

PREFACE

This Report has been prepared for submission to the Governor under Article 151 of the Constitution.

2. This Report sets out the results of audit under various sections of the Comptroller and Auditor General of India's (Duties, Powers and Conditions of Service) Act, 1971, in respect of financial assistance given to urban local bodies and panchayat raj institutions.

3. Matters arising from the Finance and Appropriation Accounts for the year 2006-07 together with other points arising out of audit of transactions of the Government of Tamil Nadu are included in a separate volume of the Report (Civil) of 2006-07.

4. The Report containing the observations arising out of audit of statutory corporations, boards and Government companies and the Report containing such observations on revenue receipts are presented separately.

5. The cases mentioned in this Report are among those which came to notice in the course of test check of accounts of urban local bodies and panchayat raj institutions during the year 2006-07 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports on the Government of Tamil Nadu. Matters relating to the period subsequent to March 2007 have also been included wherever considered necessary.

OVERVIEW

This Audit Report, dealing with the results of audit of accounts of local bodies, is presented in two parts. Part I on Urban Local Bodies and Part II on Panchayat Raj Institutions with six chapters. While two chapters contain the overview of the accounts and finances of the urban local bodies and panchayat raj institutions, the remaining four chapters contain three performance reviews, three mini reviews and 13 audit paragraphs. A synopsis of important audit findings is presented in this overview.

I Accounts and finances of Urban Local Bodies

There were six municipal corporations, 152 municipalities and 561 town panchayats in Tamil Nadu as on 31 March 2007. The urban population of the State as per the 2001 census was 2.75 crore constituting 44 *per cent* of the total State population. While the decadal growth rate of the total population during 1991-2001 was 11 *per cent*, the urban population during the same period grew by 43 *per cent*.

The Director of Local Fund Audit is the statutory auditor for all the urban local bodies. As of October 2007, audit was not completed for one municipal corporation for 2004-05 and all the 6 municipal corporations for 2005-06 and 2006-07. The audit of 17, 98 and 152 municipalities was not completed for 2004-05, 2005-06 and 2006-07 respectively. The number of town panchayats whose audit was not completed for the last three years were seven, 222 and 561 respectively. As of March 2007, the number of paragraphs relating to municipalities and municipal corporations pending settlement aggregated to 3,11,234.

Out of 18 functions listed in the Twelfth Schedule of the Constitution to be devolved on urban local bodies, only 13 functions were transferred to municipalities and municipal corporations and 12 functions to town panchayats. State Government stated that transfer of the remaining functions to these urban local bodies will be decided after perusing the report of the High Power Committee constituted for this purpose.

During 2006-07 own revenue of all the urban local bodies amounted to Rs 2781 crore of which tax-revenue constituted to Rs 1598 crore. The own revenue of municipal corporations (except Chennai), municipalities and town panchayats increased during 2004-07.

Property Tax is the major source of tax revenue of urban local bodies. The percentage of collection of Property Tax compared to total demand during the last three years in municipalities and municipal corporations (except Chennai) ranged between 50 and 54. In Chennai City Municipal Corporation the percentage was slightly better at 75, 75 and 77 during the last three years. In town panchayats the percentage of collection after increasing from 70 in 2004-05 to 73 in 2005-06, decreased to 69 in 2006-07.

In the case of Profession Tax the percentage of collection by five municipal corporations increased from 70 in 2004-05 to 72 in 2005-06 and remained at 72 in 2006-07 also. However the percentage in municipalities declined from 59 in 2004-05 to 54 in 2005-06 and remained as such in 2006-07. In respect

of town panchayats, the percentage after increasing from 85 in 2004-05 to 87 in 2005-06, steeply declined to 70 in 2006-07 due to lesser demands than the previous years.

The percentage of collection of non-tax revenue by five municipal corporations decreased during 2004-07. In town panchayats the percentage of collection of non-tax revenue after increasing from 86 in 2004-05 to 87 in 2005-06 decreased to 78 in 2006-07. In municipalities the non-tax revenue increased from 71 in 2004-05 to 72 in 2005-06 and then to 75 in 2006-07.

A declining trend was noticed in municipal corporations and municipalities during 2004-05 in respect of proceeds of Entertainment Tax.

Test-check revealed that the Twelfth Finance Commission grants were released belatedly to urban local bodies with delays ranging between two and 196 days during 2005-06. Though Government of India stipulated that interest was to be provided for such belated release, State Government had not paid any interest and the amount of interest to be paid for the delayed release of grants to 78 urban local bodies during 2005-06 worked out to Rs 23.07 lakh.

Despite directions of the Public Accounts Committee for furnishing prompt replies to their pending recommendations arising from the audit paragraphs in the Reports of the Comptroller and Auditor General of India, 131 recommendations of eight audit reports relating to 1985-86 to 1996-97 (upto which discussions were over) of the Municipal Administration and Water Supply Department were pending final settlement, as of December 2007.

(Paragraphs 1.1 to 1.13)

II Performance reviews - Urban Local Bodies

1 Maintenance of Water Supply in Selected Municipalities

Water supply is the responsibility of the urban local bodies. Tamil Nadu Water Supply and Drainage Board, a statutory board of the State Government is vested with the responsibility of investigation, formulation and execution of water supply schemes in respect of all urban local bodies in the State except Chennai.

Of the 103 municipalities in the State (other than 49 third grade municipalities), 53 municipalities maintained their own water supply systems, after the same were executed and handed over to them by the Board. The remaining 50 municipalities were covered under combined water supply schemes. The scheme for source of water includes mini-power pumps and hand pumps in addition to major water supply schemes. Water supply is effected through house service connections, public taps and through water lorries and tractors to uncovered areas or during water scarcity seasons. A performance audit conducted on the maintenance of water supply in 15 municipalities which maintain their own water supply systems revealed the following:

- One municipality viz., Thirumangalam, met expenditure on maintenance of water supply during 2002-05 by diverting funds from other accounts due to non-availability of amount in their water supply fund account.

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- Out of the 15 municipalities, only seven municipalities could maintain water supply as per norms of 90 litre per capita per day fixed by Government and only five municipalities maintain daily water supply.
 - While the municipalities did not collect periodical water samples, the samples collected and tested by the Director of Public Health and Preventive Medicines revealed that the disinfection practice followed was not systematic, bleaching powder used was inert and the residual chlorine excessive.
 - Flow control valves were not fitted in 97,160 out of 1,08,815 house service connections in these 15 sample municipalities, thereby not ensuring equitable distribution of water. Though meters were fixed in 89,297 domestic connections, the municipalities collected water charges at a flat rate and not with reference to actual consumption.
 - In 13 out of 15 municipalities, Rs 7.24 crore being the water charges and Rs 8.34 crore being the water tax were pending collection as of March 2007, as seen from the demand, collection and balance details furnished by them. The remaining two sample municipalities did not furnish the details.
 - 68 out of 122 sanctioned posts of maintenance staff like fitters, pump operators, tap inspectors, filter house cleaners, electricians, meter readers etc., were vacant.

(Paragraph 2.1)

2 Elementary Education Fund and Maintenance of Schools by Municipal Corporations other than Chennai

The Tamil Nadu Elementary Education Act, 1920 provides for the levy of Education Tax along with Property Tax and to be credited to the Elementary Education Fund of the urban local bodies and to be utilised for capital and maintenance works of the schools.

A performance audit of Elementary Education Fund and Maintenance of Schools by five municipal corporations other than Chennai revealed the following:

- Cumulative arrears of Education Tax out of total dues ranged between 66 and 82 *per cent* in the five municipal corporations test checked as of August 2007.
- Though at least 25 *per cent* of Education Tax collected was required to be spent on maintenance of the schools, the shortfall ranging between 66 and 89 *per cent* was noticed in the five municipal corporations on such expenditure.
- Three municipal corporations *viz.*, Coimbatore, Salem and Tiruchirappalli, utilised Rs 1.33 crore from the Fund on ineligible works.
- Four municipal corporations *viz.*, Coimbatore, Salem, Tiruchirappalli and Tirunelveli diverted Rs 9.68 crore from the Fund.

- Five municipal corporations provided only 851 urinals and 1,001 toilets in 258 schools under their control as against 3,643 urinals and 5,168 toilets required to be provided.
- Of the 279 schools owned by these five municipal corporations, 64 schools did not have play grounds, 34 had no library buildings, 34 had no adequate water supply, 151 had no fire extinguishers and 52 had fewer class rooms than required.
- Overall student strength in elementary and higher education schools came down by 6,512 (31 *per cent*) and 5,520 (22 *per cent*) during 2002-07.

(Paragraph 2.2)

3 Assigned Revenues to Urban Local Bodies

Assigned revenues include the class of taxes and levies traditionally collected by Government in related departments and assigned to various urban local bodies as per the existing norms.

Entertainment Tax and Surcharge on Stamp Duty are the revenues currently assigned to urban local bodies.

A review on revenues assigned to urban local bodies revealed the following:

- Entertainment Tax assigned to urban local bodies declined due to switching over from a compounding pattern to collection of gross admission based on a decision of Government taken in October 2004 to mitigate the hardship faced by the film industry.
- Entertainment Tax of Rs 3.09 crore due for assignment for the period 1998-2007 was not assigned to the concerned urban local bodies in two sample districts. This included Rs 2.63 crore towards Entertainment Tax collected from amusement parks and Rs 0.34 crore towards cable TV connections in Kancheepuram district.
- Entertainment Tax of Rs 1.22 crore relating to the four quarters of 2003-05 assignable to Tiruppur Municipality was assigned belatedly after periods ranging from 4 to 25 months resulting in a loss of interest of Rs 6.05 lakh.
- Short assignment of Surcharge on Stamp Duty of Rs 24.26 lakh and Rs 41.96 lakh during April-September 2002 was noticed in Kancheepuram and Tiruvallur Districts due to incorrect adoption of rates at 90 *per cent* in lieu of the enhanced rate of 95 *per cent* from April 2002. Further short assignment of Surcharge on Stamp Duty of Rs 34.15 lakh was noticed in three municipalities *viz.*, Poonamallee, Sriperumbudur and Pammal.
- Rs 6.60 crore was assigned in excess towards Surcharge on Stamp Duty for the fourth quarter of 2006-07 to two municipalities *viz.*, Thiruverkadu and Tiruvallur. District Registrar, Kancheepuram stated that the excess assigned revenue would be adjusted against the future dues.

- Surcharge on Stamp Duty was assigned to the town panchayats and municipalities belatedly in all the three test checked districts. The interest that would be accruable had the same been assigned in time worked out to Rs 4.23 crore.
- Non-formation of State level Monitoring Committee as recommended by the Second State Finance Commission resulted in deficiencies like non/short assignment, delayed assignment, etc., remaining uncorrected.

(Paragraph 2.3)

III Audit of transactions in Urban Local Bodies

Non-collection of bus stand fees by Madurai City Municipal Corporation from Government transport corporation buses resulted in loss of revenue of Rs 1.54 crore for the period from August 2000 to February 2007.

(Paragraph 3.1.1)

Failure of Namakkal Municipality in getting final approval for revision of water charges and failure of Melur Municipality to give effect to revised rates of water charges and deposits resulted in non-collection of Rs 52.25 lakh and Rs 34.62 lakh respectively.

(Paragraph 3.1.2)

Failure of Ambattur Municipality to invest the Elementary Education Fund in cumulative term deposits resulted in a notional loss of revenue of Rs 80.63 lakh.

(Paragraph 3.1.3)

Construction of shops without assessing the demand by Tirunelveli City Municipal Corporation and Pudukottai Municipality resulted in loss of anticipatory revenue to the extent of Rs 38.87 lakh and Rs 36.63 lakh respectively.

(Paragraph 3.1.4)

Non-levy of Property Tax on the building belonging to Bharat Sanchar Nigam Limited by Tiruchirappalli City Municipal Corporation resulted in non-collection of revenue of Rs 40.53 lakh.

(Paragraph 3.1.5)

The Chennai City Municipal Corporation lost revenue of Rs 20.88 lakh for the period 2001-05 due to adoption of lower tariff and lesser number of seats than actual for arriving at the gross income of five 'A' class cinema theatres.

(Paragraph 3.1.6)

Failure of the Alangulam Town Panchayat to evolve suitable method to allot new water supply connections resulted in loss of revenue of Rs 18.87 lakh.

(Paragraph 3.1.7)

Failure of the Tirunelveli City Municipal Corporation in discharging its high cost loan in time with the assistance of Tamil Nadu Urban Finance Infrastructure Development Corporation Limited resulted in avoidable interest payment of Rs 93.13 lakh.

(Paragraph 3.2.1)

Failure of the Ambattur Municipality to foreclose the loans inspite of its sound financial position resulted in an avoidable payment of interest of Rs 29.97 lakh.

(Paragraph 3.2.2)

Delay in depositing the compensation amount by the Tenkasi Municipality for land acquired resulted in avoidable additional interest payment of Rs 11.85 lakh.

(Paragraph 3.2.3)

Avoidable expenditure of Rs 10.65 lakh was incurred by Chennai City Municipal Corporation due to provision of extra thickness of semi dense bituminous concrete in road works executed.

(Paragraph 3.2.4)

IV Accounts and finances of Panchayat Raj Institutions

There were 12,618 village panchayats, 385 panchayat unions and 30 district panchayats in the State as of March 2007.

The envisaged data base creation in panchayat raj institutions has not yet been fully operationalised.

The Director of Local Fund Audit is the statutory auditor for district panchayats and panchayat unions. The audit of accounts of district panchayats and panchayat unions was pending for 2006-07. Of 2,524 village panchayats to be audited by the Deputy Block Development Officers of the concerned panchayat unions, audit is pending in 535, 1,150, 2,127 and 2,524 village panchayats relating to the last four years i.e. 2003-04 to 2006-07.

Though all the 29 functions listed for devolution to panchayat raj institutions were reported as transferred, Government had not transferred the functionaries required for carrying out these functions. Government stated that more devolution to panchayat raj institutions would be considered after perusal of the report of High Level Committee constituted for this purpose.

The revenues of all the panchayat unions and village panchayats had increased during 2004-07 mainly due to the increased receipt of all three components viz., own revenue, assigned revenue and grants.

During 2006-07, own revenue of village panchayats and panchayat unions amounted to Rs 269.79 crore as against Rs 240.14 crore during 2005-06.

Test-check revealed that the Twelfth Finance Commission grants were released belatedly by Government to the panchayat raj institutions with delays ranging between 2 to 202 days during 2005-06. Though Government of India stipulated that interest to be provided for the delayed period, Government had not paid any interest for the delayed release of said grants and the interest not paid to 828 panchayat raj institutions for the delayed release of grants during 2005-06 worked out to Rs 19.55 lakh.

The expenditure incurred by all the three tiers of panchayat raj institutions showed a rising trend during 2004-07.

Despite directions of the Public Accounts Committee for furnishing prompt replies to the pending recommendations arising out of the discussion of the Reports of the Comptroller and Auditor General of India, 240 recommendations of 10 Audit Reports relating to Rural Development and Panchayat Raj Department for the period 1982-83 to 1996-97 (upto which the discussion was completed) were pending final settlement for want of required particulars from the department.

(Paragraphs 4.1 to 4.10)

V *Performance reviews in Panchayat Raj Institutions*

1. **Implementation of National Rural Employment Guarantee Scheme**

Government of India introduced the National Rural Employment Guarantee Act, 2005 to enhance the livelihood security of households in rural areas by providing atleast 100 days of guaranteed wage employment in a financial year to every household. Government of Tamil Nadu introduced the scheme in February 2006 in 6 districts viz., Cuddalore, Dindigul, Nagapattinam, Sivagangai, Tiruvannamalai and Villupuram.

A performance review of the scheme in the Directorate of Rural Development and Panchayat Raj and in three sample districts viz., Cuddalore, Tiruvannamalai and Villupuram revealed the following:

- The envisaged five year perspective plan was not finalised even as of October 2007.
- Rules for implementing the Act are yet to be framed and notified by the State Government.
- Scheme funds of Rs 100.46 crore remained unutilised as of 31 March 2007 with the District Programme Co-ordinators and village panchayats.
- Of 6.83 lakh households provided with work in the State during 2006-07 under the scheme, only 1,824 households (0.27 per cent) were provided with 100 days employment resulting in non-achievement of the main objective of the scheme. The average number of mandays per household out of the households provided with work for less than 100 days was only 26.56.
- In the three sample districts viz., Tiruvannamalai, Cuddalore and Villupuram, the number of households provided with 100 days employment were 0.11 per cent, 0.29 per cent and 0.06 per cent respectively. The average number of mandays per household who were provided with work for less than 100 days in the above three sample districts during 2006-07 worked out to only 31,28 and 19 days respectively.
- Unemployment allowance which was to be given to those who could not be provided with work within 15 days of the date of receipt of application seeking employment was not paid in any of the villages in sample districts. In the absence of details like the date of application

and other required data, audit could not ascertain if the non-payment of unemployment allowance was correct.

- Despite delayed payment of wages noticed in sample districts, no compensation was paid for the delayed payment, though the same was stipulated in the Act.
- Director of Rural Development and Panchayat Raj ordered provision of work in turn by rotation to the rural households, though the same was not envisaged in the Act.

(Paragraph 5.1)

2. Utilisation of General Fund by selected Panchayat Unions

General Fund is an account through which all the transactions of panchayat unions are carried out and it comprises non-tax revenue, assigned revenue, devolution of grants and other panchayat union receipts such as interest, sale proceeds, etc. The General Fund is kept in Local Fund Deposits (LF-I) with the treasury and earns interest of 4.5 *per cent* per annum.

Utilisation of General Fund in 40 selected panchayat unions in six districts *viz.*, Krishnagiri, Salem, Theni, Tirunelveli, Tiruvarur and Virudhunagar revealed the following:

- Thirteen panchayat unions in four districts (Krishnagiri, Theni, Tirunelveli and Virudhunagar) had temporarily diverted Rs 3.17 crore from their General Fund to post office savings bank accounts at the instance of District Collectors during February 2002 to March 2005 and recouped the amount after a lapse of one to 38 months.
- Nineteen panchayat unions in six districts (Krishnagiri, Salem, Theni, Tirunelveli, Tiruvarur and Virudhunagar) temporarily diverted Rs 1.71 crore during 2002-07 from their General Fund for other schemes including for purchase of materials and retransferred the amount back after a lapse of three to 57 months. This had resulted in loss of interest of Rs 8.31 lakh.
- Thirty panchayat unions in six districts (Krishnagiri, Salem, Theni, Tirunelveli, Tiruvarur and Virudhunagar) utilised Rs 3.76 crore from their General Fund to defray the expenditure towards pay and allowances of staff for the posts of fitter, fitter assistant and electrician sanctioned to each panchayat union by Government during April 2002 to March 2007.
- Panchayat unions had charged certain expenditure to General Fund like charges on fuel and maintenance of vehicles used by Block Development Officers (village panchayats), payment of Electricity Tax, which was exempted for panchayat raj institutions and contributions towards construction of toilets in schools and anganwadis which were to be met by the parent-teacher associations and village panchayats.
- Capital works were executed at a cost of Rs 60.83 lakh utilising General Fund in six panchayat unions without obtaining prior approval of Director of Rural Development and Panchayat Raj before execution.

- Two sample panchayat unions (Nannilam and Tiruvarur) did not maintain an asset register for the assets created out of their General Fund.
- None of the 40 sample panchayat unions maintained the contractor's ledgers which were to be maintained for accounting all transactions including issue of materials to the contractors in respect of works carried out from General Fund.

(Paragraph 5.2)

3. Assigned Revenues to Panchayat Raj Institutions

Assigned revenues includes the class of taxes and levies traditionally collected by Government in related departments and assigned to panchayat raj institutions as per the existing norms. The revenues assigned mainly to panchayat raj institutions at present are Entertainment Tax, Surcharge on Stamp Duty, Local Cess/Local Cess Surcharge, Seigniorage Charges.

A review on revenues assigned to PRIs revealed the following:

- Entertainment Tax assigned to village panchayats and panchayat unions was on the declining trend due to switching over the collection of tax from compounding pattern to collection on gross admission with effect from October 2004.
- Seigniorage Charges relating to the collection of removal of minor minerals commonly used like jelly, gravel to the tune of Rs 46.92 crore for the period 2000-05 were pending apportionment among PRIs as per the report of the Third State Finance Commission.
- Rupees 1.52 crore being the Seigniorage Charges collected for the removal of sand for the period 2002-07 was pending assignment in Kancheepuram District from the Tamil Nadu Slum Clearance Board and Tamil Nadu Road Sector Project.
- Seigniorage Charges of Rs 12.98 crore and Rs 8.87 lakh were belatedly assigned in Tiruvallur (during 2002-07) and Coimbatore (during 2003-04) districts with delays ranging to 3 to 15 months and 24 months respectively. This had also resulted in a loss of Rs 32.27 lakh towards interest which was accruable had the amounts been assigned in time.
- For want of necessary amendment in the Tamil Nadu Panchayats Act, 1994 the enhanced rate of Local Cess to village panchayats and Local Cess Surcharge to panchayat unions recommended by the Second State Finance Commission was not adopted though accepted by Government. This had resulted in non-collection of Rs 2.91 crore during 2002-06 towards Local Cess Surcharge in the three sample districts viz., Coimbatore, Kancheepuram and Tiruvallur.
- No monitoring committee at State level was formed for monitoring the assignment of Local Cess and Local Cess Surcharge.

(Paragraph 5.3)

VI *Audit of transactions in Panchayat Raj Institutions*

Eleven integrated sanitary complexes for women constructed at a cost of Rs 24.35 lakh were not put to use by Ilayangudi Panchayat Union due to non-provision of power supply. Two more complexes constructed at a cost of Rs 4.39 lakh were not made use by the public due to locational disadvantage.

(Paragraph 6.1.1)

Delay in surrender of staff employed in rural dispensaries to Indian Medicine and Homeopathy Department by Palayamkottai Panchayat Union resulted in avoidable expenditure of Rs 18.42 lakh on their pay and allowances during June 2006 to October 2007.

(Paragraph 6.2.1)

CHAPTER I

AN OVERVIEW OF THE ACCOUNTS AND FINANCES OF URBAN LOCAL BODIES

Highlights

Out of 18 functions listed for devolution to urban local bodies (ULBs) as per Seventy-fourth Constitutional Amendment, 13 functions were transferred. Government is yet to transfer functionaries for carrying out the functions already transferred.

No nodal agency exists for monitoring submission of accounts and for their consolidation.

Collection of Property Tax ranged between 50 and 54 *per cent* in municipalities and municipal corporations and between 69 and 73 *per cent* in town panchayats.

The audit of accounts of most municipalities and town panchayats was pending from the year 2005-06. While the audit of one municipal corporation was pending because of defective accounts for the year 2004-05, audit is pending for all the six municipal corporations for the years 2005-06 and 2006-07.

1.1 Introduction

1.1.1 Consequent to the Seventy-fourth amendment of the Constitution, the State Government amended the Tamil Nadu District Municipalities Act, 1920 for transferring the powers and responsibilities to ULBs in order to implement schemes for economic development and social justice including those in relation to the matters listed in the Twelfth Schedule of the Constitution.

1.1.2 The number of urban local bodies (ULBs) at each level as on 31 March 2007 is given in **Table 1.1** along with the average population covered by each type of urban local body, as per the 2001 census.

Table 1.1: Number of ULBs with average population covered

		Number of urban local bodies	Average population covered per local body (as per 2001 census)
Urban Local Bodies	Municipal corporations	6	13,18,810
	Municipalities	152	80,319
	Town Panchayats	561	15,672

An overview of the accounts and finances of ULBs is presented in this chapter. A similar overview of the finances of panchayat raj institutions (PRIs) is presented in a separate chapter.

1.1.3 To enable town panchayats (TPs) to access Central funding under Rural Development Programmes, Government reclassified (June and

July 2004), 561 out of 611 TPs as special village panchayats. However, subsequently in July 2006, these 561 special village panchayats have been reclassified again as TPs. The balance 50 TPs were simultaneously upgraded as Third Grade municipalities. Of these, one municipality (Perambalur) was upgraded as a second grade municipality with effect from 15 November 2006, thus increasing the total number of second grade municipalities to 26. The urban population of the State as per the 2001 census was 2.75 crore constituting 44 *per cent* of the total State population (6.24 crore). While the decadal growth rate of total population was 11 *per cent* during 1991-2001, the urban population grew at 43 *per cent*.

1.1.4 The municipalities and town panchayats are classified into different grades based on the annual income as given in **Table 1.2**.

Table 1.2: Income-wise classification of ULBs

Category of ULB	Grade	Annual income	Number
Municipalities	Special grade	Above Rs 5 crore	13
	Selection grade	Rs 2 crore and above but below Rs 5 crore	28
	First grade	Rs 1 crore and above but below Rs 2 crore	36
	Second grade	Below Rs 1 crore	26
	Third grade	(Erstwhile town panchayats with population exceeding 30,000)	49
Total			152
Town Panchayats	Special grade	Above Rs 20 lakh	13
	Selection grade	Above Rs 16 lakh but below Rs 20 lakh	245
	Grade I	Above Rs 8 lakh but below Rs 16 lakh	221
	Grade II	Above Rs 4 lakh but below Rs 8 lakh	82
Total			561

1.2 Administrative arrangements

1.2.1 The overall administration of ULBs vests with the Secretary to Government, Municipal Administration and Water Supply (MAWS) Department at Government level. An organisational chart on the administration of ULBs is given in **Appendix 1.1**.

The Mayor is the elected representative of the corporation and a Chairperson is elected for each municipality.

1.3 Accounting arrangements

1.3.1 Accrual-based system of accounting is being followed in all municipal corporations and municipalities as per the orders of the Government of Tamil Nadu with effect from 2000-01 in a phased manner and in all town panchayats with effect from 2002-03 in a phased manner.

1.3.2 Apart from the General Fund Account, the following accounts are maintained under the accrual-based system of accounting by all the municipalities, five municipal corporations (excluding Chennai) and town panchayats:

- Revenue Fund and Capital Fund,
- Water Supply and Drainage Fund (except town panchayats),
- Elementary Education Fund (except town panchayats), and
- Provident Fund Account (by town panchayats only).

The cash balance of each of the above funds is maintained in a separate bank account.

The Chennai City Municipal Corporation maintains (i) a General Fund comprising both Revenue and Capital Funds and (ii) an Elementary Education Fund.

Finalisation of Accounts

All the ULBs have to submit their accounts of each year to the Director of Local Fund Audit (DLFA) in the month of May of the succeeding year. The DLFA reported (August 2007) that all ULBs had compiled and submitted their annual accounts upto 2003-04.

The position of submission of accounts by ULBs to DLFA from 2004-05 is given in **Table 1.3**.

Table 1.3: Position of submission of accounts of ULBs

Nature of urban local body	Number of ULBs not submitted accounts relating to		
	2004-05	2005-06	2006-07
Corporations	1	3	6
Municipalities	38	104	152
Town Panchayats	15	164	561

Database formats

The State Government accepted (February 2005) the database formats on finances of ULBs recommended by the Comptroller and Auditor General of India and directed that they be adopted by all the ULBs with effect from 1 April 2004. The Commissioner of Municipal Administration (CMA) stated (March 2007) that a web-based software was designed and developed based on the approved format and launched during January 2006 after testing. The CMA also instructed all the Commissioners to implement the same from the financial year 2005-06 after completion of audit. Further action taken in this regard is yet to be received (November 2007). The Third State Finance Commission (TSFC) recommended that all ULBs/PRI should create a database in the prescribed format and the concerned Heads of Department should monitor the database on a quarterly basis at the end of April, July, October and January of each year. Government had accepted this (May 2007)

with a modification to implement this in respect of municipal corporations and municipalities. Further orders issued in this regard are yet to be furnished to Audit (January 2008).

1.4 Audit arrangements

1.4.1 The DLFA is the statutory auditor for ULBs (including town panchayats). Fifty *per cent* of the actual cost of audit¹ of DLFA is paid by the ULBs out of the Municipal fund. The municipal corporations and municipalities were yet to pay Rs 6.62 crore towards audit fees as of March 2007 as given in **Table 1.4**.

Table 1.4: Audit fees due to DLFA from ULBs

(Rupees in lakh)

Category of ULB	Audit fees due
Corporations (except Chennai City Municipal Corporation)	441.96
102 Municipalities (Grade I and Grade II)	219.28
Grade III Municipalities	0.91
Total	662.15 or 6.62 crore

Year-wise details are given in **Appendix 1.2**. The DLFA reported (August 2007) that the Commissioners of corporations and municipalities are being reminded periodically by the Deputy Directors and Assistant Directors of LFA Department. The CMA is also being informed of the arrears periodically with a request to recover the dues from the devolution of funds due to the concerned ULBs.

1.4.2 The Principal Accountant General (PAG) audits the ULBs under Section 14 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. Further, PAG provides technical guidance to DLFA on a continuing basis regarding audit of accounts of the ULBs in terms of Government of Tamil Nadu's order of March 2003.

1.4.3 Audit of accounts of all ULBs was completed up to 2003-04. Position of arrears in completion of audit of ULBs as reported (November 2007) by DLFA as of October 2007 is as given in **Table 1.5**.

Table 1.5: Position of non completion of audit of ULBs

Category of urban local body	Total number	Number wherein Audit not completed								
		In progress	2004-05 Pending	Total	In progress	2005-06 Pending	Total	In progress	2006-07 Pending	Total
Municipal Corporations	6	1	Nil	1	5	1	6	Nil	6	6
Municipalities	151 (from 2004-05) 152 (from 2005-06)	17	Nil	17	38	60	98	Nil	152	152
Town Panchayats	562 561 (from 2005-06)	5	2	7	22	200	222	Nil	561	561

¹ As per G.O. Ms. No. 62 dated 17.1.1994 of Finance (Local Fund) Department.

The main reasons attributed (August 2007) by DLFA for the arrears were non receipt of accounts on due dates from the ULBs and furnishing of defective accounts. The Director of Town Panchayats stated (February 2008) that due to the introduction of accrual based accounting system in all town panchayats from April 2002, the preparation of annual accounts and auditing of town panchayats were delayed considerably.

1.4.4 DLFA reported (August 2007) that the number of paragraphs relating to municipalities and municipal corporations, included in their Inspection Reports (IRs) that were pending settlement as of March 2007 aggregated to 3,11,234 paragraphs. The category wise pendency are as given in **Table 1.6**.

Table 1.6: Category-wise pendency of inspection paragraphs of DLFA

Category of ULB	Number of paras pending
Municipalities	1,20,678
Town Panchayats	1,02,865
Corporations	
Chennai	38,780
Coimbatore	10,321
Salem	6,478
Tiruchirappalli	6,716
Tirnelveli	4,222
Madurai	21,174
Total	3,11,234

The year-wise break-up details are given in **Appendix 1.3**.

Of the above, 1,95,325 paras pertains to periods prior to 2000-01. No action was taken on irregularities pointed out in various paragraphs.

1.4.5 Based on the recommendation of the Second State Finance Commission which was accepted by Government, District High Power Committees were formed. In spite of formation of such Committees, large number of audit objections were pending settlement which indicates inadequate response from the ULBs. Despite the instructions of CMA that all the Regional Directors of Municipal Administration and Municipal Corporation Commissioners should pay personal attention and prepare replies to all pending paragraphs immediately and to organise periodical joint sittings to reduce pendency, there was no improvement in settling the paras.

For settling long pending paragraphs relating to municipal corporations (except Chennai), Government ordered (May 2007) formation of two committees, one at state level and one at district level. Further action taken in this regard is yet to be received (November 2007).

1.5 Devolution of functions, functionaries and funds

In terms of the Seventy-fourth Amendment to the Constitution of India (June 1993), out of the 18 functions listed in the Twelfth Schedule to be devolved on

the municipalities and municipal corporations, Government stated (November 2006) that 10 functions were statutory and were already vested in the ULBs while three other functions were transferred after the enactment of the Seventy-fourth amendment. In respect of Chennai City Municipal Corporation, out of 13 functions, water supply for domestic, industrial and commercial purposes was vested with Chennai Metropolitan Water Supply and Sewerage Board. In respect of town panchayats, 12 out of 18 functions were transferred. It was stated (October 2007) that transfer of the remaining functions to these ULBs was under consideration of the State Government (**Appendix 1.4**) and would be decided after perusing the report of the High Power Committee, constituted for this purpose.

Government of Tamil Nadu stated (November 2006) that transfer of functionaries was a major problem faced by Government, which could only be solved in a phased manner in due course of time. Government is yet to transfer functionaries to ULBs (November 2007). Government also reported that plan and non-plan discretionary grants were being transferred to ULBs in addition to successive State Finance Commission devolution. These earmarked grants were intended for specific functions such as water supply, roads, public health, street lighting, sanitation, etc., entrusted to ULBs. The ULBs were also empowered to revise and levy local taxes such as Property/House Tax, Profession Tax based on the recommendations of the successive State Finance Commissions (SFCs) as accepted by the Government and as per the Local Bodies Acts.

Based on the announcement made on the floor of the Legislative Assembly on 11 August 2006, Government ordered (January 2007) the constitution of a High Level Committee under the Chairmanship of the Minister for Rural Development and Local Administration to make recommendations on devolution of powers to ULBs and on changes to be implemented in the existing system of administration in ULBs and PRIs. Government also mentioned in their orders that after examining the report of the Committee, suitable orders will be issued by the Government on devolution of further powers to ULBs and PRIs. The Committee had given their report to Government and the same was under the perusal of Government (January 2008).

1.6 Second State Finance Commission

The TSFC reported (September 2006) that out of the 386 recommendations relating to both ULBs and PRIs made by Second State Finance Commission (SSFC), the State Government so far considered 322 recommendations and accepted 282 recommendations. The remaining 64 are still under consideration of the Government.

Of the 282 recommendations accepted by the State Government, orders were issued in respect of 221 recommendations². For the remaining 61 recommendations final orders are yet to be issued by Government.

The TSFC reported that even though most of the SSFC's recommendations had been accepted there was laxity in implementing the same by the Administrative departments. Further it is also reported that a casual approach was noticed in case of the recommendations relating to improvement of the resource base of ULBs, as illustrated in **Appendix 1.5**.

1.7 Third State Finance Commission

The TSFC, constituted in December 2004, submitted its report with recommendations in September 2006 after reviewing the financial position of ULBs,. The report of the TSFC together with the explanatory memorandum on the action taken on the recommendations was laid on the table of the Legislative Assembly in May 2007.

Out of 309 recommendations relating to both ULBs and PRIs, Government accepted 124 in full and 25 with modification. While 10 recommendations were partially accepted, 17 recommendations were accepted in principle. Government negatived 81 recommendations in total. 52 recommendations have been kept pending. Government is yet to take a decision on 37 recommendations which are referred to the High Level Committee constituted to examine the delegation of powers to the ULBs.

The action taken report on various recommendations of TSFC was issued only in May 2007. Action taken on Government Orders issued subsequently is yet to be made available to Audit (January 2008).

1.8 Receipts and expenditure of Urban Local Bodies

1.8.1 A consolidation of audited accounts of all the ULBs in the State is essential for accurate presentation of a comprehensive picture of the finances of the ULBs. There is no nodal agency to monitor the submission of accounts by ULBs and its consolidation which is a major shortcoming.

1.8.2 The details of receipts and expenditure of ULBs (including town panchayats) during 2004-07 as reported by the CMA, Chennai City Municipal Corporation and Director of Town Panchayat (DTP) are given in **Table 1.7**. However, in the absence of data compiled from the audited accounts of the ULBs by the Department/Government, the accuracy of these figures could not be authenticated.

² Fully accepted: 133, accepted with modifications: 37, accepted in principle: 13 and not accepted: 38.

Table 1.7: Revenue and Expenditure of ULBs during 2004-07

Chennai City Municipal Corporation

(Rupees in crore)

	2004-05	2005-06	2006-07
Own Revenue	322	339	326
Assigned Revenue	95	118	116
Grants	157	160	187
Loans	15	38	3
Total Receipts	589	655	632
Revenue Expenditure	508	584	622
Capital Expenditure	136	143	121
Total Expenditure	644	727	743

Other Municipal Corporation

(Rupees in crore)

	2004-05	2005-06	2006-07
Own Revenue	205	224	233
Assigned Revenue	56	43	56
Grants	145	173	140
Loans	4	24	38
Total Receipts	410	464	467
Revenue Expenditure	265	288	303
Capital Expenditure	105	200	180
Total Expenditure	370	488	483

Municipalities

(Rupees in crore)

	2004-05	2005-06	2006-07
Own Revenue	431	441	489
Assigned Revenue	115	95	94
Grants	318	437	490
Loans	61	56	42
Total Receipts	925	1,029	1,115
Revenue Expenditure	520	545	617
Capital Expenditure	386	390	484
Total Expenditure	906	935	1,101

Town Panchayats

(Rupees in crore)

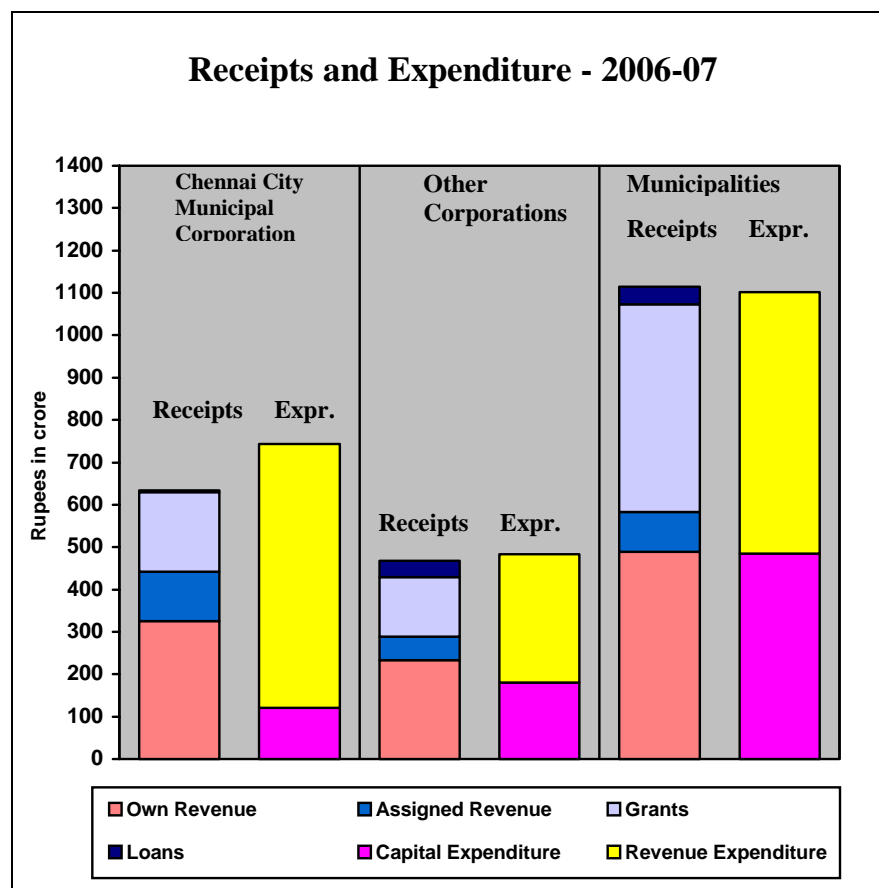
	2004-05	2005-06	2006-07
Own Revenue	231	232	1,733
Assigned Revenue	91	112	32
Grants	150	256	894
Loans	4	3	67
Total Receipts	476	603	2,726
Revenue Expenditure	250	272	NA
Capital Expenditure	211	207	90
Total Expenditure	461	479	NA

NA: Not available

The data in the above table reveal the following:

While the total receipts of municipalities and five municipal corporations showed an increasing trend during 2004-07, the receipts of Chennai City Municipal Corporation decreased slightly from Rs 655 crore in 2005-06 to Rs 632 crore in 2006-07 mainly because of the decrease in its own revenue and assigned revenue. The receipts of town panchayats increased many fold. In response to an audit query seeking reasons for such an increase, the Director of Town Panchayats stated (February 2008) without assigning specific reasons that the figures were compiled from the details furnished by Assistant Directors of 16 zones under his control and were provisional and unaudited. He had further stated that the discrepancies could be reconciled only on receipt of audited annual accounts from zonal offices.

A bar chart representing component wise receipts and expenditure for 2006-07 in respect of Chennai City Municipal Corporation, other corporations, and municipalities are given below:



1.8.3 The component-wise details of receipts and expenditure are discussed in the succeeding paragraphs.

1.9 Receipts of Urban Local Bodies

A chart depicting various sources of revenues of ULBs is given in Appendix 1.6.

1.9.1 Own revenue realised

Details of own revenue realised by ULBs (including town panchayats) during 2004-07 as furnished by the CMA are given in Table 1.8.

Table 1.8: Own revenue of ULBs

Category of ULB	2004-05			2005-06			2006-07		
	Tax	Non-tax and other revenues	Total	Tax	Non-tax and other revenues	Total	Tax	Non-tax and other revenues	Total
Chennai City Municipal Corporation (1)	267.42	54.22	321.64	272.82	65.81	338.63	264.85	61.36	326.21
Other municipal corporations (5)	115.87	89.50	205.37	125.53	98.24	223.77	134.48	98.73	233.21
Municipalities	238.78	191.83	430.61	250.36	190.82	441.18	292.70	196.30	489.00
Town Panchayats	113.42	117.79	231.21	115.62	116.23	231.85	905.62	827.44	1,733.06
Total	735.49	453.34	1,188.83	764.33	471.10	1,235.43	1,597.65	1,183.83	2,781.48

While the own revenue of municipal corporations (except Chennai) and the municipalities increased during 2004-07, that of Chennai City Municipal Corporation decreased in 2006-07 as compared to 2005-06. As mentioned in Para 1.8.2, no reasons were furnished by the Director of Town Panchayats for the steep increase in both tax and non-tax revenues of town panchayats.

