

PREFACE

This Report has been prepared for submission to the Governor under Article 151 of the Constitution.

2. The Report sets out the results of audit under various sections of the Comptroller and Auditor General of India's (Duties, Powers and Conditions of Service) Act, 1971, in respect of financial assistance given to Urban Local Bodies and Panchayat Raj Institutions.

3. Matters arising from the Finance and Appropriation Accounts for the year 2007-08 together with other points arising out of audit of transactions of the Government of Tamil Nadu are included in a separate volume of the Report (Civil) of 2007-08.

4. The Report containing the observations arising out of audit of Statutory Corporations, Boards and Government Companies and the Report containing such observations on revenue receipts are presented separately.

5. The cases mentioned in this Report are among those which came to notice in the course of test check of accounts of Urban Local Bodies and Panchayat Raj Institutions during the year 2007-08 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports on the Government of Tamil Nadu. Matters relating to the period subsequent to March 2008 have also been included wherever considered necessary.

OVERVIEW

This Audit Report, dealing with the results of audit of accounts of Local Bodies, is prepared in two parts and consists of six chapters. Part I deals with Urban Local Bodies and part II on Panchayat Raj Institutions. A synopsis of important audit findings is presented in this overview.

I Accounts and finances of Urban Local Bodies

The urban population of the State as per the 2001 census was 2.75 crore constituting 44 *per cent* of the State population. The decadal growth rate of the urban population was 43 *per cent*.

The Director of Local Fund Audit is the statutory auditor for all the Urban Local Bodies. As of October 2008, Audit of Urban Local Bodies was mostly in arrears for a period ranging from one to three years. As of March 2008, the number of paragraphs of Inspection Reports issued by the Director of Local Fund Audit relating to Urban Local Bodies pending settlement aggregated to 3,36,239.

As against 18 functions listed in the Twelfth Schedule of the Constitution, only 13 functions were transferred to Municipalities and Municipal Corporations and 12 functions to Town Panchayats.

During 2007-08, own revenue collection of the Urban Local Bodies was Rs 1,368 crore of which tax-revenue was Rs 822 crore. During last three years, revenue collection by the Urban Local Bodies, instead of showing increasing trend, was widely fluctuating under Tax revenue, Non-Tax revenue including Professional Tax and Property Tax.

During 2006-07, Twelfth Finance Commission grants were released to Urban Local Bodies with delays ranging between two and 316 days. The State Government did not pay interest for the delayed release of grants.

Despite directions of the Public Accounts Committee for furnishing prompt replies, 121 recommendations of the Public Accounts Committee on the Reports of the Comptroller and Auditor General of India for the years 1985-86 to 1996-97 (seven reports) relating to the Municipal Administration and Water Supply Department were pending final settlement (December 2008).

(Paragraphs 1.1 to 1.13)

II Performance reviews - Urban Local Bodies

1 Functioning of Town Panchayats

Performance audit on functioning of 57 Town Panchayats out of 561 in the State in selected areas revealed the following:

- None of the test checked Town Panchayats prepared annual action plan/district development plan as contemplated in Article 243ZD of the Constitution.
- Failure of Panagudi Town Panchayat (Tirunelveli District) in collecting Property Tax, Licence Fee and half yearly fee from 196 windmills for the period from January 2004 to March 2008 has resulted in loss of revenue of Rs 3.10 crore.

- Failure to effect new water connections by two Town Panchayats in Tirunelveli District has deprived the Town Panchayats in getting additional revenue of Rs 2.06 crore (initial deposit: Rs 1.40 crore and water charges: Rs 0.66 crore).
- Fifty three Town Panchayats did not levy water cess amounting to Rs 99.17 lakh.
- Four Town Panchayats did not foreclose the loans availed from World Bank and another financial institution, though they had enough funds and paid avoidable interest of Rs 15.75 lakh.
- Town Panchayats failed to utilise funds of Rs 1.02 crore relating to Swarna Jayanthi Shahari Rozgar Yojana and upgradation of kutcha houses of rural poor due to non-identification of beneficiaries.
- Instances of partial to no collection of primary solid waste and non-segregation of waste into biodegradable and non-biodegradable including partial collection of secondary waste were noticed.

(Paragraph 2.1)

2 Health, family welfare and sanitation activities of Chennai City Municipal Corporation

Performance audit on provision of Health, family welfare and sanitation activities of Chennai City Municipal Corporation revealed the following:

- Chennai City Municipal Corporation failed to provide one urban primary health centre for every one lakh population as prescribed in the urban health care delivery policy of the State resulting in non-achievement of the objective of the policy to do away with the existing multiple agencies in different locations of Urban Local Bodies.
- Large vacancies in the posts of Medical Officers and Multipurpose Health Workers had adversely affected the delivery of health services including maternal and child health services.
- Active surveillance for malaria was absent and there was short procurement of chemicals required for control of malaria.
- Essential medicines like Erithromycin, B complex, vitamin A, ampiclox, amoxycillin, pencillin, paracetamol, deriphyllin, etc., were not available due to short procurement.
- School Health Programme was not effectively implemented.
- Acute shortage of Food Inspectors has adversely affected the testing of food/water samples
- Waste processing and disposal facilities were not yet set up though stipulated to be set up by December 2003.

(Paragraph 2.2)

3 Provision of amenities by Chennai, Coimbatore and Madurai City Municipal Corporations

Audit of provision of slaughterhouses, parks/playfields, public conveniences and solid waste management in Chennai, Coimbatore and Madurai City Municipal Corporations revealed the following:

- Shortfall in availability of slaughterhouses with reference to proportionate target for 2007-09 was 14 in Chennai, one in Coimbatore and two in Madurai.
- There were acute shortage of Veterinary Doctors in Chennai, Coimbatore and Madurai City Municipal Corporations.
- None of the eight slaughterhouses in the three City Municipal Corporations had rendering plant and four slaughterhouses were functioning without Effluent Treatment Plant.
- Land measuring 32,069 sq.m. handed over by promoters for open space reservation was not developed into parks in Chennai and Madurai City Municipal Corporations.
- There was shortfall in provision of toilet seats in slum areas with reference to proportionate target for 2007-09 in Chennai and Madurai City Municipal Corporations.
- Implementation of Municipal Solid Wastes (Management and Handling) Rules, 2000 in Coimbatore and Madurai was only partial as there were shortcomings in house-to-house collection, segregation and disposal of waste.

(Paragraph 2.3)

III Audit of transactions in Urban Local Bodies

Failure to collect deposit for water supply connection by five Municipalities and enhanced water charges by a municipality resulted in non-realisation of Rs 3.67 crore.

(Paragraph 3.1.1)

Failure of Palladam Municipality to provide new water supply connections, inspite of availability of sufficient water, resulted in loss of revenue of Rs 1.89 crore.

(Paragraph 3.1.2)

Inaccurate amendment of by-law for enhancement of deposit for water supply by Kodaikanal Municipality resulted in loss of revenue of Rs 57.18 lakh.

(Paragraph 3.1.3)

Construction of shops without assessing the demand by Surampatti Municipality resulted in loss of anticipated revenue of Rs 36.16 lakh besides unproductive investment of Rs 14.18 lakh.

(Paragraph 3.1.4)

Failure of Pammal Municipality to invoke provisions of Tamil Nadu District Municipalities Act, 1920 for collection of Property Tax led to accumulation of arrears of Rs 26.10 lakh, which were eventually written off.

(Paragraph 3.1.5)

Failure to ascertain technical feasibility before taking up construction of an over head tank by Palladam Municipality resulted in unfruitful expenditure of Rs 15.51 lakh.

(Paragraph 3.2.1)

Failure of Dindigul Municipality to maintain the power factor at the required level resulted in avoidable expenditure of Rs 19.59 lakh.

(Paragraph 3.3.1)

Failure of Arcot Municipality to settle the overdue loan liability even though sufficient funds were available, resulted in avoidable interest liability of Rs 16.63 lakh.

(Paragraph 3.3.2)

Failure to assess the suitability of the site before constructing the shopping complex under Integrated Development of Small and Medium Towns scheme by Sivakasi Municipality resulted in idle investment of Rs 74.57 lakh.

(Paragraph 3.4.1)

Construction of shops without assessing demand by Harur Town Panchayat resulted in idle investment of Rs 17.07 lakh.

(Paragraph 3.4.2)

IV Accounts and finances of Panchayat Raj Institutions

There were 12,618 Village Panchayats, 385 Panchayat Unions and 30 District Panchayats in the State as of March 2008.

The envisaged data base creation in Panchayat Raj Institutions has not yet been fully operationalised.

The Director of Local Fund Audit is the statutory auditor for District Panchayats and Panchayat Unions. The audit of accounts of two Panchayat Unions for 2006-07 and 10 District Panchayats and 361 Panchayat Unions for 2007-08 was pending. Test check of Village Panchayats (22 per cent per annum) by the Director of Local Fund Audit is pending for the periods ranging from one to three years.

Though all the 29 functions listed for devolution to Panchayat Raj Institutions were reported as transferred, Government had not transferred the functionaries required for carrying out these functions.

Twelfth Finance Commission grants were released by Government to the Panchayat Raj Institutions with delays ranging between eight days and 183 days during 2006-07. Interest of Rs 2.64 lakh relating to 197 Panchayat Raj Institutions for the delayed release was not paid by the State Government.

The expenditure incurred by all the three tiers of Panchayat Raj Institutions showed an increasing trend during 2005-08.

Despite directions of the Public Accounts Committee for furnishing prompt replies to the pending recommendations, 240 recommendations of 10 Audit Reports relating to Rural Development and Panchayat Raj Department for the period 1982-83 to 1996-97 (upto which the discussion was completed) were pending final settlement for want of required particulars from the department.

(Paragraphs 4.1 to 4.11)

V Performance review - Panchayat Raj Institutions

1 Anaithu Grama Anna Marumalarchi Thittam

Audit of Anaithu Grama Anna Marumalarchi Thittam, a State Government sponsored scheme revealed the following:

- Six districts showed ineligible items amounting to Rs 120.98 crore as dovetailed under Anaithu Grama Anna Marumalarchi Thittam, thus inflating the achievement in dovetailing.
- The Grama Sabhas conducted in 26 Village Panchayats for approval of works did not had the required public participation.
- Rupees 38.22 lakh were kept unutilised under information, education and communication component during 2006-08.
- Due to non-provision of electricity connection, five community halls constructed in Madurai and Sivagangai Districts at a cost of Rs 23.94 lakh were not made use of.
- Due to provision of combined courts for volley ball, badminton and tennicoit in 76 Village Panchayats in Sivagangai District, all games could not be played at the same time.
- As books were not supplied, 83 new library buildings constructed at a cost of Rs 1.74 crore in 12 Panchayat Unions in Coimbatore, Madurai and Perambalur Districts were not utilised to optimum level.

(Paragraph 5.1)

VI Audit of transactions in Panchayat Raj Institutions

Failure to provide basic amenities resulted in idle investment of Rs 16.21 lakh on construction of four community halls in T.Kallupatti and Kodaikanal Panchayat Unions.

(Paragraph 6.2.1)

Kodaikanal Panchayat Union did not provide electricity connection to the shopping complex constructed, resulting in idle investment of Rs 13 lakh.

(Paragraph 6.2.2)

CHAPTER I

AN OVERVIEW OF THE ACCOUNTS AND FINANCES OF URBAN LOCAL BODIES

Highlights

As against 18 functions listed in the Twelfth Schedule of the Constitution, only 13 functions were transferred to Municipalities and Municipal Corporations and 12 functions to Town Panchayats.

No nodal agency exists for monitoring submission of accounts and for their consolidation.

During 2007-08, own revenue collection of the Urban Local Bodies was Rs 1,368 crore of which tax-revenue was Rs 822 crore. During last three years, revenue collection by the Urban Local Bodies, instead of showing increasing trend, was widely fluctuating under Tax revenue, Non-Tax revenue including professional tax and property tax.

The audit of accounts of Urban Local Bodies was pending from 2005-06 onwards mainly due to submission of defective accounts.

1.1 Introduction

1.1.1 Consequent to the 74th amendment of the Constitution, the State Government amended the Tamil Nadu District Municipalities Act, 1920 for transferring the powers and responsibilities to Urban Local Bodies (ULBs) in order to implement schemes for economic development and social justice including those in relation to the matters listed in the Twelfth Schedule of the Constitution.

1.1.2 The number of ULBs at each level as on 31 March 2008 is given in **Table 1.1** along with the average population as per the 2001 census, covered by each type of urban local body.

Table 1.1: Number of ULBs with average population covered

	Number of Urban Local Bodies	Population (as per 2001 census)	Average population covered per local body (as per 2001 census)
Municipal Corporations	6*	84,39,451	10,54,931
Municipalities	152**	96,89,255	64,595
Town Panchayats	561	76,46,386	13,720

* In addition two new corporations (Erode and Tiruppur) formed from January 2008

** Including 49 Grade III Municipalities

An overview of the accounts and finances of ULBs is presented in this chapter. A similar overview of the finances of Panchayat Raj Institutions (PRIs) is presented in a separate chapter.

1.1.3 Two existing Special Grade Municipalities *viz.*, Erode and Tiruppur have been upgraded as Municipal Corporations and started functioning from 1 January 2008.

Tamil Nadu is the most urbanised state in India. The urban population of the State as per the 2001 census was 2.75 crore constituting 44 *per cent* of the total State population (6.24 crore). While the decadal growth rate of total population was 11 *per cent* during 1991-2001, the urban population grew at 43 *per cent*.

1.1.4 The Municipalities and Town Panchayats are classified into different grades based on their annual income, as given in **Table 1.2**.

Table 1.2: Income-wise classification of ULBs

Category of ULB	Grade	Annual income	Number
Municipalities	Special grade	Above Rs 5 crore	13*
	Selection grade	Rs 2 crore and above but below Rs 5 crore	28
	First grade	Rs 1 crore and above but below Rs 2 crore	36
	Second grade	Below Rs 1 crore	26
	Third grade	(Erstwhile Town Panchayats with population exceeding 30,000)	49
	Total		152
Town Panchayats	Special grade	Above Rs 20 lakh	13
	Selection grade	Above Rs 16 lakh but below Rs 20 lakh	245
	Grade I	Above Rs 8 lakh but below Rs 16 lakh	221
	Grade II	Above Rs 4 lakh but below Rs 8 lakh	82
	Total		561

* Including two special grade Municipalities (Tiruppur and Erode) upgraded to Municipal Corporations from January 2008

1.2 Administrative arrangements

1.2.1 Administration of ULBs

The overall administration of ULBs vests with the Principal Secretary to Government, Municipal Administration and Water Supply (MAWS) Department at Government level. While the Municipal Corporations and Municipalities are under the administrative control of the Commissioner of Municipal Administration, the Town Panchayats are under the control of Commissioner of Town Panchayats. An organisational chart on the administration of ULBs is given in **Appendix 1.1**.

The Mayor is the elected representative of the Corporation and a Chairperson is elected for each Municipality.

1.2.2 Enactment of a common Urban Local Bodies Act

Government proposed to enact new common Urban Local Bodies Act to simplify procedures and improve urban governance by making necessary amendments to the Tamil Nadu Urban Local Bodies Act, 1998. Six working groups headed by senior officers of the Commissionerate of Municipal Administration with Regional Directors, Corporation Commissioners, Senior Municipal Commissioners as members of the working group were constituted. The working groups studied and discussed all aspects of the Tamil Nadu Urban Local Bodies Act, 1998, along with the Model Municipal Laws circulated by Government of India and finalised their recommendations. The reports of the working groups are under the examination of Government.

1.3 Accounting arrangements

1.3.1 Accrual-based system of accounting is being followed in all Municipal Corporations and Municipalities as per the orders of the Government of Tamil Nadu with effect from 2000-01 and in all Town Panchayats with effect from 2002-03 in a phased manner.

1.3.2 Accounts maintained by Municipal Corporations

Apart from the General Fund Account, the following accounts are maintained under the accrual-based system of accounting by all the Municipalities, five Municipal Corporations (excluding Chennai) and Town Panchayats:

- Revenue Fund and Capital Fund,
- Water Supply and Drainage Fund (except Town Panchayats),
- Elementary Education Fund (except Town Panchayats), and
- Provident Fund Account (by Town Panchayats only).

The cash balance of each of the above funds is maintained in a separate bank account.

The Chennai City Municipal Corporation maintains (i) a General Fund comprising both Revenue and Capital Funds and (ii) an Elementary Education Fund.

1.3.3 Database formats

The State Government accepted (February 2005) the database formats on finances of ULBs recommended by the Comptroller and Auditor General of India and directed that they be adopted by all the ULBs with effect from 1 April 2004. The Commissioner of Municipal Administration (CMA) stated (March 2007) that a web-based software was designed and developed based on the approved format and launched during January 2006 after testing. The CMA also instructed all the Commissioners to implement the same from the financial year 2005-06 after completion of audit. The current position in this regard is yet to be made available to Audit (March 2009).

The Third State Finance Commission (TSFC) also recommended that all ULBs/PRIs should create the database in the prescribed format and the concerned heads of departments should monitor the database on a quarterly

basis. Government accepted the recommendation (May 2007) with a modification to implement this only in respect of Municipal Corporations and Municipalities. Final orders are yet to be issued in this regard (December 2008).

1.3.4 Finalisation of Accounts

All the ULBs have to submit their accounts of each year to the Director of Local Fund Audit (DLFA) in the month of May of the succeeding year.

The position of non-submission of accounts by ULBs to DLFA from 2005-06 is given in **Table 1.3**.

Table 1.3: Position of non-submission of accounts of ULBs

Nature of urban local body	Number of ULBs not submitted accounts relating to		
	2005-06	2006-07	2007-08
Corporations	Nil	Nil	Nil
Municipalities	1	44	152
Town Panchayats	1	27	561

1.4 Audit arrangements

1.4.1 The DLFA is the statutory auditor for ULBs (including Town Panchayats). Fifty *per cent* of the actual cost of audit¹ of DLFA is paid by the ULBs out of the Municipal fund. The Municipalities were yet to pay Rs 93.84 lakh towards audit fees relating to 2002-03 to 2006-07 as of March 2008 is given in **Table 1.4**.

Table 1.4: Audit fees due to DLFA from ULBs

(Rupees in lakh)

Category of ULB	Audit fees due	Period relating to
102 Municipalities (Grade I and Grade II)	81.15	2002-03 to 2006-07 ²
Grade III Municipalities	12.69	2002-03 to 2006-07 ³
Total	93.84	

The DLFA reported (October 2008) that the Commissioners of Municipalities are being reminded periodically to remit the audit fees. Further, the Commissioner of Municipal Administration (CMA) is also being informed of the arrears periodically with a request to recover the dues from the devolution of funds due to the concerned ULBs.

1.4.2 The Principal Accountant General (PAG) audits the ULBs under Section 14 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. Further, PAG provides technical guidance to DLFA on a continuing basis regarding audit of accounts of the ULBs in terms of Government of Tamil Nadu's order of March 2003.

¹ As per G.O. Ms. No. 62 dated 17.1.1994 of Finance (Local Fund) Department.

² 2002-03: Rs 0.85 lakh, 2003-04: Rs 5.09 lakh, 2004-05: Rs 17.31 lakh, 2005-06: Rs 39.45 lakh, 2006-07: Rs 18.45 lakh.

³ 2002-03: Rs 2.23 lakh, 2005-06: Rs 7.92 lakh, 2006-07: Rs 2.54 lakh.

1.4.3 Audit of accounts of all ULBs was completed by DLFA up to 2004-05. Position of arrears in completion of audit of ULBs, as reported (January 2009) by DLFA as of October 2008 is as given in **Table 1.5**.

Table 1.5: Position of non-completion of audit of ULBs

Category of urban local body	Total number	2005-06 Number of units			2006-07 Number of units			2007-08 Number of units		
		Completed accounts	Audit completed	Audit pending	Completed accounts	Audit completed	Audit pending	Completed accounts	Audit completed	Audit pending
Corporations	6	6	3	3	6	0	6	0	0	6
Municipalities	152	101	64	37	107	28	123	0	NIL	152
Town Panchayats	561	560	447	114	534	163	398	0	NIL	561

The main reasons attributed (October 2008) by DLFA for the arrears were non-receipt of accounts on due dates from the ULBs and furnishing of defective accounts. Although the due date of submission of accounts for Municipal Corporations is 30 June 2008 and for Municipalities and Town Panchayats is 15 May 2008, none of these ULBs had submitted their accounts for 2007-08 (April 2009).

1.4.4 DLFA reported (October 2008) that the number of paragraphs relating to Municipalities, Town Panchayats and Municipal Corporations, included in their Inspection Reports (IRs) issued upto the year 2006-07 that were pending settlement as of March 2008 aggregated to 3,36,239 paragraphs. The category wise pendency are as given in **Table 1.6**.

Table 1.6: Category-wise pendency of inspection paragraphs of DLFA

Category of ULB	Number of paras pending
Municipalities	1,39,588
Town Panchayats	1,06,457
Corporations	
Chennai	38,195
Coimbatore	11,218
Salem	8,052
Tiruchirappalli	6,899
Tirunelveli	4,656
Madurai	21,174
Total	3,36,239

The year-wise break-up details are given in **Appendix 1.2**.

Of the above, 1,85,880 paras pertained to periods prior to 2002-03. No action was taken on irregularities pointed out in various paragraphs. The details of inspection paragraphs issued during 2007-08 are yet to be compiled by DLFA and made available to Audit.

1.4.5 Based on the recommendation of the Second State Finance Commission which was accepted by Government, two high power committees, one at district level for settling the long pending paragraphs of DLFA relating to Municipal Corporations and another at state level for monitoring the working of the said district committee were formed (June 2007) as per Government orders issued in May 2007. For Municipalities, district committees were already in existence for settling the long pending paragraphs raised by DLFA. In spite of formation of such Committees, large number of audit objections were pending settlement which indicates inadequate response from the ULBs. Despite the instructions of CMA that all

the Regional Directors of Municipal Administration and Commissioners of Municipal Corporations should pay personal attention and prepare replies to all pending paragraphs immediately and to organise periodical joint sittings to reduce pendency, there was no improvement in settling the paras.

Regarding the pending audit paragraphs relating to Town Panchayats, 16 meetings were convened and 630 objections were settled. This is much meagre, as compared to the pendency of huge number of paragraphs.

1.5 Devolution of functions, functionaries and funds

Out of the 18 functions listed in the Twelfth Schedule to be devolved on the Municipalities and Municipal Corporations, in terms of the 74th Amendment to the Constitution of India (June 1993), Government stated (November 2006) that 10 functions were statutory and were already vested in the ULBs while three other functions were transferred after the enactment of the Seventy-fourth amendment. In respect of Chennai City Municipal Corporation, out of 13 functions, water supply for domestic, industrial and commercial purposes was vested with Chennai Metropolitan Water Supply and Sewerage Board. In respect of Town Panchayats, 12 out of 18 functions were transferred. It was stated (October 2007) that transfer of the remaining functions (**Appendix 1.3**) to these ULBs was under consideration of the State Government and would be decided after perusing the report of the High Power Committee, constituted for this purpose. Even as of March 2009, the position remains the same.

The Committee presented its report to Government in December 2007. Most of the recommendations of the committee related to devolution of powers to Panchayat Raj Institutions, which are discussed in Chapter IV of this report under Paragraph 4.4.3. Certain major recommendations relating to Urban Local Bodies are

- enhancement of administrative and financial powers of various authorities of Municipalities and Town Panchayats for effective and speedy implementation of schemes,
- enhancement of sitting fees⁴ and
- decentralisation of permission for additional drinking water house service connection.

Subsequently in February 2009, Government enhanced the delegated powers to sanction estimates in the value range, exceeding Rupees one crore but not exceeding Rupees five crore to the Director of Municipal Administration in respect of Municipal Corporations other than Chennai.

Government of Tamil Nadu stated (November 2006) that transfer of functionaries was a major problem faced by Government, which could only be solved in a phased manner in due course of time. Government is yet to transfer functionaries to ULBs (March 2008) to carry out the devolved functions. Government also reported that plan and non-plan discretionary grants were being transferred to ULBs in addition to successive State Finance

⁴ Corporations : Mayors and Councilors : Rs 800
Municipalities : Chairpersons and Councilors : Rs 600
Third Grade Municipalities : Chairpersons and Councilors : Rs 500

Commission grants. These earmarked grants were intended for specific functions such as water supply, roads, public health, street lighting, sanitation, etc., entrusted to ULBs. The ULBs were also empowered to revise and levy local taxes such as Property/House Tax, Profession Tax based on the recommendations of the State Finance Commissions (SFCs), as accepted by the Government and as per the Local Bodies Acts.

1.6 Third State Finance Commission

The Third State Finance Commission (TSFC), constituted in December 2004, submitted its report with recommendations in September 2006 after reviewing the financial position of ULBs. The report of the TSFC together with the explanatory memorandum on the action taken on the recommendations was laid on the table of the Legislative Assembly in May 2007.

Out of 309 recommendations relating to both ULBs and PRIs, Government accepted 124 in full and 25 with modification. While 10 recommendations were partially accepted, 17 recommendations were accepted in principle. Government negatived 81 recommendations in total. 52 recommendations have been kept pending. 37 recommendations relating to the issue of delegation of powers to local bodies and connected with it were referred to the High Level Committee constituted to examine the delegation of powers to the local bodies.

1.7 Receipts and expenditure of Urban Local Bodies

1.7.1 A consolidation of audited accounts of all the ULBs in the State is essential for accurate presentation of a comprehensive picture of the finances of the ULBs. There is no nodal agency to monitor the submission of accounts by ULBs and its consolidation, which is a major shortcoming.

1.7.2 The details of receipts and expenditure of ULBs during 2005-08 as reported by the Commissioner of Municipal Administration (January 2009), Chennai City Municipal Corporation (August 2008) and Director of Town Panchayats (January 2009) are given in **Table 1.7**. However, in the absence of data compiled from the audited accounts of the ULBs by the Department/Government, the accuracy of these figures could not be authenticated.

Table 1.7: Revenue and Expenditure of ULBs during 2005-08

Chennai City Municipal Corporation

(Rupees in crore)

	2005-06	2006-07	2007-08
Own Revenue	339	292*	358
Assigned Revenue	118	116	138
Grants	160	187	213
Loans	38	3	4
Total Receipts	655	598*	713
Revenue Expenditure	584	622	632
Capital Expenditure	143	121	199
Total Expenditure	727	743	831

* Figures differ from previous year's Report due to revised figures furnished by Commissioner of Chennai City Municipal Corporation.

Other Municipal Corporations

(Rupees in crore)

	2005-06	2006-07	2007-08
Own Revenue	224	233	283
Assigned Revenue	43	56	67
Grants	173	140	511
Loans	24	38	19
Total Receipts	464	467	880
Revenue Expenditure	288	303	367
Capital Expenditure	200	181*	318
Total Expenditure	488	484*	685

* Figures differ from last year's report due to adoption of revised figures given by the department now.

Municipalities

(Rupees in crore)

	2005-06	2006-07	2007-08
Own Revenue	441	489	535
Assigned Revenue	95	94	166
Grants	437	490	673
Loans	56	42	53
Total Receipts	1,029	1,115	1,427
Revenue Expenditure	545	617	678
Capital Expenditure	390	484	611
Total Expenditure	935	1,101	1,289

Town Panchayats

(Rupees in crore)

	2005-06	2006-07*	2007-08
Own Revenue	232	1,733	192
Assigned Revenue	112	32	69
Grants	256	923	480
Loans	3	67	68
Total Receipts	603	2,755	809
Revenue Expenditure	272	105	425
Capital Expenditure	207	90	230
Total Expenditure	479	195	655

* Figures included as furnished by the Director of Town Panchayats, which are unreconciled.

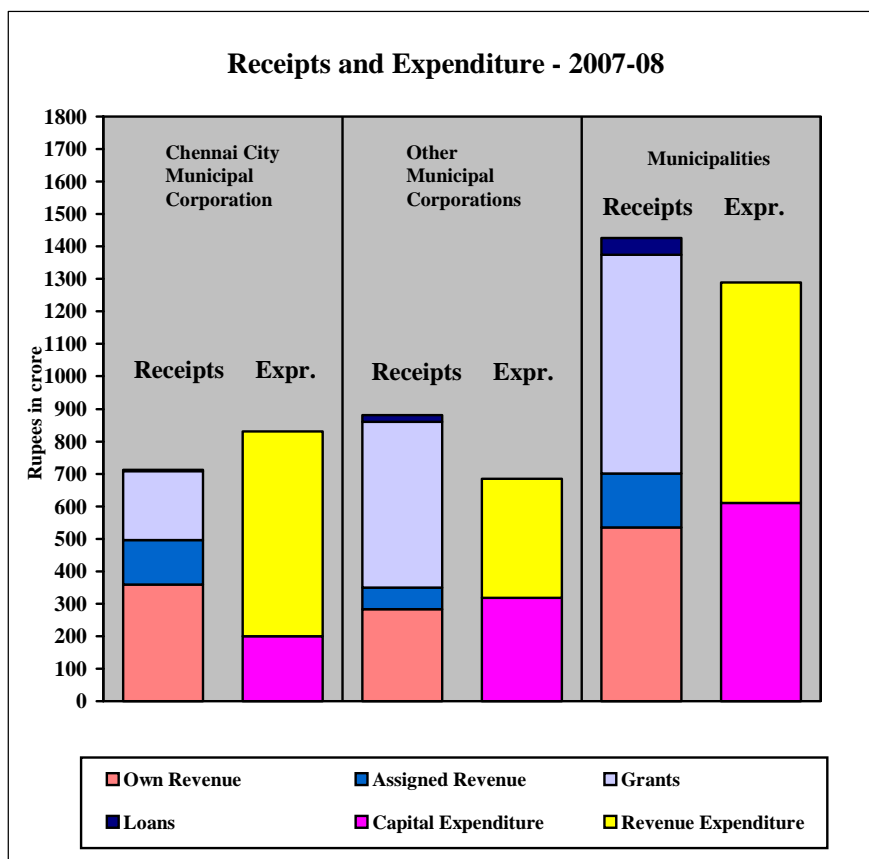
The data in the above table reveal the following:

While the total receipts of Municipalities and other Municipal Corporations showed an increasing trend during 2005-08, the receipts of Chennai City Municipal Corporation decreased from Rs 655 crore in 2005-06 to Rs 598 crore in 2006-07 mainly because of the decrease in its own revenue and assigned revenue and then increased to Rs 713 crore consequent to the increase under all components.

The increase in total receipts of other Municipal Corporations during 2007-08 was because of receipt of more grants under Jawaharlal Nehru Urban Renewal Mission by Coimbatore and Madurai Municipal Corporations.

The receipts of Town Panchayats increased manifold during 2006-07. In response to an audit query seeking reasons for such an increase, the Director of Town Panchayats stated (February 2008), without assigning specific reasons, that the figures were compiled from the details furnished by Assistant Directors of 16 zones under his control and were provisional and unaudited. It was further stated that the discrepancies could be reconciled only on receipt of audited annual accounts from zonal offices. Since the details given (January 2009) for 2007-08 by the Director of Town Panchayats are incomplete, full particulars have been called for, which are yet to be received (February 2009).

A bar chart representing component-wise receipts and expenditure for 2007-08 in respect of Chennai City Municipal Corporation, other corporations and Municipalities are given below:



1.7.3 The component-wise details of receipts and expenditure are discussed in the succeeding paragraphs.

1.8 Receipts of Urban Local Bodies

A chart depicting various sources of revenues of ULBs is given in **Appendix 1.4**.

1.8.1 Own revenue realised

Details of own revenue realised by ULBs (including Town Panchayats) during 2005-08 as furnished by the Commissioner of Municipal Administration (January 2009) and Chennai City Municipal Corporation (August 2008) and Commissioner of Town Panchayats (January 2009) are given in **Table 1.8**.

Table 1.8: Own revenue of ULBs

(Rupees in crore)

Category of ULB	2005-06			2006-07			2007-08		
	Tax revenue	Non-tax and other revenues	Total	Tax revenue	Non-tax and other revenues	Total	Tax revenue	Non-tax and other revenues	Total
Chennai City Municipal Corporation (1)	272.82	65.81	338.63	227.71*	64.14*	291.85*	283.80	74.33	358.13
Other Municipal Corporations (5)	125.53	98.24	223.77	134.48	98.73	233.21	156.74	126.01	282.75
Municipalities	250.36	190.82	441.18	292.70	196.30	489.00	304.34	230.81	535.15
Town Panchayats	115.62	116.23	231.85	905.62	827.44	1,733.06	77.57	114.33	191.90
Total	764.33	471.10	1,235.43	1,560.51	1,186.61	2,747.12	822.45	545.48	1,367.93

* Figures differ from last year's report due to revised figures furnished by Commissioner of Chennai City Municipal Corporation.

While the own revenue of Municipal Corporations (except Chennai) and the Municipalities increased during 2005-08, that of Chennai City Municipal Corporation after decreasing in 2006-07 increased during 2007-08.

As mentioned in Paragraph 1.7.2, no reasons were furnished by the Director of Town Panchayats for the steep increase in both tax and non-tax revenues of Town Panchayats during 2006-07 and for the subsequent steep decline in 2007-08.

1.8.2 Tax revenue

Property Tax is the major source of tax revenue of ULBs. Some of the other significant components of tax revenue are Profession Tax, Company Tax and Advertisement Tax.

1.8.3 Property Tax

The mainstay of revenue income to Urban Local Bodies is from the levy of Property Tax. The Property Tax in ULBs as a percentage of total revenue and own revenue is illustrated in **Table 1.9** below.

Table 1.9: Property Tax as a percentage of total revenue and own revenue in ULBs

Category of urban local body	Percentage of Property Tax to					
	Total revenue			Own revenue		
	2005-06	2006-07	2007-08	2005-06	2006-07	2007-08
Municipalities	21	23	18	50	53	48
Chennai City Municipal Corporation	33	36	40	64	70	79
Other five corporations ⁵	24	26	16	50	52	51
Town Panchayats	13	8	8	34	12	32

⁵ Does not include Municipal Corporations of Erode and Tiruppur which are formed in January 2008.

The percentage of Property Tax collected by Municipalities and five Municipal Corporations to their total revenue as well as their own revenue declined during 2007-08 as compared to 2006-07 figures. In Town Panchayats the percentage of total revenue declined to 8 *per cent* in 2006-07 and remained at the same percentage during 2007-08 also. The DTP had not furnished any reasons for this decline. However, as a percentage to own revenue, it increased during 2007-08, as compared to 2006-07 figures. In Chennai City Municipal Corporation, the percentage of Property Tax collected to total revenue as well as to own revenue is on the increasing trend.

The position of cumulative demand (including arrears), collection and balance of Property Tax during the last three years *viz.*, 2005-06 to 2007-08 in the Municipalities and Municipal Corporations as reported by CMA and DTP, is given in **Appendix 1.5**.

The figures in **Appendix 1.5** indicate that in the percentage of Property Tax collected *vis-à-vis* that demanded in Municipalities and five Municipal Corporations increased from 50 to 54 and from 52 to 60 respectively during 2005-08. In Chennai City Municipal Corporation, as per the revised figures furnished, the percentage of collection increased from 50 in 2005-06 to 55 in 2007-08. In Town Panchayats the percentage of collection after decreasing from 73 in 2005-06 to 69 in 2006-07 increased to 82 in 2007-08.

Further scrutiny of data revealed that

- The CMA had been holding frequent meetings with the Commissioners of all the five Municipal Corporations and Municipalities to monitor and improve the collection of Property Tax by them in addition to the monthly review meetings conducted by the Regional Director of Municipal Administration in their regions. Seven officers of Commissionerate of Municipal Administration had been earlier nominated as Zonal (Nodal) Officers for supervising the entire activities of ULBs including tax collection. The absence of any tangible progress indicates that such meetings did not have the desired impact as arrears of Property Tax due for collection in Municipalities continued to be high at Rs 221.87 crore, Rs 217.21 crore and Rs 223.97 crore respectively at the end of 2005-06, 2006-07 and 2007-08.
- In Chennai City Municipal Corporation, the arrears demand steadily increased from Rs 211.59 crore in 2005-06 to Rs 229.53 crore at the end of 2007-08.

As the expenditure for providing infrastructure and maintenance is on the increase, the Urban Local Bodies are bound to take action for augmenting their revenue income. One of the steps is general revision of Property Tax. The revision of Property Tax is to be done quinquennially. The revision of Property Tax, which was last done in October 2003, is due in October 2008. Government had already issued necessary orders for revising Property Tax with effect from April 2008 and necessary action is being taken by all Urban Local Bodies individually at present.

1.8.4 Profession Tax

The position of demand (inclusive of arrears), collection and balance of Profession Tax as reported by CMA and DTP during the last three years is given in **Appendix 1.6**.

The data in **Appendix 1.6** reveal the following:

- The percentage of collection of Profession Tax as compared to the demands made, decreased from 72 in 2006-07 to 71 in 2007-08 in five Municipal Corporations and increased from 54 in 2006-07 to 66 in 2007-08 in the Municipalities.
- The percentage of collection in Town Panchayats steadily increased from 79 in 2005-06 to 94 *per cent* in 2007-08.
- In Chennai City Municipal Corporation the fact that collections were in excess of demands during 2005-07 clearly showed that the demands were not issued correctly.

The Third State Finance Commission had indicated in their report (May 2007) that during the interaction with the District Collectors and municipal authorities it was brought to their notice that traders, professionals and self employed persons could not be brought into tax net. This was due to the absence of stringent provisions and owing to the lack of man power. Thus the tax potential from this source could not be tapped. The revised slab suggested by the Commission for levying Profession Tax from salaried class, traders and business establishments was also not accepted by Government. Another recommendation made on levying the maximum rate of Rs 2,500 per annum for industrial establishment from 1 April 2007 was accepted with the condition that the date of effect would be decided by Government. However, the date is yet to be decided by Government.

