

**Report of the
Comptroller and Auditor General of India
(Local Bodies)**

for the year ended March 2012

**Government of Tamil Nadu
Report No.5 of 2013**

TABLE OF CONTENTS

	Paragraph	Page
PREFACE		v
OVERVIEW		vii
PART I – URBAN LOCAL BODIES		
CHAPTER I - AN OVERVIEW OF URBAN LOCAL BODIES		
<i>SECTION 'A' – AN OVERVIEW OF URBAN LOCAL BODIES</i>		
Background	1.1	1
State Profile	1.2	1
Organisational Structure of Urban Local Bodies	1.3	2
Devolution of functions, functionaries and funds	1.4	2
Decentralised Planning	1.5	3
Financial Profile	1.6	4
Accounting Framework	1.7	5
Audit arrangements	1.8	5
<i>SECTION 'B' – FINANCIAL REPORTING</i>		
Introduction	1.9	7
Accounts maintained by Urban Local Bodies	1.10	7
Financial Reporting Issues	1.11	7
Conclusion	1.12	9
CHAPTER II – PERFORMANCE AUDIT		
Performance Audit of the Third Tamil Nadu Urban Development Project	2.1	11
Performance Audit on Functioning of Tiruchirappalli Municipal Corporation	2.2	32

	Paragraph	Page
CHAPTER III – AUDIT OF TRANSACTIONS (URBAN LOCAL BODIES)		
Wasteful expenditure	3.1	
Wasteful expenditure on execution of road work	3.1.1	65
Avoidable expenditure	3.2	
Avoidable expenditure due to injudicious rejection of tender	3.2.1	66
PART II – PANCHAYAT RAJ INSTITUTIONS		
CHAPTER IV – AN OVERVIEW OF PANCHAYAT RAJ INSTITUTIONS		
SECTION ‘A’ – AN OVERVIEW OF PANCHAYAT RAJ INSTITUTIONS		
Background	4.1	69
State profile	4.2	69
Administration of Panchayat Raj Institutions	4.3	70
Status of devolution of functions and functionaries	4.4	70
Decentralised planning	4.5	71
Financial profile	4.6	71
Accounting framework	4.7	72
Audit arrangements	4.8	72
SECTION ‘B’ – FINANCIAL REPORTING		
Introduction	4.9	74
Source of Receipts	4.10	74
Central Finance Commission Grants	4.11	75
Arrears in Audit and Accounts	4.12	75
Conclusion	4.13	77

CHAPTER V – AUDIT OF TRANSACTIONS (PANCHAYAT RAJ INSTITUTIONS)		
	Paragraph	Page
Excess payment	5.1	
Excess release of grant to the beneficiaries	5.1.1	79
Idle investment	5.2	
Incorrect selection of site for construction of houses	5.2.1	80

Appendix No.	APPENDICES	Page
1.1	Source of revenue of Urban Local Bodies	83
1.2	Number of audit paragraphs relating to Urban Local Bodies pending for settlement as of 31 December 2012	84
2.1	Statement showing the detail of sub-projects taken up under TNUDP – III and samples selected	85
2.2	Statement showing the component and sub-component-wise financing pattern and expenditure	87
2.3	Avoidable expenditure due to usage of RCC instead of PCC in Thirumanimutharu river lining works	88
2.4	Organisational Chart	89
2.5	Loss of interest due to delayed remittance of matching contribution	90
4.1	Chart showing flow of funds to Panchayat Raj Institutions	91