1.9.2 Tax revenue

Property Tax is the major source of tax revenue of ULBs. Some of the other significant components of tax revenue are Profession Tax, Company Tax and Advertisement Tax.

1.9.3 Property Tax

The Property Tax in ULBs as a percentage of total revenue and own revenue is illustrated in Table 1.9 below.

Table 1.9: Property Tax as a percentage of total revenue and own revenue in ULBs

Category of urban local body	Percentage of Property Tax to					
	Total revenue			Own revenue		
	2004-05	2005-06	2006-07	2004-05	2005-06	2006-07
Municipalities	23	21	23	49	50	53
Chennai City Municipal Corporation	36	33	37	66	64	71
Other five corporations	25	24	26	51	50	52
Town Panchayats	15	13	8	32	34	12

The percentage of Property Tax fluctuates slightly during 2004-07 excepting town panchayats wherein it drastically declined due to significant increase in total revenue reported during 2006-07 as furnished in **Table 1.7**. The DTP had not furnished any reasons for this decline.

The position of cumulative demand (including arrears), collection and balance of Property Tax during the last three years *viz.*, 2004-05 to 2006-07 in the municipalities and municipal corporations as reported by CMA and DTP, is given in **Appendix 1.7**.

The figures in **Appendix 1.7** indicate that in terms of percentage of Property Tax collected *vis-à-vis* that demanded, the performance of municipalities and five municipal corporations was almost the same with slight variation. The percentages of collection compared to the total demand during the last three years in municipalities and municipal corporations (except Chennai) ranged between 50 and 54. In Chennai Municipal Corporation, the percentage of collection was slightly better at 75, 75 and 77 during these years. In town panchayats the percentage of collection after increasing from 70 in 2004-05 to 73 in 2005-06 decreased to 69 in 2006-07.

Further scrutiny of data revealed that

- During audit it was noticed that the CMA had been holding frequent meetings with the Commissioners of all the five municipal corporations and municipalities to monitor and improve the collection of Property Tax by them in addition to the monthly review meetings conducted by the Regional Director of Municipal Administration in their regions. Seven officers of Commissionerate of Municipal Administration had been nominated as Zonal (Nodal) Officers for supervising the entire activities of ULBs including tax collection. The absence of any tangible progress indicates that such meetings did not have the desired impact as arrears of Property Tax due for collection in municipalities and municipal corporations actually increased during 2004-07.
- In town panchayats, the overall percentage of collection decreased from 73 in 2005-06 to 69 in 2006-07 because of decline in collection against arrear demands.

1.9.4 Profession Tax

The position of demand (inclusive of arrears), collection and balance of Profession Tax as reported by CMA and DTP during the last three years is given in **Appendix 1.8**.

The data in **Appendix 1.8** clearly reveal the following:

- The percentage of collection of Profession Tax by five municipal corporations increased from 70 in 2004-05 to 72 in 2005-06 and remained at 72 also in 2006-07. For municipalities, the percentage of

collection of Profession Tax declined from 59 in 2004-05 to 54 in 2006-07.

- The percentage of collection in town panchayats after slightly increasing from 85 in 2004-05 to 87 in 2005-06 steeply declined to 70 in 2006-07 as the demand made during 2006-07 towards Profession Tax was much lower than the demand made during previous years. This obviously indicates that Profession Tax was not demanded from all those who were liable to pay the tax.

No specific reasons were furnished for this by the Director of Town Panchayats.

In Chennai City Municipal Corporation the fact that collections were in excess of demands clearly showed that the demands were not issued correctly.

The TSFC had indicated in their report (May 2007) that during the interaction with the District Collectors and municipal authorities it was brought to their notice that traders, professionals and self employed persons could not be brought into tax net. This was due to the absence of stringent provisions and owing to the lack of man power. Thus the tax potential from this source could not be tapped. The revised slab suggested by the Commission for levying Profession Tax from salaried class, traders and business establishments was also not accepted by Government. Another recommendation made on levying the maximum rate of Rs 2,500 per annum for industrial establishment from 1 April 2007 was accepted with the condition that the date of effect would be decided by Government.

For bringing all traders, professionals and self employed persons into the Profession Tax net and to tap tax net and to tap the full potential, Government should provide the required man power. The date from which the maximum rate of Rs 2,500 per annum to be levied from industrial establishments has to be decided immediately to commence the collection of the same.

1.9.5 Non-tax revenue

Non-tax revenue of ULBs includes fees from building licence, market, survey, parking, encroachment, bays in bus stand, slaughter house, cart stand, fishery rights, etc.

The position of demand, collection and balance of non-tax revenue during the last three years in respect of municipalities, five municipal corporations and town panchayats, as reported by CMA and DTP is given in **Appendix 1.9**.

The data in **Appendix 1.9** showed that the percentage of collection of non-tax revenues by five municipal corporations was on the decline. Consequently, the quantum of pending non-tax revenue at the end of each year during 2004-07 increased. In respect of town panchayats the percentage of collection decreased from 87 in 2005-06 to 78 in 2006-07. No specific details were furnished for the decline by the Director of Town Panchayats.

Rupees 181.39 crore was collected as non-tax revenue by Chennai City Municipal Corporation during 2004-07. The break-up details for the demands raised and the amount collected were not furnished by the Chennai City Municipal Corporation.

1.9.6 Assigned revenue

A portion of the proceeds arising from Entertainment Tax (ET) and Stamp Duty Surcharge on transfer of property (SSD) is assigned to ULBs. The amounts assigned to ULBs during 2004-07 as reported by CMA, Commissioner, Chennai City Municipal Corporation and DTP are shown in **Table 1.10**.

Table 1.10: Assigned revenue to ULBs

(Rupees in crore)

Category of ULBs	2004-05			2005-06			2006-07		
	ET	SSD	Total	ET	SSD	Total	ET	SSD	Total
Chennai City Municipal Corporation	20.09	75.27	95.36	13.06	105.12	118.18	3.50	112.22	115.72
Other municipal corporations	13.96	41.67	55.63	7.27	35.76	43.03	7.30	48.86	56.16
Municipalities	18.77	96.24	115.01	15.92	78.95	94.87	8.78	85.55	94.33
Town Panchayats	*	*	90.49	*	*	112.31	4.89	26.70	31.59

* Break-up details not made available

The above table shows that the proceeds of ET in municipal corporations and in municipalities were on a declining trend since 2004-05. No specific reasons for the decline in ET were furnished by the CMA (November 2007).

A review on the assigned revenue to ULBs has been conducted and under Chapter II as paragraph 2.3 in this report.

1.9.7 Grants and loans released to urban local bodies

Apart from the devolution-grants³ based on the recommendations of SSFC, various grants were given to ULBs by the Central and State Government for implementation of schemes under Municipal Urban Development Fund (MUDF), Integrated Development of Small and Medium Towns (IDSMT), Integrated Urban Development Programme (IUDP), National Slum Development Programme (NSDP), National River Conservation Programme (NRCP), Swarna Jayanthi Shahari Rozgar Yojana (SJSRY), etc. Besides, loans were also obtained by ULBs from Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited (TUFIDCO) and Tamil Nadu Urban Infrastructure Financial Services Limited (TNUIFSL) for these schemes.

The assistance provided by way of grants and loans to ULBs during 2004-07, as compiled and reported by the CMA and DTP, are given in **Table 1.11**.

³ SSFC grants to the extent of actual receipts after adjustment.

Table 1.11: Grants and loans released to ULBs

Year	(Rupees in crore)											
	Chennai City Municipal Corporation			Other municipal corporations			Municipalities			Town Panchayats		
	Grants	Loans	Total	Grants	Loans	Total	Grants	Loans	Total	Grants	Loans	Total
2004-05	156.59	15.40	171.99	144.49	4.08	148.57	318.25	61.10	379.35	150.45	3.88	154.33
2005-06	159.70	38.10	197.80	173.40	23.57	196.97	436.81	56.28	493.09	255.97	2.81	258.78
2006-07	186.69	3.57	190.26	139.64	37.59	177.23	489.41	42.16	531.57	894.24	67.53	961.77

Grants released to ULBs showed an increasing trend during 2004-07.

As a percentage of total revenue during 2004-07, grants constituted 24 to 30 percent in Chennai City Municipal Corporation, 30 to 37 percent in five corporations, 34 to 44 percent in municipalities and 32 to 42 percent in town panchayats. This clearly indicated that grants are the major source of receipts in municipalities and in town panchayats.

Regarding loans, while the quantum of loans given to five municipal corporations increased during 2004-07, the same given to municipalities declined.

The percentage of loans given to ULBs as compared to their total receipts during the last three years is given in **Table 1.12**.

Table 1.12: Percentage of loans given to ULBs compared to their total receipts

	2004-05	2005-06	2006-07
Chennai City Municipal Corporation	3	6	1
Other Municipal Corporations	1	5	8
Municipalities	7	5	4
Town Panchayats	1	0.5	2

The above table indicate that loans were not the major source of revenue during 2006-07 and at the maximum it constituted eight *per cent* of total receipts of five municipal corporations during 2006-07.

Specific reasons for the increase both in grants and loans to town panchayats during 2006-07 were not made available to Audit.

1.9.7.1 State Finance Commission grants

In the Budget speech for 2002-03, Government accepted (March 2002) the following recommendation of SSFC for devolution of State's own tax revenues:

- The PRIs and ULBs would receive eight *per cent* of the State's own tax revenues after excluding the Entertainment Tax receipts. The vertical sharing of resources between PRIs and ULBs would be in the ratio of 58:42.

- Of the total devolutions to the ULBs, the resources would be shared between the municipal corporations, municipalities and town panchayats in the ratio 31:34:35.

The devolution of funds through SSFC grants was meant to cover the salary and wages of the sanctioned staff of the ULBs and maintenance of assets, office maintenance etc. Audit scrutiny of records relating to the release of funds revealed that Government had deducted at source most of the funds to be released to cover dues on account of pension payment, electricity consumption charges, principal and interest on Government/TUFIDCO loans, etc. Such deduction automatically reduced the availability of grants devolved by SSFC to the urban local bodies. The details of net grants released to ULBs during 2004-05 to 2006-07 is given in **Tables 1.13 to 1.16**.

**Table 1.13: SFC grants to municipal corporations
(including Chennai City Municipal Corporation)**

(Rupees in crore)

Year	Grants sanctioned	Adjusted before release	Net release	Released to		
				Chennai City Municipal Corporation	Five municipal corporations	CMWSSB
2004-05	182.34	34.02	148.32	79.98	59.45	8.89
2005-06	216.41	16.99	199.42	97.58	91.00	10.84
2006-07	239.20*	25.88	213.32	120.15	79.81	13.36

* Out of the total allocation of Rs 274.94 crore, 13 per cent being Equalisation and Incentive Fund (Rs 35.74 crore) was drawn in March 2007 and released only in 2007-08.

Table 1.14: SFC grants to municipalities (102 Grade I and II municipalities)

(Rupees in crore)

Year	Grants sanctioned	Adjusted before release	Net grant released to municipalities
2004-05	201.72	82.94	118.78
2005-06	235.35	84.79	150.56
2006-07	262.34**	135.70	126.64

** Out of the total allocation of Rs 301.54 crore, 13 per cent being Equalisation and Incentive fund (Rs 39.20 crore) was drawn in March 2007 and released only in 2007-08.

Table 1.15: SFC grants to Third grade municipalities

(Rupees in crore)

Year	Grants sanctioned	Adjusted before release	Net grant released to municipalities
2004-05	46.20	6.77	39.43
2005-06	48.44	7.12	41.32
2006-07	53.54@	4.32	49.22

@ Out of the total allocation of Rs 61.54 crore, 13 per cent being Equalisation and Incentive fund (Rs 8 crore) was drawn in March 2007 and released only in 2007-08.

Table 1.16: SFC grants to Town Panchayats

(Rupees in crore)

Year	Grants sanctioned	Adjusted before release	Net grant released
2004-05	83.49	0.21	83.28
2005-06	105.82	0.65	105.17
2006-07	49.25	13.29	35.96

The position of utilisation of State Finance Commission grants by the ULBs during the last three years are given in **Table 1.17**.

Table 1.17: Position of utilisation of SFC grants by ULBs

(Rupees in crore)

Nature of urban local body	Year	Net release made	Utilised grant	Unutilised grant	Remarks
Municipal Corporations except Chennai City	2004-05	59.45	59.45	Nil	-
	2005-06	91.00	81.80	9.20	Utilised during the subsequent year
Municipal Corporation	2006-07	79.81	70.60	9.21	-
Grade I and Grade II Municipalities	2004-05	118.78	118.78	Nil	-
	2005-06	150.56	119.56	31.00	Utilised during the subsequent year
	2006-07	126.64	104.20	22.44	-
Grade III Municipalities	2004-05	39.43	39.43	Nil	-
	2005-06	41.32	38.86	2.46	Utilised during the subsequent year
	2006-07	49.21	43.91	5.30	-do-
Town Panchayats	2004-05	83.28	83.28	Nil	-
	2005-06	105.17	105.17	Nil	-
	2006-07	35.95	35.95	Nil	-

1.9.7.2 Central Finance Commission grants

(a) The details of Central Finance Commission grants received from Government of India and utilised during 2004-05 to 2006-07 are given in **Table 1.18**.

Table 1.18: Central Finance Commission grants to ULBs

(Rupees in crore)

Year	Chennai City Municipal Corporation			Other Municipal corporations			Municipalities			Town Panchayats		
	Released	Utilised	Un-utilised	Released	Utilised	Un-utilised	Released	Utilised	Un-utilised	Released	Utilised	Un-utilised
2004-05	6.37	6.37	Nil	8.77	8.77	Nil	16.21	16.21	Nil	10.78	10.78	Nil
2005-06	19.10	19.10	Nil	16.36	16.36	Nil	46.83	40.10	6.73	32.10	32.10	Nil
2006-07	19.10	19.10	Nil	16.36	14.50	1.86	46.83	38.26	8.57	32.10	NA	NA

(NA: Not available)

CMA reported that the entire grant received in this connection during 2004-05 and 2005-06 were utilised except by municipalities which had an unutilised balance of Rs 6.73 crore from the 2005-06 grants.

While the municipal corporations (other than Chennai) had Rs 1.86 crore as unutilised grant at the end of 2006-07, the municipalities had Rs 8.57 crore as unutilised.

The main reasons attributed for non-utilisation of Central Finance Commission grants during 2006-07 were belated release of funds, conduct of elections to Tamil Nadu State Legislature in May 2006 and to ULBs in October 2006.

Commissioner of Chennai City Municipal Corporation stated (December 2007) that utilisation certificates for the TFC grants for 2005-06 and 2006-07 are yet to be received from the engineering department.

(b) According to para 6.1 of guidelines issued by GOI on release and utilisation of Twelfth Finance Commission (TFC) grants States have to mandatorily transfer the grants released by GOI to the ULBs within 15 days of their date of credit to State Government account. In case of delayed transfer the State Government should also provide interest for the period of delay at the rate equal to the interest rate of Reserve Bank of India (RBI).

A test check of connected records revealed that TFC grants were released to ULBs belatedly with delays ranging between 2 days to 196 days as indicated in **Table 1.19**.

Table 1.19: Period of delay in release of TFC grants to ULBs

Category of ULB	Period of delay in release (Delay beyond 15 days from the due date)	
	First instalment	Second instalment
Corporations	62 days (6 Corporations)	2 days (Trichy Corporation)
Municipalities	29 to 41 days (17 municipalities)	3 to 5 days (3 municipalities)
Town Panchayats	83 to 196 days (56 TPs)	23 to 98 days (56 TPs)

However no interest was paid for the delayed release of grants.

Amount of interest for belated release of TFC grants by the State Government released during 2005-06 worked out to Rs 23.07 lakh at the rate of 6 per cent based on compilation from the details relating to 5 corporations, 17 municipalities and 56 town panchayats as shown in **Table 1.20**.

Table 1.20: Amount of interest due for the delayed release of TFC grants

(Rupees in lakh)

Category of ULB	Number	Amount of interest due for the belated release of		
		First instalment	Second instalment	Total
Corporations	5	16.51	0.05	16.56
Municipalities	17	2.60	0.02	2.62
Town Panchayats	56	2.64	1.25	3.89
Total	78	21.75	1.32	23.07

1.9.8 Position of outstanding loans

(a) As of March 2007, the CMA reported that loan to the tune of Rs 787.42 crore (Principal: Rs 429.84 crore and Interest: Rs 357.58 crore) was outstanding against the consolidated Government loan relating to ULBs (except Chennai City Municipal Corporation) as indicated in **Table 1.21**.

Table 1.21: Position of outstanding loans in ULBs as of March 2007

(Rupees in crore)

Sl. No.	Nature of urban local bodies	Opening balance as on 1 April 2006		Fresh loans availed during the year 2006-07	Position of consolidated loan			Closing balance as on 31 March 2007		
		Principal	Interest		Interest accrued during the year	Repayment made during 2006-07	Principal	Interest	Outstanding Principal	Interest overdue
1.	Municipalities	270.37	199.94	-	28.63	11.42	24.60	258.95	203.97	462.92
2.	Five municipal corporations (excluding Chennai)	175.46	142.53	-	23.11	4.57	12.03	170.89	153.61	324.50
Total		445.83	342.47	-	51.74	15.99	36.63	429.84	357.58	787.42

The break-up details of pendency on 31 March 2007 were given below in **Table 1.22.**

Table 1.22: Region-wise details of loans outstanding with interest overdue

(Rupees in crore)

Sl. No.	Category of ULB	Region	Number of Municipalities	Outstanding Principal	Interest overdue	Total pendency
1	Municipalities	Chengleput	14	33.74	19.59	53.33
		Vellore	13	23.11	16.80	39.91
		Salem	11	30.52	27.52	58.04
		Tiruppur	10	47.94	30.67	78.61
		Thanjavur	13	53.79	56.23	110.02
		Madurai	16	33.93	27.02	60.95
		Tirunelveli	14	35.92	26.14	62.06
		Total	91	258.95	203.97	462.92
2	Corporations	Coimbatore	1	42.63	20.56	63.19
		Madurai	1	81.96	91.68	173.64
		Tiruchirappalli	1	-	3.64	3.64
		Salem	1	32.43	34.39	66.82
		Tirunelveli	1	13.87	3.34	17.21
		Total	5	170.89	153.61	324.50
Grand Total			96	429.84	357.58	787.42

Due to the precarious financial position of many ULBs, the repayment of loans was not made by the ULBs. However, though the recovery towards repayment of consolidated Government loans in respect of the concerned ULBs is being adjusted from the SSFC grants payable to those ULBs, other deductions such as pension payment, recovery towards loans obtained from TUFIDCO, TNUDF, etc., were also being made from the SSFC grants. The entire loans outstanding in respect of the concerned ULBs could not be adjusted because of non-availability of sufficient funds for recovery in most of the cases of ULBs. Stating that the quantum of these due loans resulted in a heavy financial burden to ULBs, Government issued (November 2007) orders for the waiver of Rs 787.42 crore (Principal: Rs 429.84 crore and Interest: Rs 357.58 crore) being the loans of the municipalities and five municipal corporations due on 31 March 2007. CMA requested (February 2008) the Government to clarify the accounting procedure to be followed by ULBs in

adjusting the Government loans in their book of accounts and the relevant heads of account under which debit/credit entries were to be made as the same were not indicated in the Government order. He had further stated that the ULB-wise outstanding principal and interest due as on 31 March 2007 has to be indicated in the Government order so as to make necessary provision in the budget for the value of Government loans and interest to be written off. Further action taken in this regard is awaited (February 2008).

(b) The Commissioner, Chennai City Municipal Corporation, had furnished the amount of loan pending as on 31 March 2007, without giving the details of interest due as given in **Table 1.23**.

Table 1.23: Position of outstanding loans of Chennai City Municipal Corporation (Rupees in lakh)

Opening balance of loans as on 1 April 2006	108.38
Fresh loans received during 2006-07	3.57
Loans repaid during 2006-07	10.02
Closing balance of loans as on 31 March 2007	101.93

(c) Similarly, the Director of Town Panchayats had furnished the amount of loan pending as on 31 March 2007 relating to the town panchayats without giving the amount of interest due on the pending loan as shown in **Table 1.24**.

Table 1.24: Position of outstanding loans of town panchayats

(Rupees in crore)

Opening balance of loans as on 31 March 2007	73.04
Fresh loans received during 2006-07	67.53
Loans repaid during 2006-07	121.19
Closing balance of loans as on 31 March 2007	19.38

1.9.9 Loans from Financial agencies

The details of loans received from the financial institutions like TUFIDCO and TNUDF during 2006-07 and the closing balance of outstanding loans on 31 March 2007 are not available with the Commissionerate of Municipal Administration.

1.10 Expenditure of Urban Local Bodies

1.10.1 Revenue expenditure

Revenue expenditure consists of expenditure on salaries and pension and operation and maintenance (O&M) expenditure. The reported revenue expenditure incurred by all ULBs during the last three years is given in **Table 1.25**.

Table 1.25: Revenue expenditure of ULBs

(Rupees in crore)

	Year		
	2004-05	2005-06	2006-07
Municipalities			
Salaries and Pension	236.08 (45)	252.94 (46)	323.41 (52)
O & M expenditure	283.82	292.49	293.19
Total	519.90 (57)	545.43 (58)	616.60 (56)
Five municipal corporations			
Salaries and Pension	140.40 (53)	142.30 (49)	170.90 (56)
O & M expenditure	124.38	145.72	131.89
Total	264.78 (72)	288.02 (59)	302.79 (63)
Chennai City Municipal Corporation			
Salaries and Pension	207.05 (41)	224.05 (38)	259.82 (42)
O & M expenditure	301.19	360.20	362.46
Total	508.24 (79)	584.25 (80)	622.28 (84)
Town Panchayats			
Salaries and Pension	63.68 (25)	72.63 (27)	NA
O & M expenditure	186.52	199.69	NA
Total	250.20 (54)	272.32 (57)	NA

(Figures in brackets indicate the percentage to total expenditure)

Details of revenue expenditure for 2006-07 were not furnished by the DTP. The revenue expenditure of Chennai City Municipal Corporation constitutes about 79 to 84 per cent of total expenditure during 2004-07. While the percentage of revenue expenditure of five municipal corporations declined from 72 to 63 during 2004-07, that of municipalities was fluctuating between 56 and 58 during the above period.

1.10.2 Capital expenditure

The reported capital expenditure of all the ULBs during the last three years is given in **Table 1.26**.

Table 1.26: Capital expenditure of ULBs

(Rupees in crore)

Year	Capital expenditure			
	Municipalities	Five municipal corporations	Chennai City Municipal Corporation	Town Panchayats
2004-05	386.42	105.11	135.39	210.85
2005-06	389.78	200.10	143.16	207.14
2006-07	484.37	180.66	120.96	89.79

As compared to 2005-06 figures, the capital expenditure of the ULBs except municipalities had declined during 2006-07.

The break-up details of capital expenditure during 2005-07 are given in **Table 1.27**.

Table 1.27: Break-up details of Capital expenditure of ULBs

(Rupees in crore)

Name of the core sector	Municipalities		Corporations (except Chennai City Municipal Corporation)		Chennai City Municipal Corporation		Town Panchayats	
	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07
	Roads	137.47	188.71	59.43	77.21	84.62	72.20	119.96
Street lights	15.41	21.91	3.74	4.26	7.04	6.12	9.70	5.02
Water supply	62.65	85.40	28.51	23.21	-	-	18.88	38.89
Storm water drains	66.35	84.11	18.88	17.62	9.98	11.88	11.69	6.51
Solid waste management	17.20	17.77	23.55	18.41	0.02	0.54	4.06	1.87
Other Capital expenditure	90.70	86.47	65.99	39.95	41.50	30.22	42.85	6.75
Total	389.78	484.37	200.10	180.66	143.16	120.96	207.14	89.79

The break up details of other capital expenditure were not furnished by the ULBs except Chennai City Municipal Corporation. The decline in capital expenditure of Chennai City Municipal Corporation during 2006-07 was mainly due to lesser expenditure under Roads and other capital expenditure on bridges, buildings, parks, godowns and ward improvement works, as compared to the capital expenditure for 2005-06. The decline in capital expenditure of other five municipal corporations was mainly due to lesser expenditure under water supply, solid waste management and other capital expenditure on buildings, etc.

1.11 Response to Audit

Audit Reports up to the year 1996-97 were discussed by the Committee on Public Accounts (PAC) and recommendations were issued. Despite the directions of the PAC for furnishing prompt replies to pending recommendations, the response from the MAWS Department was poor. As of December 2007, there were 131 recommendations (8 C&AG Reports) relating to 1985-86 to 1996-97 of the MAWS Department pending final settlement, which *inter-alia* consisted of paragraphs relating to ULBs. Of these, 83 recommendations related to the Audit Report for 1992-93.

1.12 Conclusion

Out of 18 functions to be devolved to ULBs as per the Seventy-fourth Amendment to the Constitution of India, 13 functions were transferred to municipalities and 12 functions were transferred to town panchayats and Chennai City Municipal Corporation. The functionaries required to carry out these functions are yet to be transferred. During the period 2004-05 to

2006-07, the percentage of collection of Property Tax as against the demands raised ranged from 50 to 54 in municipalities and five municipal corporations and needs improvement. In town panchayats the percentage of collection varied between 69 and 73 during 2004-07. In Chennai City Municipal Corporation the percentage collection of Property Tax was slightly better and ranged between 75 and 77 during the same period. The collection of Profession Tax by the ULBs was relatively satisfactory except in the municipalities wherein the percentage of collection declined from 59 to 54 during 2004-07 and needs improvement. The accounts of all six municipal corporations and a large number of municipalities and town panchayats were pending audit by the Director of Local Fund Audit from 2005-06 mainly due to delayed submission of accounts and submission of defective accounts.

1.13 Recommendations

- A nodal agency for monitoring the submission of accounts and for its consolidation needs to be nominated.
- A specific drive should be conducted to reduce the arrears in collection of various taxes and dues.
- Immediate arrangements are to be made for bringing traders, professionals and self employed persons into the Profession Tax net to tap full tax potential.
- To ensure the collection of Profession Tax from all eligible persons, adequate manpower has to be provided so that registers containing details of all traders, professionals and employers in the local body area can be maintained and raise demands accurately.
- Arrangements for speedy settlement of audit objections and inspection paragraphs of Local Fund Audit Department should be made and the pendency reduced in a phased manner.

CHAPTER II

PERFORMANCE REVIEWS (URBAN LOCAL BODIES)

This chapter presents two performance reviews dealing with (a) Maintenance of Water Supply in Selected Municipalities, (b) Elementary Education Fund and Maintenance of Schools by Municipal Corporations other than Chennai and a mini review (c) Assigned Revenues to Urban Local Bodies.

MUNICIPAL ADMINISTRATION AND WATER SUPPLY DEPARTMENT

2.1 Maintenance of Water Supply in Selected Municipalities

Highlights

Water supply is one of the core functions of urban local bodies. Government of Tamil Nadu prescribed 90 litre per capita per day as norms for supply of protected drinking water for the people living in municipal areas. A performance audit conducted on maintenance of water supply in selected municipalities revealed various shortcomings.

- **Thirumangalam Municipality met expenditure on maintenance of water supply during 2002-05 by diversion from other fund accounts due to non-availability of amount in water supply fund account.**

(Paragraph 2.1.6.1)

- **Of the 15 municipalities test checked, only seven municipalities could maintain water supply as per norms of 90 litre per capita per day and only five municipalities maintained daily water supply.**

(Paragraph 2.1.7.1)

- **The municipalities did not collect periodical water samples. The samples collected and tested by the Director of Public Health and Preventive Medicines revealed that the disinfection practice followed was not systematic, bleaching powder used was inert and the residual chlorine was excessive.**

(Paragraph 2.1.7.2)

- **Flow control valves were not fitted in 97,160 (out of total 1,08,815) house service connections thus not ensuring equitable distribution of water. Though meters were fixed in respect of 89,297 domestic**

connections, the municipalities collected water charges at a flat rate and not with reference to actual consumption.

(Paragraphs 2.1.8.1 and 2.1.8.3)

➤ **In 13 municipalities which furnished the demand, collection and balance details, Rs 7.24 crore towards water charges and Rs 8.34 crore towards water tax were pending collection as of March 2007. The two other municipalities did not furnish details.**

(Paragraph 2.1.9.1)

➤ **Sixty eight posts of maintenance staff, like fitters, pump operators, tap inspectors, filter house cleaners, electricians, meter readers, etc., out of 122 posts sanctioned were vacant.**

(Paragraph 2.1.10.1)

2.1.1 Introduction

While water supply is the responsibility of urban local bodies (ULBs), Tamil Nadu Water Supply and Drainage (TWAD) Board, a statutory board of the State Government is vested with the responsibility of investigation, formulation and execution of water supply schemes, receipt of grants and raising of loans for such schemes in respect of all ULBs in the State except Chennai metropolitan area. Of the 103 municipalities (except 49 third grade municipalities), 53 municipalities maintained their own water supply systems after the systems were executed and handed over by TWAD Board. The other 50 municipalities were covered under combined water supply schemes. The source for water includes mini-power pumps and hand pumps in addition to major water supply schemes. Water supply is effected through house service connections, public taps. It is also effected through water lorries and tractors to uncovered areas and during water scarcity seasons.

2.1.2 Organisational set up

The municipalities come under the administrative control of the Secretary, Municipal Administration and Water Supply Department at Government level. The Commissioner of Municipal Administration (CMA) is the head of the department assisted by seven Regional Deputy Directors of Municipal Administration at regional level. The municipalities are governed by the respective councils of elected representatives assisted by Commissioners, who are the executive officers. The technical aspects in respect of maintenance of water supply in municipalities are looked after by the Municipal Engineers and the water supply maintenance staff at the municipal level. The Regional Executive Engineers are responsible for maintenance at the regional level and the Superintending Engineer, Commissionerate of Municipal Administration at the state level. The organisational chart is given in **Appendix 2.1**.

2.1.3 Audit Objectives

The audit objectives were to assess

- the effectiveness of policy initiatives for providing water supply in municipalities,
- the efficiency and effectiveness of performance of municipalities in maintaining water supply,
- whether the income from water supply is sufficient to meet the maintenance expenditure including debt servicing, and
- the adequacy of staff provided for maintenance of water supply.

2.1.4 Audit criteria

The criteria used to assess the effectiveness of the municipalities in maintenance of water supply were:

- Government policies regarding water supply to urban population.
- Norms fixed by Government for supply of water in litre per capita per day (lpcd).
- By-laws and council resolutions for supply of water.
- Guidelines issued by Government and CMA.

2.1.5 Audit methodology and scope

Performance audit of the maintenance of water supply by the selected municipalities covering the period 2002-07 was conducted during June to August 2007. Fifteen municipalities (**Appendix 2.2**) out of 53 municipalities¹ which maintain their own water supply system were selected for audit scrutiny through stratified sampling method. Audit was conducted through test check of records of the municipalities such as financial statements, water supply maintenance records, asset registers, purchase files, demand, collection and balance statements, test reports of water samples, etc. Records relating to budget and expenditure, manpower for water supply maintenance were also reviewed. The methodology of the review was discussed with Financial Advisor, Commissionerate of Municipal Administration during August 2007 and the findings with CMA during the exit conference in October 2007. The findings of the performance audit are given in the succeeding paragraphs.

2.1.6 Maintenance of water supply fund account

A separate and distinct account is maintained in municipalities for Water Supply and Drainage Fund. Water Supply and Drainage Tax component of Property Tax, water charges for house service connections (HSC), deposits

¹ Special grade : 9; Selection grade :11; First grade :17 and Second grade : 16; Total : 53 municipalities.

received for new water connections, centage charges collected for providing new water supply connections, etc., are credited to the fund. The expenditure on maintaining water supply schemes like salary of maintenance staff, operation and maintenance, debt servicing and depreciation are to be debited to the account.

The details of year-wise receipts and expenditure on water supply under revenue account for all municipalities in the State during 2002-07 was as follows:

(Rupees in lakh)

Year	Receipts			Expenditure		
	Total	Under water supply	Percentage	Total	For water supply	Percentage
2002-03	415.80	55.48	13.34	547.32	53.46	9.77
2003-04	450.61	57.21	12.70	693.51	84.68	12.21
2004-05	430.61	58.75	13.64	519.90	64.15	12.34
2005-06	441.18	64.63*	14.65	545.43	71.45	13.10
2006-07	NA	NA	--	NA	NA	--

Source : Performance Budget Report for the years 2003-04 and 2006-07 of Municipal Administration and Water Supply Department and Report of the TSFC (September 2006)

* Estimated figures

NA: Not made available by the department

As may be seen, the receipts towards water supply ranged between 12.70 per cent to 14.65 per cent of total receipts and expenditure on water supply ranged between 9.77 per cent to 13.10 per cent of total expenditure during 2002-06.

2.1.6.1 Excess expenditure over income

The above table also showed that the expenditure is more than the receipts since 2003-04. The excess expenditure was met by diverting other funds.

The details of receipt and expenditure in respect of test checked municipalities are furnished in **Appendix 2.3**.

Perusal of connected records revealed that only Thirumangalam Municipality could not meet the expenditure on maintenance of water supply with the income earned under water supply and drainage fund resulting in excess expenditure over income and had a negative balance of Rs 1.85 crore at the end of 2004-05. The excess expenditure was met by diverting funds from other accounts. All the remaining sample municipalities had surplus funds as of March 2005 in this fund account.

2.1.7 Policy initiatives for providing water supply in municipalities

Government of Tamil Nadu prescribed 90 litre per capita per day (lpcd) as the norm for supply of protected drinking water for people living in municipal

areas. The deficiencies noticed in this regard are discussed in the succeeding paragraphs.

2.1.7.1 Supply of water far below prescribed norms

More than 50 per cent of the test checked municipalities did not maintain daily water supply at the rate of 90 lpcd.

The municipalities arrived at the daily water supply service level by dividing the total quantity of water supplied from all sources by the present population or the population of the municipalities as per 2001 census. During normal seasons, out of 15 sample municipalities five² municipalities supplied water daily; eight³ municipalities on alternate days; one municipality (Arni) once in three days and one municipality (Nagercoil) once in four days. Only seven⁴ municipalities maintained water supply at 90 or more lpcd; six⁵ municipalities between 70 and 89 lpcd and two municipalities (Krishnagiri and Paramakudi) between 50 and 69 lpcd. In acute season the water supply was 90 or more lpcd in five⁶ municipalities; 70 to 89 lpcd in six⁷ municipalities; 50 to 69 lpcd in three⁸ municipalities and less than 50 lpcd in one municipality (Paramakudi). The duration of water supply varied from one hour to eight hours with respect to normal and acute seasons. (**Appendix 2.4**). Thus, the Government's aim of daily water supply at 90 lpcd was largely not achieved.

In ten municipalities, new water supply improvement schemes designed for a period of thirty years were commissioned during 2001-03. The water available from all sources in five⁹ of these municipalities was not sufficient even for the population as per 2001 census.

CMA stated (October 2007) that due to faults in design and failure of the source at later date, the municipalities could not supply water at the designed level.

2.1.7.2 Periodical testing of water samples not done

The municipalities did not collect water samples periodically for testing. The samples collected and tested by DPHPM revealed shortcomings in disinfection and chlorination of water.

The municipalities did not collect periodical water samples from various municipal sources for testing in laboratories to ensure the potability of water in spite of instructions from CMA. Analysis of water samples collected from municipal water supply schemes was done by the Chief Water Analysts (at Chennai and Coimbatore) working under the control of the Director of Public Health and Preventive Medicine (DPHPM) to find out the potability of water with respect to physical, chemical and bacteriological standards. Their reports were sent to the Commissioners of the municipalities concerned for taking necessary action with a copy marked to the CMA.

² Bodinayakanur, Kancheepuram, Karaikudi, Koothanallur and Palani.

³ Erode, Karur, Krishnagiri, Paramakudi, Sivagangai, Thirumangalam, Thiruvathipuram and Vandavasi.

⁴ Erode, Kancheepuram, Karur, Koothanallur, Nagercoil, Palani and Thiruvathipuram.

⁵ Arni, Bodinayakanur, Karaikudi, Sivagangai, Thirumangalam and Vandavasi.

⁶ Erode, Kancheepuram, Koothanallur, Nagercoil and Palani.

⁷ Bodinayakanur, Karaikudi, Karur, Sivagangai, Thiruvathipuram and Vandavasi.

⁸ Arni, Krishnagiri and Thirumangalam.

⁹ Arni, Krishnagiri, Paramakudi, Thirumangalam and Vandavasi.

The general remarks in the reports in respect of the test checked municipalities were (i) disinfection practice followed by the municipalities was not systematic, (ii) bleaching powder used was inert and unfit for disinfection purposes as the chlorine content in the powder was far below the prescribed 32 *per cent*, and, (iii) the residual chlorine was excessive - more than the permissible limit of 0.2 to 0.4 mg per litre.

The DPHPM was also monitoring the water supply systems in the State and the report on monitoring stated that (i) there were leaks in the pumping mains, service reservoirs and the distribution lines, and (ii) pit taps were found without stopcocks resulting in wastage of water and possible contamination.

Specific remarks by the Chief Water Analysts in respect of some municipalities are given below:

- Filter beds were not backwashed at regular intervals (Bodinayakanur and Erode Municipalities).
- Total dissolved solids (TDS) and hardness exceeded the maximum permissible limit. (Sivagangai Municipality).
- Presence of numerous microscopical organisms in the sample of water collected from the infiltration well indicating direct access of river water into the infiltration well (Krishnagiri Municipality).
- Presence of free-living nematode (worm) in tap water and no difference was noticed between the raw water and the clear water. Secondary chlorination was not done and a variety of microscopical organisms were present (Erode Municipality).

It was further noticed from the reports that some of the defects or deficiencies pointed out were not rectified then and there but persisted even at the time of next collection of samples by the water analysts.

Replies of the consumers on the questions framed by audit regarding the quality and quantity of water supplied in eight test checked municipalities¹⁰ revealed that in Krishnagiri Municipality, the beneficiaries were of the opinion that water was greenish in colour and not fit for human consumption.

This indicated that the concerned municipalities failed to ascertain the potability of water despite the instruction of CMA to collect samples of water periodically for ascertaining the nature of potability of drinking water.

¹⁰ Arni, Erode, Kancheepuram, Krishnagiri, Paramakudi, Sivagangai, Thirumangalam and Vandavasi.

2.1.8 Performance of municipalities in maintaining water supply

2.1.8.1 *Equitable distribution of water not ensured*

Equitable distribution of water was not ensured as 97,160 out of 1,08,815 house service connections were not fitted with flow control valves.

With a view to maintaining equitable distribution of available water throughout the municipal area and to prevent illegal drawal of water by connecting motor pump sets, CMA issued (November 2002) instructions to all Commissioners to fix flow control valves with capacity of five or six litres per minute (lpm) in HSCs.

Out of the total 1,08,815 HSCs in the test checked 15 municipalities, 97,160 connections (89 *per cent*) were not fitted with flow control valves (**Appendix 2.5**). Flow control valves were not fixed even in new HSCs in Karur and Vandavasi Municipalities. Equitable distribution of water was thus not ensured even after five years.

2.1.8.2 *Expenditure on fixing flow control valves*

Sivagangai Municipality procured 4,000 numbers of flow control valves (FCVs) and fixed 3,761 FCVs between August 2003 and November 2004. The Council resolved (November 2004) to collect amount required to meet the expenditure towards procurement and fixing of the 3,761 FCVs amounting to Rs 22.83 lakh at the rate of Rs 607 per FCV¹¹ from each of the HSCs in six quarterly instalments. However, as of June 2007 the municipality could collect only Rs 1.68 lakh and Rs 21.15 lakh met from the Water Supply Fund was yet to be recouped.

Similarly, Bodinayakanur Municipality also did not recover the cost of procurement and fixing of 848 FCVs between February 2004 and September 2004 amounting to Rs 3.73 lakh, though the Council resolved (May 2003) to recover the cost from the HSCs.

2.1.8.3 *Metering of water supply not done*

Though water meters were fitted in 88 *per cent* of the house service connections, the municipalities did not collect the water charges with reference to consumption.

The rates of water charges were fixed by the Councils for the unit of one kilo litre subject to a minimum specified amount per month. In the test checked municipalities, 89,297 (88 *per cent*) of the total 1,01,443 HSCs (domestic connections) were fitted with water meters for measuring the quantity of water drawn. However, the municipalities recovered the water charges at flat rate (monthly minimum) on the plea that many meters were not working and there was no staff for taking the readings in the case of working meters.

¹¹ Cost of one FCV: Rs.189 and cost of fixing one FCV: Rs 418.

Treatment plant constructed (February 2001) at a cost of Rs 2.05 crore was not put to intended use after January 2003 by Palani Municipality.

2.1.8.4 Treatment plant not made use of

Under Palani Water Supply Improvement Scheme (completed at a cost of Rs 9.43 crore) TWAD Board constructed a full-scale water treatment plant with a treatment capacity of 11.18 million litres per day at a cost of Rs 2.05 crore. The plant was proposed to treat the surface water drawn from Palar-Porandalar dam with a view to remove colour, odour and to maintain turbidity level and the total dissolved solids within the permissible limit. The plant was commissioned in February 2001 and maintained up to April 2002 by TWAD Board. After handing over to the municipality, the maintenance work was entrusted to a contractor, as no qualified or trained staff were available in the municipality to operate and maintain the plant. The plant was maintained by the contractor as per the contract for nine months from May 2002 to January 2003. Thereafter, only chlorination of raw water has been carried out for the past four and half years by the municipality with the available staff. The treatment plant was put to use just for two years and the surface water with physical impurities such as yellow colour and turbid physical appearance was continued to be supplied to the public after that period as seen from the test report (May 2006) of Chief Water Analyst. Thus the aim of supplying treated water was achieved only for two years and the expenditure of Rs 2.05 crore on construction of the plant remained unproductive to a large extent.

