

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 2008-09 together with other points arising out of audit of transactions of the Government of Tamil Nadu are included in separate volumes of the Report (Civil) of 2008-09.

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 2008-09 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 2009 have also been included wherever considered necessary.

OVERVIEW

This Audit Report, dealing with the results of audit of accounts and transactions of Local Bodies, is prepared in two parts and consists of five 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 May 2010, audit of Urban Local Bodies was mostly in arrears for a period ranging from one to three years. As of March 2009, the number of paragraphs of Inspection Reports issued during 2005-08 by the Director of Local Fund Audit relating to Urban Local Bodies pending settlement aggregated to 43,308.

During 2008-09, own revenue collection of the Urban Local Bodies was Rs 1,742 crore of which tax-revenue was Rs 1,046 crore. While the own revenue of Chennai City Municipal Corporation and Other Municipal Corporations increased during 2008-09, the same in respect of Municipalities decreased during 2008-09.

During 2007-08, Twelfth Finance Commission grants were released to Urban Local Bodies with delays ranging between nine and 334 days and the State Government did not pay interest for the delayed release of grants.

(Paragraphs 1.1 to 1.9)

II Performance reviews - Urban Local Bodies

1 Anaithu Peruratchi Anna Marumalarchi Thittam – a scheme for strengthening infrastructure of Town Panchayats

Performance Audit of Anaithu Peruratchi Anna Marumalarchi Thittam, a State Government sponsored scheme in 35 selected Town Panchayats revealed the following:

- There was delay of more than three months in release of Rs 10.68 crore to Town Panchayats by five Zonal Assistant Directors of Town Panchayats.
- For want of clear instructions in the guidelines, eight Town Panchayats refunded unspent balance of Rs 12.04 lakh to the Director of Town Panchayats.
- Failure of five Zonal Assistant Directors of Town Panchayats to follow the instructions of Director of Town Panchayats in procurement of compact fluorescent lamps resulted in avoidable expenditure of Rs 13.42 lakh.

- Twenty community halls constructed under the scheme at a cost of Rs 2.72 crore were not put to use either due to lack of basic amenities or due to their construction in remote areas.
- Defects such as poor quality of work and non-shifting of electricity poles to the edge of the road were noticed in cement concrete roads formed in four Town Panchayats.
- 33 out of 37 shops constructed at a cost of Rs 42.08 lakh in five Town Panchayats were not let out either due to lack of demand or non-availability of power connection.
- There was a shortfall of 74 per cent in convening the meetings of District Level Monitoring Committee in four test-checked districts.

(Paragraph 2.1)

2 Utilisation of Central Twelfth Finance Commission Grant for Solid Waste Management in Urban Local Bodies

Performance Audit of Utilisation of Central Twelfth Finance Commission Grant for Solid Waste Management in three Municipal Corporations, 20 Municipalities and 55 Town Panchayats revealed the following:

- In three test-checked local bodies, grants received for the period 2005-06 to 2007-08 were not utilised.
- Salem City Municipal Corporation diverted Rs 3.06 crore towards fuel expenses during 2005-07.
- Infrastructural facilities created for segregation and conversion of waste into manure were not utilised in seven test-checked municipalities and Vellore Corporation.
- High Level Committee meetings to review the utilisation of grants were held only once in a year during 2005-06 to 2008-09 instead of once in a quarter.

(Paragraph 2.2)

III Audit of transactions in Urban Local Bodies

Failure of Alandur Municipality to collect scavenging fee and administrative charges from marriage halls/restaurants/industries/ wine shops resulted in loss of revenue of Rs 30.84 lakh.

(Paragraph 3.1.1)

Failure of Sankarankoil Municipality to provide additional connections for water supply and collect monthly water charges and deposit resulted in loss of revenue of Rs 30.27 lakh.

(Paragraph 3.1.2)

Failure of Madurai City Municipal Corporation to evict the encroachment or to collect lease rent for encroached area resulted in loss of revenue of Rs 28.03 lakh.

(Paragraph 3.1.3)

Failure of Sankarnagar Town Panchayat to levy tax on vacant land owned by Tamil Nadu Housing Board resulted in non-realisation of revenue of Rs 27.76 lakh.

(Paragraph 3.1.4)

Failure of Madurai City Municipal Corporation to include the supervision charges in the estimate resulted in loss of revenue of Rs 23.16 lakh.

(Paragraph 3.1.5)

Failure of Coonoor Municipality to coordinate with the Forest Department for maintenance of the check dam constructed in the forest area resulted in unfruitful expenditure of Rs 62.89 lakh.

(Paragraph 3.2.1)

Failure of Tindivanam Municipality to terminate the contract at the risk and cost of the contractor and making payment before completing entire work resulted in unfruitful expenditure of Rs 29.58 lakh.

(Paragraph 3.2.2)

Failure of Tiruchirappalli City Municipal Corporation to reduce the contracted demand from 231 KVA despite consuming less power resulted in avoidable payment of Rs 13.14 lakh towards electricity charges.

(Paragraph 3.3.1)

Failure of the Salem City Municipal Corporation to ensure the facility of processing wastes into biodegradable and non-biodegradable wastes before segregating wastes resulted in avoidable expenditure of Rs 12.82 lakh.

(Paragraph 3.3.2)

IV Accounts and finances of Panchayat Raj Institutions

There were 12,620 Village Panchayats, 385 Panchayat Unions and 30 District Panchayats in the State as of March 2009.

Computers purchased and distributed to Panchayat Raj Institutions at a cost of Rs 51.64 crore for maintenance of accounts and data base could not be utilised for the intended purpose.

The Director of Local Fund Audit is the statutory auditor for District Panchayats and Panchayat Unions. As of December 2009, the audit of accounts of six Panchayat Unions for 2007-08 and 372 Panchayat Unions and 17 District Panchayats for 2008-09 were pending. 4,570 paragraphs of Inspection Reports issued by Director of Local Fund Audit relating to Panchayat Unions prior to 2003-04 was pending settlement. Out of 2,523 Village Panchayats to be test-checked by Director of Local Fund Audit in each year, the audit of accounts of 896 for 2007-08 and 1,561 for 2008-09 was pending.

Interest on Provident Fund account of the Panchayat Union employees in 15 test checked Panchayat Unions were not paid from 1989-90 to 2008-09 either due to non forwarding of the claim proposals by the concerned Block

Development Officer or non authorisation of the claim proposals by the Director of Local Fund Audit, who is the sanctioning authority.

In 17 test checked Panchayat Unions, unclaimed deposits amounting to Rs 18.29 lakh were not lapsed and credited to their General Fund Account.

(Paragraphs 4.1 to 4.9)

V *Audit of transactions in Panchayat Raj Institutions*

Failure of Thiruppullani Panchayat Union to rectify the discrepancy in the NABARD loan availed by it resulted in excess payment of Rs 6.09 lakh.

(Paragraph 5.1.1)

CHAPTER I

AN OVERVIEW OF THE ACCOUNTS AND FINANCES OF URBAN LOCAL BODIES

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AN OVERVIEW OF THE ACCOUNTS AND FINANCES OF URBAN LOCAL BODIES

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 2009 along with the average population covered by each type of urban local body as per the 2001 census is given in **Table 1.1**.

Table 1.1: Number of ULBs with average population covered

| Category of ULB | Number of Urban Local Bodies | Population (as per 2001 census) | Average population covered per local body (as per 2001 census) |
|------------------------|------------------------------|---------------------------------|--|
| Municipal Corporations | 10* | 88,32,922 | 8,83,292 |
| Municipalities | 148 | 92,95,784 | 62,810 |
| Town Panchayats | 561 | 76,46,386 | 13,630 |

(Source: Performance Budget 2007-08 of the Municipal Administration and Water Supply Department)

* Two corporations (Vellore and Thoothukudi) formed in August 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 registered a growth of 43 *per cent*.

1.1.3 The Municipalities and Town Panchayats are classified into different grades by the Government of Tamil Nadu 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 10 crore | 20 |
| | Selection grade | Rs 6 crore and above but below Rs 10 crore | 29 |
| | First grade | Rs 4 crore and above but below Rs 6 crore | 29 |
| | Second grade | Below Rs 4 crore | 21 |
| | Third grade | (Erstwhile Town Panchayats with population exceeding 30,000) | 49 |
| | | Total | 148 |

| Category of ULB | Grade | Annual income | Number |
|------------------------|-----------------|---------------------------------------|------------|
| 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 |

(Source : Policy Note 2009-10 of Municipal Administration and Water Supply Department)

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. Principal Secretary, MAWS exercises this control through Director of Municipal Administration (DMA) in case of Municipalities and Municipal Corporations except Chennai and through Director of Town Panchayats (DTP) in case of Town Panchayats. The Chennai City Municipal Corporation is under the direct administrative control of Tamil Nadu Government i.e., Principal Secretary, MAWS Department. An organisational chart on the administration of ULBs is given in **Appendix 1.1**.

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

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 Urban Local Bodies

Apart from the General Fund Account, the following accounts are maintained under the accrual-based system of accounting by all the Municipalities, five¹ 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).

¹ Coimbatore, Madurai, Salem, Tiruchirappalli and Tirunelveli

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 Third State Finance Commission (TSFC) also recommended that all ULBs 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. Subsequently, all the ULBs (9 Corporations and 148 Municipalities and all 561 Town Panchayats) had been instructed (October 2009 and November 2009) by the DMA and DTP respectively to upload the data on the finances, in the prescribed formats for the years from 2004-05 to 2009-10. The DMA stated (May 2010) that the uploading of the data was being monitored regularly and the consolidation of statements for the years 2004-05 to 2008-09 were under process.

1.3.4 Finalisation of Accounts

All the ULBs have to submit their accounts of each year to 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 2007-08 is given in **Table 1.3**.

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

| Category of ULB | Number of ULBs not submitted accounts relating to | | As of |
|-----------------|---|---------|--------------|
| | 2007-08 | 2008-09 | |
| Corporations | Nil | 3 | April 2010 |
| Municipalities | Nil | 53 | April 2010 |
| Town Panchayats | 2 | 83 | January 2010 |

(Source: Details furnished by DLFA in March 2010 and DMA in May 2010)

The pendency in preparation of accounts of ULBs and the eventual delay in the audit of their accounts would result in continued existence of deficiencies in the accounts.

1.4 Audit arrangements

1.4.1 DLFA is the statutory auditor for ULBs (including Town Panchayats). Fifty *per cent* of the actual cost of audit² of DLFA is paid by the ULBs out of the Municipal fund.

1.4.2 The Principal Accountant General (PAG) audits the ULBs under Section 14 of the Comptroller and Auditor General of India'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.

1.4.3 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 (March 2010) by DLFA as of January 2010 and by DMA in May 2010 as of April 2010 is given in **Table 1.4**.

Table 1.4: Position of non-completion of audit of ULBs

| Category of ULB | Total number | 2006-07 Number of units | | | 2007-08 Number of units | | | 2008-09 Number of units | | |
|-----------------|---|----------------------------|---------------------|-------------------|----------------------------|-----|-----|----------------------------|-----|-----|
| | | Completed accounts (A) | Audit completed (B) | Audit pending (C) | (A) | (B) | (C) | (A) | (B) | (C) |
| Corporations | 6 (2006-07) 8 (2007-08) 10 (2008-09) | 6 | 6 | Nil | 8 | 7 | 1 | 6 | Nil | 10 |
| Municipalities | 152 (2006-07) 150 (2007-08) 148 (2008-09) | 152 | 152 | Nil | 150 | 119 | 31 | 95 | 7 | 141 |
| Town Panchayats | 561 | 561 | 559 | 2 | 559 | 324 | 237 | 478 | 62 | 499 |

(Source: Details furnished by DLFA in March 2010 and DMA in May 2010)

The main reasons attributed (September 2009) 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 31 May 2009 and for Municipalities and Town Panchayats is 15 May 2009, only six corporations and 95 Municipalities had submitted their accounts as of April 2010.

1.4.4 DLFA reported (September 2009) that the number of paragraphs relating to Municipal Corporations, Municipalities and Town Panchayats included in their Inspection Reports (IRs) issued during 2005-08 that were pending settlement as of March 2009 aggregated to 43,308 paragraphs. The category wise pendency are as given in **Table 1.5**.

² As per G.O. Ms. No. 62 dated 17.1.1994 of Finance (Local Fund) Department

Table 1.5: Category-wise pendency of inspection paragraphs of DLFA

| Category of ULB | Number of paragraphs pending |
|------------------------|------------------------------|
| Corporations | |
| Chennai | 1,888 |
| Coimbatore | 925 |
| Salem | 773 |
| Tiruchirappalli | 1,212 |
| Tirunelveli | 599 |
| Madurai | 748 |
| Tiruppur | 170 |
| Erode | 168 |
| Vellore | 175 |
| Thoothukudi | 208 |
| Municipalities | 10,813 |
| Town Panchayats | 25,629 |
| Total | 43,308 |

(Source: Details furnished by DLFA in September 2009)

The details of inspection paragraphs issued during 2008-09 are yet to be compiled by DLFA and made available to Audit. The year-wise break-up details are given in **Appendix 1.2**.

1.4.5 Based on the recommendations of Second State Finance Commission (SSFC), State Government formed (June 2007) District High Level Committee (DHLC) for settling the pending paragraphs of DLFA relating to Municipal Corporations and State High Level Committee for monitoring the functions of DHLC. For municipalities District Committees were already in existence.

The CMA stated (January 2010) that 249 paragraphs relating to four Municipal Corporations (Coimbatore, Madurai, Tiruchirappalli and Tiruppur) and 1,136 paragraphs relating to Municipalities of four regions (Madurai, Thanjavur, Tirunelveli and Tiruppur) were settled during 2009 in the DHLC meetings.

The DTP stated (January 2010) that 24 DHLC meetings and one State High Level Committee meeting were conducted during January 2008 to November 2009 and 1,056 audit objections relating to Town Panchayats were settled in those meetings. DTP further stated that audit objections settlement meetings are being conducted at zonal level every month from April 2009.

In spite of formation of such committees large number of audit objections were pending settlement indicating the inadequate response from ULBs.

1.4.6 Audit of ULBs by Principal Accountant General (Civil Audit)

Audit of ULBs through test check of records are followed-up through Inspection Reports issued to the Commissioner, MAWS with copies to ULBs. Government has 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.

Joint sittings numbering 18 and seven were held in 2008-09 and 2009-10 respectively involving departmental offices and all outstanding paragraphs upto 2005-06 were settled on the basis of replies given by the departments.

As of May 2010, 2,920 paragraphs relating to 524 Inspection Reports were not settled for want of satisfactory replies, as indicated in **Table 1.6**.

Table 1.6: Year-wise pendency of paragraphs of PAG (Civil Audit)

| Year | Numbers | |
|--------------|--------------------|--------------|
| | Inspection Reports | Paragraphs |
| 2006-07 | 52 | 78 |
| 2007-08 | 114 | 171 |
| 2008-09 | 358 | 2,671 |
| Total | 524 | 2,920 |

1.5 Devolution of functions, functionaries and funds

Out of the 18 functions listed in the Twelfth Schedule of the Constitution to be devolved on the Municipalities and Municipal Corporations, Government stated (November 2006) that 10 functions were statutory and were already vested in the ULBs while three other functions were transferred after 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.

Based on the recommendations of the High Power Committee, State Government enhanced (February 2009) the powers of DMA in respect of Municipal Corporations other than Chennai to sanction estimates exceeding Rupees One Crore but not exceeding Rupees Five Crore.

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 devolved functions. Government also reported that plan and non-plan discretionary grants were being transferred to ULBs in addition to successive State Finance 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.

DMA stated (June 2010) that out of 18 mandatory functions of ULBs, 17 functions (except Fire Services) have been devolved to Municipalities and Municipal Corporations.

1.6 Third State Finance Commission

The Third State Finance Commission (TSFC) in its report submitted to the State Government in September 2006, recommended for devolution of funds to local bodies in the form of a three way package viz., Pool A (dealing with assigned part such as Entertainment Tax, Surcharge on Stamp Duty, Seigniorage fees, etc.) Pool B (dealing with sharing of State's own tax revenue) and Pool C (dealing with specific purpose grants). Out of 306 recommendations relating to both Urban Local Bodies and Panchayat Raj Institutions (PRIs), Government accepted (May 2007) 162 in full/part/in principle and did not accept 89 recommendations. 55 recommendations were referred to High Level Committee or pending with Government.

As per Recommendation No.113, State Government agreed to lay minimum Property Tax at the rate of Rs 25, Rs 40 and Rs 50 per half year for Town Panchayats, Municipalities and Municipal Corporations respectively. However, no Government order was issued in this regard so far.

1.7 Receipts and Expenditure of Urban Local Bodies

1.7.1 The details of receipts and expenditure of ULBs during 2006-09 as reported by CMA (November 2009), Commissioner of Chennai City Municipal Corporation (November 2009, January 2010 and April 2010) and DTP (April 2010) 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 and the data are provisional subject to audit by DLFA.

Table 1.7: Revenue and Expenditure of ULBs during 2006-09

Chennai City Municipal Corporation

| | (Rupees in crore) | | |
|--------------------------|-------------------|------------|--------------|
| | 2006-07 | 2007-08 | 2008-09 |
| Own Revenue | 359 | 444 | 516 |
| Assigned Revenue | 116 | 138 | 101 |
| Grants | 157 | 209 | 275 |
| Loans | 4 | 4 | 25 |
| Total Receipts | 636 | 795 | 917 |
| Revenue Expenditure | 496 | 536 | 665 |
| Capital Expenditure | 121 | 199 | 405 |
| Total Expenditure | 617 | 735 | 1,070 |

(Source: Details furnished by Commissioner of Chennai City Municipal Corporation in November 2009 and January 2010 and Budget Estimates for 2008-09 and 2009-10)

Other Municipal Corporations³

(Rupees in crore)

| | 2006-07 | 2007-08 | 2008-09 |
|--------------------------|------------|------------|------------|
| Own Revenue | 233 | 283 | 382 |
| Assigned Revenue | 56 | 67 | 74 |
| Grants | 140 | 511 | 411 |
| Loans | 38 | 19 | 68 |
| Total Receipts | 467 | 880 | 935 |
| Revenue Expenditure | 303 | 367 | 479 |
| Capital Expenditure | 181 | 318 | 367 |
| Total Expenditure | 484 | 685 | 846 |

(Source: Details furnished by Director of Municipal Administration, in November 2009)

Municipalities

(Rupees in crore)

| | 2006-07 | 2007-08 | 2008-09 |
|--------------------------|--------------|--------------|--------------|
| Own Revenue | 489 | 535 | 526 |
| Assigned Revenue | 94 | 166 | 171 |
| Grants | 490 | 673 | 618 |
| Loans | 42 | 53 | 233 |
| Total Receipts | 1,115 | 1,427 | 1,548 |
| Revenue Expenditure | 617 | 678 | 795 |
| Capital Expenditure | 484 | 611 | 680 |
| Total Expenditure | 1,101 | 1,289 | 1,475 |

(Source: Details furnished by Director of Municipal Administration in November 2009)

Town Panchayats

(Rupees in crore)

| | 2006-07 | 2007-08* | 2008-09 |
|--------------------------|--------------|------------|--------------|
| Own Revenue | 1,733 | 250 | 318 |
| Assigned Revenue | 32 | 81 | 106 |
| Grants | 923 | 607 | 640 |
| Loans | 68 | 39 | 27 |
| Total Receipts | 2,756 | 977 | 1,091 |
| Revenue Expenditure | 294 | 346 | 388 |
| Capital Expenditure | 164 | 267 | 316 |
| Total Expenditure | 458 | 613 | 704 |

(Source: Details furnished by Director of Town Panchayats in April 2010)

*Figures differ from last year's report due to revised figures furnished by the Director of Town Panchayats in April 2010.

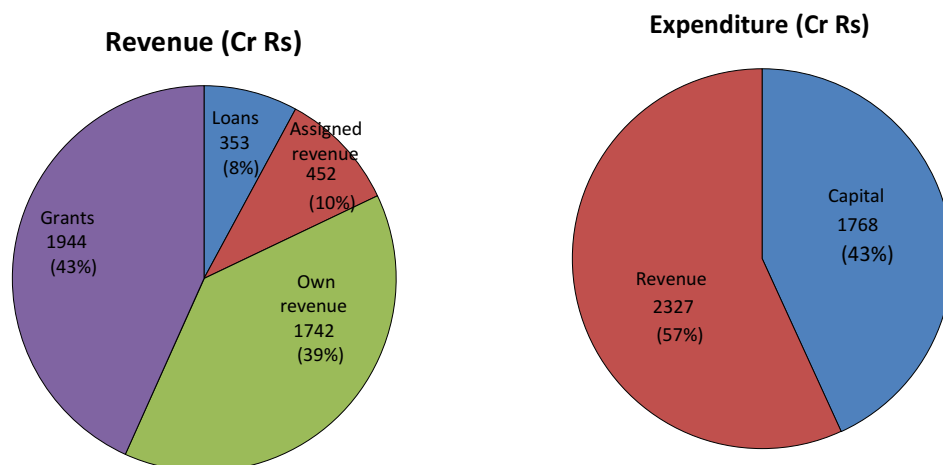
The data in the above table reveal the following:

³ Coimbatore, Madurai, Salem, Tiruchirappalli and Tirunelveli

The total receipts of Municipalities, Chennai City Municipal Corporation and other Municipal Corporations show an increasing trend during 2006-09. There was increase in the total receipts of Chennai, Coimbatore and Madurai Municipal Corporations in 2008-09 because of the receipt of more grants under Jawaharlal Nehru National Urban Renewal Mission (JNNURM). The receipts of Town Panchayats increased manifold i.e. Rs 2,756 crore during 2006-07 as compared to Rs 603 crore in 2005-06. In response to an audit query seeking reasons for such an increase, the DTP 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 discrepancies could be reconciled only on receipt of audited annual accounts from zonal offices. Correct details are yet to be received. The details for 2007-08 and 2008-09 have been furnished in April 2010, which were now incorporated in the report.

Pie charts representing component-wise receipts and expenditure for 2008-09 in respect of Chennai City Municipal Corporation, other Municipal Corporations, Municipalities and Town Panchayats are given below:

Receipts and Expenditure 2008-09



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

1.8 Receipts of Urban Local Bodies

A chart depicting various sources of revenues of ULBs is given in **Appendix 1.3**.

1.8.1 Own revenue realised

Details of own revenue realised by ULBs (including Town Panchayats) during 2006-09 as furnished by the DMA (November 2009), Chennai City Municipal Corporation (November 2009 and January 2010) and DTP (April 2010) are given in **Table 1.8**.

Table 1.8: Own revenue of ULBs

(Rupees in crore)

| Category of ULB | 2006-07 | | | 2007-08 | | | 2008-09 | | |
|-------------------------------------|-----------------|----------------------------|-----------------|---------------|----------------------------|-----------------|-----------------|----------------------------|-----------------|
| | 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* | 291.85 | 67.37 | 359.22 | 358.13 | 85.66 | 443.79 | 408.57 | 107.85 | 516.42 |
| Other Municipal Corporations (5) | 134.48 | 98.73 | 233.21 | 156.74 | 126.01 | 282.75 | 238.40 | 143.21 | 381.61 |
| Municipalities | 292.70 | 196.30 | 489.00 | 304.34 | 230.81 | 535.15 | 290.36 | 235.57 | 525.93 |
| Town Panchayats | 905.62 | 827.44 | 1,733.06 | 77.75 | 171.78 | 249.53 | 108.29 | 210.06 | 318.35 |
| Total | 1,624.65 | 1,189.84 | 2,814.49 | 896.96 | 614.26 | 1,511.22 | 1,045.62 | 696.69 | 1,742.31 |

(Source: Details for Chennai City Municipal Corporation furnished by Commissioner of Chennai City Municipal Corporation and obtained from Budget Estimates for 2008-09 and 2009-10. In respect of other ULBs, details furnished by Director of Municipal Administration and Director of Town Panchayats)

* 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 and Chennai City Municipal Corporation increased during 2006-09, that of Municipalities after increasing in 2007-08 decreased during 2008-09 due to upgradation of four Municipalities to Municipal Corporations in 2007-09.