1.8.5 Non-tax revenue

Non-tax revenue of ULBs include fees from building licence, market, survey, parking, encroachment, bays in bus stand, slaughter house, cart stand, fishery rights, etc.

The position of demand, collection and balance of non-tax revenue during the last three years in respect of Municipalities, five Municipal Corporations and Town Panchayats, as reported by CMA and DTP is given in **Appendix 1.7**.

The data in **Appendix 1.7** showed that the percentage of collection of non-tax revenues as against the demand raised by five Municipal Corporations after declining from 60 in 2005-06 to 54 in 2006-07, slightly recovered to 56 during 2007-08. In respect of Town Panchayats, the percentage of collection increased from 87 in 2005-06 to 93 in 2007-08.

Rupees 216.83 crore was collected as non-tax revenue by Chennai City Municipal Corporation during 2005-08. The break-up details for the demands raised and the amount collected were not furnished by the Chennai City Municipal Corporation.

1.8.6 Assigned revenue

A portion of the proceeds arising from Entertainment Tax (ET) and Stamp Duty Surcharge on transfer of property (SSD) is assigned to ULBs. The amounts assigned to ULBs during 2005-08 as reported by CMA, Commissioner, Chennai City Municipal Corporation and DTP are shown in **Table 1.10**.

Table 1.10: Assigned revenue to ULBs

(Rupees in crore)

Category of ULBs	2005-06			2006-07			2007-08		
	ET	SSD	Total	ET	SSD	Total	ET	SSD	Total
Chennai City Municipal Corporation	13.06	105.12	118.18	3.50	112.22	115.72	17.08	121.24	138.32
Other Municipal Corporations	7.27	35.76	43.03	7.30	48.86	56.16	7.46	59.66	67.12
Municipalities	15.92	78.95	94.87	8.78	85.55	94.33	16.64	149.78	166.42
Town Panchayats	*	*	112.31	4.89	26.70	31.59	5.77	63.63	69.40

* Break-up details not made available

The above table shows that the proceeds of ET in Chennai City Municipal Corporation after decreasing from Rs 13.06 crore in 2005-06 to Rs 3.50 crore in 2006-07, increased Rs 17.08 crore in 2007-08. While the ET in other Municipal Corporations marginally increased from Rs 7.27 crore in 2005-06 to Rs 7.46 crore in 2007-08, the same in Municipalities after decreasing from Rs 15.92 crore in 2005-06 to Rs 8.78 crore in 2006-07 increased to Rs 16.64 crore in 2007-08.

However, the collection of Surcharge on Stamp Duty is on the increasing trend in all categories of local bodies during 2005-08.

1.8.7 Grants and loans released to Urban Local Bodies

1.8.7.1 Grants released

Apart from the devolution-grants⁶ based on the recommendations of SSFC, various grants were given to ULBs by the Central and State Government for implementation of schemes. Besides, loans were also obtained by ULBs from Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited (TUFIDCO) and Tamil Nadu Urban Infrastructure Financial Services Limited (TNUIFSL) for these schemes.

The assistance provided by way of grants and loans to ULBs during 2005-08, as compiled and reported by the CMA and DTP, are given in **Table 1.11**.

⁶ SSFC grants to the extent of actual receipts after adjustment.

Table 1.11: Grants and loans released to ULBs

(Rupees in crore)

Year	Chennai City Municipal Corporation			Other Municipal Corporations			Municipalities			Town Panchayats		
	Grants	Loans	Total	Grants	Loans	Total	Grants	Loans	Total	Grants	Loans	Total
2005-06	159.70	38.10	197.80	173.40	23.57	196.97	436.81	56.28	493.09	255.97	2.81	258.78
2006-07	186.69	3.57	190.26	139.64	37.59	177.23	489.41	42.16	531.57	922.80*	67.53	990.33
2007-08	213.32	4.06	217.38	511.13	18.51	529.64	673.35	53.03	726.38	480.43	67.85	548.28

* Figures differ from previous year as forwarded by DTP

The figures in the above table reveal the following:

- Grants released to ULBs showed an increasing trend during 2005-08.
- As a percentage of total revenue during 2005-08, grants constituted 24 to 31 *per cent* in Chennai City Municipal Corporation, 30 to 58 *per cent* in other Municipal Corporations, 42 to 47 *per cent* in Municipalities and 42 to 59 *per cent* in Town Panchayats. This clearly indicated that grants are the major source of receipts in Municipalities and in Town Panchayats.
- The steep increase in grants during 2006-07 and 2007-08 was mainly due to receipt of grants under Jawaharlal Nehru National Urban Renewal Mission (JNNURM).

1.8.7.2 State Finance Commission grants

The norms recommended by the Second and Third State Finance Commissions for the devolution of funds to Urban Local Bodies are furnished in the **Table 1.12**.

Table 1.12: Norms recommended by State Finance Commissions for devolution of funds to ULBs

As recommended by Second State Finance Commission	As recommended by Third State Finance Commission
The PRIs and ULBs would receive eight <i>per cent</i> of the State's own tax revenues after excluding the Entertainment Tax receipts. The vertical sharing of resources between PRIs and ULBs would be in the ratio of 58:42.	The PRIs and ULBs would receive nine <i>per cent</i> of the State's own tax revenues after excluding the Entertainment Tax receipts. The vertical sharing of resources between PRIs and ULBs would be in the ratio of 58:42.
Of the total devolutions to the ULBs, the resources would be shared between the Municipal Corporations, Municipalities and Town Panchayats in the ratio 31:34:35.	Of the total devolutions to the ULBs (42 <i>per cent</i>), the resources would be shared between the Municipal Corporations, Municipalities and Town Panchayats in the ratio of 30:41:29, from 1 April 2007.

The devolution of funds through SSFC grants was meant to cover the salary and wages of the sanctioned staff of the ULBs and maintenance of assets, office maintenance etc. Audit scrutiny of records relating to the release of

funds revealed that Government had deducted at source most of the funds to be released to cover dues on account of pension payment, electricity consumption charges, principal and interest on Government/TUFIDCO loans, etc. Such deduction automatically reduced the availability of grants devolved by SSFC to the Urban Local Bodies.

The details of net grants released to ULBs as reported by the respective heads of departments during 2005-06 to 2007-08 is given in **Tables 1.13 to 1.15**.

**Table 1.13: SFC grants to Municipal Corporations
(including Chennai City Municipal Corporation)**

(Rupees in crore)

Year	Grants sanctioned	Adjusted before release	Net release	Released to		
				Chennai City Municipal Corporation	Five Municipal Corporations	CMWSSB
2005-06	216.41	16.99	199.42	97.58	91.00	10.84
2006-07	239.20*	25.88	213.32	120.15	79.81	13.36
2007-08	327.85	NA	NA	158.94	138.29	NA

* Out of the total allocation of Rs 274.94 crore, 13 per cent being Equalisation and Incentive Fund (Rs 35.74 crore) was drawn in March 2007 and released only in 2007-08.

Table 1.14: SFC grants to Municipalities

(Rupees in crore)

Year	Grants sanctioned	Adjusted before release	Net grant released to Municipalities	Grants utilised	Unutilised grants
2005-06	283.79	91.91	191.88	158.42	33.46*
2006-07	315.88	140.02	175.86	148.11	27.75*
2007-08	448.06	123.63	324.43	324.43	Nil

* Unutilised grants were utilised fully during subsequent year.

Table 1.15: SFC grants to Town Panchayats

(Rupees in crore)

Year	Grants sanctioned	Adjusted before release	Net grant released	Grants utilised	Unutilised grants
2005-06	105.82	0.65	105.17	105.17	Nil
2006-07	49.25	13.29	35.96	35.96	Nil
2007-08	187.82	33.60	154.22	NA	NA

NA: Not available

1.8.7.3 Central Finance Commission grants

(a) Twelfth Finance Commission (TFC) recommended Rs 870 crore as grants for the five year period from 2005-06 to 2009-10. Government of India also issued instructions that the TFC grants are to be utilised for solid waste management through public - private partnership, maintenance of roads and storm water drains and miscellaneous works such as creation of database, payment of electricity charges etc.

The details of Central Finance Commission grants received from Government of India and utilised during 2005-06 to 2007-08, as reported by the respective heads of departments, are given in **Table 1.16**.

Table 1.16: Central Finance Commission grants to ULBs

(Rupees in crore)

Year	Chennai City Municipal Corporation			Other Municipal Corporations			Municipalities			Town Panchayats		
	Released (A)	Utilised (B)	Unutilised (C)	(A)	(B)	(C)	(A)	(B)	(C)	(A)	(B)	(C)
2005-06	19.10	19.10	Nil	16.36	16.36	Nil	46.83	40.10	6.73	32.10	32.10	Nil
2006-07	19.10	19.10	Nil	16.36	14.50	1.86	46.83	38.26	8.57	32.10	NA	NA
2007-08	19.10	19.10	Nil	16.36	13.05	3.31	46.83	40.32	6.51	32.10	NA	NA

(NA: Not available)

However test check of records relating to other Municipal Corporations, 17 Municipalities and 41 Town Panchayats revealed that out of TFC grants released during 2005-06 and 2006-07, Rs 6.25 crore and Rs 18.08 crore respectively were lying unutilised as of 31 March 2007, as shown in **Table 1.17**.

Table 1.17: Unutilised Central Finance Commission grants

(Rupees in crore)

Category of ULB and numbers	2005-06		2006-07	
	Grants received	Unutilised	Grants received	Unutilised
Corporations (5)	16.36	3.97	16.36	12.05
Municipalities (17)	5.10	1.65	6.01	4.17
Town Panchayats (41)	2.34	0.63	2.58	1.86
Total	23.80	6.25	24.95	18.08

(b) According to para 6.1 of guidelines issued by GOI on release and utilisation of TFC grants, States have to mandatorily transfer the grants released by GOI to the ULBs within 15 days of their date of credit to State Government account. In case of delayed transfer the State Government should also provide interest for the period of delay at the rate equal to the interest rate of Reserve Bank of India.

A test check of connected records revealed that TFC grants were released to ULBs belatedly with delays ranging between 40 days to 240 days in respect of the release of first instalment to ULBs and 2 to 316 days in respect of the release of second instalment to Town Panchayats, as indicated in **Table 1.18**.

Table 1.18: Period of delay in release of TFC grants to ULBs during 2006-07

Category of ULB	Period of delay in release (Delay beyond 15 days from the due date)	
	First instalment	Second instalment
Corporations	42 to 50 days (6 Corporations)	No delay
Municipalities	40 to 58 days (17 Municipalities)	No delay
Town Panchayats	40 to 240 days (41 TPs)	2 to 316 days (41 TPs)

However no interest was paid by Government for the delayed release of grants.

Amount of interest for belated release of TFC grants by the State Government released during 2006-07 worked out to Rs 18.47 lakh at the rate of 6 per cent based on the compiled details relating to 4 corporations, 17 Municipalities and 41 Town Panchayats as shown in **Table 1.19**.

Table 1.19: Amount of interest due for the delayed release of TFC grants during 2006-07
(Rupees in lakh)

Category of ULB	Number	Amount of interest due for the belated release of		
		First instalment	Second instalment	Total
Corporations	4	13.16	Nil	13.16
Municipalities	17	2.45	Nil	2.45
Town Panchayats	41	1.72	1.14	2.86
Total	62	17.33	1.14	18.47

1.8.7.4 Loans released

The percentage of loans given to ULBs as compared to their total receipts during the last three years is given in **Table 1.20**.

Table 1.20: Percentage of loans given to ULBs compared to their total receipts

	2005-06	2006-07	2007-08
Chennai City Municipal Corporation	6	1	1
Other Municipal Corporations	5	8	2
Municipalities	5	4	4
Town Panchayats	1	2	8

The above table indicate that loans were not the major source of revenue during 2005-08 and at the maximum it constituted eight *per cent* of total receipts of Town Panchayats during 2007-08 and in five Municipal Corporations during 2006-07 respectively.

Specific reasons for the increase both in grants and loans to Town Panchayats during 2005-08 were not made available to Audit.

1.8.8 Position of outstanding loans

(a) As of March 2007, the CMA reported that loan to the tune of Rs 787.42 crore (Principal: Rs 429.84 crore and Interest: Rs 357.58 crore) was outstanding against the consolidated Government loan relating to ULBs (except Chennai City Municipal Corporation) as indicated in **Table 1.21**.

Table 1.21: Position of outstanding loans in ULBs as of March 2007

(Rupees in crore)

Sl. No.	Nature of Urban Local Bodies	Position of consolidated loan			
		Opening balance as on 1 April 2007	Fresh loans availed during the year 2007-08	Repayment made during 2007-08	Closing balance as on 31 March 2008
1.	Municipalities	462.92	53.03	131.02	384.93
2.	Five Municipal Corporations (excluding Chennai)	324.50	18.51	24.15	318.86

(Breakup of Principal and interest not made available by CMA).

The Commissioner of Municipal Administration stated (January 2009) that the balance of Rs 462.92 crore and Rs 324.50 crore being the loan amount of Municipalities and Municipal Corporations pending on 1 April 2007 was ordered to be waived by Government in November 2007. As the process of waiver was going on, Rs 131.02 crore and Rs 24.15 crore were collected by Municipalities and five corporations subsequent to the waiver order during 2007-08, as mentioned above.

The commissioner also stated that the figures mentioned in the above table were compiled based on the particulars received from ULBs and these figures are being reconciled with TUFIDCO and TNUIFSL. The waiver of loans in all ULBs had enabled them to come out of their debt obligations and help them in concentrating on improving their essential services.

(b) The Commissioner, Chennai City Municipal Corporation, had furnished the amount of loan pending as on 31 March 2007, without giving the details of interest due, as given in **Table 1.22**.

Table 1.22: Position of outstanding loans of Chennai City Municipal Corporation

(Rupees in lakh)

Opening balance of loans as on 1 April 2007	101.94 *
Fresh loans received during 2007-08	4.06
Loans repaid during 2007-08	11.90
Closing balance of loans as on 31 March 2008	94.10

* Differ from last year CB due to adoption of correct rounding

(c) The details of amount of loan pending as on 31 March 2008 relating to the Town Panchayats were not furnished by the Commissioner of Town Panchayats.

1.8.9 Loans from financial agencies

The details of loans received from the financial institutions like TUFIDCO and TNUDF during 2007-08 and the closing balance of outstanding loans on 31 March 2008 are not furnished by the Commissionerate of Municipal Administration.

1.9 Expenditure of Urban Local Bodies

1.9.1 Revenue expenditure

Revenue expenditure consists of expenditure on salaries and pension and operation and maintenance (O&M) expenditure. The revenue expenditure incurred by all ULBs during the last three years is given in **Table 1.23**.

Table 1.23: Revenue expenditure of ULBs

(Rupees in crore)

	Year		
	2005-06	2006-07	2007-08
Municipalities			
Salaries and Pension (Percentage to total revenue expenditure)	252.94 (46)	323.41 (52)	359.91 (53)
O & M expenditure	292.49	293.19	318.21
Total (Percentage to total expenditure)	545.43 (58)	616.60 (56)	678.12 (53)
Five Municipal Corporations			
Salaries and Pension (Percentage to total revenue expenditure)	142.30 (49)	170.90 (56)	200.05 (54)
O & M expenditure	145.72	131.89	166.81
Total (Percentage to total expenditure)	288.02 (59)	302.79 (63)	366.86 (54)
Chennai City Municipal Corporation			
Salaries and Pension (Percentage to total revenue expenditure)	224.05 (38)	259.82 (42)	293.25 (46)
O & M expenditure	360.20	361.96*	338.36
Total (Percentage to total expenditure)	584.25 (80)	621.78 (84)	631.61 (76)
Town Panchayats			
Salaries and Pension (Percentage to total revenue expenditure)	72.63 (27)	NA	101.46 (24)
O & M expenditure	199.69	NA	323.46
Total (Percentage to total expenditure)	272.32 (57)	104.56 (54)	424.92 (65)

(Source: CMA, Commissioner of TPs and Commissioner of Chennai City Municipal Corporation).

NA Not Available

* Figures since differ from the figures given in the report of last year due to furnishing of revised figures by the Commissioner, Chennai City Municipal Corporation.

Break-up details of revenue expenditure for 2006-07 were not furnished by the DTP. The revenue expenditure of Chennai City Municipal Corporation declined from 84 per cent of total expenditure in 2006-07 to 76 per cent in 2007-08. While the percentage of revenue expenditure of five Municipal Corporations declined from 63 in 2006-07 to 54 in 2007-08, that of Municipalities declined from 58 in 2005-06 to 53 in 2007-08.

1.9.2 Capital expenditure

The break-up details of capital expenditure of the ULBs as reported by the respective heads of Departments during 2005-08 are given in **Table 1.24**.

Table 1.24: Break-up details of Capital expenditure of ULBs

(Rupees in crore)

Name of the core sector	Municipalities			Corporations (except Chennai City Municipal Corporation)			Chennai City Municipal Corporation			Town Panchayats		
	2005-06	2006-07	2007-08	2005-06	2006-07	2007-08	2005-06	2006-07	2007-08	2005-06	2006-07	2007-08
Roads	137.47	188.71	216.66	59.43	77.21	134.15	84.62	72.20	110.52	119.96	30.75	108.62
Street lights	15.41	21.91	30.23	3.74	4.26	22.82	7.04	6.12	13.05	9.70	5.02	12.89
Water supply	62.65	85.40	111.14	28.51	23.21	73.36	-	-	-	18.88	38.89	27.75
Storm water drains	66.35	84.11	89.12	18.88	17.62	28.19	9.98	11.88	27.91	11.69	6.51	28.12
Solid waste management	17.20	17.77	28.65	23.55	18.41	19.27	0.02	0.54	2.53	4.06	1.87	9.77
Other Capital expenditure	90.70	86.47	135.37	65.99	39.95	40.16	41.50	30.22	44.86	42.85	6.75	43.26
Total	389.78	484.37	611.17	200.10	180.66	317.95	143.16	120.96	198.87	207.14	89.79	230.41

The break up details of other capital expenditure were not furnished by the ULBs except Chennai City Municipal Corporation. The increase in capital expenditure of Chennai City Municipal Corporation during 2007-08 was mainly due to more expenditure under roads, storm water drains and other capital expenditure as compared to the capital expenditure for 2006-07. The increase in capital expenditure of other five Municipal Corporations in 2007-08 was mainly due to more expenditure under roads, water supply, street lights and storm water drains.

The increase in capital expenditure in Town Panchayats during 2007-08 was mainly due to implementation of the new scheme of “Anaithu Peruratchi Anna Marumalarchi Thittam” in all 561 Town Panchayats in a span of four years commencing from the year 2007-08 at a cost of Rs 280.50 crore.

1.10 Position under major core sectors

The problems faced by ULBs to cope with the urban challenge are mainly the unmet demands for drinking water, solid waste management and the inadequacy of the transportation corridors to handle the burgeoning traffic.

Taking into account the existing service levels into consideration, the targets fixed for the Eleventh Five Year Plan are given in **Appendix 1.8**.

The position under the major core activities in the Urban Local Bodies are discussed in the succeeding paragraphs.

1.10.1 Water Supply

The present status of water supply in Urban Local Bodies, as reported by the respective heads of departments, is as given in **Table 1.25**.

Table 1.25: Status of water supply in Urban Local Bodies

Category of local bodies	Norms (in lpcd)	Good (above norms)	Average	Below average	Total
Corporations (Except Chennai City Municipal Corporation)	110	1	6 (70 to 109 lpcd)	0 (less than 70 lpcd)	7
Municipalities	90	37	99 (50 to 89 lpcd)	14 (less than 50 lpcd)	150
Town Panchayats	70	350	193 (40 to 69 lpcd)	18 (less than 40 lpcd)	561
Total		388	298	32	718

During 2007-08, water supply schemes in 55 urban towns comprising two Municipalities and 53 Town Panchayats have been completed at an estimated cost of Rs 75.58 crore. Water supply improvement schemes funded by Government of India and State Government under various programmes like Jawaharlal Nehru National Urban Renewal Mission (JNNURM), Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT), Tamil Nadu Urban Development Project (TNUDP) and Minimum Needs Programme (MNP) are under implementation in 84 towns comprising 25 Municipalities and 59 Town Panchayats. It has been programmed to complete water supply improvement schemes in another 60 urban towns during 2008-09.

1.10.2 Solid Waste Management

a) Municipalities

Solid Waste Management is one of the obligatory functions of Urban Local Bodies. On the directions given by the Supreme Court of India, the Ministry of Environment and Forest had issued “Municipal Solid Wastes (Management and Handling) Rules, 2000” which is mandatory to be followed by Urban Local Bodies. Government of Tamil Nadu had issued instructions to all Urban Local Bodies to procure land for waste processing and disposal facilities by December 2003 or earlier. However, even as of 2008, only about 80 Municipalities and seven corporations had adequate land for compost yard for the anticipated population in 2025 and the purchase of land was at various stages in 22 Grade III Municipalities. Besides 48 Municipalities are taking action to purchase additional lands.

b) Town Panchayats

The solid waste management programme in Town Panchayats emphasise on segregation of waste at source of generation, waste reduction, reuse, recycling and composting of the organic waste and encouraging the house hold composting. As per the statistics seen from the hand book (June 2008) for the district level officers of Town Panchayats, out of 561 Town Panchayats, 457 were producing compost, of which 110 produced vermi compost. The compiled data also revealed the following:

	Numbers
Town Panchayats adopting house to house collection and source segregation	468
Town Panchayats having land fill sites	461

100 Town Panchayats did not have lands for land fill sites. While clearance of Tamil Nadu Pollution Control Board (TNPCB) was already granted to 114 Town Panchayats, 216 Town Panchayats are awaiting the required no objection certificate from TNPCB. The details relating to the remaining Town Panchayats are not available.

During 2007-08, solid waste management works were taken up in 561 Town Panchayats involving an expenditure of Rs 16.05 crore and the same are under progress.

c) **Municipal Corporations**

A review on solid waste management in Chennai Corporation has been conducted along with health, family welfare and sanitation activities and comments are included in a separate review in Chapter II (Paragraph 2.2).

Three major projects are proposed to be implemented during the Eleventh plan period in Chennai Corporation for Rs 230.77 crore, Coimbatore and Madurai Corporations for Rs 237.80 crore and Salem Corporation at a cost of Rs 10 crore.

During 2007-08, a project sanctioned for modernisation of primary solid waste collection system of Chennai Corporation under Jawaharlal Nehru National Urban Renewal Mission is under implementation.

1.11 Response to Audit

Audit Reports upto the year 1996-97 were discussed by the Committee on Public Accounts (PAC) and recommendations were issued. Despite the directions of the PAC for furnishing prompt replies to pending recommendations, the response from the MAWS Department was poor. As of December 2008, there were 121 recommendations (7 C&AG Reports) relating to 1985-86 to 1996-97 of the MAWS Department pending final settlement, which *inter-alia* consisted of paragraphs relating to ULBs. Of these, 83 recommendations related to the Audit Report for 1992-93 alone.

1.12 Conclusion

Out of 18 functions to be devolved to ULBs as per the 74th Amendment to the Constitution of India, 13 functions were transferred to Municipalities and 12 functions were transferred to Town Panchayats and Chennai City Municipal Corporation. The functionaries required to carry out these functions are yet to be transferred. There were delays in transfer of funds to ULBs under TFC

grants. During the period 2005-06 to 2007-08, the percentage of collection of Property Tax as against the demands raised ranged from 50 to 54 in Municipalities and 52 to 60 in other Municipal Corporations. In Town Panchayats the percentage of collection varied between 69 and 82 during the same period. In Chennai City Municipal Corporation the percentage collection of Property Tax increased from 50 in 2005-06 to 55 in 2007-08. The collection of Profession Tax by the ULBs was relatively satisfactory except in the Municipalities wherein the percentage of collection ranged between 54 and 66 during 2005-08. The accounts of Municipal Corporations, Municipalities and Town Panchayats were pending audit by the DLFA from 2005-06 onwards mainly due to delayed submission of accounts and submission of defective accounts. Huge number of paragraphs relating to Municipalities, Town Panchayats and Municipal Corporations included in the audit reports of DLFA were pending settlement as of March 2008.

1.13 Recommendations

- Thrust should be given on devolution of funds, functions and functionaries.
- A nodal agency for monitoring the submission of accounts and for its consolidation needs to be nominated.
- There is a need to ensure timely release of funds under TFC grants.
- A specific drive should be conducted to reduce the arrears in collection of various taxes and dues.
- Immediate arrangements should be made for bringing traders, professionals and self employed persons into the Profession Tax net to tap full tax potential.
- Adequate manpower has to be provided to ensure collection of Profession Tax from all eligible persons.
- The date from which the enhanced rate of professional tax to be levied on industrial establishments has to be immediately decided.
- Arrangements for speedy settlement of audit objections and inspection paragraphs of Local Fund Audit Department should be made and the pendency reduced in a phased manner.

The above points were referred to Government in March 2009; reply has not been received (June 2009).

CHAPTER II

PERFORMANCE REVIEWS (URBAN LOCAL BODIES)

This chapter presents two performance reviews dealing with (a) Functioning of Town Panchayats, (b) Health, family welfare and sanitation activities of Chennai City Municipal Corporation and a long paragraph on (c) Provision of amenities by Chennai, Coimbatore and Madurai City Municipal Corporations.

MUNICIPAL ADMINISTRATION AND WATER SUPPLY DEPARTMENT

2.1 Functioning of Town Panchayats

Highlights

Town Panchayat is a self government institution constituted for a transition area from rural to urban. There are 561 Town Panchayats in Tamil Nadu. A performance audit on functioning of 57 Town Panchayats revealed the following:

- **None of the test checked Town Panchayats prepared annual action plan/district development plan as contemplated in Article 243ZD of the Constitution.**

(Paragraph 2.1.6.3)

- **Failure of Panagudi Town Panchayat (Tirunelveli District) in collecting Property Tax, Licence Fee and half yearly fee from 196 windmills for the period from January 2004 to March 2008 has resulted in loss of revenue of Rs 3.10 crore.**

(Paragraph 2.1.7.1)

- **Failure to effect new water connections by two Town Panchayats in Tirunelveli District has deprived the Town Panchayats in getting additional revenue of Rs 2.06 crore (initial deposit Rs 1.40 crore and water charges Rs 0.66 crore).**

(Paragraph 2.1.7.3)

- **Fifty three Town Panchayats did not levy water cess amounting to Rs 99.17 lakh.**

(Paragraph 2.1.7.3)

- **Four Town Panchayats did not foreclose the loans availed from World Bank and another financial institution, though they had enough funds, and paid avoidable interest of Rs 15.75 lakh.**

(Paragraph 2.1.8.1)

- **Town Panchayats failed to utilise funds of Rs 1.02 crore relating to Swarna Jayanthi Shahari Rozgar Yojana and upgradation of kutchha houses of rural poor due to non-identification of beneficiaries.**

(Paragraph 2.1.10.1)

- **Instances of partial to no collection of primary solid waste and non segregation of waste into biodegradable and non-biodegradable including partial collection of secondary waste were noticed.**

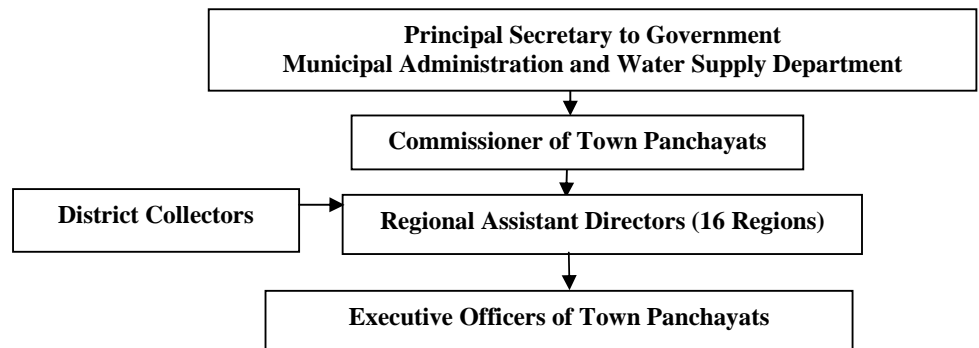
(Paragraph 2.1.11.1)

2.1.1 Introduction

Town Panchayat (TP) is an institution of self-government constituted for a transition area as contemplated in Article 243 Q of the Constitution of India. There are 561 TPs¹ in Tamil Nadu, categorised as Special Grade, Selection Grade, Grade I and Grade II, with a population of 76.46 lakh being 12.25 per cent of the total population of the State as per 2001 census. The administration and functions of TPs are being carried out in accordance with the provisions of Tamil Nadu District Municipalities Act, 1920 (TNDM Act). All the Town Panchayats were classified by Government as special Village Panchayats between March 2005 and July 2006.

2.1.2 Organisational set up

TPs come under the administrative control of Principal Secretary, Municipal Administration and Water Supply Department at Government level. Commissioner of Town Panchayats (Commissioner) is the head of the Department and is assisted by 16 Assistant Directors at zonal level. TPs are governed by the councils of elected representatives, assisted by Executive Officers, who are in overall charge of administration. An organisational chart is given below:



2.1.3 Audit objectives

Performance audit was conducted on the following areas:

- Budgetary control
- Assessment and collection of revenues

¹ Special Grade: 13; Selection Grade: 245; Grade I: 221 and Grade II: 82. Total: 561.

- Loan management
- Manpower management
- Implementation of schemes and solid waste management

2.1.4 Audit criteria

The following were adopted as audit criteria:

- Budget and Accounting Manuals
- TNDM Act, 1920 and rules made thereunder
- Orders, instructions issued by State/Central Government
- Guidelines for Central and State Schemes
- Proposals and conditions of loans obtained

2.1.5 Audit methodology and coverage

The performance audit was conducted during May to September 2008 in 57 TPs (**Appendix 2.1**) (out of 561 TPs) in eight districts (out of 30 districts) selected by random sampling method on the basis of population for the five years period of 2003-08. Besides, records at the Secretariat and office of the Commissioner of Town Panchayats (CTP) were also test checked during the performance audit. Audit objectives and criteria were discussed with the Commissioner during a meeting in June 2008. Information required was collected from the records of the offices test checked and through written replies for Audit enquiries. The findings of the performance audit were also discussed with the Principal Secretary to Government, Municipal Administration and Water Supply Department in an exit conference during September 2008.

Audit Findings

2.1.6 Budgetary control

2.1.6.1 Financial performance

Details of receipts and expenditure of all the 561 Town Panchayats in the State and in the 57 Town Panchayats test checked were as furnished in **Table 1**.

Table 1

(Rupees in crore)

Sl. No.	Year	561 Town Panchayats in the State		57 Town Panchayats test checked	
		Receipts	Expenditure	Receipts	Expenditure
1.	2003-04	492.45	310.72	42.32	46.35
2.	2004-05	476.00	461.00	50.08	42.42
3.	2005-06	603.00	479.00	45.82	51.55
4.	2006-07	2,755.00	195.00	48.97	53.17

(Source: Commissioner of Town Panchayats)

Annual accounts for 2007-08 have not been prepared by all TPs. Hence figures for 2007-08 are not available.

The receipt of Town Panchayats during 2006-07 increased manifold. The Director of Town Panchayats stated (February 2008), without assigning any reasons, that the figures were compiled from the details furnished by Assistant Directors of 16 zones under his control and were provisional and unaudited. He further stated that the discrepancies could be reconciled only on receipt of audited annual accounts. As of January 2009 audit was pending in respect of 398 Town Panchayats for 2006-07.

Out of the 57 TPs covered in the performance audit, 41 TPs had surplus receipts during 2006-07, one TP broke even, 12 TPs utilised surplus receipts in previous years to meet out the deficit in 2006-07 and three TPs which had deficit postponed payments.

2.1.6.2 Budgetary procedures

Section 120 of the TNDM Act, 1920 prescribes preparation of a budget showing the probable receipts and expenditure during the following year. According to instructions of Commissioner, the local body should prepare annual budget estimates on or before 1st January, place before the council on or before 20th January and the council should approve the budget before the end of February of each year. If any modification of figure shown in the budget was necessary, the executive authority should submit all applications for re-appropriation to the council in time for passing orders before end of the year.

However, it was noticed during audit that:

- In 14 TPs there were delays of one month in 25 instances, two months in eight instances, three months in one instance and four months in two instances in approval of budget during the five year period 2003-08. Darasuram, Melathiruppanthuruthi and Aduthurai TPs of Thanjavur District did not place the annual budget before the council for approval for the years 2003-08.
- Revised estimates were submitted after the close of the accounting year in 14 TPs during 2003-07. The delay in submission was one month in 18 instances, two months in four instances, three months in one instance and four months in two instances.

Non-submission of budgets and revised estimates before the council for approval has deprived the council of the opportunity to exercise control over expenditure and also affected the preparation of budget for ensuing years.

2.1.6.3 Planning

None of the 57 Town Panchayats test checked prepared annual action plan and as a result the district development plan did not emerge.

As contemplated in Article 243ZD of Constitution of India and under Section 241 of Tamil Nadu Panchayat Act, 1944, the Government shall constitute a District Planning Committee in every district. The Committee shall consolidate the plans prepared by local bodies including Town Panchayats to prepare a draft development plan for the district as a whole. Government of Tamil Nadu constituted (November 1997) District Planning Committees in all the districts (except Chennai) and also notified (June 1999)

Tamil Nadu District Planning Committee (Conduct of Meetings, Quorum and Procedure in regard to transaction of business) Rules, 1999. The duties to be performed by the Committee was also specified by Government through a Government order in September 2006.

However, none of the 57 TPs prepared action plan connected with the developmental issues for consolidation at district level.

In the absence of local planning, the district development plan did not emerge resulting in non-incorporation of local needs in the development process.

2.1.6.4 Finalisation of accounts

The TPs were required to prepare annual accounts in the form prescribed by Government from time to time and forward a copy thereof to the Auditor (Director of Local Fund Audit) not later than 15th May of the following year. Thirteen TPs submitted the accounts for the year 2006-07 after a delay ranging from one to 11 months.

Delay in finalisation of accounts reflects poor maintenance of accounts and inadequate internal control mechanism.

2.1.7 Collection of revenue

The sources of revenue of the TPs include tax revenue, non-tax revenue including water charges, Government grants, devolution funds and assigned revenue. Details of receipts for all the TPs in the State and in respect of 57 TPs test checked for the period 2004-07, as furnished by Commissioner of Town Panchayats, are in **Table 2**.

Table 2

Sl.No.	Source of income	(Rupees in crore)					
		2004-05		2005-06		2006-07	
		State	Test checked TPs	State	Test checked TPs	State	Test checked TPs
1.	Tax	113.42	9.28	115.62	8.37	906.00	8.52
2.	Non-tax	117.79	22.78	116.23	19.86	827.00	17.91
3.	Assigned revenue	90.49	5.84	112.31	5.80	32.00	4.87
4.	Grants	150.45	12.18	255.97	11.79	923.00	17.67
	Total	472.15*	50.08	600.13*	45.82	2,688.00	48.97

* Figures do not include loan of Rs 4 crore in 2004-05, Rs 3 crore in 2005-06 and Rs 67 crore in 2006-07.

2.1.7.1 Property Tax

Short collection of Property Tax

In Tamil Nadu, general revision of Property Tax was made with effect from 1 October 1998. The District Collector, Coimbatore under Section 78 of TNDM Act, 1920, among other things, instructed the TPs to revise the Property Tax by adding 50 and 100 *per cent* with the Property Tax already levied on Government and commercial buildings respectively. Kalapatty TP in Coimbatore District enhanced Property Tax of an aerodrome of Indian Airlines, a public sector undertaking formed under Airport Authority of India

Act, 1994 by 50 per cent with effect from October 1998 instead of 100 per cent applicable for commercial buildings. The incorrect classification of aerodrome resulted in short collection of Property Tax of Rs 13.44 lakh for the period from October 1998 to March 2008.

Non-levy of Property Tax and licence fee on windmill

Failure to collect Property Tax, Licence Fee and half yearly fee from 196 windmills resulted in loss of revenue of Rs 3.10 crore for the period from January 2004 to March 2008.

There were 196 windmills in Panagudi TP of Tirunelveli District. Windmills and transformers were embedded on earth and power rooms constructed separately. Though the TP worked out Property Tax for the windmills, it failed to raise demand to collect the tax. The Property Tax thus foregone worked out to Rs 82.78 lakh since installation of mills upto March 2008. Section 344 of TNDM Act, 1920 provides for distraint action against defaulters under rule 30 of Taxation Rules. The failure of the Town Panchayat to invoke the above provisions resulted in non-realisation of Property Tax of Rs 82.78 lakh.

The TP through a resolution dated 28 January 2004 fixed rates of licence fee for windmill with reference to horsepower rating and also a half yearly fee of Rs 1,250 per windmill. However, these fees were neither got approved by Government nor notified in the District Gazette. The licence fee and half yearly fee recoverable from 196 windmills installed up to 2007-08 worked out to Rs 2.09 crore and Rs 17.66 lakh respectively up to March 2008.

The TP stated (May 2008) that letters were issued in January 2006 to 30 windmill owners to pay the dues but as there was no response from the owners, demands were not raised. Failure of the Town Panchayat to notify the above fees resulted in non-realisation of revenue of Rs 2.27 crore.

The Commissioner of Town Panchayats (February 2009) stated that the Assistant Director of Town Panchayats, Tirunelveli and Executive Officer, Panagudi Town Panchayat have been instructed to raise demand for arrears.

2.1.7.2 Property Tax on vacant land

Section 78 and 81(3) of the TNDM Act, 1920 provide for levy of Property Tax on any land not used exclusively for agricultural purpose and not occupied by or adjacent and appurtenant to buildings or both. As per Section 86 of the Act *ibid*, the tax is leviable every half year. Government directed (September 1998) to levy Property Tax at the minimum rate of 0.5 per cent to one per cent on the capital value of the land.