2.1.8.5 Avoidable expenditure due to non-reduction of contracted demand to the required level

A high tension service connection with a contracted load of 150 KVA has been provided for operating pump sets in Idaikkattur water supply head works in Sivagangai Municipality. The TNEB charges fixed demand charges of Rs 200 per month per KVA for the maximum recorded KVA during that month or 90 *per cent* of the contracted demand whichever was higher, in addition to the energy charges at the rates fixed per unit of power consumption. A review of HT bills for the period from August 2004 to August 2007 revealed that the monthly maximum KVA recorded ranged between 84 and 111 KVA only as against the contracted demand of 150 KVA. The municipality paid demand charges for 135 KVA being 90 *per cent* of 150 KVA during the period. As the recorded demand ranged between 84 and 111 KVA, the municipality could have reduced the contracted demand to 120 KVA by addressing the TNEB. Non-reduction of the contracted demand resulted in avoidable payment of demand charges of Rs 2 lakh {37 months x 27 KVA (90 *per cent* of 30 KVA) x Rs 200/KVA}. The Commissioner replied (June 2007) that the requirement would be assessed and suitable action would be taken.

2.1.9 Collection of water charges and expenditure on maintenance

The arrears in collection of water charges and water tax were Rs 7.24 crore and Rs 8.34 crore respectively as of March 2007.

2.1.9.1 Arrears in collection of water charges and water tax

Review of demand, collection and balance (DCB) statements in respect of water charges and water tax as on 31 March 2007 furnished by 13 municipalities revealed that water charges of Rs 7.24 crore and water tax of Rs 8.34 crore were in arrears (**Appendix 2.6**). The remaining two sample municipalities (Kancheepuram and Thiruvathipuram) had not furnished copy of DCB as on 31 March 2007. The municipalities could not furnish year-wise breakup for the arrears. The arrears of Rs.7.24 crore also include an amount of Rs.81.56 lakh (**Appendix 2.7**) recoverable from wayside villages or town panchayats to whom water was supplied at bulk rate by seven municipalities.

Nine municipalities did not collect additional deposit amounting to Rs 10.82 crore.

2.1.9.2 Non-collection of additional deposits

To augment revenue of the municipalities for meeting the increasing maintenance cost and for repaying loans obtained for water supply improvement schemes, nine municipal councils resolved between May 1995 and July 2003 to enhance the deposits for providing HSCs for domestic, industrial and commercial purposes. The initial deposits were taken as revenue of the municipalities and used for repayment of loans obtained for water supply schemes. According to the resolutions passed by the councils, the revised deposits were to be collected in respect of new service connections and the difference between the old and revised rates of deposits collected from the existing consumers in instalments along with the water charges due. However, Commissioners of nine municipalities did not collect the differential amount of deposits totalling Rs 10.82 crore (**Appendix 2.8**) from consumers.

2.1.10 Adequacy of staff provided for maintenance of water supply

Out of 122 posts sanctioned for maintenance of water supply, 68 posts in the cadres of fitter, pump operator, tap inspector, filter bed operator, etc., were vacant.

2.1.10.1 Vacant posts in water supply maintenance

For efficient maintenance of water supply in municipalities qualified and trained personnel should be available. It was noticed in audit that out of 122 sanctioned posts in the cadres of fitter, pump operator, tap inspector, fountain cleaner, water works superintendent, filter house/bed cleaner, filter bed operator, electrician, turn cock and meter reader, 68 posts were vacant for years together (**Appendix 2.9**). However the exact period for which the posts were vacant and the details of action initiated for filling up the posts were not furnished by the municipalities. There was no sanctioned post under the category of meter readers in 14 test checked municipalities. This resulted in charging of water charges at the minimum flat rates in the absence of meter readings as already pointed out in Para 2.1.8.3. The vacancies in various posts also contributed to ineffective maintenance of water supply.

2.1.11 Conclusion

More than 50 *per cent* of the test checked municipalities neither maintained daily water supply or at the level of 90 litre per capita per day as prescribed. Collection of samples periodically and testing them to ensure the quality of water supplied was not done in any of the municipalities. Water meters, though fixed in most of the connections, were not made use of for collecting water charges with reference to consumption. More than 50 *per cent* of the posts of maintenance staff were kept vacant affecting the maintenance of water supply systems.

2.1.12 Recommendations

- Municipalities which could not maintain water supply as per norms should initiate action to augment water supply and ensure equitable distribution.
- Periodicity for collection and testing of water from various points should be prescribed and followed.
- Water charges should be levied only with reference to consumption making use of water meters fixed in house service connections.
- Collection machinery should be geared up to collect arrears in water charges and water tax.
- Vacant posts of maintenance staff should be filled up.

The above points were referred to Government in December 2007; reply had not been received (April 2008).

2.2 Elementary Education Fund and Maintenance of Schools by Municipal Corporations other than Chennai

Highlights

Municipal Corporations levy Education Tax at a rate not exceeding five per cent of the value on which Property Tax is charged and credit the tax so collected to the Elementary Education Fund of the Urban Local Bodies. The Elementary Education Fund was to be utilised for capital and maintenance works of the schools. A performance audit of Elementary Education Fund and maintenance of schools by five municipal corporations other than Chennai brought out various irregularities in utilisation of Elementary Education Fund and lack of infrastructure and amenities in the schools.

- **The budgets prepared by the five municipal corporations were unrealistic as shortfall in utilisation of provisions ranged between 18 and 97 per cent and was more than 50 per cent in nine instances.**

(Paragraph 2.2.7.2)

- **Cumulative arrears of Education Tax out of total dues ranged between 66 and 82 per cent in the five municipal corporations test checked as of August 2007.**

(Paragraph 2.2.7.3)

- **Though at least 25 per cent of Education Tax collected was required to be spent on maintenance of the schools, there was shortfall ranging from 66 to 89 per cent in this regard during 2002-07 in the five municipal corporations test checked.**

(Paragraph 2.2.8.3)

- **Coimbatore, Salem and Tiruchirappalli Municipal Corporations utilised Rs 1.33 crore from Elementary Education Fund on ineligible works.**

(Paragraph 2.2.8.6)

- **Coimbatore, Salem, Tiruchirappalli and Tirunelveli Municipal Corporations diverted Rs 9.68 crore from Elementary Education Fund.**

(Paragraph 2.2.8.7)

- **Against the requirement of 3,643 urinals and 5,168 toilets for 258 (out of 279) schools owned by the municipal corporations in**

Coimbatore, Madurai, Salem, Tiruchirapalli and Tirunelveli, only 851 urinals and 1,001 toilets were provided.

(Paragraph 2.2.9.2)

➤ **Of the 279 schools owned by the five test checked municipal corporations, 64 schools did not have playgrounds, 34 had no library building, 34 did not have adequate water supply, 151 schools had no fire extinguisher and 52 schools had fewer classrooms than required.**

(Paragraph 2.2.9.3)

➤ **Overall student strength in both elementary and higher education schools came down from 2002-03 to 2006-07. The strength of the elementary schools came down by 6,512 (31 per cent) while the strength of the higher education schools came down by 5,520 (22 per cent).**

(Paragraph 2.2.9.4)

2.2.1 Introduction

The Tamil Nadu Elementary Education Act, 1920 provides for the levy of Education Tax at a rate not exceeding five *per cent* per annum in the case of properties taxed on their annual value, one-fourth *per cent* per annum in case of properties taxed on their capital value, and four rupees per annum for every 320 square yards or part thereof in the case of properties taxed on their extent, in addition to Property Tax. The Education Tax was to be collected alongwith Property Tax and to be credited to the Elementary Education Fund (EEF) of the ULBs for utilisation towards capital and maintenance works of the schools. The EEF was to be maintained in a separate bank account and the balance in the fund is carried over year after year.

2.2.2 Organisational set up

There are six municipal corporations¹ in the State under the overall control of the Secretary to Government, Municipal Administration and Water Supply (MA & WS) Department. The Commissioner of Municipal Administration (CMA) is the head of the department in respect of the five municipal corporations other than Chennai, which comes under the direct control of the State Government. The authorities of the corporation are (i) the Council, (ii) Standing Committees (including the one for education), (iii) Ward Committees, and (iv) the Commissioner. The accounts of the municipal corporations are audited and certified by the Local Fund Audit Department.

¹ Chennai, Coimbatore, Madurai, Salem, Tiruchirappalli and Tirunelveli.

2.2.3 Audit Objectives

The performance audit on EEF and maintenance of schools by municipal corporations was conducted

- to ascertain whether proper budgeting was done for utilisation of EEF,
- to assess whether funds provided from EEF were utilised judiciously as per Government orders and
- to assess whether basic amenities were provided to schools.

2.2.4 Audit Criteria

The provisions/instructions regarding collection, accounting and utilisation of Education Tax contained in the following documents were adopted as audit criteria:

- The Madras Elementary Education Act, 1920.
- The Grant-in-aid Code of Tamil Nadu Education Department.
- The Tamil Nadu Public Buildings (Licensing) Act, 1965 and Rules made thereunder.
- The Acts of the respective municipal corporations
- Government orders, guidelines etc., issued from time to time.
- Accounting manual for ULBs.

2.2.5 Audit Coverage

The records relating to all activities connected with the subject for the period 2002-07 in five municipal corporations (other than Chennai) and the connected offices of Education Department were reviewed during the period from May 2007 to July 2007.

2.2.6 Source of Revenue

All the five municipal corporations covered under the review levied Education Tax at five *per cent* per annum as provided under the Tamil Nadu Elementary Education Act, 1920. In addition, Salem City Municipal Corporation, credited 25 *per cent* of Profession Tax collections also into EEF.

2.2.7 Budget

Each municipal corporation has to prepare a separate budget of receipts and expenditure for EEF. The expenditure budgets of these municipal corporations were to be prepared after including proposals made by Standing Committees on Education after inspecting the schools and after approval of such proposals by the respective Councils. The budgets of these municipal

corporations were required to be approved by the Council before the end of February of the previous financial year.

2.2.7.1 Receipt Budget

The shortfall in collection of Education Tax was between 26 and 50 per cent in six out of twenty instances.

The collection performance of Education Tax by the five municipal corporations with reference to budget during 2002-07 was as given in **Appendix 2.10**.

Salem City Municipal Corporation did not prepare separate receipt budget for EEF even though Section 38 of Tamil Nadu Elementary Education Act, 1920 provides for its preparation. In the other four municipal corporations, the collection performance with reference to budget during 2002-07 out of 20 instances for the five year period was as follows:

(i) No shortfall	5
(ii) Shortfall less than 10 per cent	4
(iii) shortfall between 11 and 25 per cent	5
(iv) shortfall between 26 and 50 per cent	6

The main reason attributed by Madurai and Tirunelveli Municipal Corporations for the shortfall in collection was shortage of collection staff. No specific reason was furnished by Coimbatore and Tiruchirappalli Municipal Corporations.

2.2.7.2 Expenditure Budget

The shortfall in utilisation of funds provided in budget ranged from 18 to 97 per cent during 2002-07.

The expenditure from EEF during the period 2002-07 by the municipal corporations (**Appendix 2.11**) revealed shortfall ranging from 18 per cent to 97 per cent with reference to the revised estimates (RE) as shown below:

Municipal Corporation	Period	Range of shortfall (percentage)
Coimbatore	2003-07	32 to 69
Madurai	2004-05 and 2006-07	18 and 21
Salem	2003-07	56 to 78
Tiruchirappalli	2002-07	20 to 97
Tirunelveli	2003-04 and 2005-06	30 and 81

The shortfall in expenditure was more than 50 per cent in Coimbatore (one year), Salem (four years), Tiruchirappalli (three years) and Tirunelveli (one year) Municipal Corporations during the five-year period 2002-07.

The municipal corporations stated that the shortfall was due to (i) delay in finalisation of tenders, (ii) cancellation of administratively sanctioned works due to execution of works out of other scheme funds (Madurai, Salem, Tiruchirappalli and Tirunelveli Municipal Corporations), and, (iii) inclusion of works over and above the capacity of the local body to execute in the RE on the basis of representations given by the elected body (Coimbatore).

This indicates that the budgets were not prepared in a realistic manner.

2.2.7.3 Arrears of Education Tax

The arrear in collection of Education Tax was 66 to 82 per cent of the tax due as of August 2007.

Section 34 of Tamil Nadu Elementary Education Act, 1920 specifies that the Education Tax shall be levied as an addition to the taxation in the municipality under all or any of the following heads namely, Property Tax, Tax on Companies and Profession Tax. The Education Tax is collected alongwith Property Tax.

The shortfall in collection of the tax over the years as detailed in paragraph 2.2.7.1 resulted in cumulative arrears which accounted for 66 to 82 per cent of the total dues as of March 2007 is brought out in the table below:

(Rupees in crore)

Name of the municipal corporation	Education Tax pending collection			Percentage of arrears to total dues
	Arrears	Current	Total	
Coimbatore	6.85	2.00	8.85	77
Madurai	3.01	1.52	4.53	66
Salem	2.55	0.73	3.28	78
Tiruchirappalli	2.89	0.62	3.51	82
Tirunelveli	1.91	0.56	2.47	77
Total	17.21	5.43	22.64	76

While Madurai, Salem and Tirunelveli City Municipal Corporations did not furnish any specific reason for the above arrears, the Coimbatore City Municipal Corporation stated that the arrears were due to (i) litigation against assessment, (ii) overestimation of demand due to repetition, and (iii) shortage of staff for collection of the tax. Tiruchirappalli City Municipal Corporation stated that the arrears in collection were due to litigation against assessment. The accumulation of arrears was commented upon in successive audit reports by Local Fund Audit also. The fact that municipal corporations did not invoke the penal provisions for non-payment of tax in respect of cases not under litigation also encouraged non-payment of tax resulting in accumulation of arrears.

Government while accepting the findings in the above paragraphs (paragraph 2.2.7.1 to 2.2.7.3) stated that action was being taken to improve the position.

2.2.8 Utilisation of EEF

2.2.8.1 Guidelines for utilisation

The State Government in MA and WS Department issued guidelines (March 1999) for utilisation of EEF. As the ULBs did not strictly adhere to those instructions, the CMA reiterated (November 2005) the same. The guidelines, among other things, provided that

- At least 25 per cent of Education Tax collected was to be spent for maintenance of school buildings.
- The minimum amount to be spent on improvement of schools was fixed at Rs 10,000 per school for the year 1998-99 which was to be

increased by 20 *per cent* (i.e. Rs 2,000) every year. Accordingly, the minimum amount to be spent per school during 2002-07 ranged between Rs 18,000 and Rs 26,000.

- Capital expenditure on construction of additional class rooms, new buildings, toilets, etc., could be incurred without any ceiling.
- The Education Department and ULBs were to co-ordinate for selection and execution of works.
- EEF was not to be diverted to General Fund.
- CMA was to monitor the expenditure and send an annual report to the Secretary, School Education Department and the Director of School Education.

As of 31 March 2007, 299 schools were under the control of the five municipal corporations, including 20 schools housed in rented buildings, as shown below:

Name of the municipal corporation	Number of Schools		
	Owned	Rented	Total
Coimbatore	85	2	87
Madurai	61	2	63
Salem	46	10	56
Tiruchirappalli	54	5	59
Tirunelveli	33	1	34
Total	279	20	299

The compliance of municipal corporations with these guidelines is discussed in the following paragraphs.

2.2.8.2 *Deficiency in incurring maintenance expenditure to schools out of EEF*

Review of works executed by five municipal corporations during the period 2002-07, revealed that the municipal corporations did not spend even 25 *per cent* of Education Tax collections towards maintenance of school buildings even though sufficient number of schools were under the control of the corporations. The information on amount of tax collected, minimum amount required to be spent on maintenance, actual expenditure and shortfall in utilisation of EEF during 2002-07 is furnished in **Appendix 2.12**. The percentage of shortfall ranged from 66 to 89 and amounted to Rs 16.16 crore during the same period.

Though at least Rs 18,000 to Rs 26,000 per year per school was required to be spent on improvement of schools, it was noticed that no maintenance/capital work was executed in 64, 19 and 25 schools during the last five years, four years and three years respectively either from EEF or from other scheme

The shortfall in utilisation of EEF for maintenance of schools ranged between 66 and 89 per cent with respect to norms.

funds. This would mean that no work was undertaken out of EEF for the past three years in 108 schools out of 279 schools owned by the five municipal corporations (**Appendix 2.13**). The position confirmed that non-adherence to Government orders by the ULBs, as observed by the CMA in November 2005 and referred to in paragraph 2.2.8.1 above, still persisted. This could have also resulted in lack of various amenities as brought out in Paragraph 2.2.9.

The municipal corporations replied that the works needed were taken up in schools as per action plan, recommendations by the Education Standing Committee and after field inspection of schools by various authorities. They also attributed the shortfall in utilisation of funds to (i) non-receipt of proposals from Education Departmental authorities (Salem and Tiruchirappalli), (ii) poor response to tender calls (Tiruchirappalli), (iii) execution of works out of other scheme funds such as Member of Parliament Local Area Development Programme (MPLAD), Member of Legislative Assembly Constituency Development Scheme (MLACD), Eleventh Finance Commission (XIFC) grant, etc., (Madurai) and (iv) lack of co-ordination between Education Department and ULBs and administrative delay.

The above replies of the municipal corporations indicated lack of proper planning and coordination amongst various authorities. Further works with other scheme funds were carried out only in the remaining 171 schools and no work either from EEF or other scheme funds was carried out in 108 schools during the period 2004-07.

The Government stated (March 2008) that Tiruchirappalli City Municipal Corporation spent Rs 4.24 crore on construction and maintenance of school buildings, out of education tax collected during 2002-07. The reply is not relevant as the point raised was only in respect of expenditure on maintenance. In respect of other corporations the Government stated that action will be taken to make good the shortfall.

2.2.8.3 Non-execution of sanctioned capital works in schools

Seventeen capital works (estimate: Rs 269.03 lakh) were not executed in three municipal corporations though administrative sanctions were available.

Three municipal corporations had not executed 17 capital works (Madurai: four works at Rs 96 lakh; Salem: three works at Rs 20 lakh and Tiruchirappalli: 10 works at Rs 153.03 lakh; Total: Rs 269.03 lakh) including construction of model schools, additional class rooms, etc., in 15 schools, even though administrative sanctions were accorded during 2004-05 and 2005-06, and funds were available. The reasons for not taking up the works as stated by the municipal corporations, were (i) non-availability of funds (Madurai - four works), (ii) dropped due to site dispute (Salem - two works) and (iii) retender stage (Salem – 1 work and Tiruchirappalli – 8 works). One work was dropped and one work was yet to commence (Tiruchirappalli).

The reply of the Government (March 2008) did not also bring in any fresh points other than those stated by the municipal corporation.

The reasons attributed for non-execution of works such as non-allocation of funds, dropping of schemes are not valid as they only indicate failure of the corporations to adequately plan for execution of these works. Further, Madurai City Municipal Corporation did have an accumulation of Rs 1.08 crore in EEF as of March 2007 as brought out in paragraph 2.2.8.4 below. Hence the reason 'non-availability of funds' for non execution of four works by the municipal corporation was not based on facts.

2.2.8.4 Accumulation of funds

Poor utilisation of funds had resulted in accumulation to the extent of Rs 23.43 crore as of March 2007 in all the five municipal corporations as shown below:

(Rupees in lakh)

Name of the Corporation	Accumulation as of March 2007		
	Cash in hand/bank	Investments	Total
Coimbatore	55.75	765.21	820.96
Madurai	42.00	66.00	108.00
Salem	39.07	75.00	114.07
Tiruchirappalli	340.45	475.00	815.45
Tirunelveli	26.03	458.97	485.00
Total	503.30	1,840.18	2,343.48 or 23.43 crore

The main reason for accumulation of funds in EEF was attributed to taking over (April 1990) of liability of payment of salaries to teachers of the schools by the State Government (Coimbatore, Madurai, Salem and Tiruchirappalli), non-execution of various works (Madurai) and poor response to tender calls (Tiruchirappalli).

The Government stated (March 2008) that action was being taken to utilise the funds accumulated.

2.2.8.5 Execution of ineligible works

Though execution of works relating to school building only was permissible out of EEF, it was noticed that EEF had been utilised for the following ineligible works.

(Rupees in lakh)

Name of the corporation	Works executed	Year	Amount utilised
Coimbatore	Works relating to ICDS and Noon Meal Scheme	2002-07	12.06
Salem	Works relating to ICDS and Noon Meal Scheme	2002-04	36.74
Tiruchirappalli	Works relating to ICDS and Noon Meal Scheme	2002-07	84.49
	Total		133.29

Three municipal corporations executed works relating to ICDS and Noon Meal scheme at a cost of Rs 133.29 lakh from EEF.

The municipal corporations contended that works relating to ICDS/Noon Meal scheme were meant for school children only and added that no grant was

received from Government for these works from 2003-04 onwards. The Government in reply stated (March 2008) that utilisation of EEF for other works will be avoided in future.

The reply is not tenable for the reason that ICDS and Noon Meal Scheme are not schemes of the municipal corporations and utilisation of EEF for those schemes was unwarranted.

2.2.8.6 Diversion from EEF

Salem and Tirunelveli Municipal Corporations had not allocated Elementary Education Tax of Rs 6.08 crore (Salem: Rs 4.71 crore and Tirunelveli: Rs 1.37 crore) to EEF Account out of the Property Tax collections received upto 2006-07.

The municipal corporations replied that action would be taken to credit the amount to EEF.

Out of interest earned from EEF investments of Rs 58.79 lakh, Tiruchirappalli City Municipal Corporation utilised Rs 32.15 lakh for underground drainage works and Rs 19.23 lakh for expenditure relating to Revenue and Capital Fund.

Coimbatore and Salem City Municipal Corporations utilised EEF for meeting out expenditure relating to Revenue Fund and Water Supply accounts as detailed below:

(Rupees in lakh)

Name of the corporation	Period of diversion	Amount		
		Diverted	Recouped	Pending recoupment
Coimbatore	1987-88 to 1995-96	11.42	Nil	11.42
Salem	2002-03 to 2006-07	553.00*	255.00	298.00
	Total	564.42	255.00	309.42

* Includes refund of Rs 40 lakh from ICDS (towards expenditure initially met out of EEF for ICDS works) which was credited to Revenue and Capital Fund instead of EEF.

As may be seen from the above Rs 3.09 crore is still pending recoupment (June 2007).

In reply the Government stated (March 2008) that Tiruchirappalli City Municipal Corporation has transferred back Rs 51.38 lakh to EEF during 2007-08 and necessary rectification entries have also been made. While in respect of Coimbatore City Municipal Corporation it stated that the amount related to an old period, in respect of Salem City Municipal Corporation it assured that the amount diverted will be transferred back to EEF.

Coimbatore, Salem,
Tiruchirappalli and
Tirunelveli
Municipal
Corporations
diverted Rs 9.68
crore from EEF.

2.2.9 Maintenance of Schools

EEF can be utilised for execution of capital or maintenance works in the schools to provide various amenities required. In spite of availability of funds under EEF, there were shortfall in provision of amenities in the schools as discussed in the succeeding sub paragraphs. The per capita expenditure per child out of EEF ranged from Nil (Madurai City Municipal Corporation) to Rs 1,963 (Tirunelveli City Municipal Corporation) during the period 2002-07 as given below:

(in rupees)

Sl.No.	Name of the Corporation	Per Capita Expenditure				
		2002-03	2003-04	2004-05	2005-06	2006-07
1.	Coimbatore	149	120	386	311	390
2.	Madurai	Nil	Nil	35	400	1,019
3.	Salem	383	71	544	460	242
4.	Tiruchirappalli	532	164	1,274	217	140
5.	Tirunelveli	14	190	485	1,963	825

The guidelines issued (November 2005) by CMA prescribed that all schools should have adequate number of fire extinguisher, library and play field in addition to power supply and drinking water facilities.

With a view to assess the adequacy of basic infrastructure in municipal corporation schools, Audit obtained information from various schools under the control of municipal corporations through a structured questionnaire. Scrutiny of the consolidated information revealed non/inadequate provision of basic amenities and other infrastructure facilities in schools as explained below:

2.2.9.1 Building licence for schools not obtained

Though Tamil Nadu Public Buildings (Licensing) Act, 1965 stipulates that all public buildings be used only under a valid licence issued by the Revenue Department. It was, however, observed that no building licences were obtained (March 2007) for any of the 299 schools under the control of the five municipal corporations, including 20 schools housed in rented buildings. Even though the municipal corporations stated that the school buildings were structurally sound, the same could not be ensured:

- in the absence of certificate obtained from the competent authority, and
- in view of CMA's remarks (November 2005) that many school buildings maintained by the ULBs were in a pathetic condition.

The Government in reply stated (March 2008) that action was being taken to obtain the certificates.

In 258 schools owned by the five municipal corporations there was inadequate provision of urinals and toilets to the extent of 2,792 and 4,167 respectively.

2.2.9.2 *Inadequacy of sanitary arrangements in schools owned by the corporations*

The Education Department of Government of Tamil Nadu prescribed norms for provision of flush out latrine in schools at one per 25 girls and one per 50 boys. Further, provision should be made for urinals at six per 100 boys.

The inadequacy of sanitary facilities in schools computed with reference to students' strength as of 2006-07 was as follows:

Name of the municipal corporation	Number of Schools	To be provided as per norms		Actually provided		Short provision		Percentage of shortfall	
		Urinals	Toilets	Urinals	Toilets	Urinals	Toilets	Urinals	Toilets
Coimbatore	74	1,384	1,776	401	387	983	1,389	71	78
Madurai	54	652	1,148	91	267	561	881	86	76
Salem	43	725	1,085	118	106	607	979	84	90
Tiruchirappalli	54	600	600	197	127	403	473	67	79
Tirunelveli	33	282	559	44	114	238	445	84	80
Total	258	3,643	5,168	851	1,001	2,792	4,167	77	81

The shortfall ranged from 67 to 86 per cent in provision of urinals and 76 to 90 per cent in provision of flush out toilets in schools owned by the five municipal corporations.

Madurai and Tirunelveli City Municipal Corporations stated that sanitary facilities were provided as per Education Committee/Head Masters reports and the shortages pointed out as per norms would be looked into and provided. Tiruchirappalli City Municipal Corporation stated that the deficiencies were not brought to their notice by the Education Department authorities. Coimbatore and Salem City Municipal Corporations stated that deficiencies will be rectified.

This highlighted the deficiencies in the inspection carried out by the Education Standing Committees for preparation of budget estimates as pointed out in Paragraph 2.2.7.

The Government while accepting the inadequacy in sanitary arrangements stated (March 2008) that Rs 1.80 crore was provided by Coimbatore City Municipal Corporation for provision of toilet in 2007-08 and that action would be taken to provide adequate sanitary arrangements in respect of schools in other municipal corporations.

2.2.9.3 *Non/inadequate provision of other amenities/infrastructure facilities*

(a) *Own buildings of corporation*

The details of non/inadequate provision of amenities in schools owned by the corporations are tabulated below:

(Number of schools)

Nature of amenities/ infrastructure not available	Name of the municipal Corporations					
	Coimbatore	Madurai	Salem	Tiruchirappalli	Tirunelveli	Total
1. Play ground	9	21	12	19	3	64
2. Library building	13	12	5	--	4	34
3. Adequate water supply	--	10	3	5	16	34
4. Fire extinguisher	--	60	36	33	22	151
5. Class rooms	20	10	8	10	4	52
	(112)	(67)	(29)	(28)	(21)	(257)

Note: The figures within brackets indicate shortage in number of class rooms required as per norms.

Playground, library and adequate number of class rooms were not available in 64, 34 and 52 schools respectively.

Further, six schools in Salem City Municipal Corporation and three schools in Tirunelveli City Municipal Corporation were not provided with sufficient number of benches and desks. One elementary school in Salem City Municipal Corporation was not provided with electricity. Eight schools were not provided with compound walls in Tiruchirappalli City Municipal Corporation. Tiled/asbestos cement (AC) sheet roofings in 79 schools were not replaced with concrete roof and six schools with leaky roof in Tiruchirappalli City Municipal Corporation were not repaired.

The municipal corporations attributed non-availability of space as reason for inadequacy in providing playgrounds (Madurai and Tirunelveli) and library buildings (Tirunelveli). Non-receipt of proposals from Education Department/schools was also stated as reasons for inadequate amenities. The replies are not tenable as the municipal corporations themselves should have conducted an assessment with reference to availability of basic amenities and infrastructure for proper planning so as to take up the works on priority basis.

Government in reply stated (March 2008) that play ground was provided wherever land was available and that action would be taken to provide the other amenities.

(b) Rented school buildings

In respect of rented school buildings the following deficiencies in provision of various amenities were noticed:

Nature of amenities/ infrastructure not available	Names of municipal Corporations					
	Coimbatore	Madurai	Salem	Tiruchirappalli	Tirunelveli	Total
1. Play ground	--	2	--	--	--	2
2. Power supply	--	1	2	2	1	6
3. Adequate water supply	--	2	1	--	1	4
4. Fire extinguisher	--	2	7	--	1	10
5. Adequate number of urinals/toilets	2	2	7	2	1	14

As may be seen from the above that out of 20 schools functioning in rented buildings, 14 schools did not have adequate urinal/toilet facilities, 10 schools did not have fire extinguishers and six schools did not have power supply. One school in Tirunelveli City Municipal Corporation was functioning in a dilapidated building.

Despite the above deficiencies, the corporations failed to initiate steps to effectively pursue with the owners of the buildings to provide the amenities or to construct own buildings for accommodating the schools functioning in rented buildings.

Though the municipal corporations accepted these deficiencies, they attributed the non-construction of own buildings to non-availability of space within the municipal corporation limits.

While the Government did not furnish any reply in respect of Tiruchirappalli City Municipal Corporation, it stated (March 2008) that the owners were requested to provide the amenities in respect of schools in rented building (Tirunelveli City Municipal Corporation) and that action would be taken to provide the amenities required (Coimbatore, Madurai and Salem City Municipal Corporations).

2.2.9.4 *Decrease in students' strength due to lack of basic amenities*

There was reduction in students' strength in 2006-07 as compared with 2002-03 to the extent of 31 and 22 per cent in respect of elementary education and higher education respectively.

The information furnished by the schools revealed that student strength in 2006-07, as compared to 2002-03, came down in 201 schools (Elementary and Middle Schools: 171 and High and Higher Secondary Schools : 30) while there was increase in 72 schools (Elementary and Middle Schools : 41 and High and Higher Secondary Schools : 31) (**Appendix 2.14**). The overall strength of the elementary schools came down by 6,512 (31 per cent) while the strength of the higher education schools came down by 5,520 (22 per cent) (**Appendix 2.15**). The percentage of reduction in strength ranged from 17 to 45.

The educational authorities of Coimbatore, Madurai, Salem and Tirunelveli City Municipal Corporations attributed this to migration of families, removal of encroachments and slum clearance (Coimbatore), tendency of parents to admit wards to private English medium schools, shortage of teaching staff (Madurai), abnormal increase in Nursery and Primary Schools and decrease in birth rate (Salem and Tirunelveli).

The District Elementary Education Officer, Tiruchirappalli, attributed reduction in students' strength to lack of basic amenities in schools owned by the corporations, poor maintenance of school buildings including class rooms and toilets, and inadequacy of play grounds.

The Government endorsed the replies of Madurai and Tirunelveli City Municipal Corporations that action would be taken to improve students strength. Government's reply did not include responses from Coimbatore and Tiruchirappalli City Municipal Corporations. In respect of Salem City Municipal Corporation, it was stated that the administrative control of schools was with Education Department. The reply was not tenable as providing

required infrastructure and amenities in schools was the responsibility of the Corporation and not of the Education Department.

2.2.10 Conclusion

The budgeting for utilisation of Elementary Education Fund was deficient. There was shortfall with reference to norms for utilisation of the Elementary Education Fund for maintenance of schools. Elementary Education Fund was utilised on ineligible works and was also diverted for other purposes. Sanitary arrangements such as urinals and toilets were not provided as per norms. Infrastructure/amenities such as play ground, library building, drinking water supply, provision of fire extinguishers, etc., were also found to be inadequate in many schools.

2.2.11 Recommendations

- There should be a robust system for identifying school-wise/ward-wise/municipal corporation-wise plan for construction/maintenance out of Elementary Education Fund.
- A survey to identify required infrastructure/amenities in the schools should be conducted and budgets for expenditure from Elementary Education Fund prepared taking into account such works on priority basis.
- Tax collection machinery should be geared up and adequate staff for collection of tax should be provided to keep arrears at a minimum.
- Maintenance works of all schools should be taken up in a cycle so as to utilise at least *25 per cent* Education Tax collected on maintenance.
- Action should be taken to remit back funds diverted from Elementary Education Fund.
- Immediate action should be taken to address the deficiency in providing sanitary arrangements in the schools and also to provide other amenities/infrastructure found to be inadequate in a phased manner.

2.3 Assigned Revenues to Urban Local Bodies

2.3.1 Introduction

Assigned revenues include the class of taxes and levies traditionally collected by Government in related departments and assigned to various ULBs as per the existing norms.

The revenues assigned to ULBs at present along with the name of the departments which collect and assign the revenues and the periodicity of assignment are discussed below:

Kinds of revenues assigned to ULBs.

(a) Entertainment Tax (ET) collected by the Commercial Tax Department is assigned quarterly to the ULBs. With effect from 1 April 1997, 90 *per cent* of ET collected for every quarter under Entertainment Tax Act, 1939 was directly assigned by the territorial Assistant Commissioners (AC) of Commercial Taxes (CT) Department to the ULBs during the second month of the succeeding quarter as per Government order (July 2002) based on the recommendation (May 2002) of Second State Finance Commission (SSFC).

(b) Similarly, Surcharge on Stamp Duty (SSD) is collected by the Registration Department and assigned every quarter to the ULBs. Ninety *per cent* of the SSD was assigned upto 31 March 2002 by the District Collectors. Based on the recommendation of SSFC, approved (August 2002) by state Government, the percentage of assignment was increased to 95 *per cent* with effect from 1 April 2002. The SSD of every quarter has to be released during the second month of the succeeding quarter, as per the recommendation of SSFC (May 2002) and approved (August 2002) by state Government.

Perusal of connected records revealed that the percentage of assigned revenue to total revenue ranged between 8 and 16 in case of municipalities, 9 and 17 in respect of five municipal corporations, 16 and 23 for Chennai City Municipal Corporation and 1 and 19 for town panchayats.

2.3.2 Audit Coverage

Records relating to assigned revenues to ULBs were test checked in the Commissionerate of Municipal Administration, Directorate of Town Panchayats, besides the records in districts *viz.*, Coimbatore, Kancheepuram and Tiruvallur.

The review was conducted to ascertain

- whether the entitled assigned revenues were correctly assigned as per the existing norms and
- whether the revenues were released to the ULBs in time.

2.3.3 Revenue assigned to ULBs during 2002-07

The details of revenue assigned to the ULBs in the state as a whole during 2002-07 is given below:

(Rupees in crore)

	Year	ET	SSD	Total
Chennai City Municipal Corporation	2002-03	13.37	118.02	131.39
	2003-04	6.42	112.75	119.17
	2004-05	20.09	75.27	95.36
	2005-06	13.06	105.12	118.18
	2006-07	3.50	112.22	115.72
Other five Corporations	2002-03	19.20	62.83	82.03
	2003-04	14.06	48.02	62.08
	2004-05	13.96	41.67	55.63
	2005-06	7.27	35.76	43.03
	2006-07	7.30	48.86	56.16
Municipalities	2002-03	38.10	97.64	135.74
	2003-04	24.42	86.57	110.99
	2004-05	18.77	96.24	115.01
	2005-06	15.92	78.95	94.87
	2006-07	8.78	85.55	94.33
Town Panchayats	2002-03	8.30	83.70	92.00
	2003-04	B	B	89.68
	2004-05	B	B	90.49
	2005-06	B	B	112.31
	2006-07	4.89	26.70	31.59

(B) Break up details not made available.

It would be seen from the statement that assigned income of the ULBs (except SSD in municipalities) both under ET and SSD had fallen from 2004-05 and 2003-04 respectively. In municipalities, the collection of SSD increased during 2004-05 but decreased during 2005-06.

The decline in respect of ET was a consequence of the Government's decision to switch over from a compounding pattern to collection of gross admission with effect from 4 October 2004, with a view to mitigate the hardship faced by the film industry.

Similarly, the assigned revenue from Stamp Duty Surcharge also declined because the rate of collection under the Indian Stamps Act, 1989 on transfer of property had been reduced from 5 to 2 per cent with effect from 21 November 2003 thereby reducing the income from this source.

In addition to the decline in quantum of assigned revenue due to new Government policy/rate, audit observed that even the legitimate share of assigned revenue as per the new policy/rate was not assigned to the ULBs, as discussed in the succeeding paragraphs.

2.3.4 Major Audit findings

2.3.4.1 Entertainment Tax

(a) Non-assignment

Scrutiny of records revealed that an amount of Rs 308.65 lakh due for assignment during the period 1998-2007 was not assigned (November 2007) to the test checked ULBs as detailed below:

Non-assignment of ET obtained from amusement parks and from Cable TV providers in Kancheepuram District.

Sl. No	Name of district/urban local body	Amount not assigned (Rs. in lakh)	Details of amount not assigned	Reply of the Department
1	Kancheepuram	263.00	Revenue collected as ET from amusement parks not assigned to the concerned urban local bodies by the AC (CT), Kancheepuram.	The AC (CT) Kancheepuram stated (October 2007) that only the taxes collected towards cinema theatres had been assigned to the urban local bodies and if Government intends to extend the same formula on the collection of tax on amusement parks and from Cable TV providers, necessary arrangements will be made for assigning it to the concerned urban local bodies. As the revenues are in the ambit of entertainment mentioned under Section 4(F) Tax on amusement in the Tamil Nadu Entertainment Tax Act, 1939 and the concerned revenues were already assigned by the departmental officer in one district viz., Coimbatore, reply of the AC (CT), Kancheepuram was not acceptable.
2	Kancheepuram	34.06	Revenue collected towards cable TV connections was not assigned to the concerned urban local bodies.	The AC (CT) Kancheepuram stated (October 2007) that only the taxes collected towards cinema theatres had been assigned to the urban local bodies and if Government intends to extend the same formula on the collection of tax on amusement parks and from Cable TV providers, necessary arrangements will be made for assigning it to the concerned urban local bodies. As the revenues are in the ambit of entertainment mentioned under Section 4(F) Tax on amusement in the Tamil Nadu Entertainment Tax Act, 1939 and the concerned revenues were already assigned by the departmental officer in one district viz., Coimbatore, reply of the AC (CT), Kancheepuram was not acceptable.
3	Kancheepuram District – Chitlapakkam Town Panchayat	2.17 ¹	ET due for 2002-07 (9 quarters) was not assigned.	The Executive Officer, Chitlapakkam Town Panchayat stated (November 2007) that action would be taken to get the assigned revenue due.

¹ Worked out on the basis of assignments during previous years.

Sl. No	Name of district/urban local body	Amount not assigned (Rs. in lakh)	Details of amount not assigned	Reply of the Department
4	Coimbatore District – Alandurai Town Panchayat	8.62	ET due for the period January 1998 to June 2000 (10 quarters) was not assigned so far (September 2007).	The Executive Officer, Alandurai Town Panchayat (TP) stated (November 2007) that the amount would be adjusted after obtaining revalidation orders from the AC (CT), Coimbatore.
5	Coimbatore District – Thirumurugan Poondi Town Panchayat	0.80 ²	ET due for the third quarter of 2006-07 was not assigned inadvertently.	The Executive Officer of the TP stated (November 2007) that action would be taken to get the due assigned revenue immediately.
Total		308.65		

Due to non-assignment of the revenues mentioned above, the concerned ULBs were deprived of their eligible revenues in time so as to enable them to plan their expenditure on proposed development works.

(b) Delayed assignment

Scrutiny of records revealed that Rs 122.33 lakh being the ET relating to four quarters during 2003-05 assignable to Tiruppur Municipality, was assigned belatedly, as detailed below:

Delayed assignment of ET to Tiruppur Municipality.

Name of district/urban local body	Amount not assigned (Rs. in lakh)	Details of amount not assigned	Reply of the Department
Coimbatore District – Tiruppur Municipality	122.33	ET due for four quarters ending 30 June 2003, 31 December 2004, 31 March 2005 and 30 June 2005 were claimed belatedly after obtaining revalidation orders from AC(CT), Tiruppur with delays ranging between 4 and 25 months from the date of proceedings of assignment of ET issued originally by AC(CT), Tiruppur, but not acted upon. As these revenues were credited to the General Fund, which earns interest, the belated adjustment of these revenues resulted in a loss of interest of Rs 6.05 lakh (at the rate of 4.5 per cent per annum) to the municipality.	The Commissioner of Tiruppur Municipality replied (November 2007) that the delay was due to non-receipt of the proceedings in time from the Commercial Tax Department. As the revenue was due over a sufficient period, the commissioner should have taken action earlier to get the due amount by contacting the Commercial Tax Department.

² Worked out based on the second quarter assignment.

Delay and difference in adjustment of ET.

The field visits of the Third State Finance Commission (TSFC) also revealed that there had been delays and differences in the adjustments made and that Rs 34 crore of ET collected for the period 2002-05 was still lying unadjusted to ULBs and PRIs in the State as a whole. The State Government paid no interest for the period of delay in assignment of ET. Audit noticed that the recommendation of the TSFC to the effect that the ULBs and PRIs are entitled to interest for the period of delay in release of ET dues for the period 1997-2002 and 2002-06 was not accepted by Government. However, it agreed to release the arrears without interest. Further action taken by Government in this regard is yet to be made available (December 2007).

