

CHAPTER V
PERFORMANCE AUDIT
(URBAN LOCAL BODIES)

CHAPTER V

PERFORMANCE AUDIT

This Chapter contains findings of Performance Audit on Revenue collection and delivery of citizen services by Erode City Municipal Corporation.

MUNICIPAL ADMINISTRATION AND WATER SUPPLY DEPARTMENT

5.1 Revenue collection and delivery of citizen services by Erode City Municipal Corporation

Executive Summary

Erode City Municipal Corporation (ECMC) was formed in January 2008 by upgrading the erstwhile Erode Municipality. After merger of 11 adjoining local bodies in January 2011 with the ECMC, it has 60 wards and 15 sanitary divisions with total area of 109.52 square kilometres. Performance Audit on 'Revenue Collection and delivery of citizen services by ECMC' conducted between February and August 2015 revealed the following:

There was shortfall in human resources which affected the functioning of the ECMC. Efficiency in collection of revenues was poor. The ECMC did not meet the Service Level Benchmarks in respect of water supply and underground drainage. Execution of Underground Sewage System was delayed. There was a loss due to poor contract management in implementation of road works. The Maternity Centres and Urban Health Posts operated by the ECMC showed poor delivery of services and these institutions had shortage of staff. Coverage of students under School Health Programme was not comprehensive. Solid waste was not segregated and scientifically disposed off. Slaughter houses were not available in adequate numbers and the existing slaughter house had deficiencies. Available Public conveniences were not adequate, thus paving the way for open defecation. Lands available for development as parks either remained idle or were encroached. Majority of schools did not have adequate facilities. There were delays in issue of birth and death certificates.

5.1.1 Introduction

Erode City Municipal Corporation (ECMC) was formed in January 2008 by upgrading the erstwhile Erode Municipality. After merger of 11¹ adjoining local bodies in January 2011 with ECMC, it has 60 wards and 15 sanitary divisions with total area of 109.52 square kilometres. New Council of ECMC

¹ Kasipalayam, Periyasemur, Surampatti and Veerapanchatiram Municipalities, B.P.Agraharam and Sooriyampalayam Town Panchayats, Ellapalayam, Gangapuram, Muthampalayam, Thindal and Villarasampatti Village Panchayats

was formed with elected members in October 2011. As per 2011 census, population of ECMC was 4.98 lakh.

5.1.2 Organisational set up

Principal Secretary to Government of Tamil Nadu (GoTN), Municipal Administration and Water Supply (MAWS) Department is the overall head at the Government level. Commissioner of Municipal Administration (CMA) is the head of the Department who monitors the functions of Municipal Corporations. ECMC is headed by a Commissioner who is the executive head for implementing all functions in accordance with the resolutions passed by the ECMC Council. Mayor is the Chairperson of the Council and is assisted by a Deputy Mayor. Zonal Officers head the four zones and execute the functions of ECMC as per the powers delegated to them.

5.1.3 Audit objectives

The Audit objectives were to assess whether:

- planning was aimed at effective delivery of citizen services;
- revenue generation was adequate to support the delivery of services and revenue collection mechanism was efficient;
- citizen services were rendered efficiently, economically and effectively and
- the existing mechanism for Monitoring and Evaluation was effective.

5.1.4 Audit criteria

Audit findings were benchmarked against the following criteria:

- Erode City Municipal Corporation Act, 2008 and Coimbatore City Municipal Corporation Act, 1981 (CCMC Act);
- Tamil Nadu Town and Country Planning Act, 1971;
- Tamil Nadu Tender Transparency Act, 1998;
- Municipal Solid Waste (Management and Handling) Rules, 2000;
- Indian Road Congress specifications;
- Municipal Manual, Municipal Accounting Manual, IT Manual, Engineering Manual and Council resolutions;
- Guidelines of various schemes and
- Orders of GoTN, executive instructions and circulars issued from time to time.

5.1.5 Scope and methodology of audit

The Performance Audit was conducted between February and August 2015 covering the period from 2010-11 to 2014-15. Records were test checked in the Secretariat, office of the CMA and the ECMC, including all its four zonal

offices besides collecting details from Departments of GoTN such as Health Department and Town and Country Planning Department and organisations such as Employees’ Provident Fund Organisation and Tamil Nadu Pollution Control Board (TNPCB) for cross checking of details obtained from the ECMC. Performance Audit commenced with an entry conference held on 16 April 2015 with the Principal Secretary, MAWS Department wherein audit objectives, criteria and scope of audit were discussed. Audit findings were discussed with the Principal Secretary, MAWS Department, in the Exit conference held on 25 January 2016. Replies wherever received have been considered while finalising the Audit findings discussed below:

Audit findings

5.1.6 Finance

Sources of revenue of the ECMC were tax receipts which included Property Tax (PT) and Profession Tax and non-tax receipts comprised of recovery of rent, fees, fines and other charges. The ECMC also received grants from State and Central Finance Commissions, funds devolved by GoTN and other specific grants from Government of India (GoI) and GoTN.

The details of receipts and expenditure of ECMC, as per the budget proposals for the years 2010-15, are indicated in **Table 5.1**.

Table 5.1: Details of Receipts and Expenditure

(₹ in crore)

Fund		Receipts					Expenditure				
		2010-11	2011-12*	2012-13	2013-14	2014-15	2010-11	2011-12*	2012-13	2013-14	2014-15
Revenue and Capital Fund	BE	34.76	39.56	146.47	137.95	230.47	54.98	77.38	152.54	146.06	231.19
	RE	24.31	114.64	127.75	161.71	111.82	51.06	120.56	115.57	168.82	116.49
	Actuals	28.39	58.35	121.43	161.31	N.A**	34.82	56.07	74.36	168.82	N.A**
Water Supply and Drainage Fund	BE	78.89	71.84	22.14	17.36	36.16	80.81	67.16	25.84	21.23	41.64
	RE	22.50	21.67	18.52	16.67	16.99	19.51	20.82	20.91	19.76	16.97
	Actuals	5.77	6.10	9.25	16.67	N.A**	5.76	6.79	17.08	19.76	N.A**
Elementary Education Fund	BE	4.89	3.30	2.97	5.64	5.45	4.78	3.27	3.42	1.99	6.33
	RE	2.92	4.16	3.53	4.61	6.75	2.04	4.73	4.23	5.92	6.80
	Actuals	1.90	1.73	0.91	4.61	N.A**	3.03	1.20	0.51	5.92	N.A**

*Adjoining local bodies were merged with the ECMA during 2011-12; hence the increase.

**Actuals for 2014-15 were not available due to non-finalisation of accounts.

BE: Budget Estimate; RE: Revised Estimate

Excess expenditure over income shown in the accounts reflected expenditure towards provision for depreciation on assets and expenses booked under ‘contribution to other funds’ which were not actually incurred.

Source: **BE / RE figures:** Budget Books. **Actual figures:** 2010-13: Accounts audited by Local Fund Audit (LFA); 2013-14 and 2014-15: Budget Books

Analysis of the **Table 5.1** revealed the following:

Revenue and Capital Fund: The actual receipts during the years 2011-12 and 2013-14 increased when compared with BE for these years. In respect of 2010-11 and 2012-13, the same decreased against the BE for these years. The actual expenditure was less than the BE for the years 2010-14 except 2013-14. Increase of receipts over the years was mainly due to increase in receipts under Devolution Fund, increase in PT, assigned revenue and other income.

Water Supply and Drainage Fund: There was shortfall in actual receipts and expenditure during 2010-14 against the BE for these years. The decrease in income and expenditure compared to BE was due to non-execution of capital works and also reduction in maintenance expenditure.

Elementary Education Fund: There was shortfall in actual receipts during 2010-14 against the BE for these years whereas the actual expenditure was less than the BE during 2010-13 and the expenditure increased over the BE during 2013-14. The increase in expenditure was due to increase in expenditure under the head 'administration' expenses.

5.1.7 Planning

In view of the expansion of the ECMC in 2011, a City Development Plan (CDP) was prepared (December 2013) through a Consultant. It was approved by the council of the ECMC in February 2014. As per the CDP, short, medium and long term plans were proposed to be completed by 2017-18, 2024-25 and 2042-43 respectively. These plans were submitted (August 2014) to Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited (TUFIDCO) for their recommendation to Ministry of Urban Development, GoI for a total value of ₹ 2,089.70 crore. ECMC did not pursue the matter further (June 2015). Sanctions by the GoI to the identified projects and funds for implementation of those projects were awaited (June 2015). Delay in implementation of these projects included in the CDP would result in escalation of costs and ultimately affect the delivery of citizen services.

