

OVERVIEW

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This Report contains four chapters. The first chapter contains an overview of the Functioning, Accountability Mechanism and Financial Reporting of Panchayat Raj Institutions (PRIs) and Urban Local Bodies (ULBs). The second chapter contains three Subject Specific Compliance Audits on (i) Chief Minister's Solar Powered Green House Scheme, (ii) Scheme Component of Pooled Assigned Revenue and (iii) Working of Micro Composting Centres established in peri-urban and bigger Village Panchayats in rural areas. The third chapter contains seven Compliance Audit paragraphs based on the audit of financial transactions of the PRIs. The fourth chapter contains six Compliance Audit 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 of Panchayat Raj Institutions and Urban Local Bodies

The Constitution of India through 73rd Constitutional Amendment Act empowers the State to devolve the 29 functions listed in its Eleventh Schedule to PRIs. Of these, the Government of Tamil Nadu has 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. Similarly, through the 74th Constitutional Amendment Act, the Constitution of India empowers the State to devolve the 18 functions listed in its Twelfth Schedule to ULBs. All functions except the Fire Service has been fully devolved to the Corporations (except Greater Chennai Corporation (GCC)) and Municipalities. In respect of Town Panchayats, only 10 functions were fully devolved, two functions were partially devolved and six functions were yet to be devolved. In respect of GCC, 13 functions out of 18 functions were devolved. However, one of the 13 devolved functions, *viz.*, water supply for domestic, industrial and commercial purposes, for the Chennai Metropolitan Area, is handled by the Chennai Metropolitan Water Supply and Sewerage Board, a statutory body established under an Act of Tamil Nadu.

Out of 74,722 and 863 pending paragraphs of Director of Local Fund Audit relating to Block Panchayats and District Panchayats, 43,664 paragraphs (58 *per cent*) and 448 paragraphs (52 *per cent*) respectively, related to period up to 2019-20. In respect of Municipal Corporations, Municipalities and Town Panchayats, the paragraphs issued by Director of Local Fund Audit and pending up to 2021-22 were 47,000, 52,194 and 75,271 respectively. Of these 28,488 (61 *per cent*) - Municipal Corporations, 25,044 (48 *per cent*) - Municipalities and 28,530 (38 *per cent*) - Town Panchayats related to the period up to 2017-18.

(Paragraphs 1.3 and 1.5; Pages 2 and 3)

II Subject Specific Compliance Audits (Panchayat Raj Institutions)

Subject Specific Compliance Audit on Chief Minister's Solar Powered Green House Scheme

Government of Tamil Nadu launched (2011) the 'Chief Minister's Solar Powered Green House Scheme', with an objective to provide *pucca* houses with basic amenities to all the rural poor along with solar photovoltaic home lighting system. The Scheme did not make any significant impact on housing for rural poor. Failure to revise the unit cost excluded significant number of eligible poor beneficiaries from the Scheme as the houses became unaffordable to them. The annual targets for construction of houses were set without linking it with the targeted beneficiaries in the 'Participatory Identification of Poor' list. The system followed for selection of beneficiaries was flawed and the field level officers did not adhere to the Scheme guidelines. Failure of Project Director, District Rural Development Authorities to ensure supply of cement and steel on time caused delay in completion of houses and burdened the poor beneficiaries. Belated finalisation of Model Tender Document delayed the installation of solar powered LED lights in green houses and multiple violations of tender procedures stained the award of contracts and impacted the quality of solar photovoltaic home lighting systems supplied to the green houses.

(Paragraph 2.1; Page 13)

Subject Specific Compliance Audit on Scheme Component of Pooled Assigned Revenue

Government of Tamil Nadu decided (2007) to pool the 'Assigned Revenue' of Rural Local Bodies at the State level and apportion 1/3rd to Rural Local Bodies in line with State Finance Commission norms and 2/3rd to a Fund for creating basic infrastructure in rural areas for quick and equitable transfer of funds. The Fund, which constitutes the Scheme Component of Pooled Assigned Revenue (SCPAR), is maintained by the Directorate of Rural Development and Panchayat Raj (DRDPR) on behalf of Rural Local Bodies and is used to finance projects at village level for creating basic infrastructure *viz.*, road works, buildings for local bodies in rural areas, water supply works, etc. There was, however, no mechanism to identify and propose priority works under the Scheme. Similarly, there was no mechanism for DRDPR to verify the proceeds of surcharge on stamp duty collected annually by Registration Department. Scheme related cash book maintained in DRDPR was not closed and reconciled with bank account every month. Department did not initiate action to levy penalty on the contractor or to cancel the agreement for delays in completing the work. Road works taken up under the scheme were not executed as per IRC Guidelines and Government instructions. Scheme works were not monitored for quality.