2.3.4.2 Surcharge on Stamp Duty**(a) Short assignment****Short assignment of SSD due to non-adoption of enhanced rate.**

(i) Despite the Surcharge on Stamp Duty (SSD) due for assignment to ULBs being enhanced by Government from 90 to 95 *per cent* with effect from 1 April 2002, the SSD was assigned to the municipalities in Kancheepuram and Tiruvallur Districts at the old rate of 90 *per cent* for the period 1 April 2002 to 30 September 2002. The short assignment of SSD in this regard worked out to Rs 24.26 lakh and Rs 41.96 lakh respectively. District Registrar, Kancheepuram, stated (October 2007) that action would be taken in this matter early.

Short assignment of SSD to ULBs.

(ii) Short assignment of SSD to Poonamallee, Sriperumbudur and Pammal Municipalities are indicated below:

(Rupees in lakh)					
Name of the municipalities	Due for the quarter ending	Amount due	Amount assigned	Short assignment	Remarks
Poonamallee	30 September 2005	13.63	1.36	12.27	District Registrar, Kancheepuram stated (November 2007) that the amount short assigned would be released along with the dues for the next quarter.
	31 March 2007	26.65	22.84	3.81	
Sriperumbudur	30 June 2004	3.43	0.34	3.09	The short assignment was due to typographical error and the District Registrar, Kancheepuram stated that this amount will be adjusted in future assignment.
Pammal	30 September 2004	17.01	2.03	14.98	The District Registrar, Kancheepuram admitted (November 2007) that Rs 2.03 lakh was assigned for the quarter ending 30 September 2004, whereas the eligible assignment was only Rs 17.01 lakh.

(b) Non-assignment

Rupees 1.18 lakh being the SSD due for the quarter ended 30 June 2005 to Kathivakkam Municipality in Tiruvallur District was yet to be assigned even after a lapse of two years.

(c) Excess assignment

In two municipalities, Thiruverkadu and Tiruvallur, the SSD was assigned in excess as indicated below:

Excess assignment of SSD in two municipalities.

(Rupees in lakh)				
Name of the municipality	SSD due for the quarter ended	Amount due	SSD amount assigned	Excess assignment
Thiruverkadu	March 2007	54.39	622.30	567.91
Tiruvallur	March 2007	20.39	112.92	92.53

Without giving any specific reasons for the excess assignment, the District Registrar, Kancheepuram, admitted the excess release and stated (November 2007) that these amounts would be adjusted against future dues. The municipalities replied that the matter would be taken up with the District Registrar.

(d) Delayed assignment

Delayed assignment of surcharge on Stamp Duty in three districts.

The recommendation of SSFC to the effect that the assigned revenue of SSD for every quarter should be released to the ULBs in the second month of the subsequent quarter was accepted (August 2002) by Government, duly passing orders. However scrutiny of connected records in Coimbatore, Kancheepuram and Tiruvallur Districts revealed that the SSD was assigned to the town panchayats after a delay of one to four months, one to seven months and one to four months respectively and to the municipalities after a delay of one to eight months. Though the delay was attributed to administrative reasons, it should be avoided as it postponed the receipt of revenue by the concerned town panchayats and municipalities. This also resulted in loss of interest of Rs 4.23 crore (worked out at the rate of 4.5 per cent), accruable on such assigned revenues to them when kept in the interest bearing General Fund.

2.3.4.3 Absence of envisaged Monitoring Mechanism

State Level Monitoring Committee not formed.

SSFC recommended (May 2002) that a State Level Monitoring Committee consisting of Commissioner of Revenue Administration, Director of Rural Development and Commissioner of Municipal Administration should be constituted to monitor and ensure that the legitimate assigned revenues to the ULBs reached them in time. Government also accepted the recommendation in May 2006. However, no monitoring committee was constituted for this purpose so far (October 2007) as a result of which the deficiencies remained uncorrected and the resource base of the ULBs continued to be eroded.

The TSFC also mentioned about SSD in its report (September 2006) as follows:

Variation in the figures of surcharge on stamp duty.

In respect of SSD, for the past five years, the amount entitled to be transferred to ULBs and the amount actually reflected in the Accounts of the Accountant General (Accounts and Entitlement) during 2000-05 were found varying as shown below:

Total surcharge collected	: Rs 2056.40 crore
Allocation to urban local bodies	: Rs 1933.62 crore
Figures as per the Accounts of Accountant General (Accounts and Entitlement)	: Rs 1952.27 crore

Government stated (May 2007) in their “Action Taken Report” that the figures would be reconciled and difference adjusted in the coming years.

The Commission also stated that their field visits revealed that neither the urban local bodies nor the Government departments showed any concern for timely adjustment of the dues to the urban local bodies as the quarterly adjustment took at least one to three months.

2.3.5 Conclusion

Non-assignment of Entertainment Tax and short assignment of Surcharge on Stamp Duty in selected districts deprived the related urban local bodies of their legitimate share of revenue resulting in depletion of their resource base. Delayed assignment of Entertainment Tax and Surcharge on Stamp Duty resulted in loss of interest accrued on such revenues when deposited in the general fund of the concerned urban local bodies. Non-formation of a State Level Monitoring Committee as recommended by the SSFC though accepted by the Government resulted in such deficiencies remaining uncorrected.

2.3.6 Recommendations

- Government should issue instructions to all the related departments to assign the legitimate revenues to the ULBs in full and in time.
- All the pending and unassigned revenues as of date should be assigned to the ULBs without any further delay.
- State Level Monitoring Committee should be formed for monitoring the prompt assignment of eligible revenues.

The above points were referred to Government in December 2007; reply had not been received (April 2008).

CHAPTER III

AUDIT OF TRANSACTIONS (URBAN LOCAL BODIES)

Audit of transactions in the Municipal Administration and Water Supply Department in the Secretariat, Commissionerate of Municipal Administration, Chennai, Madurai, Tiruchirappalli and Tirunelveli City Municipal Corporations, five municipalities and one town panchayat brought out several instances of lapses in management of resources and failures in the observance of the norms of regularity, propriety and economy. These have been presented in the succeeding paragraphs.

MUNICIPAL ADMINISTRATION AND WATER SUPPLY DEPARTMENT

3.1 Losses detected in Audit

MADURAI CITY MUNICIPAL CORPORATION

3.1.1 Loss of revenue

Non-collection of bus stand fee from Government transport corporation buses resulted in loss of revenue of Rs 1.54 crore for the period from August 2000 to February 2007.

The ULBs may collect a bus stand fee at prescribed rates from buses entering the bus stand, provided the bus stand is recognised by the Regional Transport Authority (RTA) under Tamil Nadu Motor Vehicle Rules, 1989. Bus stands are classified into four categories viz., A, B, C and D depending on the parking capacity and amenities available in the bus stand. The bus stand fee leviable at category 'A' bus stands was Rs 4 per day, which was enhanced to Rs 15 with effect from 11 March 2002.

The Madurai City Municipal Corporation (corporation) constructed an integrated bus stand at Mattuthavani in Madurai, which was operationalised in May 1999. The RTA recognised (May 1999) the bus stand as category 'A'. Every day 841 buses (717 Government transport corporation buses and 124 private buses) were entering the bus stand. Though the corporation collected entry fee from all private buses, it failed to collect entry fee from the buses owned by Government transport corporations. The Commissioner of the corporation addressed (August 2005) all transport corporations to pay arrears of Rs 1.60 crore for the period from June 1999 to March 2005. However, the State Express Transport Corporation of Tamil Nadu Limited refused (September 2005) to pay the arrears of bus entry fee stating that entry fee should have been collected at the time of entry of buses into the bus stand on

daily basis. Tamil Nadu Transport Corporation Limited, Kumbakonam Division remitted a sum of Rs 5.12 lakh. However, other transport corporations have not responded to the demand raised by the corporation (January 2008).

As against the entry fee of Rs 2.12 crore to be collected from the buses of Government transport corporations for the period from August 2000 to February 2007, the corporation collected just Rs 58 lakh (**Appendix 3.1**). The failure of the corporation to collect the entry fee resulted in loss of revenue of Rs 1.54 crore of which Rs 5.55 lakh, relating to the period 2000-01, had become time barred as per Section 483 of The Madurai City Municipal Corporation Act, 1971.

The matter was referred to Government in August 2007. The Government stated (March 2008) that the matter has been brought to the notice of the Special Secretary, Transport Department who has been asked to instruct the transport corporations to remit the fees.

NAMAKKAL AND MELUR MUNICIPALITIES

3.1.2 Loss of revenue

Failure of Namakkal Municipality in getting final approval for revision of water charges and failure of Melur Municipality to give effect to revised rates of water charges and deposits resulted in non-collection of Rs 52.25 lakh and Rs 34.62 lakh respectively.

Failure of the municipalities to get approval of enhanced water charges and failure to give effect to revised water charges/deposits resulted in non-collection amounting to Rs 86.87 lakh as discussed in the succeeding paragraphs.

(a) Based on the proposal of Namakkal Municipality (August 2002) the Commissioner of Municipal Administration, Chennai accorded general approval (November 2002) for revision of water charges from Rs 40 and Rs 100 to Rs 60 and Rs 150 for domestic and non domestic categories respectively. The revision was to take effect subject to the conditions that the by-law be published both in English and Tamil in the District Gazette, reasonable time be given to the public to give their opinion and that the municipality apply for final approval of the by-law along with council resolution, as stipulated in Sections 132, 309 and 310 of the District Municipalities Act, 1920.

However instead of publishing the by-law in the District Gazette the municipality published it in the local newspaper (January 2003). The Municipal Council passed a resolution (March 2003) to collect the revised water charges with effect from 1 April 2003 and the proposal was forwarded (June 2003) to the Commissioner of Municipal Administration (CMA). However, the CMA did not accord final approval for the revision of charges

(February 2004) stating that the municipality did not furnish necessary documents like copies of revised by-laws both in English and Tamil, particulars in respect of revised water charges published in the District Gazette and copy of council resolution obtained after the publication of revised tariff in the District Gazette.

The municipality subsequently published the revision of rates in the District Gazette (June 2004) and the CMA accorded final approval for the revision of rate in May 2005. The Municipal Council also resolved (May 2005) to collect the revised rates from 1 July 2005.

Failure of the municipality in complying with the conditions of CMA in the first stage regarding the publication of the by-law for the revision of water charges resulted in delay in getting the final approval for the revision and this led to a revenue loss of Rs 52.25 lakh (**Appendix 3.2**).

The matter was referred to Government in October 2007. Government in reply stated (March 2008) that the delay in getting approval of CMA was due to administrative reasons. The reply is not tenable as there was delay of about 17 months in publishing the revision of rates in the District Gazette by the municipality.

(b) Based on the resolution of the Council in July 2002, the Commissioner of Municipal Administration (CMA) approved (December 2002 and November 2003) the revised rates for deposit and also water charges¹ in Melur Municipality. The CMA also authorised increase of water charges by five *per cent* per annum. The municipality did not, however, notify the revision in the District Gazette as instructed by CMA while approving the revised rates. Hence, the municipality could not issue demand notices for the increased deposit/water charges in respect of any of the 962 domestic connections and three commercial connections in the municipality. This had resulted in non-realisation of water charges of Rs 15.29 lakh and deposits of Rs 19.33 lakh for the period from December 2003 to October 2007.

As of April 2004, the municipality had various loans amounting to Rs 1.02 crore bearing interest at 13.5 *per cent* per annum. Had the municipality collected the increased deposit of Rs 19.33 lakh in respect of all the domestic (962) and commercial (3) connections, and adjusted the same against the loans outstanding as provided in Chapter 12 of the Accounting Manual for Urban Local Bodies in Tamil Nadu, the municipality could have saved Rs 10.22 lakh towards interest at 13.5 *per cent* for the period upto October 2007.

1

(in rupees)

Nature of connection	Pre-revised		Revised with effect from November 2003	
	Deposit	Water charges	Deposit	Water charges
Domestic	1,000	20	3,000	50
Commercial	3,000	60	6,000	100
Industrial	2,000	50	10,000	100

The municipality stated (July 2007) that notices for revised rates have not been issued and the requisite amount was remitted for publishing the revised rates in District Gazette (November 2007).

The matter was referred to Government in December 2007; reply has not been received (April 2008).

AMBATTUR MUNICIPALITY

3.1.3 *Loss of revenue*

Failure of the municipality to invest the Elementary Education Fund in cumulative term deposits resulted in notional loss of revenue of Rs 80.63 lakh.

Education Tax is levied by municipalities at a uniform rate of five *per cent* per annum on the annual value of property as a surcharge under the Tamil Nadu Elementary Education Act, 1920 and the fund so collected is to be utilised for maintenance and development of municipal school buildings.

Test check of records of Ambattur Municipality (municipality) revealed that the municipality opened (April 2000) a current account in a nationalised bank for depositing the Education Tax collected. After incurring an expenditure of Rs 97.05 lakh during 2000-2006, the account had a balance of Rs 4.64 crore as of November 2006.

As the funds were not made use of, the education tax collected could have been invested in cumulative term deposits of three months. Failure of the municipality to invest the funds resulted in a notional loss of revenue of Rs 80.63 lakh (calculated at 5 *per cent* per annum) during April 2000 to December 2006 (**Appendix 3.3**).

On this being pointed out, the municipality stated (January 2007) that it had been informed that accounts relating to Government transactions should be opened only in current account. The local body did not produce any record in support of their reply and further the local body was not a Government Department. Hence the above contention was not tenable.

The matter was referred to Government in September 2007. In reply the Government stated (March 2008) that the Elementary Education Fund account was transferred from current account to Savings Bank account with effect from April 2007.

**TIRUNELVELI CITY MUNICIPAL CORPORATION AND
PUDUKOTTAI MUNICIPALITY**

3.1.4 Loss of revenue

Construction of shops without assessing the demand by Tirunelveli City Municipal Corporation and Pudukottai Municipality resulted in loss of anticipated revenue to the extent of Rs 38.87 lakh and Rs 36.63 lakh respectively.

Tirunelveli City Municipal Corporation and Pudukottai Municipality constructed shops without conducting any survey for assessing the demand. Most of the shops so constructed remained unoccupied resulting in loss of anticipated revenue as discussed in the succeeding paragraphs.

(a) Tirunelveli City Municipal Corporation (corporation) constructed 46 shops near Manakavalampillai Hospital (28 shops behind the hospital and 18 shops on its eastern side) and a mini market comprising 14 shops and two office rooms at Sindupoondurai. The construction cost amounting to Rs 61.12 lakh was met through a loan from Tamil Nadu Urban Finance and Infrastructure Development Corporation (TUFIDCO) under Integrated Development of Small and Medium Towns (IDSMT). The construction of shops near the hospital was completed in February 2005 and September 2005 respectively while the mini market was completed in October 2004. The projected revenue was Rs 33.73 lakh per annum. The loss of anticipated revenue to the corporation due to lack of demand for the shops is discussed in the succeeding paragraphs.

(i) In respect of the 28 shops located behind the hospital, the corporation fixed (May 2005) a monthly rent of Rs 5,500 per shop for the shops in the ground floor and Rs 5,000 per shop for the shops on the first floor of the complex. Though the corporation reduced the rent to Rs 3,250 and Rs 3,000 for shops on the ground floor and the first floor respectively with effect from February 2006, it could lease out only 11 shops (10 in ground floor and one in first floor) through various auctions conducted between July 2005 and March 2007.

(ii) In respect of shops constructed on the eastern side of the hospital, the corporation fixed (October 2005) a monthly rent of Rs 5,500 per shop for the shops on the ground floor and Rs 4,900 per shop for the shops on the first floor. Though 11 auctions were conducted between January 2006 and March 2007, none of the shops were leased out (March 2007).

(iii) Similarly, in respect of shops in the mini market, the corporation fixed a monthly rent ranging between Rs 2,000 and Rs 3,000 with reference to the area of the shops and Rs 14,000 and Rs 17,000 for office rooms in the first floor and second floor respectively. Though the corporation reduced the rent to Rs 720 - Rs 1,000 with effect from September 2006, none of the shops could be leased out. However, the two office rooms in the first and second floor were leased out with effect from January 2006.

Thus out of 60 shops constructed, only 11 shops could be leased out resulting in loss of anticipated revenue of Rs 38.87 lakh as of March 2007 (**Appendix 3.4**), besides unproductive investment of borrowed funds of Rs 61.12 lakh. The loss of anticipated revenue is attributable to the failure of the corporation to conduct demand survey before venturing into these projects and fixation of an unrealistic rent initially.

The corporation accepted the fact (March 2007) that no survey was conducted before taking up the projects, and stated that the high rent fixed was also responsible for lack of demand.

The matter was referred to Government in September 2007. The Government stated (March 2008) that all shops near Manakavalampillai Hospital and first floor of shopping complex at Sindupoondurai have since been leased out. However, the details as to the number of shops leased out and the month from which these were leased out have not been furnished. In respect of shops on the ground floor of Sindupoondurai shopping complex the Government stated that the reason for lack of demand was fixation of higher upset price and action was being taken to let out the remaining shops by reducing the upset price and deposit amount.

(b) Pudukottai Municipality (municipality) constructed (February 2006) a shopping complex at the junction of West 4th and South 2nd Street comprising 75 shops at a cost of Rs 73.71 lakh by availing loan assistance from State Government and TUFIDCO. The anticipated revenue through leasing out these shops was Rs 27 lakh per annum.

Though the municipality fixed the monthly rent as Rs 3,000 per shop, it leased out 41 shops² at rents ranging from Rs 650 to Rs 2,430 between April 2006 and October 2007 due to lack of demand. Of the remaining 34 shops, three more were leased out subsequently in November 2007 and four shops were utilised as anganwadi centres. The revenue realised from the 22 shops leased out between April and December 2006 was Rs 2.79 lakh (October 2007) as against Rs 5.12 lakh due. None of the lessees of the 19 shops leased out between April and June 2007³ has paid the rent of Rs 0.85 lakh so far (November 2007).

Scrutiny (December 2006) of connected records of the municipality revealed that no assessment for demand was conducted before construction of the shops. Except that the complex was near to the market area, no other specific reasons were assigned for the fixation of rent at Rs 3,000 per month. Thirty shops were thus not leased out as of October 2007, due to lack of demand.

² April 2006: 12; May 2006: 2; July 2006: 3; September 2006: 1; December 2006: 4; April 2007: 7; and June 2007: 12. Total: 41 shops.

³ 17 shops at the rate of Rs 700 per month, one shop at the rate of Rs 725 and one shop at the rate of Rs 2,430.

As a result the municipality could not realise the anticipated revenue to the extent of Rs 36.63 lakh⁴ (October 2007). Further, it also resulted in idle investment of Rs 29.48 lakh being the proportionate cost of 30 shops not leased out.

The matter was referred to Government in December 2007; the reply has not been received (April 2008).

TIRUCHIRAPPALLI CITY MUNICIPAL CORPORATION

3.1.5 Non-collection of Property Tax from Bharat Sanchar Nigam Limited

Non levy of Property Tax on the building belonging to Bharat Sanchar Nigam Limited resulted in non-collection of revenue of Rs 40.53 lakh.

Tiruchirappalli City Municipal Corporation (corporation) levies Property Tax on the annual value of buildings calculated on the basis of category, location, type and age of the building at the applicable rates approved by the council, as stipulated under Section 121 of Tiruchirappalli City Municipal Corporation Act, 1994.

Department of Telecommunications built (1980) a building in Ponmalai Zone of the corporation with a plinth area of 5,492 sq.m. Subsequent to the creation of Bharat Sanchar Nigam Limited (BSNL) in October 2000 out of Department of Telecommunications, the building belonged to BSNL and therefore became liable for levy of Property Tax. However, the corporation had not raised any demand for Property Tax for this building.

Thus the failure of the corporation in raising demand for Property Tax led to non-collection of revenue of Rs 40.53 lakh for the period from second half year of 2000-01 to second half year of 2006-07 (**Appendix 3.5**).

The matter was referred to Government in December 2007; the reply has not been received (April 2008).

⁴ No. of shops constructed	75
Shops utilised as anganwadi centres	4
Shops to be leased out	71
Anticipated revenue at Rs 3,000 per month for 71 shops for the period from March 2006 to October 2007 (20 months)	Rs 42.60 lakh
Rent receivable from the shops leased out	Rs 5.97 lakh
Loss of anticipated revenue	Rs 36.63 lakh.

CHENNAI CITY MUNICIPAL CORPORATION

3.1.6 Short levy of Property Tax

The Chennai City Municipal Corporation lost revenue of Rs 20.88 lakh due to adoption of lower tariff and lesser number of seats than actual for arriving at the gross income of cinema theatres.

The Chennai City Municipal Corporation (corporation) levies Property Tax for 'A' class cinema theatres on the basis of gross income. Sixty *per cent* of total annual income, which is calculated as per seating capacity of the theatre and tariff rate for each class, is reckoned as gross income of the theatre after setting aside 40 *per cent* for Entertainment Tax. Out of the gross income, 53 *per cent* is reckoned as annual income by the corporation. The annual rental value for 'A' class theatres is 7.5 *per cent* of annual income and the monthly rental value is arrived at by dividing annual rental value by 12. Apart from the above, monthly rental value for other areas like restaurant, shops, vehicle parking, etc., are added for arriving at the monthly rental value for the entire cinema theatre. The annual value for calculating Property Tax is arrived at by multiplying the monthly rental value by 10.92 and the Property Tax is levied half yearly at 12.40 *per cent* on this annual value.

A comparison of records of assessment of Property Tax in respect of five 'A' class theatres by the corporation with the information collected from Commercial Taxes Department of Government of Tamil Nadu disclosed that the corporation had adopted lower tariff and lesser number of seats for arriving at the annual income for assessment of Property Tax during 2001-05. The loss of revenue due to this short assessment of tax worked out to Rs 20.88 lakh for the period 2001-05 (**Appendix 3.6**).

The matter was referred to Government in November 2007. In reply the Government stated (March 2008) that the Property Tax was levied with reference to seating capacity and ticket rates that existed at the time of assessment. The reply is not tenable as the tax was not revised as and when there was change in the number of seats and price of tickets.

ALANGULAM TOWN PANCHAYAT

3.1.7 Loss of revenue

Failure of the town panchayat to evolve suitable method to allot new water supply connections resulted in loss of revenue of Rs 18.87 lakh.

Tamil Nadu Water Supply and Drainage Board (TWAD) has been providing drinking water to Alangulam Town Panchayat (town panchayat) from 1994 under the combined water supply scheme. Utilising the nine lakh litres of water supplied by TWAD daily, the town panchayat had given 1,300

connections (1,270 household and 30 commercial connections) at about 100 litres per capita per day (lpcd) against the norms of 70 lpcd. An amount of Rs 9 lakh was paid to TWAD every year towards maintenance. Though the town panchayat fixed the water charges for household connections at Rs 2 per thousand litres with a minimum of Rs 25 per month (revised to Rs 5 per thousand litres with a minimum of Rs 50 per month from December 2002), it was collecting water charges at a flat rate of Rs 25 per month per connection which was increased to Rs 50 per month per connection with effect from December 2002.

With a view to enhance the number of household connections, the town panchayat resolved (August 2000) to provide additional water supply connections for 700 houses based on which, the Director of Town Panchayats accorded sanction (August 2001) for new connection to 400 houses. Thereafter, the town panchayat issued a general notice inviting applications for provision of house connections against which 2,000 applications were received. However, the town panchayat did not give water supply connection to any of these houses on the grounds that huge applications were received against the sanctioned 400 connections. After a time gap of more than four years, the town panchayat again sought permission (October 2005) from the Director, Special Village Panchayats to provide 1,800 additional house⁵ connections. The town panchayat proposed to utilise 75 per cent (6.75 lakh litres) of the available water for house connections at 40 lpcd and the balance through public fountains. Against this, the Director accorded sanction only for 500 connections (December 2005). The town panchayat once again did not provide any new water supply connection (March 2007) on the plea that there was heavy demand for new water supply connection.

Against the available water resources, the town panchayat could have provided water supply connection to 1,929 houses⁶ at 70 lpcd. However, due to failure of the local body to evolve a method for providing water supply in a fair manner, the water supply connections were restricted only to 1,300 connections.

This resulted in a loss of revenue of Rs 18.87 lakh⁷ (worked out on the basis of the flat rates adopted by the town panchayat)⁸ towards water supply charges for the period from August 2001 to March 2007 besides denial of drinking water to the habitation. The town panchayat also did not take any appropriate action to increase the supply of water so as to cover the entire area.

⁵ This was in addition to the 400 connections already sanctioned.

⁶ Available water resources of 6,75,000 litres/5 members per family x 70 litres per person per day = 1,929 connections.

⁷ Rs 25 per month from August 2001 to November 2002 (629 connections (1,929-1,300) x 25 x 16 months) = Rs 2,51,600; Rs 50 per month from December 2002 to March 2007 (629 connections x 50 x 52 months) = Rs 16,35,400.
Total: Rs 18.87 lakh.

⁸ The loss of revenue would have been much more had the town panchayat adopted rates proportionate to usage of water and revised the rates regularly.

The matter was referred to Government in September 2007. Government in reply stated (March 2008) that the town panchayat sought for 1,800 additional house service connection in anticipation of supply of an additional quantity of 16 lakh litre of water through Vasudevanallur – Alangulam combined water supply system by TWAD. As the additional water was not supplied, the town panchayat could not give additional house service connection.

The reply is not tenable as the town panchayat could have given 629 additional connections with the available water at 70 lpcd as commented upon by audit.

3.2 Avoidable expenditure

TIRUNELVELI CITY MUNICIPAL CORPORATION

3.2.1 Avoidable payment of interest

Failure of the Tirunelveli City Municipal Corporation to discharge high cost loan in time with assistance from Tamil Nadu Urban Finance Infrastructure Development Corporation Limited resulted in avoidable interest payment of Rs 93.13 lakh.

Tirunelveli City Municipal Corporation (corporation) had a total loan liability of Rs 30.31 crore⁹ as of February 2003 with rate of interest ranging from 13.5 to 16 *per cent* per annum. Tamil Nadu Urban Finance Infrastructure Development Corporation Limited (TUFIDCO) expressed its willingness (January 2003) to take over the high cost loans of the corporation at a lesser rate of interest. The Municipal Council also approved (February 2003) the proposal of taking over these high cost loans by TUFIDCO. However as seen from the records produced to audit, the Commissioner, Tirunelveli City Municipal Corporation had not taken any further action in this regard immediately.

Perusal of records revealed that consequent to the decision taken by Commissioner of Municipal Administration (CMA), a Government order (April 2003) was issued for conversion of loans obtained from Tamil Nadu Urban Infrastructure Financial Services Limited (TNUIFSL) for special road works and TUFIDCO took over (May 2003) a loan of Rs 6.30 crore obtained

⁹ Funding Agency	Rate of Interest (in per cent)	Amount (Rupees in lakh)
1. Government of Tamil Nadu loan	14.50	750.00
2. Tamil Nadu Urban Infrastructure Financial Services Limited	15.50 15.70	630.00
3. Integrated Urban Development Fund (IUDF)	14 – 16	11.53
4. Consolidated Government/LIC Loan	13.50	1639.09*
Total		3030.62 (or) Rs 30.31 crore

* Government of Tamil Nadu since written off the loan with interest in November 2007.

by the corporation for this purpose. The rate of interest of 11 *per cent* per annum on this converted loan was further reduced to 10.5 *per cent* from August 2003. Another loan of Rs 11.53 lakh obtained from Integrated Urban Development Fund (IUDF) was discharged by the corporation from their own funds in September 2006.

However for settling the loan liability of Rs 7.50 crore obtained for basic amenities from State Government, the Commissioner conveyed his willingness to avail conversion of loan from TUFIDCO only in June 2005. Based on the request of the Commissioner (June 2005), CMA obtained the approval of State Government for this purpose in November 2005. Accordingly, the Commissioner obtained Rs 9.22 crore as loan from TUFIDCO with interest of 8.25 *per cent* per annum and foreclosed (February 2006) the State Government loan of Rs 7.50 crore.

Thus, despite the willingness (January 2003) of TUFIDCO for conversion of all loans and obtaining resolution (February 2003) of the Corporation Council, the corporation failed to take immediate action for settling the above loan amount of Rs 7.50 crore in February 2003 itself. This resulted in the existence of the loan liability till January 2006 and in avoidable payment of interest of Rs 93.13 lakh on this loan for the period from June 2003 to January 2006 (**Appendix 3.7**).

The matter was referred to Government in August 2007. In reply the Government stated (March 2008) that first letter from TUFIDCO for the conversion of high cost loan was received by the corporation only in May 2005 and no previous letter was available in that office. The reply is not tenable as the letter dated 22 January 2003 from TUFIDCO was received by the Commissioner on 27 January 2003.

AMBATTUR MUNICIPALITY

3.2.2 Avoidable expenditure

Failure of the municipality to foreclose the loans in spite of sound financial position resulted in avoidable payment of interest of Rs 29.97 lakh.

Ambattur Municipality (municipality) availed loan assistance from Tamil Nadu Urban Finance Infrastructure Development Corporation Limited (TUFIDCO) and Tamil Nadu Urban Development Fund (TNUDF) at interest ranging from 12 to 16 *per cent* per annum for executing various water supply and road works. TUFIDCO took over (December 2003) the loans availed by the municipality from TNUDF between 1990-91 and 1999-2000 amounting to Rs 1.37 crore at a reduced rate of interest of 10.25 *per cent* per annum.

The municipality had an investment of Rs 7.67 crore as of April 2003 and the deposits earned interest ranging from 4.75 to 6 *per cent* per annum. During the period 2003-06, the municipality earned interest of Rs 125.88 lakh and

paid Rs 155.85 lakh as interest on various loans amounting to Rs 7.13 crore obtained from TUFIDCO. In view of its sound financial position, the municipality could have utilised the funds invested in fixed deposits for foreclosing the loans. Failure of the municipality to foreclose the loan liability with the available funds resulted in avoidable payment of interest of Rs 29.97 lakh during the period 2003-06 (**Appendix 3.8**).

The matter was referred to Government in October 2007. In reply the Government stated (March 2008) that no loan was pending as the entire outstanding loans were foreclosed at the instance of Audit. Had the municipality foreclosed the loans in time, the interest payment of Rs 29.97 lakh could have been avoided.

TENKASI MUNICIPALITY

3.2.3 Avoidable interest payment

Delay in depositing the compensation amount for land acquired resulted in avoidable additional interest payment of Rs 11.85 lakh.
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Tenkasi Municipality (municipality) acquired (February 1992) land measuring 3.14 hectares for construction of a new bus stand (1.01 hectares at Rs 500 per cent and 2.13 hectares at Rs 550 per cent) based on an award passed by Revenue Divisional Officer (RDO). The land owners filed a case in sub-court, Tenkasi for enhanced compensation and got the rate fixed (April 2002) at Rs 1,700 per cent of land. The Government Pleader as well as the RDO stated (August 2002) that the rate fixed by the Court was reasonable and requested the municipality to deposit the amount decreed without any delay to avoid execution proceedings.

The RDO worked out the enhanced compensation as Rs 25.76 lakh and requested (December 2002) the municipality to deposit the amount in the sub-court, even if the municipality decided to go for any appeal. The municipality asked (February 2003) the State Government to sanction a grant of Rs 26.14 lakh (including interest for three months) to pay the enhanced compensation, as the financial position of the municipality was not sound. There was no response from Government. Based on further opinion of the Government Pleader at Chennai, the municipality preferred (February 2006) an appeal in the Madras High Court.

In the meanwhile, the landowners filed execution proceedings in the sub-court. The RDO requested (January 2006) the municipality to deposit an amount of Rs 40.87 lakh in the sub-court to avoid the execution proceedings. The municipality deposited with the sub-court a total amount of Rs 40.95 lakh (Rs 19.49 lakh in February 2006 and Rs 21.46 lakh in June 2006).

Verification of records by Audit in the municipality revealed (May 2007) that the municipality had cash balances of Rs 40.56 lakh and Rs 39.19 lakh at the end of the years 2002-03 and 2003-04 respectively. Hence the municipality

could have easily discharged the liability with the available funds and avoided the excess payment.

Failure of the municipality to deposit the decreed amount resulted in an avoidable additional interest payment of Rs 11.85 lakh¹⁰.

The matter was referred to Government in September 2007. In reply the Government stated (March 2008) that if the High Court orders in favour of the municipality, there will not be any loss to municipality. The fact remains that the municipality failed to act as per the advice (December 2002) of RDO to deposit Rs 25.76 lakh even if the municipality had intended to go on appeal. This resulted in payment of interest for the period from December 2002 to December 2006.

CHENNAI CITY MUNICIPAL CORPORATION

3.2.4 Avoidable expenditure

Avoidable expenditure of Rs 10.65 lakh was incurred due to provision of extra thickness of semi dense bituminous concrete in road works executed by Chennai City Municipal Corporation.

As per Indian Roads Congress (IRC) specification IRC:37-1, the recommended type and thickness of bituminous wearing course for flexible pavements for designed traffic up to 10 million standard axles (msa) is 25 mm of semi dense bituminous concrete (SDBC). A review of various road works relating to relaying, executed by Chennai City Municipal Corporation (corporation) revealed that the corporation had provided 40 mm thick SDBC, instead of 25 mm, for 24 works of relaying dead end or blind end roads. These works were executed during the years 2003-06.

The IRC specification recommends 40 mm bituminous concrete only for designed traffic of more than 10 msa. The design traffic is computed with reference to cumulative number of standard axles to be carried during the design life of the road with due weightage for growth in traffic. Even adopting the maximum design life of 20 years, the average number of standard axles¹¹ to be carried per day would work out to 1,370 only for designed traffic of 10 msa. Such volume of traffic could not be expected in blind end/dead end roads. The estimates did not also contain any justification by way of design traffic in support of adopting the above specification. In the above context it is to be noted that Ministry of Surface Transport instructed (October 2000) to provide only 25 mm thick SDBC for periodical renewal of high traffic roads with more than 1,500 commercial vehicles per day.

¹⁰	Interest due upto February 2006	Rs 27.42 lakh
	Interest due upto December 2002	Rs 15.57 lakh
	Avoidable interest payment	Rs 11.85 lakh

¹¹ Standard axle = A vehicle designed to carry a load of 18,000 LB or 8.2 M.Tonnes.

Hence, the provision of extra 15 mm thick SDBC for periodical renewal of roads was not warranted and has resulted in avoidable extra expenditure of Rs 10.65 lakh.

The matter was referred to Government in September 2007. The Government in reply stated (March 2008) that specification used for main road was used for blind/dead end streets also as there were no drainage facilities. The reply is not tenable as it is not based on any technical reason.

CHAPTER IV

AN OVERVIEW OF THE ACCOUNTS AND FINANCES OF PANCHAYAT RAJ INSTITUTIONS

Highlights

All the 29 functions listed for devolution as per Seventy-third constitutional amendment had been reported as transferred to Panchayat Raj Institutions. However transfer of functionaries for carrying out these functions is yet to be done.

No interest was given by the State Government for the delayed release of Twelfth Finance Commission grants to panchayat unions and village panchayats during 2006-07.

Though 32,164 inspection paragraphs of Director of Local Fund Audit relating to panchayat unions and District Panchayats were pending settlement as of March 2007, no inspection paragraph was settled during the last one year.

4.1 Introduction

4.1.1 In the first few years after independence, community development programmes were implemented in the State through a three tier system of Panchayat Raj Institutions (PRIs) viz., panchayats, community development blocks and district boards. While panchayats and blocks were responsible for implementation of programmes, the district boards were in-charge of administration. Subsequently, a two tier system of panchayat administration viz., Panchayats at village level and panchayat unions at block level was introduced in the State by the Panchayats Act, 1958 and the district boards were abolished.

4.1.2 To promote greater autonomy at the grass root level and to involve people in identification and implementation of developmental programmes involving gram sabhas, the Seventy Third Constitutional Amendment Act, 1992 was promulgated (April 1993). Consequently, the Tamil Nadu Panchayats Act, 1994 was enacted which came into effect from 22 April 1994. Under this Act a three tier system of Panchayat Raj Institutions (PRIs) viz., village panchayats at the village level, panchayat unions or block panchayats at the intermediary level and district panchayats at the apex level were established. There were 12,618 village panchayats, 385 Panchayat unions and 30 District panchayats in the State as of March 2007.

The population of village panchayats as per 2001 census in the State varies widely, as shown in **Table 4.1**.

Table 4.1: Number of village panchayats – Population-wise

Population of Village Panchayat	Number of Village Panchayats
Below 500	66
Between 501-3,000	8,418
Between 3,001-10,000	3,948
Between 10,001-25,000	174
Above 25,000	12
Total	12,618

(Source: Policy Note of Rural Development and Panchayat Raj Department for 2007-08)

Similarly, wide variations were also noticed in the income levels of various village panchayats, as given in **Table 4.2**.

Table 4.2: Income-wise classification of village panchayats
(Average income of three years from 2003-04 to 2005-06)

Sl. No.	Income range per annum	Number of Village Panchayats
1	Upto Rs 50,000	10
2	Between Rs 50,000 and Rs one lakh	178
3	Between Rs one lakh and Rs five lakh	7,422
4	Between Rs five lakh and Rs 10 lakh	3,181
5	Between Rs 10 lakh and Rs 25 lakh	1,489
6	Between Rs 25 lakh and Rs 50 lakh	252
7	Between Rs 50 lakh and Rs one crore	60
8	Between Rs one crore and Rs 3 crore	24
9	Above Rs 3 crore	2
	Total	12,618

(Source: Policy Note of Rural Development and Panchayat Raj Department for 2007-08)

4.2 Administrative arrangements

4.2.1 The administrative control of the PRIs vests with the Secretary to Government, Rural Development and Panchayat Raj Department. The responsibility for implementation of rural development programmes through PRIs devolves on the Director of Rural Development and Panchayat Raj (DRDPR).

4.2.2 District Rural Development Agency (DRDA), a society registered under Societies Registration Act, 1860 monitors all the schemes implemented by PRIs in the district. The DRDA is headed by the District Collector who is assisted by a Project Officer/Additional Collector.

4.2.3 The executive authority for the District panchayats is the Secretary at the level of Assistant Director of Rural Development and its Chairman is an elected representative.

4.2.4 In the case of Panchayat unions, the Block Development Officer (BDO) (Block Panchayat), who is also the Commissioner of the Panchayat Union Council, is the executive authority and the Chairman is an elected representative. Another BDO (village panchayats) is responsible for the implementation of the schemes by the village panchayats. In case of village panchayats, the President, an elected representative, is the executive authority.

4.3 Accounts and Audit

4.3.1 Accounts and database formats

4.3.1.1 State Government issued orders (April 2004) adopting the accounts formats prescribed by the Comptroller and Auditor General of India. The accounts formats have not been fully operationalised yet, as some modifications to suit State specific requirements are underway. A copy of the simplified format of accounts for village panchayats was forwarded by Audit to DRDPR, with a request to furnish suggestions. The same was forwarded (April 2007) by DRDPR to Director of Local Fund Audit (DLFA) seeking his suggestions. The DRDPR stated (December 2007) that the remarks of DLFA are yet to be received.

4.3.1.2 State Government also agreed (February 2005) to adopt the database formats on the finances of the PRIs, prescribed by the Comptroller and Auditor General of India. The DRDPR stated (December 2007) that a detailed reply on the current status of maintaining of database would be sent shortly.

4.3.1.3 Details of various accounts maintained by PRIs are discussed below:

(a) Village Panchayats

Village panchayats are required to maintain four accounts *viz.*,

- (i) Village Panchayat Fund Account
- (ii) Village Panchayat Earmarked Fund Account
- (iii) Village Panchayat Scheme Fund Account
- (iv) Village Panchayat Drinking Water Account

The cash balances of the above accounts are maintained in Co-operative Banks, Regional Rural Banks, Post Office Savings Banks and Nationalised Banks and operated jointly by the President and Vice President of the panchayat.

(b) Panchayat Unions

Panchayat unions are required to maintain four accounts, *viz.*,

- (i) General Fund Account
- (ii) Education Fund Account

- (iii) Nutritious Meal Fund Account
- (iv) Scheme Account

Besides the above, two more accounts are also maintained according to necessity viz.,

- Village Panchayat Consolidated Fund Account
- NABARD (10 per cent) Account

The above accounts are operated through the Treasury and amounts released through the State budget are deposited in them. The amounts received directly from Government of India for certain schemes are deposited in Banks, as required under the orders issued.

(c) District panchayats

The main source of finances for the District panchayats are State and Central Government grants. After meeting expenditure on staff and contingencies, the District panchayats can take up works with the remaining funds. The District panchayats are required to maintain two accounts, viz.,

- (i) General Fund Account
- (ii) Scheme Fund Account

The funds received by District panchayats are kept in banks, irrespective of the purpose for which received.

A chart showing the funds flow to PRIs is given in **Appendix 4.1**.

4.3.2 Audit arrangements

4.3.2.1 In accordance with Section 193 of Tamil Nadu Panchayats Act, 1994 Government of Tamil Nadu appointed the following officers as Auditors for PRIs as given in **Table 4.3**.

Table 4.3: Audit arrangements for PRIs

Tier of PRI	Auditors appointed	Periodicity
District Panchayat	Director of Local Fund Audit (DLFA)	Annually
Panchayat Union	DLFA	Quarterly
Village Panchayat	(i) Deputy Block Development Officer (DBDO) except audit of scheme accounts	Quarterly
	(ii) Assistant Director of Rural Development (Audit) except audit of scheme accounts	Quarterly
	(iii) DLFA for audit of scheme accounts	Annually (test check)

4.3.2.2 Accounts of District panchayats and panchayat unions are also audited by Principal Accountant General (Civil Audit) under Section 14(1) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 (DPC Act). Further technical guidance is provided by the Principal Accountant General to DLFA regarding audit of District panchayats and panchayat unions in terms of order of Government of Tamil Nadu (March 2003).