5.1.8 Human Resources

5.1.8.1 Vacancies in various posts of essential services

As of February 2015, men in position of the ECMC in various posts were 1,106 as against 1,326 sanctioned posts. The vacancy position in essential services of Engineering and Water Supply and Public Health were 68 and 44 *per cent* respectively which affected the delivery of these services. Though the ECMC requested (February 2013) sanction of 588 posts, the CMA recommended (September 2013) 432 posts to the GoTN for sanction and the same was not sanctioned as of August 2015.

Commissioner of the ECMC stated (August 2015) that vacancies in various posts affected services in Health and Sanitation sectors and also Accounts Department.

5.1.8.2 Excess payment of service tax

The ECMC employed 25 security personnel in addition to the nine sanctioned posts of 'Night Watchman' through outsourcing on contract basis from Tamil Nadu Ex-servicemen's Corporation Limited (TEXCO) without the approval of Head of the Department. The amount of ₹ 3.27 crore paid by ECMC to TEXCO included service charges of ₹ 29.90 lakh and service tax of ₹ 34.16 lakh for the period from August 2007 to June 2015. As per Rule 5(2) of Service Tax (Determination of Value) Rules, 2006, service tax for this particular type of service was computable on the service charges payable.

However, the TEXCO computed the service tax on the gross bill value which resulted in avoidable expenditure of ₹ 30.49² lakh for the period from August 2007 to June 2015.

On this being pointed out, Commissioner of the ECMC replied (August 2015) that TEXCO would be addressed in this regard.

5.1.9 Assessment and collection of tax revenue

The main components of tax revenue were PT, Vacant Land Tax (VLT) and Profession Tax. PT was assessed based on the self-assessment details furnished by the assessee and collected for all buildings and lands every half year³ (HY). Profession Tax had to be remitted by the Drawing and Disbursing Officers of the offices concerned once in six months in respect of their employees, whether they had deducted the amount from the employees' salary or not, at the rate fixed by the Council.

5.1.9.1 Property Tax

As per Sections 121 and 122 of the CCMC Act, PT should be levied and assessed on all buildings and lands within the city at such percentage of the annual value of buildings or lands which are occupied by or adjacent and appurtenant to buildings or both. Test check of 1,101 cases out of 10,604 new PT assessments made during 2010-15 revealed the following deficiencies:

(i) Lack of coordination between Town Planning Section and Revenue Section

Municipal Manual Volume-I, inter-alia, provided that complete details of licenses given for construction or reconstruction of buildings and field inspection reports on such constructions should be furnished by the Town Planning Section to Revenue Section to assess the building to PT.

Audit scrutiny of 1,101 assessments out of 10,604 new assessments made during 2010-15 revealed that this system was not being followed in the ECMC. The tax was assessed by the Revenue Section based on the self-assessment details furnished by the assessee, which resulted in short collection of PT amounting to ₹ 32.68 lakh in 19 assessments for the period from the second half year of 2008-09 to 2014-15.

GoTN replied (December 2015) that officers of Town Planning and the Revenue sections performed their duties in accordance with the circular issued in August 2010 fixing their responsibility in assessment of PT. GoTN further stated that the assessments pointed out related to the period prior to issue of the circular. The reply is not acceptable as the cases pointed out related to the assessments made during the period 2010-15 i.e. after issue of circular in August 2010.

² Total Service Tax calculated and paid on the basis of gross bill value (₹ 34.16 lakh) – Actual Service Tax payable (₹ 3.67 lakh)

³ First half year = 01 April to 30 September
Second half year = 01 October to 31 March

(ii) Non-adherence of CMA guidelines

As per guidelines issued (February 2008) by the CMA, no discount for buildings occupied by the owners themselves was to be allowed from April 2008. In 153 cases, the ECMC had incorrectly allowed discount for the buildings occupied by owners which resulted in loss of revenue of ₹ 9.52 lakh for the period from 2010-11 to 2014-15.

GoTN replied (December 2015) that PT module generated the demand based on the details fed into the system, hence there was no possibility for allowing any discount to self occupied property. The reply is not acceptable as a discount of 30 *per cent* for self occupied property was allowed by the ECMC in respect of the cases pointed out by Audit.

(iii) Incorrect adoption of basic values for computation of PT

It was noticed that the ECMC had incorrectly adopted the basic value in 26 cases in the erstwhile Kasipalayam Municipality which resulted in loss of revenue of ₹ 0.67 lakh for the period from the second half year of 2012-13 to the second half year of 2014-15. This incorrect adoption would also result in recurring loss of revenue to the ECMC.

GoTN replied (December 2015) that Audit adopted the basic value applicable to the main street for assessing PT for inner lanes. The reply is not acceptable since the erstwhile Kasipalayam Municipality did not fix separate basic values for main street and inner lanes.

(iv) Failure of the ECMC to conduct inspection

As per Sections 281 and 447 of the CCMC Act, the Commissioner of the ECMC may inspect any building during the construction or reconstruction thereof and should levy fine on the owners of unauthorised constructions.

Scrutiny of PT assessment records revealed that there was no record of inspections as stipulated in the CCMC Act, even when unauthorised constructions were reported to be carried out during the period 2010-15 in 492 cases out of 1,101 test checked new assessments. ECMC failed to levy fine on these 492 unauthorised constructions as provided in the CCMC Act.

GoTN replied (December 2015) that unauthorised constructions were booked by the Town Planning wing of the ECMC and brought to the notice of Lok Adalat who had imposed a fine of ₹ 1,000 in each case. The reply is not acceptable since as per Section 447 of the CCMC Act, on conviction for the unlawful acts, a fine of ₹ 1,000 and a further fine of ₹ 200 for each day during the offence should be paid by the owner of the building. Hence, levy of ₹ 1,000 only as fine was not in order.

(v) Unauthorised alteration of PT demand

Property tax was assessed through the computer system and stored in the PT Assessment table. Half-yearly demands were generated by the computer system from the available data in the Assessment table. It was observed in Audit that data entry/manipulating the existing demand in the front-end screen itself was possible. It was also noticed that the PT demands in respect of

258 assessments were altered in the database without authorisation during 2010-15. No trail was available in the database for these changes in the database, resulting in short raising of PT demand to the tune of ₹ 18.11 lakh.

GoTN replied (December 2015) that the Assistant Revenue Officer had been instructed to verify the demand and furnish a detailed report to revise the demand, if needed.

(vi) Existence of missing demands

The computer system generates half yearly demands (i.e. 1st of April and 1st of October) every year in respect of all the live assessments existing in the assessment data. The software should have the required validations to generate year-wise consecutive demands through demand data without any gap. Missing demands between two given half-years without any audit trail rendered the data incomplete thereby resulting in loss of revenue to the Corporation.

Lack of validation control in the software resulted in 2,774 missing demands in respect of 517 assessments during the period from April 2012 to March 2015 which led to a loss of revenue of ₹ 12.94 lakh to the ECMC.

GoTN replied (December 2015) that the Assistant Revenue Officer had been instructed to verify the demand and furnish a detailed report to revise the demand, if needed.

5.1.9.2 Vacant Land Tax

Section 121(4)(a) of the CCMC Act provides for the levy of PT on vacant lands which are not used exclusively for agricultural purposes and are not occupied by, or adjacent or appurtenant to, buildings having regard to its location and subject to the minimum and maximum rates per square feet as may be prescribed by the State.

The rates of VLT for the ECMC (before merger of adjoining local bodies) and Urban Local Bodies which were merged with ECMC in January 2011 are given in **Appendix 5.1**.

Non-levy, Short levy and non-collection of VLT - ₹ 19.07 lakh

Scrutiny of records relating to levy and collection of VLT revealed the following deficiencies:

(i) In 19 test checked cases of Building Plan approvals given during the period 2010-15, VLT was short levied in two cases (₹ 0.63 lakh) and not levied in 17 cases (₹ 4.10 lakh).

(ii) Library Cess at the rate of 10 *per cent* was to be levied on the basic VLT. However, during 2010-15, in 39 test checked assessments, ECMC deducted Library Cess at the rate of 10 *per cent* of VLT from the VLT already collected which resulted in loss of revenue of ₹ 0.62 lakh.

(iii) The CMA instructed (April 2009) that VLT was to be collected for 13 half years at the time of granting building plan approval in cases where levy of VLT was omitted to be collected. It was noticed that ECMC had collected

VLT for four half yearly periods only from an applicant instead of 13 half yearly periods which resulted in short levy of ₹ 13.72 lakh⁴.

GoTN replied (December 2015) that action would be taken to recover the VLT amount from the concerned owners.