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 ULBs is from the levy of Property Tax. The collected 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 ULB | Percentage of Property Tax to | | | | | |
|---|-------------------------------|---------|---------|-------------|---------|---------|
| | Total revenue | | | Own revenue | | |
| | 2006-07 | 2007-08 | 2008-09 | 2006-07 | 2007-08 | 2008-09 |
| Chennai City Municipal Corporation | 36 | 36 | 35 | 63 | 64 | 62 |
| Other Municipal Corporations ⁴ | 26 | 16 | 23 | 52 | 50 | 56 |
| Municipalities | 23 | 18 | 17 | 53 | 48 | 49 |
| Town Panchayats | 2 | 7 | 6 | 3 | 26 | 21 |

(Source: Details furnished by Commissioner, Chennai City Municipal Corporation, Director of Municipal Administration and Director of Town Panchayats)

⁴ Figures for 2007-08 did not include Municipal Corporations of Erode and Tiruppur which are formed in January 2008 but the figures for 2008-09 includes all nine Municipal Corporations

The position of cumulative demand (including arrears), collection and balance of Property Tax during the last three years *viz.*, 2006-07 to 2008-09 in the ULBs as reported by Commissioner of Chennai City Municipal Corporation, CMA and DTP is given in **Appendix 1.4**.

The figures in **Appendix 1.4** indicate that the percentage of Property Tax collected *vis-à-vis* that demanded in Municipalities, Chennai City Municipal Corporation and other Municipal Corporations increased from 54 to 55, 51 to 61 and 54 to 63 *per cent* respectively during 2008-09 when compared to 2006-07. In Town Panchayats, the percentage of collection after increasing from 70 in 2006-07 to 79 in 2007-08 declined to 64 in 2008-09.

Further scrutiny of data revealed that

- The CMA had been reviewing (May 2009 and December 2009) the reports received from the Commissioners of all the nine Municipal Corporations and Municipalities to monitor and improve the collection of Property Tax by them. The absence of any tangible progress indicates that such reviews did not have the desired impact as arrears of Property Tax due for collection in Municipalities continued to be high at Rs 217.21 crore, Rs 223.98 crore and Rs 211.51 crore respectively at the end of 2006-07, 2007-08 and 2008-09.

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 1.5**.

The data in **Appendix 1.5** reveal the following:

- The percentage of collection of Profession Tax in other corporations compared to the demands made varied between 72 and 71 during 2006-09.
- The percentage of collection of Profession Tax as compared to the demands made, increased from 54 in 2006-07 to 66 in 2007-08 and then decreased to 64 in 2008-09 in the Municipalities.
- As per the revised figures furnished by the DTP the percentage of collection in Town Panchayats increased from 34 in 2006-07 to 89 in 2008-09 and the collection towards current demands were in excess of the demands made during 2007-08 and 2008-09.

The Third State Finance Commission (TSFC) indicated in their report (May 2007) that during 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 provisions and owing to the lack of man power. The tax potential from this source could thus not be tapped. The revised slab suggested by the Commission for levying Profession Tax on 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 establishments 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 includes 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 1.6**.

The data in **Appendix 1.6** showed that the percentage of collection of non-tax revenues as against the demands raised by Municipal Corporations and Municipalities increased from 54 in 2006-07 to 63 in 2008-09 and from 75 in 2006-07 to 80 in 2008-09 respectively. In respect of Town Panchayats, the percentage of collection decreased from 91 in 2006-07 to 87 in 2008-09, as per the figures furnished by the DTP in December 2009.

Rupees 260.88 crore was collected as non-tax revenue by Chennai City Municipal Corporation during 2006-09. The break-up details for the demands raised and the amount collected were not furnished by the Commissioner of 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 2006-09 as reported by the Commissioner of Chennai City Municipal Corporation, CMA and DTP are shown in **Table 1.10**.

Table 1.10: Assigned Revenue to ULBs

(Rupees in crore)

| Category of ULBs | 2006-07 | | | 2007-08 | | | 2008-09 | | |
|------------------------------------|---------|--------|--------|---------|--------|--------|---------|--------|--------|
| | ET | SSD | Total | ET | SSD | Total | ET | SSD | Total |
| Chennai City Municipal Corporation | 3.50 | 112.22 | 115.72 | 17.08 | 121.24 | 138.32 | 8.30 | 92.37 | 100.67 |
| Other Municipal Corporations | 7.30 | 48.86 | 56.16 | 7.46 | 59.66 | 67.12 | 5.27 | 68.45 | 73.72 |
| Municipalities | 8.78 | 85.55 | 94.33 | 16.64 | 149.78 | 166.42 | 18.43 | 152.18 | 170.61 |
| Town Panchayats | 4.89 | 26.70 | 31.59 | 21.66 | 59.10 | 80.76 | 28.93 | 76.69 | 105.62 |

(Source: Details furnished by Commissioner of Chennai City Municipal Corporation (November 2009 and January 2010), Director of Municipal Administration (November 2009) and Director of Town Panchayats (April 2010))

The total assigned revenue to ULBs showed an increasing trend during the years 2006-09 except in Chennai City Municipal Corporation in which the

assigned revenue declined to Rs 100.67 crore in 2008-09 from Rs 138.32 crore in 2007-08.

1.8.7 Grants and loans released to Urban Local Bodies

1.8.7.1 Grants released

Apart from the devolution-grants⁵ based on the recommendations of SSFC, various grants were given to ULBs by the Central and State Government for implementation of various 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 various schemes.

The assistance provided by way of grants and loans to ULBs during 2006-09 are given in **Table 1.11**.

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 |
| 2006-07 | 157.02 | 3.57 | 160.59 | 139.64 | 37.59 | 177.23 | 489.41 | 42.16 | 531.57 | 922.80 | 67.53 | 990.33 |
| 2007-08 | 208.92 | 4.06 | 212.98 | 511.13 | 18.51 | 529.64 | 673.35 | 53.03 | 726.38 | 606.62 | 38.54 | 645.16* |
| 2008-09 | 274.95 | 25.19 | 300.14 | 410.68 | 67.53 | 478.21 | 617.54 | 233.39 | 850.93 | 640.27 | 27.36 | 667.63 |

(Source: Details for Chennai City Municipal Corporation furnished by Commissioner of Chennai City Municipal Corporation (November 2009 and January 2010) and obtained from Budget Estimates for 2008-09 and 2009-10. In respect of other ULBs, details furnished by Director of Municipal Administration (November 2009) and Director of Town Panchayats (April 2010))

* Figures differ from last year's report due to revised figures furnished by DTP in April 2010.

The figures in the above table reveal the following:

Grants released to Chennai City Municipal Corporation and Town Panchayats had increased during 2008-09 as compared to 2007-08 whereas the same had decreased for other Municipal Corporations and Municipalities.

As a percentage of total revenue during 2006-09, grants constituted 25 to 30 per cent in Chennai City Municipal Corporation, 30 to 58 per cent in other Municipal Corporations, 40 to 47 per cent in Municipalities and 34 to 62 per cent in Town Panchayats. This clearly indicated that grants are the major source of receipts in Municipal Corporations (except Chennai), Municipalities and in Town Panchayats.

The increase in grants during 2006-07, 2007-08 and 2008-09 was mainly due to receipt of grants under Jawaharlal Nehru National Urban Renewal Mission (JNNURM).

The increase in loans during 2008-09 to Municipal Corporations was due to availing of loan from financial institutions for the execution of major schemes.

⁵ Second SFC grants to the extent of actual receipts after adjustment.

1.8.7.2 State Finance Commission grants

The Third State Finance Commission recommended that the Panchayat Raj Institutions and Urban Local Bodies would receive nine *per cent* 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 (42 *per cent*), 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. The details of net grants released to ULBs as reported by the respective heads of departments during 2006-07 to 2008-09 is given in **Tables 1.12 to 1.14.**

**Table 1.12: SFC grants to Municipal Corporations
(including Chennai City Municipal Corporation)**

(Rupees in crore)

| Year | State's own tax revenue | Grant due | Grants sanctioned# | Adjusted before release * | Net grant released | Released to | |
|---------|-------------------------|-----------|--------------------|---------------------------|--------------------|------------------------------------|------------------------------|
| | | | | | | Chennai City Municipal Corporation | Other Municipal Corporations |
| 2006-07 | 27,731 | 314.47 | 241.18 | 25.88 | 215.30 | 122.15 | 93.15 |
| 2007-08 | 29,610 | 335.78 | 310.19 | 12.96 | 297.23 | 158.93 | 138.30 |
| 2008-09 | 33,672 | 381.84 | 367.20 | 25.57 | 341.63 | 161.57 | 180.06 |

(Source: Details extracted from Chapter I of Audit Report 2008-09 (Civil) for State's Own Tax Revenue excluding Entertainment Tax and details furnished by Commissioner, Chennai City Municipal Corporation (November 2009 and January 2010) and Director of Municipal Administration (November 2009))

* Adjusted towards Pension Payment and Recovery towards repayment of loan.

Figure differ from last year's report due to adoption of revised figures given by Commissioner, Chennai City Municipal Corporation (November 2009 and January 2010).

Table 1.13: SFC grants to Municipalities

(Rupees in crore)

| Year | Grant Due | Grants sanctioned | Adjusted before release * | Net grant released | Grants utilised | Unutilised grants |
|---------|-----------|-------------------|---------------------------|--------------------|-----------------|-------------------|
| 2006-07 | 429.77 | 315.88 | 140.02 | 175.86 | 148.11 | 27.75** |
| 2007-08 | 458.90 | 448.06 | 123.63 | 324.43 | 324.43 | Nil |
| 2008-09 | 521.85 | 441.92 | 145.30 | 296.62 | 296.62 | Nil |

(Source: Details furnished by Director of Municipal Administration (November 2009))

* Adjusted towards Pension Payment and Recovery towards repayment of loan

** Unutilised grants were utilised fully during subsequent year.

Table 1.14: SFC grants to Town Panchayats

(Rupees in crore)

| Year | Grant Due | Grants sanctioned # | Adjusted before release * | Net grant released | Grants utilised | Unutilised grants |
|---------|-----------|---------------------|---------------------------|--------------------|-----------------|-------------------|
| 2006-07 | 303.99 | 148.79 | 15.09 | 133.70 | 133.13 | 0.57 |
| 2007-08 | 324.59 | 187.82 | 22.84 | 164.98 | 161.24 | 3.74 |
| 2008-09 | 369.11 | 232.92 | 23.21 | 209.71 | 208.40 | 1.31 |

(Source: Details furnished by Director of Town Panchayat (April 2010))

* Adjusted towards Pension Payment and Recovery towards repayment of loan.

Figure differ from last year's report due to adoption of revised figures given by Director of Town Panchayats (April 2010).

1.8.7.3 Central Finance Commission grants

(a) Based on the recommendations of the Twelfth Finance Commission (TFC) the Union Government had allocated Rs 572 crore to civic bodies from 2005-06 to 2009-10. Government of India also issued instructions that the TFC grants are to be utilised for solid waste management (50 per cent), maintenance of roads and storm water drains (25 per cent) and miscellaneous works such as creation of database, payment of electricity charges etc., (25 per cent).

The details of Central Finance Commission grants received from Government of India and utilised during 2006-07 to 2008-09, as reported by the respective heads of departments, are given in **Table 1.15**.

Table 1.15: 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) |
| 2006-07 | 19.10 | 19.10 (100) | Nil | 16.36 | 14.50 (89) | 1.86 | 46.83 | 38.26 (82) | 8.57 | 10.88 | 10.58 (97) | 0.30 |
| 2007-08 | 19.10 | 19.10 (100) | Nil | 16.36 | 13.05 (80) | 3.31 | 46.83 | 40.32 (86) | 6.51 | 32.10 | 13.09 (41) | 19.01 |
| 2008-09 | 19.10 | 19.10 (100) | Nil | 21.21 | 18.96 (89) | 2.25 | 41.99 | 32.65 (78) | 9.34 | 22.53 | 11.14* (49) | 11.39 |

(Source: Details furnished by Commissioner of Chennai City Municipal Corporation (November 2009 and January 2010), Director of Municipal Administration (November 2009) and Director of Town Panchayats (April 2010))

* includes Rs 1.32 crore deducted towards Sales Tax, Income Tax and Labour Welfare Fund.

** Figures differ from last year's report due to adoption of revised figures given by DTP (April 2010).

(Figures in the brackets represent the percentage of utilisation).

The amount reported as unutilised out of Central Finance Commission grants was stated to have been utilised in the subsequent years. However test check of records relating to four Municipal Corporations, 7 Municipalities and 18 Town Panchayats revealed that out of TFC grants released during 2005-06, 2006-07 and 2007-08, Rs 10.27 crore were lying unutilised as of 31 March 2008, as shown in **Table 1.16**.

Table 1.16 : Unutilised Central Finance Commission grants
(Rupees in crore)

| Category of ULB and numbers | 2005-06 | 2006-07 | 2007-08 | Total |
|-----------------------------|-------------|-------------|-------------|--------------|
| Corporations (4) | Nil | 4.09 | 4.69 | 8.78 |
| Municipalities (7) | 0.15 | 0.20 | 0.57 | 0.92 |
| Town Panchayats (18) | 0.02 | 0.14 | 0.41 | 0.57 |
| Total | 0.17 | 4.43 | 5.67 | 10.27 |

(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 the first instalment of TFC grants were released to ULBs in 2007-08 belatedly with delays ranging between 9 days and 334 days as indicated in **Table 1.17**. There was no delay in the release of second instalment.

Table 1.17: Period of delay in release of TFC grants to ULBs during 2007-08

| Category of ULB | Period of delay in release (Delay beyond 15 days from the due date) |
|-----------------|--|
| | First instalment |
| Corporations | 21 to 34 days (four Corporations) |
| Municipalities | 9 to 40 days (16 Municipalities) |
| Town Panchayats | 93 to 334 days (49 Town Panchayats) |

No interest, though, 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 2007-08 worked out to Rs 10.69 lakh at the rate of 6 per cent based on the compiled details relating to four Municipal Corporations, 16 Municipalities and 49 Town Panchayats as shown in **Table 1.18**.

Table 1.18: Amount of interest due for the delayed release of TFC grants during 2007-08
(Rupees in lakh)

| Category of ULB | Number | Amount of interest due for the belated release of TFC grants |
|-----------------|-----------|--|
| Corporations | 4 | 5.70 |
| Municipalities | 16 | 1.46 |
| Town Panchayats | 49 | 3.53 |
| Total | 69 | 10.69 |

1.8.8 Position of outstanding loans

The position of outstanding loans as of March 2009, is given in **Table 1.19**.

Table 1.19: Position of outstanding loans in ULBs as of March 2009
(Rupees in crore)

| Sl. No. | Category of ULB | Position of consolidated loan | | | |
|---------|--|------------------------------------|---|-------------------------------|-------------------------------------|
| | | Opening balance as on 1 April 2008 | Fresh loans availed during the year 2008-09 | Repayment made during 2008-09 | Closing balance as on 31 March 2009 |
| 1. | Chennai City Municipal Corporation | 94.10 | 25.19 | 11.84 | 107.45 |
| 2. | Municipal Corporations (excluding Chennai) | 257.02 | 67.53 | 22.85 | 301.70 |
| 3. | Municipalities | 953.49 | 233.39 | 97.42 | 1,089.46 |
| 4. | Town Panchayats | 177.77 | 27.36 | 13.59 | 191.54 |

(Source: Details furnished by Commissioner of Chennai City Municipal Corporation (November 2009 and January 2010), Director of Municipal Administration (November 2009) and Director of Town Panchayats (April 2010))

(Breakup of Principal and interest not made available by Commissioner of Chennai City Municipal Corporation, DMA and DTP).

The DMA stated (November 2009) that the outstanding balance of loan amount of Municipalities and Municipal Corporations pending on 1 April 2007 was ordered to be waived by Government in November 2007 and the process is going on as the figures are being reconciled with TUFIDCO and TNUIFSL.

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 1.20**.

Table 1.20: Revenue expenditure of ULBs

(Rupees in crore)

| | Year | | |
|---|--------------------|--------------------|--------------------|
| | 2006-07 | 2007-08 | 2008-09 |
| Municipalities | | | |
| Salaries and Pension (Percentage to total revenue expenditure) | 323.41 (52) | 359.91 (53) | 461.28(58) |
| O & M expenditure (Percentage to total revenue expenditure) | 293.19 (48) | 318.21 (47) | 333.81 (42) |
| Total (Percentage to total expenditure) | 616.60 (56) | 678.12 (53) | 795.09 (54) |
| Other Municipal Corporations | | | |
| Salaries and Pension (Percentage to total revenue expenditure) | 170.90 (56) | 200.05 (55) | 287.91(60) |
| O & M expenditure (Percentage to total revenue expenditure) | 131.89 (44) | 166.81 (45) | 191.11 (40) |
| Total (Percentage to total expenditure) | 302.79 (63) | 366.86 (54) | 479.02 (57) |
| Chennai City Municipal Corporation | | | |
| Salaries and Pension (Percentage to total revenue expenditure) | 259.82 (52) | 293.25 (55) | 392.19 (59) |
| O & M expenditure (Percentage to total revenue expenditure) | 236.26(48)* | 242.96(45)* | 272.86 (41) |
| Total (Percentage to total expenditure) | 496.08(80) | 536.21 (73) | 665.05 (62) |
| Town Panchayats | | | |
| Salaries and Pension (Percentage to total revenue expenditure) | 81.50 (28) | 101.97 (29)* | 129.71 (33) |
| O & M expenditure (Percentage to total revenue expenditure) | 212.41 (72) | 243.75* (71) | 258.15 (67) |
| Total (Percentage to total expenditure) | 293.91 (64) | 345.72 (56) | 387.86 (55) |

(Source: Details furnished by Commissioner of Chennai City Municipal Corporation (April 2010), Director of Municipal Administration (November 2009) and Director of Town Panchayats (April 2010))

* Figures differ from last year's report due to revised figures obtained from Budget estimates of Chennai City Municipal Corporation for the years 2007-08 and 2008-09 and figures furnished by Director of Town Panchayats (April 2010).

The salaries and pension portion of revenue expenditure of Municipal Corporations and Municipalities increased during 2006-09 due to payment of revised Pay Commission arrears to the staff and pensioners.

1.9.2 Capital expenditure

The break-up details of capital expenditure of the ULBs as reported by the respective heads of Departments during 2006-09 are given in **Table 1.21**.

Table 1.21: 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 | | |
|---------------------------|----------------|---------------|---------------|--|---------------|---------------|------------------------------------|---------------|---------------|
| | 2006-07 | 2007-08 | 2008-09 | 2006-07 | 2007-08 | 2008-09 | 2006-07 | 2007-08 | 2008-09 |
| Roads | 188.71 | 216.66 | 257.97 | 77.21 | 134.15 | 148.14 | 72.20 | 110.52 | 225.76 |
| Street lights | 21.91 | 30.23 | 36.62 | 4.26 | 22.82 | 28.17 | 6.12 | 13.05 | 31.24 |
| Water supply | 85.40 | 111.14 | 122.30 | 23.21 | 73.36 | 90.15 | - | - | - |
| Storm water drains | 84.11 | 89.12 | 84.86 | 17.62 | 28.19 | 32.20 | 11.88 | 27.91 | 20.29 |
| Solid waste management | 17.77 | 28.65 | 30.98 | 18.41 | 19.27 | 26.80 | 0.54 | 2.53 | 34.07 |
| Other Capital expenditure | 86.47 | 135.37 | 146.88 | 39.95 | 40.16 | 41.10 | 30.22 | 44.86 | 93.30 |
| Total | 484.37 | 611.17 | 679.61 | 180.66 | 317.95 | 366.56 | 120.96 | 198.87 | 404.66 |

(Source: Details furnished by Commissioner of Chennai City Municipal Corporation (November 2009 and January 2010) and Director of Municipal Administration (November 2009))

The increase in capital expenditure of Chennai City Municipal Corporation during 2008-09 was mainly due to more expenditure on capital assets under JNNURM, construction of school buildings, and creation of new parks as compared to the capital expenditure for 2007-08. The increase in capital expenditure of other Municipal Corporations in 2008-09 was mainly due to more expenditure under roads, water supply, street lights and Solid Waste Management.

The revised figures of Capital Expenditure, as furnished by the DTP in April 2010 during 2007-08 and 2008-09 are shown in **Table 1.22**.

Table 1.22: Break-up details of Capital expenditure of Town Panchayats

(Rupees in crore)

| Name of the core sector | Town Panchayats | |
|---------------------------|-----------------|---------------|
| | 2007-08 | 2008-09 |
| Roads | 121.36 | 136.56 |
| Street lights | 15.25 | 21.15 |
| Water supply | 29.28 | 25.80 |
| Storm water drains | 34.06 | 37.85 |
| Solid waste management | 15.52 | 19.51 |
| Other Capital expenditure | 51.64 | 75.49 |
| Total | 267.11 | 316.36 |

(Source: Details furnished by Director of Town Panchayats (April 2010))

The increase in capital expenditure in Town Panchayats during 2007-09 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.

The above points were referred to Government in February 2010; reply has not been received (June 2010).

CHAPTER II
PERFORMANCE REVIEWS
(URBAN LOCAL BODIES)

CHAPTER II

PERFORMANCE REVIEWS (URBAN LOCAL BODIES)

This Chapter presents one performance review dealing with Anaithu Peruratchi Anna Marumalarchi Thittam and one long paragraph on Utilisation of Central Twelfth Finance Commission Grant for Solid Waste Management in Urban Local Bodies.

MUNICIPAL ADMINISTRATION AND WATER SUPPLY DEPARTMENT

2.1 Anaithu Peruratchi Anna Marumalarchi Thittam – a scheme for strengthening infrastructure of Town Panchayats

Highlights

‘Anaithu Peruratchi Anna Marumalarchi Thittam’ envisages strengthening of existing civic infrastructural facilities and creation of requisite amenities in Town Panchayats such as water supply, storm water drain, roads, street lights, community halls, office buildings, etc. A performance audit conducted on the scheme revealed delayed release of funds to Town Panchayats, surrender of funds by Town Panchayats due to under utilisation, creation of infrastructure by Town Panchayats without necessary amenities and construction of shopping centres without demand assessment leading to idle investments. The important points noticed on the above deficiencies were: -

- There was delay of more than three months in release of Rs 10.68 crore to Town Panchayats by five Zonal Assistant Directors of Town Panchayats.

(Paragraph 2.1.7.1)

- For want of clear instructions in the guidelines, eight Town Panchayats refunded unspent balance of Rs 12.04 lakh to the Director of Town Panchayats.

(Paragraph 2.1.7.4)

- Failure of five Zonal Assistant Directors of Town Panchayats to follow the instructions of Director of Town Panchayats in procurement of compact fluorescent lamps resulted in avoidable expenditure of Rs 13.42 lakh.

(Paragraph 2.1.8.2)

- Twenty community halls constructed under the scheme at a cost of Rs 2.72 crore were not put to use either due to lack of basic amenities or due to their construction in remote areas.

(Paragraph 2.1.8.3)

- **Defects such as poor quality of work and non-shifting of electricity poles to the edge of the road were noticed in cement concrete roads formed in four Town Panchayats.**

(Paragraph 2.1.8.5)

- **33 out of 37 shops constructed at a cost of Rs 42.08 lakh in five Town Panchayats were not let out either due to lack of demand or non-availability of power connection.**

(Paragraph 2.1.8.6)

- **There was shortfall of 74 per cent in convening the meetings of District Level Monitoring Committee in four test-checked districts.**

(Paragraph 2.1.11.1)

2.1.1 Introduction

There are 561 Town Panchayats (TPs) in Tamil Nadu. TP is an area in transition from a rural area to an urban area. The State Government introduced (July 2007) 'Anaithu Peruratchi Anna Marumalarchi Thittam' (APAMT), a State plan scheme for strengthening the infrastructure of the TPs. Further the scheme also contemplates creation of awareness among people regarding health and cleanliness and effective collection of tax. The scheme proposed to cover all the TPs over a period of four years. Under the scheme Rs 50 lakh¹ per TP was allotted for creation and strengthening of infrastructural facilities. Besides, the TPs were to dovetail infrastructural development projects executed by other departments for Rupees One crore. During the years 2007-09, 140 TPs were selected per year and Rs 70 crore per year was allotted to those TPs.