4.3.3 Compilation of Annual Accounts by PRIs and Audit of PRIs

DLFA is the statutory Auditor for panchayat unions and District panchayats. Based on the recommendation of Second State Finance Commission (SSFC), DLFA is conducting only test audit of village panchayats.

4.3.3.1 *Compilation of Annual Accounts and submission of Accounts by PRIs*

The position relating to compilation of Annual Accounts and submission of accounts by PRIs, as of 31 March 2007, as reported by the DLFA revealed that all the PUCs and district panchayats have compiled and submitted their Annual accounts upto 2005-06 and the compilation of account for the year 2006-07 by all the 385 PUCs and 30 District panchayats were in progress (August 2007).

4.3.3.2 *Audit of PRIs*

(a) The audit of all 30 district panchayats and 385 panchayat unions for the year 2006-07 is pending, as reported (November 2007) by DLFA, as of October 2007.

(b) The regular audit of village panchayats was conducted by the Deputy Block Development Officers and 22 *per cent*¹ of the total number of village panchayats has to be test checked by the DLFA annually as per Government orders of November 2002. The position of audit of village panchayats, as reported (November 2007) by DLFA as of October 2007, is given in **Table 4.4**.

Table 4.4: Position of audit of village panchayats as of October 2007

Category of PRIs	Total number to be audited	Number of RLBs wherein Audit not completed for			
		2003-04	2004-05	2005-06	2006-07
Village Panchayats	2,524	535	1,150	2,127	2,524

4.3.3.3 The main reason attributed (November 2007) by DLFA for non-completion of audit in the above institutions was non-submission of accounts by the institutions.

4.3.3.4 The number of paragraphs included in the Inspection Reports (IRs) of DLFA, pending settlement as of March 2007 in respect of panchayat unions and District panchayats aggregated to 31,501 and 663 respectively. The reported (August 2007) position of year-wise pendency by DLFA is as given in **Table 4.5**.

¹ including 2 *per cent* of Village Panchayats based on receipts value of works and on specific complaints forwarded by Director of Rural Development.

Table 4.5: Year-wise pendency details of paragraphs in the IRs of DLFA

Year of IR	Number of paragraphs pending in respect of	
	Panchayat Unions	District Panchayats
Upto 1999-2000	11,549	160
2000-2001	1,081	50
2001-2002	1,398	42
2002-2003	1,525	43
2003-2004	3,741	68
2004-2005	12,207	300
Total	31,501	663

The details of pending paras relating to the year 2005-06 are under compilation and the audit for 2006-07 is under progress.

No paragraph was settled since the last report furnished by the DLFA in June 2006 and included in the previous Audit Report. There is an urgent need for holding regular joint sittings in each district with the District Officers of the Local Fund Authority for expeditious settlement of long pending audit observations.

4.4 Status of Devolution of functions, functionaries and funds

4.4.1 Though the State Government reported that all 29 functions (**Appendix 4.2**) listed in the Eleventh Schedule of the Constitution of India have been transferred to the PRIs, a study conducted by World Bank in 2006 titled India Rural Government and Service Delivery stated that none of the 29 functionaries had been actually transferred. The DRD stated that though the State Government had given powers and functions to the PRIs to match the implementation capacity and financial devolution, the decentralisation and delegation of power was a dynamic and continuous process.

4.4.2 Based on the announcement made in the Legislative Assembly on 11 August 2006, State Government ordered (January 2007) the constitution of a High Level Committee for examining further devolution of powers and responsibilities to the PRIs and to give suitable recommendations. Government in the Rural Development Department stated (February 2007) that after the receipt of the report of the High Level Committee, more devolution of powers to the PRIs would be considered. The High Level Committee had given the report to Government and the same is under the perusal of Government (January 2008).

4.5 Receipt and expenditure of Panchayat Raj Institutions

4.5.1 The details of receipts of PRIs during the last three years, as reported by DRDPR, in November 2007, are given in the **Table 4.6**. However, the accuracy of these figures could not be authenticated in the absence of data compiled from the audited accounts of PRIs by the department/Government.

Table 4.6: Receipts of PRIs

(Rupees in crore)

Category of PRI	Year	Own Revenue	Assigned Revenue	Grants	Loans	Total
Village Panchayats	2004-05	149.37	149.03	746.87	-	1,045.27
	2005-06	158.83	198.77	1,054.42	-	1,412.02
	2006-07	173.30	209.43	1,264.29	-	1,647.02
Panchayat Unions	2004-05	79.62	4.80	797.83	-	882.25
	2005-06	81.31	8.75	899.88	-	989.94
	2006-07	96.49	18.48	972.23	-	1,087.20
District Panchayats*	2004-05	-	-	122.80	-	122.80
	2005-06	-	-	127.12	-	127.12
	2006-07	-	-	185.78	-	185.78

* The receipts of district panchayats consists of grants only.

It would be seen that the receipts of all the panchayat unions and village panchayats had increased during 2004-07 due to increased receipt under all the three components viz., own revenue, assigned revenue and grants.

4.5.2 The details of expenditure of all the three tiers of PRIs during the last three years 2004-05 to 2006-07, as reported by DRDPR duly incorporating the expenditure incurred out of State and Central Finance Commission grants, are given in **Table 4.7**.

Table 4.7: Expenditure of PRIs

(Rupees in crore)

Category of PRI	Year	Revenue Expenditure	Capital Expenditure	Total Expenditure
Village Panchayats	2004-05	777.42	176.96	954.38
	2005-06	967.19	311.40	1,278.59
	2006-07	1,107.57	315.57	1,423.14
Panchayat Unions	2004-05	650.75	232.94	883.69
	2005-06	679.28	250.30	929.58
	2006-07	733.09	252.64	985.73
District Panchayats	2004-05	70.30	46.96	117.26
	2005-06	76.45	58.31	134.76
	2006-07	103.46	65.72	169.18

4.5.3 It would be seen that there was a steady increase in both the capital and revenue expenditure of all the three tiers over the period 2004-07.

4.5.4 The component-wise details of receipts and expenditure for the years 2004-07 as reported by DRDPR are given in the succeeding paragraphs.

4.6 Receipt of Panchayat Raj Institutions

4.6.1 Source of receipts

Among the three tiers, village panchayats alone have the power to levy taxes. The other source of receipts for village panchayats and panchayat unions are non-tax revenue, assigned revenue from the State Government and grants given by State Government for various purposes and by State and Central

Finance Commissions. The percentage share of allocation of various revenues among the PRIs is given in **Appendix 4.3**. The revenue of district panchayats comes only from the statutory grants like State Finance Commission grants and development grants under various State and Central schemes.

4.6.2 Tax revenue

The main components of tax revenue in village panchayats are House Tax, Profession Tax and Advertisement Tax. The position of cumulative demand (including arrears), collection and balance of these taxes during 2004-07 by the village panchayats, as reported by DRDPR is given in **Table 4.8**.

Table 4.8: Tax revenue of village panchayats

(Rupees in crore)

Year	House Tax			Profession Tax			Advertisement Tax		
	D	C	B	D	C	B	D	C	B
2004-05	59.80	53.91(90)	5.89	29.56	28.31(96)	1.25	0.42	0.37(88)	0.05
2005-06	67.10	61.15(91)	5.95	32.40	31.34(97)	1.06	0.17	0.17(100)	NIL
2006-07	73.88	63.69(86)	10.19	36.45	35.34(97)	1.11	0.48	0.47(98)	0.01

(D: Demand, C: Collection, B: Balance)

(Figures in brackets indicate percentage of collection to demand)

While the percentage of collection of both Profession Tax and Advertisement Tax was satisfactory, the percentage of collection of House Tax in village panchayats declined from 91 during 2005-06 to 86 in 2006-07.

4.6.3 Non-tax revenue

Some of the major sources of non-tax revenues of village panchayats are water charges, building licence fees, fees for approval of layouts, Dangerous and Offensive (D&O) trade licence fees, receipts from fairs and festivals, plantation lease amount, shandy lease amount and fishery rentals besides interest receipts.

The main non-tax revenue of panchayat unions is receipts from remunerative enterprises, fairs and festivals, ferries operation, choultries, marriage halls, markets, fishery rentals and fines and penalties besides interest receipts.

The total amount of non-tax revenue realised year-wise by PRIs during 2004-07 as reported by DRDPR, are given in **Table 4.9**. However, no break-up details of various kinds of non-tax revenues realised were furnished by DRDPR.

Table 4.9: Non-tax revenue of PRIs

(Rupees in crore)

Category of PRI	Year	Non-tax revenue realised
Panchayat Unions	2004-05	79.62
	2005-06	81.31
	2006-07	96.49
Village Panchayats	2004-05	66.30
	2005-06	66.17
	2006-07	73.81

While the non-tax revenue actually realised by panchayat unions showed an increasing trend from 2004-05, in respect of village panchayats, the non-tax revenue after decreasing slightly during 2005-06, went up again during 2006-07.

In order to augment the non-tax revenue base of the PRIs, the Government needs to act upon some of the recommendations of State Second Finance Commission (SSFC) like formation of separate committees at village panchayat level for revising the D&O licence fee, sharing rent from the fisheries between panchayat unions and village panchayats, fixing upset price for forest produce, etc.

4.6.4 Assigned revenue

This includes the class of taxes and levies traditionally collected by Government and assigned to the PRIs. SSFC considered the assigned revenue as part of the resource base of the PRIs and desired that the base needed to be maintained.

Entertainment Tax (ET), Surcharge on Stamp Duty (SSD), Local Cess (LC), Local Cess Surcharge (LCS) and Seigniorage Fees (SF) are some of the revenues assigned by Government to panchayat unions and village panchayats and the quantum of such revenue assigned to these PRIs during 2004-07 as reported by DRDPR are given in **Table 4.10**.

Table 4.10: Assigned revenue to PRIs

(Rupees in crore)

	Year	Local Cess	Local Cess Surcharge	Entertainment Tax	Stamp-Duty Surcharge	Seigniorage Fees	Other assigned revenues*	Total
Panchayat Unions	2004-05	ND	2.02	1.21	ND	1.57	-	4.80
	2005-06	ND	6.41	0.99	ND	1.35	-	8.75
	2006-07	ND	15.63	0.84	ND	2.01	-	18.48
Village Panchayats	2004-05	2.31	ND	3.18	104.74	26.30	12.50	149.03
	2005-06	2.15	ND	1.74	144.77	27.08	23.03	198.77
	2006-07	3.30	ND	0.94	148.36	25.27	31.56	209.43

ND – assigned revenue not due.

(* consist of 2 C tree patta fees, lease amount from mines and minerals and cable TV fees)

The Local Cess assigned to village panchayats after a slight decline in 2005-06, increased in 2006-07. The local cess surcharge assigned to panchayat unions steeply increased during 2006-07. The ET to both panchayat unions and village panchayats was on the declining trend during 2004-07. While the SSD assigned to village panchayats was increasing, the SF assigned to village panchayats is fluctuating during 2004-07. A review on the Assigned Revenues to PRIs was conducted and the comments on the performance of collection of assigned revenue along with deficiencies noticed in assignment are incorporated in paragraph 5.3 under Chapter V.

4.6.5 Grants received by PRIs

The details of State Finance Commission (SFC) grants and Central Finance Commission grants received by the PRIs during 2004-07 as reported by DRDPR are given below:

4.6.5.1 State Finance Commission grants

As per the recommendations of the SSFC, Government of Tamil Nadu ordered (March 2002) the following norms for devolution from the State's own tax revenues to the PRIs.

- The PRIs and ULBs would receive eight *per cent* of the State's own tax revenues after excluding the Entertainment Tax receipts. The vertical sharing of resources between PRIs and ULBs would be in the ratio of 58:42.
- Of the total devolution to the PRIs, the resources would be shared among the village panchayats, panchayat unions and the District panchayats in the ratio of 47:45:8.

While the percentage sharing of 58 and 42 among PRIs and ULBs was retained by the Third State Finance Commission, the percentage of horizontal sharing of revenue among PRIs was slightly modified and recommended at 60 *per cent* for village panchayats, 32 *per cent* for panchayat unions and 8 *per cent* for district panchayats. From among the village panchayats share, 3 *per cent* was recommended to be set apart for incentive and the remaining 57 *per cent* for general devolution based on population and area.

Accepting the above recommendation with modification, State Government in their 'Action Taken Report' (May 2007) passed further orders as follows:

- (i) out of 60 *per cent* share to village panchayats from SFC devolution, 5 *per cent* was reserved towards infrastructure gap filling fund, and
- (ii) a minimum grant of Rs three lakh to be provided to each village panchayat as a measure of equalisation from out of the village panchayats share of 55 *per cent* (60 *per cent* less 5 *per cent* earmarked towards infrastructure gap filling fund). The balance amount has to be distributed among the village panchayats, based on population.

The details of SFC grants devolved to PRIs during 2004-07 are given in **Table 4.11**.

Table 4.11: State Finance Commission grants to PRIs

(Rupees in crore)

Category of PRI	2004-05	2005-06	2006-07
Village Panchayats	398.26	499.27	500.81
Panchayat Unions	400.43	426.25	432.03
District Panchayats	64.15	69.23	85.24
Total SFC grants	862.84	994.75	1,018.08
Amount adjusted ** by way of deduction	30.75	37.15	37.14
Net grant released	832.09	957.60	980.94

** adjustment made towards pension contribution of employees in panchayat unions.

The details of utilisation of SSFC grants were not furnished by DRDPR.

4.6.5.2 Twelfth Finance Commission grants

(a) The grants released by Government of India based on the recommendations of the Twelfth Finance Commission (TFC) are shown in **Table 4.12**.

Table 4.12: TFC grants to PRIs

(Rupees in crore)

Category of PRI	Grants released by TFC	
	2005-06	2006-07
District Panchayats	(No grants given to district panchayats)	
Panchayat Unions	34.80	17.40
Village Panchayats	139.20	156.60

The DRDPR reported that the Finance Commission grants received by PRIs were utilised in entirety.

(b) According to para 6.1 of the guidelines issued by GOI regarding TFC grants, States have to mandatorily transfer the grants released by GOI to the PRIs within 15 days of their date of credit to State Government account. In case of delayed transfer, State Government should also provide interest for the period of delay at the rate equal to the interest rate of Reserve Bank of India (RBI).

A test check of connected records revealed that TFC grants were released during 2005-06 to PRIs belatedly with delays ranging between 2 days and 202 days as indicated in **Table 4.13**. No interest was however paid by the State Government for the delay.

Table 4.13: Period of delay in release of TFC grants

Category of local body	Period of delay in release (Delay beyond 15 days from the due date)	
	First instalment	Second instalment
Panchayat Unions	64 to 202 days (38 PUCs)	35 to 104 days (38 PUCs)
Village Panchayats	80 to 196 days (34 VPs)	2 to 98 days (26 VPs)

Amount of interest thus not paid by the State Government for belated release of TFC grants during 2005-06, compiled from the details relating to 38 panchayat unions and 790 village panchayats worked out (at the rate of 6 per cent) to Rs 19.55 lakh as shown in **Table 4.14**.

Table 4.14: Interest due for the belated release of TFC grants

(Rupees in lakh)

	Amount of interest due for the belated release of			Total
	First instalment	Second instalment		
Panchayat Unions	38	4.27	2.00	6.27
Village Panchayats	790	10.13	3.15	13.28
Total	828	14.40	5.15	19.55

4.6.6 Other grants

Apart from the Finance Commission grants, other grants received by PRIs during 2004-07 are given in **Table 4.15**.

Table 4.15: Other grants to PRIs

(Rupees in crore)

Category of PRI	2004-05	2005-06	2006-07
Village Panchayats	301.33	415.95	606.88
Panchayat Unions	358.72	438.83	522.80
District Panchayats	58.65	57.89	100.54
Total	718.70	912.67	1,230.22

Though the entire grants received were reported as fully utilised, the details of grants and the purposes of utilisation were not furnished by DRDPR.

4.7 Expenditure of Panchayat Raj Institutions

4.7.1 Revenue expenditure

Revenue expenditure consists of salaries and pensions, expenditure on repairs and maintenance and administration.

The details of revenue expenditure incurred by PRIs during the last three years viz., 2004-05 to 2006-07 as reported by DRDPR are given in **Table 4.16**.

Table 4.16: Revenue expenditure of PRIs

(Rupees in crore)

Category of PRI	Year	Revenue expenditure				Total
		Salaries	Pension payment	Total of salaries and pension payment	Other revenue expenditure (including SSFC grants utilised)	
Village Panchayats	2004-05	51.14	0.10	51.24	726.18	777.42 (10)
	2005-06	59.91	0.26	60.17	907.02	967.19 (24)
	2006-07	*	*	93.37	1,014.20	1,107.57 (15)
Panchayat Unions	2004-05	63.80	2.59	66.39	584.36	650.75 (35)
	2005-06	66.99	0.91	67.90	611.38	679.28 (4)
	2006-07	*	*	83.63	649.46	733.09 (8)
District Panchayats	2004-05	1.72	0.09	1.81	68.49	70.30 (31)
	2005-06	1.84	0.04	1.88	74.57	76.45 (9)
	2006-07	*	*	5.53	97.93	103.46 (35)

* Break up details for salaries and pension payment not available.

(Figures in brackets under total column indicate the percentage of growth over previous year)

During the above period, all the three tiers recorded an increasing trend of revenue expenditure with the percentage of increase ranging from 10 to 24 in respect of village panchayats, 4 to 35 in respect of panchayat unions and 9 to 35 in respect of district panchayats.

4.7.2 Capital expenditure

Quantum of capital expenditure reported as incurred by PRIs during 2004-07 as reported by DRDPR are given in **Table 4.17**.

Table 4.17: Capital expenditure of PRIs

(Rupees in crore)

Category of PRIs	2004-05	2005-06	2006-07
Village Panchayats	176.96	311.40	315.57
Panchayat Union	232.94	250.30	252.64
District Panchayats	46.96	58.31	65.72
Total	456.86	620.01	633.93

Like revenue expenditure, the capital expenditure in all three tiers showed an increasing trend during 2004-07.

Based on the details compiled by DRDPR, the capital expenditure incurred towards the main core sectors viz., water supply, street lighting and road works during 2004-07 are furnished in **Table 4.18**.

Table 4.18: Core sector-wise capital expenditure of PRIs

(Rupees in crore)

Name of the core sector	Category of PRI	2004-05	2005-06	2006-07
Water supply	Village Panchayats	35.75	36.38	35.75
	Panchayat Unions	34.43	37.27	27.61
	District Panchayats	4.14	5.69	7.85
Total		74.32	79.34	71.21
Street lights	Village Panchayats	11.34	14.35	11.34
	Panchayat Unions	1.28	2.32	3.04
	District Panchayats	1.47	1.69	2.55
Total		14.09	18.36	16.93
Road works	Village Panchayats	42.25	53.89	64.33
	Panchayat Unions	55.89	88.51	100.64
	District Panchayats	23.37	26.97	31.30
Total		121.51	169.37	196.27

In addition to above, works under the core sectors of roads and water supply were also executed under other schemes² executed through various agencies³ with the assistance of Central and State Governments.

² Water supply works: Rural water supply schemes, Combined water supply schemes, Individual power pump schemes, Mini power pump schemes, Accelerated Rural Water Supply Programme, Swajaldhara, etc.

Road works: District and other roads schemes, Improvement to rural road schemes with the assistance from NABARD/HUDCO etc., Pradhan Mantri Gram Sadak Yojana, etc.

³ Water supply works: Tamil Nadu Water Supply and Drainage Board. Road works: Highways Department, Tamil Nadu Road Development Corporation.

4.8 Response to Audit

Audit Reports upto the year 1996-97 were discussed by the Committee on Public Accounts (PAC) and recommendations were issued. Despite the directions of the PAC to Government Departments for furnishing prompt replies to pending recommendations, as of December 2007, there were 240 recommendations (10 C&AG Reports) relating to the period 1982-83 to 1996-97 pertaining to the Rural Development Department pending final settlement which *inter-alia* consisted of paragraphs relating to PRIs.

4.9 Conclusion

There was no mechanism with the Panchayat Raj Department for collection (centrally) of data on receipts and expenditure of PRIs during the year so that an overall financial picture for each year may be available. The performance of village panchayats in terms of collection *vis-à-vis* demand of taxes was very good as per the reports of the Director of Rural Development and Panchayat Raj. Despite the pendency of huge number of Inspection paragraphs of DLFA in respect of panchayat unions and District panchayats, no paragraph was settled during the last one year. This indicated that no effective action has been taken by the Department for settling the pending paras.

4.10 Recommendations

- Action should be initiated to institute an effective mechanism for collection and compilation of funds flow and expenditure incurred by the Panchayat Raj Institutions for monitoring and decision-making.
- Arrangements for speedy settlement of audit objections and inspection paragraphs should be strengthened through regular joint sittings and the pendency reduced in a phased manner so as to enable the panchayat unions and District panchayats to correct their deficiencies.

CHAPTER V

PERFORMANCE REVIEWS (PANCHAYAT RAJ INSTITUTIONS)

This chapter presents one performance review dealing with (a) Implementation of National Rural Employment Guarantee Scheme and two mini reviews (b) Utilisation of General Fund by selected panchayat unions and (c) Assigned Revenues to Panchayat Raj Institutions.

RURAL DEVELOPMENT AND PANCHAYAT RAJ DEPARTMENT

5.1 Implementation of National Rural Employment Guarantee Scheme

Highlights

Government of Tamil Nadu launched the National Rural Employment Guarantee Scheme in February 2006 in six districts of the State, in accordance with the National Rural Employment Guarantee Act, 2005 enacted by Government of India. The main aim of the scheme is to provide 100 days of guaranteed wage employment in every financial year to every rural household whose adult members volunteer to do unskilled manual work. A review of the implementation of the scheme in the State revealed the following.

➤ The envisaged five year perspective plan was not finalised even as of October 2007.

(Paragraph 5.1.7.1)

➤ Rules for implementing the Act in the State are yet to be framed and notified by the State Government.

(Paragraph 5.1.7.2)

➤ Scheme funds of Rs 100.46 crore remained unutilised as on 31 March 2007, with the District Programme Co-ordinators and the village panchayats as the expenditure under the scheme worked out only to 65 per cent of the funds available during 2005-07.

(Paragraph 5.1.8.2)

➤ Even as of March 2007, 50.41 per cent of the households were registered of which only 59.07 per cent demanded works and 59.05 per cent were provided with work in all the six scheme-districts in the State.

(Paragraph 5.1.9.1)

- **Of 6.83 lakh households provided with work during 2006-07, only 1,824 households (0.27 per cent) were provided with 100 days employment, reflecting the Government's inability to achieve the main objective of the scheme. The average number of mandays per household out of the remaining households provided with the work was only 26.56, much below the envisaged 100 days work.**

(Paragraph 5.1.9.4(a))

- **Unemployment allowance, which was to be given to those who could not be provided with work within 15 days of the date of receipt of application seeking employment, was not paid in any of the villages. In the absence of details regarding the date of application and other required data, audit could not ensure the correctness of non-payment of unemployment allowance.**

(Paragraph 5.1.9.4(c))

- **Despite delay in payment of wages, no compensation as required under the Act was paid for the delay.**

(Paragraph 5.1.9.8)

- **Wages paid in the sample districts were below the minimum wages prescribed under the scheme in certain villages due to poor outturn.**

(Paragraph 5.1.9.9)

- **Director of Rural Development and Panchayat Raj ordered provision of work in turn by rotation to the rural households, though not envisaged in the Act.**

(Paragraph 5.1.9.10)

5.1.1 Introduction

Government of India (GOI) introduced (September 2005) the National Rural Employment Guarantee Act, 2005 (NREGA) to enhance the livelihood security of households in rural areas by providing at least 100 days of guaranteed wage employment in a financial year to every household whose adult members volunteer to do unskilled manual work. Government also ordered to close the centrally sponsored employment schemes viz., Sampoorna Grameen Rozgar Yojana (SGRY) and National Food for Works Programme (NFFWP), which were then under implementation by 30 June 2006 and to transfer the unutilised funds under those schemes to the new scheme.

Government of Tamil Nadu (GTN), in accordance with the Act introduced the scheme in February 2006 in 6 districts viz., Cuddalore, Dindigul, Nagapattinam, Sivagangai, Tiruvannamalai, and Villupuram. After the Act comes into force, all the rural households have the right to register themselves with the local Village Panchayats (VP) and seek employment under the Act.

Work was to be provided within 15 days of the date of demand, failing which the State Government was to pay unemployment allowance at stipulated rates.

Detailed operational guidelines were issued by the Ministry of Rural Development (MORD), GOI. Together with the provisions of the Act, the guidelines prescribe the types of works that can be covered under National Rural Employment Guarantee Scheme (NREGS), subject to additions by the States concerned; the minimum entitlements of labour; the roles and responsibilities of different functionaries right from the State Government to the District, Block and Village Panchayat level functionaries (both officials as well as elected representatives of Panchayat Raj Institutions); the detailed procedures for planning, financial management, registration and employment allotment, execution of works and payment of wages and unemployment allowances; the detailed records to be maintained at different levels; the mechanism for social audit as well as monitoring and evaluation of outcomes.

5.1.2 Objectives of the Programme

5.1.2.1 Primary objectives

The primary objectives of the programme are

- to provide legal guarantee for 100 days employment in a financial year to every rural household whose adult members volunteer to do unskilled manual work, and
- to create durable assets for Gram Panchayats and village population.

5.1.2.2 Secondary objectives

The secondary objectives of the programme are

- protecting environment,
- empowering rural women, and
- reducing rural-urban migration and fostering social equity.

5.1.3 Organisational Structure

At the national level, the MORD was the nodal Ministry for implementation of NREGS. Along with the Central Employment Guarantee Council, MORD is responsible for ensuring timely and adequate resource support to the States for undertaking regular review, monitoring and evaluation of processes and outcomes. MORD was to establish a Management Information System to capture and track data on every critical aspect of implementation and assess the utilisation of resources through a set of performance indicators.

State Government designated (February 2006) the Director of Rural Development and Panchayat Raj (DRDPR) as State Programme Coordinator to coordinate the implementation of the scheme. The DRDPR is assisted by the Additional Director of Rural Development as Joint State Programme Coordinator. District Collectors were designated as District Programme

Coordinators (DPC) who were to be assisted by Project Officer, DRDA as Joint District Programme Coordinator (JDPC) and Block Development Officers as Block Programme Officers (BPOs). The scheme was to be implemented at panchayat level by the President of the village panchayat as implementing authority. To advise the State Government on implementation of the scheme and for evaluation and monitoring, the State Government constituted the State Employment Guarantee Council in September 2006. As required in the Central Act, the State Government also established the State Employment Guarantee Fund (March 2006) maintained by the DRDPR in a Savings Bank account in State Bank of India (Treasury Branch). The State's share was released to the district authorities through this account.

5.1.4 Audit objectives

The main audit objectives were to see whether

- effective preparatory steps for planning had been undertaken and procedures for preparing perspective and annual plan at different levels for estimating the likely demand for work and preparing shelf of projects were adequate and effective,
- the funds released for NREGS were accounted for and utilised in compliance with the guidelines,
- there was an effective process for registration of households, allotment of job cards and allocation of employment in compliance with the guidelines,
- wages and unemployment allowance were paid in accordance with the Act and the guidelines and the intended objective of providing 100 days of annual employment at the specified wage rates was effectively achieved,
- there were adequate and effective mechanisms at different levels for monitoring and evaluation of NREGS outcomes, and
- there was an adequate and effective mechanism for social audit and grievance redressal.

5.1.5 Audit criteria and methodology

5.1.5.1 Audit criteria

The criteria adopted to arrive at the audit conclusions were

- NREG Act and notifications issued thereunder,
- NREGS Operational Guidelines (2006),
- Circulars and documents issued by the MORD from time to time and
- State Government orders and departmental instructions relating to NREGS issued from time to time.

5.1.5.2 *Audit methodology*

Audit gathered information/data from the records relating to the implementation of the scheme in the offices of the sample District Rural Development Agencies (DRDAs) and panchayat unions. The Audit objectives and Audit Criteria were discussed with the Secretary, Rural Development and Panchayat Raj Department (RD and PR) in the entry conference held on 11 June 2007. On conclusion of review, the audit findings were discussed with the Secretary, RD and PR Department in the exit conference held on 28 December 2007.

5.1.6 *Audit coverage*

Of the six districts implementing the scheme in Tamil Nadu, three districts, viz., Cuddalore, Tiruvannamalai and Villupuram were selected using simple random sampling without replacement (SRSWOR) method. Two rural blocks in each selected district¹ (using SRSWOR method) and four village panchayats in each selected block² (using probability proportionate to size (PPS) method) were selected for detailed study. The connected records relating to the implementation of the scheme for the period February 2006 to March 2007 were reviewed during May 2007 to July 2007 and in November 2007. Important points noticed are given in the succeeding paragraphs.

5.1.7 *Planning*

5.1.7.1 *Delay in finalisation of Perspective Plan*

Five year perspective plan is yet to be finalised.

Planning is critical to the successful implementation of the NREG Scheme. A key indicator of success is the timely generation of employment while ensuring that the design and selection of works are such that good quality assets are created. The basic aim of the planning process is to ensure that the District Plan is prepared well in advance to offer productive employment on demand.

State Government, based on NREG Act, issued (February 2006) orders that a five year Perspective Plan (PP) for the district was to be prepared by the District Programme Co-ordinator (DPC) by mapping the existing infrastructure facilities and listing out the requirements of infrastructure in rural areas as against the labour demand. Scheme guidelines also envisage that

¹ Cuddalore District : Melbuvanagiri and Panruti blocks.
Tiruvannamalai District : Kilpennathur and Thandarampet blocks.
Villupuram District : Tirukoilur and Vanur blocks.

² Melbuvanagiri block : Anaivari, Kathazhai, Manjakollai and Prasannaramapuram
Panruti block : Keezhkangeyamkuppam, Marungur, Nadukuppam and Veerasingam kuppam.
Kilpennathur block : Kallayee, Kazhikulam, Rajanthangal and Rayampettai.
Thandarampet block : Agarampallipet, Kolamanjanur, Radapuram and Veppur chekkadi.
Thirukoilur block : Arumbakkam, Palangur, Nedumudayan and T. Keeranur.
Vanur block : Aruvappakkam, Kilappakkam, Ranganathapuram and Vanur.

if similar Perspective Plan was already prepared for National Food for Works Programme (NFFWP), it could be revisited for NREGS.

Every year, the village panchayat shall convene a special Gram Sabha to estimate the demand of labour and to prepare an annual action plan and shelf of projects with the prioritised list of works. The Block Programme Officers will scrutinise the village development plans to assess the technical feasibilities and consolidate them with block plan and after approval by block panchayats, send to district panchayats for finalisation of block plans and then send to DPC. The size of the plan and priority of the work was to be decided annually keeping in view the demand for employment.

The DPC was to examine the plan proposal of all village panchayats along with the plans of blocks, district panchayats and line departments with reference to adequacy, likely demand of labour, financial commitment and technical feasibilities.

Preparation of the perspective plan for 2006-2011 for NREGS relating to the two sample districts (Cuddalore and Tiruvannamalai) was entrusted (January 2007) to the Centre for Management Development (CMD), Thiruvananthapuram which was entrusted with the preparation of PP for 2005-10 for the erstwhile scheme of NFFWP by GOI. As the PP prepared for NFFWP by the agency contained works with lot of material components, the agency was requested (January 2007) by the Project Officer, DRDA, Cuddalore to revise the plan to suit the needs of NREGS. The PP for NREGS is still under revision (October 2007) in respect of Cuddalore and Tiruvannamalai districts. In Villupuram district, the DPC decided to entrust the preparation of PP to an agency with more expertise by inviting bids. The agency is yet to be identified (November 2007).

In sample districts, works proposed and approved for 2006-07 by the Gram Sabhas were treated as annual plans and taken up for execution in the absence of finalisation of perspective plan. Thus the annual plan did not flow from the perspective plan as envisaged in the Act and guidelines. In the absence of preparation of perspective plan, audit could not ensure whether all the required works were executed through these annual plans. Besides, records relating to the detailed discussion of the proposed works in the Gram Sabha meetings were also not available with the department.

5.1.7.2 Non-framing of Rules by State Government

Rules to implement the Act not framed by State Government.

Section 32 of the Act requires the State Government to make rules to carry out the provisions of the Act. However, no such rules were framed by State Government so far (December 2007). Non-framing of rules by the State Government for safeguarding public interest as well as its own resulted in various matters of the scheme remaining unregulated *viz.* payment of unemployment allowance, appointment of State Council for monitoring, functioning of grievances redressal mechanism at all levels, manner of utilisation of funds and maintenance of accounts, arrangements required for proper execution of schemes etc. The Secretary to Government, Rural Development and Panchayat Raj Department in the exit conference held in December 2007 stated that the rules for operation of the Employment

Guarantee Fund would be prepared once the implementation of the scheme stabilises.

5.1.8 Funding pattern and financial management

5.1.8.1 Funding pattern

Under NREG Scheme, the Central Government was to bear (i) the entire cost of wages to unskilled manual workers, (ii) 75 per cent of the cost of material and wages to skilled and semi-skilled workers, (iii) administrative expenses (presently four per cent of the expenditure of the District on the scheme), and, (iv) administrative expenses of the Central Employment Guarantee Council. The State Government was to bear (i) 25 per cent of the cost of material and wages for skilled and semi-skilled workers, (ii) expenses on unemployment allowance, and, (iii) administrative expenses of the State Employment Guarantee Council.

5.1.8.2 Financial achievement and unutilised funds

GOI released the funds directly to the DPCs of the respective districts. GOI also directed (February 2006) that the funds released earlier under NFFWP and SGRY which remained unutilised as of 2 February 2006 would also become part of the NREG fund. This fund was to be utilised together with the funds released under NREGS. GOI extended the deadline (May 2006) for completion of SGRY and NFFWP works and transfer of balance funds of spill over works till 30 June 2006.

The State Government created (February 2006) a State Employment Guarantee Fund at State level for the purpose of implementation of the scheme as envisaged in the Act and released the State share to the DPCs of the respective districts through this Fund for meeting the expenditure on NREGS. The funds received from GOI, State Government and other receipts from the Central schemes transferred to NREGS and the expenditure thereon as reported in the monthly progress report by DRDPR forwarded to GOI in respect of the State during 2005-07 are given below.

Position of funds received and utilised under NREG scheme during 2005-06 and 2006-07

(i) Macro level position in the State

Funds received and utilised during 2005-07 at macro and micro levels.	(Rupees in crore)	
	2005-06	2006-07
Opening balance	Nil	32.94
Funds released by GOI	51.81	184.92
Funds released by State Government	Nil	25.38
Miscellaneous and other receipts*	19.45	8.87
Total funds available	71.26	252.11
Expenditure (upto March)	38.32	151.65**
Closing balance (as on 31 March)	32.94	100.46

* includes interest receipts and amounts transferred from the schemes SGRY and NFFWP

** includes expenditure of Rs.6.22 crore on committed works under NFFWP

Scheme funds of Rs.100.46 crore remained unutilised as on 31 March 2007 with the District Programme Co-ordinators and the village panchayats as the expenditure under the scheme worked out only to 65 *per cent* of the funds available during 2005-07.

(ii) Micro-level position in Sample Districts

The funds received from GOI and State Government and other receipts including the amounts transferred from other schemes which were ordered to be closed by GOI and the expenditure incurred under the scheme as certified by the Chartered Accountants in the test checked districts during 2005-07 are given below:

(Rupees in crore)

	Cuddalore		Tiruvannamalai		Villupuram	
	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07
Opening balance	Nil	6.82	Nil	10.26	Nil	11.30
Funds received from GOI	0.25	36.10	7.94	42.71	17.25	35.06
Funds received from State Government	Nil	4.56	Nil	5.43	Nil	5.60
Miscellaneous and other receipts	7.10	0.65	2.69 ^A	0.73	6.30	0.42
Total funds available	7.35	48.13	10.63	59.13	23.55	52.38
Expenditure	0.53 (7)	38.53 [#] (80)	0.37 (3)	36.22 (61)	12.25 (52)	34.44 (66)
Closing balance as of 31 March	6.82	9.60	10.26	22.91	11.30	17.94

(Figures in brackets indicate the percentage of utilisation against available funds)

^A Rs 2.69 crore shown under Miscellaneous and other receipts are yet to be reconciled for which required details were called for in March 2008.

[#] includes expenditure of Rs.6.22 crore on committed works under NFFWP.

5.1.8.3 Trend of expenditure

The expenditure under the scheme during 2006-07 for the State as a whole, worked out to 60 *per cent* of the amount available during 2006-07 and Rs 100.46 crore remained unutilised with the DPCs and Village Panchayats as on 31 March 2007 of which Rs 1.41 crore, Rs 6.01 crore and Rs 2.07 crore were available with the DPCs concerned and the remaining with the village panchayats. However, the expenditure incurred worked out to 80 *per cent*, 61 *per cent* and 66 *per cent* respectively in the sample districts Cuddalore, Tiruvannamalai and Villupuram districts during 2006-07. Funds of Rs 9.60 crore, Rs 22.91 crore and Rs 17.94 crore remained unutilised in Cuddalore, Tiruvannamalai and Villupuram districts respectively as of March 2007. State Government attributed the low expenditure to belated release of the second instalment of GOI assistance for 2006-07 in March 2007. However, delay in release of GOI share as well as State share to the implementing agencies by the State Government also resulted in non-availability of sufficient funds at the required time as discussed in paragraphs 5.1.8.4 and 5.1.8.5.

5.1.8.4 Delayed release of GOI share**Delayed release of GOI share in one district.**

Though GOI released funds for 2005-06 and the first instalment of 2006-07 to the DPCs before April 2006, the first instalment of funds was released to the implementing agencies, viz., village panchayats only in August 2006 by the DPC in Tiruvannamalai district due to delay in administrative sanction of work. The second instalment of GOI share received by the State Government in February 2007 was released to the implementing agencies only in April 2007.

5.1.8.5 Delay in release of State share**Delayed release of State share.**

According to the guidelines, the State Government was to release the State share within 15 days of receipt of the Central share. The State share corresponding to the GOI releases during 2005-06 and first instalment of 2006-07 was released after a delay of 2 to 8 months violating the above guidelines as shown below:

(Rupees in crore)

	Central share received		State share to be released (10 per cent)	State share released	
	Amount	Month		Amount	Month
2005-06	65.84 ³	December 2005 to March 2006	7.31	1.00	March 2006
2006-07 (First instalment)	98.89	April 2006	10.99	17.30	September 2006

As a result of belated release of NREGS funds, funds from other schemes were diverted for implementing NREGS works due to non-availability of sufficient funds at the time of execution of works as detailed below:

Transfer of funds from other schemes for implementing the scheme.

During December 2006 to February 2007, Rs 5.50 crore were diverted from SGRY (Special component)⁴ and Fishermen House Scheme⁵ to implement NREGS in Cuddalore district as funds were received from GOI belatedly in March 2007. The funds were subsequently recouped to the respective scheme funds in March 2007.

In one of the sample blocks (Thirukoilur) in Villupuram district, Rs 10 lakh was diverted from Total Sanitation Campaign (January 2007) to implement NREGS. The funds were recouped subsequently (March 2007).

5.1.8.6 Non transfer of funds from closed schemes

Even after a lapse of one year of the extended date by GOI the non transfer of unutilised funds under SGRY and NFFWP (the schemes ordered to be closed by GOI on 30 June 2006) was noticed in two sample districts and four sample blocks of these two districts as indicated below:

³ Includes Rs 14.02 crore being the last instalment of 2005-06 received in 2006-07.

⁴ December 2006: Rs 50 lakh, January 2007: Rs two crore and February 2007: Rs two crore.

⁵ December 2006: Rs one crore.

(Rupees in lakh)

District Office	Balance kept under SGRY as on		Balance kept under NFFWP as on	
	31.03.2007	30.09.2007	31.03.2007	30.09.2007
DRDA, Cuddalore	-	-	-	-
DRDA, Villupuram	-	-	8.24	8.38
Cuddalore				
(a) Panruti Block	3.68	3.68	2.78	2.78
(b) Melbuvanagiri Block	1.04	1.04	0.17	0.17
Villupuram				
(a) Tirukoilur Block	10.42	5.61	5.04	3.16
(b) Vanur Block	30.23	24.86	1.24	1.27

Apart from the above, Rs 2.19 lakh was kept under SGRY account in District Panchayat, Villupuram (September 2007).

5.1.8.7 *Misappropriation of funds*

Audit tried to ascertain the instances of misappropriation in implementation of the scheme. In response to an audit query, the DRDA, Villupuram stated (January 2008) that out of Rs 27.42 lakh misappropriated by the Panchayat President/Panchayat Assistant, Rs 8.92 lakh was only recovered and the remaining amount of Rs 18.49 lakh was pending recovery in eight cases relating to as many village panchayats⁶. While a criminal case was filed in one case, complaints were given in other cases to file criminal case against the ex-Panchayat President/Panchayat Assistant.

While DRDA, Cuddalore stated that there was no case of misappropriation in Cuddalore district under NREG Scheme, the remaining sample district of Tiruvannamalai did not furnish a reply to Audit (December 2007).

5.1.9 **Registration and Employment**

5.1.9.1 *Registration*

Based on the Act, the State Government issued (February 2006) orders communicating the procedure prescribed for implementation of the Act. All adult members of a family residing in a village can register with the Village Panchayat President/Block Development Officer for work. Every adult member of a registered household can apply for work in writing in a prescribed format to the President of Village Panchayat/Executive Officer of Special Village Panchayat/Block Programme Officer. During the initial stages the registration of households in the implementing districts was very low as compared to the total number of households. In order to ensure that the benefits of the scheme reach all the unemployed persons in all the villages, the DRDPR had directed (July 2006) the District Collectors to ascertain the total number of households in each village and to ensure that all the unemployed

⁶ Ariyalur VP: Rs 0.21 lakh, Kallapuliur: Rs 2.08 lakh, Kallalipattu: Rs 1.68 lakh, Kappai: Rs 2.53 lakh, Karadichithur: Rs 2.97 lakh, Mathur: Rs 2.95 lakh, Sirunagalur: Rs 0.37 lakh, Thaiyur: Rs 5.70 lakh.