5.1.9.3 Profession Tax

Section 169(B) of CCMC Act provides for levy of tax on profession, trade, calling and employment. As per Municipal Manual Volume I, the ECMC should maintain a list of persons liable to pay Profession Tax.

Scrutiny of records revealed that ECMC did not maintain the list of persons liable to pay Profession Tax. Further, cross verification of details obtained by Audit from the Employees' Provident Fund Organisation revealed that ECMC did not raise demand for Profession Tax against employees working in 169 establishments in the ECMC area during the period 2010-14. This resulted in loss of revenue of ₹ 99.77 lakh during the period 2010-14.

GoTN replied (December 2015) that action would be taken to collect Profession Tax from the individuals.

5.1.9.4 Non-receipt of Advertisement Tax

As per Tamil Nadu Urban Local Bodies Licensing of Hoardings and Levy and Collection of Advertisement Tax Rules, 2003 (Advertisement Tax Rules) as amended in December 2008, the District Collector should levy and collect every half year the Advertisement Tax and arrange to remit the 100 *per cent* of the tax to the Personal Deposit account of the ULB concerned.

Details collected by Audit revealed that Advertisement Tax of ₹ 8.36 lakh collected by the District Collector, Erode during the period 2010-15 was not remitted to the ECMC's account till August 2015. The Commissioner, ECMC had also not taken up the matter with the District Collector in this regard.

GoTN replied (December 2015) that the District Collector, Erode was addressed to remit the Advertisement Tax collected so far to the ECMC's account.

5.1.10 Non-Tax receipts

5.1.10.1 Construction of shops without assessment of demand

The ECMC constructed (August 2009) a shopping complex at RKV Road Daily market with 90 shops at a cost of ₹ 64 lakh and additional improvement works were executed at a cost of ₹ 49 lakh.

Though the ECMC conducted repeated auctions from November 2009 onwards, no response was received for the shops. Based on the request of the shopkeepers, the deposit amount was also reduced (December 2009) for 78 shops from ₹ 75,000 to ₹ 25,000 and for 12 shops from ₹ 1,00,000 to ₹ 50,000. In spite of this, there was no demand for these shops. This indicated that shops were constructed without ascertaining demand which resulted in idle investment of ₹ 1.13 crore for over five years.

⁴ Amount of VLT payable for 7,160 sq.mtr. (77,042 sq.ft.) : ₹ 15.08 lakh - Amount of VLT actually paid : ₹ 1.36 lakh = Short levy: ₹ 13.72 lakh

GoTN replied (December 2015) that as the size of the shops were very small, the public had not shown interest in participating in the auction. GoTN further stated that it had been proposed either to convert the above shops as daily market or to enlarge the shops by merging two or three shops into one so as to attract the participation in the auction.

5.1.10.2 Water charges

(i) Non-raising of demand for water charges

The computer system was designed to generate quarterly (i.e. 1st of April, July, October and January) demands for water charges for each water connection. Due to lack of validation control in the system, there were 4,464 omissions in the demands generated by the computer system in 510 assessments during the period 2012-15, resulting in non-raising of demand to the tune of ₹ 94.67 lakh and there was no system of alerting such a lapse.

GoTN replied (December 2015) that while computerising the water charges, excess demand was raised in 26 cases at ₹ 3.28 lakh instead of ₹ 488 in each case; but actually the assesseees were only paying ₹ 488 and therefore the excess demand of ₹ 85.15 lakh was not the actual demand. It was further stated that ₹ 0.89 lakh per annum had been collected instead of ₹ 0.81 lakh for 123 House Service Connections (HSCs) given to police quarters. However, further analysis of the reply revealed that there were 2,884 omissions in the demand generated for water charges amounting to ₹ 6.98 lakh in respect of 361 HSCs.

(ii) Incorrect raising of demand

Water charges were assessed and stored in the Water Charges Assessment Table in the computer system. Quarterly demands were generated by the system from the available data in the Assessment Table. Under no circumstances could the demands vary from the initial water charges assessed.

Examination of the computerised data revealed that the demand raised was different from the assessed amount in respect of 1,829 assessments during the period 2012-15. This had resulted in short raising of demand of water charges to the tune of ₹ 93.76 lakh. Further, no audit trail was available for these differences in the database.

GoTN replied (December 2015) that the correct demand would be raised after verification.

5.1.10.3 Non-collection/Short collection of deposit for Under Ground Sewerage Scheme - ₹ 30.93 lakh

As per the by-law notified (July 2011) by the ECMC, Under Ground Sewerage Scheme (UGSS) deposits should be collected based on the plinth area of the building and separate deposit should be collected for each house for multi-storeyed residential flats and buildings with more than one rental occupation.

The ECMC collected the initial deposits for UGSS at the time of assessment of PT for the building or while according approval for building plan. Though the individual assesseees had furnished the actual area of construction in the self-assessment returns for PT, the ECMC failed to raise demand for the differential deposit amount for the excess area (actual area constructed – area actually approved by ECMC) amounting to ₹ 13.50 lakh in respect of

147 test checked PT assessments. Further, ECMC failed to collect the UGSS deposit amounting to ₹ 17.43 lakh in respect of 139 test checked PT assessments.

GoTN replied (December 2015) that due to financial position of the beneficiaries, part collection of initial deposit had been made in some cases and the balance amount would be collected before providing HSCs. However, there was no provision in the by-law for part collection of UGSS deposit.

5.1.11 Provision of citizen services

Provision of basic amenities to citizens include water supply, sanitation, roads, street lights, health care, slaughter house, night shelter, slum upgradation and amenities in schools.

5.1.11.1 Provision of Roads - Avoidable expenditure of ₹ 3.28 crore due to uneconomical restoration of damaged Black Topped roads

As of March 2012, the road network under the maintenance control of the expanded ECMC was 696.720 km comprising of Cement Concrete (CC - 87.547 km), Black Topped (BT - 499.780 km), Water Bound Macadam (WBM - 9.414 km) and earthen (99.979 km) roads. After improvement of these roads between April 2012 and March 2014, the length of CC, BT, WBM and earthen roads were 90.637 km, 549.150 km, 5.414 km and 51.520 km respectively. Therefore, 52.459 km (or 52.46 km) of (earthen: 99.979 - 51.520 = 48.459 km and WBM: 9.414 - 5.414 = 4 km) roads were converted into BT (49.37 km) and CC (3.09 km) roads respectively during 2012-14.

Scrutiny of records on implementation of road works revealed the following:

As per paragraph 4.2 of Indian Road Congress (IRC) specifications 37-2001, BT surfaces could be laid only on WBM/Wet Mix Macadam (WMM) surfaces. Audit scrutiny of estimates, agreements and Measurement Books for the road restoration works revealed that the roads had BT surfaces, indicating that they already had WBM bases. As the cut portions of the roads had to be restored by the UGSS contractors up to the surface, the roads could be restored to their full width by laying one layer of BT of required thickness. However, the roads were re-laid with the provisions of (i) one or two layers of WBM/WMM having thickness of 75/150 mm, (ii) Bituminous Macadam (BM) of 50 mm thick and (iii) Semi Dense Bituminous Concrete (SDBC) of 25 mm thick. As the BT roads already had WBM base, the provision of WBM was not required which resulted in avoidable expenditure of ₹ 3.28 crore in 53 test-checked road works.

GoTN replied (December 2015) that though the estimates provided for road cuttings at 80 cm width at the centre of the road for sewer line, 1.5 m x 1.5 m at every 30 m interval for man holes and 0.75 m width across the roads for HSCs at both sides of the road, the roads were cut up to 1.2 m x 1.5 m width at the centre of the road during execution of UGSS which was unavoidable due to nature of soil (rocky, loose soil) and in certain places the roads were damaged unevenly at the time of controlled blasting. The reply is not acceptable since, as per the provisions of UGSS agreements, the contractors had to restore the trenches and the cut portions of the manholes up to the road

surface and that the unevenness of the roads could be rectified by the ECMC by laying BM of 50 mm thick and the SDBC of 25 mm thick. Besides, the photographs taken by the ECMC prior to execution of road works indicated the availability of BT surfaces in the roads.

5.1.12 Provision of water supply - Unfruitful expenditure of ₹ 2.83 crore

As against the normative per capita water supply of 135 litres *per capita* per day (lpcd), the ECMC was supplying about 101 lpcd for the projected population of 5,35,000 in the year 2015. The ECMC proposed a Dedicated Water Supply Scheme (DWSS) and was awaiting financial approval of the GoI (August 2015).