2.1.2 Organisational set up

The organisation chart regarding functioning of Town Panchayats is given in **Appendix 2.1**. The responsibilities of the implementing officers of the scheme was as under:

| Organisation/Agency | Responsibility |
|--|--|
| Municipal Administration and Water Supply Department | <ul style="list-style-type: none"> ▪ Selection of TPs for implementing the scheme in a phased manner ▪ Release of scheme funds to Director of Town Panchayats ▪ Overall supervision of implementation of scheme |
| Director of Town Panchayats | <ul style="list-style-type: none"> ▪ Distribution of scheme funds to TPs through Assistant Director of Town Panchayats ▪ Formulation of necessary guidelines for implementing the scheme ▪ Approval of works above Rs 10 lakh to be undertaken under the scheme |
| District Collector | <ul style="list-style-type: none"> ▪ Chairman of District Level Monitoring Committee ▪ Approval of works below Rs 10 lakh to be undertaken under the scheme |
| Assistant Director of Town Panchayats at zonal level | <ul style="list-style-type: none"> ▪ Member Secretary of District Level Monitoring Committee ▪ Preparation of necessary proposals and estimates for implementing the scheme ▪ Furnishing necessary details to District Collector to facilitate the implementation of the scheme |

¹ Rs 35 lakh – Government grant; Balance - Rs 15 lakh from Twelfth Finance Commission Grant/other sources of TPs or from infrastructure gap filling fund in respect of TPs which are unable to mobilise from their own sources

| Organisation/Agency | Responsibility |
|-------------------------------------|--|
| District Level Monitoring Committee | <ul style="list-style-type: none"> ▪ Finalising the list of priority works to be undertaken under the scheme ▪ Co-ordinating the implementation of the scheme with various agencies ▪ Monitoring the progress of the scheme |
| Executive Officers, Town Panchayats | <ul style="list-style-type: none"> ▪ Execution of the schemes ▪ Member of District Level Monitoring Committee ▪ Conduct of impact assessment on completion of the scheme |

2.1.3 Audit objectives

The objectives of the Performance Audit were to assess whether

- funds released were efficiently managed and effectively utilised,
- selection, location and execution of works were as per scheme guidelines and technical specifications,
- works were executed effectively and economically and amenities created were effectively utilised,
- monitoring and internal control system was in place for effective planning and execution of activities and
- impact and improvement of the quality of amenities available in the TPs after implementation of APAMT was assessed by Executive Officers of the respective Town Panchayats.

2.1.4 Audit criteria

The following were adopted as audit criteria:

- Tamil Nadu District Municipalities Act, 1920 and rules made there under.
- Guidelines for selection and design criteria for various components under APAMT, orders and instructions issued by the State Government.
- Public Works manual for technical specifications.
- Departmental instructions.

2.1.5 Audit methodology and coverage

Performance audit of the scheme was evaluated in 35 selected TPs (20 TPs in 2007-08 and 15 TPs in 2008-09) (**Appendix 2.2**) in seven districts² selected through random sampling method and TPs selected by arranging them in an

² Dharmapuri, Kanniyakumari, Nagapattinam, Pudukkottai, Thanjavur, Thiruvannamalai and Vellore

alphabetical order and adopting interval method. In addition, records relating to the scheme were also checked in the Office of the Director of Town Panchayats, Office of the Assistant Director of Town Panchayats of selected districts and selected TPs between June 2009 and November 2009. Data was also collected by circulating suitable structural questionnaires and through audit enquiries. Entry conference was held with the Head of the Department (July 2009). The draft review was communicated to the State Government (December 2009). The exit conference was held with the Director of Town Panchyats (DTP) during June 2010 and the findings were discussed in detail.

2.1.6 Physical and financial achievements

According to the guidelines issued in July 2007, out of Rs 50 lakh allocated for each TP under the scheme, Rs 45 lakh was to be used for priority works such as formation of black topped (BT) roads, construction of community halls, improvement to ponds, formation of cement concrete roads, improvements to bus stand/daily markets with basic amenities and improvements to cremation grounds. The balance of Rupees Five lakh was to be utilised as per the discretion of the TPs. The physical and financial achievements under the scheme for the years 2007-08 (140 TPs) and 2008-09 (140 TPs) were as given in **Table 1**.

Table 1: Physical and Financial achievement

| Year | Physical (No. of works) | | | Financial (Rupees in crore) | | |
|---------|-------------------------|-------------|-----------|-----------------------------|-------------|-------------------|
| | Target | Achievement | Shortfall | Target* | Achievement | Shortfall/savings |
| 2007-08 | 1,493 | 1,493 | -- | 74.05 | 73.44 | 0.61 |
| 2008-09 | 1,438 | 1,425 | 13 | 78.34 | 73.33 | 5.01 |

* Includes additional input by the TPs in addition to Rs 70 crore released under the scheme.
(Source – Information furnished by DTP)

As against Rs 17.50 crore released for 2007-09, the expenditure was Rs 17.69 crore in the 35 test-checked TPs indicating additional inputs by the TPs. Out of 379 works planned to be taken up, 371 works were completed, seven works were under progress and one work was not taken up due to non-identification of site (September 2009). There was delay of more than three months and up to 11 months in completion of 42 works executed at a cost of Rs 3.39 crore in 15 test-checked TPs in six out of seven test-checked districts.

Audit Findings

Findings of the performance audit on the scheme are discussed in the succeeding paragraphs.

2.1.7 Financial management

2.1.7.1 Delay in release of funds

There was delay of more than three months in release of Rs 10.68 crore to Town Panchayats by five Zonal Assistant Directors of Town Panchayats

Based on the proposal of DTP, State Government releases fund for the scheme. The DTP would distribute the funds to Zonal Assistant Director of Town Panchayats (ZADTPs). The ZADTPs were required to release the funds to the Executive Officers (EOs) of the respective TPs under their control without any delay. However there were delays in release of funds by the ZADTPs of five zones to TPs under their control for the years 2007-08 and 2008-09 as given in **Table 2**.

Table 2: Delay in release of funds

(Rupees in crore)

| Name of zone | Delay in release of funds | | | |
|--|---------------------------|---------------|---------------|----------------|
| | Up to 15 days | 16 to 30 days | 31 to 90 days | 91 to 162 days |
| Dharmapuri | 1.01 | 0.49 | -- | 2.00 |
| Kanniyakumari | 1.25 | 6.50 | 1.35 | 4.90 |
| Thanjavur | 5.56 | 0.49 | 2.31 | 0.64 |
| Tiruchirappalli (for Pudukkottai zone) | 1.20 | 1.94 | 1.22 | 3.14 |
| Vellore | 4.82 | 1.03 | 3.15 | -- |
| Total | 13.84 | 10.45 | 8.03 | 10.68 |

As may be seen, the ZADTPs released Rs 10.68 crore during 2007-09, after three months from the date of receipt by them. The DTP and the District Level Monitoring Committee also failed to monitor the release of funds. The delay in release of funds would not only delay the achievement of the objectives of the scheme but also postpone the accrual of benefits to the society. The ZADTPs replied (June 2009 – October 2009) that delay was due to administrative reasons and would be avoided in future.

2.1.7.2 Interest on deposits of scheme funds

Though the guidelines of the scheme prescribed that the scheme funds should be kept in a separate savings bank account, it was silent regarding utilisation of interest earned on such deposits. As a result, interest of Rs 10.71 lakh earned on deposits of scheme funds, in respect of Kanniyakumari, Nagapattinam, Thanjavur and Tiruchirappalli districts by the ADTPs concerned, was kept unutilised. Scheme funds in respect of Dharmapuri, Thiruvannamalai and Vellore districts were deposited in a common bank account by the Assistant Directors concerned and hence the interest earned out of the scheme funds could not be identified.

Similarly, interest of Rs 11.39 lakh earned in Savings Bank account of 30 test-checked TPs was kept unutilised and three³ other TPs kept scheme funds in

³ 1. Keeranur TP (Pudukkottai District); 2. Thirparappu TP and 3. Villukuri TP (Kanniyakumari District)

common bank account and hence interest earned on the scheme funds could not be worked out. Panapakkam TP (Thiruvannamalai District) kept scheme funds in a current account and Ganapathipuram TP (Kanniyakumari District) with Treasury earning no interest. The TPs replied (July-September 2009) that the interest amount would be utilised after getting orders from the Directorate.

2.1.7.3 Assets created not entered in Assets Register

As per scheme guidelines value of assets created have to be entered in the register of immovable assets treating them as the assets of respective TPs. However, 27 test-checked TPs did not enter assets created at a total cost of Rs 12.86 crore. In reply the TPs stated (June – October 2009) that it was noted for future guidance and action would be taken to incorporate the value of assets created under APAMT in the register of immovable assets.

2.1.7.4 Refund of funds

The guidelines issued by the Municipal Administration and Water Supply Department is silent about the method of accounting for the unspent balances at the end of the financial year. There was no provision in the guidelines either for surrender of funds to the Government Account or for the utilisation of funds by the Town Panchayat in the next financial year. For want of clear instructions in the guidelines, eight⁴ out of 140 TPs refunded a sum of Rs 12.04 lakh during 2007-08 and the amount was credited to the Directorate's account. The DTP replied (July 2009) that action would be taken either to release the amount to the TPs concerned or to surrender to Government account.

2.1.8 Execution of priority works

The scheme envisaged taking up of the following works on priority out of Rs 45 lakh allocated for priority works to each TP:

- Formation of bus plying roads as BT roads with lighting by compact fluorescent lamps (Rs 10 lakh).
- Construction of community hall for use by public and Self Help Groups (Rs 10 lakh).
- Improvement to ponds situated within the TP limits (Rupees Five lakh).
- Conversion of narrow lanes in slum areas into cement concrete roads (Rupees Five lakh).
- Construction of bus stand, shopping complex, etc. (Rs 10 lakh).
- Improvement to cremation grounds (Rupees Five lakh).

Eight TPs refunded unspent balance of Rs 12.04 lakh though there was no provision for such refund in the scheme guidelines

⁴ Kaniyur, Kottaiyur, Natarasankottai, Sayalkudi, Sundarapandiam, S.Kodikulam, Vengampudur and V.Pudupatti

The results of review conducted on execution of the above priority works in the test-checked TPs are discussed in the succeeding paragraphs.

2.1.8.1 Formation of BT roads

Excess provision of bitumen for laying tack coat

As per instructions (May 2004) of Chief Engineer (General), Highways Department, provision of bitumen emulsion for laying tack coat was four kg and three kg per 10 Sq. m. over water bound macadam and BT surfaces respectively. However while according technical sanction, the Assistant Executive Engineers of respective zones have approved provision of bitumen emulsion upto 10 kg per 10 Sq. m., in violation of the above instructions. As a result it was noticed that in five⁵ districts, this excess provision of bitumen had led to avoidable expenditure of Rs 6.13 lakh in respect of 27 road works carried out at a cost of Rs 1.55 crore.

2.1.8.2 Provision of Compact Fluorescent Lamps

Uneconomical purchase of Compact Fluorescent Lamps (CFL)

Failure of five ZADTPs to follow the instructions of DTP in procurement of compact fluorescent lamps resulted in avoidable expenditure of Rs 13.42 lakh

The DTP (January 2008) directed that purchase of street lights could be made as per Tender Transparency Act, 1998. The Act provides that tender notice should be published in District Tender Bulletin if the purchase value is less than Rs 25 lakh and at State level if the purchase value is more than Rs 25 lakh. Further, the Director had instructed that for purchase of street lights, uniformity in price should be maintained in all the TPs within a district. However, 32 TPs in five districts purchased CFL of different specifications and rates by inviting tenders individually. This not only resulted in financial loss of Rs 13.42 lakh⁶ to the TPs (with reference to the lowest rates at which CFL was procured in the districts by one of the TPs) but also resulted in wastage of manpower in each TP for tendering and procurement work which could have been avoided, had there been a system for centralized procurement of the lamps.

Injudicious purchase of compact fluorescent lamps

Guidelines to the APAMT observed that the TPs incurred considerable expenditure towards electricity charges and in order to reduce the expenditure, the guidelines envisaged purchase and installation of power saver lamps i.e., CFL while replacing tube lights (40 watts) also. Obviously, the intention was that CFL should be of less than 40W capacity.

Ten TPs in Kanniyakumari and Thanjavur Districts had purchased 2,959 CFL sets at a cost of Rs 43.97 lakh. It was noticed that out of this, 400 CFL light

⁵ Dharamapuri – Rs 0.30 lakh, Kanniyakumari – Rs 3.25 lakh, Pudukkottai – Rs 0.40 lakh, Thiruvannamalai – Rs 0.85 lakh and Vellore – Rs 1.33 lakh

⁶ Kanniyakumari – Rs 11.45 lakh, Nagapattinam – Rs 0.02 lakh, Pudukkottai – Rs 0.37 lakh, Thanjavur – Rs 0.53 lakh and Vellore – Rs 1.05 lakh

sets of more than 40W were purchased at a cost of Rs 10.57 lakh resulting in non-achievement of the above objective and also in avoidable recurring expenditure on electricity charges of Rs 1.30 lakh⁷ per annum. ADTPs concerned replied (September 2009) that the observations were noted for guidance.

2.1.8.3 Construction of multipurpose community halls

The scheme envisaged construction of multipurpose community halls in such a way that it is useful to the society and Self Help Groups and remunerative to the TPs. The community halls were required

- to be located in the middle of the town,
- not to be located away from the residential area,
- to have a Library,
- to have provision for displaying the products of Self Help Groups and
- to have enough space for future expansion.

Twenty community halls constructed under the scheme at a cost of Rs 2.72 crore were not put to use either due to lack of basic amenities or due to their construction in remote areas

In the 35 test-checked TPs, 23 community halls were constructed. A review on status of utilisation of the community halls by public and Self Help Groups revealed that 20 halls constructed at a cost of Rs 2.72 crore were not made use of for one or more of the following reasons:

Seven⁸ community halls have been constructed in remote areas or area with limited access or near solid waste dump yard;

- Nine⁹ halls did not have water, toilet and septic tank facilities and three¹⁰ halls did not have water supply;
- Seven¹¹ halls did not have power connection; and

⁷ No. of CFLs purchased by each of the 10 TPs x Excess watts over and above 40 Watts x 10 hours usage per day x 365 days x Rs 3 per unit of power divided by 1,000

⁸ Azhagiypandiapuram, Keeranur, Mulagumoodu, Ponmanai, Thirunageswaram Verkilambi and Villukuri

⁹ Azhagiypandiapuram, Ganapathipuram, Kambainallur, Kappiyarai, Katpadi, Ponmanai, Puthalam, Villukuri and Vettavalam
¹⁰ Alangayam, Keeranur and Pudupalayam

¹¹ Ganapathipuram, Keeranur, Mulagumoodu, Ponmanai, Puthalam, Thiruppanandal and Villukuri

- Three¹² halls had cracks in the buildings due to improper selection of site and poor quality of work.



Library and space for displaying products of the Self Help Groups as envisaged in the scheme were not provided in 19 halls and 16 halls respectively.

Though provisions were made in the estimates for water, toilet and septic tanks (eight halls) and power connection (seven halls), these works were not executed. Construction of community halls at remote areas, non-provision of amenities and poor quality of work indicated failure on the part of the Executive Officers (EOs) of the TPs concerned and defeated the intended social objective.

2.1.8.4 Improvement to ponds

In order to augment the water resources by rain water harvesting, the ponds within the TP area were to be improved. Ground water potential was to be improved by rainwater harvesting, clearance of inlet/outlet channel, de-silting of the pond and strengthening of bund. The scheme also envisaged provision of bathing ghat and retaining wall for the pond and also children's park around the pond. Out of 35 TPs test-checked, 28 TPs¹³ had improved ponds during 2007-08 and 2008-09 at a total cost of Rs 1.27 crore.

However, provision for the following were not made in the estimates for

- De-silting in respect of ten ponds
- Inlet channels in respect of nine ponds

¹² Thirunageswaram, Villukuri and Veppathur

¹³ Azhagiapandiapuram, Ganapathipuram, Kappiyarai, Keezhkulam, Kumarapuram, Kothanallur, Mulagumoodu, Ponmanai, Thirparappu, Unnamalaikadai, Valvachagostam, Verkilambi and Villukuri in Kanniyakumari District; Alangudi and Keeranur in Pudukkottai District; Aduthurai, Melathirupunthuruthi, Thirunageswaram, Thiruppanandal and Veppathur in Thanjavur District; Thittachery in Nagapattinam District; Alangayam, Katpadi, Panappakkam and Pennathur in Vellore District; Kalambur, Vettavalam and Kilpennathur in Thiruvannamalai District

- Outlet channels in respect of ten ponds and
- Bathing ghats for six ponds.
- None of the 28 TPs provided a children's park around the pond.

Preparation of estimates by the EOs of TPs and approval by District Level Monitoring Committees without provision for the above items of work were defective. Due to the above deficiencies the objective of augmentation of ground water was not achieved and other envisaged social benefits did not accrue to the optimum level.

2.1.8.5 Provision of cement concrete roads

Guidelines provide for conversion of narrow roads of width less than 3.75 metres in slum area into Cement Concrete (CC) road. Field visits to CC roads in four TPs revealed defects in execution as depicted in **Table 3**.

Table 3: Defects in CC roads formed

(Rupees in lakh)

| S.No. | Name of TP | Work completed in | Cost | Defects noticed |
|-------|----------------------|-------------------|------|---|
| 1. | Azhagiyapandiapuram | January 2008 | 4.78 | Lot of pot holes and breakage |
| 2. | Melathirupunthuruthi | January 2008 | 4.83 | Dummy duct for drain not provided and electric poles not shifted to edge of the road |
| 3. | Unnamalaikadai | July 2008 | 5.00 | Open drain provided across the road and drainage allowed to flow on the surface of the road |
| 4. | Veppathur | December 2007 | 4.74 | Electric poles not shifted to the edge of the road |

Non-shifting of electric poles to the edge of the roads and flow of drainage over the roads put the road users at risk. The defects would indicate failure on the part of the Junior Engineers of the TPs, Assistant Executive Engineers of the zones and EOs of the TPs to ensure quality of work. The EOs of TPs concerned replied (July and September 2009) that the defects would be rectified.

2.1.8.6 Construction of shopping centres

With a view to augment the revenue of the TPs, creation of remunerative assets were contemplated under the scheme. The Commissioner of Town Panchayats also instructed (October 2008) all the EOs of the TPs, where shopping centres were proposed, to take action to auction the shops even before completion of construction works so as not to keep the shops idle after construction.

(i) A review on status of shopping centres constructed in five TPs revealed that most of the shops were not let out due to various reasons such as lack of demand, non-conduct of auction, lack of power supply, etc. as depicted in **Table 4**.

Defects such as poor quality of work and non-shifting of electricity poles to the edge of the road were noticed in Cement Concrete roads formed in four Town Panchayats

33 out of 37 shops constructed in five Town Panchayats at a cost of Rs 42.08 lakh were not let out either due to lack of demand or non-availability of power connection

Table 4: Status of shopping centres

| S.No. | Name of TP | No. of shops | | Cost of construction (Rs in lakh) | Reasons for not leasing out shops |
|--------------|---|---------------------|-------------|-----------------------------------|--|
| | | Constructed (month) | Not let out | | |
| 1. | Kumarapuram TP (Kanniyakumari District) | 6 (April 2008) | 6 | 10.00 | Non-fixing of rent |
| 2. | Mulagumoodu TP (Kanniyakumari District) | 10 (September 2008) | 6 | 10.00 | Demand for shops not assessed before construction and lack of demand |
| 3. | Thirunageswaram TP (Thanjavur District) | 5 (November 2008) | 5 | 5.08 | Demand for shops not assessed, site away from habitation and auction not conducted |
| 4. | Thiruppanandal TP (Thanjavur District) | 4 (April 2009) | 4 | 10.00 | Power supply not provided and auction not conducted |
| 5. | Thimiri TP (Vellore District) | 12 (June 2008) | 12 | 11.00 | Demand for shops not assessed before construction and lack of demand |
| Total | | 37 | 33* | 46.08 | |

* The cost of construction for 33 shops not let out = Rs 42.08 lakh (Rs 46.08 lakh – Rupees Four lakh (the cost of construction for four let out shops in Mulagumoodu TP proportionately worked out))

Construction of shops without assessment of demand and non-provision of power connection indicated failure on the part of the EOs of TPs concerned. The TPs stated that appropriate action would be taken to lease out the shops.

(ii) Collector, Pudukkottai District accorded administrative approval (March 2008) for construction of shopping centre consisting of 12 shops at koil poramboke land¹⁴ in Keeranur TP at an estimated cost of Rs 10 lakh. Work order was issued by the Executive Officer (EO), Keeranur TP in June 2008. The work could not, however, be commenced as five councillors of the TP objected to the construction as the land was owned by Revenue Department. The District Level Monitoring Committee should have insisted upon verification of ownership of the land by the EO, Keeranur TP before clearance of this priority work. Failure to do so resulted in selection of irregular site and non-utilisation of fund.

The TP replied (September 2009) that new site between the bus stand and the TP office was being proposed for construction of shopping complex. On finalisation, the work would be commenced.

2.1.8.7 Improvement to cremation grounds

As per scheme guidelines the cremation grounds could be improved at a cost of Rupees Five lakh with approach road, cremation shed, bore well for water, provision of electric lights, waiting shed, planting of trees and provision of compound wall. Improvement works to cremation ground were taken up in 18 test-checked TPs¹⁵ under the scheme at a cost of Rs 89.22 lakh. During a review of these works, one or more of the following deficiencies were noticed.

¹⁴ Government land abutting temple tank

¹⁵ Kumarapuram, Ponmanai, Thirparappu, Unnamalaikadai, Villukuri in Kanniyakumari District, Alangudi in Pudukkottai District, Alangayam, Katpadi, Pennathur, Thimiri and Vilapakkam in Vellore District, Kalambur, Kilpennathur, Pudupalayam and Vettavalam in Thiruvannamalai District, B. Mallapuram in Dharmapuri District, Thiruppanandal and Veppathur in Thanjavur District

- Four TPs did not provide approach road to cremation grounds, which is an important component in the estimates,
- Water supply to cremation grounds was not provided by four TPs,
- Waiting sheds were not provided in the estimates by 12 TPs,
- Adequate number of lights were not provided in cremation grounds in nine TPs,
- Compound wall to cremation ground was not provided in the estimates in three TPs and
- Twelve TPs did not provide for planting trees around the cremation grounds in the estimates as contemplated in the guidelines.

Failure of EOs of the TPs concerned to make provision for the above works in the estimates indicated poor planning on their part. The TPs concerned assured (July – September 2009) to rectify the defects pointed out.

2.1.9 Execution of other works

Out of Rs 50 lakh provided under the scheme the TPs can take up works as per requirement under their discretion for Rupees Five lakh. Further, if all the facilities under priority works were already available, the TPs can also take up other works for improvement of infrastructure like creation and improvement of water supply (if their supply level was less than 70 litre per capita per day). The TPs were required to send a proposal to Tamil Nadu Water Supply and Drainage Board (TWAD) with the prior approval of DTP for taking up water supply improvement works. A review of such works executed in the test-checked TPs revealed the following:

2.1.9.1 Execution of water supply works

(i) Valvachagostam Town Panchayat is having water supply level of 57 litre per capita per day. To augment the water supply under APAMT scheme, administrative sanction and technical sanction for digging up two open wells at Poonachivilai, Panichakulam and construction of two over head tanks at Poolanvilai and Melatheni were accorded by the District Collector, Kanniyakumari District and Assistant Executive Engineer, Town Panchayat respectively in April 2008 for Rs 20 lakh (each work at a cost of Rupees Five lakh). The work was executed by the Executive Engineer, Valvachagostam Town Panchayat and completed in February 2009 at a cost of Rs 19.16 lakh. However, the Executive Engineer of the Town Panchayat did not provide pumpsets, electricity connection and distribution network. The failure of the EO in not providing these facilities resulted in non utilisation of open wells and overhead tanks.

