

## **OVERVIEW**

*This Report contains five chapters. The first and the fourth chapters contain summary of finances and financial reporting of Urban Local Bodies and Panchayat Raj Institutions respectively. The second chapter contains one “Information Systems Audit on Computerised activities of five Municipal Corporations”. The third chapter contains five paragraphs based on compliance audit of Urban Local Bodies. The fifth chapter contains two paragraphs based on compliance audit of Panchayat Raj Institutions. A synopsis of some of the findings contained in this Report is given below:-*

### ***I An Overview of Urban Local Bodies***

All functions enlisted in the Twelfth Schedule of the Constitution have not yet been devolved to Urban Local Bodies (ULBs) as contemplated in the 74<sup>th</sup> amendment to the Constitution. Compilation of annual accounts by ULBs based on the updated municipal accounting manual was delayed since accounting software had to be created on the basis of new coding structure and training was to be imparted to the accounting staff and officers. Out of annual accounts submitted to Director of Local Fund Audit (DLFA) by ULBs, audit by DLFA was pending in respect of five Municipal Corporations, 42 Municipalities and 443 Town Panchayats for the year 2011-12 and one Municipal Corporation, 84 Municipalities and 496 Town Panchayats for the year 2012-13. Due to non-receipt of satisfactory replies, 791 Inspection Reports of the Principal Accountant General containing 3,633 paragraphs for the period 2004-05 to 2012-13 were pending settlement as of December 2013.

*(Paragraphs 1.1 to 1.9)*

### ***II Performance Audit***

#### ***Information Systems Audit on Computerised activities of five Municipal Corporations.***

Computerisation in five Municipal Corporations that took place in 2005 was incomplete even after eight years of its implementation and after incurring an expenditure of ₹ 3.74 crore during 2008-13. Application software implemented in the Corporations suffered from weak process controls resulting in lack of data integrity. This has also led to generation of inaccurate demands under Property Tax, Water Tax, Under Ground Drainage charges and Vacant Land Tax resulting in loss of revenue of ₹ 62.73 crore to the Corporations. The Profession Tax Assessment data were incomplete because of which the Corporations could not raise periodical demand against organisations and were forced to accept payment made by the Profession Tax assesseees. Discrepancies and errors were noticed in the Birth and Death registration database in all five Corporations. The State Government failed to appoint permanent IT personnel in the five Corporations to man the computerised activities as planned due to which the Server/database administration/networking etc., is administered by Junior Assistants who were not designated as Database Administrator in three Corporations and by outsourced firms in two other Corporations. Control over the process of general revision of Property Tax needed improvement. Control over assessment of Profession Tax and monitoring of the discrepancies in

capture of data in the system with manual records under birth/death registration needed reinforcement. The online payment facility which was initially commenced was discontinued in four out of five Corporations, rendering the objective of e-Governance largely unachieved.

*(Paragraph 2.1)*

### ***III Compliance Audit - Urban Local Bodies***

#### ***Levy and collection of Tax and Non-tax revenue in Tiruppur City Municipal Corporation***

Existing procedure for assessment and collection of Property Tax, Vacant Land Tax and Profession Tax had certain shortcomings. Tiruppur City Municipal Corporation (TCMC) failed to levy and collect Non-tax revenues correctly as per the provisions of the Act/Rules/Orders and to collect arrears of both Tax and Non-tax revenues, which ultimately resulted in loss of revenue to TCMC.

*(Paragraph 3.1)*

#### ***Alienation and utilisation of Open Space Reservation Land***

Primary objective of Open Space Reservation (OSR) land was to serve community and recreational purposes in layouts or sub-divisions for residential/commercial/industrial or combination of such uses. However, green spaces were found only in 151 cases (26 per cent) out of 582 cases test-checked. Local bodies could not develop parks/playfields in the balance 431 OSR land due to non-compliance with provisions of the Tamil Nadu Town and Country Planning Act, 1971/Development Control Rules and system to receive, take over, develop and maintain the OSR land as parks/playfields as envisaged in the Act was found to be ineffective.

*(Paragraph 3.2)*

Failure to revise the property tax assessment in respect of a Hotel by Corporation of Chennai resulted in loss of revenue of ₹ 61 lakh.

*(Paragraph 3.3.1)*

Failure of Palacode Town Panchayat to provide basic facilities in the conference hall resulted in unfruitful expenditure of ₹ 20 lakh.

*(Paragraph 3.4.1)*

Construction of new bus stand without getting clearance from National Highways Authority of India to have access point to the new bus stand from NH46 resulted in idle investment of ₹ 3.30 crore besides non-realisation of anticipated revenue due to non-leasing out the shops, restaurants etc.

*(Paragraph 3.5.1)*

#### ***IV An Overview of Panchayat Raj Institutions***

Even though implementation of Panchayat Raj Institutions Accounting (PRIA) software was to be completed by March 2013, the same was not made fully operational. As of December 2013, 28,472 paragraphs in respect of Panchayat Unions and 212 paragraphs in respect of District Panchayats of Director of Local Fund Audit's Inspection Reports, relating to period upto 2010-11, were pending settlement. Out of 28,472 paragraphs pertaining to Panchayat Unions, 9,215 paragraphs (32 *per cent*) related to period prior to 2007-08. As of December 2013, 443 Inspection Reports issued by the Principal Accountant General containing 1,188 paragraphs for the period 2002-03 to 2012-13 were pending settlement.

*(Paragraphs 4.1 to 4.9)*

#### ***V Compliance Audit - Panchayat Raj Institutions***

##### ***Provision of amenities to Panchayat Union Schools in Salem District***

Audit of implementation of Comprehensive School Infrastructure Development Scheme (CSIDS) in Salem District during 2011-12 and 2012-13 revealed that all basic amenities such as new building, new/repair and renovation of kitchen sheds, toilets and water supply facilities could not be provided to Panchayat Union Primary and Middle Schools located in the identified Village Panchayats as contemplated in CSIDS guidelines. The authorities failed to form Selection Committee, make recommendations based on scheme guidelines, execute contract agreement within the prescribed time and levy penal charges on contractors for delay in completion of works.

*(Paragraph 5.1)*

Non-utilisation of bio-mass gasifiers due to non-availability of staff resulted in unfruitful expenditure of ₹ 35.67 lakh.

*(Paragraph 5.2.1)*