It was noticed in audit that 17 TPs did not maintain any record of vacant land lying within its jurisdiction. These TPs were generally collecting property tax on vacant land from the plot owners for only one half year at the time of submission of building plan for approval. The entire intervening period between approval of layout and submission of building approval plan was not considered for levy of vacant land tax.

The loss of revenue due to non-collection of the tax for a minimum one half year in respect of 89 layouts approved during 2003-08 as worked out by audit amounted to Rs 31.09 lakh (**Appendix 2.2**). As details of sold/unsold plots and owners of the plots, etc. were not available, the exact loss of revenue could not be worked out.

2.1.7.3 Water charges

As per Section 132 A of the TNDM Act, 1920 municipal councils have the power to make by-laws for water supply. As per Section 310 of the Act *ibid* such by-laws were to be approved and confirmed by State Government and published in the District Gazette and would come into operation three months after they were so published.

A scrutiny of income and expenditure of water supply fund of the test checked TPs revealed that expenditure on water supply was more than receipts during 2003-08 in 44 TPs as given in **Table 3**.

Table 3

(Rupees in crore)

Sl.No.	Name of District	Number of TPs	Receipt	Expenditure	Deficit
1	Coimbatore	13	8.55	26.43	17.88
2	Karur	2	1.39	2.77	1.38
3	Salem	7	3.45	8.72	5.27
4	Thanjavur	4	0.77	1.92	1.15
5	Tirunelveli	7	3.60	8.19	4.59
6	Thoothukudi	5	1.91	3.80	1.89
7	Pudukottai	3	0.96	2.07	1.11
8	Sivagangai	3	0.17	0.94	0.77
Total		44	20.80	54.84	34.04

Accumulation of arrears of water charges

Section 134 of the TNDM Act, 1920 and water supply by-law empowered the executive authority to cut off supply of water to any premises for non-payment of any dues relating to water supply connections. Audit scrutiny revealed that 37 TPs failed to take effective steps under the Act to realise water charges of Rs 2.79 crore for the period upto March 2008 as detailed in **Table 4** below:

Table 4

(Rupees in lakh)

Sl.No.	Name of District	Number of TPs	Arrears as on 31.03.08
1	Coimbatore	11	61.54
2	Karur	1	5.36
3	Salem	7	57.76
4	Thanjavur	3	17.86
5	Tirunelveli	4	8.25
6	Thoothukudi	5	19.91
7	Pudukottai	3	11.93
8	Sivagangai	3	96.37
Total		37	278.98 or Rs 2.79 crore

Failure of the TPs to invoke the provision under the TNDM Act, 1920 resulted in accumulation of arrears.

Failure to effect new water supply connections

Failure to effect new water supply connections resulted in loss of revenue of Rs 1.40 crore towards initial deposit and Rs 65.75 lakh towards water charges.

Vadakku Valliyoor and Udangudi TPs of Tirunelveli District resolved (February 2004 and February 2007) to effect 2,500 and 1,000 new water supply connections. While Udangudi TP obtained the approval of Commissioner of Town Panchayats in June 2007, Vadakku Valliyoor TP did not apply for sanction. Though adequate water was available to supply water to all connections at 70 lpcd² as per norms, the TPs did not effect service connections, resulting in loss of revenue of Rs 65.75 lakh towards water charges and Rs 1.40 crore towards initial deposit for the new connections as depicted in **Table 5**.

Table 5

Sl.No.	Name of TP	No. of new connections sanctioned	Initial deposit at Rs 4,000 per connection (Rupees in crore)	Period	No. of months	Water charges at Rs 50 per month (Rupees in lakh)
1.	Vadakku Valliyoor	2,500	1.00	June 2004 to April 2008	47	58.75
2.	Udangudi	1,000	0.40	June 2007 to July 2008	14	7.00
Total			1.40			65.75

The Executive Officer, Vadakku Valliyoor TP stated (February 2009) that there was no regular Executive Officer during the period under consideration and action could also not be taken to get approval of the Commissioner as connected file was misplaced. The Executive Officer, Udangudi TP also stated (February 2009) that additional connection could not be provided as no regular Executive Officer was posted to the TP during the period under consideration and also due to protest by public against fixing of flow control valve for new connections as they felt water supply will be reduced and old connections without flow control valve would be receiving more water, while water charges would be at flat rate for both old and new connections.

The replies only indicated absence of internal control mechanism and lack of monitoring. Further, due to inefficiency of TPs there was loss of revenue towards water charges.

Delay in effecting new water supply connections

Kallidaikurichi, Panagudi and Sundarapandiapuram TPs in Tirunelveli District resolved to effect 1,500, 1,000 and 900 new water connections and approval of CTP was also obtained in December 2001/January 2004, December 2005 and April 2005 respectively. Additional water connections were however provided in June 2005, October 2006 and August 2006 by Kallidaikurichi, Panagudi and Sundarapandiapuram TPs. The delay in providing the new water connections resulted in loss of revenue of Rs 26.35 lakh towards water charges as depicted in **Table 6**.

² lpcd: litre per capita daily.

Table 6

Sl. No.	Name of the TP	No. of new connections sanctioned	Delay in effecting new connections		Water charges recoverable	
			Period	No. of months	Water charges per month (In Rupees)	Amount (Rupees in lakh)
1.	Kallidaikurichi	500 (In December 2001)	January 2002 to September 2003	21	20	2.10
			October 2003 to May 2005	20	50	5.00
			February 2004 to May 2005	16	50	8.00
2.	Panagudi	1,000	January 2006 to September 2006	9	50	4.50
3.	Sundarapandiapuram	900	May 2005 to July 2006	15	50	6.75
Total						26.35

Kallidaikurichi, Panagudi and Sundarapandiapuram TPs attributed (February 2009) the delay to paucity of staff and diversion of available meagre staff for collection of taxes.

Non-collection of differential amount of initial deposit

Panamarathupatti TP of Salem district enhanced initial deposit for water supply from Rs 1,000 to Rs 3,000 for domestic and from Rs 2,000 to Rs 8,000 for non-domestic connections with effect from December 2002. The revised deposit is applicable for existing water supply connections also. The TP did not raise demand on existing 268 domestic and seven non-domestic connections for the differential deposit resulting in non-realisation of Rs 8.46 lakh. When this was pointed out, the TP replied (June 2008) that action was being taken to collect the amount.

Failure to levy and collect water cess

The Water (Prevention and Control of Pollution) Cess Act, 1977 read with Government order dated 22 April 1992 provided for levy and collection of cess on water consumed by persons carrying on certain industries and by local authorities with a view to augmenting resources of the Central and State Boards for prevention and control of water pollution. While the primary responsibility for payment of water cess devolved on the local bodies, the local bodies were authorised to fix the rate of cess and levy the same on the consumers in addition to the water charges collected from them.

However, 53 TPs did not fix, levy and collect water cess. As against a demand of Rs 99.17 lakh raised by the Tamil Nadu Pollution Control Board on 51 TPs up to March 2008, 14 TPs paid Rs 5.18 lakh from their General Fund as given in **Table 7**.

Table 7

(Rupees in lakh)

Sl. No.	Name of District	Number of TPs	Water cess payable to TNPCB as on 31.03.2008		
			Due	Paid	Balance
1	Coimbatore	14	31.29	1.88	29.41
2	Karur	3	6.44	0.32	6.12
3	Salem	9	14.81	0.46	14.35
4	Thanjavur	6	12.56	-	12.56
5	Tirunelveli	8	14.54	2.27	12.27
6	Thoothukudi	6	15.77	0.25	15.52
7	Pudukottai	3	3.31	-	3.31
8	Sivagangai	2	0.45	-	0.45
	Total	51	99.17	5.18	93.99 or Rs 94.00 lakh

Non-levy of water Tax

For water supplied through public fountains in TPs of rural characteristics, Government instructed (October 2002) to levy a suitable surcharge on Property Tax as water tax so as to recover the expenditure incurred on water supplied through public fountains. The amount collected should be maintained in separate water supply account at the TP level. Sankaramanallur and Thenkarai TPs (Coimbatore District) did not fix, levy and collect the above surcharge.

In order to generate adequate revenue for repayment of loan obtained for implementation of Ponvizha Drinking Water Scheme in Manamadurai TP, the council resolved (April 2000) to levy water tax for supply of water through public fountains but failed to fix the rate of tax to be levied resulting in non-collection of the proposed water tax.

Initial deposits for water supply not kept in short term deposit

According to Accounting Manual, TPs should keep a separate account for initial deposits collected for providing water supply connections and to utilise the amount for repayment of loans obtained for execution of water supply scheme and related capital works. Further, TPs should invest the accumulated deposits in short term deposits.

In violation of codal provisions, 43 TPs have taken the deposits of Rs 6.34 crore collected during 2003-04 to 2007-08 to General fund account. The Thirumalayampalayam TP failed to utilise the deposits for settlement of loan taken for water supply schemes. Further, non-investment of the deposits in short term deposits resulted in loss of interest of Rs 21.57 lakh³ for the

³ Calculated with reference to the lowest rate of interest for short term deposit for 46 to 179 days during 2003-08 (4.5 per cent) and interest on savings bank account at 3.5 per cent.

period from 2003-04 to 2007-08. The TPs replied that deposits collected would be kept in separate account henceforth.

2.1.7.4 Non-tax revenue

Non-tax revenues of TPs mainly consists of receipts of fees from building licence, markets, parking bays in bus stand, slaughter house, cart stand, fishery rights etc.

Arrears in collection of non-tax revenue

Arrears in collection of non-tax revenue as at the end of March 2008 were Rs 32.24 lakh in six TPs as given in **Table 8**.

Table 8

(Rupees in lakh)

Sl. No.	Name of District/ TP	Demand	Collection	Balance pending				
				Over 10 years	5 to 10 years	3 to 5 years	Below 3 years	Total
Coimbatore District								
1	Annur	43.37	39.06	Nil	3.32	0.10	0.89	4.31
Pudukottai District								
2	Alangudi	NA	NA	1.20	2.30	2.43	Nil	5.93
3	Keeramangalam	NA	NA	Nil	2.15	2.03	1.63	5.81
Salem District								
4	Karuppur	2.34	1.81	0.08	0.15	Nil	0.30	0.53
5	Panamarathupatti	4.14	1.44	0.08	1.02	1.60	Nil	2.70
Thanjavur District								
6	Peravoorani	40.15	27.19	Nil	Nil	6.22	6.74	12.96
Total				1.36	8.94	12.38	9.56	32.24

Shortage of manpower and ineffective action of TPs resulted in arrears of non-tax revenue.

Annual track rent

Rule 4 of Tamil Nadu Municipalities Television Cables Installation Regulation Rules, 2000 empowered TPs to collect annual track rent at the rate of Rs 5,500 per km for installation of optic fibre cables on street light poles over public roads and streets.

Fifty one TPs did not levy and collect the rent from Bharath Sanchar Nigam Limited (BSNL) and 53 TPs from other telecommunication service providers. The track rent due from BSNL was Rs 1.06 crore and from other service providers was Rs 1.58 crore for the period from October 2000 to September 2008. Non-levy and collection of annual track rent resulted in loss of revenue of Rs 2.64 crore.

2.1.7.5 Assigned revenue

Assigned revenues include taxes and levies collected by Government in related departments and assigned to various Urban Local Bodies every quarter as per the existing norms during the second month of the succeeding quarter in accordance with the recommendation of Second State Finance Commission (SSFC) (May 2002) and approved by the Government (August 2002).

With effect from 1 April 2002, 95 *per cent* of Surcharge on Stamp Duty (SSD) collected by the Registration Department was assigned to the District Collector who releases the same to Urban Local Bodies with reference to statement prepared by the District Registrar indicating the amount due to each TP after deducting the collection charges. The District Collector issues proceedings to the Treasury Officer concerned for apportionment of surcharge to the TPs.

Delayed assignment of Surcharge on Stamp Duty

For the quarters ended March 2003 to December 2005, District Collector, Thanjavur allocated SSD of Rs 76.86 lakh to the TPs of the district after a delay of one to three months, Rs 94.54 lakh after four to six months and Rs 99.80 lakh after seven to 11 months.

For nine quarters from March 2006 to March 2008, the District Registrar, Thanjavur transferred (April 2006 to June 2008) SSD relating to Thanjavur and Pudukottai Districts to the District Collector, Thanjavur. District Collector, Thanjavur did not apportion the SSD of Rs 2.60 crore to 22 TPs in Thanjavur District since the transfer order included SSD for TPs in Pudukottai District also. Thus the TPs in Thanjavur and Pudukottai Districts did not realise the amount till September 2008.

Delay in realisation of seigniorage charges

Government issued (March 1989) orders for sharing revenue from minor minerals called seigniorage charges with the local bodies. In February 1990, Government further instructed for adjusting the amount at the end of April every year.

District Collector, Salem released seigniorage charges for sand quarry to Panamarathupatti and P.N. Patti TPs for the years 2005-06 to 2007-08 after a delay ranging from two to 26 months. There was further delay of three to five months in realisation as the TPs failed to present the claim to the treasury with details of remittances by lessees. After being pointed out in audit, the amounts were realised in November 2008 and January 2009. The delay in assignment and realisation resulted in loss of interest of Rs 5.03 lakh and Rs 2.07 lakh respectively at 3.5 *per cent* per annum as given in **Table 9**.

Table 9

(Rupees in lakh)

Sl. No.	Name of TP	Year	Amount	Month		Month of realisation	Loss of interest due to delay in			
				Due for assignment	Actual assignment		Assignment		Realisation	
							Months	Amount	Months	Amount
1	Panamarathupatti	2005-06	1.59	Apr. '06	July '08	Jan. '09	26	0.12	5	0.03
		2006-07	111.80	Apr. '07	July '08	Jan. '09	14	4.57	5	1.63
		2007-08	44.78	Apr. '08	July '08	Nov. '08	2	0.26	3	0.39
2	P N Patti	2005-06	0.77	Apr. '06	July '08	Jan. '09	26	0.06	5	0.01
		2006-07	0.47	Apr. '07	July '08	Jan. '09	14	0.02	5	0.01
Total							5.03		2.07	

2.1.8 Loan management

The Town Panchayats were availing loans from various sources, such as World Bank, Tamil Nadu Urban Development Fund, Government loans, etc. for execution of water supply schemes, other infrastructure development works, etc.

The demand, collection and balance position in respect of loans availed by the test checked TPs was as given in **Table 10**.

Table 10

(Rupees in crore)

Sl.No.	Name of the District	Number of loans	Availed during	Original amount	Due upto the end of March 2008	Amount remitted	Pending
1.	Coimbatore	5	1985 to 2004	4.31	2.10	1.28	0.82
2.	Karur	5	1971 to 1996	0.60	0.35	--	0.35
3.	Pudukottai	4	1987 to 2005	2.26	3.38	0.02	3.36
4.	Salem	2	1972 to 2001	4.14	3.83	0.44	3.39
5.	Sivagangai	3	1970 to 2004	0.88	1.63	0.01	1.62
6.	Thanjavur	6	1970 to 2004	2.71	3.91	0.99	2.92
7.	Thoothukudi	6	1974 to 2005	4.44	4.24	0.23	4.01
8.	Tirunelveli	7	1964 to 2007	7.85	4.74	1.13	3.61

2.1.8.1 Avoidable payment of interest

Failure to foreclose the loans resulted in avoidable payment of interest of Rs 15.75 lakh.

Three TPs in Coimbatore District availed loans of Rs 1.14 crore from World Bank for Water Supply and Sanitation Projects during 1994-96. Punjaithottakuruchi Town Panchayat of Karur district availed a loan of Rs 11 lakh from Tamil Nadu Urban Development Fund during 1999-2001 for special road works. Out of the above loans, Rs 92.48 lakh was outstanding as of 1 April 2003. Though the TPs had substantial funds, they failed to repay the loan resulting in avoidable payment/liability of interest of Rs 15.75 lakh for the period 2003-08 as given in **Table 11**.

Table 11

(Rupees in lakh)

Sl. No.	Name of District/TP	Lending Agency	Loan availed and year	As of April 2003		Avoidable payment of interest
				Balance in General Fund	Loan out-standing	
Coimbatore						
1.	Kalapatti	World bank	50.22 (1995-96)	57.96	36.00	6.96
2.	Saravanampatti	World Bank	23.95 (1995-96)	29.55	17.17	3.32
3.	Thudiyalur	World Bank	39.49 (1994-95)	151.74	28.31	5.47
Karur						
4.	Punjaithottakurichi	TNUDF	11.00 (1999-2001)	101.51	11.00	*
Total					92.48	15.75

* Payment details not available with the TP.

Thudiyalur, Kalapatti and Saravanampatti TPs replied (May 2008) that loan would be closed after obtaining council resolution and in consultation with Commissioner while Punjaithottakurichi TP agreed to the audit point and stated that the TP had sufficient funds from April 2002 to August 2005 which were utilised for works of emergent nature.

2.1.8.2 Arrear in repayment of loan

Two TPs of Salem and Coimbatore districts obtained World Bank/TUFIDCO⁴ loan of Rs 98.55 lakh for implementation of water supply schemes through TWAD Board. As of March 2008, Rs 105.53 lakh towards principal and interest were overdue as given in **Table 12**.

Table 12

(Rupees in lakh)

Sl. No.	District	Name of TP	Lending Agency	Loan Amount	Date of receipt	Overdue amount		
						Principal	Interest	Total
1.	Coimbatore	Madukkarai	World Bank	74.35	February 1994	40.44	53.98	94.42
2.	Salem	PN Patti	TUFIDCO	24.20	March 2003	5.58	5.53	11.11
Total				98.55		46.02	59.51	105.53

The deficiencies noticed in repayment of loan are detailed below:

- Though water supply project executed with World Bank loan was operational with effect from April 1998, Madukkarai TP did not provide additional water supply connections to consumers until 2003-04. Failure of the TP to provide new connections during the

⁴ TUFIDCO: Tamil Nadu Urban Finance and Infrastructure Development Corporation, a State Government undertaking.

period 1998-2003 resulted in non-collection of water charges and initial deposit, which could have been utilised for repayment of loan.

- PN Patti TP attributed paucity of funds for non-payment of dues. It was, however, seen that the Town Panchayat had enough balance in the General Fund for repayment of loan.

2.1.9 Manpower

Government has fixed norms for creation of posts required for administration, water supply, sanitation and street light maintenance etc. in TPs. The staff are divided into two categories *viz.*, provincialised and non-provincialised. While provincialised posts included posts of Head Clerk, Junior Assistant, Bill Collector, Typist etc., non-provincialised staff included Sanitary Inspector, Sanitary Workers, Fitter, Electrician etc. Eighty *per cent* of the provincialised posts are recruited through Tamil Nadu Public Service Commission and 20 *per cent* from non-provincialised staff.

Training programmes on accrual based accounting system were being conducted by Principal Accountant General (Civil Audit) for the staff of Urban Local Bodies and Local Fund Audit Department. In four training programmes conducted in Chennai, Coimbatore, Thanjavur and Vellore regions, between December 2008 and March 2009, 178 Executive Officers and 52 clerical staff of Town Panchayats were trained.

The sanctioned strength, men-in-position and vacancy in provincialised/non-provincialised posts as of January 2009 were as given in **Table 13** for all the TPs test checked and the State.

Table 13

Sl.No.	Name of the Post	Sanctioned Strength		Men-in-position		Vacant (<i>Per cent</i>)	
		State	Test checked TPs	State	Test checked TPs	State	Test checked TPs
(i)	Provincialised Posts:						
	Junior Assistant	949	65	340	25	609 (64)	40 (62)
	Bill Collectors	1,014	108	444	35	570 (56)	73 (68)
(ii)	Non-provincialised Posts:						
	Sanitary Inspector	80	10	56	1	24 (30)	9 (90)
	Sanitary Workers	5,800	611	5,658	482	142 (2)	129 (21)
	Other non-provincialised staff (Sanitary Supervisor, Fitter, Water Supply Supervisor, Electrician etc.)	3,778	140	3,690	31	88 (2)	109 (78)

The shortage of manpower in the TPs contributed to arrears in collection of revenue and delay in implementation of developmental activities as already commented in earlier paragraphs.

2.1.10 Execution of schemes

Various Government of India schemes such as Swarna Jayanthi Shahari Rozgar Yojana, National Slum Development Programme, National River Conservation Project, Heritage Town Development Scheme and scheme for upgradation of kutcha houses for rural poor, etc. are being implemented in TPs.

2.1.10.1 Schemes in Town Panchayats

The inability of Town Panchayats to identify beneficiaries, under Swarna Jayanthi Shahari Rozgar Yojana and scheme for upgradation of kutcha houses of rural poor resulted in scheme funds of Rs 1.02 crore not being utilised.

A review of implementation of schemes in TPs revealed the following:

- Out of Rs 48.45 lakh released during 2003-08 under Swarna Jayanthi Shahari Rozgar Yojana for TPs in Thanjavur district, Rs 27.15 lakh remained unutilised (August 2008) as the TPs failed to identify the beneficiaries.
- Out of the allocation of Rs 71.52 crore under Sampoorna Gramin Rozgar Yojana for special Village Panchayats in the State during 2005-06, Rs 66.77 crore was diverted by the DRDAs to make payment for the works already taken up under the scheme in Village Panchayats, block Panchayats and District Panchayats.
- Elampillai and Veerakalpudur TPs of Salem district utilised Rs 9.40 lakh received under National Slum Development Programme (NSDP) during the period 2003-05 for providing basic amenities in areas other than slums. In respect of Elampillai TP, it was seen that there were no notified slum areas. Release of fund to TPs without slum areas deprived the benefits of the scheme to slum dwellers of other TPs to that extent.
- Out of Rs 2.37 crore sanctioned by Government of India in July 2007 for Chettinad Heritage Town Development Scheme to Kanadukathan TP, Rs 1.34 crore remained unutilised (August 2008) as works such as improvement of Oorani, construction of retaining wall and installation of solar lights were not taken up.
- The entire subsidy of Rs 75 lakh released by Government in March 2006 under the scheme of upgradation of kutcha houses for rural poor in Tirunelveli Region was remitted back to the Commissioner of TPs after a lapse of 20 months as beneficiaries were not identified.

2.1.10.2 Non-closure of inoperative accounts

In 11 TPs, grants of Rs 29.78 lakh received during the period even prior to 1996-97 to January 2007 (Central grant: Rs 10.46 lakh; State grant: Rs 18.65 lakh and General fund: Rs 0.67 lakh) remained unutilised in Treasury accounts (Rs 23.60 lakh), Post Office Savings Bank account (Rs 6.02 lakh) and Central Co-operative Bank account (Rs 0.16 lakh) as detailed in **Appendix 2.3**.

Out of this, Rs 18.50 lakh received by Sulur and Thudiyalur TPs during the period prior to 1996-97 to January 2007 was not transferred from Treasury

accounts to the General Funds of the TPs. The TPs stated (May 2008) that they had initially incurred the expenditure from General Fund in anticipation of Central/State grants. However, they did not submit utilisation certificates and adjustment vouchers to the treasury resulting in non-transfer of funds from treasury to General Fund.

Inaction of TPs to close inoperative accounts resulted in deprivation of funds for developmental activities to that extent.

2.1.11 Solid Waste Management

Municipal Solid Wastes (Management and Handling) Rules, 2000 (MSW Rules) provide for safe disposal of municipal waste and fix the responsibilities on municipal authorities, district administration, State Pollution Control Board and the Government. The Rules require all local bodies to set up complete waste processing and disposal facilities by end of December 2003. However, the Commissioner issued guidelines for storages and scientific disposal of solid wastes by TPs only in July 2007, after a lapse of more than three years. Deficiencies noticed during scrutiny of records relating to solid waste management in the selected TPs are discussed below:

2.1.11.1 Collection and segregation of waste and identification of landfill sites

The MSW Rules 2000 stipulate that the municipal authority should organise house-to-house collection of solid waste to segregate solid waste as biodegradable and non-biodegradable. As per Schedule I of the Rule *ibid* the landfill sites should be identified and put into operation by 31 December 2002 or earlier.

- Primary collection of solid waste was done in three wards in one TP, six to 10 wards in five TPs and 11 to 13 wards in eight TPs (**Appendix 2.4**) out of 15 wards in each TP, while Panamarathupatti TP did not collect waste in any of the wards.
- Forty TPs (**Appendix 2.5**) did not segregate waste into biodegradable and non-biodegradable waste.
- None of the TPs transferred the non-biodegradable waste to plastic recycling industries.
- In seven TPs secondary collection was only partial resulting in accumulation of 190.90 MTs of waste every month (**Appendix 2.4**).
- Sankaramanallur, Samalapuram, Panamarathupatti, Thenkarai and Eral TPs had not identified landfill sites and dumped the solid waste generated in unused open well, in Government poramboke, vacant lands/private land, etc.

2.1.11.2 No objection certificate from Tamil Nadu Pollution Control Board

Elampillai, Madukkarai and Thirumalayampalayam TPs did not apply for No Objection Certificate (NOC) from Tamil Nadu Pollution Control Board (TNPCB) as required under Rule 4 read with Rule 6 of Municipal Solid

Wastes (Management and Handling) Rules, 2000 for compost yards as the lands already identified were not transferred in favour of the TP.

TNPCB denied NOC for Kalapatti and Karuppur TPs to form compost yard in the identified land as the identified compost yard in Karuppur TP was in close proximity to airport and in Kalapatti TP, the identified site was an Oorani.

Application for issue of NOC of 30 TPs for formation of compost yard in the identified sites were pending with TNPCB (**Appendix 2.5**).

2.1.11.3 *Generation of compost*

MSW Rules, 2000 provide that wastes should be collected and processed by composting, vermin-composting, anaerobic digestion or any other appropriate biological processing for stabilisation. Out of 57 TPs test checked, 13 TPs (**Appendix 2.5**) did not produce compost.

Due to delay in setting up of waste processing and disposal facilities, Rs 25.99 lakh of Twelfth Finance Commission (TFC) grant, earmarked for solid waste management received during 2005-07 remained unutilised as of August 2008 in six⁵ TPs.

Samalapuram TP diverted TFC grant of Rs 7.03 lakh meant for Solid Waste Management for the years 2005-07 to other works since the site identified (2003) for compost yard was not transferred by Revenue Department.

2.1.12 Conclusion

Annual action plans were not prepared by any of the Town Panchayats. There was laxity in control over expenditure as there was delay in approval of budgets and submission of revised estimates by some Town Panchayats. Short collection/non-collection of Property Tax and tax on vacant land was noticed in some Town Panchayats. Further, there was loss of revenue due to failure/delay in effecting new water connections in some Town Panchayats, though sanctioned by the Commissioner of Town Panchayats. Most of the Town Panchayats failed to collect annual track rent from Bharath Sanchar Nigam Limited and other service providers. Some Town Panchayats failed to foreclose the loans availed by them, though they had enough funds, resulting in avoidable payment of interest. Shortage of manpower in Town Panchayats contributed to arrears in collection of revenue and delay in implementation of developmental activities. There was non-utilisation and diversion of scheme funds allocated to the Town Panchayats. Primary/secondary collection of waste was not done in some of the Town Panchayats and in most of the Town Panchayats segregation of waste into biodegradable and non-biodegradable was not done.

⁵ Annur, Kalapatti, Madukkarai, Samathur, Saravanampatti and Thirumalayampalayam.

2.1.13 Recommendations

- The Town Panchayats should strictly adhere to laid down budget procedures.
- The Town Panchayats should concentrate on collection of taxes and track rent to improve their financial position.
- New water connections, when sanctioned, should be effected without delay so as to avoid loss of revenue.
- Action should be taken to foreclose the loans taken by the Town Panchayats if their financial position was sound so as to avoid payment of interest.
- Staff should be provided to the TPs as per norms.
- Town Panchayats should be instructed to utilise scheme funds released to them fully so as to achieve the targets envisaged in the scheme.
- Adherence to the provisions of Municipal Solid Wastes (Management and Handling) Rules, 2000 in letter and spirit should be ensured through continuous monitoring.

The above points were referred to Government in January 2009; reply has not been received (June 2009).

2.2 Health, family welfare and sanitation activities of Chennai City Municipal Corporation

Highlights

Provision of health care, family welfare and sanitation are the responsibility of Urban Local Bodies. A performance audit on provision of the above services in Chennai City Municipal Corporation revealed the following:

- **Chennai City Municipal Corporation failed to provide one urban primary health centre for every one lakh population as prescribed in the urban health care delivery policy of the State resulting in non-achievement of the objective of the policy to do away with the existing multiple agencies in different locations of Urban Local Bodies.**

(Paragraph 2.2.6)

- **Large vacancies in the posts of Medical Officers and Multi Purpose Health Workers had adversely affected the delivery of health services including maternal and child health services.**

(Paragraphs 2.2.7.1 and 2.2.7.2)

- **Active surveillance for malaria was absent and there was short procurement of chemicals required for control of malaria.**

(Paragraph 2.2.8.1)

- **Essential medicines like erithromycin, B complex, vitamin A, ampiclox, amoxicillin, pencillin, paracetamol, deriphyllin, etc. were not available due to short procurement.**

(Paragraph 2.2.8.3)

- **School Health Programme was not effectively implemented.**

(Paragraph 2.2.8.4)

- **Acute shortage of Food Inspectors had adversely affected the testing of food / water samples.**

(Paragraph 2.2.9)

- **Waste processing and disposal facilities were not yet setup though stipulated to be setup by December 2003.**

(Paragraph 2.2.10.2)

2.2.1 Introduction

Provision of public health and sanitation services is one of the core functions of Urban Local Bodies. As per Tamil Nadu Public Health Act, 1939 and the Madras City Municipal Corporation Act, 1919, the Chennai City Municipal

Corporation (CoC) is responsible for provision of health care, sanitation and solid waste management in Chennai Corporation area.

2.2.2 Organisational set up

CoC comes under the administrative control of the Principal Secretary, Municipal Administration and Water Supply Department at Government level. CoC is governed by a council of 155 councillors headed by a Mayor elected by the councillors and assisted by the Commissioner who is the executive authority. Health care activities in CoC are carried out by Medical Officers of a communicable diseases (CD) hospital, 93 urban health posts and 68 dispensaries situated in various locations in 10 Zones of CoC. There is a central medical store for procurement of medicines and surgicals and supply to various units of CoC and a store for chemicals. Management of solid waste is taken care of by a Superintending Engineer assisted by Executive Engineers at Zonal level. The organisational chart is given in **Appendix 2.6**.

2.2.3 Audit objectives

Audit objectives were to assess the

- effectiveness of policy initiatives for providing health care
- efficiency and effectiveness of hospitals, urban health posts and maternity centres in providing maternal and child health and family welfare services
- efficiency and effectiveness of dispensaries in prevention and control of diseases, lifting and testing of food samples and economy and efficiency in collection and disposal of garbage
- adequacy of staff and other infrastructure for the medical institutions.

2.2.4 Audit criteria

The following criteria were adopted:

- Urban health care policy of the State Government and provisions contained in Tamil Nadu Public Health Act, 1939.
- Goals set by the State Government in respect of health indices such as birth rate, maternal mortality rate, maternal and child health and family welfare activities, etc.
- Targets fixed by the State Government for disease surveillance, collection of samples, immunisation, etc.
- Municipal Solid Wastes (Management and Handling) Rules, 2000.
- Norms prescribed for provision of staff.

2.2.5 Audit coverage and methodology

The health care delivery system including sanitation, maternal and child health and family welfare activities and prevention and control of diseases was reviewed in three¹ out of 10 Zones of CoC selected through stratified random sampling. The review was conducted between May and August 2008 in the Secretariat, Directorate of Public Health and Preventive Medicine and Directorate of Family Welfare, Health, Family Welfare and Solid Waste Management Departments of CoC and in the selected zones covering the period 2003-08.

The audit objectives and audit criteria were discussed with the Commissioner (June 2008) before commencement of audit. Audit findings were discussed with the Principal Secretary, Municipal Administration and Water Supply Department during September 2008. Information on the health care activities of CoC was collected from the records of the respective departments, test checked zones, written replies furnished by the departmental officers and replies obtained from the beneficiaries to the survey questionnaires issued by audit.

2.2.6 Policy initiatives

**Chennai City
Municipal
Corporation did not
implement urban
health care delivery
policy of the State
Government.**

Government of Tamil Nadu announced (September 2002) urban health care delivery policy to have a unified control of all urban health care activities and strengthening the existing urban health infrastructure in all Municipal Corporations and Municipalities. The policy envisaged one urban primary health centre for every one lakh population, which should cater to all health care needs including maternal and child health, sterilisation, treatment of communicable diseases, etc.

The State Government prescribed staffing pattern with the mode of redeployment for the staff. The CoC, however, did not implement the new policy as the redeployment would render the posts surplus.

Thus, the objective of the policy to do away with the existing multiple agencies in different locations of Urban Local Bodies and to reorganise the existing urban health infrastructure by amalgamating all agencies was not achieved. Government stated (February 2009) that the outreach workers available was as per norms of National Urban Health Mission (NUHM). The reply is not relevant as the NUHM is yet to be launched and the comments made above were with reference to urban health care delivery policy of the State Government.

¹ Zone III comprising largely Choolai, Perambur, Vyasarpadi, etc., covered by eight dispensaries and 14 health posts, Zone IV comprising largely Ayanavaram, Kolathur, Sembium, etc., covered by seven dispensaries and 11 health posts and Zone V comprising largely Aminjikarai, Shenoy Nagar, Virugambakkam, etc., covered by three dispensaries and nine health posts.

2.2.7 Maternity and child health and family welfare

Maternity and child health activities include outreach and institutional services for ante-natal and post-natal care, institutional delivery services, immunisation, collection and recording of vital statistics on birth, death, infant/maternal mortality etc. Family welfare activities are aimed at ensuring small family norms. These activities are carried out through the network of urban health posts. The key indicators pertaining to CoC were as given in **Table 1**.

Table 1
Key indicators

Year	Birth rate	Death rate	Infant mortality rate	Maternal mortality rate
	(Per 1000 population)		(Per 1000 live births)	(Per lakh live births)
2003-04	17.47	3.74	15.10	0.30
2004-05	17.30	3.40	10.50	0.17
2005-06	16.90	3.70	11.40	0.20
2006-07	16.70	3.70	11.40	0.20
2007-08	16.90	3.60	12.30	0.30

(Source: Information furnished by the District Family Welfare Medical Officer of CoC)

While CoC has achieved the targets set by State Government in respect of death rate, infant mortality rate and maternal mortality rate, it is yet to achieve the targeted birth rate of 15.

Year-wise details of expenditure relating to family welfare under revenue and capital accounts during 2003-08 were as in **Table 2**.

Table 2

(Rupees in crore)

Year	Revenue account		Capital account	
	Budget provision	Expenditure	Budget provision	Expenditure
2003-04	16.23	16.18	0.17	0.18
2004-05	16.83	17.07	0.56	0.16
2005-06	17.84	18.52	0.60	0.48
2006-07	21.00	21.24	0.50	0.37
2007-08	23.41	23.48	1.50	1.28
Total	95.31	96.49	3.33	2.47

(Source: Annual accounts of Corporation of Chennai)

2.2.7.1 Vacancy in the posts of Medical Officer

The vacancy position in the posts of Medical Officer as at the end of each year for the period 2003-08 was as given in **Table 3**.

Table 3

Year	Medical Officer		
	No. of posts sanctioned	Men in position	Vacant
2003-04	149	85	64
2004-05	149	110	39
2005-06	149	117	32
2006-07	149	115	34
2007-08	149	126	23

Men in position in **Table 3** included 48 Medical Officers appointed during 2004-06 on a consolidated pay of Rs 10,000 per month, of which 16 have left service as of October 2007.

There was a general decline in number of out patients in 14 health posts.

Non-filling up of vacant posts resulted in poor health care delivery system as Health Visitors were attending to out patients and available Medical Officers were to attend to two or more health posts daily. There was a general decline in the number of out patients during 2003-08 in 14 health posts. Percentage of decline in 2007-08 as compared to 2003-04 was 25 to 47 in 11 health posts and 18 to 24 in three health posts. The decline in number of out patients could be attributed to vacancies in the posts of Medical Officer and also to short supply of medicines commented upon in Paragraph 2.2.8.3. Government stated (February 2009) that vacancies in the post of Medical Officers have since been filled up.

2.2.7.2 Outreach services

Inadequate Multi Purpose Health Workers

Number of multi purpose health workers available was 364 as against 711 required as per norms.

Maternal and Child Health (MCH) and Family Welfare (FW) outreach services are extended by the Multi Purpose Health Workers (MPHW) attached to the urban health posts. MPHWs were responsible for ante-natal registration, immunisation, outreach services, follow up of expected delivery cases, follow up of high risk ante-natal cases, motivation of unprotected eligible couples for sterilisation and other methods, first visit for post-natal cases, updating of families in the area, ante-natal care visits and post-natal care visits in their respective areas.

As per the norms, each MPHW should cover a population of 5,000 to 7,000 for effective discharge of his duty. As against the requirement of 711 MPHWs to serve the total population of 49.79 lakh² (2008) in Chennai, the Family Welfare wing had only 364 MPHWs. While 48 MPHWs covered a population of 8,128 to 10,000 each, 300 covered 10,001 to 15,000 each and 16 covered 15,001 to 18,346 each (August 2008).

² As on 31 March 2008 as compiled by Health Department of Corporation of Chennai.

The Government replied (February 2009) that 482 posts of MPHWS have been filled up and norms of NUHM of one MPHWS per 10,000 population were satisfied. The reply is not acceptable as NUHM has not yet been launched and the actual number of MPHWS engaged in outreach services was only 364.

2.2.7.3 Supply of iron and folic acid tablets and vitamin A solution

There was short procurement of iron and folic acid tablets (small) to the extent of 79 per cent during 2003-08.