Number of households registered at macro level and in sample districts as of March 2007.

persons in each village register their names under the scheme. As a result of survey conducted and due to subsequent efforts, the registration improved thereafter and the position of registration in the State and in the sample districts as of March 2007 as per the progress report of NREG scheme for the end of March 2007 forwarded by DRDPR to GOI, is given below:

Position for the State as a whole

(in numbers)

Total number of households	Number of households			
	Registered (percentage to the households)	Registered and demanded employment (percentage to registered households)	Provided with work (percentage to registered households)	Percentage of household provided with work to demanded household
22,96,012	11,57,525 (50.41 per cent)	6,83,708 (59.07 per cent)	6,83,481 (59.05 per cent)	99.97 per cent

Sample Districts

Name of the District	Total number of households	Registered (Percentage to total households)	Registered and demanded work (Percentage to registered households)	Provided with works (percentage to registered households)	Percentage of household provided with work to demanded household
Tiruvannamalai	4,67,643	2,49,849 (53.43 per cent)	1,41,884 (56.79 per cent)	1,41,884 (57 per cent)	100 per cent
Cuddalore	4,11,833	2,24,000 (54.39 per cent)	1,40,263 (62.62 per cent)	1,40,263 (63 per cent)	100 per cent
Villupuram	5,42,183	2,90,611 (53.60 per cent)	2,18,873 (75.31 per cent)	2,18,646 (75 per cent)	99.90 per cent
Total	14,21,659	7,64,460 (53.77 per cent)	5,01,020 (65.54 per cent)	5,00,793 (66 per cent)	99.95 per cent

Perusal of connected records revealed that the percentage of registered households to total households increased substantially from 25.68 in June 2006 to 50.41 in March 2007.

5.1.9.2 Issue of Job Cards

Date of application not filled in the registers.

(a) As per NREGS operational guidelines, the village panchayat has to issue job cards to every registered household after verification within a fortnight of the date of application for registration. However, audit could not identify the delay in issue of job cards in sample districts as the date of application was not filled in the registers maintained in any of the sample village panchayats in the sample districts.

Non-issue of job cards to 1,093 households registered in Cuddalore district.

(b) In Cuddalore district, against 2,24,000 applications registered, job cards were issued only to 2,22,907 households as of March 2007 and 1,093 households were yet to be issued job cards. Government accepted the fact and stated that instructions were issued to the DPC, Cuddalore to issue job cards to all those who had registered.

5.1.9.3 Provision of work to households demanded

Details of registered households demanded and provided with work at macro level and in sample districts as of March 2007.

Government stated that despite the fact that more households were registered for wage employment, all of them had not demanded employment. Demand for employment was more only during the period, when there is no other source of employment under agricultural/construction sectors. The percentage of registered households demanded and provided with works in Villupuram district was good at 75 per cent, and in Cuddalore and Tiruvannamalai was slightly lesser at 63 and 57 respectively, as against 59 per cent at the State level.

In two sample blocks viz., Kilpennathur and Thandarampet of Tiruvannamalai district, against 11,326 and 27,712 BPL households registered under the scheme, only 3,866 (34 per cent) and 17,775 (64 per cent) households demanded work and were provided with jobs during 2006-07. The substantial shortfall of 66 and 36 per cent would indicate poor publicity and slackness in implementation of the scheme.

5.1.9.4 Employment Generation

Less than 0.3 per cent of the households were given 100 days employment in the State.

5.1.9.4(a) Provision of employment for 100 mandays

The NREG Act provides for guaranteed employment for 100 days to the registered households who demanded work. Out of 6,83,481 households who were provided with work during 2006-07 in the State, only 1,824 households (0.27 per cent) were provided with 100 days of employment as shown below:

	No. of households provided with work			No. of mandays			Mandays per households provided with less than 100 days work 7 = 6/3
	Total	for 100 days	for less than 100 days	Total	for households provided with 100 days work	for other households	
	1	2	3	4	5	6	
State	683481	1824(0.27)	681657(99.73)	18286500	182400	18104100	26.56

(Figures in brackets indicate the percentage to total households)

(Source: Progress report of DRDPR for the end of March 2007 forwarded to GOI for NREG Scheme)

Average number of mandays per household provided with less than 100 days work worked out to 26.56 during 2006-07.

Test check of the three sample districts revealed that the percentage of households provided with 100 days employment in Tiruvannamalai, Cuddalore and Villupuram districts were 0.11, 0.29 and 0.06 respectively, as given in **Appendix 5.1**.

The average number of mandays per household, who were provided with work for less than 100 days during 2006-07, worked out to only 26.56 in the State. The average mandays worked out to 31, 28 and 19 days in Tiruvannamalai, Cuddalore and Villupuram districts respectively. However the percentage of persons who actually demanded 100 days work but were not provided work to that extent could not be worked out by Audit due to non-production of applications. In cases where the applications were produced, they did not contain details of dates and periods for which work was demanded.

The Government attributed (December 2007) the poor performance to elections to PRIs besides stating that heavy monsoon rains affected the execution of works. The above coupled with the delayed finalisation of rural schedule of rates in August 2006 and commencement of scheme thereafter had contributed to the poor performance under the scheme during 2006-07.

5.1.9.4(b) Factors leading to lesser employment generation

(i) Only one work was executed at a given point of time in the village panchayats (VPs) in the sample districts (except in one sample village panchayats viz., Nedumudayan of Tirukoilur block in Villupuram district wherein two works were taken up simultaneously) despite having two to four works sanctioned for the year. This had restricted the employment availability and consequent provision of lesser number of mandays.

(ii) Despite two or three works sanctioned in each village panchayats in four sample village panchayats (Prasannaramapuram of Melbuvanagiri block and Radhapuram of Thandarampet block and Kazhikulam and Royampettai of Kilpennathur block), one or two works were taken up only in the last quarter of the year resulting in number of incomplete works as on March 2007, besides restricting the employment availability. A time schedule for completion of works is necessary as the adequacy of the phase of execution of works could not be monitored/measured in the absence of time-schedule.

(iii) Out of three works sanctioned each for the Palangur and Ranganathapuram village panchayats in Villupuram district, no work was taken up/executed during 2006-07 due to soil conditions and continuous rain. In T.Keeranur Village Panchayat, one unapproved work was taken up and executed in addition to two approved works (2006-07).

(iv) The scheme took off effectively only at the end of August 2006 due to delay in finalising the rural schedule of rates and the issue of Government's instructions on selection of work during 2006. The number of calendar days available and the number of days for which works were executed in three sample districts during 2006-07 are given below:

District	No. of Calendar days available	Period	No. of actual days of work (range)
1. Tiruvannamalai	212	September 2006 to March 2007	78 to 101 days
2. Cuddalore	274	July 2006 to March 2007	40 to 117 days
3. Villupuram	243	August 2006 to March 2007	Nil to 91 days

Apart from the delayed finalisation of rural schedule of rates in August 2006, local body elections and monsoon were attributed as main reasons for lesser availability of working days. Government in their reply (December 2007) stated that the vagaries of seasonal conditions and opportunity for alternative employment should also be taken into consideration while determining the maximum number of days for which NREGS works could be carried out in villages.

(v) Though the scheme provided that at least 50 *per cent* of works should be planned for execution by Village Panchayats and permitted the execution of works by other agencies like District Panchayats, Block Panchayats, connected line departments etc., all works were found to have been executed in the sample districts by Village Panchayats only. As only limited works out of sanctioned works were taken by these village panchayats, entrustment of works to other agencies would have increased the number of mandays of work and the employment opportunities as envisaged under the scheme.

5.1.9.4(c) *Non-payment of unemployment allowance*

In cases where work could not be provided within 15 days of the date of receipt of application seeking employment or from the date on which the employment has been sought in the case of advance application, whichever is later, unemployment allowance was to be paid at one-fourth of the wage rate for the first 30 days during the financial year and not less than one-third of the rate for the remaining period of the financial year.

Scrutiny of connected records in the sample districts revealed that unemployment allowance was not paid in any of the villages. The State Government stated that such contingencies did not arise as all those who had demanded jobs were provided employment. The scheme guidelines stipulated that dated applications for work should be obtained from beneficiaries duly indicating the number of days for which job was required. However, application for work was not produced in some villages. In other villages where applications were produced, they were not dated and the dates and period for which work was sought for, were also not indicated.

Further, audit observed that even in Villupuram district wherein 227 registered households were not provided with work as per the details available no unemployment allowance was paid. The reasons for non-payment of unemployment allowance was not available on records (October 2007).

Similarly, though an employment register was to be maintained indicating the days for which job was demanded, the registers maintained in the villages did not contain these details. In such circumstances, Audit could not verify whether the unemployment allowance due in any case was denied. Government's claim that there was no reason for the payment of unemployment allowance too was not susceptible of verification in the absence of such crucial required data in the records maintained in the villages. Thus, any claim for unemployment allowance arising in future cannot be disputed legally.

Government stated (December 2007) that there was no complaint or claim for unemployment allowance from any of the beneficiaries of the sample villages so far and insisting on application for work would pave way for the involvement of middle men and touts as most of the wage seekers were illiterate. The reply of the Government was not tenable as in the absence of dated applications and other required particulars, Audit could not ensure whether employment was given to all those who had registered and demanded work within the specified time as required under the Act and whether the denial of unemployment allowance in the cases was justified. Further, the Government could have provided assistance to the applicants through

departmental staff to fill up all the required columns at the time of submission of application.

Though the scheme guidelines stipulate that the households which demand jobs were to be issued instructions to appear for work either by themselves or by deputing one of the members of the family, no such orders were found to have been issued before the commencement of any work. Government stated (December 2007) that the works which are approved by the Gram Sabha were taken up for execution under NREGS. Information as to the name of the work and the date on which the work is to commence with request to the members of households who have applied for employment to turn up at the work-site is displayed on the notice board of the Gram Panchayat and other conspicuous places of Gram Panchayats where people congregate. Thus wide publicity about the commencement of the work is being given by the Gram Panchayats.

The reply was not tenable as the Act specifically mentions that the liability of the State Government to pay unemployment allowance to a household shall cease as soon as the applicant is directed by the village panchayat or the programme officer to report for work and hence to have a legal back up, the issue of addressing the household to appear for the works is all the more essential.

5.1.9.5 Works executed

GOI/State Government prioritised (February 2006) the works that could be taken up under the scheme. The Government also prescribed (June 2006) five kinds of works as priority works⁷. DRDPR instructed (August 2006) that no works involving material component viz. masonry work, metal roads or gravel collection be taken up and in case such works were needed, they could be taken up under General Fund, SFC grant or any other grant unconnected with NREGS.

5.1.9.6 Position of works taken up during 2006-07

(i) During 2006-07, out of 6,719 works taken up, 2,213 works were completed as of March 2007, while the remaining 4,506 works were in progress. Details of works taken up are given below:

S.No.	Nature of work	Taken up	Completed	In progress
1	Water conservation & harvesting	1,296	605	691
2	Drought proofing	7	7	0
3	Minor irrigation	1,405	369	1,036
4	Renovation of water bodies	3,337	954	2,383
5	Land development for SC/ST beneficiaries	0	0	0
6	Flood control	41	7	34
7	Road connectivity	633	271	362
Total		6,719	2,213	4,506

(Source: Progress Report of DRDPR to GOI through State Government)

⁷ (i) New pond, (ii) renovation of various water storing places like ponds, kuttais, kulams, ooranies, temple tanks etc., (iii) channel, (iv) irrigation tank, and (v) formation of new roads.

The above details reveal that

- Ninety *per cent* of the works related to water conservation and improvement to water bodies because of the prioritisation of works involving water conservation under NREGS.
- No work was taken up under provision of irrigation facilities to land owned by SC/ST beneficiaries or land reforms and land development, though contemplated in the Act because of their non-prioritisation. Government stated (December 2007) that it has been decided initially to take up water conservation works in panchayat lands and after exhausting the community based works, other works benefiting individuals would be taken up.

(ii) Measurement Books for the works executed under NREGS for 2006-07 which were to be maintained by the block officers were not produced in any of the sample village panchayats and completion reports (CRs) were also not recorded for the works completed so far in Kilpennathur and Thandarampet blocks in Tiruvannamalai district and Panruti and Melbuvanagiri blocks in Cuddalore district. In Villupuram district, though CRs were recorded in Tirukoilur and Vanur blocks, Measurement Books were not prepared.

(iii) Unique identity numbers, though envisaged in GOI guidelines, were not given to works taken up in Thiruvannamalai district to avoid duplication or over lapping of works taken up for implementation. The PO, DRDA, Tiruvannamalai stated (June 2007) that unique identity numbers were since given for all the works.

(iv) According to GTN's decision, works costing Rs 3 lakh and above and works not involving materials were only taken up.

(v) State Government ordered (November 2006) that desilting of ponds, rivers, tanks and canals etc. were treated as maintenance works and hence were prohibited under one of the schemes (MLACDS) implemented by Rural Development Department. However, mostly desilting works were taken up under NREGS during 2006-07 which were not followed up with embankment/revetment/lining of channels.

(vi) Under the category road connectivity, guidelines required provision of all-weather roads. This would require machinery for laying roads and materials like gravel/metal/bitumen. Since the State Government banned the incurring of expenditure under material component under NREGS, the roads formed under NREGS were only mud-cart roads and hence could not be construed as all-weather roads.

5.1.9.7 Payment of Wages

In accordance with the Act, every person engaged under the scheme was entitled to wages at the minimum wage rate of Rs 80 fixed for agricultural labourers under the Minimum Wages Act in the State. The Act envisaged that the schedule of rural rates of wages for unskilled labourers be so fixed that a

person working for seven hours would normally earn a wage equal to the minimum wage rate.

The minimum wage of Rs 80 per day revised by State Government in January 2006 applicable to agricultural labour engaged in implementation of SGRY, special component of SGRY, NFFWP was also adopted for NREGS works. Since the unskilled unemployed rural workers could not earn the minimum wages of Rs 80 per day stipulated in the NREG Act even after working for seven hours per day as the average daily earning based on PWD schedule of rates were reported as between Rs 40 and Rs 50, Government introduced the rural schedule of rates in July 2006. Under this the rates adopted for execution of earth work was enhanced to enable NREGS workers to earn minimum wage.

5.1.9.8 Non-payment of minimum wages

Payment made was less than minimum wages due to poor outturn.

Schedule I of the Act clearly stipulates that under no circumstances shall the labourers be paid less than the minimum wages and the schedule of rates of wages for unskilled labourers shall be so fixed that a person working for seven hours would normally earn a wage equal to the wage rate. Despite the relaxation of the PWD outturn, test-check revealed that the minimum wages could not be earned by the workers due to poor outturn in 14 out of 24 village panchayats in Cuddalore, Villupuram and Tiruvannamalai districts and the wages earned ranged only between Rs 56 to Rs 80. No complaints/observations regarding fixation of outturn and lesser payment of minimum wages were on record.

5.1.9.9 Non-payment of compensation for the delay

No compensation was paid for the delay in payment of wages, though the delay amounted to as much as 112 days in sample villages.

The workers were entitled to wages on a weekly basis and in any case within a fortnight of the date on which work was done. In the event of any delay in wage payment, workers were entitled to a compensation as per provisions of Payment of Wages Act, 1936 and the compensation so paid was to be borne by the State Government.

Though the Act provides for payment of wages within 15 days of the date of work, delay in payment beyond 15 days was noticed ranging from 1 to 112 days in 66 instances in 17 sample village panchayats in three sample districts. However no compensation, as prescribed in the Act, was made for the delayed payment, though Schedule II of the Act stipulated that the labourers shall be entitled to receive the payment of compensation in such cases as per the provisions of the Payment of Wages Act, 1936. Government stated (December 2007) that specific instances of delay pointed out by the inspecting officers were looked into and payment of wages was now monitored on a weekly basis and a specific day is marked to make weekly payment in each of the districts.

5.1.9.10 Provision of employment in turn

Employment provided in turn in violation of the Act.

Test check revealed that in four villages each of two blocks – (Thandarampet and Kilpennathur) of Tiruvannamalai District; (Panruti and Melbuvanagiri) of

Cuddalore District and (Tirukoilur and Vanur) of Villupuram district, the persons who demanded jobs were provided employment in turn as detailed in **Appendix 5.2**.

In the Social Audit conducted by the members of the Central Employment Guarantee Council at Villupuram district, it was pointed out that only one household member was allowed to work at any given point of time in violation of the Act, and employment was rotated between different wards in successive weeks.

In reply the Government stated (December 2007) that because of the pressure from community, the Village President decided to adopt this method for ensuring equity among households/habitations in the village, which had several habitations. Government further stated that opening up of worksite in each habitation was not administratively feasible and wage opportunities are generally limited to 100 days per household in a year and a top down approach instead of community participation of decision making to correct them can lead to complaints of undue interferences and may not be sustainable. Despite the fact that NREG Act envisaged that the employment to be given to the labourers for the dates demanded by them, the employment was given to them only “in turn”, which led to denial of employment on the dates demanded by the people.

5.1.10 Maintenance of Registers

In accordance with the guidelines issued by GOI for NREGS, the following registers are to be maintained at Village Panchayat and Block level.

Sl. No.	Registers to be maintained at Village Panchayat level	Registers to be maintained at Block level
1.	Application Registration Register	----
2.	Job Card Register	Job Card Register
3.	Employment Register	Employment Register
4.	Asset Register	Asset Register
5.	Muster Roll Receipt Register	Muster Roll Issue Register
6.	Complaint Register	Complaint Register

Test check of records at panchayat and block levels revealed the following :

Deficiencies in the maintenance of registers.

(i) As against two registers to be maintained in village panchayats for registration of application and for job card, only one combined register was maintained. Though DRDPR specifically instructed (August 2006) that a separate register should be maintained in the village panchayat with household-wise number of days of employment given and wages paid to the registered card holders, the column for date of application for registration and date of issue of job cards prescribed in the guidelines was not indicated in many of the sample villages in Cuddalore, Villupuram and Tiruvannamalai districts.

(ii) In the employment register maintained in the sample villages, the date of application for work was not filled in several cases. The column for recording the period for which employment sought was also not provided.

(iii) No complaint register was maintained in the sample villages though the department officers reported that all the grievances were settled immediately. Government stated (December 2007) that instructions have been issued to maintain a complaint register in each panchayat and in future the maintenance of the register would be ensured.

(iv) At block level, excepting the muster roll issue register and complaints register, none of the other three prescribed registers viz. Job card Register, Employment Register and Asset Register were maintained.

Government stated (December 2007) that they had prescribed (August 2007) 13 registers to be maintained at the three-tier level and action would be taken to ensure that the date of application for registration and the period for which employment sought are recorded.

5.1.11 Administrative and technical support

5.1.11.1 Non-provision of projected man power

Projected man power not provided by State Government.

As per the guidelines, the State Government has to ensure all administrative, financial and technical support to the District Programme Coordinator, Programme Officers and Panchayat Raj Institutions (PRIs) and all other agencies involved in the implementation of the Scheme. The NREG Act also prescribed the appointment of a full time Programme Officer for the Scheme in each block with necessary support staff for facilitating the implementation of the Scheme at block level. In pursuance of this objective, the GOI suggested (January 2006) a model proposal for an administrative setup with the undertaking to meet the expenses upto 2 per cent (subsequently increased to 4 per cent in March 2007). The State Government has not created the posts mentioned in the administrative set up as suggested by GOI.

S.No	GOI suggestion	Post approved by GTN
1.	Project Officer in each Block at Rs 20,000 per month	The Block Development Officer of each Block was entrusted with the Scheme in addition to regular functions. No full time officer was appointed.
2.	Accounts Assistant for each Block at Rs 8,000 per month	Not created
3.	Administrative Assistant for each Village Panchayat at Rs 2,000 per month	Not created

Instead, GTN ordered (October 2007) the creation of additional posts for NREGS at district and block level as detailed below:

District Level	Block Level	
1. One Superintendent (BDO rank) (Rs 17,016/- pm)	1. Dy. BDO (Rs 15,258/- pm)	In addition, 136 technical assistant posts were also created so as to reduce the number of village panchayats to be covered from 10 to 8.
2. One Assistant (Rs 12,383/- pm)	2. One Assistant (Rs 12,383/- pm)	
3. One Computer Assistant (Rs 4000/- pm)		

However, the post of 'Employment Guarantee Assistant' exclusively for NREGS as envisaged in GOI guidelines was not created in village panchayats though huge organisation burden/task lies with the village panchayats.

5.1.11.2 Non-identification of resource institutions

Resource institutions not identified and accredited Engineers not created.

To address the key concern of ensuring quality in all aspects of the implementation of the Scheme, GOI suggested the identification of technical resource institutions at district level to assist in the identification of effective labour intensive technologies for water conservation, harvesting, drought proofing, flood control, all-weather connectivity etc., preparation of standard model estimates for work, to train district technical staff, technical staff of PRIs, Secretaries of panchayats, members of PRIs and members of vigilance and monitoring committees with a view to carry out estimation, quality control and quality monitoring and to conduct quick appraisal studies to assess the quality of work and provide technical inputs to the implementing agencies for improving the quality. Though Government stated (December 2007) that identifying accredited resource engineers did not seem to be essential, the guidelines on NREGS provided for engaging a panel of accredited engineers at district and block levels for the purpose of assisting with the estimation and measurement of works.

Due to non identification of any resource institution and the creation of panel of accredited engineers by Government, the responsibility of ensuring quality, preparation of model estimates, training and measurement of works executed continued to be done by the departmental engineers at block level, who had already been entrusted with enough works under NREGS. Incidentally audit found that no check-measurement was done by the departmental engineers in NREGS works executed during 2005-06. No Measurement Books for 2006-07 were produced to Audit.

5.1.12 Monitoring

The Gram Sabha was to monitor all the works at the village level as well as the registration, issue of job cards, provision of employment to each person and timely payment of wages. The Intermediate Panchayat and the Programme Officer were to monitor the registration of households, employment provided to each applicant, unemployment allowances paid, social audits, flow of funds, timely and correct payment of wages and progress and quality of works. The Programme Officer was also responsible for sending all reports and returns to DPC, who in turn was to send reports to State Government and GOI. The District Panchayat and the District Programme Coordinator were to monitor all aspects of implementation including registration, employment, unemployment allowances, social audits, flow of funds, progress and quality of works, qualitative aspects of implementation and correct payment of wages and timely payment of unemployment allowances. The State Government was to monitor the performance of districts on the quality and pace of implementation as laid down in the National Monitoring System. A State Employment Guarantee Council was constituted (September 2006) for the

purpose of monitoring and reviewing the implementation of the scheme at State level.

Deficiencies in monitoring.

Test check of records revealed the following:

- Though the State Employment Guarantee Council was constituted, no periodicity of meeting was fixed and the Council met only once during 2006-07.
- Weekly reports prescribed for monitoring were not generated from village panchayat level, but compiled at block level. As a result no records are available for verifying the authenticity of these data.
- Though link officers/officers were nominated for inspection of village panchayats/works at the block level the observations/findings made during inspections and action taken on the findings were not on record.
- Online monitoring and information system is yet to be developed at State/district levels though envisaged.

5.1.13 Social Audit

An innovative feature of the NREG Act is that it gives a central role to “Social Audit” as a means of continuous public vigilance and verification of various stages⁸ of implementation with the basic objective of ensuring public accountability in the implementation of projects, laws and policies.

Conducting of Social Audit in Villupuram district and its findings.

The Gram Sabha was to monitor the execution of work and conduct regular Social Audit of all the projects taken up under the Scheme. Test check of records of the sample village panchayats revealed that though Social Audit was conducted in the villages, no serious complaints/ objections were reported to have been received in the Gram Sabha meetings as seen from the records. An external Social Audit was conducted by the members of the Central Employment Guarantee Council during July/August 2007 in Villupuram district. A perusal of social audit findings in Villupuram district confirmed some of the audit observations mentioned in this report which are listed below:

- widespread flaws in record keeping viz., measurement books etc.,
- work application process is not in place,
- shortage of staff of all kinds, and
- low work productivity.

Further action in this regard is yet to be taken (October 2007).

⁸ Registration of families, distribution of job cards, receipt of work applications, preparation of shelf of projects and selection of sites, development and approval of technical estimates and assurance of work order, allotment of work to individuals, implementation and supervision of works, payment of unemployment allowance, payment of wages, evaluation of work and mandatory social audit in the Gram Sabha.

Reports of external social audit conducted in three panchayats of Melbuvanagiri block of Cuddalore District by the students of Pondicherry and Annamalai Universities are yet to be received (October 2007).

5.1.14 Convergence

Guidelines issued by GOI envisages that social sector programmes like literacy and health missions should be converged with NREGS to extend the benefits of these programmes to NREGS workers/beneficiaries and NREGS worksite shall be nodal points for linkage of welfare activities such as creation of Self Help Groups (SHGs) and provision of insurance. However, such convergence with other schemes was not noticed in three sample districts.

5.1.15 Conclusion

The scheme provided generation of employment through participative planning duly involving the PRIs and the village population through Gram Sabhas in order to identify the works to be taken up for generation of employment and creation of utility durable assets. It was seen in the test checked districts that PRIs were not involved in preparation of perspective plans thereby defeating the objective of the scheme. Moreover, the preparation of perspective plans was entrusted to outside agencies which further diluted the spirit of decentralised planning. While there were delays in release of Central and State share by the State Government, the expenditure under the scheme worked out only to 65 *per cent* of the funds available during 2005-07. Non-framing of rules for implementing NREGA denied the beneficiaries a legal back up for safeguarding their interests *viz.*, payment of unemployment allowance, proper monitoring, maintenance of accounts, etc. Cases of misappropriation/embezzlement were also reported to audit.

After a slow start in 2006, registration of households improved to 50.41 *per cent* during 2006-07 in the State. Despite this, out of the total number of 11.58 lakh households registered, only 6.84 lakh households demanded and were provided with work. Though the State Government claimed that all households that demanded work were provided with work, this could not be vouchsafed in audit in the absence of applications containing details of dates and period for which work was demanded. Further, the percentage of households provided with 100 days of employment ranged between 0.06 to 0.29 *per cent* of the registered households who demanded employment in the test checked districts. The average mandays per household provided with less than 100 days work ranged from 19 to 31 in the test checked districts. Cases of delay in issue of job cards were also noticed in audit. The State Government stated that unemployment allowance was not paid in the State due to allotment of work as per demand. However, it was noticed in audit that 227 registered households in Villupuram District were not provided with either employment or unemployment allowance. Instances of delay in payment of wages and non-payment of minimum wages were also noticed. Maintenance of records/registers were poor in the test checked districts. Monitoring mechanism was not in place.

5.1.16 Recommendations

- The Five Year Perspective Plan should be finalised immediately and future annual plans should flow from this perspective plan.
- Registration should be improved and effective steps taken for formulating the annual plans in such a way that all the registered households are provided with work for 100 days per annum.
- Immediate steps should be taken to record the data about the date of application and the period for which the employment sought and all the other required details in the registers maintained in the Village Panchayats.
- Rules for carrying out the Central Act in the State should be immediately framed and notified for effective implementation of the Act.
- Government could provide assistance to the applicants through departmental staff to fill up all columns at the time of submission of applications.

The above points were referred to Government in January 2008; reply had not been received (April 2008).

5.2 Utilisation of General Fund by selected panchayat unions

5.2.1 Introduction

General Fund is an account through which all the transaction of panchayat unions (PU) are carried out. It comprises non-tax revenue, assigned revenue, grants received with reference to State/Central Finance Commission recommendations etc. It also comprises of other panchayat unions receipts such as interest on loans and securities, interest on arrears of revenue, unclaimed deposits, income from sale proceeds of buildings and other property owned by panchayat unions and all other moneys received by panchayat unions council, etc. In short the General Fund accommodates all receipts of the panchayat unions except receipt in respect of Education Fund, Nutritious meal fund, specific scheme accounts, village panchayat consolidated fund account and NABARD (10 percent panchayat unions share) account. The General Fund can be applied for purposes expressly declared obligatory or discretionary by the Tamil Nadu Panchayats Act, 1994 (Act) including payment of any amount falling due on any loans contracted by it, salaries, allowances, pension and pension contribution of its officers. Surplus available in General Fund can also be used for works relating to water supply, school building, road works and minor irrigation tanks. The General Fund is kept in Local Fund Deposits (LF-I) with the Treasury and earns interest of 4.5 *per cent* per annum.

5.2.2 Organisational set up

Panchayat unions comprises the Council with elected representatives (ward members), the Chairman (elected by ward members), and two Block Development Officers (BDO), one for block panchayat and the other in charge of village panchayats (VP) and schemes. The former is the Commissioner of the panchayat unions. Union Engineer assisted by Overseers is responsible for technical matters relating to execution of works.

5.2.3 Audit methodology and coverage

Utilisation of General Fund in selected panchayat unions was reviewed in six districts¹ selected through stratified random sampling method. The activities during the period 2002-07 were studied in the office of the Director of Rural Development and Panchayat Raj (DRDPR), offices of the Assistant Directors (Panchayats) in the selected districts and 40 selected panchayat unions (**Appendix 5.3**). Important points noticed during test check are discussed in the succeeding paragraphs.

5.2.4 Utilisation of General Fund

The receipt and expenditure accounted for under General Fund in the test checked panchayat unions during 2002-07 were as below:

¹ Krishnagiri, Salem, Theni, Tirunelveli, Tiruvarur and Virudhunagar.

(Rupees in crore)

Year	Receipts	Expenditure
2002-03	3,777	3,318
2003-04	4,631	4,030
2004-05	5,458	5,351
2005-06	6,452	6,036
2006-07	7,508	6,595

5.2.4.1 Preparation of annual budget

According to Section 192 (1) of the Act, the Commissioner of Panchayat Union should in each year frame and place before the Panchayat Union Council a budget showing the probable receipt and expenditure during the following year. Five² panchayat unions in Tiruvarur district did not prepare the budget during 2002-07. The above panchayat unions have, thus, failed to adhere to statutory provision.

5.2.4.2 Diversion from General Fund

The panchayat unions diverted General Fund temporarily for meeting the target for post office small savings, to other schemes and for expenditure on behalf of village panchayats during 2002-07.

Temporary diversion to achieve target for small savings

District Collectors fix targets for panchayat unions for collection of small savings which should be achieved by mobilising money from the public. Instead, thirteen panchayat unions in Krishnagiri, Theni, Tirunelveli and Virudhunagar districts (**Appendix 5.4**) had temporarily diverted Rs 3.17 crore from their General Fund to post office savings bank account as per the instruction of the District Collectors during the period from February 2002 to March 2005 and recouped the same after a lapse of one to 38 months.

Temporary diversion to other schemes

Nineteen panchayat unions temporarily diverted Rs 1.71 crore during 2002-07 from General Fund to other schemes including for purchase of materials and retransferred the amounts after a lapse of three to 57 months. This had resulted in loss of interest of Rs. 8.31 lakh (**Appendix 5.5**).

Diversion to meet the expenditure on pay and allowances of Fitter, Fitter Assistant and Electrician

Government sanctioned (May 2000) one post each of Fitter, Fitter Assistant and Electrician to each panchayat unions for maintenance and repair of hand pumps, bore wells, etc. The Government also created (October 2000) a revolving fund with Rs. 1 lakh for each panchayat unions to meet the pay and allowances of these employees initially from the revolving fund. Service charges were to be recovered from the village panchayats for whom their services were utilised and credited to the revolving fund. Though the

² Koradachery, Nannilam, Needamangalam, Thiruthuraipoondi and Tiruvarur.

panchayat unions utilised the services of these staff for maintenance and repair of hand pumps and power pumps of the village panchayats, they failed to recover service charges from the village panchayats. Thirty panchayat unions have utilised Rs 3.76 crore from General Fund to defray the expenditure towards pay and allowances of these employees from April 2002 to March 2007 (**Appendix 5.6**).

5.2.4.3 Irregular expenditure

The panchayat unions irregularly charged Rs 66.36 lakh from the General Fund on unauthorised items.

In the following instances the panchayat unions have charged certain items of expenditure to General Fund, though they were not to be met from General Fund:

Expenditure towards fuel and maintenance of vehicles used by BDO (VP)

Government instructed (October 1998) that expenditure towards fuel and maintenance of vehicles used by BDO (VP) for monitoring and supervision of centrally sponsored schemes should be incurred from the administrative charges provided under each scheme. However, 17 panchayat unions charged Rs 63.18 lakh (**Appendix 5.7**) towards expenditure relating to fuel and maintenance of vehicles of BDOs (VP) to General Fund during the period 2002-07.

Payment of Electricity Tax

Though Government exempted (June 2003) PRIs from payment of Electricity Tax, 28 panchayat unions paid Rs 1.71 lakh towards the tax between June 2003 and May 2007 (**Appendix 5.8**). The test checked panchayat unions stated that action would be taken to adjust the amount in future payment of electricity charges.

Contribution for Total Sanitation Campaign

For construction of school toilets and anganwadi toilets under Total Sanitation Campaign, 10 *per cent* of the cost was to be recovered from Parent Teacher Association for schools and from village panchayats for anganwadis. However, three panchayat unions (Theni District: two and Virudhunagar District: one) paid contribution of Rs 0.58 lakh from their General Fund between December 2002 and March 2003 towards construction of toilets in schools and anganwadis (**Appendix 5.9**).

Expenditure on payment of penalty

According to Section 26 of Tamil Nadu General Sales Tax (TNGST) Act, 1959, Sales Tax collected from contractors/dealers should be remitted into Government account within 30 days of collection. Otherwise, penalty is leviable under Section 24(3) of the TNGST Act, 1959. It was noticed from the records of Periyakulam Panchayat Union that an amount of Rs 0.89 lakh was paid during March 2004 from the General Fund towards penalty for delay in remittance of Sales Tax collected from the contractors during the period from

1992-93 to 1996-97 to Government accounts. Thus the failure to remit the amount had resulted in an avoidable expenditure of Rs 0.89 lakh.

5.2.4.4 Amount receivable not received

Unutilised portion of panchayat unions contribution in respect of road works taken up with assistance from NABARD was not transferred to General Fund resulting in loss of interest of Rs 3.28 lakh.

According to guidelines for execution of works with the assistance from National Bank for Agriculture and Rural Development (NABARD) for the year 2000-2001, 10 *per cent* of the scheme cost was to be borne by panchayat unions and the remaining was to be a mix of grant and loan at 3:1.

In two³ panchayat unions in Tiruvarur district, certain road works were cancelled (October 2002) - (i) for want of required width for road works and (ii) as certain works had already been executed by Highways and Rural Roads Department. The loan and grant portion was refunded to Government and panchayat unions portion of 10 *per cent* amounting to Rs 10.87 lakh along with interest of Rs 59,900 earned was kept with LF Account No. X (NABARD scheme works) and not remitted to the General Fund so far (July 2007).

Similarly in Kaveripattinam, Krishnagiri, Pettainayakanpalayam, Sankari and Talaivasal Panchayat Unions, Rs 4.97 lakh being the balance amount after completion of works was not remitted to General Fund.

As the above amounts were not transferred to General Fund there was a loss of interest amounting to Rs 3.28 lakh (June 2007) (**Appendix 5.10**).

5.2.4.5 Reconciliation of figures

As per reconciliation statement of Veerapandi Panchayat Union for the month of March 2007, 13 items of cash remittances of Rs 57,007 made into treasury between April 1996 and January 2003 were shown as pending reconciliation. This indicated that the panchayat unions had not taken effective steps to clear these items though they were pending for more than four years.

5.2.5 Execution of works

Deficiencies noticed in execution of works out of General Fund are discussed in the succeeding paragraphs.

5.2.5.1 Execution of capital works without sanction of Director of Rural Development and Panchayat Raj Institutions

As per the instructions (January 1996) of the Government, the panchayat unions can execute capital works in respect of drinking water supply, school buildings, improvement to panchayat unions roads and improvement and restoration of minor irrigation tanks. In respect of other capital works, permission of DRDPR should be obtained before execution. However, six panchayat unions executed other capital works such as construction of record

³ Nannilam and Tiruvarur.

room, computer room, etc., at a cost of Rs 60.83 lakh during the period 2002-07 without obtaining prior approval of DRDPR (**Appendix 5.11**).

5.2.5.2 *Asset Register not maintained*

As per Government instructions (July 2001) all assets acquired/created out of the General Fund, were required to be entered in an Asset Register. Nannilam and Tiruvarur Panchayat Unions did not maintain the above register. As this register was not maintained there was a possibility that the loss of any asset on a later date may go unnoticed.

5.2.5.3 *Non-maintenance of contractor's ledger*

According to codal provisions, the contractor's ledger should be maintained for accounting all transactions including issue of materials to the contractors. It was noticed that none of the 40 test checked panchayat unions maintained the contractor's ledger.

5.2.6 *Conclusion*

There were temporary diversions from General Fund to other schemes resulting in loss of interest. Certain items of expenditure not to be charged to General Fund were incurred from that fund. Capital works which required prior sanction of DRDPR were taken up without approval.

5.2.7 *Recommendations*

- Diversion of General Fund to other schemes and for achieving small saving target should be strictly avoided.
- Expenditure on items not chargeable to General Fund should not be incurred from General Fund.
- Capital works requiring prior sanction from head of the department should be taken up only after obtaining necessary approval.

The above points were referred to Government in September 2007; reply had not been received (April 2008).

5.3 Assigned Revenues to Panchayat Raj Institutions

5.3.1 Introduction

Assigned revenues include the class of taxes and levies traditionally collected by Government in related departments and assigned to panchayat raj institutions (PRIs) as per the existing norms.

The revenues assigned to PRIs at present along with the name of the department which collect and assign the revenues and the periodicity of assignment are discussed below:

Kinds of revenues assigned to PRIs.

(a) Entertainment Tax (ET) is collected by the Commercial Tax Department and assigned quarterly to the PRIs. With effect from 1 April 1997, 90 *per cent* of ET collected under Entertainment Tax Act, 1939 was directly assigned by the territorial Assistant Commissioners (AC) of Commercial Tax (CT) Department during the second month of the succeeding quarter as per the recommendation (May 2002) of the Second State Finance Commission (SSFC), approved (July 2002) by State Government.

(b) Surcharge on Stamp Duty (SSD) is collected by the Registration Department and assigned quarterly to the PRIs. Surcharge on Stamp Duty is levied under Tamil Nadu Panchayats Act, 1994 and ninety seven *per cent* of SSD so collected has to be assigned by the District Collectors to the connected village panchayats. The SSD of each quarter has to be assigned in the second month of the succeeding quarter as ordered (August 2002) by State Government based on the recommendation (May 2002) by SSFC.

(c) Similarly, the Local Cess/Local Cess Surcharge is collected by the Revenue Department under the Tamil Nadu Panchayats Act, 1994, along with the land revenue. State Government is empowered to levy one rupee as Local Cess on every rupee of land revenue. The Local Cess so collected will be assigned directly to the village panchayats concerned. Local Cess Surcharge is levied on a scale ranging from rupees five at the minimum and rupees ten at the maximum on every one rupee collected as land revenue. The Local Cess Surcharge, so collected will be assigned directly to the panchayat unions. As per the recommendation (May 2002) of SSFC, approved (August 2002) by State Government, 50 *per cent* of Local Cess and Local Cess Surcharge has to be adjusted every year in February and the balance in May.

(d) As per Rules 7, 8, 12 and 19 of Tamil Nadu Mines and Minerals Rules, 1959, the Seigniorage charges were collected by the Director of Geology and Mining Department and assigned in entirety to the related PRIs.

The assigned revenues are credited to the General Fund of the PRIs kept in treasuries as interest bearing Local Fund Deposits (LF-I).

Perusal of connected records revealed that the percentage of assigned revenues to total revenues ranged between 13 and 19 *per cent* for village panchayats and 1 and 4 *per cent* for panchayat unions during 2003-07. However, audit found that this resource base has been eroded by deficiencies like non/belated assignment, short assignment, incorrect assignment, etc., by the related departments as detailed in the succeeding paragraphs.

5.3.2 Audit Coverage

Records relating to assigned revenues to PRIs were test checked in the Directorate of Rural Development and Panchayat Raj Institutions besides covering the related records in three districts *viz.*, Coimbatore, Kancheepuram and Tiruvallur. The review was conducted to ascertain

- whether the entitled assigned revenues were correctly assigned as per the existing norms, and
- whether the revenues had reached the PRIs in time.

5.3.3 Revenue assigned to PRIs during 2002-07

The details of revenue assigned to the PRIs in the State as a whole during 2002-07 are given below:

(Rupees in crore)

	Year	ET	SSD	Local cess	Local Cess Surcharge	Seigniorage Fees	Other assigned revenues ¹	Total
Village Panchayats	2002-03	(NA)	(NA)	(NA)	Not Due	(NA)	(NA)	(NA)
	2003-04	2.99	143.72	3.21	-do-	18.14	17.52	185.58
	2004-05	3.18	104.74	2.31	-do-	26.30	12.50	149.03
	2005-06	1.74	144.77	2.15	-do-	27.08	23.03	198.77
	2006-07	0.94	148.36	3.30	-do-	25.27	31.56	209.43
Panchayat Unions	2002-03	(NA)	Not due	Not Due	(NA)	(NA)	-	(NA)
	2003-04	2.07	-do-	-do-	18.39	8.97	-	29.43
	2004-05	1.21	-do-	-do-	2.02	1.57	-	4.80
	2005-06	0.99	-do-	-do-	6.41	1.35	-	8.75
	2006-07	0.84	-do-	-do-	15.63	2.01	-	18.48

NA: Not Available

The above table indicated that ET assigned to village panchayats and panchayat unions showed a declining trend. This was because Government had changed the collection of ET from a compounding pattern to collection on

¹ Includes 2C tree patta fees, cable TV fees and lease amount from mines and minerals.

gross admission with effect from October 2004, which had resulted in substantial fall in income from ET in subsequent years. The rate of SSD on the transfer of property was reduced from five to two *per cent* with effect from November 2003, resulting in decline in revenue assigned towards SSD during 2004-05. However, the decline was marginal in subsequent years due to increased transactions on transfer of property. No specific reasons were furnished for the decline in Local Cess Surcharge during 2004-06 and for Seigniorage Fees to panchayat unions during 2004-07. The increase in other assigned revenues to village panchayats was mainly due to increased collection of lease amount from mines and minerals during 2005-07 and cable TV fees during 2006-07.