The erstwhile Erode Municipality had taken up (June 2007) a Water Supply Improvement System (WSIS) at an estimated cost of ₹ 5.88 crore, under the GoI assisted Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT), to increase the water supply from 90 lpcd to 135 lpcd by revamping the existing infrastructure. The scheme was completed in January 2012 at a cost of ₹ 8 crore. The ECMC had borne the additional cost of ₹ 2.12 crore.

Even after completion of the WSIS, equitable water supply to all zones could not be achieved due to non-utilisation of an existing Service Reservoir (SR) at Gandhi Nagar and newly constructed SR at Periyar Nagar (₹ 0.53 crore) with the respective branch pumping mains (₹ 2.30 crore).

GoTN replied (December 2015) that the two Overhead Tanks (OHTs) at Gandhi Nagar and Periyar Nagar were merged with the existing water supply scheme; water was distributed from the two OHTs to the local areas by drawing water from Main Head works. The reply is not acceptable as the SR-wise daily online water supply reports furnished by the ECMC to the CMA did not include supply from these two SRs and the total designed daily supply of 54.09 million litres to the ECMC was met through OHTs other than these two OHTs. Further, the Detailed Project Report (DPR) for DWSS itself indicated that the Gandhi Nagar OHT was not receiving the designed quantity of water even after completion of WSIS and a bypass had been provided, to exclude it.

5.1.13 Implementation of Under Ground Sewerage Scheme

5.1.13.1 Undue delay in completion of UGSS

The UGSS was taken up (November 2008) with *Kreditanstalt fur Wiederaufbau* (KfW - a German government-owned development bank) assisted Sustainable Municipal Infrastructure Funding - Tamil Nadu (SMIF-TN) Programme. The GoTN sanctioned an UGSS for ECMC (prior to merger of adjoining local bodies) and four adjoining Municipalities (Veerapanchatiram, Periyasemur, Kasipalayam and Surampatti) at a cost of ₹ 209.22 crore in December 2008. The loan and the grant approved for Erode UGSS were ₹ 71.14 crore and ₹ 62.77 crore respectively. As per the DPR, the scheme was scheduled to be completed within three years from the date of commencement of the scheme.

The UGSS was split into five packages for the purpose of implementation. The details of entrustment of all the packages to contractors and the progress of works as on 18 July 2015 are indicated in **Appendix 5.2**.

Though the UGSS was commenced in January 2010, the same was not completed due to (i) delay in settlement of tenders (Package IV), (ii) slow progress by contractors and (iii) termination and re-entrustment of Package I. The total value of work done by the contractors as on 18 July 2015 was ₹ 90.14 crore (43 per cent only) as against the agreements' value of ₹ 209.22 crore. Delay in completion of the project deprived the people the benefit of UGSS besides non-reduction in water pollution.

GoTN replied (December 2015) that 63 per cent of works have been completed and the project would be completed by January 2017.

5.1.13.2 *Avoidable excess interest payment of ₹ 5.87 crore due to lack of financial planning*

The Tamil Nadu Urban Infrastructure Financial Services Limited (TNUIFSL) is the fund manager for the KfW grant. As per the instructions (November 2009) of the CMA, the monitoring authority, the ULBs should approach TNUIFSL for the release of grants first. TNUIFSL did not stipulate any specific condition for release of grant and loan.

As per the terms of loan agreement entered (October 2010) with TNUIFSL, the loan could be drawn in four years. If the loan was not drawn in four years, suitable extensions would be considered by TNUIFSL based on the request of ECMC. As of March 2015, the ECMC had drawn a loan of ₹ 36.24 crore out of ₹ 71.14 crore and a grant of ₹ 37.01 crore out of ₹ 62.77 crore from TNUIFSL. As of March 2015, ECMC paid an interest of ₹ 7.98 crore to TNUIFSL. Had the ECMC ensured to draw the grant based on its proportional eligibility, it would have drawn a minimum grant of ₹ 60.41 crore and could have reduced its loan burden by ₹ 23.40 crore. Thus, failure of the ECMC to manage the loan and grant portions sanctioned by the GoTN resulted in avoidable interest payment of ₹ 5.87 crore as of March 2015.

GoTN replied (December 2015) that though the ECMC had requested for the release of grant, TNUIFSL had released the loan and the ECMC could not ensure the release of proportionate grant. It was further stated that as on 14 October 2015, ₹ 46.24 crore and ₹ 37.49 crore had been received as loan and grant respectively and this showed that the loan and grant were released proportionately. The reply is not acceptable as the ECMC should have postponed the drawal of loan as per the terms of the loan agreement and also brought the matter to the notice of the CMA who was the disbursing authority for the loans and grants released by GoTN to TNUIFSL so as to ensure the drawal of grant first or in proportions of the funding pattern.

5.1.13.3 *Lack of diligent evaluation of bids resulted in selection of ineligible bidders*

The bids for the UGSS packages were invited based on two cover system comprising of technical and price bids. The bids received for Packages I and II from the bidders were initially evaluated by the Tender Scrutiny Committee of the ECMC and placed before the Technical Standing Committee in the office of the CMA for evaluating the technical qualification of the bidders.

Audit scrutiny of bid documents and tender files, however, revealed that the Technical Standing Committee prescribed certain qualification criteria for inclusion in bid conditions which were to be satisfied by the bidders for getting technically qualified in the bids.

As per tender conditions for packages I and II, bidder should have satisfactorily completed (either as a prime contractor or as a sub-contractor, duly certified by the main contractor), not less than 40 *per cent* of contract value and at least one similar work such as sewage collection system, sewage pumping stations of value not less than ₹ 18.82 crore.

In respect of Package I, the lowest bidder furnished ((July 2009) a certificate in support of his qualification for having completed a work relating to designing, construction, erecting and commissioning of 25 million litres per day (mld) capacity Sewerage Treatment Plant, laying of sewerage pipe line, construction of Manhole etc. for ₹ 21.25 crore and the work was awarded to him. The bidder had also submitted (November 2009) a copy of the same certificate in the bids for Package II also.

While verifying the genuineness of the certificate submitted by him for Package II, the verification team found that (i) there was no Under Ground Drainage work at the site and the housing scheme referred to in the certificate were not completed and were in foundation stage and (ii) the Executive Engineer of the Project informed that the work was awarded to M/s Engineering Projects India Limited, who was the prime and single contractor for the work. He also informed that there was no provision in the agreement for joint venture/sub-contract and denied having issued any such work experience certificate to the bidder. Though the bidder did not meet the tender conditions, the ECMC did not terminate the contract for Package I immediately as per the penal provisions included in the tender documents.

In respect of bids submitted by the lowest bidder for Package II, it was noticed in Audit that the bidder had not completed single similar work and also did not complete the required percentage of work of contract value at the time of submission of the bid. Had the bids been evaluated as per tender conditions, the bidder could not have been qualified.

Further, scrutiny of records revealed that the progress of works was very slow and the contractors did not meet the milestones in both the packages. As the contractor for Package I did not complete the work within the agreed date, the contract was terminated. The termination and entrustment of balance work of Package I in July 2014 to another agency had resulted in additional liability of ₹ 24.55 crore. As per the agreement for balance work of Package I, the work was scheduled to be completed in January 2017. In respect of Package II, though the scheduled date of completion was 06 May 2015, the value of work completed as on 18 July 2015 was only ₹ 7.84 crore (15.08 *per cent*) as against contract value of ₹ 52 crore.

GoTN replied (December 2015) that for both the contracts, the evaluation was made as per the specified conditions in the tender. The reply is not acceptable as the specific conditions prescribed in the bid documents were not met by the selected bidders.

5.1.14 Provision of health care facilities

The Tamil Nadu Public Health Act, 1939 (Health Act) stipulated that local authority would carry out all such activities to safeguard public health as prescribed by GoTN for maternal and child health and family welfare in local body areas. The activities relating to health care such as immunisation, Out-patient treatment, normal deliveries, family welfare activities, outreach services including mass contact programme covering schools, slums, etc., and distribution of GoTN assistance under Dr. Muthulakshmi Reddy Scheme and GoI assistance under Janani Suraksha Yojana were carried out by the ECMC through three Maternity Centres (MCs), two Urban Health Posts (UHPs) and two Ayurvedic dispensaries.