Under the Family Welfare Programme, all children from six months to three years of age must be given 100 tablets of iron and folic acid (small) per year and two doses of vitamin A solution once in six months every year in order to prevent various deficiencies including anaemia.

As against the total requirement of 84,100 bottles of vitamin A solution and 10.52 crore iron and folic acid tablets (small) as calculated by the CoC for the period 2003-08, it received only 53,363 bottles of vitamin A solution and 2.18 crore iron and folic acid tablets (small) from the Director of Family Welfare and procured five lakh iron and folic acid tablets (small) from Tamil Nadu Medical Services Corporation. Due to failure to procure iron and folic acid tablets to the extent of 79 per cent, 12 health posts did not have the stock of the above tablets for more than three years, five health posts for more than two years and one health post for more than a year during the review period in the test checked zones. Government in reply stated (February 2009) that 55.2 lakh iron and folic acid tablets were procured during 2003-08. The reply is not correct as the point raised was only with reference to short procurement of iron and folic acid tablets (small), whereas the quantity stated to have been procured included iron and folic acid (large) tablets.

2.2.8 Prevention and control of diseases

Prevention and control of diseases was done through surveillance, vector control, creation of health awareness, school health programme, slum health programme, etc. Health care activities are carried out mainly out of CoC's own fund. Year-wise details of expenditure relating to health department and 10 zones of CoC under revenue and capital accounts during 2003-08 were as given in **Table 4**.

Table 4

(Rupees in crore)

Year	Revenue account			Capital account		
	Budget provision	Expenditure	Percentage	Budget provision	Expenditure	Percentage
2003-04	26.71	21.65	81	2.16	1.68	78
2004-05	28.09	23.01	82	1.14	1.06	93
2005-06	29.30	24.77	85	0.79	0.28	35
2006-07	31.88	27.51	86	4.50	0.44	10
2007-08	37.67	30.78	82	0.50	0.74	148
Total	153.65	127.72		9.09	4.20	

(Source: Annual accounts of Corporation of Chennai)

2.2.8.1 Vector borne diseases control

Malaria, filaria, dengue and japanese encephalitis are the major vector borne diseases prevalent in urban areas. Control of mosquitoes, the vectors responsible for spreading these diseases, is carried out through fogging operations to control adult mosquitoes and by spraying of larvicides to control mosquito larvae.

Procurement of anti malaria chemicals

Details of budget provision for procurement of chemicals and actual expenditure for the period 2003-08 is given in the **Table 5**.

There was short procurement of anti malaria chemicals during 2003-08.

Table 5

(Rupees in crore)

Year	Budget provision	Expenditure	Savings
2003-04	1.50	1.29	0.21
2004-05	2.00	1.55	0.45
2005-06	2.50	1.15	1.35
2006-07	2.50	1.07	1.43
2007-08	2.00	1.56	0.44
Total	10.50	6.62	3.88

(Source: Annual accounts of Corporation of Chennai)

Evidently funds provided in the budget for procurement of chemicals for anti malaria operations were not spent fully resulting in short procurement of various anti malaria chemicals³ (15 per cent to 100 per cent) of the estimated annual requirement (based on CoC population) and consequential under-coverage of area in anti malaria operations.

Review of records in test checked zones revealed that during the period 2003-08 the indented quantity of petrol for running the equipments and diesel for mixing with the chemicals were short supplied by Malaria Stores and Fuel Depot of the CoC to the extent of 51 and 62 per cent respectively.

Surveillance

According to the guidelines of National Vector Borne Disease Control Programme, minimum of 10 per cent of target population under surveillance should be covered under annual blood examination to reduce the incidence of malaria. Target vis-à-vis collection of blood smear during the years 2003 to 2007 were as given in **Table 6**.

³ Larvicides, Mosquito Larvicidal Oil, Insecticides residual spray, Focal spray, Fumigants, Insecticides and other Rodenticides.

Table 6

Year*	Population of Chennai (in lakh)	Targetted number of blood smears (in lakh)	Number of Blood smears collected through (in lakh)		Achievement percentage		
			Active surveillance	Passive surveillance	Active surveillance	Passive surveillance	Total
2004	46.86	4.69	0.05	3.30	0.11	7.00	7.11
2005	47.33	4.73	0.06	3.66	0.13	8.00	8.13
2006	47.79	4.78	0.13	3.50	0.27	7.00	7.27
2007	47.91	4.79	0.05	2.23	0.10	5.00	5.10

* Data available for calendar years

(Source: Population figures as compiled by Health Department of Corporation of Chennai)

Even though staff (Basic Health Workers and Field Assistants) responsible for collection of blood smears were sufficiently available during the above period, active surveillance was almost absent and the blood examinations conducted ranged between 5 to 8 *per cent* as against the target of minimum 10 *per cent*.

Incidence of malaria

Malaria positive cases in CoC as against the cases in the entire State (as reported by Director of Public Health and Preventive Medicine) for the period 2003-08 was as given in **Table 7**.

Table 7

Year	Malaria cases reported	
	State	Chennai Corporation
2003-04	43,604	29,058 (67)
2004-05	41,732	28,229 (68)
2005-06	39,678	25,153 (63)
2006-07	28,219	18,565 (66)
2007-08	22,389	14,002 (63)

(Figures in brackets indicate percentage to cases reported in the State)

Although it would be seen from the table above that the malaria positive cases came down during 2003-08, the reduction was actually due to decrease in the rate of annual blood examination from seven in 2004 to five in 2007. Further, CoC continued to record 63 to 68 *per cent* of the malaria cases reported during 2003-08 in the State, though the population of CoC was just seven *per cent* of the State population.

Equipment not put to use

With a view to detect malaria positive cases accurately and quickly so as to prevent spreading of the disease from potential carriers, CoC purchased 12 Quantitative Buffy Coat Analyser Equipment⁴ (equipment) during the period 2000-06 at a total cost of Rs 56.65 lakh for use in ten zones and communicable

⁴ December 2000: Four; February 2003: Six; March 2005: One and March 2006: One. Total: 12.

diseases hospitals. Ten thousand capillary tubes required for detecting malaria cases were procured during 2004-05 and 2005-06 at a cost of Rs 5.90 lakh. However, no procurement was made during the years 2003-04, 2006-07 and 2007-08. Further, the tubes procured during the years 2004-05 and 2005-06 were utilised fully within a month of receipt. Thus, for want of tubes the equipments purchased at a cost of Rs 56.65 lakh remained idle.

The Commissioner stated (December 2008) that the equipments were used only in cases where the conventional blood tests proved negative but the clinical symptoms were suggestive of malaria and blood smear test through microscope was sufficient to confirm malaria. The reply is not acceptable as the capillary tubes supplied earlier were utilised within a short time indicating its necessity.

2.2.8.2 Indian medicine dispensaries

There were eight Indian medicine dispensaries (three units of Siddha, two units of Unani, two units of Homeopathy and one unit of Ayurveda) under the control of CoC. Medicines were procured for these dispensaries only in the years 2005-06 and 2007-08 during the period covered under audit.

Test-check of records of three dispensaries, one unit each in Homeopathy, Siddha and Unani in Zone III revealed that various medicines were not available in stock for a period ranging from over one year to over five years as detailed in the **Table 8**.

Table 8

Sl. No.	System of medicine	No. of medicines not in stock for more than				
		One year	Two years	Three years	Four years	Five years
1.	Homeopathy	82	54	13	15	--
2.	Sidha	24	28	6	5	8
3.	Unani	36	7	12	11	5

Even though indents were placed every year for the medicines, the indented quantities were not supplied in full.

Further, the Medical Officer in charge of Unani dispensary, Pulianthope was on leave ranging between five days to 31 days (in 18 spells) during 2003-08 and no alternative arrangement was made during the period of leave. The number of out patients of the dispensary declined steeply from 60,997 in 2003-04 to 17,734 in 2007-08.

Non-availability of medicines and failure to make alternative arrangements when the Medical Officer was on leave rendered performance of the dispensaries ineffective. Government accepted (February 2009) that the decline in out patients attendance was due to non-availability of Medical Officer. It further stated that the out patients attendance increased after posting of Medical Officer.

2.2.8.3 Procurement, custody and issue of medicines

Short procurement of medicines

CoC procured medicines for its dispensaries and health posts from Tamil Nadu Medical Services Corporation and Government of India Medical Stores Depot every year. As these agencies did not supply the entire requirement, there was short procurement of medicines resulting in savings against the funds provided during the period 2003-08 as given in **Table 9**.

Table 9

(Rupees in crore)

Year	Budget provision	Expenditure	Savings
2003-04	2.75	0.57	2.18
2004-05	2.75	0.65	2.10
2005-06	2.75	0.78	1.97
2006-07	2.75	0.68	2.07
2007-08	3.00	0.72	2.28
Total	14.00	3.40	10.60

(Source: Annual accounts of Corporation of Chennai)

Despite provision of adequate funds in the budget, the CoC did not initiate any action to procure even the essential medicines, which were short supplied by the aforesaid agencies. As a result, some of the essential medicines such as erythromycin, B complex, vitamin A, ampiclox, amoxycillin, pencillin, paracetamol, deriphyllin, etc. were not available with the dispensaries and health posts for periods exceeding six months to over one year. Government stated (February 2009) that 'nil' stock in health posts and dispensaries during 2003-06 was due to absence of Medical Officers and that the distribution of drugs in dispensaries has substantially increased after posting of Medical Officers. The reply is not tenable as audit noticed 'nil' stock in respect of few medicines in the health posts and dispensaries even during the period after 2003-06.

2.2.8.4 School and Slum Health Programmes

Coverage under School/Slum Health Programmes was only partial.

The School Health Programme is implemented with the objective of early detection of diseases such as dental problems, leprosy, worm infestations, defective vision, polio, defective hearing etc., and timely medical treatment to prevent major health problems among school going children. Under Slum Health Programme, mobile health units visit slums, examine slum dwellers and treat them for various diseases.

Provisions made in the budget and expenditure during 2002-08 under School Health Programme were as given in **Table 10**.

Table 10

(Rupees in lakh)

Year	Budget provision	Revised Estimate	Expenditure
2002-03	Nil	Nil	Nil
2003-04	Nil	Nil	Nil
2004-05	15.00	15.00	4.90
2005-06	15.00	15.00	7.32
2006-07	15.00	1.00	Nil
2007-08	1.00	5.00	2.08
Total	46.00	36.00	14.30

(Source: Annual accounts of Corporation of Chennai)

It may be seen that the expenditure was less than 50 *per cent* of the provisions made during 2004-08 and no provision was made in 2002-03 and 2003-04. This clearly showed that budgeting for the above programme was not done realistically.

Even though it was reported by CoC that all schools and targeted slum population were covered under School Health Programme and Slum Health Programme respectively, it was noticed that nine health posts⁵ and nine dispensaries⁶ did not conduct any such programme during 2003-08 as brought out in **Table 11**.

Table 11

Particulars	Programme not conducted during 2003-08 for		
	Five years	Four years	Three years
(i) School Health Programme			
No. of dispensaries	4	3	1
No. of health posts	2	1	4
(ii) Slum Health Programme			
No. of dispensaries	5	1	2
No. of health posts	7	9	5
Total	18	14	12

Government stated (February 2009) that the shortfall in coverage was due to vacancies in the post of Medical Officers during 2003-06 and vacancies were filled up in 2006-08 to conduct the school health programmes regularly. Government further stated that with the help of Government Dental College, dentists were being posted on daily basis to screen the school children.

⁵ Perumalkoil Garden, KGH, Maraimalai Adigalar, Nagammai Nagar South, Paneerselvam Nagar, Kotturpuram, VOC Nagar, RSRM and Pudupakkam.

⁶ School Health Programme: VR Garden, Tondiarpet, Harinarayanapuram and Ezhil Nagar; Slum Health Programme: Muthialpet, VR Garden, Tondiarpet, Harinarayanapuram and Ezhil Nagar.

The reply of the Government was not correct as school health programme was not conducted during the five year period 2003-08 by four dispensaries and two health posts.

2.2.8.5 *Epidemic Coordination Committee*

The State Government ordered (February 1999) re-constitution of the Epidemic Co-ordination Committee, with the Commissioner and Health Officer of CoC as Chairman and Member Secretary respectively and seven other members⁷, as the committee constituted earlier in March 1991 was not functioning effectively.

The committee was to review observance of provisions of Section 64 of Tamil Nadu Public Health Act, 1939 on information regarding notified diseases, complete analysis of the information received on incidence of notified diseases, remedial/administrative action taken by appropriate authorities, cautioning the State Government/private hospitals to meet any emergent situation regarding possibility of epidemic outbreak etc. The committee was required to meet once in a quarter and to send report and minutes to the State Government.

However, such a committee was not constituted by the CoC so far (December 2008).

Government stated (February 2009) that the epidemic coordination committee met periodically and enclosed copies of minutes of two such meetings. The reply was not acceptable as the minutes related to meetings of the Health Officers with Commissioner/Joint Commissioner of the corporation. Evidently, the committee as envisaged in Government order of February 1999 has not yet been constituted.

2.2.8.6 *Disease surveillance unit*

Instances of notified diseases in CoC during the period 2003-08 were as given in **Table 12**.

Table 12

Name of the disease	2003	2004	2005	2006	2007	2008
Cholera	290	968	393	59	515	441
Acute Diarrhoeal Disorder (ADD)	2,105	3,679	2,631	1,745	2,696	2,114
Chicken pox	1,268	1,854	1,422	970	1,597	1,640

(Source: Information furnished by Director of Communicable Diseases Hospital, Tondiarpet)

As may be seen from the Table the incidence of Cholera, ADD and Chicken pox was more in 2008 as compared to 2003.

⁷ Members: Chief Engineer, Metro Water, Chennai; Deans of Chennai Medical College, Kilpauk Medical College and Stanley Medical College; Director, Institute of Public Health and Hospital for Children, Chennai; Director, Communicable Diseases Hospital of CoC and Joint Director of Public Health and Preventive Medicine (Epidemic).

Disease surveillance unit as required under Integrated Disease Surveillance Project funded by Government of India, meant for surveillance of communicable and non-communicable diseases and to detect early warning signals of outbreak of cholera, typhoid and dengue etc., and to initiate effective action in time, has been established in CoC only in December 2008.

2.2.9 Testing of food samples

Only 10 Food Inspectors were available as against a requirement of 100 as per norms.

According to Sections 8 to 13 of the Prevention of Food Adulteration Act, 1954, CoC was required to take formal food samples⁸ and water samples and analyse the same in the Public Analyst Laboratory of CoC. CoC reported that 21,794 trade licences including licences for dealing in food stuffs and water were renewed/issued during 2007-08. As per norms of one Food Inspector per 50,000 population, the CoC would require 100 Food Inspectors; but had only 10. There was shortfall in taking food samples by the Food Inspectors ranging from 34 to 94 *per cent* and water samples from 47 to 75 *per cent* during 2003-08 as given in **Table 13**.

Table 13

	2003-04	2004-05	2005-06	2006-07	2007-08
(i) Food Samples					
Target	1,560 ⁹	1,800	1,800	1,800	1,800
Tested	1,036	1,169	1,111	1,083	105
Shortfall (<i>per cent</i>)	524 (34)	631 (35)	689 (38)	717 (40)	1,695 (94)
Adulterated (<i>per cent</i>)	46 (4)	34 (3)	36 (3)	27 (2)	1 (1)
(ii) Water Samples					
Target	1,200	1,200	1,200	1,200	1,200
Tested	453	497	635	572	301
Shortfall (<i>per cent</i>)	747 (62)	703 (59)	565 (47)	628 (52)	899 (75)
Adulterated (<i>per cent</i>)	81 (18)	106 (21)	84 (13)	57 (10)	31 (10)

(Source: Public Analyst Laboratory of CoC)

Food and water samples taken and tested during 2007-08 were just 105 and 301 respectively due to vacancy in the post of Public Analyst from June 2007. It may be noted that the number of water samples to be tested in a year was reduced to 1,200 from 10,000 with effect from 2000-01 retrospectively through a resolution of CoC in May 2005.

Thus, number of Food Inspectors available was too few and the targets for taking of samples were not achieved during any of the year commented in the review. As percentage of adulterated samples in respect of water samples tested was considerable, it is imperative that taking of samples and testing should be strengthened.

Government stated (February 2009) that 52 sanitary inspectors have since been recruited and the post of Public Analyst is being filled up.

⁸ Food samples taken by authorised persons i.e. Food Inspectors.

⁹ 10 samples per month x 13 Food Inspectors x 12 months for 2003-04 and for other years 15 samples per month x 10 Food Inspectors x 12 months.

2.2.10 Solid waste management

2.2.10.1 Non-utilisation of budget provision under capital account

The expenditure on solid waste management is met out of CoC funds and Central Finance Commission grants. Year-wise details of expenditure under revenue account and capital account relating to solid waste management department and 10 zones of CoC for the years 2003-08 were as given in Table 14.

Table 14

(Rupees in crore)

Year	Revenue Expenditure			Capital Expenditure		
	Budget Estimate	Revised Estimate	Actuals	Budget Estimate	Revised Estimate	Actuals
2003-04	93.17	94.57	90.84	4.00	0.50	4.61
2004-05	95.76	98.40	102.32	18.10	5.75	0.86
2005-06	102.98	112.70	108.58	10.10	5.00	0.02
2006-07	114.45	127.38	120.69	14.50	3.00	0.54
2007-08	140.84	133.70	122.16	35.00	16.00	2.53
Total	547.20	566.75	544.59	81.70	30.25	8.56

(Source: Annual accounts of Corporation of Chennai)

Even though adequate budget provisions were made under capital account, CoC had not utilised the provisions due to delay in implementation of Municipal Solid Wastes (Management and Handling) Rules, 2000.

2.2.10.2 Waste processing and disposal facilities

Waste processing and disposal facilities have not yet been set up.

As per Municipal Solid Wastes (Management and Handling) Rules, 2000 the landfill site was to be identified by the development authorities and handed over to the municipal authorities by December 2002 for development, operation and maintenance. The Rules required all local bodies to set up complete waste processing and disposal facilities by end of December 2003.

For creation of processing facilities and construction of sanitary landfill sites at Kodungaiyur and Perungudi, a proposal was sent (January 2004) to Government by CoC at an estimated cost of Rs 60 crore, which was subsequently revised to Rs 120 crore. An amount of Rs 18 crore¹⁰ was received by CoC from the State Government. However, necessary authorisation for setting up waste processing and disposal facility including landfills was not obtained by CoC from Tamil Nadu Pollution Control Board (TNPCB) and the waste processing and disposal facility were not set up by CoC or by operator of the facility as required under the rules so far (December 2008).

¹⁰ Rupees 10 crore in March 2004 and Rupees eight crore in March 2005.

CoC had no scientific landfill facility. Even though CoC reported that house to house collection of waste was done through community bins, segregation of waste was not done and the waste is being dumped in the existing two dumpsites.

The dumpsite at Perungudi is at the Pallikaranai swamp area, which also houses a large number of species of plants and animals. Dumping had been taking place in this area for more than 15 years and almost 25 per cent of the marshland has been lost due to indiscriminate dumping.

In reply Government stated (February 2009) that even though various steps were taken for scientific management of municipal solid wastes as per the rules, they did not materialise due to various reasons such as dropping of identified landfill site due to protest of villagers, revision of detailed project report, etc.

The Government further stated that an agreement was executed (November 2008) with a developer for integrated solid waste processing and disposal facility at Perungudi under “Design, Build, Own, Operate and Transfer” (DBOOT) basis. Tender for Kodungaiyur site was yet to be decided (December 2008) and necessary authorisation from TNPCB would be obtained by the developers.

Thus, the grant of Rs 18 crore received from State Government by CoC during 2003-05 for creation of infrastructure facilities at landfill sites at Kodungiyur and Perungudi and transfer stations remained unutilised with CoC and the amount remained in fixed deposit (December 2008) as the facilities were not yet set up.

2.2.10.3 Disposal of bio-medical waste

As per Rule 8 of Bio-medical Waste (Management and Handling) Rules, 1998 all health care units are to obtain authorisation from TNPCB for disposal of bio-medical waste and to install necessary treatment facility as suggested by TNPCB. However, it was noticed that no authorisation from TNPCB was obtained by CoC in this regard.

As per Schedule I to Bio-medical Waste (Management and Handling) Rules, 1998, the bio medical wastes should be collected and transported separately and disposed off safely as detailed in **Table 15**.

Table 15

Sl. No.	Nature of waste	Treatment and disposal
1.	Human anatomical waste, animal waste	Incineration/deep burial
2.	Microbiology and bio technology waste	Local autoclaving/ microwaving/incineration
3.	Waste sharps	Chemical treatment/ autoclaving/ microwaving and shredding
4.	Discarded medicines and Cytotoxic drugs	Incineration/destruction/disposal in secured landfills.

It was noticed that the bio-medical wastes generated from the health posts and maternity hospitals were disinfected and disposed off as municipal waste and bio-medical waste generated in Communicable Diseases Hospital (1,600 Kg. per annum), TB Clinic, dispensaries, etc., were disposed off either by deep burial or by open burning, thus causing environmental pollution.

Government stated (February 2009) that a comprehensive bio-medical waste management facility would be commissioned by June 2009. It further stated that orders have been placed for procurement of equipment and necessary training has been imparted to staff.

2.2.11 Beneficiary survey

Survey questionnaires were issued to 187 beneficiaries by Audit for obtaining their remarks/suggestions on general functioning of health posts/dispensaries and the quality of services provided by them. The opinions expressed by the beneficiaries are categorised and furnished below:

- Eleven beneficiaries complained about in-sanitary condition of dispensary/health posts,
- seven about non-availability of Medical Officer,
- six about non-availability of seating facilities in health posts/dispensaries, and
- Fourteen about non-availability of drinking water and five about non-availability of ambulance services.

2.2.12 Conclusion

Chennai City Municipal Corporation did not implement urban health care policy of the State Government. Surveillance for malaria was inadequate and there were short procurement of anti malaria chemicals, medicines for health posts, dispensaries and Indian medicine dispensaries. There were vacancies in the posts of Medical Officer in the health posts and dispensaries. Coverage under School/Slum Health Programmes was only partial. Number of Multi Purpose Health Workers and Food Inspectors available were far below requirement with reference to norms. There was shortfall in food and water samples taken and tested. Waste disposal facilities have not yet been set up though were required to be set up by December 2003 under Municipal Solid Wastes (Management and Handling) Rules, 2000. Bio medical wastes were disposed off as municipal waste thus causing environmental pollution.

2.2.13 Recommendations

To make the health and sanitation services rendered by the Chennai City Municipal Corporation more effective, the following recommendations are made.

- Anti malaria chemicals and other medicines should be procured adequately and sufficient stock should be maintained at the vending points throughout the year.

- School Health Programme should be carried out and implementation monitored.
- Multi Purpose Health Workers and Food Inspectors should be made available as per norms to make the health care services meaningful.
- Provisions of Municipal Solid Wastes (Management and Handling) Rules, 2000 for disposal of solid wastes and bio-medical wastes should strictly be adhered to.

2.3 Provision of amenities by Chennai, Coimbatore and Madurai City Municipal Corporations

2.3.1 Introduction

The statutory functions of the Urban Local Bodies include provision of amenities such as slaughterhouses, parks/playfields/gardens, public conveniences and solid waste management.

2.3.2 Organisational set up

Principal Secretary to Government, Municipal Administration and Water Supply Department is in over all charge of Urban Local Bodies. While, Chennai City Municipal Corporation (Chennai CMC) is under the direct control of the Principal Secretary, Coimbatore (Coimbatore CMC) and Madurai (Madurai CMC) City Municipal Corporations are under the control of Commissioner of Municipal Administration.

2.3.3 Audit findings

Findings of audit on provision of certain amenities by Chennai, Coimbatore and Madurai CMCs in selected zones¹ covering the period 2003-08 are discussed in the succeeding paragraphs.

2.3.3.1 Slaughterhouses

As per provisions contained in the Acts of Madras (Section 294), Coimbatore (Section 371) and Madurai (Section 371) City Municipal Corporations, the CMCs were required to provide sufficient slaughterhouses. As per Chapter 5 of Solid Waste Management Manual of Ministry of Urban Development the local body was to ensure that slaughtering takes place only under hygienic conditions and meat eating population get fresh and disease free meat. There are eight² slaughterhouses; three in Chennai, three in Coimbatore and two in Madurai CMCs. As all these slaughterhouses were auctioned through public tender the CMCs did not incur expenditure on maintenance. Scrutiny of records of the three CMCs revealed the following:

¹ **Chennai CMC:** **Zone III** comprising mainly Choolai, Elephant Gate, Park Town, Perambur and Vysarpadi; **Zone IV** comprising mainly Ayanavaram, Sembium, Kolathur, Pursawalkam and Villivakkam; **Zone V** comprising mainly Aminjikarai, Anna Nagar, Kilpauk, Nungambakkam and Periyar Nagar; **Zone VII** comprising mainly Chetpet, Egmore, Royapettah, Teynampet and Thousand Lights and **Zone IX** comprising mainly Guindy, Kalaignar Karunanidhi Nagar, Kodambakkam, Saidapet and V.O.C. Nagar; **Coimbatore CMC:** East and South zones and **Madurai CMC:** East and West zones.

² **Chennai CMC:** Perambur, Saidapet and Villivakkam; **Coimbatore CMC:** Sathy Road, Singanallur and Ukkadam and **Madurai CMC:** Nelpettai and Othapatty.

(i) Eleventh Five Year Plan (2007-2012) of the State envisaged a target of one modern slaughterhouse for one lakh population in the Municipal Corporations. A comparison of number of slaughterhouses with the proportionate target for two years revealed a shortfall as brought out in **Table 1**.

Table 1

Sl.No.	Municipal Corporation	Population as per 2001 Census (in lakh)	No. of modern slaughterhouses			
			Target for XI Five Year Plan	Proportionate target for two years (2007-09)	Available	Shortfall
1.	Chennai	43.44	43	17	3	14
2.	Coimbatore	9.31	9	4	3	1
3.	Madurai	9.29	9	4	2	2
	Total		61	25	8*	17

* Of these, only three are modern slaughterhouses (Chennai: two and Coimbatore: one)
(Source: Population as per 2001 census and information on number of slaughterhouses available as furnished by the Municipal Corporations concerned)

Shortfall in availability of slaughterhouses with reference to proportionate target for 2007-09 was 14, one and two in Chennai, Coimbatore and Madurai CMCs respectively.

As may be seen from **Table 1**, the shortfall with reference to proportionate target was significant in respect of Chennai CMC. Further, Chennai, Coimbatore and Madurai CMCs have to construct 40, six and seven modern slaughterhouses respectively by the end of the XI Five Year Plan, i.e., March 2012. As there were proposals to construct only three slaughterhouses in Chennai CMC and one slaughterhouse each in Coimbatore and Madurai CMCs, the chances of reaching the above target seem remote.

Shortfall in availability of Veterinary Doctors was 12, 11 and four in Chennai, Coimbatore and Madurai CMCs respectively.

(ii) Rule 3 (2) (iv) of Prevention of Cruelty to Animals (Slaughterhouse) Rules, 2001 requires that any animal to be slaughtered should be certified by a Veterinary Doctor as fit. Rule 4 (2) of the Rules *ibid* prescribes that a Veterinary Doctor shall not examine more than 96 animals a day. A comparison of average number of animals slaughtered each day in the three CMCs with the number of Veterinary Doctors available indicated (October 2008) shortfall ranging from four to 12 in availability of doctors as brought out in **Table 2**.

Table 2

Sl.No.	Name of CMC	No. of slaughterhouses	Average number of animals slaughtered per day	No. of Veterinary Doctors		
				Required	Available	Shortfall
1.	Chennai	3	1,757	18	6	12
2.	Coimbatore	3	1,160	12	1	11
3.	Madurai	2	520	5	1*	4

* Available upto 12.12.2006

(Source: Information furnished by the CMCs concerned)

Further, even the only post of Veterinary Doctor in Madurai CMC was vacant from April 2005 to 17 July 2005 and from 20 December 2006 to date (October 2008). Madurai CMC replied (December 2008) that a Sanitary Inspector is in additional charge of the slaughterhouse as the post of Veterinary Doctor was

vacant. The reply is not acceptable as Sanitary Inspector is not qualified to function as a Veterinary Doctor. Chennai CMC stated (January 2009) that action was being taken to recruit sufficient Veterinary Doctors.

Appointment of inadequate number of Veterinary Doctors by the CMCs indicated failure of the CMCs to adhere to the provisions of Prevention of Cruelty to Animals (Slaughterhouse) Rules, 2001 and to ensure availability of good quality meat to public.

None of the eight slaughterhouses in the three CMCs had rendering plant and four slaughterhouses were without Effluent Treatment Plant.

(iii) As per paragraph 5.5 of Municipal Solid Wastes (Management and Handling) Rules, 2000 and instructions of Pollution Control Board, solid wastes from slaughterhouses should pass through a rendering plant³ and waste water generated from washing and cleaning should be treated in an Effluent Treatment Plant.

However, none of the eight slaughterhouses in the three CMCs had a rendering plant. Effluent Treatment Plants were available in three slaughterhouses⁴ and was under construction in one⁵. Thus, four slaughterhouses were functioning without Effluent Treatment Plant and were causing environmental hazards.

2.3.3.2 Parks and playfields

The budget provision and expenditure on parks and playfields during 2003-08 in the three CMCs were as given in **Table 3**.

Table 3

(Rupees in lakh)

Year	Chennai			Madurai			Coimbatore		
	BE	RE	Expr.	BE	RE	Expr.	BE	RE	Expr.
(i) Maintenance expenditure on Parks and Playfields									
2003-04	174.23	368.86	230.61	67.00	31.53	0.33	0.15	0.15	Nil
2004-05	384.51	563.32	505.95	30.00	16.00	0.94	0.15	Nil	Nil
2005-06	589.90	588.12	520.53	2.00	2.00	0.01	Nil	0.15	0.10
2006-07	710.86	684.94	616.26	2.20	2.00	Nil	0.25	10.00	0.58
2007-08	699.86	865.06	694.86	2.15	1.25	2.79	15.00	11.90	3.23
(ii) Capital expenditure on Parks and Playfields									
2003-04	600.00	300.00	153.59	Expenditure booked under			74.00	55.30	77.92
2004-05	1,700.00	1,000.00	196.08	'Buildings'; no provision			120.00	73.32	40.37
2005-06	710.00	1,400.00	720.96	made separately for parks			100.00	74.93	62.26
2006-07	1,250.00	1,200.00	498.32	and playfields.			200.00	129.70	76.13
2007-08	1,760.00	1,200.00	327.79				200.00	196.80	163.60

BE: Budget Estimate; RE: Revised Estimate; Expr.: Expenditure

(Source: Information furnished by the CMCs and budget documents of the CMCs)

³ Rendering plant: Plant used for recycling dead animals, slaughterhouse wastes, etc., into various products such as recycled meat, bone meal and animal fat.

⁴ Villivakkam and Saidapet in Chennai CMC and Sathy Road in Coimbatore CMC.

⁵ Ukkadam in Coimbatore CMC.

Coimbatore CMC stated (April 2009) that the booking of maintenance expenditure under Capital head was the reason for non-utilisation of provision under maintenance during 2006-08. Madurai CMC stated that provision made for maintenance could not be utilised during 2006-07 due to delay in approval of estimates and belated commencement of work due to heavy rain and the excess expenditure in 2007-08 was due to execution of works sanctioned in 2006-07.

Chennai CMC did not give any reason for huge variation between provision and expenditure during 2006-08 under capital head.

Number of parks available in Chennai, Coimbatore and Madurai CMCs was 245, 17 and 11 respectively. In accordance with The Tamil Nadu Parks, Playfields and Open spaces (Preservation & Regulation) Act, 1959 provision and maintenance of parks is the responsibility of local bodies. Scrutiny of records of the three CMCs revealed the following deficiencies in provision and maintenance of parks/playfields:

Land measuring 32,069 sq.m. handed over by promoters for open space reservation was not developed into parks in Chennai and Madurai CMCs.

(i) As per orders in force, promoters developing residential/commercial layouts and building complexes of an area of 3,000 sq.m. or more are required to handover 10 *per cent* of the area of the layout to the local bodies as open space reservation. However, 17,829 sq.m. land (ranging from 405.2 sq.m. to 4,862.44 sq.m.) handed over in respect of 10 layouts was not converted into parks in Madurai CMC. A test check in Zone V⁶ of Chennai CMC revealed that 14,240 sq.m. of land (ranging from 385 sq.m. to 3,711 sq.m.) handed over in respect of 13 layouts was not developed into parks. While Madurai CMC replied (June 2008) that the vacant land would be developed into parks in the ensuing year, Chennai CMC quoted (July 2008) financial constraints as reason for not developing the vacant lands into parks.

(ii) The Director of Town and Country Planning has stated (November 1979) that the land assigned by the promoters for open space reservation should be in one piece so as to suit development of parks and playfields. However, in four layouts approved by Madurai CMC, the land assigned for open space reservation was in more than one piece, vide details in **Table 4.**

Table 4

Sl.No.	Layout at	Total extent of layout (sq. ft.)	Approval No. and date	Open space reservation (sq. ft.)
1.	Kochadai	1,83,002	1258/27.9.2006	1. 2,038
				2. 16,402
2.	Anthaneri	2,14,315	1260/6.10.2006	1. 3,381
				2. 9,700
				3. 8,075
				4. 1,320
3.	Anthaneri	2,06,474	1246/6.1.2006	1. 16,199
				2. 3,350
				3. 1,177
4.	Thallakulam	1,74,676	39411/30.12.2005	1. 3,040
				2. 14,540

⁶ **Chennai Zone V** comprising mainly Aminjikarai, Anna Nagar, Kilpauk, Nungambakkam and Periyar Nagar.

The above pieces of plots were yet to be developed into parks/playfields (July 2008).

(iii) Fourteen playfields (**Appendix 2.7**) developed for children in the lands assigned by the promoters of layouts in Coimbatore CMC did not have the play equipments defeating the very purpose of formation of such playfields.

(iv) Parks normally provide facilities like walkers' path, benches, children play equipment, lighting, etc. However, the facilities were not provided in parks in Coimbatore CMC as depicted in **Table 5**.

Table 5

Sl.No.	Nature of facility	Number of parks without the facilities
1.	Walkers' path	6
2.	Children play materials	6
3.	Lighting	5
4.	Benches	5

2.3.3.3 Public convenience

The budget provision and expenditure on public convenience during 2003-08 in the three CMCs were as given in **Table 6**.

Table 6

(Rupees in lakh)

Year	Chennai			Madurai			Coimbatore		
	BE	RE	Expr.	BE	RE	Expr.	BE	RE	Expr.
(i) Public toilets - maintenance									
2003-04	97.90	478.00	243.08	Maintained by self help			33.95	6.85	4.47
2004-05	411.20	443.00	223.18	groups out of user charges			26.25	13.94	8.57
2005-06	371.30	379.00	162.29	collected by them.			16.00	44.91	32.21
2006-07	407.61	280.51	212.63				45.00	31.40	6.75
2007-08	310.00	283.01	165.76				50.00	50.20	2.01
(ii) Public toilets - capital expenditure									
2003-04	Expenditure booked under 'Buildings'; no separate						216.00	238.69	309.81
2004-05	provision made for public toilets under capital head.						350.00	207.10	219.40
2005-06							75.00	137.63	148.00
2006-07							253.00	266.40	210.47
2007-08							350.00	341.20	242.93

BE: Budget Estimate; RE: Revised Estimate; Expr.: Expenditure

(Source: Information furnished by the CMCs and budget documents of the CMCs)

Coimbatore CMC stated (April 2009) that the provision made under capital head were not utilised in full during 2006-08 due to delay in site clearance and belated commencement of works. As far as revenue expenditure is concerned Coimbatore CMC stated (April 2009) that expenditure was less during 2006-08 due to misclassification. However, the reason is not acceptable as the same figures of expenditure was included in the accounts submitted for

certification by the Director of Local Fund Audit (DLFA) indicating incorrect budgeting.

Eleventh Five Year Plan of the State (2007-2012) envisaged provision of one toilet seat per 30 population in notified slum areas where land is available.

A comparison of toilet seats available in Zone III⁷ of Chennai CMC, Coimbatore and Madurai CMCs with proportionate target for provision of toilet seats in slum areas revealed shortfall as indicated in **Table 7**.

Table 7

Sl.No.	Name of the Corporation	Slum Population	Number of toilet seats		
			Proportionate Target	Provision	Shortfall (Percentage)
1	Chennai-Zone III	86,891	1,159	293	866 (75)
2	Coimbatore	1,20,691	1,609	1,311	298 (19)
3	Madurai	3,69,411	4,925	2,196	2,729 (55)
	Total	5,76,993	7,693	3,800	3,893

(Source: Information furnished by the CMCs)

Shortfall in provision of toilet seats in slum areas with reference to proportionate target for 2007-09 was 75 per cent and 55 per cent in Chennai Zone III and Madurai CMC respectively.

The shortfall with reference to proportionate target for 2007-09 (two years out of five years) worked out to 19 to 75 per cent. As Chennai (Zone III) and Madurai Corporations are lagging behind by more than 50 per cent, it is doubtful whether they could achieve the envisaged target of Eleventh Five Year Plan. Further, inadequate provision of toilets would result in insanitary conditions in slum areas.

2.3.3.4 Solid waste management

The budget provision and expenditure on clearance of garbage during 2003-08 in the three CMCs were as given in **Table 8**.

