

OVERVIEW

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This Report contains five chapters. The first and the third chapters contain an overview of the Functioning, Accountability Mechanism and Financial Reporting issues of Panchayat Raj Institutions (PRIs) and Urban Local Bodies (ULBs) respectively. The second chapter contains two paragraphs based on the audit of financial transactions of the PRIs. The fourth chapter contains two Performance Audits on (i) Delivery of Citizen Services by Tirunelveli City Municipal Corporation and (ii) Implementation of Urban Infrastructure Development Scheme for Small and Medium Towns. The fifth chapter contains five paragraphs based on the audit of financial transactions of the ULBs. A synopsis of some of the findings contained in this Report is given below:

I An Overview of the Functioning, Accountability Mechanism and Financial Reporting issues of Panchayat Raj Institutions

Eleventh Schedule of the Constitution of India empowered the State Legislatures to devolve 29 functions to PRIs. Government of Tamil Nadu delegated certain powers to the three tiers of PRIs to supervise, assist and monitor the works, falling under the 29 functions implemented by various departments, as envisaged in the Constitution (Seventy-third Amendment) Act, 1992. Out of 47,945 and 375 pending paragraphs of Director of Local Fund Audit relating to Block Panchayats and District Panchayats, 30,186 paragraphs (63 *per cent*) and 198 paragraphs (53 *per cent*) respectively, related to period upto 2014-15.

(Paragraphs 1.1 to 1.11)

II Compliance Audit (Panchayat Raj Institutions)

Rural Roads Maintenance Scheme

Government of Tamil Nadu ordered (July 2013) the implementation of Rural Roads Maintenance Scheme in the entire State (except Chennai district) at a cost of ₹ 700 crore and issued (July 2013 and December 2014) guidelines for the implementation. Audit scrutiny of implementation of the scheme revealed that 22 ineligible road works were executed for maintenance in two districts at a cost of ₹ 4.20 crore, 34 roads with less than one kilometre in length were selected in four districts for maintenance in violation of scheme guidelines and executed at a cost of ₹ 2.62 crore and there was avoidable expenditure of ₹ 8.44 lakh in two works due to non-adoption of prescribed surface type.

(Paragraph 2.1)

Failure of District Collector, Tiruchirappalli, to follow the procedures prescribed in the Tamil Nadu Transparency in Tenders Act, 1998, resulted in excess expenditure of ₹ 1.58 crore.

(Paragraph 2.2.1)

III An Overview of the Functioning, Accountability Mechanism and Financial Reporting issues of Urban Local Bodies

Out of 18 functions enlisted in the Twelfth Schedule of the Constitution, 12 functions were devolved to the Town Panchayats and 17 functions (except Fire Services) were devolved to the Municipalities and Municipal Corporations by the State Government as of November 2017. In respect of Greater Chennai Corporation, 13 out of 18 functions were devolved so far (September 2017), of which, the function of water supply is handled by the Chennai Metropolitan Water Supply and Sewerage Board. Out of 71,490, 80,070 and 71,310 paragraphs issued by Director of Local Fund Audit pending upto 2016-17 in respect of Municipal Corporations, Municipalities and Town Panchayats respectively, 69,729 paragraphs (98 *per cent* - Municipal Corporations), 66,296 (83 *per cent* - Municipalities) and 50,167 (70 *per cent* - Town Panchayats) related to the period upto 2014-15. Though the State Legislature enacted the Tamil Nadu State Property Tax Board Act, 2013 in May 2013, the Board was not constituted so far (November 2017).