In reply the EO stated (August 2009) that the funds position was very weak and the above components would be provided after improvement in funds position.

(ii) Administrative sanction and technical sanction for construction of an over head tank at Kunjancode CSI Church at an estimated cost of Rupees Five lakh in Keezhkulam Town Panchayat was accorded by District Collector and Assistant Executive Engineer, Town Panchayat, Nagercoil respectively in April 2008 and the work was completed in December 2008. However, the EO, Keezhkulam Town Panchayat failed to provide distribution network and this resulted in non utilisation of overhead tank.

The EO replied (August 2009) that TWAD Board Engineer had been contacted for supply of water by providing extension of pumping main from Kulithurai Combined Water Supply Scheme.

2.1.9.2 Construction of office buildings

Veppathur TP constructed (September 2008) an office building at a cost of Rs 7.50 lakh. The office of the TP was, however, not shifted (September 2009) to the new premises due to large cracks in the newly constructed building. The pressed tile laid over the weathering course was broken in some portion. The above defect indicated failure on the part of the Junior Engineer of TP and Assistant Executive Engineer of the zone to ensure quality of work. The TP replied (September 2009) that the defects would be rectified and office would be shifted.

2.1.9.3 Formation of parks

The scheme guidelines envisaged that parks formed under the scheme should be on public – private participation. The parks should also contain children’s play area, physical fitness centre with play materials, walking space and library. Planting of trees, flowering plants and forming of meadows was also to be done in the parks.

Out of 35 TPs test-checked, three TPs¹⁶ in Vellore District had formed parks at a total cost of Rs 12.50 lakh. A review on formation of these parks revealed that the parks were not formed/maintained with public-private participation, not also provided with physical fitness centre or library as contemplated under the scheme. Further Vilapakkam TP did not plant trees and Thimiri TP did not provide walker’s path in the parks. Due to non-provision of the envisaged amenities in the parks the expected social benefits did not accrue to the society.

2.1.10 Awareness campaign

APAMT envisaged conduct of awareness campaign regarding implementation of the scheme and also on importance of solid waste management, toilets in every household and cent *per cent* collection of taxes due. A review on action taken in this regard by the test-checked TPs revealed the following:-

¹⁶ 1. Katpadi (Rupees Five lakh); 2. Thimiri (Rupees Five lakh) and 3. Vilapakkam (Rs 2.50 lakh)

2.1.10.1 Shortfall in conduct of camps and campaign

The scheme envisaged conducting of six camps and campaign to spread awareness among public about the scheme and public sanitation. Out of 35 TPs test-checked, 45 *per cent* shortfall (23 camps conducted out of 42 due) in conducting camps and campaigns were noticed in seven TPs in four districts. Had camps and campaigns been conducted by the TPs, the pace of achievement towards self sufficiency could have been more effective.

2.1.10.2 Arrears in tax collection

As per the scheme guidelines, cent *per cent* taxes were to be collected as of 15 August 2007. Out of 35 TPs test-checked in seven districts, there were arrears in tax collection in 27 TPs as detailed in **Appendix 2.3**. Arrears as of March 2008 were Rs 2.52 crore and as of March 2009 it was Rs 3.95 crore. The arrears increased by 57 *per cent* in 2008-09 when compared to the arrears of 2007-08. Thereby, the improvement in tax collection anticipated was not achieved.

2.1.11 Monitoring

2.1.11.1 Shortfall in the District Level Monitoring Committee meeting

There was shortfall of 74 per cent in convening the meetings of District Level Monitoring Committee in four test-checked districts

As per the scheme guidelines, the District Level Monitoring Committee headed by the District Collector was required to be convened once in two months. The Committee was expected to monitor overall implementation of the scheme, review progress of works taken up under the scheme and take remedial measures if there was any delay in execution. However, as against 39 meetings due in four¹⁷ test checked districts, only 10 meetings were held during 2007-09.

The shortfall in convening the meeting of the Committee was 74 *per cent*. Various defects in execution of works under scheme discussed in paragraphs above could be attributed to lack of proper monitoring by the District Level Monitoring Committee. Assistant Directors of Town Panchayats concerned replied (August – October 2009) that the shortfall would be avoided in future.

2.1.12 Impact assessment

In order to assess the improvement in infrastructural development after implementation of APAMT, an impact assessment study was necessary to be conducted by EOs of respective TPs, so as to adopt remedial measures, if any, required in subsequent years. This was not conducted and hence the impact of the scheme in the integrated development of TPs could not be ascertained.

2.1.13 Conclusion

There was delay in release of funds. Allotted funds were refunded to the DTP in the absence of clear instructions in the guidelines. Interest earned on deposits of scheme funds were not made use of due to lack of provision in the guidelines. In three districts, funds released under the schemes were kept in

¹⁷ Dharmapuri, Nagapattinam, Pudukkottai and Thanjavur

common bank account instead of a separate account. Construction of shopping centres without conducting demand survey and non provision of electricity connection resulted in number of shops being kept idle. Amenities as envisaged were not provided in parks formed and cremation grounds improved under the scheme. There was shortfall in convening of District Level Monitoring Committee meetings.

2.1.14 Recommendations

The following recommendations are made for effective implementation of the scheme:

- Procurement should be made at the District level by pooling the requirements of all TPs within the district.
- Proper scrutiny of estimates and supervision of works by higher officials should be insisted upon to ensure quality of works done.
- Survey to assess demand for shops should be made a prerequisite for construction of shopping complex.
- The sanctioning authority should ensure that all requisite components of a community hall are included in the estimate prior to sanctioning.
- Internal control mechanism needs to be strengthened to ensure maintenance of proper books of accounts

The above points were referred to Government in December 2009; reply has not been received (June 2010).

2.2 Utilisation of Central Twelfth Finance Commission Grant for Solid Waste Management in Urban Local Bodies

2.2.1 Introduction

The Solid Waste Management (SWM) scheme was implemented in Urban Local Bodies (ULBs) utilising the grant received under Central Twelfth Finance Commission (CTFC). During 2005-09 a sum of Rs 457.60 crore was released by Government of India for distribution to ULBs in Tamil Nadu. The grant was distributed to the ULBs at Rs 114.40 crore each year. As per guidelines, 50 *per cent* of the grant released should be earmarked for Solid Waste Management. Under the programme of SWM the waste generated in urban areas are to be segregated into biodegradable and non-biodegradable items and they have to be scientifically disposed off without causing environmental pollution. A High Level Committee (HLC) headed by the Chief Secretary to Government of Tamil Nadu was constituted in December 2005 by the State Government in pursuance of the recommendations of the CTFC to monitor the programme.

2.2.2 Audit objectives

The audit objectives were to assess whether the

- local bodies utilised the grants earmarked for the programme effectively
- grants released under the programme was not diverted for other purposes
- infrastructure created under the programme was effectively utilised and
- Municipal and Solid Waste (Management and Handling) Rules, 2000 was adhered to.

2.2.3 Audit Coverage

The records relating to release of the grant were checked in the Commissionerate of Municipal Administration and the Directorate of Town Panchayats. The records relating to utilisation of CTFC Grant for Solid Waste Management scheme were test checked in 20 Municipalities (out of 148) and 55 Town Panchayats (out of 561) selected on the basis of stratified random sampling (**Appendix 2.4**) besides the Corporations of Salem, Tiruchirappalli and Tirunelveli. The review was undertaken under Section 14 of Comptroller and Auditor General of India's (Duties, Powers and Condition of Service) Act, 1971 and covered utilisation of the grant (Solid Waste Management component) released to ULBs for the period from 2005-06 to 2008-09.

Audit Findings

2.2.4 Financial Management

During the period 2005-09, a total sum of Rs 457.60 crore was released by the Government of India as CTFC grants to the State for onward transmission to ULBs. Out of this an amount of Rs 84.03 crore was released for SWM in selected ULBs. The amount was transferred to ULBs in two equal instalments every year as given in **Table 1**.

Table 1: CTFC Grants to ULBs for SWM

(Rupees in crore)

| | Total CTFC transfer | Total CTFC transfer for SWM | Total transfer relating to audit sample |
|----------------------|---------------------|-----------------------------|---|
| Corporations (3) | 141.86 | 70.43 | 32.73 |
| Municipalities (20) | 187.33 | 93.67 | 38.15 |
| Town Panchayats (55) | 128.41 | 64.20 | 13.15 |
| Total | 457.60 | 228.30 | 84.03 |

2.2.4.1 Non-utilisation of funds

Grants received during 2005-06 to 2007-08 were not utilised

In three of the test-checked local bodies, viz. Tiruchirappalli City Municipal Corporation, Kovilpatti and Sankarankoil Municipalities the grant sanctioned from 2005-06 to 2007-08 was not utilised till date (October 2009). Though the local body council had approved the works to be undertaken and the list of equipment to be purchased with the grant, the allotted grant of Rs 1.58 crore was not utilised for the intended/approved purpose as shown in **Table 2** for reasons stated therein by the respective Commissioners.

Table 2: Non-utilisation of grants

(Rupees in lakh)

| Sl. No. | Name of ULB | Year of grant | Particulars | Amount not utilised | Reason for non-utilisation |
|--------------|-----------------------------|---------------|--|---------------------|--|
| 1. | Tiruchirappalli Corporation | 2006-07 | Fabrication and supply of SS Containers | 35.10 | Delay in tender finalisation |
| | | 2007-08 | Purchase of vehicles and wheeled bins, compactor | 73.90 | |
| 2. | Kovilpatti Municipality | 2006-07 | Providing fencing arrangements at compost yard | 10.00 | Delay in acquisition of site for compost yard |
| | | 2007-08 | Purchase of dumper placer Bins | 20.62 | |
| 3. | Sankarankoil Municipality | 2005-06 | Purchase of 2 mini lorries with tipper | 11.00 | Awaiting Commissioner of Municipal Administration's (CMA) approval |
| | | 2006-07 | Purchase of Dumper Placer Vehicle | 7.40 | |
| Total | | | | 158.02 | |

This indicated the inability of the local bodies to effectively utilise the grants and poor monitoring of the programme by State HLC.

2.2.4.2 Shortfall in utilisation of funds

Shortfall in utilisation of Solid Waste Management grant ranged from 16 per cent to 69 per cent

According to the Central Twelfth Finance Commission (CTFC) recommendation and as per the decision of High Level Committee (HLC), 50 per cent of the grant sanctioned to ULBs shall be utilised only for the programmes of SWM, 25 per cent of the grant for maintenance of roads and storm water drains and remaining 25 per cent for miscellaneous works like creation of database and payment of electricity charges, etc. It was noticed in Audit that during 2005-06 to 2008-09, 10 ULBs were not able to spend the grant as per envisaged allocation. The shortfall under SWM was Rs 19.79 lakh in 10 of the test checked ULBs (**Appendix 2.5**) ranging from 16 per cent to 69 per cent.

2.2.4.3 Diversion for Revenue expenditure

Salem City Municipal Corporation diverted Rs 3.06 crore towards fuel expenses

As per para 8.15 of the CTFC recommendations, the focus of the SWM scheme was on funding of capital expenditure including the cost of construction of landfills and compost plants based on waste. The recommendations proposed to provide grants-in-aid only to meet the capital cost of equipment and machinery required for collection, transportation and disposal and their replacement cost. The Salem City Municipal Corporation diverted Rs 3.06 crore (Rs 1.53 crore each for 2005-06 and 2006-07) towards fuel expenses for the vehicles used for collection and transportation of waste (conservancy vehicles). In reply, the Commissioner of Salem City Municipal Corporation stated (October 2009) that the amount was spent as per the directions of CMA. The reply is not tenable in view of specific guidelines which states that the grant should be utilised only to meet capital cost.

2.2.4.4 Diversion for Civil works

Funds amounting to Rs 23.16 lakh earmarked for SWM were utilised for other civil works

The guidelines of CTFC and instructions of CMA (January 2007) stipulated that 50 per cent of the funds be utilised for SWM. However, in eight of the test-checked Town Panchayats, the entire grant was utilised for civil works. The details of diversion of funds amounting to Rs 23.16 lakh earmarked for SWM to other civil works are given in **Table 3**.

Table 3: Details of diversion of grant for civil works

(Rupees in lakh)

| Sl. No. | Name of the Town Panchayat | Year of grant | Total Government Grant sanctioned | Details of other civil works | Expenditure on other civil works |
|--------------|----------------------------|--------------------|-----------------------------------|---|----------------------------------|
| 1. | Chitlapakkam | 2005-06 | 5.61 | Construction of drain culverts and cement road | 6.19 |
| 2. | Idaikazhinadu | 2005-06 | 8.98 | Construction of drain, laying cement and Black Topped (BT) Road | 8.94 |
| 3. | Perungudi | 2005-06 | 3.43 | Laying of BT Road | 5.24 |
| 4. | Thiruneermalai | 2005-06 | 6.33 | Laying of BT Road | 6.40 |
| 5. | Sembakkam | 2005-06 | 4.77 | Laying of BT Road | 5.26 |
| 6. | Thirunageswaram | 2007-08 | 7.14 | Laying of cement and BT Road and construction of drain and payment of Electricity Bills | 7.16 |
| 7. | Sankarnagar | 2005-06 to 2007-08 | 4.80 | Construction of drain and culvert | 6.07 |
| 8. | Naranammalpuram | 2006-07 | 5.25 | Construction of drain and culvert | 5.30 |
| Total | | | 46.31 | | 50.56 |

(50 per cent of grant allotted for Solid Waste Management = Rs 23.16 lakh (Rs 46.31 lakh/2))

2.2.4.5 Non-furnishing of Utilisation Certificates

Non furnishing of Utilisation Certificates by certain ULBs

Under para 14.11 of CTFC recommendations, High Level Committees (HLC) have to monitor the proper utilisation of grants. Utilisation Certificates (UCs) against the grants released were to be furnished by ULBs to the Commissioner of Municipal Administration/Director of Town Panchayats. In the test-checked cases it was noticed that UC for grants amounting to Rs 22.56 crore were not furnished in respect of eighteen ULBs as given in Table 4.

Table 4: Non-furnishing of Utilisation Certificates

(Rupees in crore)

| Sl. No. | Name of the ULB | Year (s) for which UC(s) were not furnished | Grant Amount |
|--------------|-------------------------------------|---|--------------|
| 1. | Tiruchirappalli Corporation | 2006-07 to 2008-09 | 9.92 |
| 2. | Vellore Corporation | 2007-08 and 2008-09 | 1.83 |
| 3. | Thanjavur Municipality | 2007-08 and 2008-09 | 1.45 |
| 4. | Kumbakonam Municipality | 2006-07 to 2008-09 | 2.22 |
| 5. | Kovilpatti Municipality | 2006-07 to 2008-09 | 1.18 |
| 6. | Sankarankoil Municipality | 2005-06 to 2008-09 | 0.80 |
| 7. | Tenkasi Municipality | 2008-09 | 0.28 |
| 8. | Vaniyambadi Municipality | 2008-09 | 0.36 |
| 9. | Gudiyatham Municipality | 2008-09 | 0.37 |
| 10. | Namakkal Municipality | 2008-09 | 0.27 |
| 11. | Thiruchengodu Municipality | 2008-09 | 0.42 |
| 12. | Rasipuram Municipality | 2005-06 to 2008-09 | 1.12 |
| 13. | Kancheepuram Municipality | 2006-07 to 2008-09 | 2.01 |
| 14. | Ambasamudram III Grade Municipality | 2007-08 | 0.10 |
| 15. | Kaveripakkam Town Panchayat | 2008-09 | 0.07 |
| 16. | Naranammalpuram Town Panchayat | 2008-09 | 0.05 |
| 17. | Kalappanaickenpatti Town Panchayat | 2008-09 | 0.06 |
| 18. | Pattanam Town Panchayat | 2008-09 | 0.05 |
| Total | | | 22.56 |

2.2.5 Physical Performance

2.2.5.1 Infructuous expenditure on infrastructural facilities

Infructuous expenditure on infrastructure facilities created for segregation and conversion of waste into manure were not utilised

According to Rule 4 of the Municipal Solid Waste (Management and Handling) Rules, 2000, every municipal authority shall be responsible for implementation of the provisions of these rules and development of infrastructure necessary for collection, storage, segregation, transportation and processing of solid waste.

Under SWM Programme, the urban local bodies are required to dispose off the biodegradable solid waste by conversion of such waste to manure. The process to be adopted for such conversion is vermin-composting and or by aerobic-composting. The infrastructural facilities required for composting such as windrows platform, vermin-compost pits, water supply arrangements,

segregation shed, etc. were created at a cost of Rs 1.04 crore in seven¹ test-checked municipalities and Vellore Corporation. Despite this, the Municipalities and the Corporation did not segregate the biodegradable waste and non-biodegradable waste and dumped the waste in a common yard. The infrastructural facilities created for conversion of biodegradable waste into manure was not utilised for want of approach road, shortage of man power, inadequate space etc. This resulted in infructuous expenditure of Rs 1.04 crore².

2.2.5.2 Excess payment due to non-segregation of waste into biodegradable and non-biodegradable

The collection, segregation, and transportation of waste to the compost site was privatised in four of the test-checked municipalities and two corporations (Kancheepuram, Pallavaram, Ranipet and Tambaram Municipalities; Salem and Tirunelveli Corporations) and Rs 6.76 crore³ was paid to the private operators for the above work during 2005-06 to 2008-09.

Excess payment due to non-segregation of waste into biodegradable and non-biodegradable waste

It was observed that the private operators handled only the operations of collection and transportation of waste. The segregation of waste was not done and the entire waste collected was dumped as mixed waste in the municipality/corporation dumping site. Though the contractor did not execute portion of his work relating to segregation of waste, the Corporations and Municipalities paid the full contract amount to the contractor resulting in excess payment to that extent.

The intended objective of segregating the waste into biodegradable and non-biodegradable waste was not achieved.

In reply, the Commissioners of Municipalities/Corporation stated (Kancheepuram Municipality – August 2009; Pallavaram Municipality – July 2009; Tambaram Municipality - August 2009 and Salem Corporation - October 2009) that new sites acquired were being developed as compost yard. The Commissioner, Ranipet Municipality stated (October 2009) that new site was yet to be acquired and there was no reply from Commissioner, Tirunelveli Corporation.

¹ Gudiyatham, Kancheepuram, Kumbakonam, Madhuranthagam, Sankarankoil, Pattukottai and Tenkasi

² Municipalities : Kancheepuram - Rs 20.00 lakh, Maduranthagam - Rs 14.93 lakh, Kumbakonam - Rs 4.97 lakh, Pattukottai - Rs 4.50 lakh, Sankarankoil - Rs 5.03 lakh, Gudiyatham - Rs 16.10 lakh, Tenkasi - Rs 10.00 lakh and Vellore Corporation - Rs 28.90 lakh

³ Kancheepuram Municipality - Rs 0.10 crore, Pallavaram Municipality - Rs 1.31 crore, Ranipet Municipality - Rs 0.43 crore, and Tambaram Municipality - Rs 0.90 crore, Salem Corporation - Rs 3.06 crore and Tirunelveli Corporation - Rs 0.96 crore

**High Level
Committee meetings
were held only once
in a year as against
once in a quarter**

2.2.6 Monitoring

The Central Twelfth Finance Commission recommendations require a High Level Committee comprising Chief Secretary, Finance Secretary and Secretaries of Municipal Administration and Rural Development Departments to be formed at the State level to ensure proper utilisation of local body grants. As per Paras 11 and 12 of Chapter 14 of the recommendations, the HLC should meet at least once in every quarter to review the utilisation of the grants. The Committee was to be responsible for approval of the projects at the beginning of every year and specify the physical and financial targets for achievement of objectives. During the period from 2005-06 to 2009-2010 (up to October 2009), it was observed that five High Level Committee meetings were held in December 2005, July 2006, January 2007, July 2008 and September 2009. The meetings were thus held only once in a year as against the recommended quarterly meetings. Monitoring of the effective utilisation of the grant by specifying physical and financial target for achievement were not discussed in the meetings and specific projects to be executed by local bodies were not approved. Due to lack of direction and in the absence of effective monitoring at the apex level, the local bodies delayed civil works as well as purchase of equipments required for SWM. The processing of biodegradable waste, the main thrust of the SWM Programme was not implemented in any of the test-checked Corporations/Municipalities. The meetings of the High Level Committee failed to monitor the actual progress in implementation of the SWM Programmes by local bodies.

2.2.7 Conclusion

There was substantial shortfall in utilisation of Central Twelfth Finance Commission grants every year besides diversion of funds to other civil works. The segregation of waste into biodegradable and non-biodegradable waste was not done in any of the test checked Urban Local Bodies and the entire waste was dumped in the municipality/corporation dumping sites. Eight test-checked Urban Local Bodies were not able to utilise infrastructure created for converting the waste into manure due to absence of approach road, shortage of man power, inadequate space, etc.

2.2.8 Recommendations

- Monitoring mechanism should be made effective so that Urban Local Bodies plan well and utilise the grants in time and furnish utilization certificates promptly.
- Proper control mechanism should be institutionalized to check irregular payments, diversion of scheme funds etc.
- Optimum utilization of the assets created and its proper maintenance should be ensured.

The above points were referred to Government in December 2009; reply has not been received (June 2010).

CHAPTER III
AUDIT OF TRANSACTIONS
(URBAN LOCAL BODIES)

CHAPTER III

AUDIT OF TRANSACTIONS (URBAN LOCAL BODIES)

Audit of transactions in the Municipal Administration and Water Supply Department in the Secretariat, three Municipal Corporations, four 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

ALANDUR MUNICIPALITY

3.1.1 Loss of revenue due to non-collection of scavenging fee and administrative charges

Failure of Alandur Municipality to collect scavenging fee and administrative charges from marriage halls/restaurants/industries/wine shops resulted in loss of revenue of Rs 30.84 lakh.

To manage and handle solid wastes generated in the municipal area as provided in “The Municipal Solid Wastes (Management and Handling) Rules, 2000”, Alandur Municipality (municipality) proposed (September 2002) to levy scavenging fee and administrative charges at prescribed rates¹ per month on marriage halls, restaurants, industries, small hotels, wine shops etc. The proposal was approved by the municipal council in October 2002 and the by-law enforcing the levy and collection of scavenging fee and administrative charges with effect from April 2002 was published in the District Gazette in February 2003.

Scrutiny of records (July 2009) revealed that scavenging fee and administrative charges were not levied and collected from marriage halls/

1

(In Rupees)

| Sl.No. | Category | Scavenging fee |
|--------|-----------------------------|--|
| 1. | Marriage halls | 500 (for one marriage) |
| 2. | Restaurants | 1,000 per month |
| 3. | Big industries | 1,000 per month |
| 4. | Small industries | 350 per month |
| 5. | Small hotels and tea stalls | 250 per month |
| 6. | Wine shops | 1,000 per month (administrative charges) |

restaurants/industries/wine shops even though the same was approved by the municipal council and by-law published in the District Gazette.

Failure of the Commissioner, Alandur Municipality to oversee proper levy and collection of scavenging fee and administrative charges as per approved by-law resulted in loss of revenue of Rs 30.84 lakh for the period from April 2003 to March 2009 as detailed in the **Appendix 3.1**.

On this being pointed out (July 2009) the municipality replied (July 2009) that action would be taken to collect the scavenging fee and administrative charges.

The matter was referred to Government in November 2009; reply has not been received (June 2010).