Table 8

(Rupees in lakh)

Year	Chennai			Madurai			Coimbatore		
	BE	RE	Expr.	BE	RE	Expr.	BE	RE	Expr.
2003-04	93.17	94.57	90.84	358.00	358.00	306.67	161.95	225.50	156.52
2004-05	95.76	98.40	102.32	390.00	300.00	279.22	234.45	364.84	356.16
2005-06	102.98	112.70	108.58	300.00	400.42	389.37	500.00	450.00	383.20
2006-07	114.45	127.38	120.69	440.46	400.42	387.22	500.00	360.00	341.77
2007-08	140.84	133.70	122.16	410.00	360.80	333.12	400.00	421.85	434.03

BE: Budget Estimate; RE: Revised Estimate; Expr. Expenditure

(Source: Information furnished by the CMCs and budget documents of the CMCs)

As per Municipal Solid Wastes (Management and Handling) Rules, 2000 the Urban Local Bodies are responsible for implementing the provisions of the

⁷ Chennai Zone III comprising mainly Choolai, Elephant Gate, Park Town, Perambur and Vysarpadi.

said Rules. Chennai, Coimbatore and Madurai CMCs generate about 3,300, 550 and 450 MTs of solid waste per day respectively.

Compliance criteria with regard to collection of solid waste as per Schedule II to Municipal Solid Wastes (Management and Handling) Rules, 2000 included organising house-to-house collection of municipal solid wastes through any of the methods like community bin collection (central bin), house-to-house collection, collection on regular pre-informed timings and scheduling and transportation of waste in a covered vehicle. Further, the municipal authority was to organise awareness programmes for segregation of wastes and shall promote recycling or reuse of segregated materials. Wastes from slaughterhouses, meat and fish markets, fruits and vegetable markets, which are biodegradable in nature, were to be made use of. As per Schedule IV of the Rules *ibid*, the waste processing or disposal facilities were to include composting, incineration, pelletisation, energy recovery or any other facility based on state-of-the-art technology duly approved by the Central Pollution Control Board.

Implementation of Municipal Solid Wastes (Management and Handling) Rules, 2000 in Coimbatore and Madurai was only partial as there were shortcomings in house-to-house collection of waste segregation and disposal of waste.

A review on implementation of Municipal Solid Wastes (Management and Handling) Rules, 2000 by Coimbatore and Madurai CMCs revealed the following:

- House-to-house collection of waste was organised only in 36 wards (out of 72 wards) in Coimbatore CMC and in 19 wards in Madurai CMC (out of 72 wards).
- Segregation of waste was about nine *per cent* of waste generated in Coimbatore CMC and in Madurai CMC no segregation was done; even the segregated waste in Coimbatore CMC was mixed with other wastes due to non-availability of waste processing facilities.
- While 8.33 *per cent* biodegradable wastes collected from slaughterhouses, vegetable and fruit markets, etc., in Coimbatore CMC was being utilised (50 MT per day) for vermicomposting through a private company; in Madurai CMC no composting of the above wastes was done.
- Industrial wastes were not collected and disposed off separately as per rules.
- In Coimbatore CMC about 46 *per cent* of waste collected was transported in open vehicles.
- No arrangements for disposal of waste in a scientific manner in the landfill site were made in Coimbatore and Madurai CMCs, except utilisation of a part of the wastes generated for composting in Coimbatore CMC.

Thus, the implementation of the provisions of Municipal Solid Wastes (Management and Handling) Rules, 2000 was only partial in Coimbatore and Madurai CMCs.

2.3.4 Conclusion

The city Municipal Corporations are lagging behind in provision of modern slaughterhouses as envisaged in the XI Five Year Plan. The number of slaughterhouses in the three CMCs were insufficient. Moreover, the functioning of the slaughterhouses was defective as the required number of Veterinary Doctors were not posted and there were no rendering plants and effluent treatment plants in most of the slaughterhouses. Land assigned for formation of parks/playfields were not developed into parks/playfields and facilities like walkers' path, benches, etc., were not provided in parks. Adequate public conveniences were not available in all of the CMCs. The implementation of the provisions of Municipal Solid Wastes (Management and Handling) Rules, 2000 in Coimbatore and Madurai CMCs was only partial.

2.3.5 Recommendations

- Construction of modern slaughterhouses should be taken up so as to achieve the target envisaged in XI Five Year Plan.
- Action should be taken to provide Veterinary Doctors to the slaughterhouses as per norms, for provision of rendering plants and effluent treatment plants to all slaughterhouses.
- Efforts should be made to develop the land assigned by promoters into parks and for provision of required facilities for the beneficial use of public.
- Adequate toilets in slum areas should be provided.
- Action needs to be taken to implement the provisions of Municipal Solid Wastes (Management and Handling) Rules, 2000 *in toto*.

The matter was referred to Government in March 2009; reply has not been received (June 2009).

CHAPTER III

AUDIT OF TRANSACTIONS (URBAN LOCAL BODIES)

Audit of transactions in the Municipal Administration and Water Supply Department in the Secretariat, twelve 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

COLACHEL, MAYILADUTHURAI, NELLIKUPPAM, PERIYAKULAM AND PUDUKOTTAI MUNICIPALITIES

3.1.1 Non-realisation of water supply deposit and water charges

Failure to collect deposit for water supply connection by five Municipalities and enhanced water charges by a municipality resulted in non-realisation of Rs 3.67 crore.

Water supply is one of the basic amenities to be provided by the Municipalities. Municipal councils have the power to make by-laws for water supply under section 132A of Tamil Nadu District Municipalities Act, 1920. Such by-laws were to be approved and confirmed by State Government and published in District Gazette and would come into operation three months after they were so published as per section 310 of the Act *ibid*. The State Government has delegated the powers for approval and confirmation of water supply by-laws to Commissioner of Municipal Administration. While providing potable water service connection to residential/non-residential buildings and industrial undertakings, the Municipalities are required to collect a security deposit as per the water supply by-laws approved for water supply.

As per Accounting Manual for Urban Local Bodies in Tamil Nadu, the above deposits were to be invested in short term deposits and could be utilised for repayment of loan taken for water supply purposes, execution of specific schemes or for carrying out major repairs.

(a) Non-collection of initial deposit

Non-collection of deposits in respect of new water service connections or differential amount of deposit in respect of existing connections to the extent of Rs 3.51 crore (**Appendix 3.1**) was noticed in the following Municipalities.

(i) Colachel Municipality

The municipal council resolved (July 2002) to enhance deposit for domestic, commercial and industrial connections from Rs 1,500, Rs 3,000 and Rs 4,500 to Rs 2,000, Rs 5,000 and Rs 7,000 respectively. The revised by-laws incorporating the above enhancement was approved by Commissioner of Municipal Administration in December 2002. Even though the municipality published the revised rates of deposit in District Gazette in September 2004, it failed to collect the differential deposit of Rs 10.91 lakh in respect of 1,987 existing connections.

(ii) Mayiladuthurai Municipality

The municipality executed (May 2002) a new water supply scheme at a cost of Rs 11 crore. Out of 4,883 domestic water service connections, 3,581 were transferred to the new scheme. Though the municipality resolved to collect a deposit of Rs 4,000 per domestic connection, and the by-law was published (June 2002) in the District Gazette, it had collected only Rs 500 per connection so far (October 2008), resulting in non-realisation of revenue of Rs 1.25 crore.

(iii) Nellikuppam Municipality

The municipality executed (February 2003) water supply improvement works at a cost of Rs 94.31 lakh with grant from Government (Rs 24.33 lakh), loan from Life Insurance Corporation of India (Rs 64.88 lakh) and utilising water supply fund (Rs 5.10 lakh). The municipality was collecting deposit at Rs 30 per connection up to October 1992, at Rs 120 from November 1992 to May 1995 and at Rs 1,000 from June 1995. The municipality resolved (May 2000) to enhance the deposit to Rs 2,000. It also resolved (March 2003) not to collect the differential deposit for the existing connections. Though the municipality subsequently decided to collect the differential deposit as directed by the Commissioner of Municipal Administration while according final approval in March 2005 and published the revised rates in District Gazette in May 2005, it had not collected the differential deposit of Rs 43.49 lakh so far (August 2008).

(iv) Periyakulam Municipality

With a view to repay the loan proposed to be availed for taking up water supply improvement works under Golden Jubilee Water Supply Scheme, the municipality resolved (September 1999) to enhance the deposit for domestic connections from Rs 1,000 to Rs 4,000. Revised by-laws published in District Gazette in October 2000, after approval by Government, contained provision to collect the enhanced deposit in four quarterly instalments for the existing

connections also. Commissioner of Municipal Administration permitted (November 2001) payment of the deposit in three instalments of Rs 2,000, Rs 1,000 and Rs 1,000 in respect of new connections.

State Government, while according (December 1999) administrative sanction for the works, sanctioned 30 *per cent* of scheme cost as grant, which was enhanced (March 2000) to 45 *per cent*. The work was completed in June 2001 at cost of Rs 4.91 crore availing a loan of Rs 2.70 crore from Tamil Nadu Urban Finance and Infrastructure Development Corporation and State Government grant of Rs 2.21 crore.

Taking into account the increase in grant component, the municipal council resolved (April 2003) to reduce the deposit amount for domestic connection to Rs 2,200. The above resolution has not been approved by Commissioner of Municipal Administration so far (February 2009).

The municipality has not collected Rs 98.84 lakh out of Rs 2.09 crore due for collection though the by-laws for collection of enhanced deposit were in force from as far back as October 2000 (February 2009).

(v) ***Pudukottai Municipality***

The Municipality was one of the beneficiaries under Cauvery Combined Water Supply Scheme implemented (November 1994) at a cost of Rs 40.62 crore by Tamil Nadu Water Supply and Drainage Board; the share of the municipality being Rs 16.81 crore. The municipality was also required to pay maintenance charges of Rs 80 lakh per annum.

To meet out the above additional commitments and also as per instructions of the Commissioner of Municipal Administration, the municipality enhanced the rate of water supply deposit¹ from April 1995. The by-law was published in the District Gazette (December 1995) and came into effect from April 1995. The municipality has not collected the enhanced deposit amounting to Rs 73.03 lakh in respect of 3,464 domestic, 10 industrial and 115 commercial connections (March 2008).

The matter was referred to Government between September 2008 and March 2009. In respect of Colachel and Periyakulam Municipalities, the Government replied (May 2009) that Rs 18,000 and Rs 92,000 respectively were collected as deposits and action is being taken to collect the balance amount. Reply has not been received in respect of other three Municipalities (June 2009).

¹

(In rupees)		
Nature of connection	Pre-revised deposit	Revised deposit
Domestic	60	2,000
Commercial	180	5,000
Industrial	120	3,000

(b) Non-realisation of revenue due to failure to give effect to enhanced water charges

Colachel Municipality enhanced (July 2002) the monthly water charges. The revised rates² were approved by Commissioner of Municipal Administration in December 2002 and the amended by-laws were published in District Gazette in May 2003. However, the municipality did not give effect to the revised rates until April 2008, resulting in non-realisation of revenue of Rs 16.43 lakh towards differential minimum water charges for the period from September 2003 to March 2008 for 3,219 connections.

The matter was referred to Government in December 2008. Government replied (May 2009) that revised rates would be collected from October 2007 when the final approval was given by Commissioner of Municipal Administration. The reply is not tenable as the revised rates were published in District Gazette in May 2003 itself and was in operation from September 2003 as per Section 310 of Tamil Nadu District Municipalities Act, 1920.

Non-collection of deposits in respect of new water service connections, differential amount of deposit in respect of existing connections and enhanced water charges resulted in non-realisation of Rs 3.67 crore.

PALLADAM MUNICIPALITY

3.1.2 Loss of revenue due to non-provision of new water supply connections

Failure of the local body to provide new water supply connections, inspite of availability of sufficient water, resulted in loss of revenue of Rs 1.89 crore.

Palladam Town Panchayat³ was providing potable water to public through 3,507 connections (3,269 domestic, 145 commercial and 93 industrial connections) and 176 public fountains. The Town Panchayat was garnering 34.40 lakh litres of potable water per day (18.74 lakh litres through a combined water supply scheme and 15.66 lakh litres from its own sources). The Town Panchayat was collecting a minimum monthly water charges of Rs 80 and a deposit of Rs 3,000 for each domestic connection.

With a view to enhancing the number of domestic connections due to increase of residences and industries, the Town Panchayat council resolved (October 2003) to provide 2,500 additional water supply connections. Based on the resolution, Palladam Town Panchayat requested (November 2003) the

(In rupees)

Nature of connection	Water charges	
	Pre-revised	Revised
Domestic	40	50
Commercial	80	120
Industrial	120	180

³ Upgraded as third grade municipality in July 2004.

Director of Town Panchayat (DTP) to sanction additional 2,500 connections stating that sufficient water was available and that more than 3,000 applications were received from the public for new water supply connections. The Town Panchayat also worked out (November 2003) that water can be supplied to the entire population of about 40,000 at 86 litres per capita per day (lpcd). The DTP accorded sanction (December 2003) for 2,500 new connections. However, the municipality did not provide any new water supply connections so far (October 2008).

The failure of the local body to provide new water supply service connections even after a lapse of nearly five years resulted in a revenue loss of Rs 1.89 crore⁴ besides denial of water connection to willing applicants (September 2008).

The municipality stated (October 2008) that if additional connections were provided it would reduce the quantum of water now supplied which could lead to public agitation and hence the new council did not favour giving new connections.

The reply of the municipality is not tenable as (i) election for local bodies was held only in October 2006 i.e. 33 months after sanction by DTP, and (ii) the municipality could also maintain water supply at prescribed norms⁵ with the quantity of water available as worked by it.

The matter was referred to Government in December 2008; reply has not been received (June 2009).

KODAIKANAL MUNICIPALITY

3.1.3 Loss of revenue due to inaccurate amendment of by-law

Inaccurate amendment of by-law for enhancement of deposit for water supply resulted in loss of revenue of Rs 57.18 lakh.

Kodaikanal Municipality (municipality) resolved (February 2000) to enhance the deposit for water supply from Rs 2,000 for domestic connections and Rs 6,000 for non-domestic connections to Rs 4,000 and Rs 12,000 respectively. However, due to displeasure of the public against the

⁴ Monthly water charges to be collected @ Rs 80 per month per connection from January 2004 to September 2008: Rs 1.14 crore; Deposit to be collected @ Rs 3,000 per connection: Rs 75 lakh; Total: Rs 1.89 crore.

⁵ Quantity of water available	34.40 lakh litres per day
(Less) Supply to commercial and industrial connections	0.83 lakh litres
Balance quantity	33.57 lakh litres
Projected population in 2011 with decadal growth rate of 14 per cent as per Eleventh Five Year Plan Document	33,907
Water available to public	99 lpcd (33.57 lakh litres/33,907)

enhancement, the council again resolved (October 2000) to reduce the deposit amount to Rs 3,500 for domestic connections.

The municipality while assessing (October 2000) the revenue to be realised by enhancing the charges took into account the total number of water supply connections (domestic: 2,740 and non-domestic: 268) available in the municipality. However, while submitting (November 2000) the draft by-law to the Commissioner of Municipal Administration (CMA) the municipality stated that the enhancement of deposit was only for new connections. The CMA also approved the draft by-law (February 2002) and the amended by-law was published in the District Gazette in August 2004.

The inaccurate amendment of by-law restricting the scope of enhanced deposits only to new connections resulted in loss of revenue of Rs 57.18 lakh⁶ for the 3,008 connections.

The municipality admitted (November 2008) that there was an error in the by-law notification published in the District Gazette. It also stated that action would be taken to place the subject in the forthcoming council meeting; publish the rectified by-law in the District Gazette and collect the deposit amount as per the revised rate for old connections also immediately after passing the municipal council resolution.

The matter was referred to Government in December 2008; reply has not been received (June 2009).

SURAMPATTI MUNICIPALITY

3.1.4 Loss of anticipated revenue from a shopping complex

Construction of shops without assessing the demand resulted in loss of anticipated revenue of Rs 36.16 lakh besides unproductive investment of Rs 14.18 lakh.

Commissioner of Municipal Administration (CMA) accorded technical sanction (February 2001) for construction of a shopping complex consisting of 19 shops, 17 stalls and four show rooms in Surampatti Town Panchayat (upgraded as Grade III municipality with effect from 24 August 2004) at an estimated cost of Rs 62 lakh under Integrated Development of Small and Medium Town Scheme (IDSMT). The project was taken up (March 2001) with a loan of Rs 56 lakh from Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited. The projected annual income from the shopping complex was Rs 7.84 lakh. Construction of the shopping complex was completed in February 2003 at a cost of Rs 52.68 lakh. No pre demand survey was conducted before taking up the project.

⁶ Domestic: 2,740 connections x Rs 1,500 = Rs 41.10 lakh; Non-domestic: 268 connections x Rs 6,000 = Rs 16.08 lakh ; Total : Rs 57.18 lakh.

Surampatti Municipality (municipality) conducted 21 auctions for leasing out the shops, stalls and show rooms between March 2003 and April 2008. The municipality could lease out only four to 10 shops⁷ during the period 2003-08 at rent ranging from Rs 720 to Rs 1,300 per month. While all the four show rooms were leased out at Rs 450 per month, all the 17 stalls and nine shops were yet to be leased out (June 2008).

As against the anticipated revenue of Rs 39.20 lakh for the period 2003-08, the municipality could earn only Rs 3.04 lakh from the shops and four show rooms, resulting in loss of anticipated revenue of Rs 36.16 lakh as of March 2008 besides unproductive investment of Rs 14.18 lakh⁸ being the proportionate construction cost of nine shops and 17 stalls not leased out. Further, the objective of the scheme to improve the financial position of the municipality was also not achieved.

The loss of anticipated revenue is attributable to the failure of the municipality to conduct pre demand survey before taking up the project. The municipality accepted the fact (November 2008) that no pre demand survey was made before construction of the shopping complex.

The matter was referred to the Government in January 2009; reply has not been received so far (June 2009).

PAMMAL MUNICIPALITY

3.1.5 Loss of revenue due to non-collection of Property Tax

Failure of Pammal Municipality to invoke provisions of Tamil Nadu District Municipalities Act, 1920 for collection of Property Tax led to accumulation of arrears of Rs 26.10 lakh, which were eventually written off.

According to Section 344 read with Schedule IV of the Tamil Nadu District Municipalities Act, 1920 the executive authority by issuing distraint warrant may seize and sell the movable property of the defaulter by public auction and recover any sum due on account of any tax not paid by him or prosecute the defaulter by filing a suit in the Court of Law.

Pammal Municipality (municipality) resolved (March 2005) to write off arrears of Property Tax amounting to Rs 35.58 lakh for the period from 1987-88 to 1998-99 as the amount could not be collected from the owners. The municipality did not, however, take any distraint action or file suit in the Court of Law against the defaulters as envisaged in Section 344 of the Act

⁷ Shops leased out: 2003-04: 5; 2004-05: 10; 2005-06: 6; 2006-07: 4 and 2007-08: 4.

⁸ Construction cost per sq.m. = Total expenditure/total plinth area = Rs 52,68,429/804.16m² = Rs 6,551.47; Plinth area for nine shops and 17 stalls = 216.4 m²; Proportionate construction cost of nine shops and 17 stalls = Rs 14,17,738 or Rs 14.18 lakh.

before writing off the dues. The municipality did not also maintain any records for action taken for collection of arrears.

On this being pointed out the municipality accepted (September 2008) that distraint proceedings were not taken and attributed the failure to absence of adequate collection machinery.

Government stated (February 2009) that the Executive Officer of the municipality has been instructed to initiate distraint and prosecution action to recover the amount. The Executive Officer of the municipality has stated (February 2009) that records pertaining to the period from 1987-88 to 1998-99 first half year were not available as they were destroyed by termites. He had also reported (March 2009) that only one Bill Collector was available from 1987-88 as against the sanctioned strength of three and one Bill Collector was appointed from December 2007.

Verification (March 2009) by Audit revealed that arrears of Rs 9.48 lakh pertaining to 1998-99 second half year were taken back into Demand Collection Balance Register.

Failure of the municipality to initiate distraint action resulted in writing off of arrears amounting to Rs 26.10 lakh for the period from 1987-88 to 1998-99 first half year. The collection performance was just 15 to 29 *per cent* of the total demand including arrears during 2004-07 which necessitates action at appropriate level.

3.2 Wasteful/Unfruitful expenditure

PALLADAM MUNICIPALITY

3.2.1 Unfruitful expenditure on construction of over head tank

Failure to ascertain technical feasibility before taking up construction of an over head tank by Palladam Municipality resulted in unfruitful expenditure of Rs 15.51 lakh.

Tamil Nadu Water Supply and Drainage Board (TWAD) supplies 18.74 lakh litres of potable water daily to Palladam Municipality (municipality) under Pillur Combined Water Supply Scheme. As water supplied through the existing water tank was not reaching three wards situated at a higher altitude in the town, the municipality resolved (July 2003) to construct an over head tank (OHT) with a capacity of two lakh litres at CTC Colony. The municipality requested TWAD Board (September 2003) to supply two lakh litres of water to the above OHT (from out of the total quantity of water supplied) through the main pipelines laid in Ganapathy Nagar from the Tiruchirappalli Main Road. However, TWAD Board did not accede to the request (October 2003) stating that such connection from the main line would result in damage to the main pipeline due to changes in water/air pressure. The municipality commenced construction of OHT in October 2003 and completed the same in August 2004 at a cost of Rs 15.51 lakh. The municipality again

requested TWAD Board (February 2004) to consider supply of water to the above OHT and TWAD Board reiterated (March 2004 and August 2005) that the supply of water to the new OHT was not technically feasible. Thus, the OHT was not put to use so far (August 2008).

The municipality stated (August 2008) that water will be supplied to the OHT constructed at CTC colony after implementation of a new combined water supply scheme for which action was being taken by TWAD Board. As the OHT was constructed without ensuring the supply of water and inspite of TWAD Board's refusal to supply water both prior to construction and during construction, it could not be put to use for the past four years. Further, the OHT was not used for almost one eighth of its estimated life time i.e. four years out of 33 years. Thus improper planning resulted in unfruitful expenditure of Rs 15.51 lakh.

The matter was referred to Government in September 2008; reply has not been received (June 2009).

3.3 Avoidable expenditure

DINDIGUL MUNICIPALITY

3.3.1 Avoidable expenditure due to failure to maintain required power factor

Failure of Dindigul Municipality to maintain the power factor at the required level resulted in avoidable expenditure of Rs 19.59 lakh.

According to Tamil Nadu Electricity Board (TNEB) Tariff Order (March 2003), the average power factor in respect of High Tension Service connections of the consumers installation shall not be less than 0.90 lag i.e. 90 *per cent* of the permitted maximum demand. For any reduction in the power factor compensation charges as fixed⁹ by TNEB shall be payable by the consumers.

Dindigul Municipality (municipality) has three High Tension Service connections for Peranai water supply schemes situated in Sithargal Natham (SC¹⁰ No:71), Nilakkottai (SC No:72) and Kuttiyapatti (SC No:88) areas of the municipality.

During the period 2003-05 (24 months) the municipality paid compensation charges only for three months, three months and one month in respect of

<p>⁹ Below 0.90 lag and upto 0.85 lag</p> <p>Below 0.85 lag to 0.75 lag</p> <p>Below 0.75 lag</p>	<p>One <i>per cent</i> of the current consumption charges for every reduction of 0.01 in power factor from 0.90 lag</p> <p>One and half <i>per cent</i> of the current consumption charges for every reduction of 0.01 in power factor from 0.90 lag</p> <p>Two <i>per cent</i> of the current consumption charges for every reduction of 0.01 in power factor from 0.90 lag</p>
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¹⁰ SC : Service Connection

SC No.71, SC No. 72 and SC No. 88 respectively. However during the period from June 2005 to December 2008 (43 months) the municipality has paid compensation charges for reduction in power factor for 40 months, 27 months and 36 months in respect of SC No.71, SC No. 72 and SC No. 88 respectively. The payment towards compensation charges during the above period was Rs 19.59 lakh.

The Commissioner, Dindigul Municipality stated (September 2008) that due to frequent break down and repairs of the water supply systems the power factor of 0.90 lag could not be achieved and Tamil Nadu Electricity Board will be approached to have the technical guidance for maintaining power factor. Reply is not tenable as the details of break down of water supply system have not been recorded by the municipality and it should have taken steps to install required capacitors to maintain the power factor at the required level.

Failure of the municipality to maintain the water supply system in good condition and take action to install the required capacitors resulted in avoidable expenditure of Rs 19.59 lakh towards compensation charges for reduction in power factor during the period from June 2005 to December 2008.

The matter was referred to Government in November 2008; reply has not been received (June 2009).

ARCOT MUNICIPALITY

3.3.2 Avoidable interest liability due to failure to settle the overdue amount

Failure of the Arcot Municipality to settle the overdue loan liability even though sufficient funds were available resulted in avoidable interest liability of Rs 16.63 lakh.

Arcot Municipality (municipality) availed loan assistance from Tamil Nadu Urban Development Fund at interest rates of 15 and 15.50 *per cent* per annum for execution of works such as improvement of roads, provision of street lights, construction of storm water drains, water supply etc., between December 1995 and May 1997. The loan repayable as of April 2006 was Rs 1.28 crore, which included Rs 30 lakh overdue. Tamil Nadu Urban Development Fund informed (April 2006) the municipality that if the overdue amount was settled, the interest rate for the loans would be reset at 8.75 *per cent* per annum. However the municipality did not settle the overdue amount and continued to pay interest at the rate of 15 and 15.50 *per cent* per annum for the outstanding loans.

The municipality had a bank balance of Rs 74.04 lakh¹¹ as of March 2006. Further, the municipality had Rs 64.91 lakh as arrears in collection of Property Tax (Rs 35.30 lakh) and Tax on Profession (Rs 29.61 lakh) as of March 2006. Had the municipality settled the overdue amount of Rs 30 lakh with the available funds and also by gearing up collection of arrears, the interest rate would have been reduced to 8.75 *per cent* per annum.

Failure of the municipality to repay the overdue amount resulted in avoidable interest liability of Rs 24.22 lakh, of which Rs 14.18 lakh have already been paid as of December 2008. The net avoidable interest liability¹² up to December 2012 when the last annuity was due, worked out to Rs 16.63 lakh.

The matter was referred to Government in January 2009; reply has not been received (June 2009).

3.4 Idle investment

SIVAKASI MUNICIPALITY

3.4.1 Idle investment due to injudicious selection of site

Failure to assess the suitability of the site before constructing the shopping complex under the IDSMT scheme by the Sivakasi Municipality resulted in idle investment of Rs 74.57 lakh.

Sivakasi Municipality (municipality) forwarded a proposal for various infrastructure development works including construction of shopping complex under Integrated Development of Small and Medium Towns (IDSMT) Scheme to Government of India.

Government of India requested the municipality to reconsider the proposal for construction of shopping complex as the site appeared to be away from the urban area. The municipality, however, resolved (January 2002) to implement the scheme stating that the site was located in a developing locality with water bound macadam (WBM) roads and storm water drain facilities. The shopping complex was to have 72 open stalls and 54 shops. The Regional Director of Municipal Administration opined (June 2002) that the location of the site would not fetch the desired rent and deposit for the stalls and shops. The municipality conducted (July 2002) a meeting with the vendors' association in which the vendors suggested that the new stalls and shops would fetch Rs 1,500 and Rs 20,000 as monthly rent and deposit respectively. The municipality, however, did not obtain any written undertaking from them.

The municipal council further passed a resolution (July 2002) authorising the Commissioner of the municipality to construct a shopping complex under the

¹¹ Revenue Fund : Rs 50.56 lakh; Water Supply and Drainage Fund : Rs 23.48 lakh; Total: Rs 74.04 lakh (Balance in Water Supply and Drainage Fund also taken into account as the loans availed includes loans for water supply and storm water drains).

¹² After allowing for interest on Rs 30 lakh at 3.5 *per cent* per annum compounding half yearly.

IDSMT Scheme with loan assistance from Government of Tamil Nadu (Rs 21.70 lakh at 10 *per cent*) and Tamil Nadu Urban Finance and Infrastructure Development Corporation (TUFIDCO) (Rs 68.19 lakh at 12.75 *per cent*).

The work was completed in January 2006 at a cost of Rs 74.57 lakh with a loan assistance of Rs 71.50 lakh from TUFIDCO. Even after conducting 13 auctions between December 2005 and August 2007, all the stalls remained vacant as of December 2007. The municipality resolved (October 2007) to reduce the rent/deposit to Rs 300/Rs 3,000 for stalls and Rs 500/Rs 5,000 for shops respectively and addressed Commissioner of Municipal Administration for approval of the proposal. Commissioner of Municipal Administration advised (January 2008) the municipality to approach TUFIDCO in the matter and TUFIDCO stated (August 2008) that the proposed reduction would be considered, provided the local body and Commissioner of Municipal Administration gave assurance for prompt payment of quarterly dues.

The municipality stated (December 2008) that the council had resolved in November 2008 to lease out six shops at Rs 550 per month and collect deposit at Rs 5,000 per shop. The shops were yet to be leased out (December 2008).

Thus, the construction of shops/stalls by the municipality, not agreeing with the suggestion of GOI, at a place which was away from the urban area, without assessing the demand correctly and obtaining commitment from the vendors for allotment of shops at the meeting held in July 2002, resulted in idle investment of Rs 74.57 lakh. Further, the municipality has paid (September 2008) Rs 57.50 lakh to TUFIDCO towards repayment of loan and interest.

The matter was referred to Government in January 2009; reply has not been received (June 2009).

HARUR TOWN PANCHAYAT

3.4.2 Idle investment due to non-leasing out of shops

Construction of shops without assessing demand by Harur Town Panchayat resulted in idle investment of Rs 17.07 lakh.

Harur Town Panchayat (Town Panchayat) constructed (March 2001 - May 2002) 24 shops in the daily market area at a cost of Rs 20.48 lakh by availing loan assistance of Rs 19.84 lakh from Tamil Nadu Urban Finance and Infrastructure Development Corporation (TUFIDCO). The balance amount was met from their own funds. The projected revenue through leasing out the shops was Rs 5.76 lakh per annum at Rs 2,000 per month per shop.

Scrutiny of records revealed that TUFIDCO requested (March 2000) the Town Panchayat to make demand assessment of the proposed project before commencement of the project and to get commitment from trade association for taking the shops on lease as prescribed by the local body. However,

neither demand assessment was conducted by the Town Panchayat nor commitment was obtained from trade association.

After visiting the project area, TUFIDCO suggested (November 2001) to fix the monthly minimum rent per shop as Rs 1,500 and one year rent as advance to make the project financially viable. Though the Town Panchayat fixed the monthly rent as suggested by TUFIDCO, it could lease out only four shops at rent ranging from Rs 200 to Rs 350 between March 2002 and March 2008 due to lack of demand. The revenue realised out of these four shops as of March 2008 was Rs 0.09 lakh only.

Thus, non-assessment of demand for shops before taking up construction resulted in non-realisation of anticipated revenue of Rs 4.32 lakh¹³ per annum. Further it also resulted in idle investment of Rs 17.07 lakh being the proportionate cost of 20 shops not leased out.

The Town Panchayat accepted (September 2008) the fact that no demand survey was made before taking up the project.

The matter was referred to Government in December 2008; reply has not been received (June 2009).

¹³ At the rates suggested by Tamil Nadu Urban Finance and Infrastructure Development Corporation i.e. Rs 1,500 per month per shop.

CHAPTER IV

AN OVERVIEW OF THE ACCOUNTS AND FINANCES OF PANCHAYAT RAJ INSTITUTIONS

Highlights

Though all the 29 functions listed for devolution to Panchayat Raj Institutions were reported as transferred, Government had not transferred the functionaries required for carrying out these functions.

Twelfth Finance Commission grants were released by Government to the Panchayat Raj Institutions with delays ranging between eight days and 183 days during 2006-07. Interest of Rs 2.64 lakh relating to 197 Panchayat Raj Institutions for the delayed release was not paid by the State Government.

9,565 paragraphs of inspection reports issued by Director of Local Fund Audit relating to Panchayat Unions prior to 2002-03 were pending settlement as of March 2008.

Despite directions of the Public Accounts Committee for furnishing prompt replies to the pending recommendations, 240 recommendations of 10 Audit Reports relating to Rural Development and Panchayat Raj Department for the period 1982-83 to 1996-97 (upto which the discussion was completed) were pending final settlement for want of required particulars from the department.

4.1 Introduction

4.1.1 In the first few years after independence, community development programmes were implemented in the State through a three tier system of Panchayat Raj Institutions (PRIs) viz., panchayats, community development blocks and district boards. While panchayats and blocks were responsible for implementation of programmes, the district boards were in-charge of administration. Subsequently, a two tier system of panchayat administration viz., panchayats at village level and Panchayat Unions at block level was introduced in the State by the Panchayats Act, 1958 and the district boards were abolished.

4.1.2 To promote greater autonomy at the grass root level and to involve people in identification and implementation of developmental programmes involving gram sabhas, the Seventy Third Constitutional Amendment Act, 1992 was promulgated (April 1993). Consequently, the Tamil Nadu Panchayats Act, 1994 was enacted which came into effect from 22 April 1994. Under this Act a three tier system of Panchayat Raj Institutions (PRIs) viz., Village Panchayats at the village level, Panchayat Unions or block panchayats at the intermediary level and District Panchayats at the apex level were established. There were 12,618 Village Panchayats, 385 Panchayat Unions

and 30 District Panchayats in the State as of March 2008. An organogram of Panchayat Raj Institutions is given in **Appendix 4.1**.

The population of Village Panchayats as per 2001 census in the State varies widely, as shown in **Table 4.1**.

Table 4.1: Number of Village Panchayats – Population-wise

Population of Village Panchayat	Number of Village Panchayats
Upto 500	66
Between 501-1,000	1,177
Between 1,001-3,000	7,241
Between 3,001-5,000	2,569
Between 5,001-10,000	1,379
Above 10,000	186
Total	12,618

(Source: Policy Note of Rural Development and Panchayat Raj Department for 2008-09)

Consequent to the provision of required funds through direct funding/devolution, the average income level of Village Panchayats had increased during 2007-08. The breakup details of Village Panchayats based on their income during 2007-08 are given in **Table 4.2**.

Table 4.2: Income-wise classification of Village Panchayats

Sl. No.	Income range per annum	Number of Village Panchayats	
		Based on average income of three years from 2003 -04 to 2005-06	Based on the income of 2007-08
1	Upto Rs 50,000	10	Nil
2	Between Rs 50,000 and Rs one lakh	178	Nil
3	Between Rs one lakh and Rs five lakh	7,422	1,059
4	Between Rs five lakh and Rs 10 lakh	3,181	7,283
5	Between Rs 10 lakh and Rs 25 lakh	1,489	3,733
6	Between Rs 25 lakh and Rs 50 lakh	252	442
7	Between Rs 50 lakh and Rs one crore	60	78
8	Between Rs one crore and Rs 3 crore	24	23
9	Above Rs 3 crore	2	Nil
	Total	12,618	12,618

(Source: Policy Note of Rural Development and Panchayat Raj Department for 2007-08 and 2008-09)

Elections were held to the local bodies in October 2006.

4.2 Administrative arrangements

4.2.1 The administrative control of the PRIs vests with the Principal Secretary to Government, Rural Development and Panchayat Raj Department. The responsibility for implementation of rural development programmes through PRIs is vested with the Director of Rural Development and Panchayat Raj (DRDPR).

4.2.2 District Rural Development Agency (DRDA), a society registered under Societies Registration Act, 1860 monitors all the schemes implemented by PRIs in the district. The DRDA is headed by the District Collector who is assisted by a Project Officer/Additional Collector.

4.2.3 The executive authority for the District Panchayats is the Secretary at the level of Assistant Director of Rural Development and its Chairman is an elected representative.

4.2.4 In the case of Panchayat Unions, the Block Development Officer (BDO) (Block Panchayat), who is also the Commissioner of the Panchayat Union Council, is the executive authority and the Chairman is an elected representative. Another BDO (Village Panchayats) is responsible for the implementation of the schemes by the Village Panchayats. In case of Village Panchayats, the President, an elected representative, is the executive authority.

4.3 Accounts and Audit

4.3.1 Accounts and database formats

4.3.1.1 State Government issued orders (April 2004) to adopt the accounts format prescribed by the Comptroller and Auditor General of India with effect from 1 April 2004 in all Panchayat Raj Institutions. The Commissioner of Rural Development and Panchayat Raj had also been directed by Government to create the database in Panchayat Raj Institutions in consultation with National Informatics Centre (NIC) which would develop software for adoption of the formats.

4.3.1.2 Both the Commissioner, Rural Development and Panchayat Raj (RDPR) Department and the Government suggested further additions and modifications to the approved accounts formats relating to Village Panchayats and Panchayat Unions. The final version of the accounts formats was forwarded (April 2006) by Government to the Principal Accountant General (Civil Audit) who conveyed his approval in May 2006 to the Government with a request to issue final orders for adoption of the revised formats and commence its implementation.

Government of India released Rs 60.73 crore¹ during 2003-06 for maintenance of accounts and database. Government of Tamil Nadu also issued orders during the above period for the purchase of computers and for training the

¹ Rupees 36.34 crore and Rs 24.39 crore as per the recommendations of Eleventh and Twelfth Finance Commission respectively.

qualified personnel on maintenance of accounts and database. Together with the earmarked matching grants of Panchayat Raj Institutions to the tune of Rs 9.08 crore, the total available funds for the purpose worked out to Rs 69.81 crore. Of this Rs 60.32 crore was released to Tamil Nadu Electronic Corporation, the agency fixed for supply of computers by Government and 13,074 computers costing Rs 51.64 crore were purchased. The computers were also distributed among the PRIs.

The matter was referred to Government in January 2009. The Government replied in May 2009 that though a software for the management information system in the Village Panchayats called Panchayat Raj Institutions Accounts Software (PRIA) was developed by NIC, it could not be used due to the change of accounting system of Village Panchayats as per Government order issued in August 2007. Government further stated that data pertaining to Village Panchayats account and National Rural Employment Guarantee Scheme (NREGS) implemented in the State were not incorporated in the software developed by NIC and it could not be utilised in the Village Panchayats and the computers were now being used for entering and updating of Village Panchayat-wise data for NREGS.