5.3.4 Major Audit findings

5.3.4.1 Seigniorage charges

(a) Pending assignment

Seigniorage charges collected during 2002-07 in Kancheepuram District was not fully assigned.

Seigniorage charges collected during 2000-05 in the State was not apportioned in full.

Sl.No.	Name of the District	Year	Amount pending assignment (Rupees in crore)	Remarks
1	Kancheepuram	2002-07	1.52	Perusal of records of Assistant Director (AD) of Mines and Minerals, Kancheepuram revealed that out of Rs 27.45 crore collected during 2002-07, only Rs 25.93 crore was assigned to the PRIs in the district. The remaining amount of Rs 1.52 crore, being the Seigniorage charges pending assignment on account of sale of sand to Executive Engineer, Tamil Nadu Slum Clearance Board, Chennai-17 and Divisional Engineer (H), Tamil Nadu Road Sector Project in Kancheepuram district. The AD, Mines and Minerals stated (October 2007) that the amount would be assigned after identification of the related PRIs.
2	All districts in the State	2000-05	46.92	The Third State Finance Commission (TSFC) mentioned (September 2006) in its report that out of Rs 226.80 crore payable to PRIs during the period 2000-05, only Rs 179.88 crore was paid and the remaining amount was not apportioned. Of the remaining Rs 46.92 crore, being the Seigniorage Fees collected for removal of minor minerals commonly used like jelly, gravel and earth, pending apportionment, Rs 17.90 crore related to litigation. Government in their Action Taken Report (May 2007) accepted that the pending amount except those covered by litigation would be adjusted.

(b) *Delayed assignment*

(Rupees in lakh)

Delayed assignment of Seigniorage charges.

Sl. No.	Name of the District	Year	Amount collected and assigned belatedly	Period of delay in assignment	Loss of interest (worked out at 4.5 per cent)	Remarks
1	Tiruvallur	2002-07	1,297.63	3 to 15 months	31.47	Assistant Director (Geology and Mining), Tiruvallur stated (November 2007) that necessary reply would be sent after perusal of the concerned records.
2	Coimbatore	2003-04	8.87	24 months	0.80	-

The belated assignment besides depriving the PRIs of interest accruable on such funds, also led to non-availability of funds for development works.

5.3.4.2 *Local Cess Surcharge*

(a) *Non-adoption of enhanced rate of Local Cess Surcharge*

With a view to increase the assigned revenue to panchayat unions, the SSFC recommended (May 2002) that the rate of Local Cess Surcharge be enhanced from the existing Rs 5 to Rs 7 along with increase from the existing rate of Rupee one to Rs 2 for Local Cess also. State Government also accepted this revision and passed orders (August 2002). Perusal of records in three districts viz., Coimbatore, Kancheepuram and Tiruvallur revealed that the increased rate was not adopted for calculating the Local Cess Surcharge by the Assistant Director (Panchayats). The department replied (October 2007) that the revised rate was not adopted for want of necessary amendments under Sections 167 and 168 of the Tamil Nadu Panchayats Act, 1994 for both Local Cess and Local Cess Surcharge and the proposal for amendment of the Act was pending with Government.

Thus despite Government having approved the recommendation of SSFC in this regard as early as in August 2002, no follow up action was taken by the Rural Development and Panchayat Raj Department to give effect to the recommendation by approving the proposal for the amendment suggested by DRDPR.

Audit also observed that the TSFC recommended that (i) ceiling on Local Cess may be enhanced from Rupee one to Rs 3 with a minimum of Rs 2 by amending Section 167 of Tamil Nadu Panchayats Act, 1994 and (ii) minimum Local Cess Surcharge may be enhanced from Rs 5 to Rs 10 and further enhancement of Local Cess Surcharge may be left to the panchayat unions by suitably amending Section 168 of Tamil Nadu Panchayats Act, 1994. But the State Government had not accepted (May 2007) both these recommendations and stated in their Action Taken Report that except social forestry receipts and minor minerals, assigned revenue such as Local Cess/Local Cess Surcharge on land revenue, SSD and ET should be pooled at the State level and apportioned

among village panchayats and panchayat unions on the same lines of SFC devolution.

Test check revealed that in the three sample districts the non-collection of Local Cess Surcharge due to non adoption of revised rate of surcharge worked out to Rs 2.91 crore during the period 2002-06 as shown below:

(Rupees in lakh)

Name of the District	Local Cess Surcharge collected (at the rate of Rs 5)	Local Cess Surcharge collectable (at the rate of Rs 7)	Short realisation
Coimbatore	395.10	553.14	158.04
Kancheepuram	276.39	386.95	110.56
Tiruvallur	55.87	78.21	22.34
Total	727.36	1,018.30	290.94

The Commissioner of Revenue Administration had instructed (November 2004) the District Collectors of Dindigul and Ramanathapuram not to give effect to the enhancement till the Act was amended for this purpose.

5.3.4.3 Entertainment Tax

(a) Wrong assignment of tax to a different entity

ET assigned to a wrong entity.

Instead of assigning Rs 25.22 lakh, being the ET collected from a theatre (Mayajal Theatre) for the period from April 2002 to December 2002 to Kanathur Reddikuppam Village Panchayat under which the theatre was functioning, the tax was incorrectly assigned to Tirupporur Town Panchayat. The Assistant Commissioner (CT), Kancheepuram stated (October 2007) that since the ET assignment for the referred period was already encashed, revised ET assignment proceedings could not be made and further instructions in this regard were called for (October 2007) from the Deputy Commissioner (CT), Chennai (South) Division.

(b) Non-adjustment

The ET of Rs 0.71 lakh due for the period ended 31 March 2006, 30 June 2006 and 30 September 2006, to Kadambattur Panchayat Union in Tiruvallur District has not yet been adjusted by the Commissioner of the Panchayat Union, though the AC(CT), Kancheepuram had issued necessary orders. The Assistant Director (Panchayats), Tiruvallur stated (November 2007) that action will be taken to instruct the Commissioner to obtain revalidation orders from AC(CT), Kancheepuram.

5.3.5 Delayed release of assigned revenues

Delay in release of various assigned revenues to PRIs.

Despite the SSFC/State Government having stipulated specific time of adjustment of the assigned revenues to the concerned PRIs, test check revealed

that the connected departments delayed the adjustment as shown below in the sample districts.

Sl. No.	Name of the assigned revenue	Sample District	Period to which the assigned revenue related to	Period of delay in release of assigned revenue
1.	Surcharge on Stamp Duty	Coimbatore	2002-07	1 to 4 months
		Kancheepuram	2002-07	5 to 16 months
		Tiruvallur	2002-07	3 to 11 months
2.	Entertainment Tax	Coimbatore	2002-07	2 to 7 months
		Kancheepuram	2002-07	2 to 6 months
		Tiruvallur	2002-07	1 to 10 months
3.	Local Cess and Local Cess Surcharge	Coimbatore	2002-07	10 to 22 months
		Kancheepuram	2002-07	12 to 36 months
		Tiruvallur	2004-05	25 months

The Local Cess Surcharge for the year 2006-07 was not yet assigned in these three sample districts (November 2007). Though the delayed release was attributed (October 2007) by the Assistant Director (Panchayats), Kancheepuram to administrative reasons, the continuous delay in release of assigned revenues during all the years, in violation of Government orders revealed that the system needs to be improved immediately since delays postponed the receipt of revenues of the PRIs and affect their functioning in general and postponement of development work to be undertaken by them.

5.3.6 Monitoring

5.3.6.1 Poor monitoring of the adjustment of Local Cess Surcharge

(a) The SSFC recommended that the assignment and release of Local Cess and Local Cess Surcharge needs to be monitored by constituting monitoring committees both at State and District levels. Government also passed orders (May 2006) accepting the recommendation. Further, the Government ordered that at district level, the District Collectors should review the collection of land revenue and ensure the proper assignment of Local Cess and Local Cess Surcharge to the PRIs. The TSFC also reiterated this point (September 2006) and recommended that

(i) there should be a half yearly meeting at district level to sort out the issues relating to adjustment of dues in time and

(ii) there should be an annual meeting of Commissioner of Revenue Administration in October every year to review the adjustment of Local Cess and Local Cess Surcharge.

However, Government in their Action Taken Note (May 2007) had not accepted the above recommendation regarding conduct of review meetings at district and State levels as the issue would not arise in view of proposed

pooling at the State level and apportioning of this assigned revenue in respect of PRIs.

State level monitoring committee not formed.

(b) Test check of records revealed that no such monitoring committee at State level was formed so far (October 2007). In the three sample districts of Coimbatore, Kancheepuram and Tiruvallur, District Monitoring Committees were formed in April 2007, July 2006 and July 2006 respectively. Though one meeting was conducted by Tiruvallur District Committee in June 2007, the committees of the remaining two districts are yet to meet clearly indicating that the envisaged monitoring mechanism in this regard is yet to commence. This resulted in belated adjustment of assigned revenues lying unmonitored as evident from para 5.3.5.

5.3.7 Observations of Third State Finance Commission

5.3.7.1 Observations on Local Cess Surcharge

(a) The TSFC had requested (February 2006) the Secretary to Rural Development and Panchayat Raj Department

- to issue necessary instructions to all the District Collectors explaining the provision under Section 168 of Tamil Nadu Panchayats Act, 1994 for the revision of Local Cess Surcharge within the maximum ceiling of Rs 10 by adopting necessary resolutions in the Panchayat Union councils and publish the revised rate in the District Gazette and
- to give necessary instructions to all the Assistant Directors (Panchayats) through the District Collectors to closely monitor the adjustment of all assigned revenues including Local Cess and Local Cess Surcharge in time.

However the Assistant Directors (Panchayats) of two sample districts Kancheepuram and Coimbatore reported (October 2007) to Audit that no such resolutions were passed by the Panchayat Union councils in their districts.

(b) Variation in Local Cess Surcharge figures of Revenue Department and District Collectors

Variation in the figures furnished for Local Cess Surcharge by the Revenue Administration Department and District Collectors.

The TSFC had mentioned in their report (September 2006) that the amount adjusted towards Local Cess Surcharge was far less than the entitled amount and the figures furnished by the Commissioner of Revenue Administration (CRA) and the District Collectors showed wide variation, as mentioned below for the two faslis² 1410 (2000-01) and 1411 (2001-02).

² Fasli year commences from 1 July of each calendar year and ends on 30 June of the next calendar year.

(Rupees in crore)

Sl. No.	Year	Local Cess Surcharge	
		Adjusted as per CRA	Adjusted as per District Collectors
1.	Fasli 1410 (2000-01)	31.05	29.96
2.	Fasli 1411 (2001-02)	30.56	27.76

The Government/Department is yet to reconcile these figures and to take action for arriving at the correct amount to be assigned towards Local Cess Surcharge. The TSFC also stated that the formula outlined in Government order issued in June 1982 should be adopted without fail to avoid under adjustment.

Revenue loss to PRIs due to remission of land revenue.

The TSFC further reported that during the next three faslis³, the PRIs suffered revenue loss towards Local Cess Surcharge to the tune of Rs 57.40 crore due to remission of land revenue by Government on account of the prevailing drought situation in the State. The recommendation of SSFC that such Local Cess Surcharge remission in the period of calamity be compensated was not adhered to by Government. The TSFC again recommended that such remission should atleast be partially compensated to avoid loss of income to PRIs. However, Government had not accepted this recommendation stating that in a year of drought/flood, the distress to the farmers should be shared both by Government and PRIs.

The TSFC had also mentioned in their report (September 2006) that there had been inordinate delay in adjustment of Local Cess/Local Cess Surcharge, despite the fact that revenue wing and panchayat development wing were functioning under the direct control of the District Collectors. Such delay eroded the resource base of the village panchayats and panchayat unions. This clearly indicates the absence of proper monitoring.

5.3.7.2 Decline in assigned Entertainment Tax revenue due to Government policy

The TSFC in their report (September 2006) recommended that the PRIs should be consulted whenever any reduction in ET rate is contemplated and the loss in income should be compensated till the end of the award period of the Commission. The Government stated that though the question of consulting PRIs before making any reduction in ET rates does not arise, it had

3

Fasli 1412 (2002-03)	Rs 26.03 crore
Fasli 1413 (2003-04)	Rs 24.30 crore
Fasli 1414 (2004-05)	<u>Rs 7.07 crore</u> (Partial remission in 6 districts)
Total	Rs 57.40 crore.

agreed (May 2007) in their explanatory memorandum to compensate the loss. Further action taken in this regard is awaited (January 2008).

5.3.8 Conclusion

A review of records relating to assigned revenues of PRIs revealed cases of partial assignment of Seigniorage charges, non-adoption of enhanced rate for collecting Local Cess Surcharge, wrong assignment of Entertainment Tax and non adjustment of assigned revenue towards Entertainment Tax thereby depriving the related PRIs of their legitimate share of revenue, which in turn eroded their resource base. Delayed assignment of all assigned revenues *viz.*, Seigniorage charges, Surcharge on Stamp Duties, Entertainment Tax and Local Cess and Local Cess Surcharge resulted in loss of interest that would have accrued on such revenues had it been given in time and deposited in the General Funds of the concerned PRIs. Such deficiencies remained uncorrected despite formation of District Monitoring Committees as there were no representatives from the Panchayat Raj Institutions in the committees for putting forth their views. Despite Government's acceptance of recommendation of the Second State Finance Commission for the formation of a State Level Monitoring Committee in May 2006 itself, no such committee was constituted to advise the district committees and to take remedial action.

5.3.9 Recommendations

- Government should issue instructions to all the related departments to assign the legitimate revenues to the PRIs in time.
- All the pending and unassigned revenues as of date should be assigned to the PRIs without any further delay.
- State Level Monitoring Committee should be immediately formed and function effectively for monitoring the prompt assignment of Local Cess Surcharge.
- Inclusion of some representatives of PRIs, the recipients of this assigned revenue, in the district committees would lead to meaningful monitoring.

The above points were referred to Government in December 2007; reply had not been received (April 2008).

CHAPTER VI

AUDIT OF TRANSACTIONS (PANCHAYAT RAJ INSTITUTIONS)

Audit of transactions in the Rural Development and Panchayat Raj Department in the Secretariat, Directorate of Rural Development and Panchayat Raj, two panchayat unions in Sivagangai and Tirunelveli Districts brought out instances of lapses in management of resources and failures in the observance of the norms of regularity, propriety and economy. These have been presented in the succeeding paragraphs.

RURAL DEVELOPMENT AND PANCHAYAT RAJ DEPARTMENT

6.1 Unfruitful expenditure

ILAYANGUDI PANCHAYAT UNION

6.1.1 Non utilisation of sanitary complexes

Eleven integrated sanitary complexes for women constructed at a cost of Rs 24.35 lakh were not put to use due to non-provision of power supply. Two complexes (cost Rs 4.39 lakh) were not made use of by public due to locational disadvantage.

Government of Tamil Nadu proposed (2001-02) to provide sanitary complexes for women in all the 12,619 villages as coverage of rural sanitation was 11 per cent in the State as against the national average of 15 per cent. Eighteen sanitary complexes were constructed during 2001-04 by Ilayangudi Panchayat Union at a cost of Rs 39.43 lakh under the State scheme of "Integrated Sanitary Complex for Women".

Test-check of records (September 2007) regarding functioning of the sanitary complexes revealed that (i) eleven complexes constructed at a cost of Rs 24.35 lakh did not function due to non-availability of power connection, and (ii) two complexes constructed at a cost of Rs 4.39 lakh were not made use of by public due to locational disadvantage though all facilities were available.

Thus due to the failure of the panchayat union in obtaining power connection (11 complexes) and injudicious selection of site (2 complexes), 13 complexes constructed at a cost of Rs 28.74 lakh did not serve the intended purpose of the scheme.

The Block Development Officer of the panchayat union stated (December 2007) that the Presidents of the panchayats concerned were instructed to deposit the requisite amount with Tamil Nadu Electricity Board for getting power connections.

The matter was referred to Government in January 2008; the reply has not been received (April 2008).

6.2 Avoidable expenditure

PALAYAMKOTTAI PANCHAYAT UNION

6.2.1 Avoidable expenditure

Delay in surrender of staff employed in rural dispensaries to Indian Medicine and Homeopathy Department by Palayamkottai Panchayat Union resulted in avoidable expenditure of Rs. 18.42 lakh on their pay and allowances.

Rural dispensaries for Indian Medicine and Homeopathy were functioning under panchayat unions with 50 per cent grant (subject to a maximum of Rs 5,400 per year) from the State Government. As grants were released to such dispensaries functioning under Primary Health Centers and Sub centers, State Government decided (May 2006) that the dispensaries functioning under panchayat unions were not needed and the existing 64 rural dispensaries along with the staff may be transferred to Department of Indian Medicine and Homeopathy (IM & H). The surrender was subject to the conditions that (i) if any of the posts was under the purview of Tamil Nadu Public Service Commission, clearance should be obtained from them and (ii) the staff so transferred would be placed as junior most in the cadre on the date of joining.

Though the orders of the Government were issued in May 2006, the Palayamkottai Panchayat Union (panchayat union) had not surrendered three medical officers, two pharmacists and one female nursing assistant working in the three rural dispensaries¹ so far.

The panchayat union had spent Rs 18.61 lakh on pay and allowances of the above staff for the period from June 2006 to October 2007. It had also received Rs 0.19 lakh from the State Government as grants during the same period. Thus, the net avoidable expenditure due to non-surrender of staff worked out to Rs 18.42 lakh (November 2007).

The Block Development Officer of the panchayat union stated (November 2007) that the above staff could not be surrendered due to non-receipt of posting orders from the IM & H Department. The reply was not tenable as the panchayat union had neither pursued the matter with the IM & H Department nor brought it to the notice of the Director of Rural Development and Panchayat Raj Department for necessary action. Based on the request of the Special Commissioner of Indian Medicine and Homeopathy, Government again issued an order in November 2007 transferring the functionaries from the Rural Development and Panchayat Raj Department to IM & H Department and to absorb them in Government service under Tamil Nadu Medical Service with effect from the date of issue of Government order, subject to verification

¹ Ponnakudy, Rajavallipuram and Seevalaperi.

of the educational qualification and age as per their service records. However, the fact remains that the panchayat union incurred an avoidable expenditure of Rs 18.42 lakh between June 2006 and November 2007.

The matter was referred to Government in December 2007 and February 2008; the reply has not been received (April 2008).

Chennai
The

(SHANKAR NARAYAN)
Principal Accountant General (Civil Audit)
Tamil Nadu and Puducherry

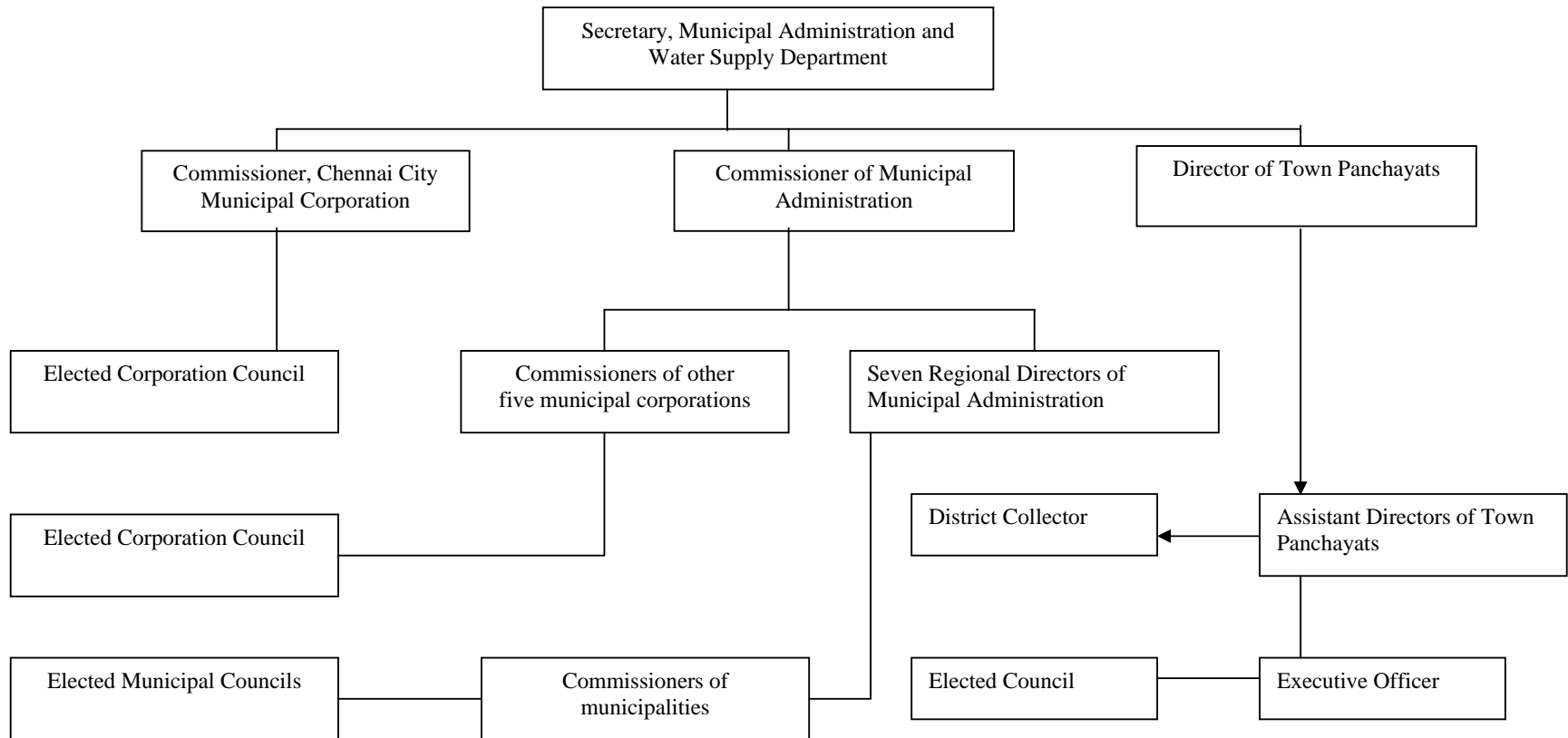
Countersigned

New Delhi
The

(VINOD RAI)
Comptroller and Auditor General of India

Appendix 1.1

(Reference: Paragraph 1.2.1 ; Page 2)
Organisation chart of urban local bodies



Appendix 1.2

(Reference: Paragraph 1.4.1; Page 4)

Details of audit fees due by municipal corporations and municipalities as on 31 March 2007

(Rupees in lakh)

Year	Other corporations	Chennai City Municipal Corporation	102 municipalities	III grade municipalities
Upto 1999-2000	81.25	Nil	31.94	Nil
2000-01	36.00	Nil	21.77	Nil
2001-02	48.05	Nil	28.86	Nil
2002-03	39.37	Nil	48.41	Nil
2003-04	52.35	Nil	45.32	Nil
2004-05	71.82	Nil	32.64	0.68
2005-06	113.12	Nil	10.34	0.23
Total	441.96	Nil	219.28	0.91

Appendix 1.3

(Reference: Paragraph 1.4.4 ; Page 5)

Number of audit paragraphs relating to urban local bodies pending settlement as on 31 March 2007

Year	All Municipalities	Town Panchayats	Municipal Corporations					Total	
			Chennai	Coimbatore	Madurai	Salem	Tiruchirapalli		Tirunelveli
Upto 1999-2000	64,821	39,355	31,870	8,519	18,066	4,206	5,229	2,462	1,74,528
2000-2001	8,577	8,127	1,192	641	1,541	366	10	343	20,797
2001-2002	13,198	10,005	913	781	972	364	164	306	26,703
2002-2003	11,975	13,198	1,191	365	509	339	217	476	28,270
2003-2004	10,756	17,252	2,005	5	86	1,203	613	635	32,555
2004-2005	5,992	14,928	1,609	10	0	0	483	0	23,022
2005-2006	5,359	NC	NC	NC	NC	NC	NC	NC	5,359
Total	1,20,678	1,02,865	38,780	10,321	21,174	6,478	6,716	4,222	3,11,234

NC: Not Compiled

Appendix 1.4

(Reference: Paragraph 1.5 ; Page 6)

Devolution of functions

A Devolution of functions to Municipalities/Municipal Corporations

(a) Functions devolved

- (i) Urban planning including town planning
- (ii) Regulation of land use and construction of buildings
- (iii) Roads and bridges
- (iv) Water supply for domestic, industrial and commercial purposes
- (v) Public health, sanitation, conservancy and solid waste management
- (vi) Slum improvement and upgradation
- (vii) Urban poverty alleviation
- (viii) Provision of urban amenities and facilities such as parks, gardens and playgrounds
- (ix) Burials and burial grounds, cremation, cremation grounds and electric crematoriums
- (x) Vital statistics including registration of births and deaths
- (xi) Public amenities including street lighting, parking lots, bus stops and public conveniences
- (xii) Regulation of slaughter houses and tanneries
- (xiii) Cattle pounds

(b) Functions yet to be devolved

- (i) Planning for economic and social development
- (ii) Fire services
- (iii) Urban forestry, protection of the environment and promotion of ecological aspects
- (iv) Safeguarding the interests of weaker sections of Society, including the handicapped and mentally retarded
- (v) Promotion of cultural, educational and aesthetic aspects

B Devolution of functions to Town Panchayats

(a) Functions devolved

- (i) Urban Planning including Town Planning.
- (ii) Regulation of land use and construction of buildings.
- (iii) Roads and bridges.
- (iv) Water supply for domestic, industrial and commercial purposes.
- (v) Public Health, sanitation, conservancy and solid waste management.
- (vi) Slum improvement and upgradation.
- (vii) Urban poverty alleviation.
- (viii) Provision of urban amenities and facilities such as parks, gardens and playgrounds.
- (ix) Burials and burial grounds, cremation, cremation grounds and electric crematoriums.
- (x) Vital statistics including registration of births and deaths.
- (xi) Public amenities including street lighting, parking lots, bus stops and public conveniences.
- (xii) Regulation of slaughter houses and tanneries.

(b) Functions yet to be devolved

- (i) Planning for economic and social development.
- (ii) Fire services.
- (iii) Urban forestry, protection for the environment and promotion of ecological aspects.
- (iv) Safeguarding the interest of weaker sections of Society, including the handicapped and mentally retarded.
- (v) Promotion of cultural, educational and aesthetic aspects.
- (vi) Cattle pounds.

Appendix 1.5

(Reference: Paragraph 1.6 ;Page 7)

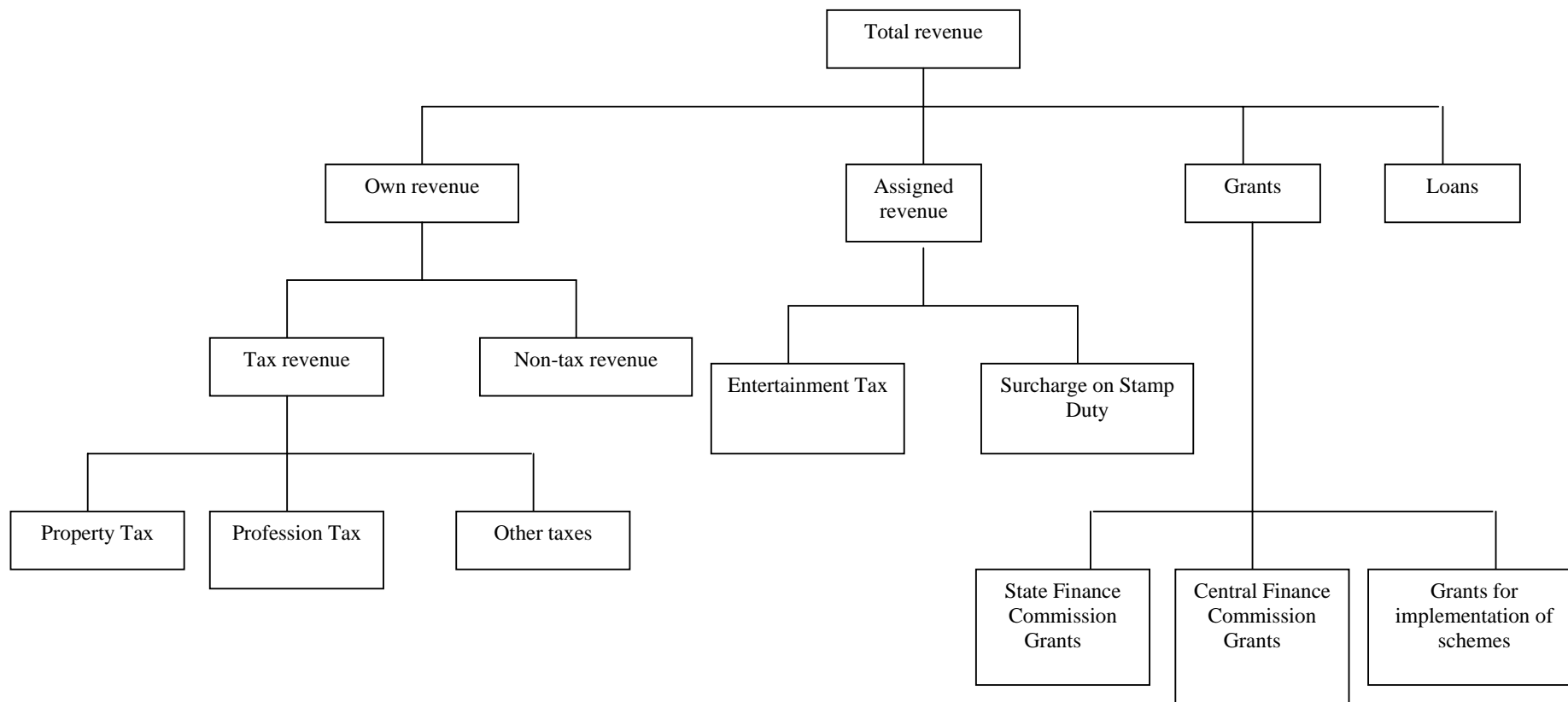
Illustrative list of recommendations on resource base of urban local bodies implemented belatedly

Sl No	Subject	To whom it related	Stage of the recommendation	Details on orders issued	Reasons for delay in implementation
I	Tax Revenue				
1.	Property Tax Reforms	Urban Local Body	Accepted by Government	No orders	Provisions are available in the suspended Act but amendment has to be incorporated in Tamil Nadu District Municipalities Act, 1920 and Municipal Corporation Act.
2.	Profession Tax for Industries and companies	Urban Local Body	Accepted at Secretaries level meeting	No orders	Requires Amendment of Act.
3.	Profession Tax for Professionals on Karnataka pattern	Urban Local Body	Accepted at Secretaries level meeting	No orders from RD Department. For ULB orders issued in G.O. Ms. No 59/MAWS Dept. dt 11.5.2005	Want of detailed study by Commissioner of Municipal Administration for amendment of Act. No direction from RD Secretary.
4.	Advertisement Tax	Urban Local Body	Taken over by Government	Resource sharing: 75 per cent to Government 25 per cent to urban local body could not be transferred as it is a non-tax receipt for which specific refund head is needed. Finance Department has to propose necessary refund head based on HOD's proposal. No proposal has been sent to Government from Commissioner of Municipal Administration/ Director of Town Panchayats and Chennai City Municipal Corporation	

Sl No	Subject	To whom it related	Stage of the recommendation	Details on orders issued	Reasons for delay in implementation
5.	Vacant Land Tax – Revision of rates	Urban Local Body	Accepted at Secretaries level meeting	No orders	Want of amendment to the present Act.
6.	Pilgrim Tax	Urban Local Body	-do-	G.O.Ms.No 59/MAWS Dept. dt 11.5.2005	To incorporate provisions available in the suspended Act in the Tamil Nadu District Municipalities Act, 1920, Commissioner of Municipal Administration has to send proposals for amendment.
7.	Tax on Cable TV	Urban Local Body	Taken over by Government	The then Finance Minister announced that the tax proceeds should be shared on the basis of the collections reached in 2002-03.	Tax proceeds have not been shared with ULBs for want of amendment to Section 4(E) and Section 13 of Entertainment Tax Act.
II Non-Tax					
8.	Open Space regulation charges/ Development charges	Urban Local Body	Accepted in Principle	Orders have been issued covering Director of Town and Country Planning areas with conditionalities	In respect of Chennai Metropolitan Area, no orders have been issued.
9.	Congestion Tax	Urban Local Body	Accepted at Secretaries level meeting	No orders	
10.	Uzhavar Sandhai Land-Fixing Rental charges	Urban Local Body	Accepted at Secretaries level meeting	No orders	
11.	Housing Board Notification for unimplemented Housing Scheme	Urban Local Body	Accepted at Secretaries level meeting	No orders	At present over-riding powers are available in Tamil Nadu Housing Board Act; needs amendment
12.	Mines and Minerals – Minor minerals	Urban Local Body	Accepted by Government	G.O.Ms. No 284 Fin (FC – IV) Dept dt 12.8.2002	For want of funds under Refund head, adjustment is delayed.

Sl No	Subject	To whom it related	Stage of the recommendation	Details on orders issued	Reasons for delay in implementation
III Assigned Revenue					
13.	Entertainment Tax – 90 per cent transfer	Urban Local Body	Accepted by Government	G.O.Ms. No 284 Fin (FC – IV) Dept dt 12.8.2002, G O Ms No 90 CT Dept dt 12.7.02	For want of amendment to TNFC Vol I.
14.	Arrears for the period of 1997-2002	Urban Local Body	Accepted in Principle	G.O.Ms. No 59 MAWS Dept. dt 11.5.05	Depending upon cash position as revealed in GO dated 11.5.05.
15.	Adjustment to Urban Local Body	Urban Local Body	Accepted by Government	G.O.Ms. No 59 MAWS Dept dt 11.5.05	Not implemented for want of proposal from Commissioner of Municipal Administration
16.	Adjustment of dues for 1997-2002	Urban Local Body	Accepted at Secretaries level meeting	No orders	During interaction, it was revealed that there were no arrears to be settled.

Appendix 1.6
(Reference: Paragraph 1.9; Page 10)
Source of revenue of Urban Local Bodies



Appendix 1.7

(Reference: Paragraph 1.9.3; Page 11)

Statement showing the demand, collection and balance of Property Tax during 2004-07 in Urban Local Bodies

(Rupees in crore)

			Demand	Collection	Balance
Municipalities	2004-05	Arrear	167.82	70.75(42)	97.07
		Current	233.15	139.52(60)	93.63
		Total	400.97	210.27(52)	190.70
	2005-06	Arrear	190.70	83.15(44)	107.55
		Current	250.67	136.35(54)	114.32
		Total	441.37	219.50(50)	221.87
	2006-07	Arrear	221.87	72.19(33)	149.68
		Current	252.54	185.01(73)	67.53
		Total	474.41	257.20(54)	217.21
Chennai City Municipal Corporation	2004-05	Arrear	89.60	57.58(64)	32.02
		Current	190.40	153.27(80)	37.13
		Total	280.00	210.85(75)	69.15
	2005-06	Arrear	69.15	35.64(52)	33.51
		Current	219.85	182.43(83)	37.42
		Total	289.00	218.07(75)	70.93
	2006-07	Arrear	70.83	53.39(75)	17.44
		Current	229.17	178.55(78)	50.62
		Total	300.00	231.94(77)	68.06
Five municipal corporations (excluding Chennai)	2004-05	Arrear	90.62	25.65(28)	64.97
		Current	109.54	78.14(71)	31.40
		Total	200.16	103.79(52)	96.37
	2005-06	Arrear	96.37	40.40(42)	55.97
		Current	118.56	72.35(61)	46.21
		Total	214.93	112.75(52)	102.18
	2006-07	Arrear	102.18	40.35(39)	61.83
		Current	121.42	80.75(67)	40.67
		Total	223.60	121.10(54)	102.50
Town panchayats	2004-05	Arrear	29.62	9.15(31)	20.47
		Current	75.11	64.62(86)	10.49
		Total	104.73	73.77(70)	30.96
	2005-06	Arrear	30.96	29.08(94)	1.88
		Current	75.77	48.82(64)	26.95
		Total	106.73	77.90(73)	28.83
	2006-07	Arrear	28.83	21.31(74)	7.52
		Current	276.71	189.47(68)	87.24
		Total	305.54	210.78(69)	94.76

Appendix 1.8

(Reference: Paragraph 1.9.4; Page 11)

Statement showing the demand, collection and balance of Profession Tax during 2004-07 in urban local bodies

(Rupees in crore)

Category of the local body	Year	Nature of demand	Demand	Collection	Balance	
Chennai City Municipal Corporation	2004-05	Arrears	1.97	0.37	1.60	
		Current	40.03	45.71	*	
		Total	42.00	46.08 (110)	*	
	2005-06	Arrears	1.60	0.42	1.18	
		Current	43.40	56.86	*	
		Total	45.00	57.28 (127)	*	
	2006-07	Arrears	1.22	0.34	0.88	
		Current	59.78	63.28	*	
		Total	61.00	63.62 (104)	*	
Other Five Municipal Corporations	2004-05	Arrears	4.97	3.19	1.78	
		Current	12.32	8.89	3.43	
		Total	17.29	12.08 (70)	5.21	
	2005-06	Arrears	5.21	1.87	3.34	
		Current	12.54	10.91	1.63	
		Total	17.75	12.78 (72)	4.97	
	2006-07	Arrears	4.97	1.83	3.14	
		Current	13.63	11.54	2.09	
		Total	18.60	13.37 (72)	5.23	
Municipalities	2004-05	Arrears	14.60	5.45	9.15	
		Current	33.75	23.06	10.69	
		Total	48.35	28.51 (59)	19.84	
	2005-06	Arrears	19.84	7.80	12.04	
		Current	37.81	23.06	14.75	
		Total	57.65	30.86 (54)	26.79	
	2006-07	Arrears	26.79	6.23	20.56	
		Current	38.81	29.27	9.54	
		Total	65.60	35.50 (54)	30.10	
	Town Panchayats	2004-05	Arrears	4.25	1.93	2.32
			Current	20.19	18.86	1.33
			Total	24.44	20.79 (85)	3.65
2005-06		Arrears	3.65	1.80	1.85	
		Current	21.61	20.05	1.56	
		Total	25.26	21.85 (87)	3.41	
2006-07		Arrears	3.41	2.07	1.34	
		Current	1.06	1.05	0.01	
		Total	4.47	3.12 (70)	1.35	

*Collection in excess of demand raised

Appendix 1.9

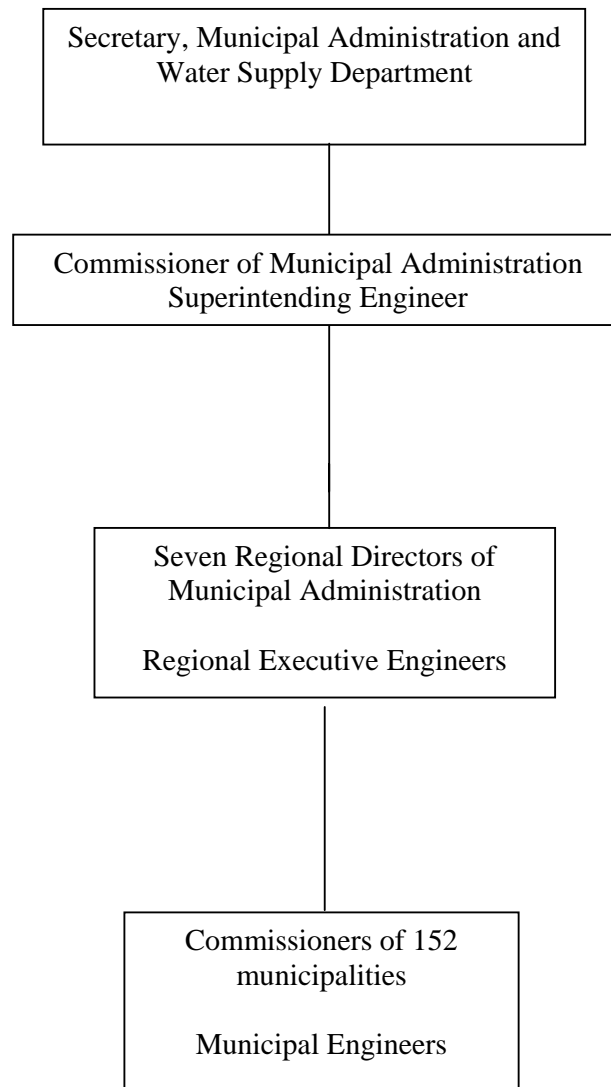
(Reference: Paragraph 1.9.5; Page 12)

Statement showing the demand, collection and balance of non-tax revenue during 2004-07 in urban local bodies (except Chennai City Municipal Corporation)

(Rupees in crore)

Category of the local body	Year	Nature of demand	Demand	Collection	Balance
Municipalities	2004-05	Arrears	44.68	24.84	19.84
		Current	115.68	89.56	26.12
		Total	160.36	114.40 (71)	45.96
	2005-06	Arrears	45.96	25.08	20.88
		Current	116.80	92.56	24.24
		Total	162.76	117.64 (72)	45.12
	2006-07	Arrears	45.12	26.75	18.37
		Current	117.20	95.17	22.03
		Total	162.32	121.92 (75)	40.40
Five Municipal Corporations	2004-05	Arrears	10.40	4.03	6.37
		Current	29.00	20.80	8.20
		Total	39.40	24.83 (63)	14.57
	2005-06	Arrears	14.57	4.25	10.32
		Current	29.15	21.90	7.25
		Total	43.72	26.15 (60)	17.57
	2006-07	Arrears	17.57	4.58	12.99
		Current	30.16	21.05	9.11
		Total	47.73	25.63 (54)	22.10
Town Panchayats	2004-05	Arrears	18.50	11.41	7.09
		Current	117.79	105.35	12.44
		Total	136.29	116.76 (86)	19.53
	2005-06	Arrears	19.53	17.28	2.25
		Current	116.23	100.34	15.89
		Total	135.76	117.62 (87)	18.14
	2006-07	Arrears	18.14	12.33	5.81
		Current	28.10	23.72	4.38
		Total	46.24	36.05 (78)	10.09

Appendix 2.1
(Reference: Paragraph 2.1.2; Page 24)
Organisational Chart



Appendix 2.2
(Reference: Paragraph 2.1.5; Page 25)
List of municipalities test checked

Sl.No.	Name of the test checked Municipality
1	Arni
2	Bodinayakanur
3	Erode
4	Kancheepuram
5	Karaikudi
6	Karur
7	Koothanallur
8	Krishnagiri
9	Nagercoil
10	Palani
11	Paramakudi
12	Sivagangai
13	Thirumangalam
14	Thiruvathipuram
15	Vandavasi

Appendix 2.3

(Reference: Paragraph 2.1.6.1; Page 26)

Details of receipt and expenditure in water supply account

(Rupees in lakh)

Sl No	Municipality	2002-03		2003-04		2004-05	
		Income	Expenditure	Income	Expenditure	Income	Expenditure
1	Arni	83.55	125.18	79.61	95.47	80.36	63.30
2	Bodinayakanur	50.89	21.11	65.21	30.27	67.62	35.76
3	Erode	397.36	278.57	397.36	278.57	402.94	224.18
4	Kancheepuram	240.90	216.05	278.68	260.29	275.11	201.88
5	Karaikudi	148.98	120.75	136.81	150.10	83.04	26.79
6	Karur	173.75	214.33	217.74	190.82	253.05	103.97
7	Koothanallur	14.85	12.70	16.37	13.48	15.42	13.77
8	Krishnagiri	74.57	53.31	90.10	80.35	103.33	50.08
9	Nagercoil	321.25	203.37	294.60	305.47	329.61	242.79
10	Palani	147.08	83.68	160.45	166.66	199.00	111.29
11	Paramakudi	61.96	54.83	68.11	78.60	105.44	110.59
12	Sivagangai	80.96	58.98	73.54	55.94	70.34	82.20
13	Thirumangalam	30.02	43.28	28.89	96.51	28.20	82.44
14	Thiruvathipuram	33.33	31.40	31.08	32.06	54.27	29.56
15	Vandavasi	41.48	30.09	39.88	38.16	40.08	34.79
	Total	1,900.93	1,547.63	1,978.43	1,872.75	2,107.81	1,413.39

Appendix 2.4
(Reference: Paragraph 2.1.7.1; Page 27)
Water Supply Service Level

Sl. No.	Name of the Municipality	Water supply during					
		Normal season			Acute season		
		Periodicity of supply	Duration (hours)	Quantity (lpcd)	Periodicity of supply	Duration (hours)	Quantity (lpcd)
1	Arani	Once in 3 days	2	70	Once in 3 days	1.5	60
2	Bodinayakanur	Daily	1	82	Daily	1	82
3	Erode	Alternate days	2	90	Alternate days	2	90
4	Kancheepuram	Daily	2	110	Daily	2	90
5	Karaikudi	Daily	2	87	Daily	2	87
6	Karur	Alternate days	2	106	Once in 5 days	2	85
7	Koothanallur	Daily	3	113	Daily	3	113
8	Krishnagiri	Alternate days	1.5	66	Alternate days	1.5	66
9	Nagercoil	Once in 4 days	8	90	Once in a week	8	90
10	Palani	Daily	2	120	Alternate days	2	120
11	Paramakudi	Alternate days	2	50	Alternate days	2	29
12	Sivagangai	Alternate days	1.5	70	Alternate days	1.5	70
13	Thirumangalam	Alternate days	2	70	Alternate days	2	52
14	Thiruvathipuram	Alternate days	1.5	90	Alternate days	2.5	72
15	Vandavasi	Alternate days	2	84	Once in 3 days	2	84

Lpcd = litre per capita per day.