(Paragraph 2.2; Page 37)

Subject Specific Compliance Audit on Working of Micro Composting Centres established in peri-urban and bigger Village Panchayats in rural areas

Government of Tamil Nadu formulated (2020) the scheme for establishing Micro Composting Centres (MCCs) for effective management of solid waste in peri-urban and bigger Village Panchayats as huge quantum of waste generated in these areas could not be managed effectively at local level and the waste dumped in the landfill areas caused environmental pollution and health hazard. The average bio-degradable waste per day certified in the proposals submitted by district authorities under the scheme for establishing MCCs were overstated to fulfil the eligibility norms. District authorities failed to ensure availability of suitable site away from water bodies for MCC work. There was delay in establishing/functioning of MCCs and some Village Panchayats failed to ensure transparency at site identification stage which contributed to public agitation and time over-run in establishing MCCs. Some of the test-checked MCCs in sampled districts had shortcomings in infrastructure facilities. Poor capacity utilisation of MCCs were noticed. There were deficiencies in monitoring by the implementing authorities and in conduct of training and social audit in the test-checked districts and blocks.

(Paragraph 2.3; Page 54)

III Compliance Audit (Panchayat Raj Institutions)

Non-utilisation of power rollers for compaction of earth fill over bund resulted in excess payment of ₹2.25 crore. Non-verification of genuineness of bills presented by contractors to Block Development Officer/Block Panchayat resulted in fraudulent payment of ₹45.25 lakh to contractors.

(Paragraph 3.1.1; Page 67)

Failure of District Rural Development Agency, Tiruvannamalai to invoke the agreement condition against defaulting contractor resulted in additional expenditure of ₹1.66 crore to the Government due to non-recovery of differential cost on retendering the work.

(Paragraph 3.1.2; Page 69)

Failure on the part of Panchayat Unions to adopt open tender process in procurement of Chlorination Units for Over Head Tanks and Ground Level Reservoirs for disinfection purpose led to avoidable additional expenditure of ₹1.54 crore. Lapses in monitoring resulted in non-working of the installed Chlorination Units.

(Paragraph 3.1.3; Page 71)

Failure of tender processing authorities to adhere to provisions of Tamil Nadu Transparency in Tender Act, 1998 and bid conditions while finalising tenders for supply and installation of gym equipment in two districts resulted in excess expenditure of ₹69.18 lakh.

(Paragraph 3.1.4; Page 76)

Failure to avail electricity connection under appropriate tariff resulted in avoidable expenditure of ₹1.29 crore as electricity charges during August 2017 to March 2023.

(Paragraph 3.2.1; Page 79)

Non-adherence to the provisions of the Tamil Nadu Transparency in Tenders Act, 1998 resulted in an avoidable expenditure of ₹74.94 lakh in procurement of Reverse Osmosis Plants.

(Paragraph 3.2.2; Page 81)

Improper planning resulted in idle investment of ₹1.51 crore on construction of a rural bus stand, lying idle for more than six years at Pudur Village, Erode District.

(Paragraph 3.3.1; Page 83)

IV Compliance Audit (Urban Local Bodies)

Community Assets viz., Community Toilets (42), Community Halls (3) and Slaughterhouses (5), created at a cost of ₹6.33 crore by the Urban Local Bodies did not reach the public as these assets were not put to use and hence the intended objective of construction and utilisation of these assets by the respective Urban Local Bodies were not fulfilled.

(Paragraph 4.1.1; Page 85)

Construction of Resource Recovery Centre in water body by Dhaliyur Town Panchayat led to demolition of the same on a direction from Hon'ble High Court and subsequent redevelopment of the water body has resulted in wasteful expenditure of ₹1.05 crore.

(Paragraph 4.1.2; Page 89)

Tax on Profession though payable as per the provisions of the Act was not paid to the Urban Local Bodies by M/s. Tamil Nadu State Transport Corporation Limited, even though the same was collected by them from their employees. Further, the Urban Local Bodies also failed to take effective action to collect the same resulting in non-remittance of tax on profession of ₹7.04 crore.

(Paragraph 4.2.1; Page 91)

Vacant land tax amounting to ₹3.95 crore was not levied by two City Municipal Corporations between the period 2007-08 and 2021-22 in respect of land held by M/s. Electronics Corporation of Tamil Nadu Limited.

(Paragraph 4.2.2; Page 92)

Failure on the part of the Coimbatore City Municipal Corporation to assess the Super Speciality Hospital under Special Buildings as envisaged by the Government of Tamil Nadu guidelines resulted in loss of revenue on property tax amounting to ₹1.61 crore for six half years.

(Paragraph 4.2.3; Page 95)

Reduction in rate of Goods and Services Tax of seven *per cent* was not passed by the suppliers to ULBs, for 524 Battery Operated Vehicles, resulting in undue benefit of ₹57.76 lakh to the suppliers.

(Paragraph 4.3.1(a); Page 96)

Cost difference due to supply of Lead Acid Battery instead of Lithium Ion Battery in nine ULBs for 334 Battery Operated Vehicles purchased resulted in undue benefit of ₹51.56 lakh to the contractor.

(Paragraph 4.3.1(b); Page 97)