The reply is not tenable as no software was hosted in the system so far (June 2009). As such the intended purpose was not achieved despite incurring Rs 51.64 crore.

4.3.2 Accounts maintained in Panchayat Raj Institutions

Details of various accounts maintained by PRIs are discussed below:

(a) Village Panchayats

Village Panchayats are required to maintain four accounts viz.,

- (i) Village Panchayat Fund Account
- (ii) Village Panchayat Earmarked Fund Account
- (iii) Village Panchayat Scheme Fund Account
- (iv) Village Panchayat Drinking Water Account

The cash balances of the above accounts are maintained in Co-operative Banks, Regional Rural Banks, Post Office Savings Banks and Nationalised Banks and operated jointly by the President and Vice President of the Village Panchayat.

Rationalisation of Village Panchayat accounts

Village Panchayats were empowered, through orders issued earlier in March 1997 for rationalisation of their accounts, with the operation of various accounts free from pre-scrutiny by block officials. Several instances regarding the utilisation of Central/State Finance Commission grants for less important purposes came to the notice of Government. Further, many cases wherein Village Panchayat Presidents and Vice Presidents issued cheques for

schemes without measurement and check measurement of works and without bills being passed by the Block Development Officers (Village Panchayats) concerned were also reported. Hence Government issued (August 2007) orders for further rationalising the Village Panchayat accounts and streamlining the procedures for operation of the accounts so as to empower the Village Panchayat Presidents to pay the dues of Tamil Nadu Electricity Board from the funds at their disposal and at the same time prevent them diverting these funds for less important purposes and prevent unauthorised drawal of money from scheme funds/NREGS fund accounts without authorisation of BDOs concerned and prescribed the following three accounts which are to be maintained by the Village Panchayats along with the mode of maintenance and operation and the nature of receipts/expenditure to be included in each of these accounts.

➤ Village Panchayat Fund Account

(Village Panchayat Water Supply Account presently maintained as Account No. IV was ordered to be closed and the balance amount available in the account ordered to be taken to Village Panchayat Account)

➤ Village Panchayat payments to TNEB and/or TWAD Board Account

➤ Village Panchayat Scheme Fund Account

➤ In Village Panchayats where NREGS is being implemented, a fourth account, Village Panchayats - NREGS Account would also be operated.

(b) Panchayat Unions

Panchayat Unions are required to maintain four accounts, viz.,

(i) General Fund Account

(ii) Education Fund Account

(iii) Nutritious Meal Fund Account

(iv) Scheme Account

Besides the above, two more accounts are also maintained according to necessity viz.,

➤ Village Panchayat Consolidated Fund Account

➤ NABARD (10 per cent) Account

The above accounts are operated through the Treasury and amounts released through the State budget are deposited in them. The amounts received directly from Government of India for certain schemes are deposited in Banks, as required under the orders issued.

(c) District Panchayats

The main source of finance for the District Panchayats are State and Central Government grants. After meeting expenditure on staff and contingencies, the District Panchayats can take up works with the remaining funds. The District Panchayats are required to maintain two accounts, viz.,

- (i) General Fund Account
- (ii) Scheme Fund Account

The funds received by District Panchayats are kept in banks, irrespective of the purpose for which received.

A chart showing the funds flow to PRIs is given in **Appendix 4.2**.

4.3.3 Audit arrangements

4.3.3.1 In accordance with Section 193 of Tamil Nadu Panchayats Act, 1994 Government of Tamil Nadu appointed the following officers as Auditors for PRIs as given in **Table 4.3**.

Table 4.3: Audit arrangements for PRIs

Tier of PRI	Auditors appointed	Periodicity
District Panchayat	Director of Local Fund Audit (DLFA)	Annually
Panchayat Union	DLFA	Quarterly
Village Panchayat	(i) Deputy Block Development Officer (DBDO) except audit of scheme accounts	Quarterly
	(ii) Assistant Director of Rural Development (Audit) except audit of scheme accounts	Quarterly
	(iii) DLFA for audit of scheme accounts	Annually (test check)

4.3.3.2 Accounts of District Panchayats and Panchayat Unions are also audited by Principal Accountant General (Civil Audit) under Section 14(1) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. Further technical guidance is also provided by the Principal Accountant General to DLFA regarding audit of District Panchayats and Panchayat Unions in terms of order of Government of Tamil Nadu (March 2003).

4.3.4 Compilation of Annual Accounts by PRIs and Audit of PRIs

DLFA is the statutory Auditor for Panchayat Unions and District Panchayats. Based on the recommendation of Second State Finance Commission (SSFC), DLFA is conducting only test audit of Village Panchayats.

4.3.4.1 Compilation of Annual Accounts and submission of Accounts by PRIs

The position relating to compilation of Annual Accounts and submission of accounts by PRIs, as of November 2008, as reported by the DLFA (January 2009) revealed that all the Panchayat Unions and District Panchayats have

compiled and submitted their Annual accounts upto 2006-07 and 60 Panchayat Unions and 10 District Panchayats had not submitted their accounts for 2007-08.

4.3.4.2 Audit of PRIs by DLFA

(a) While the audit of two Panchayat Unions for 2006-07 were yet to be conducted, the audit of 10 District Panchayats and 361 Panchayat Unions for the year 2007-08 was pending, as of November 2008, as reported (January 2009) by DLFA.

(b) The regular audit of Village Panchayats was conducted by the Deputy Block Development Officers and 22 *per cent*² of the total number of Village Panchayats has to be test checked by the DLFA annually as per Government orders of November 2002. The position of audit of Village Panchayats, as of November 2008, as reported (January 2009) by DLFA, is given in **Table 4.4**.

Table 4.4: Position of audit of Village Panchayats as of November 2008

Category of PRI	Total number to be audited	Number of Village Panchayats wherein Audit not completed for		
		2005-06	2006-07	2007-08
Village Panchayats	2,523	1,587	307	2,523

No specific reasons were furnished by DLFA for the pendency.

4.3.4.3 The number of paragraphs included in the Inspection Reports (IRs) of DLFA issued up to 2006-07, pending settlement as of March 2008 in respect of Panchayat Unions and District Panchayats, aggregated to 21,042 and 614 respectively. The reported (October 2008) position of year-wise pendency by DLFA was as given in **Table 4.5**.

Table 4.5: Year-wise pendency details of paragraphs in the IRs of DLFA

Year of IR	Number of paragraphs pending in respect of	
	Panchayat Unions	District Panchayats
Up to 2001-2002	9,565	-
2002-2003	432	70 (upto 2002-03)
2003-2004	805	26
2004-2005	1,837	36
2005-2006	3,439	96
2006-2007	4,964	386
Total	21,042	614

Of the pending 21,042 paras relating to Panchayat Unions, 9,565 paras pertain to period prior to 2002-03.

² Including two *per cent* of Village Panchayats based on receipts, value of works and on specific complaints forwarded by Director of Rural Development.

4.3.4.4 Audit of PRIs by Principal Accountant General (Civil Audit)

Important irregularities detected by Audit during local audit of PRIs through test check of records are followed up through Inspection Reports issued to the Commissioner, RDPR with copies to the audited PRIs. Government had issued general orders in April 1967 fixing a time limit of four weeks for prompt response by the authorities for all such paragraphs included in the inspection reports issued by Audit.

As of March 2009, 1,890 paragraphs relating to 338 Inspection Reports were not settled for want of satisfactory replies, as indicated below:

Year	Number of	
	Inspection Reports	Paragraphs
2006-07	77	241
2007-08	148	753
2008-09	113	896
Total	338	1,890

4.4 Status of devolution of functions, functionaries and funds

4.4.1 Tamil Nadu Panchayats Act, 1994 prescribes various powers and functions to Village Panchayats and Panchayat Unions under Sections 110, 111 and 112.

4.4.2 Though the State Government reported that all 29 functions (**Appendix 4.3**) listed in the Eleventh Schedule of the Constitution of India have been transferred to the PRIs, a study conducted by World Bank in 2006 titled India Rural Government and Service Delivery stated that none of the functionaries relating to the 29 functions had actually been transferred. The Commissioner, RDPR stated that though the State Government had given powers and functions to the PRIs to match the implementation capacity and financial devolution, the decentralisation and delegation of power was a dynamic and continuous process.

4.4.3 In continuance of its commitment to devolve greater powers and responsibilities to PRIs and Urban Local Bodies and based on the announcement made in the Legislative Assembly on 11 August 2006, State Government ordered (January 2007) the constitution of the Third High Level Committee with the Minister for Rural Development as the Chairman along with select District Panchayat Chairpersons, Panchayat Union Chairpersons and Village Panchayat Presidents besides certain subject experts as members. The committee was required to study the duties, functions and powers already entrusted to the PRIs and Urban Local Bodies and make recommendations for further devolution of the same in order to make them more effective.

The committee presented its report to Government in December 2007 and submitted a total of 99 recommendations, categorised under 39 subjects. Government had issued orders on 52 recommendations and the remaining are under the perusal of Government. Some of the important recommendations accepted by Government are given in **Appendix 4.4**.

4.4.4 Third State Finance Commission

The Third State Finance Commission constituted in December 2004 submitted its report with recommendations in September 2006. The report of the commission together with the explanations memorandum on the action taken on the recommendations was laid on the table of the Legislative Assembly in May 2007.

The position of action taken on the recommendations of the Third State Finance Commission has already been mentioned in Paragraph 1.6 under Chapter I of this report.

Some of the main recommendations of the commission accepted by Government and orders issued (May 2007) are detailed in **Appendix 4.5**.

Government orders on the decision taken on the other recommendations of the Third State Finance Commission as given in the Action Taken Report will be issued separately by the respective departments in consultation with Finance Department.

4.5 Receipt and expenditure of Panchayat Raj Institutions

4.5.1 The resources base of the PRIs in addition to their own tax/non-tax revenues consists of the following:

- (i) Devolution of funds by State Government based on the recommendations of the State Finance Commission;
- (ii) Assigned/shared revenues; and
- (iii) Funds provided based on the recommendations of Central Finance Commission.

The details of receipts of PRIs during the last three years, as reported by Director of Rural Development and Panchayat Raj (DRDPR), in December 2008, are given in the **Table 4.6**. However, the accuracy of these figures could not be authenticated in the absence of data compiled from the audited accounts of PRIs by the department/Government.

Table 4.6: Receipts of PRIs

(Rupees in crore)

Category of PRI	Year	Own Revenue	Assigned Revenue	Grants	Loans	Total
Village Panchayats	2005-06	158.83	198.77	1,054.42	-	1,412.02
	2006-07	173.30	209.43	1,264.29	-	1,647.02
	2007-08	237.67	144.11	1,124.15	-	1,505.93
Panchayat Unions	2005-06	81.31	8.75	899.88	-	989.94
	2006-07	96.49	18.48	972.23	-	1,087.20
	2007-08	70.13	58.93	506.75	-	635.81
District Panchayats*	2005-06	-	-	127.12	-	127.12
	2006-07	-	-	185.78	-	185.78
	2007-08	-	14.40	126.69	-	141.09

* The receipts of District Panchayats consists of grants only.

The total receipts of all the three tiers of PRIs after increasing during 2006-07, declined in 2007-08. Comments on the decreased receipts during 2007-08 are included under relevant components of receipts.

Details of grants other than State and Central Finance Commission grants and loans received during 2007-08 were not furnished by the Director of Rural Development and Panchayat Raj.

4.5.2 The details of expenditure of all the three tiers of PRIs during the last three years 2005-06 to 2007-08, as reported (December 2008) by DRDPR duly incorporating the expenditure incurred out of State and Central Finance Commission grants, are given in **Table 4.7**.

Table 4.7: Expenditure of PRIs

(Rupees in crore)

Category of PRI	Year	Revenue Expenditure	Capital Expenditure	Total Expenditure
Village Panchayats	2005-06	967.19	311.40	1,278.59
	2006-07	1,107.57	315.57	1,423.14
	2007-08	1,350.07	349.24	1,699.31
Panchayat Unions	2005-06	679.28	250.30	929.58
	2006-07	733.09	252.64	985.73
	2007-08	719.05	277.73	996.78
District Panchayats	2005-06	76.45	58.31	134.76
	2006-07	103.46	65.72	169.18
	2007-08	132.15	47.72	179.87

4.5.3 It would be seen that there was a steady increase in both the capital and revenue expenditure of all the three tiers over the period 2005-08 except the revenue expenditure in Panchayat Unions and capital expenditure in District Panchayats during 2007-08, which were declined.

4.5.4 The component-wise details of receipts and expenditure for the years 2005-08 as reported by DRDPR are given in the succeeding paragraphs.

4.6 Receipt of Panchayat Raj Institutions

4.6.1 Source of receipts

Among the three tiers, Village Panchayats alone have the power to levy taxes. The other source of receipts for Village Panchayats and Panchayat Unions are non-tax revenue, assigned revenue from State Government and grants given by State Government for various purposes and State and Central Finance Commissions.

4.6.2 Tax revenue

The main components of tax revenue in Village Panchayats are House Tax, Profession Tax and Advertisement Tax. The position of cumulative demand (including arrears), collection and balance of these taxes during 2005-08 by the Village Panchayats is given in **Table 4.8**.

Table 4.8: Tax revenue of Village Panchayats

(Rupees in crore)

Year	House Tax			Profession Tax			Advertisement Tax		
	D	C	B	D	C	B	D	C	B
2005-06	67.10	61.15(91)	5.95	32.40	31.34 (97)	1.06	0.17	0.17(100)	Nil
2006-07	73.88	63.69(86)	10.19	36.45	35.34(97)	1.11	0.48	0.47(98)	0.01
2007-08	80.72	76.69(95)	4.03	40.54	39.58(98)	0.96	0.38	0.27(71)	0.11

(D: Demand, C: Collection, B: Balance)

(Figures in brackets indicate percentage of collection to demand)

While the percentage of collection of Profession Tax was satisfactory, the percentage of collection of House Tax in Village Panchayats after declining from 91 during 2005-06 to 86 in 2006-07, increased to 95 per cent in 2007-08. Advertisement tax decreased from cent per cent in 2005-06 to 71 per cent in 2007-08.

4.6.3 Non-tax revenue

Some of the major sources of non-tax revenues of Village Panchayats are water charges, building licence fees, fees for approval of layouts, dangerous and offensive (D&O) trade licence fees, receipts from fairs and festivals, plantation lease amount, shandy lease amount and fishery rentals besides interest receipts.

The main non-tax revenue of Panchayat Unions is receipts from remunerative enterprises, fairs and festivals, ferries operation, choultries, marriage halls, markets, fishery rentals and fines and penalties besides interest receipts.

The total amount of non-tax revenue realised year-wise by PRIs during 2005-08 are given in **Table 4.9**. However, no break-up details of various kinds of non-tax revenues realised were furnished by DRDPR.

Table 4.9: Non-tax revenue of PRIs

(Rupees in crore)

Category of PRI	Year	Non-tax revenue realised
Panchayat Unions	2005-06	81.31
	2006-07	96.49
	2007-08	70.13
Village Panchayats	2005-06	66.17
	2006-07	73.81
	2007-08	121.13

While non-tax revenue actually realised by Panchayat Unions after increasing from Rs 81.31 crore in 2005-06 to Rs 96.49 crore in 2006-07 declined to Rs 70.13 crore in 2007-08. In respect of Village Panchayats, it was on the increasing trend during 2005-08 as the same steeply increased to Rs 121.13 crore during 2007-08 from Rs 73.81 crore in 2006-07.

4.6.4 Assigned revenue

This includes the class of taxes and levies traditionally collected by Government and assigned to the PRIs by the District Collectors. SSFC considered the assigned revenue as part of the resource base of the PRIs and desired that the base needed to be maintained.

Entertainment Tax (ET), Surcharge on Stamp Duty (SSD), Local Cess (LC), Local Cess Surcharge (LCS), Seigniorage Fee (SF), lease amount of mines and minerals, cable TV fees etc. are some of the revenues assigned by Government to Panchayat Unions and Village Panchayats.

As the system of adjusting assigned revenues to various PRIs through adjustments leads to considerable delay in transferring the funds, Government issued (October 2007) orders, with a view to ensure quick transfer, to pool all the assigned revenues at State level and apportion the same to PRIs.

The quantum of such revenue assigned to these PRIs during 2005-08 are given in **Table 4.10**.

Table 4.10: Assigned revenue to PRIs

(Rupees in crore)

Category of PRI	Year	Local Cess	Local Cess Surcharge	Entertainment Tax	Surcharge on Stamp-Duty	Seigniorage Fee	Other assigned revenues*	Total
Panchayat Unions	2005-06	ND	6.41	0.99	ND	1.35	-	8.75
	2006-07	ND	15.63	0.84	ND	2.01	-	18.48
	2007-08	ND	8.15	0.53	48.92	1.33	-	58.93
Village Panchayats	2005-06	2.15	ND	1.74	144.77	27.08	23.03	198.77
	2006-07	3.30	ND	0.94	148.36	25.27	31.56	209.43
	2007-08	15.28	ND	1.00	91.72	23.61	12.50	144.11
District Panchayats	2007-08	2.04	ND	0.13	12.23	ND	ND	14.40

ND – assigned revenue not due.

(* consist of 2 C tree patta fees, lease amount from mines and minerals and cable TV fees)

The Local Cess assigned to Village Panchayats after a slight increase in 2006-07 to Rs 3.30 crore, steeply increased to Rs 15.28 crore in 2007-08. The local cess surcharge assigned to Panchayat Unions steeply increased during 2006-07 and then again declined during 2007-08. The ET to both Panchayat Unions and Village Panchayats was on the declining trend during 2005-08. While the SSD assigned to Village Panchayats after a slight increase in 2006-07, declined steeply in 2007-08, the SF assigned to Village Panchayats was declining during the period 2005-08.

4.6.5 Grants received by PRIs

The details of State Finance Commission (SFC) grants and Central Finance Commission grants received by the PRIs during 2005-08 are given in succeeding paragraphs.

4.6.5.1 State Finance Commission grants

The details of SFC grants devolved to Panchayat Raj Institutions during 2005-08 are given in **Table 4.11**.

Table 4.11: State Finance Commission grants to PRIs

(Rupees in crore)

Category of PRI	Year	SFC grants sanctioned	Deductions made	Net grants released
Panchayat Unions	2005-06	426.25	30.75	395.50
	2006-07	432.03	37.14	394.89
	2007-08	506.75	161.31	345.44
Village Panchayats	2005-06	499.27	Nil	499.27
	2006-07	500.81	Nil	500.81
	2007-08	950.15	1.80	948.35
District Panchayats	2005-06	69.23	Nil	69.23
	2006-07	85.24	Nil	85.24
	2007-08	126.69	27.24	99.45

The Commissioner, RDPR reported (December 2008) that deductions were made from the SFC grants given to Panchayat Unions during 2005-08 and to Village Panchayats and District Panchayats during 2007-08 towards pension contribution, training corpus fund and Panchayat Union school renovation programme.

The Commissioner, RDPR also stated that the SFC grant being an untied grant, they are credited into the LF Account I of the concerned PRI and spent. As such the quantum of unutilised SFC grants could not be furnished.

4.6.5.2 Twelfth Central Finance Commission grants

(a) A total sum of Rs 870 crore has been allotted to PRIs of the State by the TFC during the period from 2005-06 to 2009-10. The break-up details of TFC during 2005-08 are shown in **Table 4.12**.

Table 4.12: TFC grants to PRIs

(Rupees in crore)

Category of PRI	Grants released by TFC		
	2005-06	2006-07	2007-08
District Panchayats	(No grants given to District Panchayats)		
Panchayat Unions	34.80	17.40	Nil
Village Panchayats	139.20	156.60	174.00

The grant is to be utilised entirely towards the operation and maintenance costs of water supply, street lighting and sanitation. The entire TFC grants were released only to Village Panchayats from the second instalment of 2006-07.

(b) A test check of records relating to 21 Panchayat Unions and 195 Village Panchayats revealed that an amount of Rs 3.51 crore remained unutilised out of TFC grants received from GOI as of 31 March 2008, as shown in **Table 4.13**.

Table 4.13 Unutilised Twelfth Finance Commission grants

(Rupees in crore)

Category of PRI	Number of local bodies	Year	Total release	Unutilised amount
Panchayat Unions	21	2005-06	1.50	0.35
	21	2006-07	0.82	0.69
Village Panchayats	170	2005-06	2.40	0.44
	182	2006-07	1.94	0.83
	195	2007-08	2.34	1.20
Total			9.00	3.51

This was despite the report of the Directorate of Rural Development and Panchayat Raj to the effect that the TFC grants released during 2005-06 and 2006-07 were utilised cent *per cent*.

(c) According to para 6.1 of the guidelines issued by GOI regarding TFC grants, State have to mandatorily transfer the grants released by GOI to the Panchayat Raj Institutions within 15 days of their date of credit to State Government account. In case of delayed transfer, State Government should also provide interest for the period of delay at the rate equal to the interest rate of Reserve Bank of India.

A test check of connected records revealed that TFC grants were released during 2006-07 to Panchayat Raj Institutions belatedly with delays ranging between eight days and 183 days as indicated in **Table 4.14**. No interest was, however, paid by the State Government for the delay.

Table 4.14: Period of delay in release of TFC grants during 2006-07

Category of PRI	Period of delay in release (Delay beyond 15 days from the due date)	
	First instalment	Second instalment
Panchayat Unions	26 to 124 days (21 Panchayat Unions)	Not released (21 Panchayat Unions)
Village Panchayats	8 to 183 days (176 Village Panchayats)	9 to 179 days (176 Village Panchayats)

Amount of interest thus not paid by the State Government for belated release of TFC grants during 2006-07, compiled from the details relating to 21 Panchayat Unions and 176 Village Panchayats worked out (at the rate of 6 *per cent*) to Rs 2.64 lakh as shown in **Table 4.15**.

Table 4.15: Interest due for the belated release of TFC grants during 2006-07

(Rupees in lakh)

Category of PRI	Number of PRIs	Amount of interest due for the belated release of		Total
		First instalment	Second instalment	
Panchayat Unions	21	0.76	Nil	0.76
Village Panchayats	176	0.95	0.93	1.88
Total	197	1.71	0.93	2.64

Government replied (June 2009) that the first and second instalments of Twelfth Finance Commission Grants were released in November 2006 and March 2007 respectively by the DRDPR before the due date without delay.

The reply is not correct as the actual date of receipt of grant in the concerned Panchayat Raj Institution is the criterion and not the date of the proceedings of the DRDPR.

d) Unutilised grants of Government of India

Out of Rs 60.32 crore given to ELCOT for the supply of computers during 2003-06, Rs 51.64 crore was only incurred on purchase of 13,074 computers. The remaining unspent amount of Rs 8.68 crore³, refunded (November 2007) by ELCOT to the Commissioner, RDPR was kept in a saving bank account. No action was taken either to utilise this amount or to refund it to Government of India (November 2008).

As Rs 60.44 crore⁴ alone was released out of Rs 69.81 crore available for this purpose, as mentioned in Paragraph 4.3.1.2, Rs 9.37 crore were not released but retained by the DRDPR.

Further, out of Rs 11.89 lakh given to six training institutes⁵ for training of the functionaries and officials of PRIs on maintenance of accounts and data base, Rs 7.69 lakh alone was spent for training 1,843 officials⁶. The unutilised amount of Rs 4.20 lakh was still retained by four training institutes⁷.

4.6.6 Other grants

Apart from the Finance Commission grants, other grants received by PRIs during 2005-07 are given in **Table 4.16**.

Table 4.16: Other grants to PRIs

(Rupees in crore)

Category of PRI	2005-06	2006-07
Village Panchayats	415.95	606.88
Panchayat Unions	438.83	522.80
District Panchayats	57.89	100.54
Total	912.67	1,230.22

Details of grants other than State and Central Finance Commission grants and their utilisation during 2007-08 were not furnished by the DRDPR.

³ Out of unutilised grants, Rs 4.91 crore related to EFC grants and Rs 3.77 crore related to TFC grants.

⁴ Purchase of computers : Rs 60.32 crore and Training : Rs 0.12 crore.

⁵ SV Nagaram : Rs 2.14 lakh, Pattukottai : Rs 2.46 lakh, Bhavanisagar : Rs 1.53 lakh, Krishnagiri : Rs 1.97 lakh, T.Kallupatti : Rs 2.23 lakh and State Institute of Rural Development at Maraimalai Nagar : Rs 1.56 lakh.

⁶ Panchayat Presidents: 283, Panchayat Assistants: 1,002, Block Staff: 485 and District Staff: 73.

⁷ SV Nagaram : Rs 0.09 lakh, Pattukottai : Rs 2.09 lakh, T.Kallupatti : Rs 1.75 lakh and State Institute of Rural Development at Maraimalai Nagar : Rs 0.27 lakh.

4.7 Expenditure of Panchayat Raj Institutions

4.7.1 Revenue expenditure

Revenue expenditure consists of salaries and pensions, expenditure on repairs and maintenance and administration.

The details of revenue expenditure incurred by PRIs during the last three years *viz.*, 2005-06 to 2007-08 are given in **Table 4.17**.

Table 4.17: Revenue expenditure of PRIs

(Rupees in crore)

Category of PRI	Revenue expenditure					
	Year	Salaries	Pension payment	Total of salaries and pension payment	Other revenue expenditure (including SSFC grants utilised)	Total
Village Panchayats	2005-06	59.91	0.26	60.17	907.02	967.19 (24)
	2006-07	54.73	38.64	93.37	1,014.20	1,107.57 (15)
Panchayat Unions	2007-08	53.71	2.19	55.90	1,294.47	1,350.37 (22)
	2005-06	66.99	0.91	67.90	611.38	679.28 (4)
	2006-07	62.22	21.41	83.63	649.46	733.09 (8)
District Panchayats	2007-08	67.04	0.21	67.25	651.80	719.05 ((-) 2)
	2005-06	1.84	0.04	1.88	74.57	76.45 (9)
	2006-07	3.33	2.20	5.53	97.93	103.46 (35)
	2007-08	1.59	0.08	1.67	130.51	132.18 (28)

(Figures in brackets under total column indicate the percentage of growth over previous year)

The Commissioner, RDPR stated (February 2009) that the decline in salary expenditure during 2006-07 in Village Panchayats was due to vacancies and increase in pension payment was due to the expenditure of local bodies including TA bill, pension and other allowances.

During the above period, both Village Panchayats and District Panchayats recorded an increasing trend in revenue expenditure with the percentage of increase ranging from 15 to 24 and 9 to 35 respectively. However Panchayat Unions after recording an increase of eight *per cent* of revenue expenditure during 2006-07 as compared to 2005-06 figures, a slight decrease of two *per cent* was recorded in 2007-08 as compared to 2006-07 figures.

4.8 Capital expenditure

Quantum of reported capital expenditure (December 2008) as incurred by PRIs during 2005-08 are given in **Table 4.18**.

Table 4.18: Capital expenditure of PRIs

(Rupees in crore)

Category of PRI	2005-06	2006-07	2007-08
Village Panchayats	311.40	315.57	349.24
Panchayat Union	250.30	252.64	277.73
District Panchayats	58.31	65.72	47.72
Total	620.01	633.93	674.69

While, the capital expenditure of Village Panchayats and Panchayat Unions showed an increasing trend during 2005-08, in District Panchayats the same after increasing in 2006-07, declined during 2007-08.

Based on the details compiled by DRDPR, the capital expenditure incurred towards the main core sectors viz., water supply, street lighting and road works during 2005-08 are furnished in **Table 4.19** except the break-up details of capital expenditure of District Panchayats during 2007-08.

Table 4.19: Core sector-wise capital expenditure of PRIs

(Rupees in crore)

Name of the core sector	Category of PRI	2005-06	2006-07	2007-08
Water supply	Village Panchayats	36.38	39.38	41.32
	Panchayat Unions	37.27	27.61	49.96
	District Panchayats	5.69	7.85	NA
Total		79.34	74.84	NA
Street lights	Village Panchayats	14.35	16.90	9.53
	Panchayat Unions	2.32	3.04	2.72
	District Panchayats	1.69	2.55	NA
Total		18.36	22.49	NA
Road works	Village Panchayats	53.89	37.27	55.90
	Panchayat Unions	88.51	68.08	145.11
	District Panchayats	26.97	18.30	NA
Total		169.37	123.65	NA

NA: Not available

The capital expenditure figures under water supply, street lights and road works for 2006-07 given (February 2009) by CRDPR differ from the figures furnished during last year. No reasons for giving the revised figures for 2006-07 were furnished by CRDPR.

In addition to above, works under the core sectors of roads and water supply were also executed under other schemes⁸ executed through various agencies⁹ with the assistance of Central and State Governments.

4.9 Response to Audit

Audit Report upto the year 1996-97 were discussed by the Committee on Public Account (PAC) and recommendations were issued. Despite the directions of the PAC to Government Departments for furnishing prompt replies to pending recommendations, as of December 2008, there were

⁸ Water supply works: Rural water supply schemes, Combined water supply schemes, Individual power pump schemes, Mini power pump schemes, Accelerated Rural Water Supply Programme, Swajaldhara, etc.

Road works: District and other roads schemes, Improvement to rural roads schemes with the assistance from NABARD/HUDCO etc., Pradhan Mantri Gram Sadak Yojana, etc.

⁹ Water supply works: Tamil Nadu Water Supply and Drainage Board.
Road works: Highways Department, Tamil Nadu Road Development Corporation.

240 recommendations (10 C&AG Reports) relating to the period 1982-83 to 1996-97 pertaining to the Rural Development Department pending final settlement which *inter-alia* consisted of paragraphs relating to PRIs.

4.10 Conclusion

There was no mechanism with the Panchayat Raj Department for collection (centrally) of data on receipts and expenditure of PRIs during the year so that an overall financial picture for each year may be available. The performance of Village Panchayats in terms of collection *vis-à-vis* demand of taxes was very good as per the reports of the Director of Rural Development and Panchayat Raj. Test check disclosed that grants received from GOI based on Twelfth Finance Commission recommendations were belatedly released to PRIs during 2006-07 and no interest for the belated payment was paid though envisaged in the guidelines issued by Twelfth Finance Commission. Non-finalisation of software for the management information system in the data base approved by C&AG led to non-utilisation of computers purchased during 2003-06 at a cost of Rs 51.64 crore for the intended purpose. Pendency of huge number of inspection paragraphs of DLFA in respect of Panchayat Unions prior to 2002-03 warranted an urgent need for holding regular joint sittings, district-wise, with the officers of Local Fund Audit Department for expeditious settlement of long pending paragraphs.

4.11 Recommendations

- Action should be initiated to institute an effective mechanism for collection and compilation of receipts and expenditure of the Panchayat Raj Institutions for monitoring and decision-making.
- Arrangements for speedy settlement of audit objections and inspection paragraphs should be strengthened through regular joint sittings and the pendency reduced in a phased manner so as to enable the Panchayat Unions and District Panchayats to correct their deficiencies.
- Grants released on the recommendations of Twelfth Finance Commission should be released immediately to the Panchayat Raj Institutions.
- The software for the management information system and database accounts should be immediately developed for the fruitful utilisation of computer-infrastructure provided in the Panchayat Raj Institutions.

CHAPTER V

PERFORMANCE REVIEW (PANCHAYAT RAJ INSTITUTIONS)

This chapter presents one long paragraph dealing with Anaithu Grama Anna Marumalarchi Thittam.

RURAL DEVELOPMENT AND PANCHAYAT RAJ DEPARTMENT

5.1 Anaithu Grama Anna Marumalarchi Thittam

5.1.1 Introduction

To inject substantial resources for improving infrastructure in all 12,618 Village Panchayats (VPs) of the State over a period of five years, Government of Tamil Nadu launched (September 2006) a scheme called Anaithu Grama Anna Marumalarchi Thittam (AGAMT). The scheme is being implemented in one fifth of the VPs in each Panchayat Union each year with priority to VPs with lower per capita income. For each VP selected under the scheme, Rs 20 lakh were allocated, of which Rs 15 lakh were to be utilised for works under tied component and the remaining Rupees five lakh for untied component. Provision of ponds/oranies¹/tanks, sports centres, libraries, burial/cremation grounds and water supply could be taken up under tied component and other works such as concrete pavements, extension of street lights, fish ponds, shandies (markets), etc., as felt necessary by the village committee could be taken up under untied component. During 2006-07 and 2007-08, the scheme was implemented in 2,540 and 2,534 VPs respectively. The scheme also contemplated dovetailing of schemes implemented by other departments in the villages selected under AGAMT.

5.1.2 Organisational set up

There are 29 District Panchayats, 385 Panchayat Unions (PUs) and 12,618 VPs in Tamil Nadu. The organisational set up for the implementation of AGAMT is as follows:

Organisation/Agency	Responsibility
Principal Secretary to Government, Rural Development and Panchayat Raj Department	Assists Government in formulating policies
Commissioner of Rural Development and Panchayat Raj	Head of the department at State level
District Collector and Project Officer, District Rural Development Agency (DRDA)	Monitor the scheme at State level
Block Development Officer (Village Panchayats) (BDO(VPs))	Responsible for implementation of the scheme at Panchayat Union level

¹ Oorani: A type of pond.

5.1.3 Audit scope

An evaluation of performance under AGAMT implemented in 207 and 208 Village Panchayats during 2006-07 and 2007-08 respectively in 39 selected PUs (**Appendix 5.1**) in six districts (Coimbatore, Erode, Madurai, Perambalur, Sivagangai and The Nilgiris) was conducted between April 2008 and September 2008. Audit findings are discussed in the succeeding paragraphs.

5.1.4 Financial management

Under the scheme Rs 20 lakh were allocated to each Village Panchayat, of which Rs 15 lakh were to be used for works under tied component and the remaining Rupees five lakh for untied component. Funds provided under untied component could also be utilised for filling the gap in resources for works under tied component. As per details furnished by Commissioner of Rural Development and Panchayat Raj (CRDPR), the financial and physical progress upto June 2008 without taking into account achievement under dovetailing were as given in **Table 1**.

Table 1

Sl. No.	Scheme year	No. of VPs selected	Allocation	Expenditure	No. of works selected	No. of works completed
			(Rupees in crore)			
1.	2006-07	2,540	508.00	479.04 (94.30)	43,435	43,418 (99.96)
2.	2007-08	2,534	506.80	439.08 (86.64)	37,248	35,440 (95.15)
	Total		1,014.80	918.12	80,683	78,858

Figures in brackets indicate percentage of achievement

Details of receipt and expenditure (as of September 2008) in test checked PUs for the years 2006-07 and 2007-08 are given in **Appendix 5.2**.

5.1.4.1 *Dovetailing of schemes with AGAMT*

Achievement under dovetailing was inflated.

AGAMT envisaged concentration of activities of other departments/agencies² for substantial mobilisation of resources into the villages selected during a particular year. The indicative target for such dovetailing was Rs 80 lakh for each AGAMT Village Panchayat.

In test checked districts achievement under schemes such as free supply of colour television, free supply of gas stoves, old age pension, loan / subsidy to the self help groups, loan under self employment scheme, loans disbursed by primary agricultural co-operative bank, scholarship to students, etc., amounting to Rs 120.98 crore³ were shown as achievement during 2006-08 although these did not result in mobilisation of resources into the villages for creation of infrastructure as envisaged under the scheme.

² Agricultural Engineering, Animal Husbandry, Dairy Development, Education, Health, Highways, Horticulture, Public works, Social Welfare, Tamil Nadu Water Supply and Drainage Board, etc.

³ Coimbatore : Rs 97.21 crore; Erode : Rs 3.34 crore; Madurai : Rs 13.71 crore; Perambalur : Rs 5.74 crore; Sivagangai : Rs 0.94 crore (2006-07 only) and The Nilgiris : Rs 0.04 crore.

Government replied (April 2009) that though the concept of dovetailing was indicated, no target was fixed for 2006-07 and 2007-08 and hence no compulsory financial target could be enforced on AGAMT Village Panchayats.

The reply is not acceptable as indicative target of Rs 80 lakh for dovetailing has been incorporated in the AGAMT guidelines issued in April 2007 itself and further, the paragraph deals with inflated achievement and not with shortfall in achievement of target.

Government further stated that achievement under schemes like supply of free colour television, supply of gas stove, two acre land, etc., would not be dovetailed in future.

5.1.4.2 Temporary diversion of scheme funds

Scheme funds were temporarily diverted to Indira Awas Yojana.

Funds provided under the scheme should be utilised in the villages for which it was sanctioned and diversion of funds from one scheme to another scheme should be avoided.

During March 2007 to July 2008, eight PUs diverted Rs 26.42 lakh from AGAMT to Indira Awas Yojana scheme. Out of this, four PUs recouped Rs 18.70 lakh and Rs 7.72 lakh were not recouped by four PUs as of August 2008 (**Appendix 5.3**).

After being pointed out by audit the amount of Rs 7.72 lakh was recouped between December 2008 and February 2009.

5.1.4.3 Under utilisation of funds

District Collector, Coimbatore accorded administrative sanction (November 2007) for the year 2006-07 for Rs 16.01 crore for 82 VPs, while the requirement was Rs 16.40 crore (82 VPs x Rs 20 lakh per VP) as per guidelines. The Project Officer (PO), DRDA, Coimbatore replied (June 2008) that some of the works were cancelled due to difficulty in execution and the BDOs (VP) were instructed to submit proposals for pending works. Improper planning resulted in under utilisation of allotted funds to the extent of Rs 39 lakh (September 2008).

After being pointed out by Audit, District Collector, Coimbatore issued (March 2009) administrative sanction for 109 works for Rs 1.11 crore, which included unspent balance, savings and interest earned.