(Paragraphs 3.1 to 3.13)

IV Performance Audits (Urban Local Bodies)

1. Delivery of Citizen Services by Tirunelveli City Municipal Corporation

Tirunelveli City Municipal Corporation (TCMC) was formed in March 1994 by upgrading the erstwhile Tirunelveli Municipality. TCMC limit spreads over an area of 108.65 square kilometres and it has four zones and 55 wards with a population of 4.75 lakh (2011 Census). Performance Audit on Delivery of Citizen Services by TCMC conducted between April and August 2017 revealed the following:

Tirunelveli City Municipal Corporation did not prepare City Corporate Plan. Shortage of manpower affected the revenue collection and delivery of citizen services. Deficiencies in providing storm water drains led to incidence of water logging. As water supply schemes for uncovered areas were still in the initial stage, required quantity of 135 litres per capita per day was not supplied. Some areas were not covered under underground sewerage scheme, causing pollution to Thamirabarani river. In health centres, there were vacancies in the post of Pharmacist and cases of issue of time expired drugs. There was shortfall in implementation of School Health Programme. Infrastructure in the Corporation schools was inadequate. Open space reservation lands were not maintained. Gasifier crematorium was operated for eight years without obtaining the mandatory consent. Registration of Births and Deaths was done in satisfactory manner. No action was taken to create awareness among the public for filing complaints to the Ombudsman against elected members and staff of the Corporation.

(Paragraph 4.1)

2. Implementation of Urban Infrastructure Development Scheme for Small and Medium Towns

Performance Audit of Urban Infrastructure Development Scheme for Small and Medium Towns covering the period from 2005-06 to 2016-17 revealed the following deficiencies:

Underground Sewerage projects were sanctioned without the required land and were cancelled later. Due to slow progress, three projects were deprived of Government of India share of ₹ 37.43 crore. Due to non-adherence to loan-grant ratio, Urban Local Bodies had financial burden of ₹ 58 crore. Despite accumulation of ₹ 268.99 crore in Revolving Fund, Government of Tamil Nadu did not create State Urban Infrastructure Fund. Ten Water Supply projects and eight Underground Sewerage projects sanctioned during 2007-14 were pending completion as of March 2017. Underground Sewerage projects were taken up without obtaining statutory clearance from State Environmental Impact Assessment Authority and Tamil Nadu Pollution Control Board and clearance from Public Works Department and National Highways Authority of India leading to delay in execution. Improper execution of agreement led to stoppage of one Underground Sewerage project. Fifty three roads laid in sample projects were in bad condition due to non-maintenance by the Urban Local Bodies. State Level Sanctioning Committee entrusted with responsibility of monitoring of implementation, met only nine times during 2006-17 against 33 envisaged in the scheme guidelines, with no meeting after January 2014. The review of implementation of projects by the State Level Sanctioning Committee was general in nature.

(Paragraph 4.2)

V Compliance Audit (Urban Local Bodies)

Comprehensive Development of Ooranies in Town Panchayats

Audit of Comprehensive Development of Ooranies in Town Panchayats revealed that there were (i) partial execution of works, (ii) excess execution of works and (iii) non-execution of some developmental works envisaged under the scheme. Town Panchayats developed ooranies of Public Works Department, while their own ooranies requiring development were left out. Ooranies developed under the scheme were not maintained properly. There were deficiencies in monitoring. Outcome of the implementation of the scheme was not evaluated.

(Paragraph 5.1)

Failure of Coimbatore City Municipal Corporation to adopt rate of interest prescribed by Government of Tamil Nadu for charging interest on mobilisation advance resulted in loss of revenue to the Corporation and undue benefit to the contractors to the tune of ₹ 1.52 crore.

(Paragraph 5.2.1)

Failure to invoke the Performance Bank Guarantee in time by Salem City Municipal Corporation resulted in loss of ₹ 1 crore.

(Paragraph 5.2.2)

Failure to levy Property Tax for the actually constructed area led to short levy amounting to ₹ 50.50 lakh.

(Paragraph 5.2.3)

Non-conduct of feasibility study for constructing pedestrian bridges resulted in idling of materials worth ₹ 2.11 crore, besides non-construction of the proposed bridges.

(Paragraph 5.3.1)