5.1.14.1 Inadequate staff

The details of posts sanctioned, men-in-position and vacancies in the MCs/UHPs/Ayurvedic dispensaries are indicated in **Appendix 5.3** which revealed the following:

- Post of Medical Officer (MO) was vacant during 2013-15 and all the posts of Urban Health Nurse (UHN)/Maternity Assistants and other support staff was vacant during 2012-15 in Karungalpalayam MC. The MO of Rajajipuram UHP attended the Out-patients twice in a week at Karungalpalayam MC. As a result, the patients in the locality had to go to other MCs.
- Though Indian Public Health Standards (IPHS) guidelines (2012) for Public Health Centres provide for appointment of Pharmacists as essential, no posts of Pharmacists were sanctioned for MCs at Gandhiji Road, Karungalpalayam and Nethaji Road and UHPs at Agathiar and Rajajipuram. One post of Pharmacist, UHN/Maternity Assistant and other support staff was sanctioned for each Ayurvedic Centre at Karungalpalayam and Nethaji Road and those posts were not filled as of August 2015.
- All four sanctioned posts of UHN/Maternity Assistant and three out of four sanctioned posts of other support staff were kept vacant during 2011-15 in the MCs at Karungalpalayam and Nethaji Road.

5.1.14.2 Poor performance of MCs and UHPs

The performance of the MCs and UHPs run by the ECMC during 2010-15 was not adequate as discussed below:

- (i) No deliveries were registered in the Nethaji Road MC and Karungalpalayam MC during 2011-15 and 2012-15 respectively. Further, the deliveries registered in the Gandhiji Road MC declined from 98 cases in 2012-13 to 51 in 2014-15. The total number of institutional deliveries reported during 2010-15 was 9,202; the number of births reported in private hospitals, Government Hospital and MCs of ECMC during 2010-15 were 6,630, 2,312 and 260 which accounted for 72, 25 and 3 *per cent* respectively. The meagre percentage of births reported in the MCs of the ECMC indicated poor performance of these MCs.

(ii) Ante natal care and immunisation in the Agathiar UHP showed a declining trend during 2010-15.

(iii) The number of Out-patient cases registered declined steadily in Rajajipuram UHP and Karungalpalayam MC during 2010-15.

(iv) Decrease in number of Out-patient cases was also noticed in Agathiar UHP during 2010-14. It was also noticed that MCs referred 1,075 cases to Government Hospital during 2010-15.

The above position clearly indicated poor delivery of health care services by the MCs and UHPs of ECMC.

GoTN replied (December 2015) that due to shortage of staff, the deliveries were not conducted in Karungalpalayam MC and Nethaji Road MC and deliveries were conducted at nearby Centre and there was increase in Out-patient registration at present. The reply is not acceptable as deliveries reported at the other centre i.e. Gandhiji Road also showed a declining trend.

5.1.14.3 Poor implementation of School Health Programme

Under the School Health Programme, each school should be visited three times a year by the medical team. In the first visit, all students should be thoroughly examined. In the second and third visits, students identified in the first visit as having health problems and new cases should be thoroughly examined. The details furnished by the ECMC revealed that first visits only were conducted during 2010-15 except 2011-12 during which second visits were conducted. The details of reports furnished by the School Health Programme Officer to Deputy Director of Health Services (DDHS), Erode on the services rendered by the medical team during 2010-15 in respect of 38 schools covered in the erstwhile Erode Municipality area are given in **Table 5.2**.

Table 5.2: Details of visits made by the medical team under School Health Programme

Year	Number of visits			Number of students			Total number of students with health issues
	Requirement	Actual	Percentage	To be covered	Covered	Percentage	
2010-11	114	39	34	26,708	23,939	90	9,613
2011-12	114	63	55	24,796	34,234	138	8,617
2012-13	114	39	34	23,551	22,252	94	6,426
2013-14	114	39	34	21,640	17,469	81	3,641
2014-15	114	32	28	21,311	22,885	107	2,923
Total							31,220

Source: Details furnished by ECMC

As against 114 visits to be made for 38 schools at the rate of three visits per school during a year, the number of visits made by the medical team during 2010-15 ranged between 32 and 63 only which accounted for 28 to 55 per cent of the number of mandatory visits. Shortfall in visits resulted in non-conduct of follow up medical examinations for 31,220 students identified as suffering from health issues during 2010-15. As a result, the continuance of health issues among these students could not be ruled out.

GoTN replied (December 2015) that at present, the school health programme has been transferred from ECMC to Health Department of the State Government.

5.1.14.4 Prevalence of diseases in the ECMC area

GoI issued (June 2012) guidelines for IPHS for different levels of Health Facilities from Sub-Centre to District Hospitals. The guidelines issued by GoI *inter alia* provided for weekly reporting of diseases in three formats *viz.* Form P (Presumptive cases), Form S (Suspected cases) and Form L (Laboratory confirmed cases) to the Health Department of the State under Integrated Disease Surveillance Project (IDSP). Major diseases reported to MCs and UHPs were (i) acute diarrhoeal disease (19,771), (ii) bacillary dysentery (1,950), (iii) dengue (4), (iv) chikungunya (43), (v) measles (297), (vi) fever of unknown origin (23,816), (vii) acute respiratory infection (29,630) and (viii) pneumonia (302).

Scrutiny of records in ECMC revealed that the details of diseases required to be sent to Health Department, as a measure of surveillance, were not reported to the Health Department (August 2015). Due to non-reporting by ECMC, the vital details were not shared with the district authorities for effective monitoring at District level and also at State level.

GoTN replied (December 2015) that the details of vital diseases were sent to DDHS every month online and vital events like infant death and still birth were reported to the DDHS and the District Collector regularly. The reply is not acceptable as the vital statistics sent to the DDHS every month did not include the details of prevalent diseases as prescribed by GoI.

5.1.15 Provision of sanitation facilities

5.1.15.1 Solid Waste Management

Municipal Solid Wastes (Management and Handling) Rules, 2000 (MSW Rules) provide for safe disposal of municipal waste, segregation of solid waste as biodegradable and non-biodegradable and identification of landfill site. The MSW Rules also stipulate that wastes should be collected and processed by composting, vermin-composting, anaerobic digestion or any other appropriate biological processing for stabilisation.

(i) Non-segregation of waste

Though the ECMC generated approximately 250 tonnes of solid wastes daily, it collected only about 240 tonnes. The wastes were not segregated into bio and non-biodegradable wastes at source as prescribed under MSW Rules. Out of the total quantity of wastes collected, ECMC provided approximately 120 tonnes daily to a private firm for the purpose of composting and dumped the rest of the wastes at a landfill site at Vendipalayam. The private firm also dumped the wastes emerged from its processing of solid wastes at the same landfill site. The landfill site was thus overflowing and causing pollution to the environment.

The reports of tests conducted (May 2015) by TNPCB to check the quality of ground water near the above landfill site revealed that the ground water was highly contaminated with total suspended solids, total dissolved solids,

chlorides and bio chemical oxygen demand exceeding the desirable limit by 400 to 1,600 *per cent*, and, thus, was not potable.

GoTN replied (December 2015) that water was not contaminated due to non-degradable wastes put into compost yard. However, the results of test conducted by TNPCB near the landfill site confirmed the contamination of ground water.

(ii) Poor management of bio-medical wastes

As per the MSW Rules, the municipal wastes should be kept separate from the bio-medical wastes. The quantity of bio-medical wastes generated by the three MCs and two UHPs during the period 2010-15 was about seven metric tonne. From the particulars furnished by the MCs and UHPs, it was noticed that there was no provision for scientific disposal of bio-medical wastes. The bio-medical wastes of MCs and UHPs were mixed with the municipal solid wastes and disposed at the land fill site, thereby causing environmental hazards.

GoTN replied (December 2015) that bio-medical wastes of MCs and UHPs of ECMC and private institutions were collected by an agency. The reply is not acceptable as it did not mention the period from which bio-medical wastes were collected by a private agency. Further, the Medical Officers in-charge of the MCs and UHPs had declared that the bio-medical wastes were handed over to the Sanitary Inspector of the ECMC during 2010-15.

(iii) Solid wastes dumped on the banks of River Cauvery

Audit, with officials of the ECMC, visited the site at Vairampalayam on 17 June 2015. The site had been developed with windrows facility and approach road. The solid wastes were not dumped at this site for composting. Instead, the solid wastes were being dumped at a burial ground adjacent to this site on the banks of River Cauvery, causing an adverse impact on environment. Smoke emanating from the solid wastes dumped is given in **Picture 1**.



Picture 1: Smoke emanating from the solid wastes

The test results conducted in April 2015 by TNPCB near the site revealed abnormal values in respect of conductivity, dissolved oxygen, bio chemical oxygen demand and turbidity and also the presence of fecal coliform, which showed the extent of pollution caused to river water due to indiscriminate dumping of solid wastes along the water body.

GoTN replied (December 2015) that action was being taken to identify alternative site for the compost yard.