SANKARANKOIL MUNICIPALITY

3.1.2 Loss of revenue by not providing additional water supply connections

Failure of Sankarankoil Municipality to provide additional connections for water supply and collect monthly water charges and deposit resulted in loss of revenue of Rs 30.27 lakh.

Sankarankoil Municipality was supplying 2.6 million litres water per day (mld) to the public from the existing two sources. To improve water supply position, the State Government approved (May 2003) an additional supply of 2.5 mld. from Manur Combined Water Supply Scheme from which water could be supplied to 2,000 additional connections. Tamil Nadu Water Supply and Drainage Board (TWAD) completed the works like construction of sump of 3 lakh litre capacity, pump room, service reservoir and laying of distribution system etc., in January 2006 at a cost of Rupees Nine Crore and water was supplied from the new scheme from 20 January 2006.

The municipality had enhanced the water charges and one time deposit for water connections for domestic and commercial use as under:

| Date of council resolution | Domestic | | Commercial | |
|----------------------------|---------------|----------------|---------------|----------------|
| | Water charges | Deposit | Water charges | Deposit |
| 07.07.2005 | 30 to 50 | -- | 100 to 250 | --- |
| 29.12.2006 | -- | 1,000 to 3,000 | -- | 3,000 to 6,000 |

Commissioner of Municipal Administration (CMA) sanctioned (May 2007) 2,000 new connections with a condition to revise the deposit from Rs 1,000 to Rs 9,000 for domestic connection and from Rs 3,000 to Rs 20,000 for commercial connection as per the resolution of municipal council made in December 2003. The municipal council in its resolution (July 2007) did not accept the proposal of CMA as the public would be unhappy with this increase. Government however ordered (July 2007) to provide water connections to all eligible applicants within seven days from the receipt of applications, at the tariff rate applicable in the respective Urban Local Bodies.

Based on Government order, CMA ordered the municipality (July 2008) after a lapse of one year, to provide new water connections at the existing rates with directions to consider increasing of water tariff and deposit from 1 October 2008 and 1 October 2010 respectively. Despite these instructions from CMA, the municipality did not provide (July 2009) water supply connection to the 1,636 applicants aspiring for water connections from February 2006 onwards. Thus the failure of municipality to provide water connections as per the directions of the CMA has resulted in loss of revenue of Rs 30.27 lakh² on account of forgone monthly water charges and deposit from July 2008 to November 2009. TWAD asked the municipality (September 2008) to repay Rs 899.83 lakh spent by them for the above water supply scheme. However, the Sankarankoil Municipality did not formulate any plan so far (December 2009) for increase of tariff/deposit and create additional fund for repayment of the amount spent for the Water Supply Scheme.

On this being pointed out, the municipality stated (December 2009) that CMA was addressed (November 2009) and final orders were awaited from CMA.

The matter was referred to Government in December 2009; reply has not been received (June 2010).

MADURAI CITY MUNICIPAL CORPORATION

3.1.3 Loss of revenue due to non-collection of lease rent

Failure of Madurai City Municipal Corporation to evict the encroachment or to collect lease rent for encroached area resulted in loss of revenue of Rs 28.03 lakh.

Madurai City Municipal Corporation (Corporation) leased out (March 1995) an open space measuring 3,000 sq. ft at the eastern side of Rajaji Children's Park in Gandhi Museum Road to a private person for construction and running of a hotel. The lease amount was fixed initially at Rs 5,400 per month by the Corporation and was renewed every three years with 15 *per cent* increase as per the guidelines of Municipal Administration and Water Supply Department (December 2000).

The Town Surveyor inspected (March 2004) the site and stated that the lessee had encroached 7,022 sq. ft of corporation land without any allotment in his favour. As per the above inspection report the lessee constructed a hotel building measuring 4,176 sq. ft. (3,000 sq. ft. on the allotted site and

² Water charges for 1,636 applicants x Rs 50 per month x 17 months = Rs 13.91 lakh
 One time water deposit for 1,636 applicants x Rs 1,000 = Rs 16.36 lakh

 Rs 30.27 lakh

As the deposit for water connection was not enhanced, the prevailing deposit rate of Rs 1,000 as on July 2009 for domestic connection was adopted

1,176 sq. ft. on the encroached land) and also provided motor room, vehicle shed etc. in the remaining vacant site of 5,846 sq. ft.

The corporation neither took action to evict the encroachment and resume the land immediately though it was aware of the encroachment even in March 2004 nor did it collect the lease rent for the period of occupation of the encroached area for the past 14 years.

The failure of the corporation to evict the encroachment even in March 2004 facilitated the lessee to occupy the land unauthorisedly from March 2004 onwards. Further land measuring 7,022 sq. ft. in the corporation area had gone out of corporation's reach. The corporation also failed to collect lease rent for the unauthorised occupation of 7,022 sq. ft. of land resulting in loss of revenue of Rs 28.03 lakh for the period from April 1995 to March 2009 (**Appendix 3.2**).

On this being pointed out, the Corporation accepted the fact (December 2008) and addressed (July 2009) the lessee to pay the lease rent for the land encroached by him. However, the Corporation did not initiate any action to evict the lessee from the unauthorised encroachment (July 2009).

The matter was referred to Government in November 2009; reply has not been received (June 2010).

SANKARNAGAR TOWN PANCHAYAT

3.1.4 Non-realisation of revenue due to non-levy of tax on vacant land

Failure of Sankarnagar Town Panchayat to levy tax on vacant land owned by Tamil Nadu Housing Board resulted in non-realisation of revenue of Rs 27.76 lakh.

Section 81 of the Tamil Nadu District Municipalities Act, 1920 stipulates that the Municipal Council shall, in case of lands which are not used exclusively for agricultural purpose and are not occupied by or adjacent and appurtenant to buildings, levy the tax at such percentages of the capital value of such lands as the council may fix.

Sankarnagar Town Panchayat (Town Panchayat) resolved (October 1998) to levy tax on vacant land at one *per cent* of the capital value of vacant land as half yearly tax.

Scrutiny of records in the Town Panchayat and Tamil Nadu Housing Board (TNHB), Tirunelveli Housing Unit revealed that out of the total 48 number of units measuring 9,48,136 sq. ft. developed by the TNHB for sale to the public under commercial category in the Town Panchayat, 33 units measuring 7,34,328 sq. ft. were not sold. However the Town Panchayat did not raise any demand for the payment of tax for the unsold plots for the period from October 1998 to March 2009 resulting in non-realisation of revenue of Rs 27.76 lakh (**Appendix 3.3**). There is no proper internal control

mechanism available in the Town Panchayat to ensure proper implementation of the council resolution/by-laws to arrest loss of revenue.

On this being pointed out, the Deputy Director of Town Panchayats, Tirunelveli stated (October 2009) that the Executive Officer of the Town Panchayat has sent a proposal to the Chief Engineer of TNHB regarding payment of tax on vacant land.

The matter was referred to Government in October 2009; reply has not been received (June 2010).

MADURAI CITY MUNICIPAL CORPORATION

3.1.5 Loss of revenue due to non-recovery of supervision charges

Failure of Madurai City Municipal Corporation to include the supervision charges in the estimate resulted in loss of revenue of Rs 23.16 lakh.

According to water supply by-law published by the Madurai City Municipal Corporation (corporation) in July 1984, every applicant seeking water supply connection should deposit the estimated cost of connection as fixed by the executive authority within the time prescribed. The estimated cost includes a centage of 10 *per cent* of the actual cost of work to cover supervision charges.

Scrutiny of records (December 2008) revealed that the corporation did not include the 10 *per cent* supervision charges in the estimate and recovered only the cost of connection charges from the applicants. Failure of the corporation to include the supervision charges in the estimate and also the failure of the Director of Local Fund Audit to point out this omission resulted in loss of revenue of Rs 23.16 lakh for 12,029 water supply connections given by the corporation during 2004-05 to 2008-09 (upto December 2008) as per details given in the following table:

| Year | Number of connections provided during | | | | | | Non-recovery of supervision charges (in Rupees) |
|--------------|---------------------------------------|---------|---------|---------|------------------------------|-------|---|
| | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 (upto December 2008) | Total | |
| East zone | 320 | 356 | 326 | 467 | 349 | 1,818 | 3,84,854 |
| North zone | 1,222 | 759 | 486 | 403 | 286 | 3,156 | 6,24,182 |
| South zone | 555 | 718 | 405 | 686 | 251 | 2,615 | 5,21,718 |
| West zone | 1,511 | 865 | 777 | 740 | 547 | 4,440 | 7,85,167 |
| Total | | | | | | | 23,15,921 |

The matter was referred to Government in November 2009. In reply Government stated (November 2009) that the water supply charges fixed in

2004-05 included supervision charges also. The reply is not acceptable as all the four Assistant Commissioners (East, West, South and North Zone) of the corporation accepted (December 2008) that the supervision charges were not collected and agreed that action would be taken to recover the supervision charges in future. Further the reply of the Government was not substantiated by any evidence.

3.2 Unfruitful expenditure

COONOOR MUNICIPALITY

3.2.1 Unfruitful expenditure on water supply scheme

Failure of Coonoor Municipality to coordinate with the Forest Department for maintenance of the check dam constructed in the forest area resulted in unfruitful expenditure of Rs 62.89 lakh.

To lessen the hardship caused by scarcity of drinking water during the summer season and also to ensure supply of water as per the norms of 90 litres per capita per day, Coonoor Municipality (municipality) proposed to Commissioner of Municipal Administration (CMA), Chennai (March 2003) to implement the scheme "Improvements to Coonoor water supply system by laying additional pipeline from Gurrency to Gray's Hill" at Gurrency forest area. The scheme was to be implemented at a cost of Rs 63 lakh under Member of Legislative Assembly Constituency Development Scheme (Rs 49.80 lakh) and by utilising municipal funds (Rs 13.20 lakh). CMA, Chennai accorded (December 2003) technical sanction for the scheme. A check dam was also constructed (September 2002) by the Forest Department at Gurrency Forest area for providing water supply to the municipality at a cost of Rupees Six lakh.

The scheme proposed drawal of four lakh litres of water per day from the check dam at Gurrency stream, conveying the water through the pipelines to the collection well and then to ground level reservoir. The scheme proposal did not envisage coordinating with the Forest Department for maintaining the check dam. The municipality completed (October 2004) the laying of pipe lines, construction of collection wells, pumping station etc., at a cost of Rs 56.89 lakh and trial run was carried out in November 2004. However, the municipality did not utilise the source after the trial run, due to frequent silt formation and high cost of pumping.

On a request made by the municipality (September 2006) for maintenance of check dam, the Forest Department replied (September 2006) that an additional Reinforced Cement Concrete (RCC) wall was to be constructed in front of the check dam already constructed to arrest any leakage of water. However, the municipality neither provided any fund to the Forest Department for carrying out this work nor took up the matter with the higher authorities for maintaining the check dam themselves, resulting in silt formation in the check dam during the last five years.

Thus, failure of the municipality to ensure the availability of check dam free of silt and to liaison with the Forest Department for maintaining the check dam properly resulted in unfruitful expenditure of Rs 62.89 lakh.

On this being pointed out, the municipality accepted (September 2009) the point and stated that action will be taken to put the scheme into use.

The matter was referred to Government in December 2009; reply has not been received (June 2010).

TINDIVANAM MUNICIPALITY

3.2.2 Unfruitful expenditure on construction of ramps

Failure of Tindivanam Municipality to terminate the contract at the risk and cost of the contractor and making payment before completing entire work resulted in unfruitful expenditure of Rs 29.58 lakh.

Tindivanam Municipality (municipality) proposed (September 2006) to construct two ramps for two wheelers/auto rickshaws and pedestrians, of 10 feet width in the subway connecting Kaveripakkam and Kamatchi Amman Koil Street constructed (September 2006) by Southern Railway. An amount of Rs 15 lakh each for eastern and western side of the subway was allotted to the Tindivanam Municipality by the Government of India under Member of Parliament Local Area Development Scheme 2006-07.

Work orders for construction of the above two ramps were issued to two contractors on 4 December 2006 by the Tindivanam Municipality. As per the conditions of the contract agreement the contractors were to complete all the work at the agreed rates within 90 days from the date of award of work order i.e. by 4 March 2007 failing which the cost of re-tendering and all losses were to be recovered from the contractor.

The contractors executed certain works such as centering, reinforced cement concrete work and foundation concrete, etc., for increased quantity for which no sanction was obtained but did not complete the remaining works such as plastering the foundation, top roof etc.

Despite the municipality issuing three notices (April 2007 to August 2007) to the contractor responsible for the construction of ramps at eastern side and four notices (April 2007 to August 2007) to the contractor of western side, the contractors did not execute the above works. The municipality paid the final bills of both the contractors in May and June 2008 amounting to Rs 29.58 lakh. For the balance work in respect of both sides, an estimate of Rupees Seven lakh was prepared under Member of Parliament Local Area Development Scheme 2008-09 by the municipality and tender for this work was yet to be finalised (July 2009).

The municipality failed to (i) terminate the contract at the risk and cost of the contractors when there was abnormal delay in execution of work, (ii) withhold the final bill of the contractors due to non completion of work by them and

also for eventual adjustment of excess expenditure, if any, incurred on completing the work. Thus, the two ramps constructed at a cost of Rs 29.58 lakh could not be put to use so far (July 2009).

The matter was referred to Government in November 2009; reply has not been received (June 2010).

3.3 Avoidable expenditure

TIRUCHIRAPPALLI CITY MUNICIPAL CORPORATION

3.3.1 Avoidable payment of electricity charges

Failure of Tiruchirappalli City Municipal Corporation to reduce the contracted demand from 231 KVA despite consuming less power resulted in avoidable payment of Rs 13.14 lakh towards electricity charges.

According to Tamil Nadu Electricity Board (TNEB) Tariff, High Tension (HT) consumers were required to pay demand charges at a rate fixed from time to time on the maximum demand recorded in the month or 90 per cent of the contracted demand whichever was higher besides the energy charges.

Tiruchirappalli City Municipal Corporation (corporation) installed (September 2004) an electrical crematorium with two electric furnaces at Oyamari burial ground and obtained HT connection from TNEB with contracted demand of 231 KVA at Rs 200 per KVA.

Perusal of connected records regarding power consumption and payment of electricity charges for the electrical crematorium by the corporation revealed that the actual power consumption ranged only between 33.40 KVA (June 2008) and 128 KVA (December 2004) during the period from September 2004 to September 2009 and was well below the contracted demand of 231 KVA. As the trend of power consumption during the first one year i.e. September 2004 to August 2005 was in a declining trend ranging between 128 KVA (maximum in December 2004) and 80 KVA (minimum in August 2005), the corporation should have reviewed the matter and taken action accordingly in September 2005 itself to reduce the contracted demand as the recorded demand never reached the contracted demand of 231 KVA.

Failure of the corporation in taking action to reduce the contracted demand from 231 KVA to 82 KVA (average demand recorded during September 2004 to August 2005) by taking up the matter with TNEB resulted in avoidable payment of Rs 13.14 lakh³ towards contracted demand charges during September 2005 to September 2009.

3

| Period | Number of Months | Payment made for 231 KVA | Payment to be made on reduced demand of 82 KVA | Avoidable expenditure |
|----------------------------------|-------------------------|--|---|------------------------------|
| September 2005 to September 2009 | 49 | 90% of 231 i.e 207.90 x Rs 200x49 = Rs 20,37,420 | 90% of 82 i.e. 73.80 x Rs 200x49 = Rs 7,23,240 | Rs 13,14,180 |

The matter was referred to Government in November 2009. Government stated (December 2009) that as the public generally preferred conventional method of pyre fire than electrical cremation, only one was used out of two furnaces and the other idle furnace was converted into gasifier mode in September 2007. Government further stated that action was also being taken to convert the existing electrical furnace into gasifier mode to reduce power consumption to minimum. The reply reiterates the fact that the corporation failed to reduce the contracted demand in September 2005 after reviewing the trend of power consumption for one year.

SALEM CITY MUNICIPAL CORPORATION

3.3.2 Avoidable expenditure towards payment made on segregation of wastes

Failure of the Salem City Municipal Corporation to ensure the facility of processing wastes into biodegradable and non-biodegradable wastes before segregating wastes resulted in avoidable expenditure of Rs 12.82 lakh.

To follow the norms prescribed by Government of India in the “Municipal Solid Wastes (Management and Handling) Rules, 2000” (MSW Rules) for management of solid wastes, Salem City Municipal Corporation (corporation) engaged (April 2005) self help groups (SHGs) in nine divisions of the corporation to carry out the activities of house-to-house collection of wastes, segregation of wastes and depositing of segregated wastes into the storage points of the corporation.

The SHGs collected the wastes and segregated them. As no facility was provided by the corporation for processing the wastes into biodegradable and non-biodegradable wastes as prescribed in MSW Rules, the segregated wastes were dumped together in the storage points of the corporation. The corporation paid Rs 38.46 lakh to the SHGs, during the period from June 2005 to March 2009, each engaging six persons, of which two persons were engaged in segregation of wastes into biodegradable and non-biodegradable wastes.

Meanwhile, Government of Tamil Nadu assigned (March 2007) 100 acres of land to the corporation for solid waste management and the corporation issued a letter of intent (February 2009) to a private firm for a period of 20 years for construction of scientific disposal of solid wastes on Build, Own, Operate and Transfer (BOOT) basis and the work is in progress (October 2009).

The action of Salem City Municipal Corporation in segregating wastes as biodegradable and non-biodegradable without ensuring infrastructure for their independent disposal as manure resulted in avoidable expenditure of Rs 12.82 lakh⁴ towards payment made to SHGs for the period from June 2005 to March 2009 besides non achievement of the objective of MSW Rules, 2000.

⁴ Total payment made to the SHGs/three, as two out of six persons were engaged in segregation work : Rs 38,45,617 / 3 = Rs 12,81,872 (or) Rs 12.82 lakh

Further the dumping of biodegradable and non-biodegradable wastes together could also cause serious environmental pollution/health hazards.

The matter was referred to Government in December 2009; reply has not been received (June 2010).

CHAPTER IV

AN OVERVIEW OF THE ACCOUNTS AND FINANCES OF PANCHAYAT RAJ INSTITUTIONS

CHAPTER IV

AN OVERVIEW OF THE ACCOUNTS AND FINANCES OF PANCHAYAT RAJ INSTITUTIONS

4.1 Introduction

4.1.1 To enable the Panchayat Raj Institutions (PRIs) to acquire the status and dignity of viable and responsive people's bodies, 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 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 12,620 Village Panchayats¹, 385 Panchayat Unions and 30 District Panchayats in the State as of March 2009. An organogram of PRIs is given in **Appendix 4.1**.

Consequent to the provision of required funds through direct funding/devolution, the average own income level of Village Panchayats had increased during 2008-09. The classification of Village Panchayats based on their own income during 2008-09 are given in **Table 4.1**.

Table 4.1: 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 2008-09 |
| 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 | 1,021 |
| 4 | Between Rs five lakh and Rs 10 lakh | 3,181 | 7,146 |
| 5 | Between Rs 10 lakh and Rs 25 lakh | 1,489 | 3,902 |
| 6 | Between Rs 25 lakh and Rs 50 lakh | 252 | 393 |
| 7 | Between Rs 50 lakh and Rs one crore | 60 | 121 |
| 8 | Between Rs one crore and Rs 3 crore | 24 | 32 |
| 9 | Above Rs 3 crore | 2 | 3 |
| | Total | 12,618 | 12,618 |

(Source: Policy Note of Rural Development and Panchayat Raj Department for 2008-09 and 2009-10)

Note : Two new Village Panchayats, Indira Nagar and Perumathur formed in August 2008 are yet to be classified under the income range.

Elections to the local bodies were held in October 2006.

¹ Two new Village Panchayats viz. Indira Nagar and Perumathur in Kurinjipadi Panchayat Union, Cuddalore District formed in August 2008

4.2 Administrative arrangements

4.2.1 The Rural Development and Panchayat Raj Department is responsible for implementation of various Centrally sponsored, State funded and externally aided scheme for poverty alleviation, employment generation, sanitation, capacity building, women's social and economic empowerment, and Tsunami rehabilitation, apart from provision of basic amenities and services. The Department is also entrusted with the responsibility of enabling the various PRIs to function as effective units of local self Government.

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 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 PRIs. The Commissioner of Rural Development and Panchayat Raj (CRDPR) was also directed by the State Government to create the database in PRIs in consultation with National Informatics Centre (NIC) which would develop software for adoption of the formats.

Government of India released Rs 60.73 crore² during 2003-06 for maintenance of accounts and database. Government of Tamil Nadu also released Rs 9.08 crore as a matching grant. Of this, the State Government released Rs 60.32 crore and 13,074 computers costing Rs 51.64 crore were purchased during the period between March 2004 and February 2006 and distributed to PRIs to maintain accounts and database of finances.

The Government stated (May 2009) that though a software for the management information system in the Village Panchayats called Panchayat Raj Institutions Accounts Software 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 wherein the method of accounting

² Rupees 36.34 crore and Rs 24.39 crore as per the recommendations of Eleventh and Twelfth Finance Commission respectively

and the four types³ of accounts to be maintained in each village panchayat was stipulated.

On further reference, the CRDPR stated (January 2010) that the proposed system called Panchayat Raj Institutions Accounts Software (PRIA Soft) was complicated and the present Village Panchayat Assistants with SSLC qualification will not be able to implement the software. The Commissioner also stated that an army of qualified accounting computer personnel would be required in all the VPs to implement the software which the State Government cannot afford. The Commissioner further stated that the present accounting system of cash based single entry system was suffice and migration to double entry system would involve problems and ‘micro management’ as envisaged in PRIA Soft is not called for in a country like India with many diversities and in the present context where ‘Local Government’ is a State subject. The CRDPR further stated that the State Government of Tamil Nadu would not implement PRIA Soft.

Procurement of computers without ensuring its productivity was injudicious. The computers purchased and distributed to PRIs at a cost of Rs 51.64 crore as stated above for maintenance of accounts and database have not been utilised for the intended purpose and were now being used for entering and updating of village panchayat wise data for National Rural Employment Guarantee Scheme (NREGS).

4.3.2 Audit arrangements

4.3.2.1 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 4.2**.

Table 4.2: Audit arrangements for PRIs

| Tier of PRI | Auditors appointed | Periodicity |
|---------------------|--|-----------------------|
| District Panchayats | Director of Local Fund Audit (DLFA) | Annually |
| Panchayat Unions | DLFA | Quarterly |
| Village Panchayats | (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) |

4.3.2.2 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 of India’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

³ (1) Village Panchayat Fund Account (2) Village Panchayat payments of TNEB/TWAD Board Account (3) Village Panchayat Scheme Fund Account and (4) Village Panchayat NREGS Account

Panchayats and Panchayat Unions in terms of order of Government of Tamil Nadu (March 2003).

4.3.3 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 including scheme accounts. The Deputy Block Development Officer audits all the General fund accounts of all the village panchayats (cent *per cent* audit) and certifies them except audit of scheme accounts.

4.3.3.1 *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 December 2009, as reported by the DLFA (March 2010) revealed that all the Panchayat Unions and District Panchayats have compiled and submitted their Annual Accounts up to 2007-08 and 314 Panchayat Unions and 12 District Panchayats had submitted their accounts for 2008-09.

4.3.3.2 *Audit of PRIs by DLFA*

(a) The position of arrears of audit of PRIs as of December 2009 is given in **Table 4.3**.

Table 4.3: Position of audit of Panchayat Unions and District Panchayats by DLFA

| Category of PRI | Year | Total number | Audit completed | Audit in arrears as of December 2009 (Percentage) |
|---------------------|---------|--------------|-----------------|---|
| Panchayat Unions | 2007-08 | 385 | 379 | 6 (2) |
| | 2008-09 | 385 | 13 | 372 (97) |
| District Panchayats | 2008-09 | 29 | 12 | 17 (59) |

(Source: Details furnished by DLFA in March 2010)

(Figures in brackets indicate the percentage of audit in arrears)

As seen from the table, out of 385 Panchayat Unions and 29 District Panchayats audit by DLFA for the year 2008-09 was completed (December 2009) only in 13 Panchayat Unions and 12 District Panchayats.

