter dated 22 January 2003 from TUFIDCO was received by the Commissioner on 27 January 2003.

AMBATTUR MUNICIPALITY

3.2.2 Avoidable expenditure

Failure of the municipality to foreclose the loans in spite of sound financial position resulted in avoidable payment of interest of Rs 29.97 lakh.

Ambattur Municipality (municipality) availed loan assistance from Tamil Nadu Urban Finance Infrastructure Development Corporation Limited (TUFIDCO) and Tamil Nadu Urban Development Fund (TNUDF) at interest ranging from 12 to 16 *per cent* per annum for executing various water supply and road works. TUFIDCO took over (December 2003) the loans availed by the municipality from TNUDF between 1990-91 and 1999-2000 amounting to Rs 1.37 crore at a reduced rate of interest of 10.25 *per cent* per annum.

The municipality had an investment of Rs 7.67 crore as of April 2003 and the deposits earned interest ranging from 4.75 to 6 *per cent* per annum. During the period 2003-06, the municipality earned interest of Rs 125.88 lakh and

paid Rs 155.85 lakh as interest on various loans amounting to Rs 7.13 crore obtained from TUFIDCO. In view of its sound financial position, the municipality could have utilised the funds invested in fixed deposits for foreclosing the loans. Failure of the municipality to foreclose the loan liability with the available funds resulted in avoidable payment of interest of Rs 29.97 lakh during the period 2003-06 (**Appendix 3.8**).

The matter was referred to Government in October 2007. In reply the Government stated (March 2008) that no loan was pending as the entire outstanding loans were foreclosed at the instance of Audit. Had the municipality foreclosed the loans in time, the interest payment of Rs 29.97 lakh could have been avoided.

TENKASI MUNICIPALITY

3.2.3 Avoidable interest payment

Delay in depositing the compensation amount for land acquired resulted in avoidable additional interest payment of Rs 11.85 lakh.
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Tenkasi Municipality (municipality) acquired (February 1992) land measuring 3.14 hectares for construction of a new bus stand (1.01 hectares at Rs 500 per cent and 2.13 hectares at Rs 550 per cent) based on an award passed by Revenue Divisional Officer (RDO). The land owners filed a case in sub-court, Tenkasi for enhanced compensation and got the rate fixed (April 2002) at Rs 1,700 per cent of land. The Government Pleader as well as the RDO stated (August 2002) that the rate fixed by the Court was reasonable and requested the municipality to deposit the amount decreed without any delay to avoid execution proceedings.

The RDO worked out the enhanced compensation as Rs 25.76 lakh and requested (December 2002) the municipality to deposit the amount in the sub-court, even if the municipality decided to go for any appeal. The municipality asked (February 2003) the State Government to sanction a grant of Rs 26.14 lakh (including interest for three months) to pay the enhanced compensation, as the financial position of the municipality was not sound. There was no response from Government. Based on further opinion of the Government Pleader at Chennai, the municipality preferred (February 2006) an appeal in the Madras High Court.

In the meanwhile, the landowners filed execution proceedings in the sub-court. The RDO requested (January 2006) the municipality to deposit an amount of Rs 40.87 lakh in the sub-court to avoid the execution proceedings. The municipality deposited with the sub-court a total amount of Rs 40.95 lakh (Rs 19.49 lakh in February 2006 and Rs 21.46 lakh in June 2006).

Verification of records by Audit in the municipality revealed (May 2007) that the municipality had cash balances of Rs 40.56 lakh and Rs 39.19 lakh at the end of the years 2002-03 and 2003-04 respectively. Hence the municipality

could have easily discharged the liability with the available funds and avoided the excess payment.

Failure of the municipality to deposit the decreed amount resulted in an avoidable additional interest payment of Rs 11.85 lakh¹⁰.

The matter was referred to Government in September 2007. In reply the Government stated (March 2008) that if the High Court orders in favour of the municipality, there will not be any loss to municipality. The fact remains that the municipality failed to act as per the advice (December 2002) of RDO to deposit Rs 25.76 lakh even if the municipality had intended to go on appeal. This resulted in payment of interest for the period from December 2002 to December 2006.

CHENNAI CITY MUNICIPAL CORPORATION

3.2.4 Avoidable expenditure

Avoidable expenditure of Rs 10.65 lakh was incurred due to provision of extra thickness of semi dense bituminous concrete in road works executed by Chennai City Municipal Corporation.

As per Indian Roads Congress (IRC) specification IRC:37-1, the recommended type and thickness of bituminous wearing course for flexible pavements for designed traffic up to 10 million standard axles (msa) is 25 mm of semi dense bituminous concrete (SDBC). A review of various road works relating to relaying, executed by Chennai City Municipal Corporation (corporation) revealed that the corporation had provided 40 mm thick SDBC, instead of 25 mm, for 24 works of relaying dead end or blind end roads. These works were executed during the years 2003-06.

The IRC specification recommends 40 mm bituminous concrete only for designed traffic of more than 10 msa. The design traffic is computed with reference to cumulative number of standard axles to be carried during the design life of the road with due weightage for growth in traffic. Even adopting the maximum design life of 20 years, the average number of standard axles¹¹ to be carried per day would work out to 1,370 only for designed traffic of 10 msa. Such volume of traffic could not be expected in blind end/dead end roads. The estimates did not also contain any justification by way of design traffic in support of adopting the above specification. In the above context it is to be noted that Ministry of Surface Transport instructed (October 2000) to provide only 25 mm thick SDBC for periodical renewal of high traffic roads with more than 1,500 commercial vehicles per day.

¹⁰	Interest due upto February 2006	Rs 27.42 lakh
	Interest due upto December 2002	Rs 15.57 lakh
	Avoidable interest payment	Rs 11.85 lakh

¹¹ Standard axle = A vehicle designed to carry a load of 18,000 LB or 8.2 M.Tonnes.

Hence, the provision of extra 15 mm thick SDBC for periodical renewal of roads was not warranted and has resulted in avoidable extra expenditure of Rs 10.65 lakh.

The matter was referred to Government in September 2007. The Government in reply stated (March 2008) that specification used for main road was used for blind/dead end streets also as there were no drainage facilities. The reply is not tenable as it is not based on any technical reason.