

Chapter V

Conclusion and Recommendations

Summing up of **Audit Observations** with regard to the **Audit Objectives**

- **Compliance in State Legislations**

The State Government had complied with the provisions of the 74th CAA (between 1994 and 2006) and necessary amendments were made in the State Acts. The State Government had passed an exclusive Act for ULBs in 2000, to amend and consolidate the laws relating to Municipalities and Municipal Corporations in the State of Tamil Nadu, but it was kept suspended with effect from 23 August 2000.

- **Empowerment of ULBs**

Elections, though due from October 2016, were not held as there were court cases relating to delimitation of wards by the State Government. Due to non-conduct of elections, ward committees were not constituted in any of the ULBs. District Planning Committee and Metropolitan Planning Committee was not constituted and in its absence, district and metropolitan development plan was not prepared.

- **Financial Management**

The fiscal transfers constituted about 40 *per cent* of the revenue of ULBs during the period 2015-16 to 2019-20. There was shortfall in release of the SFC grants by the State Government and non-release of CFC grants from the year 2017-18 onwards. Further, the share of own revenue to total revenue of ULBs for the period 2015-16 to 2019-20 was only 40.70 *per cent*. The ULBs lacked autonomy in generating their own revenue due to the intervention of the State Government with regard to levy of property tax hampering the revenue generation of ULBs. ULBs were able to generate own resources to the extent of only 56 *per cent* of revenue expenditure. Further there was accumulated arrears in collection of tax and non-tax revenue. The above aspects resulted in ULBs resorting to availing of loans. Establishment expenses constituted 39 *per cent* and the program expenditure amounted to only 19 *per cent* and is on the decreasing trend.

Impact of parastatals on ULBs—The Assigned Revenue is transferred to ULBs belatedly and further, not all ULBs are benefited every year on utilisation of TURIF amount. The contractors employed by the parastatals are not accountable to ULBs. Due to this the ULBs could not monitor the capital works executed by the parastatals.

- **Human Resources**

The Sanctioned strength was not changed between 2011 and 2019 and as such there was decrease in the number of officials per 1,000 population in all the ULBs. Further, the status of men-in-position has also reduced when compared to 2011 and 2019 population which affects efficient delivery of services.

Summary of Recommendations

The Government may consider the following:

- In order to enable ULBs to function as institutions of effective democratic units of local Self Government, the State Government may consider for conduct of elections.

[Paragraph 2.5.1]

- The Government may consider forming a permanent SFC cell in the Finance Department for effective monitoring of follow-up action on accepted recommendations.

[Paragraph 2.5.2.1]

Financial Management of ULBs

- Quinquennial revision of property tax may be made mandatory.
- For efficient system for assessment of property tax, the co-ordination between the Town Planning and Revenue Wings may be structurally strengthened through an automated work flow process with prompt data sharing.
- Geographic Information System (GIS) mapping of all ULBs may be completed to bring left out properties to assessment.
- “Any time anywhere” remittance systems may be enabled for Property Tax in all ULBs as prevalent in GCC.
- May collect property tax on re-measured and re-classified properties.
- Constituting the Taxation Appeals Committee and may also provide sufficient resources for effective functioning of the Property Tax Board.

[Paragraphs 2.12 to 2.14]

- The Government may consider timely release of balance SFC grants and take necessary steps to obtain the Performance grant from the Central Government in order to augment the financial resources of ULBs to meet their expenditure.

[Paragraph 2.16(ii)]

- Action may be taken to prepare the ULBs budget in a scientific manner taking into account requirements of capital expenditure as well as a realistic projection of both revenue and expenditure considering the previous years’ actual and the funds expected to be mobilised.

[Paragraph 2.17]

- The Government may issue instructions to ULBs for effective collection of property tax and may ensure timely release of grants due for ULBs.

[Paragraph 2.20]

Role of Parastatals

- The Government may consider implementing the recommendation of the SFC in transferring the Assigned Revenue fully to the ULBs and install a convenient mechanism for arriving at the amount due to each ULBs and transferring the same without delay.
- The Government may establish an independent assessment mechanism in consultation with the ULBs for implementation of road works in ULBs.

[Paragraphs 3.3.1]

- The Government may consider more stringent time frame for execution of work. Further, there could be a tripartite agreement wherein the ULB could also be made part of the agreement and each parties roles and accountabilities may be specified clearly.

[Paragraphs 3.4.1 and 3.4.2]

- The Government may formulate a mechanism for transferring the due share of OSR Charges and Development Charges to the ULBs in a timely manner.

[Paragraph 3.5]

Human Resources of ULB

- The Government may arrive at a desired sanctioned strength of ULB officials based on population. Government may also take steps for rationalisation and redeployment of officials among the ULBs.

[Paragraph 4.2]

Chennai
The 17 January 2022



(VISHWANATH SINGH JADON)
Accountant General (Audit-II)
Tamil Nadu and Puducherry

Countersigned

New Delhi
The 27 January 2022



(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India