(b) The regular audit of Village Panchayats was conducted by the Deputy Block Development Officers and 22 *per cent*⁴ 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 December 2009, is given in **Table 4.4**.

⁴ Including two *per cent* of Village Panchayats based on receipts, value of works and on specific complaints forwarded by Director of Rural Development and Panchayat Raj

Table 4.4: Position of audit of Village Panchayats as of December 2009

| Category of PRI | Total number to be Audited by DLFA | Number of Village Panchayats wherein Audit not completed | |
|--------------------|------------------------------------|--|---------|
| | | 2007-08 | 2008-09 |
| Village Panchayats | 2,523 | 896 | 1,561 |

(Source: Details furnished by DLFA in March 2010)

4.3.3.3 The number of paragraphs included in the Inspection Reports of DLFA issued up to 2008-09, pending settlement as of December 2009 in respect of Panchayat Unions and District Panchayats, aggregated to 22,107 and 351 respectively. The reported (March 2010) 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 |
| Upto 2002-2003 | 4,570 | 96 |
| 2003-2004 | 352 | 6 |
| 2004-2005 | 613 | 30 |
| 2005-2006 | 1,194 | 40 |
| 2006-2007 | 3,521 | 53 |
| 2007-2008 | 11,544 | 102 |
| 2008-2009 | 313 | 24 |
| Total | 22,107 | 351 |

(Source: Details furnished by DLFA in March 2010)

State Government appointed State High Level Committee with the Commissioner, Rural Development and Panchayat Raj (RDPR) Department and Director, DLFA as Chairman and Deputy Chairman respectively to be assisted by three⁵ members and District High Level Committee (DHLC) headed by District Collector as Chairman and Project Officer, DRDA as Deputy Chairman assisted by three⁶ members and one Secretary in November 1997 for settlement of outstanding paragraphs. As reported by DLFA (April 2010), the DHLC conducted 219 meetings during the period from 2006-07 to 2008-09 and settled 9,346 paragraphs relating to District Panchayats and Panchayat Unions. The State High Level Committee meeting was not conducted after February 2006.

4.3.3.4 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

⁵ Financial Advisor and Chief Accounts Officer, RDPR Department; Chief Engineer/Superintending Engineer, Tamil Nadu Water Supply and Drainage Board and Chief Engineer (Highways and Rural Works) as members

⁶ Deputy Director, DLFA; Executive Engineer, DRDA; Deputy Director, RDPR Department as members and PA to District Collector (Audit) as Secretary

CRDPR 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 December 2009, 1,744 paragraphs relating to 359 Inspection Reports were not settled for want of satisfactory replies, as given in **Table 4.6**.

Table 4.6: Year-wise pendency of paragraphs

| Year | Number of | |
|--------------|--------------------|--------------|
| | Inspection Reports | Paragraphs |
| 2006-07 | 69 | 214 |
| 2007-08 | 118 | 439 |
| 2008-09 | 172 | 1,091 |
| Total | 359 | 1,744 |

4.4 Receipt and Expenditure of Panchayat Raj Institutions

4.4.1 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.

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

The details of receipts of PRIs during the last three years, as reported by CRDPR, in November 2009, are given in **Table 4.7**.

Table 4.7: Receipts of PRIs

(Rupees in crore)

| Category of PRI | Year | Own Revenue | Assigned Revenue | Grants * | Loans | Total |
|------------------------|---------|-------------|------------------|----------|-------|----------|
| Village Panchayats | 2006-07 | 173.30 | 209.43 | 1,264.29 | - | 1,647.02 |
| | 2007-08 | 237.67 | 144.11 | 1,124.15 | - | 1,505.93 |
| | 2008-09 | 216.67 | 303.41 | 1,203.86 | - | 1,723.94 |
| Panchayat Unions | 2006-07 | 96.49 | 18.48 | 972.23 | - | 1,087.20 |
| | 2007-08 | 70.13 | 58.93 | 506.75 | - | 635.81 |
| | 2008-09 | 61.10 | 127.55 | 549.26 | - | 737.91 |
| District Panchayats ** | 2006-07 | - | - | 185.78 | - | 185.78 |
| | 2007-08 | - | 14.40 | 126.69 | - | 141.09 |
| | 2008-09 | - | 28.89 | 137.32 | - | 166.21 |

(Source: Details furnished by Commissioner of Rural Development and Panchayat Raj in November 2009)

* Grants include only State Finance Commission grants and Central Finance Commission grants released through CRDPR; details regarding other scheme grants routed through DRDA were not available.

** The receipts of District Panchayats consist of grants only.

Details of grants other than State and Central Finance Commission grants and loans received during 2008-09 were not furnished by the CRDPR.

4.4.2 The details of expenditure of all the three tiers of PRIs during the last three years 2006-07 to 2008-09, as reported (November 2009) by CRDPR duly incorporating the expenditure incurred out of State and Central Finance Commission grants, are given in **Table 4.8**.

Table 4.8: Expenditure of PRIs

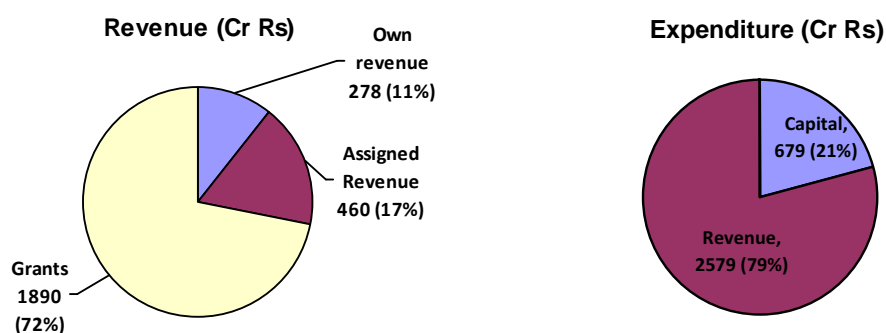
(Rupees in crore)

| Category of PRI | Year | Revenue Expenditure | Capital Expenditure | Total Expenditure |
|---------------------|---------|---------------------|---------------------|-------------------|
| Village Panchayats | 2006-07 | 1,107.57 | 315.57 | 1,423.14 |
| | 2007-08 | 1,350.07 | 349.24 | 1,699.31 |
| | 2008-09 | 1,611.46 | 329.68 | 1,941.14 |
| Panchayat Unions | 2006-07 | 733.09 | 235.24* | 968.33* |
| | 2007-08 | 719.05 | 277.73 | 996.78 |
| | 2008-09 | 822.56 | 269.92 | 1,092.48 |
| District Panchayats | 2006-07 | 103.46 | 65.72 | 169.18 |
| | 2007-08 | 132.15 | 47.72 | 179.87 |
| | 2008-09 | 145.22 | 79.61 | 224.83 |

(Source: Details furnished by Commissioner of Rural Development and Panchayat Raj in November 2009)

* Figures differ from the figures furnished in the last year's report due to revised figures furnished by the CRDPR (November 2009).

4.4.3 Pie charts showing the components of Receipts and Expenditure of all Panchayat Raj Institutions for the financial year 2008-09 are given below:



4.4.4 The component-wise details of receipts and expenditure for the years 2006-09 as reported by CRDPR are given in the succeeding paragraphs.

4.5 Receipt of Panchayat Raj Institutions

4.5.1 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.

4.5.2 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 2006-09 by the Village Panchayats were as given in **Table 4.9**.

Table 4.9: Tax revenue of Village Panchayats

(Rupees in crore)

| Year | House Tax | | | Profession Tax | | | Advertisement Tax | | |
|---------|-----------|-----------|-------|----------------|-----------|------|-------------------|----------|------|
| | D | C | B | D | C | B | D | C | B |
| 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 |
| 2008-09 | 90.47 | 85.87(95) | 4.60 | 42.51 | 41.87(98) | 0.64 | 0.26 | 0.23(88) | 0.03 |

(Source: Details furnished by Commissioner of Rural Development and Panchayat Raj in November 2009)

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

(Figures in brackets indicate percentage of collection to demand)

While the percentage of collection of Profession Tax as against its demand was satisfactory, the percentage of collection of House Tax increased from 86 in 2006-07 to 95 *per cent* in 2007-08 and 2008-09. Percentage of collection of advertisement tax decreased from 98 *per cent* in 2006-07 to 71 *per cent* in 2007-08 and then increased to 88 *per cent* in 2008-09.

4.5.3 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 2006-09 are given in **Table 4.10**. However, no break-up details of various kinds of non-tax revenues realised were furnished by CRDPR.

Table 4.10: Non-tax revenue of PRIs

(Rupees in crore)

| Category of PRI | Year | Non-tax revenue realised |
|--------------------|---------|--------------------------|
| Panchayat Unions | 2006-07 | 96.49 |
| | 2007-08 | 70.13 |
| | 2008-09 | 61.10 |
| Village Panchayats | 2006-07 | 73.81 |
| | 2007-08 | 121.13 |
| | 2008-09 | 88.70 |

(Source: Details furnished by Commissioner of Rural Development and Panchayat Raj in November 2009)

4.5.4 Assigned revenue

This includes the class of taxes and levies traditionally collected by Government and assigned to the PRIs by the District Collectors. Second State Finance Commission considered the assigned revenue as part of the resource base of the PRIs and desired that the base for the assignment was required 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 2006-09 are given in **Table 4.11**.

Table 4.11: 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 |
|---------------------|---------|------------|----------------------|-------------------|-------------------------|-----------------|--------------------------|--------|
| Village Panchayats | 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 |
| | 2008-09 | 11.58 | ND | 1.05 | 204.08 | 69.52 | 17.18 | 303.41 |
| Panchayat Unions | 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 |
| | 2008-09 | ND | 6.18 | 0.56 | 108.84 | 11.97 | - | 127.55 |
| District Panchayats | 2007-08 | 2.04 | ND | 0.13 | 12.23 | ND | ND | 14.40 |
| | 2008-09 | 1.54 | ND | 0.14 | 27.21 | ND | ND | 28.89 |

(Source: Details furnished by Commissioner of Rural Development and Panchayat Raj in November 2009)
ND – assigned revenue not due.

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

4.5.5 Grants received by PRIs

The details of State Finance Commission (SFC) devolutions received by the PRIs during 2006-09 are given in succeeding paragraphs.

4.5.5.1 State Finance Commission grants

The details of SFC devolutions to PRIs during 2006-09 are given in **Table 4.12**.

Table 4.12: State Finance Commission grants to PRIs

(Rupees in crore)

| Category of PRI | Year | SFC grants sanctioned | Deductions made | Net grants released |
|---------------------|---------|-----------------------|-----------------|---------------------|
| Village Panchayats | 2006-07 | 500.81 | Nil | 500.81 |
| | 2007-08 | 950.15 | 1.80 | 948.35 |
| | 2008-09 | 1,029.86 | 201.80 | 828.06 |
| Panchayat Unions | 2006-07 | 432.03 | 37.14 | 394.89 |
| | 2007-08 | 506.75 | 161.31 | 345.44 |
| | 2008-09 | 549.26 | 226.65 | 322.61 |
| District Panchayats | 2006-07 | 85.24 | Nil | 85.24 |
| | 2007-08 | 126.69 | 27.24 | 99.45 |
| | 2008-09 | 137.32 | 62.24 | 75.08 |

(Source: Details furnished by Commissioner of Rural Development and Panchayat Raj in November 2009)

The CRDPR reported (November 2009) that deductions were made from the SFC grants given to Panchayat Unions during 2006-09 and to Village Panchayats and District Panchayats during 2007-08 and 2008-09 towards pension contribution, training corpus fund, Panchayat Union school renovation programme and Rural Infrastructure scheme.

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

Details of grants other than State and Central Finance Commission grants and their utilisation during 2007-08 and 2008-09 were not furnished by the CRDPR.

4.6 Expenditure of Panchayat Raj Institutions

4.6.1 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.*, 2006-07 to 2008-09 are given in **Table 4.13**.

Table 4.13: 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 SFC grants utilised) | Total |
| Village Panchayats | 2006-07 | 54.73 | 38.64 | 93.37 | 1,014.20 | 1,107.57 (15) |
| | 2007-08 | 53.71 | 2.19 | 55.90 | 1,294.47 | 1,350.37 (22) |
| | 2008-09 | 104.23 | 0.01 | 104.24 | 1,507.22 | 1,611.46 (19) |
| Panchayat Unions | 2006-07 | 62.22 | 21.41 | 83.63 | 649.46 | 733.09 (8) |
| | 2007-08 | 67.04 | 0.21 | 67.25 | 651.80 | 719.05 ((-) 2) |
| | 2008-09 | 94.20 | 0.52 | 94.72 | 727.84 | 822.56 (14) |
| District Panchayats | 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) |
| | 2008-09 | 3.74 | 0.10 | 3.84 | 141.38 | 145.22 (10) |

(Source: Details furnished by Commissioner of Rural Development and Panchayat Raj in November 2009)

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

4.7 Capital expenditure

Quantum of reported capital expenditure (November 2009) as incurred by PRIs including capital expenditure incurred out of Central Finance Commission grants during 2006-09 are given in **Table 4.14**.

Table 4.14: Capital Expenditure of PRIs

(Rupees in crore)

| Category of PRI | 2006-07 | 2007-08 | 2008-09 |
|---------------------|---------------|---------------|---------------|
| Village Panchayats | 315.57 | 349.24 | 329.68 |
| Panchayat Unions | 252.64 | 277.73 | 269.92 |
| District Panchayats | 65.72 | 47.72 | 79.61 |
| Total | 633.93 | 674.69 | 679.21 |

(Source: Details furnished by Commissioner of Rural Development and Panchayat Raj in November 2009)

Based on the details compiled by CRDPR, the capital expenditure incurred towards the main core sectors viz., water supply, street lighting and road works during 2006-09 excluding the capital expenditure incurred out of Central Finance Commission grants are furnished in **Table 4.15**.

Table 4.15: Core sector-wise capital expenditure of PRIs

(Rupees in crore)

| Name of the core sector | Category of PRI | 2006-07 | 2007-08 | 2008-09 |
|-------------------------|---------------------|---------------|---------------|---------------|
| Water supply | Village Panchayats | 39.38 | 41.32 | 37.27 |
| | Panchayat Unions | 27.61 | 49.96 | 41.53 |
| | District Panchayats | 7.85 | 17.69 | 7.35 |
| Total | | 74.84 | 108.97 | 86.15 |
| Street lights | Village Panchayats | 16.90 | 9.53 | 12.59 |
| | Panchayat Unions | 3.04 | 2.72 | 1.37 |
| | District Panchayats | 2.55 | 9.25 | 2.60 |
| Total | | 22.49 | 21.50 | 16.56 |
| Road works | Village Panchayats | 37.27 | 55.90 | 29.13 |
| | Panchayat Unions | 68.08 | 145.11 | 95.62 |
| | District Panchayats | 18.30 | 51.54 | 24.86 |
| Total | | 123.65 | 252.55 | 149.61 |

(Source: Details furnished by Commissioner of Rural Development and Panchayat Raj in November 2009)

The breakup details of capital expenditure incurred out of Central Finance Commission grants were not furnished by the CRDPR. In addition to above, works under the core sectors of roads and water supply were also executed under other schemes⁷ executed through various agencies⁸ with the assistance of Central and State Governments.

4.8 Maintenance of Accounts

According to Tamilnadu Panchayats Act 1994, the PRIs are required to maintain various types of accounts as detailed in **Appendix 4.3**

During 2008-09, three District Panchayats viz. Coimbatore, Villupuram and Virudhunagar and 20 Panchayat Unions within these districts selected by stratified random sampling method were audited for measuring their efficiency and effectiveness in maintenance of accounts. Audit findings are discussed in the following paragraphs.

4.8.1 Internal Control Procedures

- **Preparation of Budget :** Financial rules stipulate that all Panchayat Unions (PUs) have to prepare annual financial statements i.e. budget for each year and place before the Panchayat Union Council before

⁷ 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.

⁸ Water supply works: Tamil Nadu Water Supply and Drainage Board.
Road works: Highways Department, Tamil Nadu Road Development Corporation

30th November. However, in five⁹ test-checked PUs, Budget was not prepared and placed before the Panchayat Union Council during the period 2004-05 to 2008-09 indicating lack of control over expenditure.

- **Statement of liabilities and assets in the annual accounts :** The statement of liabilities and assets, required to be appended to the annual accounts as per codal provisions, were not appended to the annual accounts of 2004-05 to 2008-09 by 12 test-checked PUs¹⁰. Without these statements, the true picture of financial position of the PUs could not be assessed. On being pointed out by Audit, the concerned BDOs agreed (July, August and September 2009) to prepare the statements in future.
- **Register of contingent expenditure :** Register of contingent expenditure, prescribed to have an effective control over expenditure, was not maintained in 13 test checked PUs¹¹ for the period 2004-05 to 2008-09. The lack of control was exemplified in an excess expenditure of Rs 7.98 lakh over the budget provision in respect of Sulthanpet PU during 2005-06 to 2007-08.
- **Monthly Abstract of Accounts :** According to financial rules, Block Development Officers (BDOs) of PUs should prepare monthly abstract of accounts and forward to the Assistant Director of Local Fund Accounts (ADLFA) of the District by the end of the following month. 18 test-checked PUs¹² did not prepare and submit monthly abstract of accounts to the Local Fund audit for the period 2004-05 to 2008-09. Non-preparation of monthly accounts resulted in ineffective financial control of the PUs by the PU Councils. On being pointed out by Audit, the concerned BDOs agreed (July, August and September 2009) to prepare the monthly accounts in future.
- **Physical verification of cash :** Financial rules stipulates that the officer in-charge of the cash book should physically verify the cash balance as per cash book at the end of each month. In 20 test-checked PUs, physical verification of cash was not done by the officers in-charge in any of the months during 2004-05 to 2008-09. On being pointed out by Audit, all the BDOs agreed (July, August and September 2009) to conduct physical verification of cash regularly.

⁹ Kallakurichi (2004-05 and 2005-06), Kanai (2004-05 to 2008-09), Koliyanur (2004-05 and 2007-08), Melmalayanur (2004-05 and 2006-07 to 2008-09) and Sulthanpet (2007-08 and 2008-09)

¹⁰ Annur, Kallakurichi, Kanai, Kinathukadavu, Koliyanur, Melmalayanur, Periyanaickanpalayam, Pollachi (South), Sarcarsamakulam, Sathur, Srivilliputhur and Vembakottai

¹¹ Annur, Gudimangalam, Kallakurichi, Kanai, Kinathukadavu, Koliyanur, Melmalayanur, Pollachi (South), Periyanaickanpalayam, Sarcarsamakulam, Sathur, Srivilliputhur and Sultanpet

¹² Annur, Aruppukottai, Chinnasalem, Gudimangalam, Kallakurichi, Kinathukadavu, Koliyanur, Madhukarai, Melmalayanur, Narikudi, Periyanaickanpalayam, Pollachi (South), Sarcarsamakulam, Sathur, Srivilliputhur, Sultanpet, Tiruppur and Watrap

- **Physical verification of Stores :** In eight test-checked PUs¹³, physical verification of stock of cement, steel, bitumen as required to be done annually was not done from 2004-05 to 2008-09. The non-verification of stock might pave way for pilferage and resultant loss.

4.8.2 Accounting Issues

- **Cancellation of time barred cheques :** The financial rules stipulates that treasury cheques lying unencashed for more than three months should be cancelled and taken as receipts. In two test-checked PUs, 20 time barred cheques amounting to Rs 3.22 lakh were not cancelled.
- **Interest on Provident Fund Account :** The BDO of the PUs maintain the provident fund account of the Panchayat Union employees. The DLFA is the sanctioning authority for the interest to be paid on the provident fund. In 15 test-checked PUs, the concerned BDOs did not send proposals for claiming interest on provident fund to the DLFA or proposals sent by BDOs were not authorised by DLFA from 1989-90 to 2008-09 as detailed in **Appendix 4.4**. Due to non-credit of interest to the individual accounts of employees, the liability of the PU was understated to that extent in its accounts and hence did not reflect the true and correct picture of its financial position. It also resulted in denial of the entitled benefits to eligible employees including 194 retired and 10 deceased employees. On being pointed out by Audit, the BDOs agreed (July, August and September 2009) to send the claim proposals to DLFA.
- **Lapsed Deposit :** As per Financial Rules, deposits received from contractors remaining unclaimed for more than four financial years should be treated as lapsed and credited to the General Fund Account of the Panchayat Unions. In 17 test-checked PUs¹⁴, deposits of Rs 18.29 lakh in the form of security bonds (Rs 4.96 lakh) and cash (Rs 13.33 lakh) received from the contractors remaining unclaimed for more than four financial years were not lapsed and credited to General Fund Account of the PUs. The non-lapsing of the deposits in the General Fund Account resulted in under statement of cash balance in the accounts of the PUs. On being pointed out by Audit, all the BDOs agreed (July, August and September 2009) to remit the lapsed deposits in Panchayat Union accounts.
- **Inoperative accounts :** In eight test checked PUs and Virudhunagar District Panchayat, the balance of Rs 15.23 lakh pertaining to various Central and State schemes and Education Fund account remained unutilised in the accounts although the schemes were closed long back and there were no transactions in the Education Fund account since

¹³ Annur (2005-06 to 2008-09), Aruppukottai (2006-07 to 2008-09), Kanai, Melmalayanur (2007-08 and 2008-09), Narikudi (2007-08 and 2008-09), Sarcarsamakulam, Sulthanpet and Vembakottai (2004-05 to 2008-09)

¹⁴ Annur, Aruppukkottai, Chinnasalem, Gudimangalam, Kallakurichi, Kinathukadavu, Koliyanur, Madhukarai, Melmalayanur, Periyanaickanpalayam, Pollachi (South), Sarcarsamakulam, Sathur, Srivilliputhur, Tiruppur, Vembakottai and Watrap

December 2000. Non-closure of inoperative scheme accounts resulted in blocking of Government money of Rs 15.23 lakh.

4.9 Response to Audit

State Government stipulated (July 2000) that the Commissioner, Panchayat Union Council and Secretary, District Panchayat after preparing replies to the audit comments of DLFA in the annual accounts have to place the same before the Panchayat Union/District Panchayat Council for discussion and suitable action. In 15 test-checked PUs¹⁵ and two District Panchayats (Coimbatore and Virudhunagar), the Commissioners/Secretaries did not place the audited annual accounts along with replies before the Panchayat Union/District Panchayat Council for the period from 2004-05 to 2008-09. In the absence of replies, the audit comments of DLFA could not be discussed in the Panchayat Union/District Panchayat Council for suitable action.

The above points were referred to Government in December 2009 and March 2010. Government accepted the facts (June 2010 and July 2010) and gave instructions to Panchayat Unions/District Panchayats to adhere the norms in respect of Maintenance of Accounts.

¹⁵ Annur, Chinnasalem, Gudimangalam, Kallakurichi, Kanai, Kinathukadavu, Koliyanur, Madhukarai, Melmalayanur, Pollachi (South), Sarcarsamakulam, Sultanpet and Tiruppur PUs (2004-05 to 2008-09); Periyanaickanpalayam and Sathur PUs (2004-05 to 2006-07)

CHAPTER V
AUDIT OF TRANSACTIONS
(PANCHAYAT RAJ INSTITUTIONS)

CHAPTER V

AUDIT OF TRANSACTIONS (PANCHAYAT RAJ INSTITUTIONS)

Audit of transactions in Thiruppullani Panchayat Union brought an instance of excess payment towards repayment of loan and interest as detailed in the following paragraph.

RURAL DEVELOPMENT AND PANCHAYAT RAJ DEPARTMENT

5.1 Avoidable expenditure

THIRUPPULLANI PANCHAYAT UNION

5.1.1 Excess payment towards repayment of loan and interest

Failure of Thiruppullani Panchayat Union to rectify the discrepancy in the NABARD loan availed by it resulted in excess payment of Rs 6.09 lakh.