5.1.4.4 Interest earned kept unutilised

State Government had neither specified any time frame for utilisation of funds provided under the scheme nor issued instructions for utilisation/refund of interest earned on the unutilised amount kept in savings bank account. As a result, interest of Rs 1.79 crore earned on the amount deposited with banks remained unutilised in 38 PUs and in six DRDAs test checked.

After being pointed out by Audit, Government issued administrative sanction (February 2009 and March 2009) for utilising the unspent balance.

5.1.4.5 Approval of works by Grama Sabha

Grama Sabhas conducted in 26 Village Panchayats for selection of works during 2006-08 did not have the required quorum.

As per scheme guidelines, approval of Grama Sabha should be obtained for all the works selected under the scheme. The quorum for Grama Sabha as prescribed (September 2006) by the State Government was as given in **Table 2**.

Table 2

Sl.No.	Population of Village Panchayat	Quorum for the meeting
1	Up to 500	50
2	501 to 3,000	100
3	3,001 to 10,000	200
4	Above 10,000	300

However, the Grama Sabhas conducted for approval of works to be taken up under the scheme for 2006-07 and 2007-08 in 26 villages in test checked PUs did not have the required quorum. The shortfall in quorum was up to 25 per cent in 11 VPs, between 26 and 50 per cent in 12 VPs and between 51 and 75 per cent in three VPs. Thus the process of selection of works in those villages lacked public participation in the planning of the scheme.

Government replied (April 2009) that putting up the list of works in Grama Sabha was only for information and that the selection of works by Village Level Selection Committee and administrative sanction by the District Collector were only crucial. Government further stated that where the Grama Sabha did not have the required quorum, the list of works was put up in subsequent meeting.

The reply of the Government is not tenable as the orders of Government issued in December 2006 was very specific that while finalisation of works was the responsibility of the Village Level Selection Committee, approval of Grama Sabha should be obtained before administrative sanction by the District Collector. The guidelines of the scheme did not contemplate *post facto* approval of Grama Sabha for works selected.

5.1.4.6 Information, Education and Communication activities

Out of grants released for information, education and communication to Commissioner of Rural Development and Panchayat Raj, Rs 38.22 lakh remained unutilised.

In addition to Rs 20 lakh per village, State Government allocated (September 2006 and June 2007) funds equal to one per cent of the total annual allocation towards information, education and communication (IEC) for creating awareness on education, communication, sanitation and social activities among the people. The amount was distributed to CRDPR, DRDA and BDO (VP) for incurring expenditure at State, district and village level.

For IEC activities at State level, Rs 2.17 crore was made available to CRDPR for the years 2006-07 (Rs 1.09 crore) and 2007-08 (Rs 1.08 crore). As of March 2008, Rs 1.79 crore was spent out of this amount for advertisement in newspapers to mark completion of one year of implementation and inauguration ceremony. The balance amount of Rs 38.22 lakh with interest accrued was kept unutilised.

In Erode and Sivagangai DRDAs, Rs 15.63 lakh out of Rs 20 lakh released under IEC component for 2006-08 was kept unutilised.

Government replied (April 2009) that the amount was meant for distribution of awards for the best performing collectors under AGAMT for which necessary proposals were received and were under scrutiny. Government further stated that the money was required for IEC activities such as preparation of success stories, documentation, preparation of award proposals.

Government's reply is not acceptable because as seen from records of the PUs expenditure under this component was mainly on preparation of booklets and putting up boards in the work-sites. No expenditure was incurred on conduct of awareness programmes. Lack of public participation in the Grama Sabha meetings as commented in Paragraph 5.1.4.5 could be attributed to non-conduct of public awareness programmes.

5.1.4.7 Incorrect selection of works

(i) In Chettikulam and Samayanallur Village Panchayats of Madurai West PU of Madurai District, two shopping complexes with five shops each were constructed (March 2008 and July 2007) at a total cost of Rs 8.24 lakh⁴ under untied component of the scheme. The BDO stated (October 2008) that as there was no demand, the shops were not let out. Failure to assess the demand for shops before taking up the work resulted in blocking of funds of Rs 8.24 lakh.

Five community halls constructed at a cost of Rs 23.94 lakh were not made use of due to non-provision of electricity connection.

(ii) One community hall each was constructed (October/November 2007) in five⁵ VPs in Madurai and Sivagangai Districts at a total cost of Rs 23.94 lakh under the untied component of the scheme. None of the constructed community halls were utilised due to non-availability of electricity connection and non-supply of vessels resulting in unfruitful expenditure (May 2008).

5.1.4.8 Sports centres/Play grounds

The scheme envisaged establishment of school sports centre in the Government or aided high / higher secondary schools. If Government or aided schools were not available, a community sports centre could be provided in a panchayat poramboke land with courts for volley ball, badminton and tennicoit for girls and ground for foot ball, etc.

In the 39 PUs test checked, expenditure as of September 2008 on formation of sports centres was Rs 1.89 crore and Rs 1.96 crore for the scheme years 2006-07 and 2007-08 respectively and the physical achievement was 232 (out of 232) and 199 (out of 207).

Provision of combined courts

During the year 2006-07, combined courts for volley ball, badminton and tennicoit were provided in the community sports centres in 76 VPs of

⁴ Shopping complex at Chettikulam: Rs 3.49 lakh and at Samayanallur: Rs 4.75 lakh.

⁵ Madurai District: Alandur (Rs 4.75 lakh); Chattrapatti (Rs 4.99 lakh); Kovilpappakudi (Rs 4.58 lakh) and Thenur (Rs 4.62 lakh). Sivagangai District: Kathunedunkulam (Rs five lakh); **Total: 23.94 lakh.**

Due to provision of combined courts in 76 Village Panchayats in Sivagangai District, all games could not be played at the same time.

Sivagangai District at a cost of Rs 56.89 lakh. Since all games cannot be played at a time in the combined courts, the objective of the scheme was defeated.

The PO, DRDA, Sivagangai stated (April 2009) that 57 courts are being re-established and Zonal Officers concerned were instructed to inspect and identify suitable site for the balance 19 courts.

Non-formation of youth club

As per AGAMT guidelines, maintenance of sports facilities and replacement of balls, nets, etc., shall be the responsibility of the VPs. The scheme contemplated that President of the Village Panchayat concerned should, however, encourage formation of youth clubs for the village which should in due course take over the responsibility of the operation and maintenance of the sports centres.

It was seen that in 214 VPs in 21 test checked PUs⁶ no youth club was formed so far.

Government stated (April 2009) that formation of youth club was not compulsory under AGAMT.

The reply of the Government is not tenable as the AGAMT guidelines stipulates that the Village Panchayat President shall, however, encourage formation of youth club indicating community participation in maintenance of community sports centres. Due to non-formation of youth club, the opportunity for community participation was lost.

Formation of community sports centres in temple land

In Jeyankondam PU, three community sports centres were formed (January 2007) at a cost of Rs 1.98 lakh in temple land due to non-availability of site. The centres were, however, formed without formally taking possession of the land as gift deed from temple authorities.

Government replied (April 2009) that necessary proposals have been sent to the Commissioner, Hindu Religious and Charitable Endowment Department for getting the land as gift to the Village Panchayats concerned.

Deficiencies in formation of play grounds

According to the guidelines issued (January 2007) by the CRDPR, prior to erection of sports material, it should be ensured that earth or gravel coat is sufficient, absolute level of the floor is maintained and boundaries are as per specifications.

⁶ Coimbatore District : Avinashi, Karamadai, Madathukulam, Pongalur, Sultanpet, Thondamuthur and Udumalpet.
Erode District : Ammapet, Bhavani, Erode, Kangeyam, Kundadam, Perunthurai, TN Palayam and Uthukuli.
Madurai District : Thirumangalam.
Perambalur District : Andimadam, Jeyankondam, Senthurai and Thirumanur
Sivagangai District : Manamadurai.

During field visits made (April 2008 to September 2008) by Audit along with the BDO (VP) concerned, it was noticed that play grounds formed in Tirumanur, Sannavur and Sembiangudi Village Panchayats (Perambalur District) were not in good condition for playing games as levelling was not done. However, Rs 2.84 lakh was spent (September 2008) for supply and erection of sports equipment in these playgrounds.

Government replied (April 2009) that though levelling was done, cent *per cent* smooth levelling was not possible.

Reply of the Government is not acceptable as the purpose of formation of play grounds was lost as the grounds were not fit for playing games.

5.1.4.9 Formation of ponds/oorani

In the 39 PUs test checked, 215 and 209 works relating to water harvesting structures such as oorani, tanks, etc. were taken up and completed for the scheme years 2006-07 and 2007-08 respectively expending Rs 6.86 crore and Rs 7.11 crore (September 2008).

Irregular expenditure

Under AGAMT, ponds located within the village and predominantly used by the villagers were to be selected for improvement. However, bathing ghat (Expenditure: Rs 4.11 lakh) in Veppur PU (Perambalur District) and bathing ghats and check dams (Expenditure: Rs 5.62 lakh) in Bhavani PU (Erode District) were constructed respectively in the rivers controlled by the Public Works Department.

Government replied (April 2009) that bathing ghat at Aduthurai Village Panchayat of Veppur Block was taken up under untied component of the scheme. In respect of check dam in Bhavani PU, Government stated that improvement of check dam constructed by PWD was taken up due to non-availability of adequate poromboke land for construction of new pond.

The reply is not acceptable as responsibility for construction and maintenance of check dams and bathing ghats in rivers was with PWD, the works should have been done by dovetailing and the amount spent on these works could have been utilised for other development works under AGAMT in the Village Panchayats concerned.

5.1.4.10 Libraries

For setting up of library, an existing public building can be renovated or if any suitable building was available on rent it may be considered. If both these options were not available then a new building nearer to the Village Panchayat office building may be constructed.

In the 39 PUs test checked, Rs 2.15 crore and Rs 3.19 crore were spent (September 2008) on construction/renovation of buildings and provision of furniture for housing 149 and 174 libraries for the scheme years 2006-07 and 2007-08 respectively.

Non-supply of books

AGAMT envisaged supply of books for libraries set up in the villages selected under the scheme at Rs 35,000 per village. The District Purchase Committee comprising the District Collector, PO/DRDA, District Library Officer and Chief Educational Officer would decide on books to be purchased and the PO, DRDA would purchase and deliver the books to the respective Village Panchayats. However, no books were purchased for any of the villages in the test checked districts for the year 2006-07. The State Government constituted a State level committee for purchase of books only in January 2008. As such, the villages selected for implementation of the scheme for 2006-07 were not supplied with books even two years after introduction of the scheme. An amount of Rs 72.45 lakh released to 207 VPs for purchase of books for 2006-07 remained unutilised with the DRDAs of the test checked districts concerned.

In 12 PUs of Coimbatore, Madurai and Perambalur Districts, 83 new library buildings⁷ were constructed during 2006-08 at a cost of Rs 1.74 crore. It was seen, that one or two magazines and daily news papers were only being supplied to the libraries. Books were neither pooled out from other libraries nor new books purchased by the CRDPR in spite of availability of funds.

Thus, the library buildings constructed at a cost of Rs 1.74 crore were not utilised to the optimum level.

Government in reply stated (April 2009) that after launching the scheme in January 2007, it was felt that books for 2006-07 and 2007-08 to AGAMT village libraries could be purchased in a combined manner. It further stated that expression of interest for supply of books was called for in August 2007 and committee for selection of books was formed in January 2008. The committee met on 11 February 2008, 21 February 2008, 23 and 24 June 2008 and completed selection process. Writ petitions filed by some publishers against the procedure of selection of books was dismissed in December 2008. Orders were placed for supply of books in December 2008 and January 2009 and supply of books have already started.

From the above reply of the Government, it is clear that there were avoidable delays in calling for expression of interest for supply of books, constitution of committee for selection of books and selection process. The time lost in court case was only about four months as the writ petitions were filed by some publishers in September and October 2008. The above delays postponed the accrual of benefit of libraries to villagers.

Non-utilisation of funds

As per AGAMT guidelines, a building for the library could be constructed or any existing public building in AGAMT village could be renovated for housing the library. Total allocation per library was Rupees two lakh

⁷ Anaimalai : 2; Avinashi : 12; Karamadai : 6; Madathukulam : 2; Pollachi (North) : 14; Pongalur : 4; Sakkottai : 10; Sedapatti : 12; Thirumanur : 3; Udumalpet : 10; Usilampattai : 6 and Veppur : 2. - Total : 83.

(construction/renovation: Rupees one lakh; purchase of furniture: Rs 65,000 and purchase of books: Rs 35,000). In 60 VPs in Perambalur District, existing public buildings were utilised for housing the library and the earmarked funds of Rupees one lakh per village for renovation of library building was not utilised. No action was taken either by the BDOs (VP) or by the DRDA for utilising the amount of Rs 60 lakh under other components. On this being pointed out, the PO/DRDA stated (August 2008) that the amount would be released to the implementing agency.

After being pointed out by Audit, Government issued administrative sanction (March 2009) for Rs 1.47 crore.

5.1.4.11 Improvements to cremation grounds

In the 39 PUs test checked, Rs 5.68 crore and Rs 5.63 crore were spent (September 2008) on 300 and 269 works relating to cremation grounds for the scheme years 2006-07 and 2007-08 respectively and the physical achievement in this regard was 100 per cent.

Deficient planning

The cremation sheds constructed at a cost of Rs 3.67 lakh in October 2007 in Sottagoundanpalayam of Uthukuli PU and in Kallakulam and Pappampalayam of Perunthurai PU were not utilised by the villagers. Site inspection revealed growth of grass in the cremation platform. When reasons were called for, the Department replied that the cremation shed was used for performing last rites only and cremation platform was not used since customary practice in the area was predominantly "burial".

Another cremation shed constructed (September 2007) at a cost of Rs 1.38 lakh at Sooriparai habitation in Ellapalayam Village Panchayat (Erode PU) was not at all utilised and natural vegetations had grown. To an enquiry it was replied that there was no practice of cremation and only burial was being done.

Cremation sheds were provided in VPs, where burial was the customary practice indicating deficient planning.

Government replied (April 2009) that the shed would be used as cremation shed or waiting shed depending upon the practice of the village.

The reply is not acceptable as guidelines did not provide for modification of cremation shed into a waiting shed where cremation was not in practice, and construction of cremation sheds in the above villages was due to deficient planning only.

5.1.5 Conclusion

In some districts the District Rural Development Agency included ineligible items for the purpose of dovetailing. There were temporary diversions of AGAMT funds to Indira Awas Yojana. In some Village Panchayats, the Grama Sabha did not have the required quorum, while approving works to be taken up under the scheme defeating the objective of public participation. Combined courts for volley ball, badminton, tennicoit, etc., were provided in

some sports centres with the result that all games could not be played at the same time. There was avoidable delay in selection of books for AGAMT libraries.

5.1.6 Recommendations

- Diversion of scheme funds for other purposes should be avoided.
- The village population should be educated about the importance of participation in selection of works under the scheme.
- Implicit adherence to scheme guidelines should be ensured, so as to avoid deficiency in planning and execution of works.

CHAPTER VI

AUDIT OF TRANSACTIONS (PANCHAYAT RAJ INSTITUTIONS)

Audit of transactions in the Rural Development and Panchayat Raj Department in the Secretariat, Directorate of Rural Development and Panchayat Raj, three Panchayat Unions in Dindigul, Madurai and Kanniyakumari Districts brought out some 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.

RURAL DEVELOPMENT AND PANCHAYAT RAJ DEPARTMENT

6.1 Avoidable expenditure

AGASTEESWARAM PANCHAYAT UNION

6.1.1 Avoidable expenditure on pay and allowances

Pay and allowances of an employee of Agasteeswaram Panchayat Union deputed to District Rural Development Agency was met from its general funds, which resulted in avoidable expenditure of Rs 6.81 lakh.

One carpentry unit was functioning under Agasteeswaram Panchayat Union (Panchayat Union) with one supervisor. As the Director of Rural Development instructed (July 1989) all the District Collectors to ban production of wooden articles in the workshops, the carpentry unit was closed. The supervisor of the carpentry unit was engaged to assist in office work at Panchayat Union. As ordered by District Collector (October 2002), he was deputed to work as Office Assistant in the District Rural Development Agency (DRDA), Nagercoil and his pay and allowances were met from the Panchayat Union funds.

Government of India (GOI) introduced a new scheme 'DRDA Administration' from April 1999 under which administrative cost of DRDA would be funded by GOI and State governments at 75:25 ratio with a ceiling on funding based on the number of blocks in each district. However, the pay and allowances of the employee of erstwhile carpentry unit, deputed to DRDA, Nagercoil was met from the Panchayat Union funds, though the DRDA was receiving funds from GOI under 'DRDA Administration' scheme.

The orders of the District Collector resulted in irregular and avoidable expenditure of Rs 6.81 lakh to the Panchayat Union for the period from November 2002 to March 2008.

The Government stated (October 2008) that the concerned person was redeployed on other duty to another office of the same unit and such practice was followed to cope up with urgent, emergent and increased load of work in that office where the sanctioned strength was insufficient. The Government

further stated that in such cases the pay and allowances were normally met by the parent office.

The reply of the Government is not acceptable as the Panchayat Union is a local body and DRDA is an autonomous body. Further, the person in this case is working in DRDA for the past six years (October 2008).

6.2 Idle investment

T.KALLUPATTI AND KODAIKANAL PANCHAYAT UNIONS

6.2.1 Idle investment due to non-provision of basic amenities

Failure to provide basic amenities resulted in idle investment of Rs 16.21 lakh on construction of four community halls.

Director of Rural Development instructed (February 2000) all Collectors and Project Officers of District Rural Development Agencies not to encourage construction of community halls under any scheme as community halls constructed under various schemes were not being put to use. It was further stated that it would not be wise if community halls were kept locked for months together without generating income. In spite of these instructions, two Panchayat Unions constructed four community halls at a cost of Rs 16.21 lakh resulting in idle investment as discussed in succeeding paragraphs.

(a) T. Kallupatti Panchayat Union

District Collector, Madurai granted administrative approval (June 2001 and July 2002) for construction of community halls in S.Narikudi, Chinnareddipatti and Solaipatti villages in T.Kallupatti Panchayat Union under Member of Parliament Local Area Development (MPLAD) Scheme. The construction of the community halls in the above said villages was completed at a cost of Rs 9.21 lakh (estimated cost: Rs 9.25 lakh) between January 2002 and January 2003. The anticipated yearly income from letting out the halls for private functions was Rs 4,000 at Rs 200 per day (S.Narikudi and Chinnareddipatti) and Rs 6,000 at Rs 300 per day (Solaipatti).

As there were no basic amenities such as power, kitchen utensils and water, and also because the halls were located away from the habitation, community halls were not made use of for five years. The Commissioner, T.Kallupatti Panchayat Union stated (December 2007) that the amount sanctioned was not sufficient to provide such facilities.

On this being pointed out the Government stated (March 2008) that the Presidents of the Village Panchayats were instructed to motivate the public to use the halls as water and power connections were now provided. Further, the Government stated that the community halls were used for conducting Self Help Group, Grama Sabha and Village level meetings and from January 2008 onwards the community halls were also let out for functions on rental basis. The claim that the community halls were being utilised for Grama Sabha, Village level and Self Help Group meetings was not, however, substantiated with dates of such meetings.

From the above, it is evident that the community halls constructed in violation of the instructions of Director of Rural Development was not made use of by the public for more than five years since construction. Even after provision of basic amenities, utilisation was negligible after February 2008 and hence the expenditure of Rs.9.21 lakh incurred on construction of these halls was largely idle investment.

(b) Kodaikanal Panchayat Union

District Collector, Dindigul accorded (September 2006) administrative sanction for construction of a community hall at a cost of Rupees seven lakh at Vadagaunchi Village of Kodaikanal Panchayat Union under MPLAD Scheme.

Scrutiny of records revealed that the construction of community hall was completed in October 2007 at a cost of Rupees seven lakh without providing basic amenities such as power connection and utensils. The hall was not used for any function to date (October 2008). The Commissioner, Kodaikanal Panchayat Union also confirmed (October 2008) the above position.

Construction of a community hall not adhering to the instruction of Director of Rural Development and non-provision of power supply and utensils resulted in idle investment of Rupees seven lakh.

Government replied (December 2008) that the purpose of construction of such community halls was for providing amenities to rural people at a lower cost. Government further stated that the hall can be used for community meeting during day time and hence non-availability of electricity was not a hindrance and that Director of Rural Development did not ban construction of such halls.

As no function has so far been held in the community hall, the reply of the Government did not hold good. The fact remains that a community hall constructed at a cost of Rupees seven lakh was not made use of by public so far.

KODAIKANAL PANCHAYAT UNION

6.2.2 Idle investment on construction of shopping complex

Kodaikanal Panchayat Union did not provide electricity connection to the shopping complex constructed resulting in idle investment of Rs 13 lakh.

Government of Tamil Nadu accorded administrative sanction (March 2002) to Kodaikanal Panchayat Union (Panchayat Union) for the construction of shopping complex comprising 12 shops under Swarnajayanthi Grama Swarozgar Yojana (SGSY). The estimated cost of the work including water supply and electrification was Rs 15 lakh. The work was completed in March 2005 without providing electricity connection at a cost of Rs 13 lakh and the shops were allotted to the self help groups (February 2006) as ordered by Project Officer, District Rural Development Agency at a monthly rent of Rs 250.

The self help groups did not make use of the shops so far (December 2008) and have also not paid the rent due. The Commissioner of the Panchayat Union stated (October 2008) that as there was no electricity connection, none

of the shops were utilised and no rent was collected from the self help groups. The Panchayat Union had not taken action to get electricity connection inspite of instructions (March 2007) of the Project Officer, District Rural Development Agency, Dindigul.

Thus, the failure of the Panchayat Union to provide electricity connection to the shopping complex, even though provision was made for electrification in the estimate, resulted in idle investment of Rs 13 lakh for the past 45 months (December 2008).

Government in their reply (December 2008) stated that (i) self help groups have requested to reduce the rent; (ii) they have agreed to open the shops on assurances given by the Project Officer, Mahalir Thittam; and (iii) provision for electricity connection was not included in the estimate and action was being taken to get electricity connection by utilising the general fund of the Panchayat Union.

The reply of Government proves that the shops were not being used by self help groups. The contention of Government that no provision was made in estimate for electric connection was not also correct as Rs 0.49 lakh was provided in the estimate for electrification and an amount of Rs 0.22 lakh was spent for electrification and the balance amount (Rs 0.27 lakh) should have been utilised for electric connection. Further, as the construction of the complex was completed at Rs 13 lakh as against the estimate of Rs 15 lakh, electricity connection could have been given at that time itself from the savings amount also.

Chennai
The

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

Countersigned

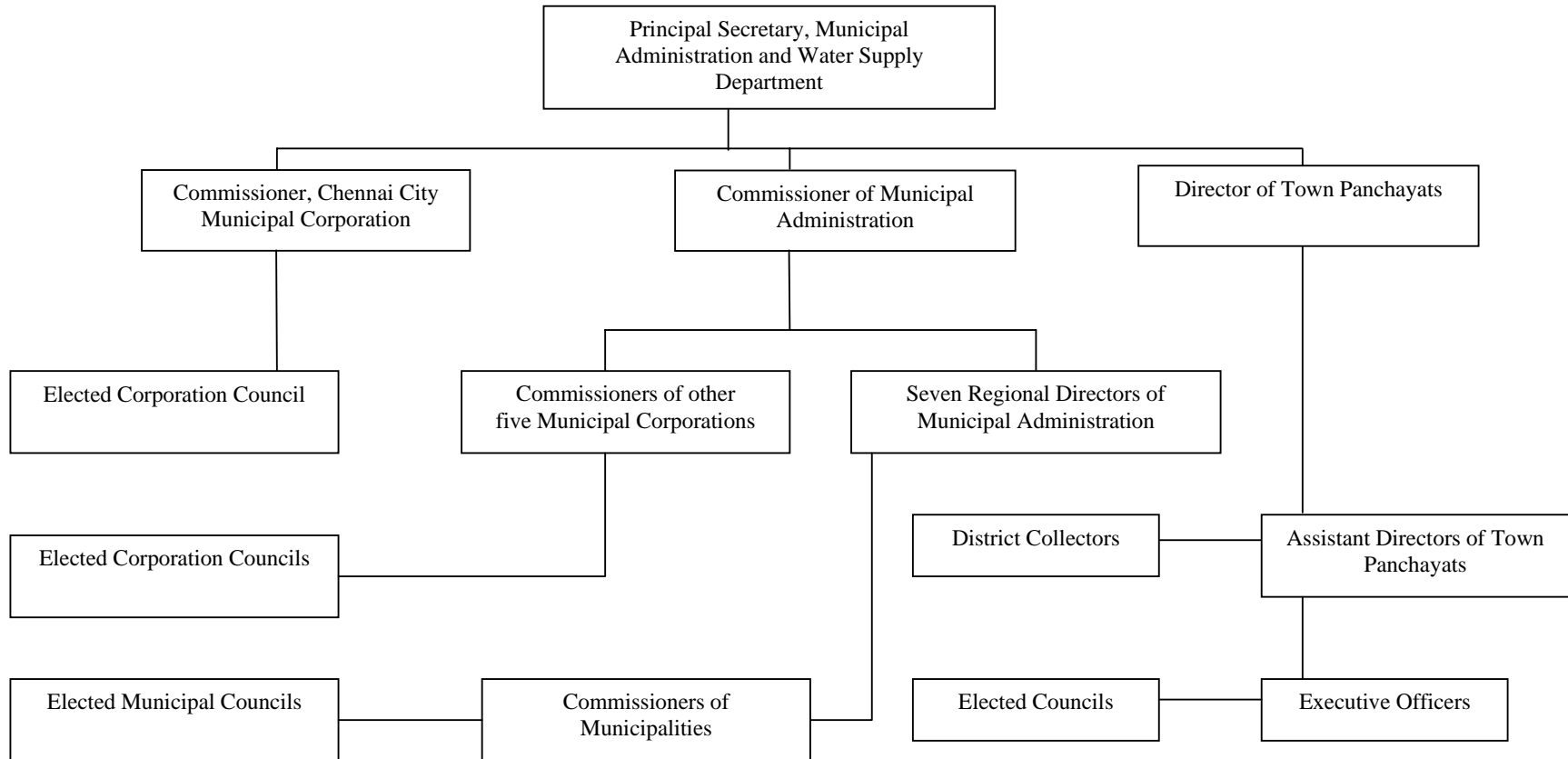
New Delhi
The

(VINOD RAI)
Comptroller and Auditor General of India

Appendix 1.1

(Reference: Paragraph 1.2.1; Page 2)

Organisation chart of Urban Local Bodies



Appendix 1.2

(Reference: Paragraph 1.4.4; Page 5)

Number of audit paragraphs relating to Urban Local Bodies pending settlement as on 31 March 2008

Year	All Municipalities	Town Panchayats	Municipal Corporations						Total
			Chennai	Coimbatore	Madurai	Salem	Tiruchirapalli	Tirunelveli	
Upto 2001-2002	58,673	48,570	33,439	9,839	20,579	6,580	5,096	3,104	1,85,880
2002-2003	13,473	11,774	1,065	494	509	454	159	454	28,382
2003-2004	45,034	14,376	1,827	375	86	481	572	579	63,330
2004-2005	21,380	16,748	1,864	505	0	537	459	519	42,012
2005-2006	1,028	12,476	Nil	5	0	Nil	613	Nil	14,122
2006-2007	Nil	2,513	Nil	NC	Nil	Nil	Nil	Nil	2,513
Total	1,39,588	1,06,457	38,195	11,218	21,174	8,052	6,899	4,656	3,36,239

NC: Not Compiled

Appendix 1.3**(Reference: Paragraph 1.5; Page 6)****Devolution of functions****A Devolution of functions to Municipalities/Municipal Corporations****(a) *Functions devolved***

- (i) Urban planning including town planning
- (ii) Regulation of land use and construction of buildings
- (iii) Roads and bridges
- (iv) Water supply for domestic, industrial and commercial purposes
- (v) Public health, sanitation, conservancy and solid waste management
- (vi) Slum improvement and upgradation
- (vii) Urban poverty alleviation
- (viii) Provision of urban amenities and facilities such as parks, gardens and playgrounds
- (ix) Burials and burial grounds, cremation, cremation grounds and electric crematoria
- (x) Vital statistics including registration of births and deaths
- (xi) Public amenities including street lighting, parking lots, bus stops and public conveniences
- (xii) Regulation of slaughter houses and tanneries
- (xiii) Cattle pounds

(b) *Functions yet to be devolved*

- (i) Planning for economic and social development
- (ii) Fire services
- (iii) Urban forestry, protection of the environment and promotion of ecological aspects
- (iv) Safeguarding the interests of weaker sections of Society, including the handicapped and mentally retarded
- (v) Promotion of cultural, educational and aesthetic aspects

B Devolution of functions to Town Panchayats

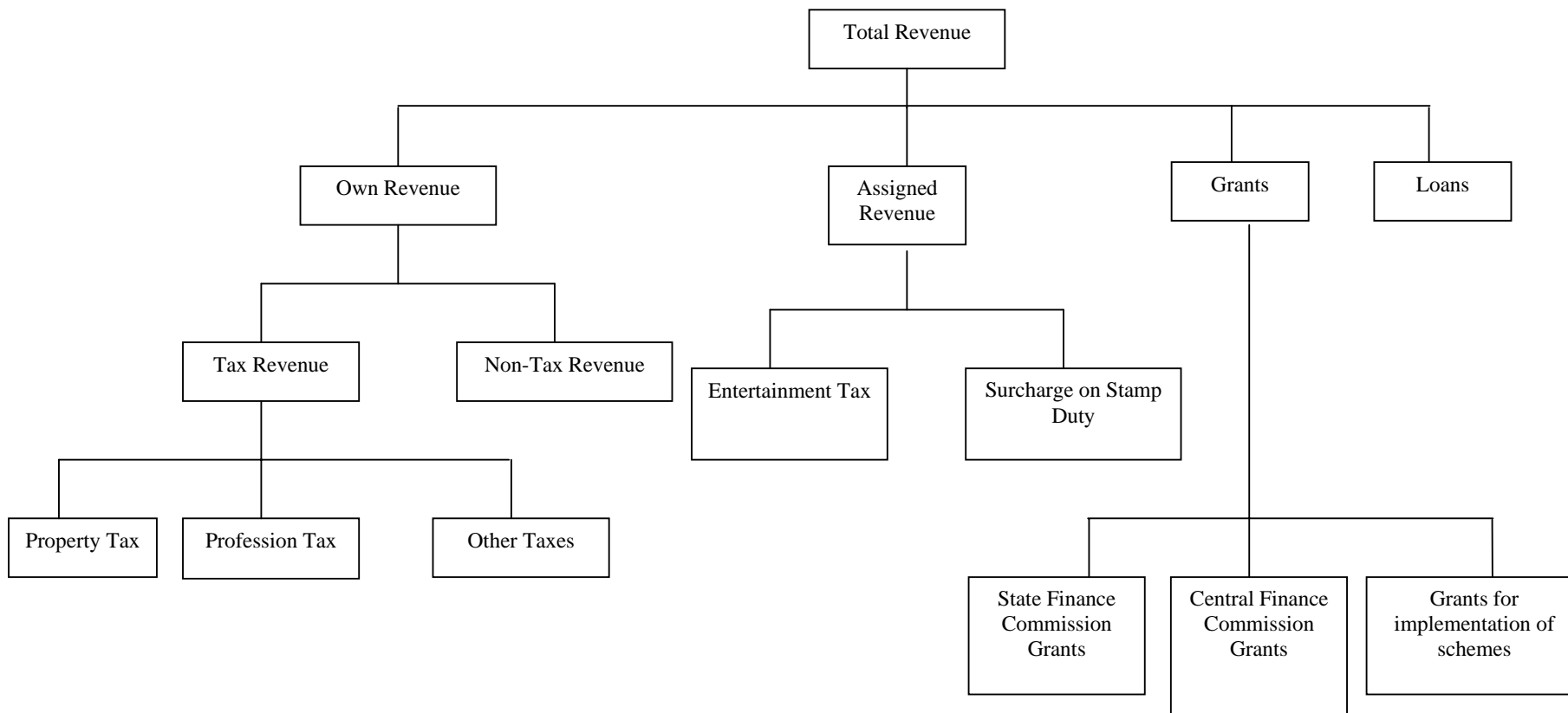
(a) *Functions devolved*

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- (ii) Regulation of land use and construction of buildings
- (iii) Roads and bridges
- (iv) Water supply for domestic, industrial and commercial purposes
- (v) Public health, sanitation, conservancy and solid waste management
- (vi) Slum improvement and upgradation
- (vii) Urban poverty alleviation
- (viii) Provision of urban amenities and facilities such as parks, gardens and playgrounds
- (ix) Burials and burial grounds, cremation, cremation grounds and electric crematoria
- (x) Vital statistics including registration of births and deaths
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- (i) Planning for economic and social development
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- (iv) Safeguarding the interests of weaker sections of Society, including the handicapped and mentally retarded
- (v) Promotion of cultural, educational and aesthetic aspects
- (vi) Cattle pounds

Appendix 1.4
(Reference: Paragraph 1.8; Page 9)
Source of revenue of Urban Local Bodies



Appendix 1.5

(Reference: Paragraph 1.8.3; Page 11)

Statement showing the demand, collection and balance of Property Tax during 2005-08 in Urban Local Bodies

(Rupees in crore)

Category of the local body	Year	Nature of demand	Demand	Collection	Balance
Municipalities	2005-06	Arrears	190.70	83.15(44)	107.55
		Current	250.67	136.35(54)	114.32
		Total	441.37	219.50(50)	221.87
	2006-07	Arrears	221.87	72.19(33)	149.68
		Current	252.54	185.01(73)	67.53
		Total	474.41	257.20(54)	217.21
	2007-08	Arrears	217.21	72.99 (34)	144.22
		Current	265.16	185.41(70)	79.75
		Total	482.37	258.40(54)	223.97
Chennai City Municipal Corporation[@]	2005-06	Arrears	211.59	103.27(49)	108.32
		Current	221.36	114.80(52)	106.56
		Total	432.95	218.07(50)	214.88
	2006-07	Arrears	214.88	107.38(50)	107.50
		Current	234.24	120.33(51)	113.91
		Total	449.12	227.71(51)	221.41
	2007-08	Arrears	221.41	129.62(59)	91.79
		Current	291.92	154.18(53)	137.74
		Total	513.33	283.80(55)	229.53
Other five Municipal Corporations	2005-06	Arrears	96.37	40.40(42)	55.97
		Current	118.56	72.35(61)	46.21
		Total	214.93	112.75(52)	102.18
	2006-07	Arrears	102.18	40.35(39)	61.83
		Current	121.42	80.75(67)	40.67
		Total	223.60	121.10(54)	102.50
	2007-08	Arrears	102.49	46.87(46)	55.62
		Current	136.47	95.94(70)	40.53
		Total	238.96	142.81(60)	96.15
Town Panchayats	2005-06	Arrear	30.96	29.08(94)	1.88
		Current	75.77	48.82(64)	26.95
		Total	106.73	77.90(73)	28.83
	2006-07	Arrears	28.83	21.31(74)	7.52
		Current	276.71	189.47(68)	87.24
		Total	305.54	210.78(69)	94.76*
	2007-08	Arrears	29.39	16.92(58)	12.47
		Current	46.31	44.91(97)	1.40
		Total	75.70	61.83(82)	13.87

@ Figures of Chennai Corporation for 2005-06 and 2006-07 differ from the figures furnished in the report of last year due to revised figures furnished by Commissioner, Chennai City Municipal Corporation.