5.1.15.2 Privatisation of solid waste composting facility

(i) Entrustment of work to an unauthorised contractor

The ECMC signed (June 2007) a Concession Agreement with M/s. Sivasakthi Environment Improvement Trust (Developer) on Build, Own, Operate and Transfer basis for creation of solid waste composting facility at Vendipalayam. However, it was noticed that the Developer signed a Joint Venture agreement with a firm and formed a new Company by name M/s Integrated Waste Management and Urban Services Tamil Nadu Limited (IWMUST). The IWMUST informed (May 2008) the ECMC that the contract signed by the Developer with the ECMC had been assigned to them and had taken over the plant. The ECMC had neither approved this action of the Developer by amending the Concession Agreement suitably nor conveyed its dissent to the Developer and the IWMUST. However, the ECMC continued to deal with the IWMUST without any valid agreement.

GoTN replied (December 2015) that action was being taken to hand over all the solid wastes to IWMUST. The reply is not relevant to the issue raised above.

(ii) Idle investment of ₹ 3 crore

In anticipation of merger of adjoining local bodies with the ECMC, the IWMUST offered (November 2010) to handle the additional quantity of wastes with the expansion of its compost plant at their own cost and requested the ECMC for its consent. Based on the proposal of the ECMC, the CMA accorded (February 2012) administrative sanction for ₹ 2.80 crore under Integrated Urban Development Mission (IUDM) for provision of windrows facility at Vairampalayam and the work was completed (June 2013) at a cost of ₹ 2.80 crore. The ECMC also provided (June 2013) approach road at a cost of ₹ 20 lakh for the site. The windrows platform was, however, not put to use (August 2015). This resulted in idle investment of ₹ 3 crore in provision of windrows facility for more than two years.

Audit along with officials of the ECMC visited the site on 17 June 2015 and found that there was no activity at the site.

GoTN replied (December 2015) that action would be taken to entrust the windrows to the IWMUST, after placing the subject before the Council.

(iii) Undue benefit to IWMUST - ₹ 32.07 lakh

During the processing of solid wastes, two products viz. manure and residual wastes emerged. The IWMUST made payments towards 'sales levy' to the ECMC for the quantity of manure produced at ₹ 50 per tonne for the period 2009-15. The IWMUST unauthorisedly converted the residual waste into Residual Dry Fuel (RDF) and sold it in the open market. The RDF produced by IWMUST during 2009-15 was 84,055.57 tonnes and the sale of RDF during 2012-15 was 9,162.43 tonnes for ₹ 32.07 lakh. The IWMUST retained the entire sale proceeds of the RDF which was an undue benefit to the IWMUST.

GoTN replied (December 2015) that the basic purpose of entering an agreement with the company was to dispose the solid waste in a scientific manner. GoTN further stated that there was no provision in the agreement for

collecting fees from RDF sold. The reply is not acceptable as IWMUST was not authorised to handle the solid wastes. Further, though the ECMC continued to deal with the IWMUST without any valid agreement, it failed to monitor the activities of IWMUST which constantly reduced the production of manure and increased the production of RDF for its benefit.

5.1.15.3 Delay in establishment of Bio-methanation plant

Based on the administrative sanction accorded (September 2013) for ₹ 160 lakh by the GoTN, the ECMC awarded (January 2014) the work of construction of Methanation-cum-Power Plant at ₹ 159.50 lakh and operation and maintenance for seven years at ₹ 104.96 lakh to a contractor. The contractor had completed works valuing ₹ 1.20 crore as of April 2015. The plant is yet to be commissioned and put into operation (August 2015).

Scrutiny of records revealed that as per the terms of agreement, the plant should have been operational from 06 July 2014. As the contractor delayed operation of plant, 4,220 tonnes (422 days X 10 tonnes) of solid wastes have been dumped in the landfill site during the period from 06 July 2014 to 31 August 2015 thereby increasing the environmental pollution. The ECMC also lost the opportunity of illuminating the street lights with the 3,37,600 units of electricity that could have been produced had the plant been operational from the scheduled date of operation. Though the agreement provided for recovery of liquidated damages at 0.5 per cent per day for unfinished work up to the period of completion, subject to a maximum of 10 per cent of the contract value, the ECMC had not recovered the liquidated damages amounting to ₹ 15.95 lakh viz. at the maximum of 10 per cent of contract value.

Commissioner of the ECMC stated (August 2015) that works were in progress and would be completed soon.

5.1.16 Slaughter house

Eleventh Five Year Plan (2007-2012) of the Tamil Nadu State envisaged a target of having one modern slaughter house for one lakh population in the Municipal Corporations.

Scrutiny of records revealed that though the ECMC required five slaughter houses for its five lakh population, there was only one slaughter house for the entire population. In the existing slaughter house, on an average about 50 animals were slaughtered daily and on Sundays about 250 to 300 animals were being slaughtered. Further, the existing slaughter house was not provided with modern facilities like slaughtering machines, stunning machine and the animals were slaughtered manually. There was no veterinary doctor to certify the fitness of the animals to be slaughtered. Audit with the officials of the ECMC visited the slaughter house at Jeevanandam Street. The system for treatment of effluents from animals slaughtered was not operational. The untreated effluents were stagnating in the chambers thus causing environmental pollution.

GoTN replied (December 2015) that additional slaughter houses would be constructed after identifying proper locations.

5.1.17 Provision of public convenience - Poor implementation of programme on eradication of open defecation

With a view to eradicating open defecation by the year 2015, GoTN instructed (October 2011) all the ULBs to take up the survey immediately to identify the places where open defecation took place. The ECMC conducted (November 2011) survey on open defecation in its areas. As per the survey, open defecation took place at 106 locations and the total number of families involved were 41,929. Analysis of implementation of the programme revealed the following:

- As against 107 works proposed under improvement of existing toilets, only 57 works were taken up and completed as of March 2015. This had resulted in shortfall to the extent of 47 *per cent* in renovation of existing toilets and provision of toilet facilities to the public.
- As against 47 works proposed for construction of new toilets, only nine works were completed as of March 2015.
- Though 1,526 individual toilets were proposed, no work was taken up during 2011-15.
- As against the proposal for construction of 62 Namma Toilets, only two works were taken up. However, no work had been completed as of March 2015.

GoTN replied (December 2015) that when all the toilets were finally completed, ECMC could achieve cent *per cent* eradication of open defecation.

5.1.18 Provision of street lights

The CMA instructed (February 2012) the ECMC to provide LED lamps in the street lights, with Public Private Partnership, to cut down electricity charges. Accordingly, the ECMC prepared (December 2012) an estimate for ₹ 18.87 crore and signed (September 2014) Concessionaire Agreement with M/s Schnell Energy Equipments Private Limited (firm) through tender process for its assured energy savings of 41.8 *per cent*. Scheduled date of completion of the project was 04 July 2015. The firm had not completed commissioning of the project till August 2015.

Scrutiny of records revealed the following:

Poor progress in installation of new lights: As against 1,998 new street lights to be provided as per agreement condition, only 256 street lights (13 *per cent*) were provided (August 2015). Due to this, out of 60 wards in the ECMC, 41 wards did not get adequate lighting.

GoTN replied (December 2015) that 700 new street lights had been installed.

Low investment causing delay in commissioning of the project: As per the terms of agreement, the firm was to invest ₹ 25.05 crore during commissioning of the project. However, the firm had invested only ₹ 11.97 crore which formed only 48 *per cent* when compared to the total investments committed. The low investment had affected the commissioning of the project.

GoTN replied (December 2015) that the firm had invested ₹ 15.67 crore and extension of time had been given up to 30 November 2015 to complete the balance works.

Non-forfeiture of Earnest Money Deposit for delay in completion of Investment Grade Audit: Though tender conditions provide for forfeiture of Earnest Money Deposit (EMD) for any delay in excess of 50 per cent of the duration of completion, the ECMC failed to forfeit EMD of ₹ 9.50 lakh for delay which exceeded the time limit for completion of Investment Grade Audit (IGA).

GoTN replied (December 2015) that the delay had occurred due to deliberations on various technical issues and third party verification. The reply is not acceptable as no extension of time was granted to cover the period of delay and hence EMD should have been forfeited.

Non-recovery of compensation amount for delay in commissioning: Despite delay in commissioning of the project, the ECMC did not recover ₹ 25 lakh towards compensation for the month of July 2015 as per the agreement.

GoTN replied (December 2015) that extension of time up to 30 November 2015 had been given to the contractor. However, as per the minutes of the meeting held on 22 July 2015, the extension of time was applicable to ULBs where there was delay in remitting charges to Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO) for installation of new poles. In the instant case, there was no delay by the ECMC in remitting the charges to TANGEDCO and the extension of time given up to 30 November 2015 was not applicable to the ECMC and hence, compensation amount for the delay should be recovered from the firm.