For providing loan assistance to State Governments/Panchayat Raj Institutions for completing ongoing or new infrastructure projects in rural areas, National Bank for Agriculture and Rural Development (NABARD) set up Rural Infrastructure Development Fund (RIDF) in 1995-96. To avail the loan assistance, the local bodies should contribute 10 *per cent* of the project cost as their share and out of the balance 90 *per cent* of the project cost, 75 *per cent* would be released as grant and the balance 25 *per cent* as loan by NABARD to be recovered after a period of one and half years from the date of release of last instalment. For this purpose, a separate Local Fund Account was required to be opened and the respective local bodies were to deposit their 10 *per cent* contribution to this account. Government would also release the instalments to this account and payment would be made by the Panchayat Union Commissioner. The Project Officer, District Rural Development Agency (DRDA) has to consolidate the expenditure and reimbursement claim details, Panchayat Union wise and work wise and send it for reimbursement to NABARD.

Government of Tamil Nadu accorded (July 2000) administrative sanction to Thiruppullani Panchayat Union (Panchayat Union) for “Improvements to road from Vannangundu to Methalodai” under this scheme at a cost of Rs 36.50 lakh and the Panchayat Union contributed Rs 3.65 lakh (June 2001) towards their 10 *per cent* share. The final instalment amount of NABARD loan was released in December 2001. The work was completed (February 2002) at a cost of Rs 22.91 lakh, against Rs 36.50 lakh credited to the Local Fund Account. Hence, there was an unspent balance of Rs 13.59 lakh, which included Rs 1.36 lakh (Rs 3.65 lakh – Rs 2.29 lakh¹) towards 10 *per cent* contribution made by Panchayat Union.

¹ 10 *per cent* contribution of Panchayat Union based on the actual value (Rs 22.91 lakh) of work done

Scrutiny of records (May 2009) revealed that the Project Officer, DRDA, Ramanathapuram had not prepared Demand, Collection and Balance statement (DCB) of loan dues of the Panchayat Union despite being called for (June 2003) by Director of Rural Development (DRD). As DCB was not prepared, the DRDA without verifying the actual cost of completed works ordered (December 2003) repayment of loan of Rs 8.21 lakh with interest based on the sanctioned cost of the work. The Panchayat Union without verifying the correctness of its loan liability of Rs 5.15 lakh, (25 per cent of NABARD loan amount for the actual value of work done after deducting 10 per cent contribution of the Panchayat Union i.e. Rs 22.91 lakh minus Rs 2.29 lakh x 25 per cent), paid Rs 12.70 lakh during June 2004 – December 2009. Meanwhile, the Project Officer, DRDA, Ramanathapuram remitted (July 2004) the unspent balance of Rs 13.59 lakh into Government account without returning Rs 1.36 lakh to the Panchayat Union being its unspent balance of 10 per cent contribution.

Non-maintenance of proper accounts by the Panchayat Union and its failure to notice the discrepancy before making payment resulted in avoidable payment of Rs 6.09 lakh (**Appendix 5.1**) towards excess payment of loan, interest and 10 per cent contribution, indicating lack of proper monitoring system in repayment of loan besides non utilising the amount for other welfare schemes. When pointed out, the Project Officer accepted (February 2010) the fact and sought reimbursement of excess amount from Government.

The matter was referred to Government in January 2010. Government in reply stated (March 2010) that the unspent amount of Rs 13.59 lakh was already remitted to Government Account. The reply was however silent about reimbursement of the excess amount paid by the Panchayat Union.

Chennai
The

(REVATHI BEDI)
Principal Accountant General (Civil Audit)
Tamil Nadu and Puducherry

Countersigned

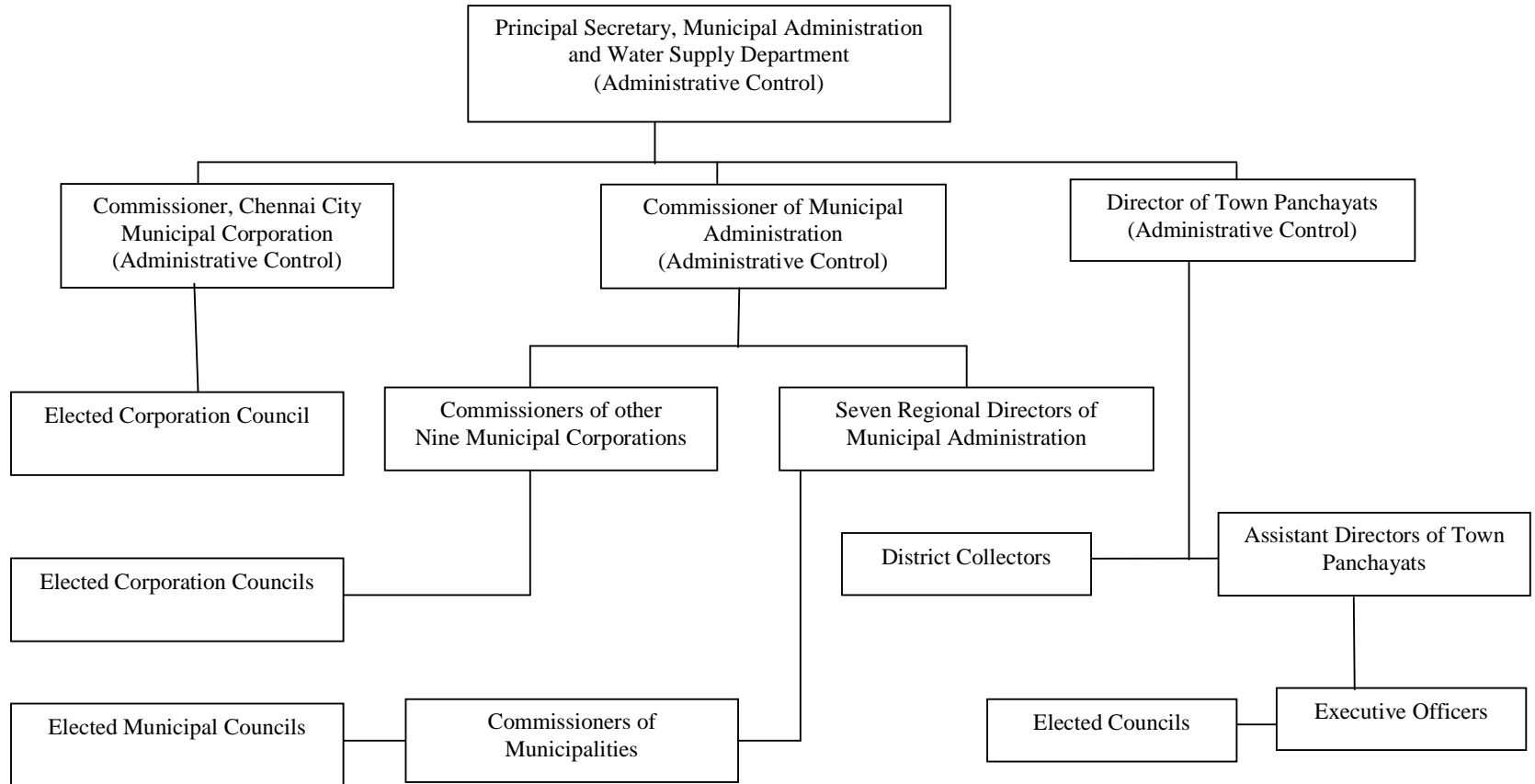
New Delhi
The

(VINOD RAI)
Comptroller and Auditor General of India

Appendix 1.1

(Reference: Paragraph 1.2.1; Page 2)

Organisation Chart of Urban Local Bodies



(Source : Directorate of Municipal Administration)

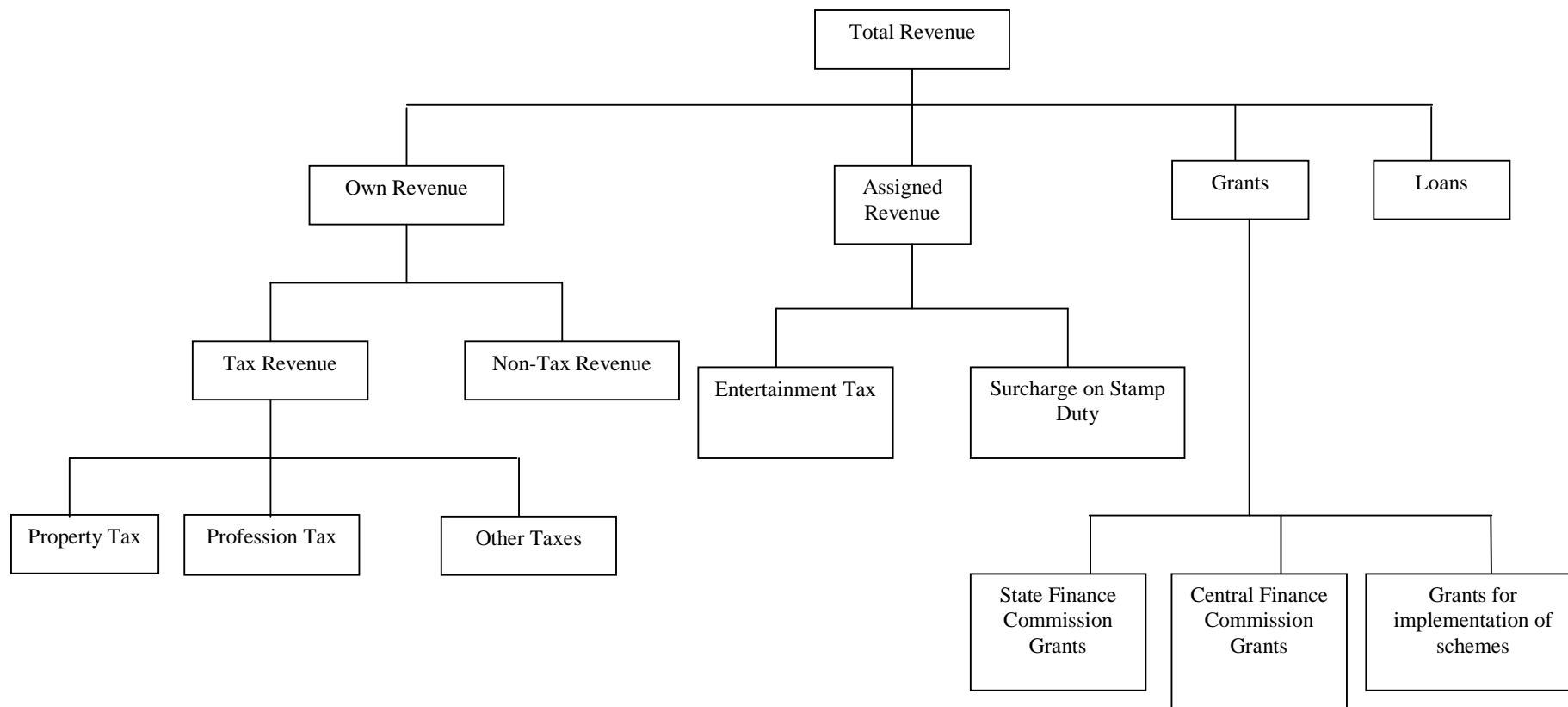
Appendix 1.2

(Reference: Paragraph 1.4.4; Page 5)

Number of audit paragraphs relating to Urban Local Bodies from 2005-08 pending settlement as on 31 March 2009

| Year | All Municipalities | Town Panchayats | Municipal Corporations | | | | | | | | | | Total |
|--------------|--------------------|-----------------|------------------------|------------|------------|------------|-----------------|-------------|------------|------------|------------|-------------|--------------|
| | | | Chennai | Coimbatore | Madurai | Salem | Tiruchirappalli | Tirunelveli | Tiruppur | Erode | Vellore | Thoothukudi | |
| 2005-06 | 6,770 | 11,475 | 1,508 | 449 | 748 | 773 | 584 | 419 | 170 | 168 | 175 | 208 | 5,202 |
| 2006-07 | 3,469 | 12,412 | Nil | 471 | Nil | Nil | 628 | 180 | Nil | Nil | Nil | Nil | 1,279 |
| 2007-08 | 574 | 1,742 | 380 | 5 | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | 385 |
| Total | 10,813 | 25,629 | 1,888 | 925 | 748 | 773 | 1,212 | 599 | 170 | 168 | 175 | 208 | 6,866 |

Appendix 1.3
(Reference: Paragraph 1.8; Page 9)
Source of revenue of Urban Local Bodies



Appendix 1.4

(Reference: Paragraph 1.8.3; Page 11)

Statement showing the demand, collection and balance of Property Tax during 2006-09 in Urban Local Bodies

(Rupees in crore)

| Category of the local body | Year | Nature of demand | Demand | Collection | Balance | |
|---|------------------------------------|------------------|---------------|-------------------|---------------------------|--------------------------|
| Chennai City Municipal Corporation | 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 | |
| | 2008-09 | Arrears | 229.53 | 112.03(49) | 117.50 | |
| | | Current | 294.74 | 208.07(71) | 86.67 | |
| | | Total | 524.27 | 320.10(61) | 204.17 | |
| Other Municipal Corporations | 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[#] | |
| | 2008-09 | Arrears | 118.13 | 56.10(47) | 62.03 | |
| | | Current | 222.42 | 157.92(71) | 64.50 | |
| | | Total | 340.55 | 214.02(63) | 126.53 | |
| Municipalities | 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 | 265.17 | 185.41(70) | 79.76 | |
| | | Total | 482.38 | 258.40(54) | 223.98[#] | |
| | 2008-09 | Arrears | 202.00 | 60.67(30) | 141.33 | |
| | | Current | 267.11 | 196.93(74) | 70.18 | |
| | | Total | 469.11 | 257.60(55) | 211.51 | |
| | Town Panchayats[@] | 2006-07 | Arrears | 32.72 | 14.36(44) | 18.36 |
| | | | Current | 43.71 | 38.89(89) | 4.82 |
| | | | Total | 76.43 | 53.25(70) | 23.18[#] |
| 2007-08 | | Arrears | 34.12 | 17.05(50) | 17.07 | |
| | | Current | 48.99 | 48.21(98) | 0.78 | |
| | | Total | 83.11 | 65.26(79) | 17.85[#] | |
| 2008-09 | | Arrears | 26.44 | 10.59(40) | 15.85 | |
| | | Current | 76.03 | 54.98(72) | 21.05 | |
| | | Total | 102.47 | 65.57(64) | 36.90 | |

@ Figures of Town Panchayats for 2006-07 and 2007-08 differ from the figures furnished in the last year's report due to revised figures furnished by Director of Town Panchayats.

Not tallying with OB of the succeeding year

Appendix 1.5

(Reference: Paragraph 1.8.4; Page 11)

Statement showing the demand, collection and balance of Profession Tax during 2006-09 in Urban Local Bodies

(Rupees in crore)

| Category of the local body | Year | Nature of demand | Demand | Collection | Balance | |
|---|----------------|------------------|--------------|-------------------|--------------------------|--------------|
| Chennai City Municipal Corporation [@] | 2006-07 | Arrears | Nil | 0 | Nil | |
| | | Current | Nil | 63.69 | Nil | |
| | | Total | Nil | 63.69 | Nil | |
| | 2007-08 | Arrears | Nil | Nil | Nil | |
| | | Current | Nil | 73.83 | Nil | |
| | | Total | Nil | 73.83 | Nil | |
| | 2008-09 | Arrears | Nil | Nil | Nil | |
| | | Current | Nil | 87.94 | Nil | |
| | | Total | Nil | 87.94 | Nil | |
| Other Municipal Corporations | 2006-07 | Arrears | 4.97 | 1.83 (37) | 3.14 | |
| | | Current | 13.63 | 11.54 (85) | 2.09 | |
| | | Total | 18.60 | 13.37 (72) | 5.23 | |
| | 2007-08 | Arrears | 5.24 | 2.03 (39) | 3.21 | |
| | | Current | 14.31 | 11.90 (83) | 2.41 | |
| | | Total | 19.55 | 13.93 (71) | 5.62[#] | |
| | 2008-09 | Arrears | 10.78 | 3.66 (34) | 7.12 | |
| | | Current | 22.92 | 20.72 (90) | 2.20 | |
| | | Total | 33.70 | 24.38 (72) | 9.32 | |
| | Municipalities | 2006-07 | Arrears | 26.79 | 6.23 (23) | 20.56 |
| | | | Current | 38.81 | 29.27 (75) | 9.54 |
| | | | Total | 65.60 | 35.50 (54) | 30.10 |
| 2007-08 | | Arrears | 30.10 | 11.59 (39) | 18.51 | |
| | | Current | 39.09 | 34.35 (88) | 4.74 | |
| | | Total | 69.19 | 45.94 (66) | 23.25[#] | |
| 2008-09 | | Arrears | 18.09 | 3.67 (20) | 14.42 | |
| | | Current | 32.87 | 29.09 (89) | 3.78 | |
| | | Total | 50.96 | 32.76 (64) | 18.20 | |
| Town Panchayats | | 2006-07 | Arrears | 6.75 | 2.64 (39) | 4.11 |
| | | | Current | 59.49 | 19.83 (33) | 39.66 |
| | | | Total | 66.24 | 22.47 (34) | 43.77 |
| | 2007-08 | Arrears | 8.38 | 2.67 (32) | 5.71 | |
| | | Current | 18.46 | 20.68 | - | |
| | | Total | 26.84 | 23.35 (87) | 3.49[#] | |
| | 2008-09 | Arrears | 11.10 | 3.30 (30) | 7.80 | |
| | | Current | 30.38 | 33.48 | - | |
| | | Total | 41.48 | 36.78 (89) | 4.70 | |

[@] As far as Chennai City Municipal Corporation is concerned, there is no demand for profession tax and Non-Tax revenue. Hence percentage of collection is not worked out for Chennai Corporation.

[#] Not tallying with the OB of the succeeding year

Appendix 1.6

(Reference: Paragraph 1.8.5; Page 12)

Statement showing the demand, collection and balance of Non-tax revenue during 2006-09 in Urban Local Bodies (except Chennai City Municipal Corporation)

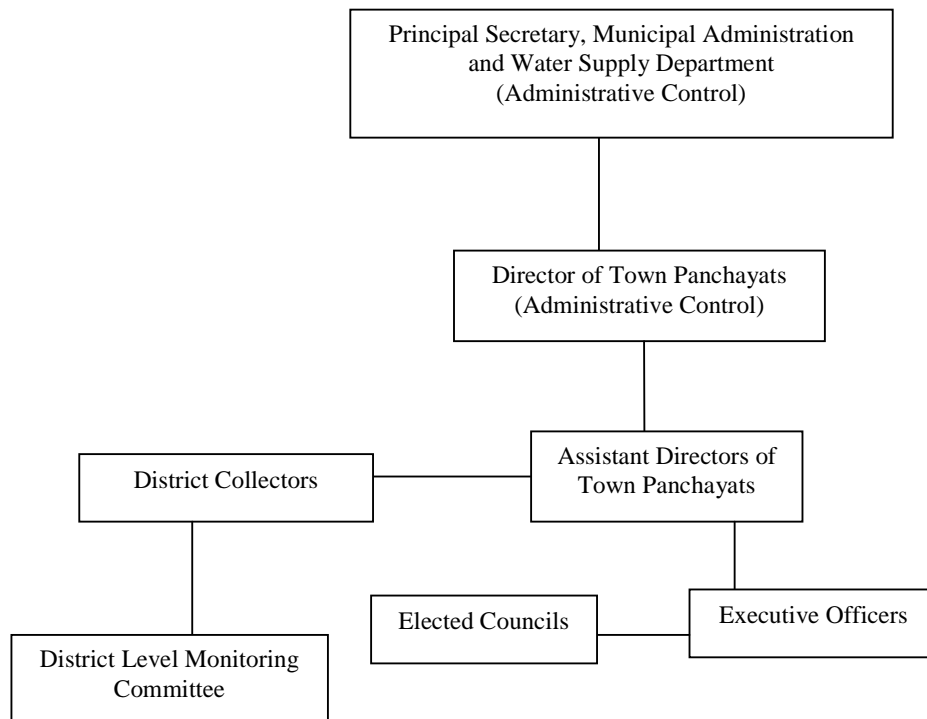
(Rupees in crore)

| Category of the local body | Year | Nature of demand | Demand | Collection | Balance |
|-------------------------------|---------|------------------|---------------|--------------------|---------------|
| Municipalities | 2006-07 | Arrears | 45.12 | 26.75 (59) | 18.37 |
| | | Current | 117.20 | 95.17 (81) | 22.03 |
| | | Total | 162.32 | 121.92 (75) | 40.40* |
| | 2007-08 | Arrears | 46.40 | 28.66 (62) | 17.74 |
| | | Current | 126.00 | 99.81 (79) | 26.19 |
| | | Total | 172.40 | 128.47 (75) | 43.93* |
| | 2008-09 | Arrears | 34.24 | 25.30 (74) | 8.94 |
| | | Current | 117.16 | 96.26 (82) | 20.90 |
| | | Total | 151.40 | 121.56 (80) | 29.84 |
| Municipal Corporations | 2006-07 | Arrears | 17.57 | 4.58 (26) | 12.99 |
| | | Current | 30.16 | 21.05 (70) | 9.11 |
| | | Total | 47.73 | 25.63 (54) | 22.10 |
| | 2007-08 | Arrears | 22.10 | 8.64 (39) | 13.46 |
| | | Current | 30.94 | 21.09 (68) | 9.85 |
| | | Total | 53.04 | 29.73 (56) | 23.31* |
| | 2008-09 | Arrears | 33.00 | 18.00 (55) | 15.00 |
| | | Current | 39.77 | 28.09 (71) | 11.68 |
| | | Total | 72.77 | 46.09 (63) | 26.68 |
| Town Panchayats# | 2006-07 | Arrears | 27.83 | 14.51 (52) | 13.32 |
| | | Current | 96.38 | 98.04 | - |
| | | Total | 124.21 | 112.55 (91) | 11.66* |
| | 2007-08 | Arrears | 30.61 | 15.25 (50) | 15.36 |
| | | Current | 103.15 | 105.10 | - |
| | | Total | 133.76 | 120.35 (90) | 13.41* |
| | 2008-09 | Arrears | 29.54 | 13.48 (46) | 16.06 |
| | | Current | 140.43 | 133.55 (95) | 6.88 |
| | | Total | 169.97 | 147.03 (87) | 22.94 |

The figures furnished by the Director of Town Panchayats for 2006-07 and 2007-08 did not tally with the figures furnished by him and included in last year's Audit Report.