* Not tallying with OB of the succeeding year

Appendix 1.6

(Reference: Paragraph 1.8.4; Page 12)

Statement showing the demand, collection and balance of Profession Tax during 2005-08 in Urban Local Bodies

(Rupees in crore)

Category of the local body	Year	Nature of demand	Demand	Collection	Balance
Chennai City Municipal Corporation	2005-06	Arrears	1.60	0.42	1.18
		Current	43.40	56.86	@
		Total	45.00	57.28 (127)	@
	2006-07	Arrears	1.22	0.34	0.88
		Current	59.78	63.28	@
		Total	61.00	63.62 (104)	@
	2007-08	Arrears	NA	NA	NA
		Current	NA	73.83	NA
		Total	NA	73.83 (NA)	NA
Other five Municipal Corporations	2005-06	Arrears	5.21	1.87	3.34
		Current	12.54	10.91	1.63
		Total	17.75	12.78 (72)	4.97
	2006-07	Arrears	4.97	1.83	3.14
		Current	13.63	11.54	2.09
		Total	18.60	13.37 (72)	5.23
	2007-08	Arrears	5.24	2.03	3.21
		Current	14.31	11.90	2.41
		Total	19.55	13.93 (71)	5.62
Municipalities	2005-06	Arrears	19.84	7.80	12.04
		Current	37.81	23.06	14.75
		Total	57.65	30.86 (54)	26.79
	2006-07	Arrears	26.79	6.23	20.56
		Current	38.81	29.27	9.54
		Total	65.60	35.50 (54)	30.10
	2007-08	Arrears	30.10	11.59	18.51
		Current	39.09	34.35	4.74
		Total	69.19	45.94 (66)	23.25
Town Panchayats	2005-06	Arrears	3.65	1.80	1.85
		Current	21.61	18.20	2.41
		Total	25.26	20.00 (79)	5.26*
	2006-07	Arrears	3.41	2.07	1.34
		Current	23.77	22.44	1.33
		Total	27.18	24.51 (90)	2.67*
	2007-08	Arrears	1.35	0.72	0.63
		Current	19.50	18.97	0.53
		Total	20.85	19.69 (94)	1.16

@ Collection in excess of demand raised

NA Not available

* Not tallying with the OB of the succeeding year

Appendix 1.7

(Reference: Paragraph 1.8.5; Page 12)

Statement showing the demand, collection and balance of Non-tax revenue during 2005-08 in Urban Local Bodies (except Chennai City Municipal Corporation)

(Rupees in crore)

Category of the local body	Year	Nature of demand	Demand	Collection	Balance
Municipalities	2005-06	Arrears	45.96	25.08	20.88
		Current	116.80	92.56	24.24
		Total	162.76	117.64 (72)	45.12
	2006-07	Arrears	45.12	26.75	18.37
		Current	117.20	95.17	22.03
		Total	162.32	121.92 (75)	40.40*
	2007-08	Arrears	46.40	28.66	17.74
		Current	126.00	99.80	26.2
		Total	172.40	128.46 (75)	43.94
Five Municipal Corporations	2005-06	Arrears	14.57	4.25	10.32
		Current	29.15	21.90	7.25
		Total	43.72	26.15 (60)	17.57
	2006-07	Arrears	17.57	4.58	12.99
		Current	30.16	21.05	9.11
		Total	47.73	25.63 (54)	22.10
	2007-08	Arrears	22.10	8.64	13.46
		Current	30.94	21.09	9.85
		Total	53.04	29.73 (56)	23.31
Town Panchayats	2005-06	Arrears	19.53	17.28	2.25
		Current	116.23	100.34	15.89
		Total	135.76	117.62 (87)	18.14
	2006-07	Arrears	18.14	12.33	5.81
		Current	23.10 [@]	23.72	(-) 0.62 [@]
		Total	41.24[@]	36.05 (87)	5.19*
	2007-08	Arrears	27.21	21.26	5.95
		Current	86.97	84.79	2.18
		Total	114.18	106.05 (93)	8.13

@ Figures differ from the figures given in the report of last year due to revised figures submitted by the department

* Not tallying with the OB of the succeeding year

Appendix 1.8

(Reference: Paragraph 1.10; Page 20)

Norms/Targets for Urban Local Bodies for Eleventh Five Year Plan

Sl.No.	Sector	Municipalities/ Town Panchayats	Other Corporations	Chennai Corporation
I.	Water Supply			
1.	Per capita supply	110 lpcd: Municipalities >70 lpcd: Town Panchayats	135 lpcd	135 lpcd
2.	Storage capacity with respect to supply	>40 per cent : Municipalities	>40 per cent	>40 per cent
3.	Treatment capacity with respect to supply	100 per cent	100 per cent	100 per cent
4.	Household covered by HSC	50-60 per cent	50-60 per cent	100 per cent
5.	Distribution network	75 per cent	75 per cent	100 per cent
6.	Tariff level	100 per cent O&M 80 per cent : Town Panchayats	100 per cent O&M	100 per cent
7.	O&M Privatisation	>30 per cent : Municipalities >20 per cent : Town Panchayats	>30 per cent	70-80 per cent
II.	Sewerage			
1.	Distribution network	>30 per cent : Municipalities 10 per cent : Town Panchayats	>70 per cent	100 per cent
2.	Household covered by HSC	>50 per cent	>70 per cent	100 per cent
3.	Access to safe disposal of sewerage (septic tank UGD/LCS)	50 per cent	50 per cent	100 per cent
4.	Treatment capacity	50 per cent	50 per cent	70 per cent
5.	O&M Privatisation	>30 per cent	>30 per cent	70-80 per cent
III.	Solid Waste Management			
1.	Waste collection performance	>95 per cent	>95 per cent	>100 per cent
2.	Per capita waste collection	>3.6MT/10,000 population	>4MT/10,000 population	>4MT/10,000 population
3.	House-to-house collection/day	100 per cent	100 per cent	100 per cent
4.	Safe waste disposal	90 per cent	100 per cent	100 per cent
5.	Privatisation	>30 per cent	>30 per cent	>30 per cent
IV.	Roads and Street Lights			
1.	Surfaced B.T. 50 per cent	>60 per cent	75 per cent	100 per cent
2.	Foot paths	10 per cent hill area: 5 per cent	10 per cent	50 per cent
3.	Street lights – Average spacing between poles	30M	<30M	25M
4.	High power fixture percentage	May be provided in important places	May be provided in important places	May be provided in important places

Sl.No.	Sector	Municipalities/ Town Panchayats	Other Corporations	Chennai Corporation
V.	Drainage			
1.	Storm Drain	25 per cent	30 per cent	50 per cent
2.	Open Drain/Roads	50 per cent : Municipalities 15 per cent : Town Panchayats	50 per cent	50 per cent
VI.	Other Infrastructure			
1.	Markets	50,000 population (Selection and Special Grade) (1/15,000 population – Town Panchayats)	75,000 population	1,00,000 population
2.	Modern Slaughter house	1/one lakh population (Selection and Special Grade)	1/one lakh population	1/one lakh population
3.	Parks/playgrounds	1 for 10 per cent to 20 per cent population	1 for 10 per cent to 20 per cent population	1 for 5 per cent to 10 per cent population
4.	Maternity centre	1/50,000 population	1/50,000 population	1/50,000 population
5.	Public toilet seat in notified slum areas (where land is available)	1/30 population	1/30 population	1/25 population
6.	Open space area/out of reserved sites	15 per cent	20 per cent	15 per cent
7.	E-Governance/Issue of certificates to all	100 per cent	100 per cent	100 per cent
8.	Accounts/Tax details	100 per cent	100 per cent	100 per cent

(Source: Annual Plan 2008-09 of State Government)

Appendix 2.1
(Reference: Paragraph 2.1.5; Page 27)

List of Town Panchayats test-checked

Sl.No.	Name of district	Name of Town Panchayat	Sl.No.	Name of district	Name of Town Panchayat	
1.	Coimbatore	Annur	32.	Sivagangai	Kanadukathan	
2.		Avinashi	33.		Kandanur	
3.		Kalapatty	34.		Manamadurai	
4.		Kannampalayam	35.		Thiruppuvanam	
5.		Madukkarai	36.		Thanjavur	Aduthurai
6.		Moppiripalayam	37.			Darasuram
7.		Samalapuram	38.	Melathiruppanthuruthi		
8.		Samathur	39.	Papanasam		
9.		Sankaramanallur	40.	Peravurani		
10.		Saravanampatty	41.	Thiruppanandal		
11.		Sulur	42.	Thoothukudi	Eral	
12.		Thenkarai	43.		Kayathar	
13.		Thirumalayampalayam	44.		Pudur (V)	
14.		Thudiyalur	45.		Srivaikundam	
15.		Veerakeralam	46.		Tiruchendur	
16.		Zaminuthuikuli	47.	Udangudi		
17.	Karur	Aravakurichi	48.	Tirunelveli	Courtalam	
18.		Punjaipugalur	49.		Illanji	
19.		Punjaithottakurichi	50.		Kallidaikurichi	
20.	Pudukkottai	Alangudi	51.	Manimuthar		
21.		Illuppur	52.	Moolakkaraipatti		
22.		Keeramangalam	53.	Mukkudal		
23.	Salem	Elampillai	54.	Panagudi		
24.		Kannankurichi	55.	Sundarapandiapuram		
25.		Karuppur	56.	Thirukkurugudi		
26.		P.N.Palayam	57.	Vadakku Valliyoor		
27.		P.N.Patty				
28.		Panamarathupatty				
29.		Sendarapatty				
30.		Valapadi				
31.		Veerakkalpudur				

Appendix 2.2

(Reference: Paragraph 2.1.7.2; Page 30)

Non-levy of Property Tax on vacant land

(Rupees in lakh)

Sl. No	Name of TP	No. of layouts	Period of approval	Total extent	Less 30 per cent for Parks, Roads	Net extent	Tax per half year at the rate of 0.5 per cent on guideline value
				(In sq. ft.)			
Coimbatore District							
1.	Annur	3	02/06 to 05/08	3,76,517	1,12,955	2,63,562	0.34
2.	Kalapatty	10	09/04 to 01/08	15,18,244	4,55,474	10,62,770	11.17
3.	Madukkarai	2	08/04 to 12/05	3,43,132	1,02,940	2,40,192	0.46
4.	Samalapuram	1	10/05	1,10,560	33,168	77,392	0.43
5.	Samathur	3	09/05 to 06/07	2,73,462	82,039	1,91,423	0.02
6.	Saravanampatti	12	04/05 to 09/07	18,66,548	5,59,965	13,06,583	4.79
7.	Sulur	6	08/03 to 02/05	4,43,551	1,33,064	3,10,487	0.67
8.	Thudiyalur	10	05/03 to 09/06	17,68,753	5,30,623	12,38,130	3.65
9.	Zaminuthukuli	12	04-05 to 07-08	15,72,298	4,41,176	11,31,122	1.71
Karur District							
10.	Punjaipugalur	6	05/04 to 12/05	12,88,068	3,86,418	9,01,650	0.58
Salem District							
11.	Kannankurichi	10	04/03 to 12/05	10,18,764	3,05,630	7,13,134	4.64
12.	PN Patty	1	04/07	2,16,493	64,948	1,51,545	0.57
13.	Valapadi	6	05/03 to 04/07	5,38,234	1,61,469	3,76,765	0.33
Tirunelveli District							
14.	Moolakkarai	1	06-07	1,94,000	58,200	1,35,800	0.45
15.	Vadaku Valliyoor	3	04-05 to 06-07	11,37,807	3,41,341	7,96,466	0.54
Thoothukudi District							
16.	Kayathar	3	05-06	74,373	--	74,373	0.74
Total		89					31.09

Appendix 2.3

(Reference: Paragraph 2.1.10.2; Page 40)

Amount lying in inoperative accounts

Name of the TP	Type of account	Period from which inoperative	Details	Amount (In rupees)
Coimbatore District				
1. Saravanampatty	Treasury account II	May 2003	Central schemes	2,66,936
	Treasury account III	April 2001	Own funds	2,278
2. Sulur	Treasury account II	October 2002	State schemes	7,79,911
	Treasury account III	March 1999	Central schemes	53,919
3. Thudiyalur	Treasury account II	January 2007	State schemes	10,16,038
	Treasury account III	Prior to 1996-97	Central schemes	236
Salem District				
4. Elampillai	Treasury account III	December 2005	Central schemes	30,602
5. Kannankurichi	Treasury account III	March 2003	Central schemes	32,609
	Post Office SB account	June 2001	Central schemes	25,000
	Post Office SB account	March 2001	State schemes	10,334
	Treasury account III	January 2002	Central schemes	80,213
6. PN Palayam	Treasury account III	January 2002	Central schemes	80,213
7. Sendarapatty	Post Office SB account	July 1997	Central schemes	2,62,384
8. Valapadi	Treasury account II	April 2005	Central schemes	38,460
	Treasury account III	April 2004	State schemes	58,738
Thanjavur District				
9. Papanasam	Post Office	April 2002	Central schemes	1,50,121
10. Peravurani	Post Office SB account	January 1996	Central schemes	17,269
	Post Office SB account	April 2005	Own funds	48,654
	Thanjavur Central Co-op. Bank	July 2002	Own funds	15,811
	Post Office SB account	April 1997	Central schemes	88,655
11. Thiruppananthal	Post Office SB account	April 1997	Central schemes	88,655
Total				29,78,168 or Rs 29.78 lakh

ABSTRACT

Central Scheme funds	:	Rs 10.46 lakh
State Scheme funds	:	Rs 18.65 lakh
General Fund	:	Rs 0.67 lakh
Total	:	Rs 29.78 lakh

Amount lying in		
Treasury	:	Rs 23.60 lakh
Post Office Savings Bank	:	Rs 6.02 lakh
Central Co-op. Bank	:	Rs 0.16 lakh
Total	:	Rs 29.78 lakh

Appendix 2.4

(Reference: Paragraph 2.1.11.1; Page 41)

(i) Partial primary collection of solid waste

Sl.No	Name of TP	No. of wards in which door to door collection was done out of 15 wards in each TP
Coimbatore District		
1.	Annur	9
2.	Kannampalayam	13
3.	Samalapuram	3
4.	Samathur	12
5.	Saravanampatti	9
6.	Thenkarai	12
7.	Thirumalayampalayam	7
8.	Veerakeralam	12
Salem District		
9.	Elampillai	13
10.	Kannankurichi	12
11.	Karuppur	9
12.	Panamarathupatti	0
13.	PN Palayam	11
14.	Valapadi	7
15.	Veerakkalpudur	12

(ii) Partial secondary collection

(Quantity in MT)

Sl. No	Name of TP	Solid Waste (per month)		
		Primary collection	Secondary collection	Accumulation
Coimbatore District				
1.	Avinashi	201.00	160.80	40.20
2.	Kannampalayam	120.00	100.00	20.00
3.	Sankaramanallur	19.92	15.00	4.92
4.	Saravanampatti	125.00	112.50	12.50
5.	Sulur	237.78	150.00	87.78
Salem District				
6.	Valapadi	150.00	127.50	22.50
Thanjavur District				
7.	Melathiruppanthuruthi	30.00	27.00	3.00
Total		883.70	692.80	190.90

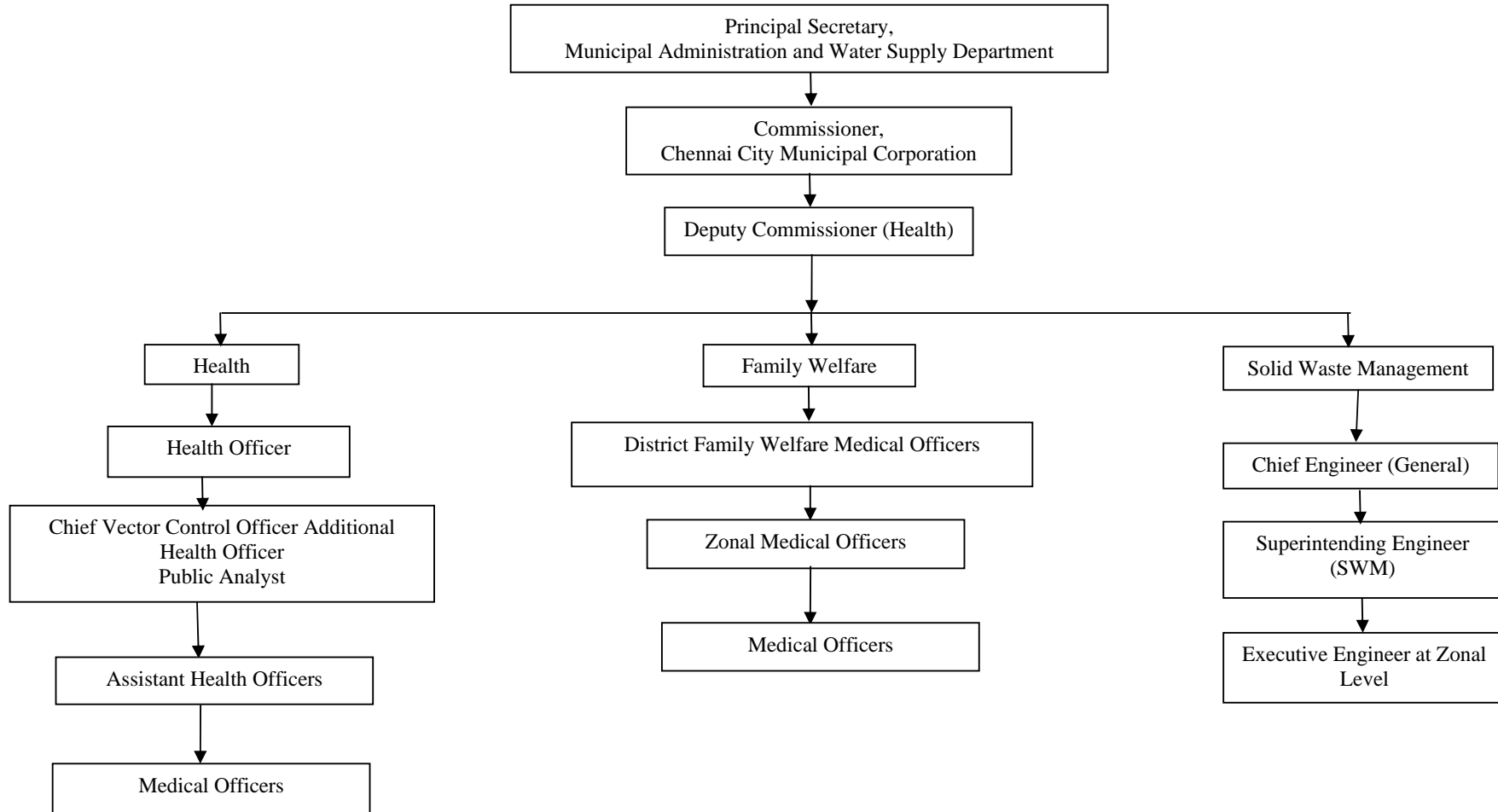
Appendix 2.5

(Reference: Paragraphs 2.1.11.1, 2.1.11.2 and 2.1.11.3; Pages 41 and 42)

Management of solid waste

Name of the district	Name of the Town Panchayat					
	Non- segregation of solid waste		Application for no objection certificate pending with Tamil Nadu Pollution Control Board		Compost not generated	
Coimbatore	1.	Annur	1.	Samathur	1.	Annur
	2.	Kalapatty	2.	Thudiyalur	2.	Kannampalayam
	3.	Kannampalayam			3.	Samalapuram
	4.	Samalapuram			4.	Samathur
	5.	Samathur			5.	Sankaramanallur
	6.	Sankaramanallur			6.	Thenkarai
	7.	Saravanampatty			7.	Zaminuthuikuli
	8.	Thenkarai				
	9.	Thirumalayampalayam				
	10.	Veerakeralam				
Karur Salem	11.	Aravakurichi	3.	Aravakurichi		
	12.	Elampillai	4.	P.N.Palayam	8.	Elampillai
	13.	Kannankurichi	5.	P.N.Patty	9.	Panamarathupatty
	14.	P.N.Palayam	6.	Veerakkalpudur	10.	Valapadi
	15.	P.N.Patty			11.	Veerakkalpudur
	16.	Panamarathupatty				
	17.	Sendarapatty				
	18.	Valapadi				
Sivagangai	19.	Kandanur	7.	Kanadukathan		
	20.	Manamadurai	8.	Kandanur		
			9.	Thiruppuvanam		
Thanjavur	21.	Aduthurai	10.	Aduthurai	12.	Aduthurai
	22.	Darasuram	11.	Darasuram	13.	Darasuram
	23.	Melathiruppanthuruthi	12.	Melathiruppanthuruthi		
	24.	Papanasam	13.	Papanasam		
	25.	Peravurani	14.	Peravurani		
	26.	Thiruppanandal	15.	Thiruppanandal		
	27.	Kayathar	16.	Eral		
Thoothukudi	28.	Pudur (V)	17.	Kayathar		
	29.	Srivaikundam	18.	Pudur (V)		
	30.	Tiruchendur	19.	Srivaikundam		
	31.	Udangudi	20.	Tiruchendur		
			21.	Udangudi		
Tirunelveli	32.	Illanji	22.	Illanji		
	33.	Kallidaikurichi	23.	Kallidaikurichi		
	34.	Manimuthar	24.	Manimuthar		
	35.	Moolakkaraipatti	25.	Moolakkaraipatti		
	36.	Mukkudal	26.	Mukkudal		
	37.	Panagudi	27.	Panagudi		
	38.	Sundarapandiapuram	28.	Sundarapandiapuram		
	39.	Thirukkurungudi	29.	Thirukkurungudi		
	40.	Vadakku Valliyoor	30.	Vadakku Valliyoor		

Appendix 2.6
(Reference: Paragraph 2.2.2; Page 45)
Organisational Chart



Appendix 2.7

(Reference: Paragraph 2.3.3.2; Page 65)

Non-availability of children play-material in the play field (Coimbatore City Municipal Corporation)

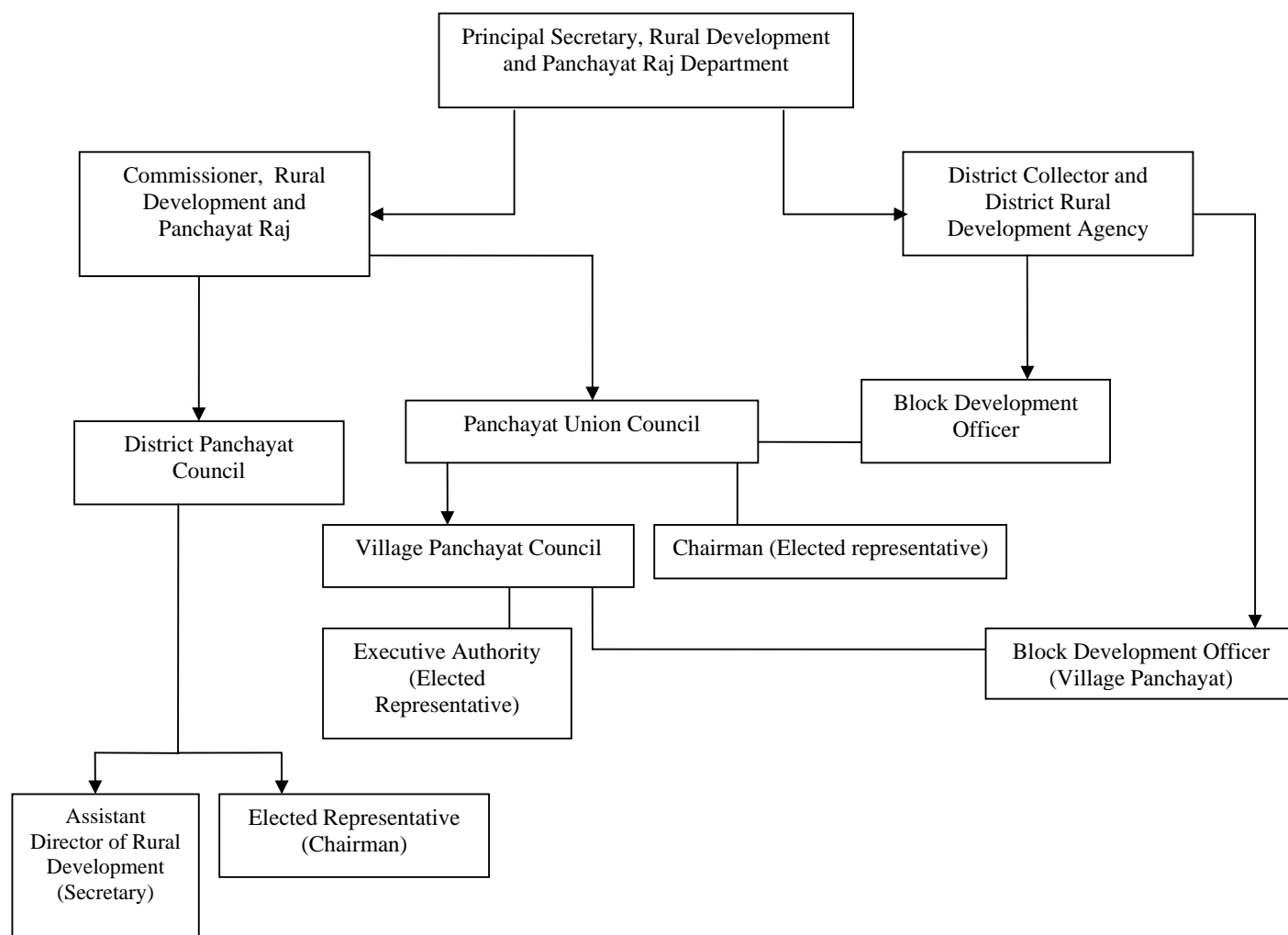
Sl.No.	Location of the play field	Name of the Zone
1.	Balaji Nagar	East
2.	Thiyagi Shanmuga Nagar	East
3.	Indira Garden	East
4.	Murugan Nagar	East
5.	Ramalinga Jothi Nagar	East
6.	Ganesh Layout	East
7.	Sriram Colony	East
8.	Ramalakshman Nagar	East
9.	Vivekananda Nagar	East
10.	CGV Nagar	West
11.	Jayanthi Nagar	North
12.	Ganapathi Garden	North
13.	Maruthiah Nagar	North
14.	Meenakshi Nagar	North

Appendix 3.1
(Reference: Paragraph 3.1.1; Page 70)
Non-realisation of water supply deposit

Sl. No.	Name of municipality	Nature of connection	No. of connections	Deposit per connection (in rupees)			Total short collection (Rupees in lakh)
				Due	Collected	short	
1.	Colachel	Domestic	1,938	2,000	1,500	500	9.69
		Commercial	1	5,000	3,000	2,000	0.02
		Industrial	48	7,000	4,500	2,500	1.20
2.	Mayiladuthurai	Domestic	3,581	4,000	500	3,500	125.34
3.	Nellikuppam	Domestic	1,664	2,000	30	1,970	32.78
		Domestic	324	2,000	120	1,880	6.09
		Domestic	462	2,000	1,000	1,000	4.62
4.	Periyakulam	Domestic (old)	3,750	4,000	2,000	2,000	75.00
		Domestic (new)	1,471	4,000	*	*	23.84
5.	Pudukottai	Domestic	3,464	2,000	60	1,940	67.20
		Industrial	10	3,000	120	2,880	0.29
		Commercial	115	5,000	180	4,820	5.54
Total							351.61
Less: Amount collected							1.10
							350.51 or Rs 3.51 crore

* Break up details not available. Total due Rs 58.84 lakh; collection Rs 35 lakh

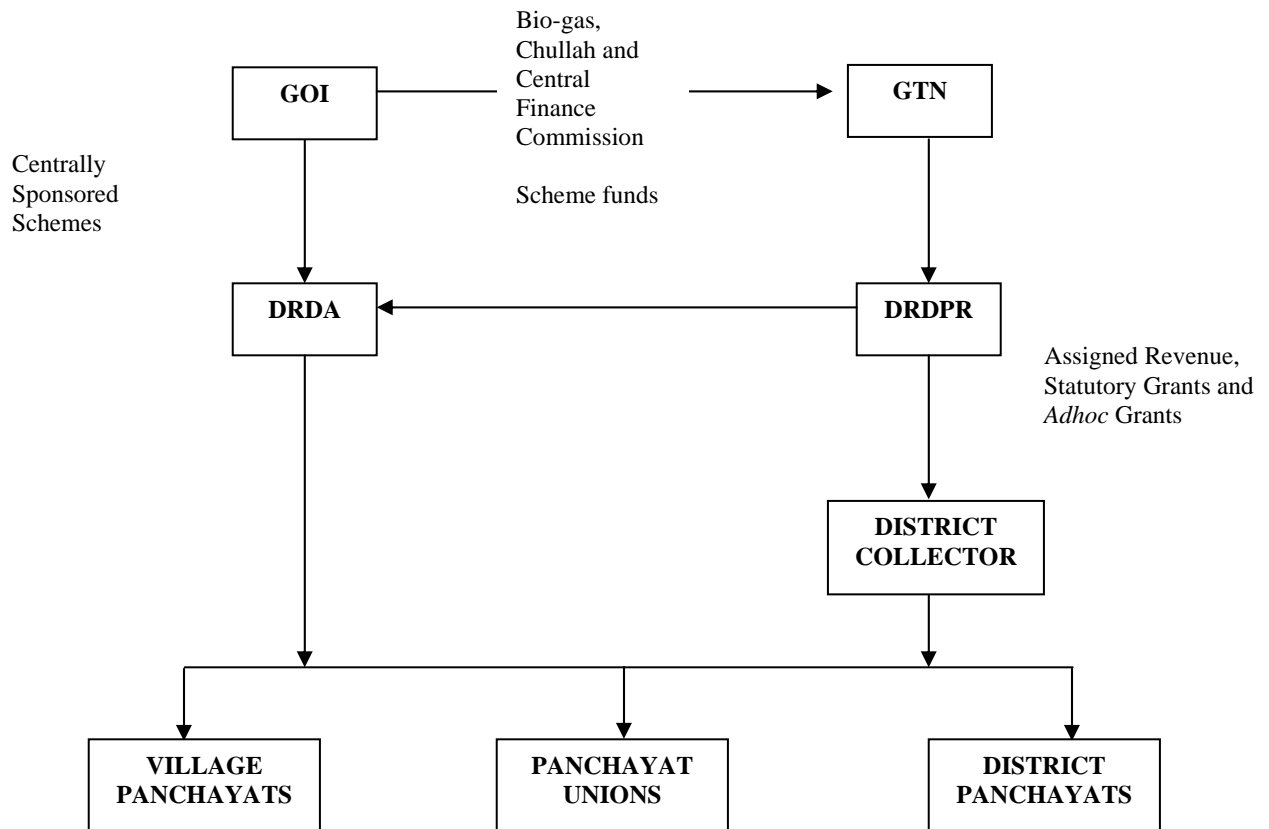
Appendix 4.1
(Reference: Paragraph 4.1.2; Page 84)
Organogram of Panchayat Raj Institutions



Appendix 4.2

(Reference: Paragraph 4.3.2; Page 88)

Funds flow chart to Panchayat Raj Institutions



Appendix 4.3

(Reference: Paragraph 4.4.2; Page 90)

Devolution of functions to Panchayat Raj Institutions

1. Agriculture including agricultural extension.
2. Land improvement, implementation of land reforms, land consolidation and soil conservation.
3. Minor irrigation, water management and watershed development.
4. Animal husbandry, dairying and poultry.
5. Fisheries.
6. Social forestry and farm forestry.
7. Minor forest produce.
8. Small scale industries, including food processing industries.
9. Khadi, Village and Cottage industries.
10. Rural Housing.
11. Drinking water.
12. Fuel and fodder.
13. Roads, Culverts, Bridges, Water ways and other means of communication.
14. Rural electrification, including distribution of electricity.
15. Non-conventional energy sources.
16. Poverty alleviation programme.
17. Education, including primary and secondary schools.
18. Technical training and vocational education.
19. Adult and non-formal education.
20. Libraries.
21. Cultural activities.
22. Market and fairs.
23. Health and sanitation, including hospitals, primary health centres and dispensaries.
24. Family Welfare.
25. Women and Child development.
26. Social Welfare including welfare of the handicapped and mentally retarded.
27. Welfare of the weaker sections, and in particular the Scheduled Caste and Schedule Tribes.
28. Public Distribution System.
29. Maintenance of community assets.

Appendix 4.4

(Reference: Paragraph 4.4.3; Page 90)

Major recommendations of the high power committee approved by Government

- (i) Grama Sabha to act as a forum of social audit for all the schemes implemented by various departments;
- (ii) Grama Sabha to approve the list of all individual beneficiary schemes;
- (iii) As in the case of Panchayat Unions and District Panchayats, conversion of single member wards in all Village Panchayats into multi-member wards;
- (iv) Stability of tenure of rural and urban local body representatives by making the moving and passing of no confidence motions more stringent;
- (v) Empowering weaker Village Panchayats by enhancing their State Finance Commission grants and allocating the entire Central Finance Commission grants to Village Panchayats so as to enable them to meet the expenditure relating to water supply, electricity charges and sanitation;
- (vi) Pooling of assigned revenues of Local Cess, Local Cess Surcharge, Surcharge on Stamp Duty and Entertainment Tax at State level and apportioning it to the districts thereafter;
- (vii) Giving Panchayat Raj Institutions greater operational independence by enhancing administrative sanction powers of Village Panchayats, Panchayat Unions and District Panchayats for works taken from their General Funds;
- (viii) Rationalisation of Village Panchayat accounts;
- (ix) Making BDOs (Village Panchayats) as separate pay drawing officers;
- (x) Revival of Namakku Naame Thittam;
- (xi) Formulation of Panchayat Union School renovation Programme; and
- (xii) Setting up of libraries and sports centres in all Panchayats under AGAMT.

Appendix 4.5**(Reference: Paragraph 4.4.4; Page 91)****Details of major recommendations of Third State Finance Commission accepted by Government relating to Panchayat Raj Institutions on which orders issued in May 2007**

- (i) Devolution of funds from State's own Tax Revenue for the year 2007-08 will be at 9 *per cent*. The rate at which the devolution of funds to be made in each year during the award period will be intimated every year.
- (ii) For arriving at the net State's own Tax Revenue for the purpose of devolution of grants, Tamil Nadu Rural Road Development Fund, other surcharges including specific surcharges and collection charges for tax administration heads alone shall be deducted.
- (iii) The existing vertical sharing ratio of 58:42 between Panchayat Raj Institutions and Urban Local Bodies shall be followed during the award period.
- (iv) 58 *per cent* share of Panchayat Raj Institutions in the devolution grant shall be distributed to Village Panchayats, Panchayat Unions and District Panchayats in the ratio of 60:32:8 respectively.
- (v) Government shall reserve 5 *per cent*, out of 60 *per cent* share of Village Panchayats from State Finance Commission devolution towards infrastructure gap filling fund.
- (vi) Out of infrastructure gap filling fund, 50 *per cent* shall be allocated towards Anaithu Grama Anna Marumalarchi Thittam and out of the balance 50 *per cent* of the fund, a part of the amount shall be allocated to the Director of Rural Development for providing basic amenities in the districts and the rest shall be allocated to the District based on population and the District Collectors shall utilise the funds for the same purpose.
- (vii) A minimum grant of Rs 3 lakh to each Village Panchayat shall be provided as a measure of equalisation from out of the Village Panchayats' share of 55 *per cent*. The remaining amount shall be distributed based on population.
- (viii) The devolution grant shall be distributed within each tier of Panchayat Raj Institutions and Urban Local Bodies based on 2001 population.
- (ix) Government orders on the basis to be adopted for distribution of funds among various local bodies would be issued separately by the respective departments in consultation with Finance Department.
- (x) The 5 *per cent* infrastructure gap filling fund for Panchayat Raj Institutions shall be deducted from the devolution share of concerned tier of Panchayat Raj Institutions. The balance devolution grant shall be released in 10 monthly instalments (from April to January) as per the existing procedure based on the budget estimate provisions and the balance based on the revised estimate provisions for State's own Tax Revenue. Necessary funds shall be made available in the budget of the concerned departments. Based on accounts, if any adjustments have to be made, the same would be adjusted in the first quarter of the following year.
- (xi) Excess devolution made to Panchayat Raj Institutions shall be deducted in three instalments as on 1 April 2007.
- (xii) Pension commitment of local body pensioners shall be deducted from the devolution meant for respective local bodies instead of respective tiers.

Appendix 5.1
(Reference: Paragraph 5.1.3; Page 102)
List of selected Panchayat Unions

Sl.No	Name of the Panchayat Union	Sl.No	Name of the Panchayat Union
Coimbatore District		Madurai District	
1	Anamalai	21	Chellampatti
2	Avinashi	22	Kottampatti
3	Karamadai	23	Madurai West
4	Madathukulam	24	Sedapatti
5	Perianaikenpalayam	25	Thirumangalam
6	Pollachi North	26	Usilampatti
7	Pongalur	Perambalur District	
8	Sultanpet	27	Andimadam
9	Thondamuthur	28	Jeyangondam
10	Udumalpet	29	Senthurai
Erode District		30	Thirumanur
11	Ammapet	31	Veppur
12	Bhavani	Sivagangai District	
13	Chennimalai	32	Ilayangudi
14	Erode	33	Kallal
15	Kangeyam	34	Manamadurai
16	Kundadam	35	Sakkottai
17	Mulanur	36	Sivagangai
18	Perunthurai	37	Thiruppuvanam
19	T.N.Palayam	The Nilgiris District	
20	Uthukuli	38	Gudalur
		39	Udhagamandalam

Appendix 5.2

(Reference: Paragraph 5.1.4; Page 102)

Financial and physical progress in the test-checked Panchayat Unions

(Rupees in crore)

Sl.No.	District	No. of Panchayat Unions	Progress for the year 2006-07				
			No. of villages	Amount allocated	Expenditure	No. of works taken up	No. of works completed
1.	Coimbatore	10	47	8.99	8.18	2,022	2,022
2.	Erode	10	40	7.25	7.22	1,674	1,674
3.	Madurai	6	32	6.10	5.97	991	991
4.	Perambalur	5	33	5.79	5.50	838	838
5.	Sivagangai	6	51	9.92	9.73	671	671
6.	The Nilgiris	2	4	0.74	0.74	97	97
	Total	39	207	38.79	37.34	6,293	6,293

(Rupees in crore)

Sl.No.	District	No. of Panchayat Unions	Progress for the year 2007-08				
			No. of villages	Amount allocated	Expenditure	No. of works taken up	No. of works completed
1.	Coimbatore	10	46	8.81	8.35	2,220	2,220
2.	Erode	10	39	7.30	7.29	1,485	1,485
3.	Madurai	6	33	6.29	5.09	784	784
4.	Perambalur	5	33	6.22	5.97	886	886
5.	Sivagangai	6	52	9.72	9.72	670	670
6.	The Nilgiris	2	4	0.84	0.84	106	106
	Total	39	207	39.18	37.26	6,151	6,151

Appendix 5.3
(Reference: Paragraph 5.1.4.2; Page 103)

Temporary diversion of scheme funds

(Rupees in lakh)

Sl.No.	Name of the Panchayat Union	Date of diversion	Amount diverted	Date of recoupment	Recouped amount
1.	Usilampatti	21.06.2007	1.80	Nil	Nil
2.	Kallal	10.10.2007	2.08	Nil	Nil
3.	Andimadam	17.12.2007	3.24	06.03.2008	3.24
		27.05.2008	3.24	25.08.2008	3.24
		25.07.2008	2.16	25.08.2008	2.16
4.	Sendurai	08.03.2007	1.92	Nil	Nil
5.	Veppur	07.03.2007	0.96	Nil	Nil
		13.03.2007	0.96	Nil	Nil
6.	Chennimalai	01.06.2007	1.09	18.07.2008	1.09
7.	Sultanpet	26.06.2007	3.24	17.09.2007	3.24
		29.06.2007	1.08	17.09.2007	1.08
8.	Madathukulam	31.07.2007	4.65	08.10.2007	4.65
Total			26.42		18.70