Thus, due to delay in commissioning of the project, the ECMC could not derive the benefit of providing lighting to all its areas and could not achieve substantial reduction in electricity charges.

5.1.19 Improper maintenance of Open Space Reserve (OSR) lands

In accordance with The Tamil Nadu Parks, Playfields and Open spaces (Preservation and Regulation) Act, 1959 provision and maintenance of parks are the responsibility of local bodies. As per the instructions issued (June 2010) by the GoTN, OSR lands should be free from any construction/structure.

The ECMC had 328 OSR lands with a total area of 4,63,102 sq.m. and pattas for these OSR lands were not issued by Revenue Department in the name of the ECMC. Field visits by Audit with the officials of the ECMC revealed that out of 17 sites visited, only five OSR lands were found to be maintained properly and the remaining 12 OSR lands were not maintained properly. In three cases, buildings had been constructed inside the OSR lands for library, temple and over head tank. Thus objective of providing green cover in the earmarked OSR lands could not be achieved.

GoTN replied (December 2015) that action would be taken to develop the OSR lands into parks and playfields.

5.1.20 Provision of amenities in schools

There were 38 Elementary Schools, 18 Middle Schools, three High Schools and four Higher Secondary Schools in the ECMC area. The ECMC was to maintain the infrastructure of the schools and provide all basic amenities such as drinking water, sufficient toilets with water facility for boys and girls separately and incinerators at girls' toilets in Middle, High and Higher Secondary Schools.

Scrutiny of records of the ECMC and Joint inspection of 30 selected schools by the Audit team along with the officials of ECMC revealed the following:

Sanitation: In nine schools, unhygienic toilets were noticed. Besides, two schools viz. Elementary Schools at Chinnasemur and Samathuvapuram did not have toilet facilities. Further, in 22 schools, adequate toilet seats were not provided as per norms. The shortfall ranged between 17 and 83 per cent. Six Middle Schools did not have incinerator facility and in one Middle School, the available incinerator was not functioning.

Drinking water: In six schools, there was no Reverse Osmosis (RO) system installed and in other six schools, the installed RO system was not functioning.

Playgrounds: In 11 out of 30 schools, there were no play grounds.

Safety and security measures: All the schools visited by Audit team did not obtain certificate from the Tahsildar about safety of the building. There was no fire extinguisher in a school at Kasipalayam. Validity period of chemical filled in the fire extinguisher provided to 12 other schools had expired. In five schools, kitchen shed was not adequate thereby forcing the organisers to cook in open.

Inadequate class room space: In Corporation Higher Secondary School at Railway Colony, 16 class rooms were used to store the materials of the Education Department of GoTN and one class room in each of the Middle School at SKC Road and Teachers' Colony was used for dumping the materials intended for distribution to public which forced the teachers to conduct the classes in open area due to want of class room spaces.

GoTN replied (December 2015) that since sufficient funds were available, works would be taken up at the earliest.

5.1.21 Assistance to weaker section

5.1.21.1 Implementation of Integrated Housing and Slum Development Programme

The GoI took up (2005) Integrated Housing and Slum Development Programme (IHSDP) with the basic objective of holistic slum development, with a healthy and enabling environment, by providing adequate shelter and basic infrastructure facilities to the slum dwellers of the identified urban areas. The ceiling cost of each dwelling unit was ₹ 80,000 which was shared in the ratio of 80:20 by the GoI and GoTN. The GoTN share was inclusive of contribution by the beneficiaries at the rate of 10 per cent for SC/ST/BC/OBC/PH and 12 per cent for others. The GoI sanctioned (February 2007) ₹ 5.03 crore for the IHSDP in Erode town with a Central share of

₹ 4.03 crore being 80 *per cent* of the total project cost. The project comprised of construction of 454 new houses and 31 infrastructure works at a cost of ₹ 3.63 crore and ₹ 1.40 crore respectively. The works were completed in all respects during 2013-14 at a total cost of ₹ 5.03 crore (Housing: ₹ 3.63 crore and Infrastructure: ₹ 1.40 crore).

Scrutiny of records revealed the following:

(i) Irregular expenditure of ₹ 23.76 lakh on housing component executed in areas not in the slum lists

Since 86 of the originally identified beneficiaries backed out of the scheme, the ECMC identified 86 alternate beneficiaries in 2012 in 23 other locations, including the merged areas of the ECMC. Scrutiny of notified and unapproved lists of slums available at the time of initial selection of beneficiaries and the latest list (2014) of slums as per slum survey conducted by Tamil Nadu Slum Clearance Board (TNSCB) under Rajiv Awas Yojana (RAY) for the ECMC revealed that 33 beneficiaries were identified in areas which were not in the lists of slum areas and paid subsidy for construction of houses. The subsidy of ₹ 23.76 lakh (33 x ₹ 0.72 lakh) paid to the above 33 beneficiaries was, therefore, irregular.

GoTN replied (December 2015) that the 33 beneficiaries identified were in extended area of the ECMC and were in the Below Poverty Line (BPL) list living in slum areas. The reply is not acceptable as the selected areas were not in the latest slum list prepared by the TNSCB for the ECMC in the year 2014 under RAY.

(ii) Deviations from the norms of IHSDP and selection of ineligible beneficiaries

Out of 454 beneficiaries of the project, records related to 40 beneficiaries were test checked and the findings are discussed below:

Title of the land not in the name of wife: As per the IHSDP guidelines, the beneficiary should hold the title of land in the name of wife or in the joint name of wife and husband and, in exceptional cases, in the name of husband. Audit scrutiny of test checked beneficiaries indicated that the title of land was in the name of husband in 26 cases and the exceptional reasons for these cases were not available on records.

GoTN replied (December 2015) that beneficiaries were selected from the BPL list; title of the land was mostly found in the name of male head of the family and in exceptional cases, male head had been selected with an assurance that women folk should have control over the property. The reply is not acceptable as scrutiny of records related to the beneficiaries did not have any written assurances mentioning that the women folk would have control over the property.

Community of the beneficiaries not verified: Beneficiaries' contribution should be at a minimum of 10 and 12 *per cent* for SC/ST/BC/OBC/PH and other communities respectively. However, certificate confirming these categories of the beneficiaries was obtained only in two cases and the same was not obtained in 38 other test checked cases.

GoTN replied (December 2015) that there was no specific instruction to allot

houses on communal basis. The reply is not acceptable as the determination of subsidy is on communal basis (i.e. the beneficiaries of other communities have to contribute 12 per cent of the housing cost as against 10 per cent by the beneficiaries of SC/ST/BC/OBC communities).

Construction of house in less than minimum floor area: The dwelling unit should be constructed with a minimum floor area of 25 sq. m. In four of the 40 test checked cases, the area of construction was less than 25 sq. m.

GoTN replied (December 2015) that the Assistant Engineers/Junior Engineers have measured each and every house and certified that the houses constructed were of more than 25 sq.m. The reply is not acceptable as Audit observation, based on the detailed measurements furnished at various stages along with claim for subsidy, showed that area of construction was less than 25 sq.m. in four cases.

Less payment of subsidy: In four cases, beneficiaries had completed the construction of houses in all respects. As such, they were entitled for a subsidy of ₹ 72,000 (90 per cent of ₹ 80,000). However, they were paid ₹ 56,871 in three cases and ₹ 56,800 in one case.

GoTN replied (December 2015) that (i) availability of funds depends upon the financial position of the beneficiary, (ii) four beneficiaries constructed their houses proportionately to the amount of nearly ₹ 56,800 and during subsequent inspection it was found that the houses were completed and occupied. The reply is not acceptable as it did not mention the amount of subsidy released to the four beneficiaries. Further, the Commissioner of ECMC stated (August 2015) that as the beneficiaries could not complete their houses due to funding problems, new beneficiaries were selected in their places and less subsidies were paid to them so as to restrict the overall payments to ₹ 72,000 payable to a single beneficiary.

Payment of subsidies for those who were affordable to purchase house site: In four cases, subsidies were paid for those who could afford to purchase house site of an area ranged between 625 sq ft and 4,860 sq ft (one case in Kolathupalayam - plot size 4,860 sq ft; two cases in Villarasampatti - plot sizes 1,030 sq ft and 1,670 sq ft and one case in Eraniyan Street - plot size 625 sq. ft) and were also living in places other than the slum areas. Hence, the payment of subsidy amounting to ₹ 2.88 lakh (4 x ₹ 72,000) was not in order.