* Not tallying with the OB of the succeeding year

Appendix 2.1
(Reference: Paragraph 2.1.2; Page 22)
Organisation Chart of Town Panchayats



Appendix 2.2

(Reference: Paragraph 2.1.5; Page 23)

List of test-checked Town Panchayats in selected Districts

| Sl.No | Name of Town Panchayat | Sl.No | Name of Town Panchayat |
|-------|-------------------------------|-------|---------------------------------|
| | Kanniyakumari District | 20 | Thiruppanandal |
| 1 | Azhagiapandiapuram | 21 | Veppathur |
| 2 | Ganapathipuram | | Nagapattinam District |
| 3 | Kappiyarai | 22 | Kizhvalur |
| 4 | Keezhkulam | 23 | Thittachery |
| 5 | Kothannallur | | Vellore District |
| 6 | Kumarapuram | 24 | Alangayam |
| 7 | Mulagumoodu | 25 | Katpadi |
| 8 | Ponmanai | 26 | Panapakkam |
| 9 | Puthalam | 27 | Pennathur |
| 10 | Thirparappu | 28 | Thimiri |
| 11 | Unnamalaikadai | 29 | Vilapakkam |
| 12 | Valvachagostam | | Thiruvannamalai District |
| 13 | Verkilambi | 30 | Kalambur |
| 14 | Villukuri | 31 | Pudupalayam |
| | Pudukottai District | 32 | Vettavalam |
| 15 | Alangudi | 33 | Kilpennathur |
| 16 | Keeranur | | Dharmapuri District |
| | Thanjavur District | 34 | B.Mallapuram |
| 17 | Aduthurai | 35 | Kambainallur |
| 18 | Melathirupunthuruthi | | |
| 19 | Thirunageswaram | | |

Appendix 2.3

(Reference: Paragraph 2.1.10.2; Page 34)

Arrears in Tax collection

(In Rupees)

| Sl.No. | Name of Town Panchayat | Balance as on | |
|--------|-------------------------------|--------------------|--------------------|
| | | 31.3.2008 | 31.3.2009 |
| | Kanniyakumari District | | |
| 1 | Azhagiypandiapuram | 1,40,62,055 | 1,45,84,052 |
| 2 | Kappiyarai | 36,612 | 15,578 |
| 3 | Mulagumoodu | - | 60,834 |
| 4 | Ponmanai | - | 41,000 |
| 5 | Verkilambi | 1,67,019 | 1,66,712 |
| 6 | Valvachagostam | 8,91,984 | - |
| 7 | Thirparappu | - | 52,084 |
| | Total | 1,51,57,670 | 1,49,20,260 |
| | Pudukottai District | | |
| 8 | Alangudi | 1,11,912 | 5,42,819 |
| 9 | Keeranur | 5,73,000 | 12,14,000 |
| | Total | 6,84,912 | 17,56,819 |
| | Thanjavur District | | |
| 10 | Aduthurai | 1,80,079 | 9,84,333 |
| 11 | Thiruppanandal | 22,136 | 22,136 |
| 12 | Thirunageswaram | - | 1,62,636 |
| 13 | Melathirupunthuruthi | 11,628 | 16,912 |
| 14 | Veppathur | 2,400 | 3,006 |
| | Total | 2,16,243 | 11,89,023 |
| | Nagapattinam District | | |
| 15 | Kizhvalur | 4,183 | 8,357 |
| | Total | 4,183 | 8,357 |
| | Vellore District | | |
| 16 | Alangayam | 51,72,427 | 1,36,46,633 |
| 17 | Katpadi | 19,91,923 | 14,04,276 |
| 18 | Thimiri | - | 4,73,844 |
| 19 | Vilapakkam | 36,180 | 2,53,634 |
| 20 | Panapakkam | 16,721 | 4,80,629 |
| 21 | Pennathur | 3,56,871 | 1,35,788 |
| | Total | 75,74,122 | 1,63,94,804 |

| Sl.No. | Name of Town Panchayat | Balance as on | |
|--------|---------------------------------|--------------------|--------------------|
| | | 31.3.2008 | 31.3.2009 |
| | Thiruvannamalai District | | |
| 22 | Kalambur | - | 6,13,217 |
| 23 | Vettavalam | 82,000 | 14,15,000 |
| 24 | Pudupalayam | - | 6,10,000 |
| 25 | Kilpennathur | 63,394 | 9,37,296 |
| | Total | 1,45,394 | 35,75,513 |
| | Dharmapuri District | | |
| 26 | Kambainallur | 9,14,000 | 10,39,000 |
| 27 | B.Mallapuram | 5,14,737 | 5,77,959 |
| | Total | 14,28,737 | 16,16,959 |
| | Grand total | 2,52,11,261 | 3,94,61,735 |

Appendix 2.4

(Reference: Paragraph 2.2.3; Page 36)

List of test checked Local Bodies

Corporations

1. Salem
2. Thiruchirappalli
3. Tirunelveli

| Sl. No. | Municipalities | Sl. No. | Town Panchayats | Sl. No. | Town Panchayats |
|---------|----------------|---------|--------------------|---------|-----------------|
| 1. | Kancheepuram | 1. | Kunrathur | 29. | Pandamangalam |
| 2. | Chengalpattu | 2. | Chitlapakkam | 30. | Mohanur |
| 3. | Maduranthakam | 3. | Guduvancheri | 31. | Pattanam |
| 4. | Kumbakonam | 4. | Uthiramerur | 32. | Mallasamudram |
| 5. | Pattukottai | 5. | Sriperumpudur | 33. | Athanur |
| 6. | Namakkal | 6. | Perungudi | 34. | Sankarnagar |
| 7. | Thiruchengodu | 7. | Idaikazhinadu | 35. | Naranammalpuram |
| 8. | Rasipuram | 8. | Madambakkam | 36. | Alangulam |
| 9. | Thenkasi | 9. | Sembakkam | 37. | Keelapavoor |
| 10. | Ambasamudram | 10. | Thirukazhukundram | 38. | Courtalam |
| 11. | Sankarankoil | 11. | Thiruneermalai | 39. | Podhalur |
| 12. | Kovilpatti | 12. | Mangadu | 40. | Mukkoodal |
| 13. | Vellore | 13. | Aduthurai | 41. | Vennathur |
| 14. | Vaniyambadi | 14. | Thiruvidaimaruthur | 42. | Thimiri |
| 15. | Gudiyatham | 15. | Darasuram | 43. | Ayigudi |
| 16. | Ranipet | 16. | Swamimalai | 44. | Kaveripakkam |
| 17. | Tambaram | 17. | Thiruvaiyaru | 45. | Thorapadi |
| 18. | Pallavaram | 18. | Adhiramapattinam | 46. | Pallikonda |
| 19. | Ambattur | 19. | Peravurani | 47. | Katpadi |
| 20. | Thanjavur | 20. | Thirunageswaram | 48. | Gandhinagar |
| | | 21. | Vallam | 49. | Allapuram |
| | | 22. | Orathanadu | 50. | Shenpakkam |
| | | 23. | Velur | 51. | Alangayam |
| | | 24. | Namagiripettai | 52. | Ammoor |
| | | 25. | Seerapalli | 53. | Nemili |
| | | 26. | Sendamangalam | 54. | Thakkolam |
| | | 27. | Alampalayam | 55. | Sholingar |
| | | 28. | Kalapanaikepatti | | |

Appendix 2.5

(Reference: Paragraph 2.2.4.2; Page 38)

Shortfall in utilisation of CTFC grants

| Sl. No | Name of the Urban Local Body | Year of Grant | Total Grant Sanctioned | SWM Component | Actual Expenditure | Shortfall | Percentage |
|--------------|------------------------------|---------------|------------------------|---------------|--------------------|------------------|------------|
| 1. | Pattukottai Municipality | 2006-07 | 26,57,434 | 13,28,717 | 11,15,566 | 2,13,151 | 16 |
| 2. | Kunrathur TP | 2005-06 | 8,04,300 | 4,02,150 | 2,08,000 | 1,94,150 | 48 |
| 3. | Thiruneermalai TP | 2006-07 | 6,33,100 | 3,16,550 | 2,66,000 | 50,550 | 16 |
| 4. | Thrunageswaram TP | 2006-07 | 7,14,540 | 3,57,270 | 1,79,000 | 1,78,270 | 50 |
| 5. | Thiruvidadaimaruthur TP | 2007-08 | 7,17,200 | 3,58,600 | 3,01,949 | 56,651 | 16 |
| | | 2008-09 | 7,17,200 | 3,58,600 | 3,00,000 | 58,600 | 16 |
| 6. | Thiruvaiyar TP | 2005-06 | 5,11,600 | 2,55,800 | 1,95,000 | 60,800 | 24 |
| | | 2007-08 | 5,11,600 | 2,55,800 | 2,00,000 | 55,800 | 22 |
| 7. | Adirampattinam TP | 2008-09 | 9,40,440 | 4,70,220 | 1,45,000 | 3,25,220 | 69 |
| 8. | Pothanur TP | 2006-07 | 6,93,760 | 3,46,880 | 1,46,000 | 2,00,880 | 58 |
| 9. | Naranammalpuram TP | 2007-08 | 5,25,340 | 2,62,670 | 81,000 | 1,81,670 | 69 |
| 10. | Keelapavoor TP | 2006-07 | 8,71,680 | 4,35,840 | 2,29,779 | 2,06,061 | 47 |
| | | 2007-08 | 8,71,680 | 4,35,840 | 2,38,165 | 1,97,675 | 45 |
| Total | | | | | | 19,79,478 | |

TP = Town Panchayat

Appendix 3.1

(Reference: Paragraph 3.1.1; Page 44)

Loss of revenue due to non-collection of scavenging fee and administrative charges

| Sl.No. | Category | Numbers in existence | Rate per month (in rupees) | Number of months (April 2003 to March 2009) | Loss of revenue (Rupees in lakh) |
|--------------|-------------------------------------|----------------------|----------------------------|---|----------------------------------|
| 1. | Marriage halls | 10 | 500 * | 72 | 3.60 |
| 2. | Restaurants | 8 | 1,000 | 72 | 5.76 |
| 3. | Big industries | 7 | 1,000 | 72 | 5.04 |
| 4. | Small hotels and tea stalls | 48 | 250 | 72 | 8.64 |
| 5. | Wine shops (Administrative charges) | 12 | 1,000 | 65 (November 2003 to March 2009) | 7.80 |
| Total | | | | | 30.84 |

* By adopting one marriage per month per hall.

Appendix 3.2

(Reference: Paragraph 3.1.3; Page 46)

Loss of revenue due to non-collection of lease rent

(In Rupees)

| Sl.No | Period | Amount* | No of months | Lease rent to be paid |
|--------------|--------------------------|---------|--------------|--|
| 1 | 01.04.1995 to 31.03.1998 | 12,640 | 36 | 4,55,040 |
| 2 | 01.04.1998 to 31.03.2001 | 14,536 | 36 | 5,23,296 |
| 3 | 01.04.2001 to 31.03.2004 | 16,716 | 36 | 6,01,776 |
| 4 | 01.04.2004 to 31.03.2007 | 19,223 | 36 | 6,92,028 |
| 5 | 01.04.2007 to 31.03.2009 | 22,106 | 24 | 5,30,544 |
| Total | | | | Rs 28,02,684 or Rs 28.03 lakh |

* Amount of lease rent for 7,022 sq. ft to be recovered is calculated on the basis of lease rent of Rs 5,400 per month for the allotted area of 3,000 sq. ft.

Appendix 3.3

(Reference: Paragraph 3.1.4; Page 46)

Non-realisation of revenue due to non-levy of tax on vacant land

| Description | Extent of vacant land (in Sq. Ft.) |
|--------------------|------------------------------------|
| Phase I | |
| Shop site 1 | 39,181 |
| Shop site 2 | 42,039 |
| Shop site 3 | 13,778 |
| Shop site 5 | 64,691 |
| Shop site 6 | 94,723 |
| Shop site 7 | 20,329 |
| Shop site 8 | 47,232 |
| Total Area | 3,21,973 |
| Phase II | |
| Commercial Site 1 | 81,645 |
| Commercial Site 2 | 22,284 |
| Commercial Site 3 | 9,946 |
| Commercial Site 4 | 18,923 |
| Commercial Site 5 | 13,186 |
| Commercial Site 6 | 5,920 |
| Commercial Site 7 | 1,00,729 |
| Commercial Site 8 | 21,213 |
| Commercial Site 9 | 7,319 |
| Commercial Site 10 | 7,632 |
| Commercial Site 11 | 42,195 |
| Commercial Site 12 | 38,750 |
| Commercial Site 13 | 2,422 |
| Commercial Site 14 | 4,133 |
| Commercial Site 15 | 4,650 |
| Commercial Site 16 | 2,066 |
| Commercial Site 17 | 4,844 |
| Commercial Site 18 | 1,679 |

| Description | Extent of vacant land (in Sq. Ft.) |
|--------------------|------------------------------------|
| Commercial Site 19 | 3,778 |
| Commercial Site 20 | 4,058 |
| Commercial Site 21 | 1,378 |
| Commercial Site 22 | 1,550 |
| Commercial Site 23 | 2,153 |
| Commercial Site 24 | 2,153 |
| Commercial Site 25 | 3,444 |
| Commercial Site 26 | 4,305 |
| Total Area | 4,12,355 |

Vacant Land Tax to be levied

Phase I

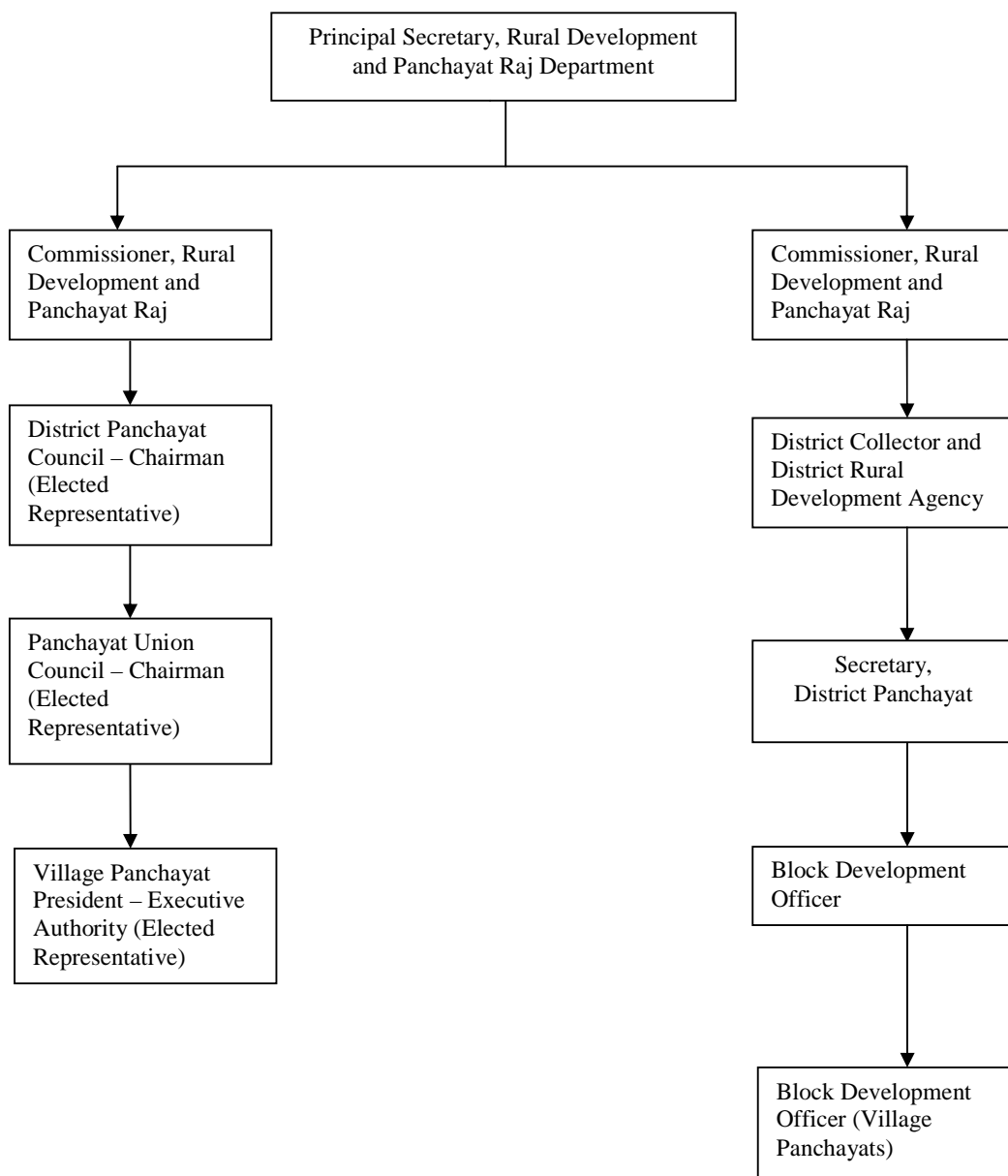
Total Area i.e. 3,21,973 sq. ft. x Rs 18 per sq. ft. x
one *per cent* x 21 Half years : Rs 12,17,058
(from October 1998 to March 2009)

Phase II

Total Area i.e. 4,12,355 sq. ft. x Rs 18 per sq. ft. x
one *per cent* x 21 Half years : Rs 15,58,702
(from October 1998 to March 2009)

Grand Total : Rs 27,75,760 or Rs 27.76 lakh

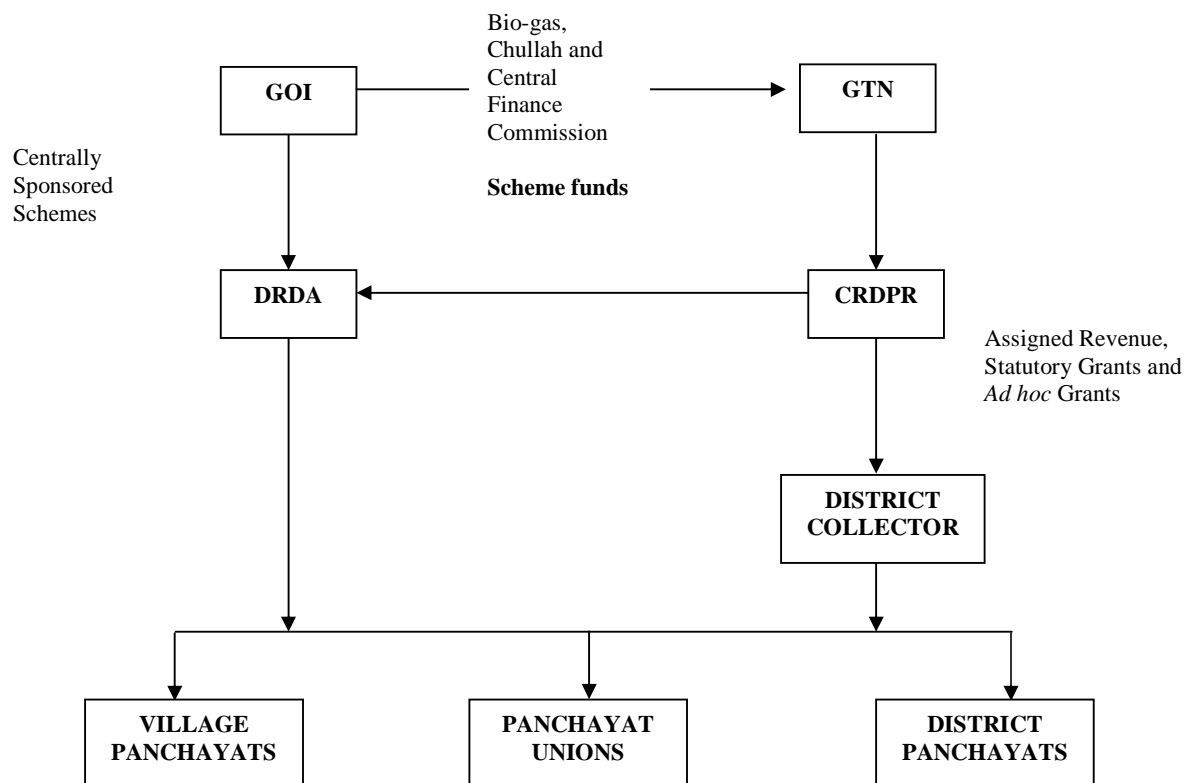
Appendix 4.1
(Reference: Paragraph 4.1.1; Page 53)
Organogram of Panchayat Raj Institutions



Appendix 4.2

(Reference: Paragraph 4.4.1; Page 58)

Funds flow chart to Panchayat Raj Institutions



Appendix 4.3

(Reference: Paragraph 4.8; Page 64)

Types of Accounts maintained by Panchayat Raj Institutions

(a) ***Village Panchayats***

- (i) Village Panchayat Fund Account
- (ii) Village Panchayat payments to TNEB and/or TWAD Board Account
- (iii) Village Panchayat Scheme Fund Account
- (iv) Village Panchayat National Rural Employment Guarantee Scheme (NREGS) Account

(b) ***Panchayat Unions***

- (i) General Fund Account – LF-I
- (ii) Education Fund Account – LF - III
- (iii) Nutritious Meal Fund Account
- (iv) Scheme Account
- (v) Provident Fund ‘T’ Deposit Account

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

- Village Panchayat Consolidated Fund Account
- NABARD (10 *per cent*) Account

(c) ***District Panchayats***

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

Appendix 4.4

(Reference: Paragraph 4.8.2; Page 66)

Non-claim of interest on Provident Fund (PF) of Panchayat Union Employees

| Sl. No. | Name of the Panchayat Union | Total number of employees | PF claimed but not received from DLFA | PF not claimed | Number of retired cases | Number of death cases |
|---------|-----------------------------|---------------------------|---------------------------------------|---------------------|-------------------------|-----------------------|
| 1. | Sulthanpet | 17 | 1998-99 to 2004-05 | 2005-06 to 2008-09 | 10 | 2 |
| 2. | Koliyanur | 4 | 1993-94 to 2006-07 | 2007-08 to 2008-09 | 2 | - |
| 3. | Kanai | 9 | 2004-05 to 2007-08 | 2008-09 | 2 | 1 |
| 4. | Narikudi | 8 | 2004-05 to 2008-09 | - | 2 | - |
| 5. | Aruppukottai | 54 | 2006-07 to 2008-09 | - | 50 | 1 |
| 6. | Watrap | 20 | 1994-95 to 2008-09 | - | 9 | - |
| 7. | Srivilliputhur | 27 | 2001-02 to 2008-09 | - | 17 | 3 |
| 8. | Kallakurichi | 13 | 1993-94 to 2000-01 | 2001-02 to 2008-09 | 6 | - |
| 9. | Sathur | 11 | 2007-08 | 2008-09 | - | - |
| 10. | Melmalaiyanur | 8 | 2000-01 to 2006-07 | 2007-08 and 2008-09 | - | - |
| 11. | Annur | 46 | 1989-90 to 2006-07 | 2007-08 and 2008-09 | 32 | 1 |
| 12. | Madhukarai | 19 | - | 2007-08 and 2008-09 | 15 | - |
| 13. | Gudimangalam | 24 | 1993-94 to 2006-07 | 2007-08 and 2008-09 | 19 | - |
| 14. | Tiruppur | 28 | 1993-94 to 2007-08 | 2008-09 | 18 | 2 |
| 15. | Kinnathukadavu | 26 | - | 2007-08 and 2008-09 | 12 | - |
| | | | | Total | 194 | 10 |

Appendix 5.1

(Reference: Paragraph 5.1.1; Page 70)

Excess payment of NABARD Loan and Interest

(In Rupees)

| Due Date | Loan Outstanding | Principal paid | Interest paid at 11.5 per cent per annum |
|--------------|------------------|-----------------|--|
| 30.06.2003 | 3,05,673 | 21,834 | 52,728.59* |
| 31.12.2003 | 2,83,839 | 21,834 | 16,320.74 |
| 30.06.2004 | 2,62,005 | 21,834 | 15,065.29 |
| 31.12.2004 | 2,40,171 | 21,834 | 13,809.83 |
| 30.06.2005 | 2,18,337 | 21,834 | 12,554.38 |
| 31.12.2005 | 1,96,503 | 21,834 | 11,298.92 |
| 30.06.2006 | 1,74,669 | 21,834 | 10,043.47 |
| 31.12.2006 | 1,52,835 | 21,834 | 8,788.01 |
| 30.06.2007 | 1,31,001 | 21,834 | 7,532.56 |
| 31.12.2007 | 1,09,167 | 21,834 | 6,277.10 |
| 30.06.2008 | 87,333 | 21,834 | 5,021.65 |
| 31.12.2008 | 65,499 | 21,834 | 3,766.19 |
| 30.06.2009 | 43,665 | 21,834 | 2,510.74 |
| 31.12.2009 | 21,831 | 21,831 | 1,255.28 |
| Total | | 3,05,673 | 1,66,972.80 |

* Interest at 11.5 per cent per annum for 18 months from 1 January 2002 to 30 June 2003.

| | |
|--|----------------|
| Excess loan amount paid | : Rs 3.06 lakh |
| Interest on excess loan amount | : Rs 1.67 lakh |
| Balance unspent of 10 per cent contribution | : Rs 1.36 lakh |
| Total amount to be reimbursed to Panchayat Union | : Rs 6.09 lakh |