GoTN replied (December 2015) that (i) the persons selected were having higher extent of land due to joint family which might not be partitioned, (ii) further, when compared to Erode Municipal limit, the cost of land was much cheaper in villages and, hence, higher extent of land could be easily purchased in villages and (iii) they were in need of shelter and living in huts and they have been selected based on the slum resemblance. The reply is not acceptable as the IHSDP was meant for holistic development of slums and the selected beneficiaries were able to purchase plots in layouts which defeated the purpose of subsidy.

(iii) Non-achievement of the objective of the scheme

The houses were selected in a scattered manner. The slum survey conducted under RAY indicated that 23 slums selected under IHSDP remained as slums

with 3,931 slum houses. Thus the scheme objectives of holistic development and denotification of slums were not achieved.

GoTN replied (December 2015) that under IHSDP (i) all the beneficiaries including the extended area were out of BPL list only, (ii) residing in both notified and un-notified slums and (iii) action was being taken to get approval of slums in the added areas to make it as notified slums. It was further stated that (i) since the slums were scattered in various locations and only a part of slum population are coming forward to participate in the IHSDP, the remaining dwellings in the slum are huts and tiled buildings only, (ii) due to their financial position, they did not come forward to participate in the IHSDP and (iii) the achievement of development and denotification of slums can be achieved only in a phased manner. The reply is not acceptable as the holistic development of slums as contemplated in the IHSDP was not achieved due to selection of slums in scattered manner instead of selecting slums in a comprehensive manner so as to achieve the desired results and more participation should have been encouraged with proper education and making financial arrangements for the people who were not affordable.

5.1.21.2 Unfruitful expenditure of ₹ 28.39 lakh on provision of night shelters

Honourable Supreme Court of India directed (May 2010) all the State Governments to build night shelters for urban homeless with appropriate facilities to enable them to enjoy their fundamental right to life with dignity. Based on this, the CMA issued series of instructions from June 2010 to March 2011 on the identification of homeless people and provision of night shelters in important places *viz.* bus stand, railway station, market, commercial places, educational institutions, etc. and the places where the homeless people were found. However, the ECMC constructed (June 2011) a night shelter at Lakkapuram, about nine km away from the ECMC area, at a cost of ₹ 28.39 lakh and handed over (June 2011) the same to a Non-Governmental Organisation (NGO), for maintenance of the shelter as per the conditions laid down by the ECMC.

Initially there were only 36 occupants as against the capacity of 82 which further came down to 'Nil' occupancy from August 2012. The NGO informed the ECMC on 28 August 2012 that there was no reporting of poor labourers at the shelter from 15 August 2012 due to the reasons that the shelter was situated far off. The shelter was not occupied and remained closed (August 2015).

GoTN replied (December 2015) that due to long distance, the utilisation of the night shelter became 'Nil' and a new night shelter at Bhavani Road would be completed before 31 December 2015.

5.1.22 Registration of birth and death

5.1.22.1 Delay in entering the birth and death data

It was noticed that the events of birth and death registered by the public with the ECMC was belatedly captured in electronic format by the ECMC as shown in **Table 5.3**.

Table 5.3: Delay in capturing birth and death data in electronic format

Year	Total number of cases		1-30 days		31-90 days		91-180 days		Above 180 days		Total Delays		Percentage (Total delays to Total cases)	
	Birth	Death	Birth	Death	Birth	Death	Birth	Death	Birth	Death	Birth	Death	Birth	Death
2010	13,613	4,111	13,118	3,343	37	126	16	48	125	95	13,296	3,612	98	88
2011	14,439	4,235	13,882	3,407	28	139	12	48	126	94	14,048	3,688	97	87
2012	14,496	4,673	13,405	3,626	61	191	59	50	183	123	13,708	3,990	95	85
2013	14,270	3,985	13,367	3,284	75	115	24	39	238	104	13,704	3,542	96	89
2014	14,053	4,553	13,231	3,591	32	175	6	49	213	124	13,482	3,939	96	87

Source: Details furnished by ECMC

GoTN replied (December 2015) that registration of birth and death was made based on Registration of Births and Deaths Act, 1969 and there was no delay in registration of birth and death. The reply is not acceptable as audit observation related to delay in capturing of birth and death in electronic format for which no specific reply was furnished.

5.1.22.2 Non-issue of birth/death certificate

As per the Tamil Nadu Registration of Births and Deaths Rules, 2000 if the extract of birth or death is not collected by the person concerned within the stipulated period of 45 days, the Registrar or the officer or person in-charge of the institution concerned should transmit the same to the concerned family by post within fifteen days of the expiry of the aforesaid period. It was, however, noticed that 8,893 and 5,486 birth and death certificates respectively were pending for issue as of February 2015.

GoTN replied (December 2015) that issue of birth and death certificate was not pending in ECMC. The reply is not acceptable since as per the records of the ECMC, there were cases of birth and death certificates not issued even after the stipulated period as pointed out by Audit.

5.1.23 Monitoring

As Head of the Department, the CMA was responsible for monitoring the implementation of various schemes by the ECMC. Scrutiny of records at field level indicated lack of monitoring by the CMA as discussed below:

The Engineering Manual for ULBs (Chapter IX) published (April 2000) by MAWS Department required formation of a Technical Audit Cell at the CMA's office to ensure quality of works execution, accountability, avoid fraud and irregularities, timely and effective rendering of services by examination of work orders and contracts for major works, bills for works above ₹ 1 lakh and muster rolls. The CMA, however, did not form the Cell (August 2015) as envisaged. Thus works which were executed by the ECMC during 2010-15 were not subjected to the technical audit.

There was no documentation or evidence of monitoring by CMA in respect of implementation of Solid Waste Management, supply of hygienic meat to the public through its slaughter house, development of OSR sites, provision of basic amenities in schools and implementation of scheme on 'Eradication of open defecation'.

5.1.24 Evaluation

Ministry of Urban Development, GoI provided Service Level Benchmarks (SLB) in ULBs for four urban services viz., water supply, sewage, solid waste management and storm water drainage.

Analysis of performance of the ECMC against SLB prescribed by GoI for ULBs led to the observations given in **Table 5.4**.

Table 5.4: ECMC's performance against benchmarks

Subject	Target	Achievement
Water supply	135 lpcd for all households	55 <i>per cent</i> of the households have been covered with supply of 108 lpcd; however, the supply of water was for less than two hours only in a day.
Sewage	Coverage of all toilets and network services	Establishment of Under Ground Sewage System for only a part of the ECMC was in progress.
Solid Waste Management *	Household coverage: 100	95
	Collection efficiency: 100	85
	Segregation: 100	20
	Scientific disposal: 100	Nil
	Solid waste recovery: 80	The operation and maintenance costs are met from the revenue income and from user fee collected from non-domestic sources and royalty of compost
Storm Water Drainage (SWD)*	Coverage of SWD network: 100	79
	Incidence of water logging/flooding: 0	Not available

* figures in percentage

Source: City Development Plan for expanded Corporation prepared by Consultant during December 2013

5.1.25 Conclusion

There was shortfall in human resources which affected the functioning of the ECMC. Efficiency in collection of revenues was poor. The ECMC did not meet the Service Level Benchmarks in respect of water supply and underground drainage. Execution of Underground Sewage System was also delayed. There was a loss due to poor contract management in implementation of road works. The Maternity Centres and Urban Health Posts operated by the ECMC showed poor delivery of services and these institutions had shortage of staff. Coverage of students under School Health Programme was not comprehensive. Solid waste was not segregated and scientifically disposed off. Slaughter houses were not available in adequate numbers and the existing slaughter house had deficiencies. Available Public conveniences were not adequate, thus paving the way for open defecation. Lands available for development as parks either remained idle or were encroached. Majority of schools did not have adequate facilities. There were delays in issue of birth and death certificates.

5.1.26 Recommendations

Erode City Municipal Corporation may

- augment the revenue generation through coordination between Town Planning and Revenue sections for correct assessment and collection of Property Tax, preparation of master list for vacant lands after conducting survey of vacant lands, preparation of list of persons liable to pay Profession Tax and receipt of advertisement tax collected by the District Collector
- address vulnerabilities leading to unjustified fixation and short collection of revenues by incorporating controls/validations in the application software so as to avoid loss of revenue
- ensure delivery of better health care facilities at Maternity Centres, Urban Health Posts and Ayurvedic Centres
- ensure scientific disposal of solid wastes and prevent environmental degradation
- provide basic amenities to all its educational institutions
- ensure supply of water at 135 lpcd to all households by implementing the Dedicated Water Supply Scheme.