Appendix 2.5

(Reference: Paragraph 2.1.8.1; Page 29)

House Service Connections without flow control valves

Sl. No.	Name of the Municipality	Total HSCs	HSCs without flow control valves
1	Arni	5,299	5,158
2	Bodinayakanur	9,625	8,625
3	Erode	18,857	17,838
4	Kancheepuram	18,208	18,122
5	Karaikudi	9,775	9,471
6	Karur	11,048	11,048
7	Koothanallur	1,455	1,397
8	Krishnagiri	4,593	3,878
9	Nagercoil	5,229	3,815
10	Palani	6,679	5,331
11	Paramakudi	5,227	4,727
12	Sivagangai	5,034	1,002
13	Thirumangalam	3,917	3,023
14	Thiruvathipuram	661	517
15	Vandavasi	3,208	3,208
Total		1,08,815	97,160

Appendix 2.6

(Reference: Paragraph 2.1.9.1; Page 31)

Water charges and water tax arrears as on 31.03.2007

(Rupees in lakh)

Sl. No.	Name of the municipality	Water charges	Water tax
1	Arni	68.43	13.29
2	Bodinayakanur	18.35	11.42
3	Erode	5.59	93.52
4	Kancheepuram	Not furnished	Not furnished
5	Karaikudi	57.29	124.02
6	Karur	270.18	38.28
7	Koothanallur	9.48	4.46
8	Krishnagiri	32.95	33.21
9	Nagercoil	120.30	315.15
10	Palani	52.74	61.06
11	Paramakudi	37.51	22.38
12	Sivagangai	20.04	89.47
13	Thirumangalam	11.67	9.24
14	Thiruvathipuram	Not furnished	Not furnished
15	Vandavasi	19.28	18.08
	Total	723.81 or 7.24 crore	833.58 or 8.34 crore

Appendix 2.7**(Reference: Paragraph 2.1.9.1; Page 31)****Water charges due from other urban local bodies****(Rupees in lakh)**

Sl. No.	Name of the Municipality	Amount
1.	Arni	15.50
2.	Karur	13.80
3.	Nagercoil	8.78
4.	Palani	26.43
5.	Sivagangai	9.10
6.	Thirumangalam	7.71
7.	Vandavasi	0.24
Total		81.56

Appendix 2.8**(Reference: Paragraph 2.1.9.2; Page 31)****Non-collection of additional deposits****(Rupees in lakh)**

Sl. No.	Name of the Municipality	Amount
1.	Bodinayakanur	183.84
2.	Kancheepuram	48.87
3.	Karaikudi	123.49
4.	Karur	125.69
5.	Krishnagiri	68.89
6.	Nagercoil	251.37
7.	Sivagangai	71.10
8.	Thirumangalam	132.00
9.	Vandavasi	76.48
Total		1081.73 or 10.82 crore

Appendix 2.9

(Reference: Paragraph 2.1.10.1; Page 31)

Vacancy position in Water Supply Maintenance Staff

Sl.No	Name of the Municipality	Fitter		Pump Mechanic/ operator		Tap inspector		Fountain cleaner		Water works Super-intendent		Filter house/ bed cleaner		Filter bed operator		Electrician		Turn Cock		Meter Reader	
		SP	VP	SP	VP	SP	VP	SP	VP	SP	VP	SP	VP	SP	VP	SP	VP	SP	VP	SP	VP
1	Arni	3	2	-	-	-	-	-	-	-	-	-	-	-	-	4	2	-	-	-	-
2	Bodinayakanur	3	2	-	-	-	-	-	-	-	-	2	2	4	1	-	-	1	1	-	-
3	Erode	-	-	-	-	2	2	-	-	1	1	4	2	4	4	-	-	-	-	-	-
4	Kancheepuram	4	1	-	-	1	1	-	-	-	-	18	7	-	-	8	5	-	-	-	-
5	Karaikudi	-	-	-	-	-	-	2	1	-	-	-	-	-	-	3	3	-	-	-	-
6	Karur	3	2	-	-	-	-	-	-	-	-	-	-	-	-	8	3	7	2	-	-
7	Koothanallur	-	-	2	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Krishnagiri	1	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Nagercoil	-	-	-	-	-	-	2	1	-	-	-	-	-	-	4	2	4	3	5	3
10	Palani	2	2	-	-	-	-	2	1	-	-	-	-	-	-	2	2	-	-	-	-
11	Paramakudi	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3	1	2	1	-	-
12	Sivagangai	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Thirumangalam	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3	3	-	-	-	-
14	Thiruvathipuram	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2	1	-	-	-	-
15	Vandavasi	4	1	-	-	-	-	-	-	-	-	-	-	-	-	2	1	-	-	-	-
Total		20	11	2	1	3	3	6	3	1	1	24	11	8	5	39	23	14	7	5	3

SP = Sanctioned Post; VP = Vacant Post

Appendix 2.10
(Reference: Paragraph 2.2.7.1; Page 36)
Collection performance of Education Tax

(Rupees in lakh)

Name of the Corporation	2002-03			2003-04			2004-05			2005-06			2006-07		
	Estimate	Collection	Shortfall	Estimate	Collection	Shortfall	Estimate	Collection	Shortfall	Estimate	Collection	Shortfall	Estimate	Collection	Shortfall
Coimbatore	506.51	542.34	---	602.80	593.88	8.92 (2)	635.00	625.97	9.03 (2)	670.50	600.00	70.50 (11)	684.20	538.66	145.54 (21)
Madurai	517.11	441.43	75.68 (15)	590.20	394.62	195.58 (33)	414.55	461.88	---	469.86	461.88	7.98 (2)	795.36	584.16	211.20 (27)
Salem	No separate EEF Budget for receipt prepared														
Tiruchirappalli	393.34	243.39	149.95 (38)	250.70	235.81	14.89 (6)	258.00	282.62	---	281.00	293.98	---	389.00	300.37	88.63 (23)
Tirunelveli	181.40	145.68	35.72 (20)	130.20	164.92	---	235.25	161.31	73.94 (31)	249.81	168.94	80.87 (32)	277.33	145.01	132.32 (48)

Figures shown in bracket represent percentage of shortfall

Appendix 2.11

(Reference: Paragraph 2.2.7.2; Page 36)

Revised estimate and actual expenditure relating to Elementary Education Fund

(Rupees in lakh)

Name of the Corporation	2002-03			2003-04			2004-05			2005-06			2006-07		
	Revised Estimate	Actual Expenditure	Shortfall	Revised Estimate	Actual Expenditure	Shortfall	Revised Estimate	Actual Expenditure	Shortfall	Revised Estimate	Actual Expenditure	Shortfall	Revised Estimate	Actual Expenditure	Shortfall
Coimbatore	506.51	542.34	---	602.80	186.26	416.54	635.00	384.71	250.29	670.50	455.14	215.36	590.80	314.50	276.30
						(69)			(39)			(32)			(47)
Madurai	443.20	470.61	---	140.05	152.82	---	192.17	157.47	34.70	186.12	187.29	---	738.50	585.24	153.26
									(18)						(21)
Salem	28.80	138.01	---	62.38	13.45	48.93	208.40	92.18	116.22	199.30	79.75	119.55	155.00	41.73	113.27
						(78)			(56)			(60)			(73)
Tiruchirappalli	100.10	79.69	20.41	200.20	27.95	172.25	221.20	121.66	99.54	235.20	97.08	138.12	310.10	7.91	302.19
			(20)			(86)			(45)			(59)			(97)
Tirunelveli	10.35	18.88	---	100.00	18.68	81.32	3.59	20.95	---	20.00	14.04	5.96	114.35	124.70	---
						(81)						(30)			

Figures in brackets represent percentage of shortfall

Appendix 2.12

(Reference: Paragraph 2.2.8.2; Page 38)

Shortfall in expenditure on maintenance

(Rupees in crore)

Name of the Corporation	Performance during 2002-07				
	Amount of Education Tax collected	Minimum amount to be spent on maintenance as per norms (25 per cent of collection)	Amount actually spent	Shortfall	Percentage of shortfall
Coimbatore	29.01	7.25	2.45	4.80	66
Madurai	23.44	5.86	0.95	4.91	84
Salem	11.14	2.79	0.32	2.47	89
Tiruchirappalli	13.56	3.39	0.72	2.67	79
Tirunelveli	7.86	1.97	0.66	1.31	67
Total	85.01	21.26	5.10	16.16	76

Appendix 2.13

(Reference: Paragraph 2.2.8.2; Page 39)

Details of schools in which no works were executed during 2002-07

Sl. No.	Name of the municipal corporation	Number of schools in which no works were executed during			
		2002-07 (five years)	2003-07 (four years)	2004-07 (three years)	Total
1	Coimbatore	12	4	8	24
2	Madurai	23	--	1	24
3	Salem	10	6	9	25
4	Tiruchirappalli	10	6	6	22
5	Tirunelveli	9	3	1	13
	Total	64	19	25	108

Appendix 2.14

(Reference: Paragraph 2.2.9.4; Page 45)

Decrease/increase in students' strength

(No. of schools)

Sl. No.	Name of the municipal corporation	Students' strength in			
		Elementary education and middle schools		High and Higher secondary schools	
		Decrease	Increase	Decrease	Increase
1	Coimbatore	45	8	12	12
2	Madurai	31	7	11	11
3	Salem	31	8	3	7
4	Tiruchirappalli	40	13	1	--
5	Tirunelveli	24	5	3	1
Total		171	41	30	31

Appendix 2.15

(Reference: Paragraph 2.2.9.4; Page 45)

Decrease in students' strength

Sl. No.	Name of the municipal corporation	Students' strength					
		Elementary education schools			Higher education schools		
		2002-03	2006-07	Shortfall	2002-03	2006-07	Shortfall
1	Coimbatore	9,379	6,592	2,787 (30)	11,682	9,368	2,314 (20)
2	Madurai	2,329	1,307	1,022 (44)	8,541	6,532	2,009 (24)
3	Salem	4,954	3,776	1,178 (24)	1,609	1,343	266 (17)
4	Tiruchirappalli	2,228	1,421	807 (36)	2,359	1,585	774 (33)
5	Tirunelveli	2,223	1,505	718 (32)	349	192	157 (45)
Total		21,113	14,601	6,512 (31)	24,540	19,020	5,520 (22)

Figures in bracket represent percentage of reduction

Appendix 3.1

(Reference: Paragraph 3.1.1; Page 56)

Loss of revenue due to non collection of bus stand fee

(Rupees in lakh)

Year	Entry Fees due to be collected from the Government Transport Corporation buses	Entry Fees Actually collected from the Government Transport Corporation buses	Short collection of entry fee
2000-01(from August 2000)	6.97	1.42	5.55
2001-02*	12.12	3.45	8.67
2002-03	39.26	8.29	30.97
2003-04	39.26	6.17	33.09
2004-05	39.26	3.24	36.02
2005-06	39.26	12.31	26.95
2006-07 (up to February 2007)	35.92	23.26	12.66
Total	212.05	58.14	153.91 (or) 1.54 crore

* Rs 15/- per day per bus from 11 March 2002 onwards.

Appendix 3.2

(Reference: Paragraph 3.1.2; Page 57)

Loss of revenue due to non-revision of water charges

(Rupees in lakh)

Sl. No.	Category	No. of connections	Difference (in rupees)	Loss of revenue for the period from 1.4.2003 to 30.06.2005 (27 months)
1.	Domestic	7,611	20 (60-40)	41.10
2.	Non Domestic	826	50 (150-100)	11.15
Total				52.25

Appendix 3.3

(Reference: Paragraph 3.1.3;Page 58)

Loss of revenue due to non-investment of funds

(Rupees in lakh)

Sl.No.	Date of Deposit	Amount to be invested in Cumulative Term Deposit	Interest to be earned at 5 per cent per annum
1.	30.06.2000	14.46	5.40
2.	30.09.2000	13.15	4.69
3.	31.12.2000	14.95	5.09
4.	31.03.2001	17.80	5.77
5.	30.06.2001	2.85	0.88
6.	30.09.2001	13.74	4.02
7.	31.12.2001	12.23	3.38
8.	31.03.2002	37.27	9.73
9.	30.06.2002	15.09	3.71
10.	30.09.2002	16.20	3.74
11.	31.12.2002	19.86	4.28
12.	31.03.2003	25.89	5.20
13.	30.06.2003	11.24	2.10
14.	30.09.2003	13.62	2.34
15.	31.12.2003	32.89	5.18
16.	31.03.2004	27.38	3.94
17.	30.06.2004	10.04	1.31
18.	30.09.2004	20.35	2.37
19.	31.12.2004	16.98	1.74
20.	31.03.2005	30.36	2.71
21.	30.06.2005	7.21	0.55
22.	31.03.2006	52.82	1.98
23.	30.06.2006	15.24	0.38
24.	30.09.2006	11.40	0.14
Total			80.63

Appendix 3.4
(Reference: Paragraph 3.1.4 (a); Page 60)
Loss of anticipated revenue

Location of the shopping complex	No. of shops not leased out		Rent fixed per month		Period	Loss of anticipated revenue (Rupees in lakh)
	Ground Floor	First Floor	Ground Floor	First Floor		
			Rs.	Rs.		
Shops at the backside of the hospital	4	13	5,500	5,000	March 2005 - January 2006 (11 months)	9.57
			3,250	3,000	February 2006 - March 2007 (14 months)	7.28
Shops at the eastern side of the hospital	9	9	5,500	4,900	October 2005 - March 2007 (18 months)	16.85
Shops at mini market complex	14	-	2,000*	3,000*	November 2004 - June 2005 (8 months)	2.43
			900*	1,300*	July 2005 - August 2006 (14 months)	1.96
			720*	1,000*	September 2006 - March 2007 (7months)	0.78
Total						38.87

* with reference to the area of the shops.

Appendix 3.5

(Reference: Paragraph 3.1.5;Page 61)

Non-collection of Property Tax from Bharat Sanchar Nigam Limited

(in rupees)

Classification of Building : Commercial	
Basic Value of the building (1 sq.ft. = 0.092903 sq.m.; 5,492 sq.m. = 59,115 sq.ft.) (59,115 sq.ft. x Rs 8 per sq.ft.)	4,72,920
*Add: 200 <i>per cent</i> of basic value for location (Commercial buildings in areas with basic amenities)	9,45,840
*Add: 60 <i>per cent</i> of basic value for type of building (RCC roof with cement/mosaic/ceramic tile flooring)	2,83,752
*Add: 20 <i>per cent</i> of basic value for age of the building (21 to 30 years)	94,584
Annual Value	17,97,096
Half yearly Property Tax @ 17.35 <i>per cent</i> on annual value	3,11,796
Loss of revenue due to non levy of Property Tax (from II half year of 2000-01 to II half year of 2006-07)	40,53,348
Loss of revenue due to non levy of Property Tax (from II half year of 2000-01 to II half year of 2006-07)	40,53,348
	Or
	40.53 lakh

*As provided in the guidelines of Tiruchirappalli City Municipal Corporation for calculation of Property Tax with effect from 1 October 1998

Appendix 3.6
(Reference: Paragraph 3.1.6; Page 62)
Short levy of Property Tax

(Rupees in lakh)

Particulars	Property Tax due per half year				
	2001-02	2002-03	2003-04	2004-05	Total
Name of the assessee:					
Sree Shyam Sayee Corporation Pvt. Ltd., Chennai 600 014					
Names of theatres:					
1. Sathyam	1.83	2.22	2.50	2.81	9.36
2. Santham	1.01	1.11	1.11	1.11	4.34
3. Subham	0.39	0.47	0.60	0.69	2.15
4. Sree	0.88	0.88	0.89	0.92	3.57
5. Studio-5	0.37	0.37	0.38	0.38	1.50
Total	4.48	5.05	5.48	5.91	20.92
Property Tax actually collected	2.62	2.62	2.62	2.62	10.48
Short collection per half year	1.86	2.43	2.86	3.29	10.44
Short collection for the year	3.72	4.86	5.72	6.58	20.88

Appendix 3.7
(Reference: Paragraph 3.2.1; Page 65)
Avoidable payment of interest

(Rupees in lakh)

Period	Number of months	Difference in interest rate (in per cent)	Avoidable interest payment
June 2003 to July 2003	2	3.5 (14.5 – 11)	4.38
August 2003 to March 2004	8	4 (14.5 – 10.5)	20.00
April 2004 to January 2006	22	5 (14.5 – 9.5)	68.75
Total			93.13

Appendix 3.8

(Reference: Paragraph 3.2.2; Page 66)

Interest earned on investments and interest paid towards loans for the period 2003-06

(a) Interest earned on investments for the period 2003-06

(Rupees in lakh)

Sl.No.	Period of investment		Amount invested	Interest earned
	From	To		
1.	30.03.2003	29.03.2006	59.03	10.07
2.	07.04.2003	06.04.2006	148.90	25.42
3.	31.03.2003	31.03.2006	50.00	8.60
4.	26.03.2003	27.01.2006	51.57	8.90
5.	26.03.2003	27.01.2006	51.57	8.90
6.	26.03.2003	27.01.2006	51.57	8.90
7.	27.03.2003	26.06.2005	51.57	6.63
8.	27.03.2003	26.06.2005	51.57	6.63
9.	27.03.2003	30.03.2006	51.57	9.15
10.	28.03.2003	30.03.2006	50.00	8.63
11.	28.03.2003	30.03.2006	50.00	8.63
12.	26.02.2003	05.11.2005	100.00	15.42
			767.35	125.88

(b) Interest paid towards loans for the period 2003-06

(Rupees in lakh)

Sl.No.	Loan amount outstanding as of April 2003	Interest paid			
		2003-04	2004-05	2005-06	Total
1.	137.43*	21.29	11.65	9.45	42.39
2.	271.59	13.15	11.99	10.83	35.97
3.	304.27	31.91	24.96	20.62	77.49
Total	713.29	66.35	48.60	40.90	155.85

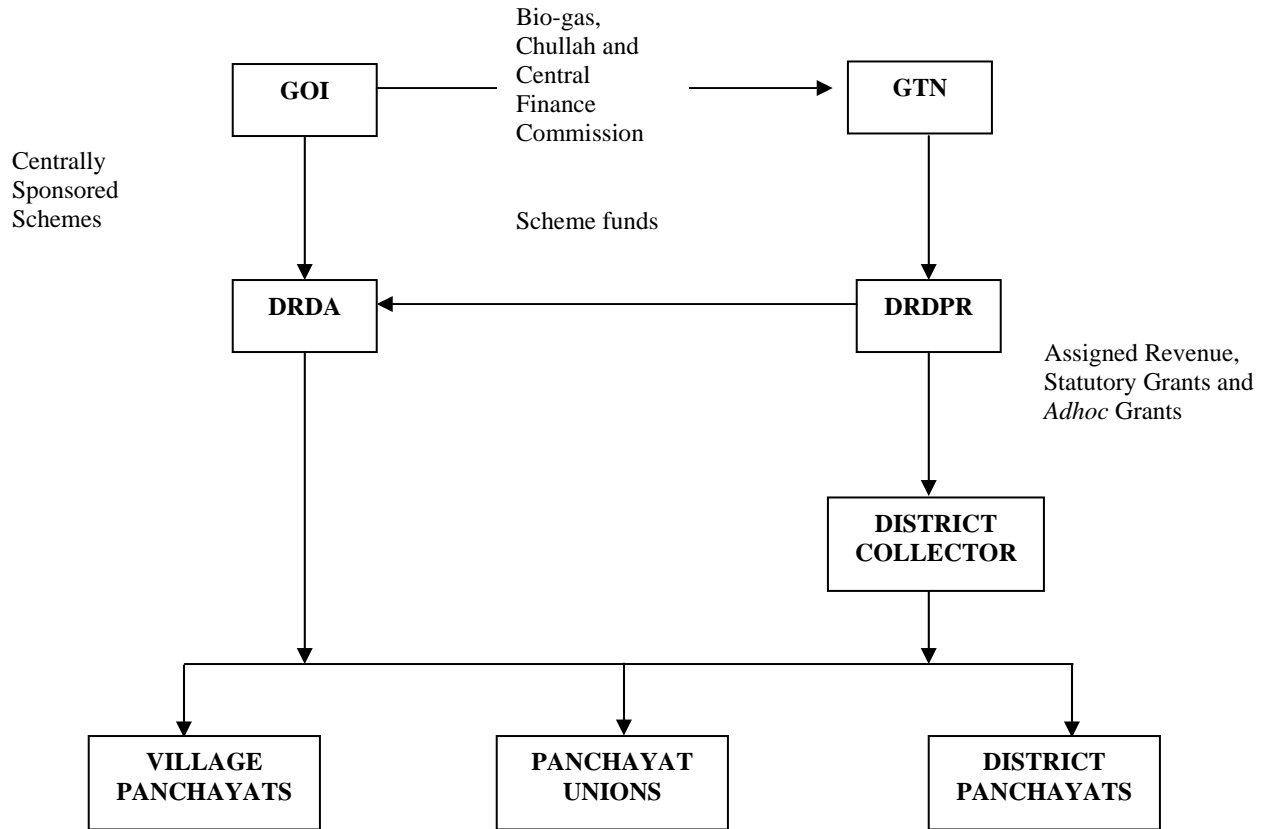
* Consolidated TUFIDCO loan as of December 2003

Avoidable payment of interest: Rs 155.85 lakh (-) Rs 125.88 lakh = Rs 29.97 lakh.

Appendix 4.1

(Reference: Paragraph 4.3.1.3; Page 72)

Funds flow chart to Panchayat Raj Institutions



Appendix 4.2

(Reference: Paragraph 4.4.1; Page 74)

Devolution of functions to Panchayat Raj Institutions

1. Agriculture including agricultural extension.
2. Land improvement, implementation of land reforms, land consolidation and soil conservation.
3. Minor irrigation, water management and watershed development.
4. Animal husbandry, dairying and poultry.
5. Fisheries.
6. Social forestry and farm forestry.
7. Minor forest produce.
8. Small scale industries, including food processing industries.
9. Khadi, Village and Cottage industries.
10. Rural Housing.
11. Drinking water.
12. Fuel and fodder.
13. Roads, Culverts, Bridges, Water ways and other means of communication.
14. Rural electrification, including distribution of electricity.
15. Non-conventional energy sources.
16. Poverty alleviation programme.
17. Education, including primary and secondary schools.
18. Technical training and vocational education.
19. Adult and non-formal education.
20. Libraries.
21. Cultural activities.
22. Market and fairs.
23. Health and sanitation, including hospitals, primary health centres and dispensaries.
24. Family Welfare.
25. Women and Child development.
26. Social Welfare including welfare of the handicapped and mentally retarded.
27. Welfare of the weaker sections, and in particular of the Scheduled Castes and Scheduled Tribes.
28. Public Distribution System.
29. Maintenance of community assets.

Appendix 4.3

(Reference: Paragraph 4.6.1; Page 76)

Sources of revenue of panchayat raj institutions

Sl.No.	Nature of revenue	Section/Source of grants	Share of panchayats (in percentage)		
			Village panchayat	Panchayat union	District panchayat
1.	Tax revenue				
	House Tax	172	100	---	---
	Advertisement Tax	172A and 172B	100	---	---
	Profession Tax	198A and 198B	100	---	---
	Tax on agricultural land	171(3)	100	---	---
	Water charges	G.O. Ms. No. 260 RD dated 9.12.1998	100	---	---
2.	Non-tax revenue	188 (VP)	100	---	---
		188 (PU)	---	100	---
		189 (DP)	---	---	100
3.	Assigned revenue				
	Local Cess	167 and 169	100	---	---
	Local Cess Surcharge	168	---	100	---
	Surcharge on Stamp Duty	175	100	---	---
	90 per cent of Entertainment Tax	Section 13 of Tamil Nadu Entertainment Tax Act, 1939	70	30	---
	Seigniorage Fees on minor Minerals	G.O. Ms. No. 92 RD dated 9.12.1998	100	---	---
4.	Statutory Grants				
	State Finance Commission (SFC) grant	As per Recommendation of SFC	47	45	8
	Equalisation and incentive grant	-do-	60	---	---
	Central Finance Commission grant	Recommendation of Eleventh Finance Commission	47	45	8

Appendix 5.1

(Reference: Paragraph 5.1.9.4 (a); Page 94)

District-wise and block-wise details of employment generated

(A) Employment Generation – District-wise

Name of the sample District	Total number of House holds	Number of households to whom job card were issued	Number of households who demanded employment	Number of households who were provided employment	Number of households who were provided		Number of man days		
					100 days employment	Less than 100 days employment	For house holds provided with 100 days work	For house holds provided with less than 100 days work	Average number of man days per house hold
1	2	3	4	5	6	7	8	9	10
Cuddalore	411833	222907(54.13)	140263	140263(34.06)	412(0.29)	139851 (99.71)	41200	3877500	27.73
Tiruvannamalai	467643	249849(53.43)	141884	141884(30.34)	157 (0.11)	141727 (99.89)	15700	4420300	31.18
Villupuram	542183	290611(53.60)	218873	218646(40.33)	122(0.06)	218524(99.94)	12200	4136600	18.93

(Figures in brackets in col.(3) and col.(5) indicate percentage to the households and figures in brackets in col.(6) and col. (7) indicate the percentage of households who were provided employment)

(B) Employment Generation in selected Blocks

Name of Block	Total No. of H/H	No. of H/H to whom Job Cards were issued	No. of H/H who demanded employment	No. of H/H who were provided employment	No of H/H who were provided 100 days of employment	Average number of days for which work provided
Cuddalore District						
Melbhuvanagiri	13583	13515	11223	11223	28	29
Panruti	20012	19912	13663	13663	85	26
Tiruvannamalai District						
Kilpennathur	22756	11049	3866	3866	NIL	43
Thandrampet	39066	29675	17775	17775	6	22
Villupuram District						
Thirukkoilur	21606	15535	9513	9513	42	34
Vanur	27363	16773	11262	11035	Nil	14

Appendix 5.2

(Reference: Paragraph 5.1.9.10; Page 100)

Details of employment provided in turn to persons demanded job under National Rural Employment Gurantee Scheme

(A) Cuddalore District

Sl. No.	Name of the Village	Number of works sanctioned during 2006-07	Number of works actually taken up during 2006-07	Name of the work	Number of persons who demanded and were provided with work	Average number of persons who actually worked in a day		
						(1)	(2)	(3)
Melbuvanagiri Panchayat Union								
1.	Anaivari	2	2	Deepening of Kulam	210	91 (12.08.06 to 17.08.06)	60 (12.08.06 to 29.08.06)	153 (30.08.06 to 04.08.06)
				Desilting of channel		75 (18.08.06 to 23.08.06)	126 (08.09.06 to 13.09.06)	120 (29.03.07 to 31.07.07)
2.	Kathazhai	2	2	Desilting of channel	423	146 (22.08.06 to 27.08.06)	200 (09.09.06 to 14.09.06)	75 (19.03.07 to 24.03.07)
				Desilting of Kulam		157 (01.08.06 to 08.08.06)	239 (09.08.06 to 14.08.06)	214 (02.09.06 to 07.09.06)
3	Manjakollai	2	2	Desilting of Keezhakulam	689	150 (09.08.06 to 14.08.06)	167 (18.08.06 to 20.08.06)	60 (21.08.06 to 28.08.06)

Sl. No.	Name of the Village	Number of works sanctioned during 2006-07	Number of works actually taken up during 2006-07	Name of the work	Number of persons who demanded and were provided with work	Average number of persons who actually worked in a day		
						(1)	(2)	(3)
				Desilting of Melakulam		88 (02.08.06 to 08.08.06)	161 (15.08.06 to 17.08.06)	80 (21.08.06 to 26.08.06)
4.	Prasannaramapuram	2	2	Deepening of pond and channel	206	141 (23.02.07 to 28.02.07)	91 (01.03.07 to 06.03.07)	122 (12.03.07 to 17.03.07)
				Deepening of channel		91 (29.07.06 to 04.08.06)	115 (05.08.06 to 11.08.06)	125 (12.08.06 to 20.08.06)
Panruti Panchayat Union								
1.	Keelkangeyankuppam	1	1	Desilting of Pudukulam	599	136 (05.11.06 to 06.11.06)	98 (14.11.06 to 18.11.06)	138 (20.11.06 to 25.11.06)
2.	Marungur	2	2	Desilting of Vannam kulam	1526	134 (02.08.06 to 08.08.06)	156 (09.08.06 to 16.08.06)	76 (19.08.06 to 25.08.06)
				Desilting of Kulam		102 (20.09.06 to 22.09.06)	162 (12.11.06 to 18.11.06)	125 (19.11.06 to 25.11.06)

Sl. No.	Name of the Village	Number of works sanctioned during 2006-07	Number of works actually taken up during 2006-07	Name of the work	Number of persons who demanded and were provided with work	Average number of persons who actually worked in a day		
						(1)	(2)	(3)
3.	Nadukuppam	2	2	Deepening of Siruthankuzhi pond	1067	119 (01.11.06 to 07.11.06)	126 (08.11.06 to 14.11.06)	78 (15.11.06 to 08.11.06)
				Deepening of pond at Nadukuppam		118 (31.07.06 to 05.08.06)	112 (07.08.06 to 12.08.06)	109 (14.08.06 to 19.08.06)
4	Veerasingankuppam	2	2	Deepening and renovation of Andal Kulam	526	53 (24.07.06 to 29.07.06)	83 (07.08.06 to 13.08.06)	142 (15.08.06 to 21.08.06)
				Deepening and renovation of Pulavan Kuppam channel		110 (13.11.06 to 19.11.06)	100 (20.11.06 to 26.11.06)	118 (27.11.06 to 02.12.06)
(B) Tiruvannamalai District								
Thandrapet Panchayat Union								
01	Agarampallipattu	4	2	Renovation of Minor Irrigation tank at Agaram-pallipattu	462	13 (01.09.06 to 09.09.06)	34 (11.09.06 to 16.09.06)	122 (18.09.06 to 23.09.06)
				Road formation for Agarampallipattu		95 (18.12.06 to 23.12.06)	105 (26.12.06 to 31.12.06)	111 (02.01.07 to 07.01.07)

Sl. No.	Name of the Village	Number of works sanctioned during 2006-07	Number of works actually taken up during 2006-07	Name of the work	Number of persons who demanded and were provided with work	Average number of persons who actually worked in a day		
						(1)	(2)	(3)
02	Kolamanjanur	3	2	Renovation of Minor Irrigation tank at Olagalappadi	457	28 (28.08.06 to 01.09.06)	32 (07.09.06 to 16.09.06)	86 (03.10.06 to 06.10.06)
				Desilting of Supply channel		49 (19.12.06 to 23.12.06)	24 (02.01.07 to 07.01.07)	82 (08.01.07 to 13.01.07)
03	Radhapuram	4	2	Renovation of Minor Irrigation Tank at Radhapuram Arasampattu Eri	976	73 (25.08.06)	44 (09.09.06 to 10.09.06 and 12.09.06 to 15.09.06)	75 (19.09.06 to 22.09.06)
				Renovation of Minor Irrigation Tank at Melakarai		103 (08.01.07 to 11.01.07)	132 (24.01.07 to 27.01.07)	127 (12.01.07)
04	Veppurchakkadi	3	3*	Renovation of Minor Irrigation Tank	544	22 (23.08.06 to 30.08.06)	95 (02.09.06 to 08.09.06)	155 (09.09.06 to 15.09.06)
				Renovation of percolation tank		113 (18.12.06 to 22.12.06)	188 (30.12.06, 03.01.07 & 05.01.07)	275 (06.01.07, 08.01.07 to 11.01.07)

Sl. No.	Name of the Village	Number of works sanctioned during 2006-07	Number of works actually taken up during 2006-07	Name of the work	Number of persons who demanded and were provided with work	Average number of persons who actually worked in a day		
						(1)	(2)	(3)
Kilpennathur Panchayat Union								
1	Kallayee	3	3**	Renovation of MI tank and supply of channel at Pappaneri	107	16 (30.08.06)	62 (03.09.06 to 09.09.06)	60 (10.09.06 to 15.09.06)
2	Kazhikulam	2	2	Renovation of MI tank at Kazhikulam	118	36 (25.08.06 to 05.09.06)	81 (06.09.06 to 13.09.06)	19 (14.09.06 to 20.09.06)
				Formation of new pond		68 (23.01.07 to 27.01.07)	54 (30.01.07 to 31.01.07)	77 (12.02.07 to 16.02.07)
3	Rajanthangal	3	2	Renovation of Melanthangal Eri	115	36 (28.08.06 to 02.09.06)	86 (24.02.07 to 02.03.07)	80 (03.03.07 to 06.03.07)
				Renovation of Keelanthangal Eri		37 (29.11.06 to 09.12.06)	51 (18.12.06 to 25.12.06)	50 (26.12.06 to 01.01.07)
4	Rayampettai	3	2	Renovation of Rayampettai thangal Eri	176	28 (23.08.06 to 04.09.06)	45 (11.09.06 to 16.09.06)	55 (20.11.06 to 25.11.06)
				Kunnakuppam Eri		45 (04.01.07 to 09.01.07)	53 (19.01.07 to 25.01.07)	21 (27.01.07 to 02.02.07)

(C) Villupuram District

Sl.No.	Name of the Village	Number of works sanctioned during 2006-07	Number of works actually taken up during 2006-07	Name of the work	Number of persons who demanded and were provided with work	Average number of persons who actually worked in a day		
						(1)	(2)	(3)
Thirukovilur Panchayat Union								
1.	Arumbakkam	3	2	Formation of road to AD Colony	194	202 (28.8.06 to 4.9.06)	112 (5 to 11.9.06)	250 (16 to 23.9.06)
				Formation of new pond		138 (24 to 30.12.06)	79 (22 to 25.1.07)	95 (5 to 10.3.07)
2.	Nedumudayan	2	2	Formation of new pond at Mattapparai	403	112 (19 to 22.12.06)	160 (23 to 29.12.06)	112 (13 to 16.3.07)
				Formation of new pond at Vettuvamalai		108 (18 to 22.12.06)	155 (23 to 29.12.06)	148 (9 to 16.3.07)
3.	T.Keeranur	2	3	Channel at AD Colony	322	43 (27.11.06 to 2.12.06)	44 (4 to 9.12.06)	
				Formation of new road at TK Mandapam		40 (19 to 27.12.06)		
				Desilting of supply channel to MI tank		40 (11 to 18.12.06)	60 (28.12.06 to 5.1.07)	60 (9 to 13.1.07)

Sl.No	Name of the Village	Number of works sanctioned during 2006-07	Number of works actually taken up during 2006-07	Name of the work	Number of persons who demanded and were provided with work	Average number of persons who actually worked in a day		
						(1)	(2)	(3)
Vanur Panchayat Union								
1.	Aruvapakkam	3	1	Deepening of MI Tank	185	27 (31.8.06 to 7.9.06)	59 (8 to 11.9.06)	74 (15 to 18.9.06)
2.	Kilapakkam	3	1	Desilting of supply channel	897	231 (6 to 8.9.06)	400 (14 to 15.9.06)	266 (20 to 22.3.07)
3.	Vanur	3	1	Deepening of AyyanarKoil tank at Nainarpalayam	597	143 (20 to 23.8.07)	152 (24 to 30.8.07)	137 (31.8.07 to 6.9.07)

*Out of 3 works taken up, NMRs of two works were only test checked by audit

** Out of 3 works taken up, NMRs of one work alone was test checked by audit

Appendix 5.3

(Reference: Paragraph 5.2.3; Page 106)

List of Panchayat Unions test checked

Name of the Panchayat Union

Krishnagiri district

1. Bargur
2. Hosur
3. Kaveripattinam
4. Krishnagiri
5. Shoolagiri

Salem district

6. Attur
7. Mechari
8. Omalur
9. Peddanaicken palayam
10. Salem
11. Sankari
12. Thalaivasal
13. Vazhapady
14. Veerapandy
15. Yercaud

Theni district

16. Bodinayakanur
17. Cumbum
18. Periyakulam
19. Theni
20. Uttamapalayam

Tirunelveli district

21. Kadayam
22. Kadayanallur
23. Keelapaavoor
24. Manur
25. Nanguneri
26. Palayamkottai
27. Sankarankoil

Name of the Panchayat Union

Tiruvarur district

28. Kordacheri
29. Nannilam
30. Needamangalam
31. Thiruthuraipoondy
32. Tiruvarur

Virudhunagar district

33. Aruppukottai
34. Kariapatti
35. Rajapalayam
36. Sattur
37. Sivakasi
38. Sriviliputhur
39. Tenkasi
40. Virudhunagar

Appendix 5.4

(Reference: Paragraph 5.2.4.2; Page 107)

Diversion of General Fund to the Post Office small savings

Sl. No.	Name of the Panchayat Union	Diversion		Date of retransfer
		Date	Amount (Rs)	
Krishnagiri District				
1	Kaveripattinam	06.03.2003	11,00,000	15.12.2003
2	Krishnagiri	27.02.2002	3,00,000	03.05.2002
		26.03.2002	10,00,000	03.05.2002
Theni District				
3	Bodi	16.03.2005	10,00,000	16.11.2005
4	Cumbum	10.01.2003	2,80,000	12.11.2003
		10.01.2003	20,000	07.01.2004
		25.03.2004	3,00,000	08.07.2004
5	Periyakulam	28.03.2003	10,00,000	14.08.2003
6	Uthamapalayam	15.03.2004	20,00,000	23.07.2004
Tirunelveli District				
7	Kadayam	29.03.2004	5,00,000	07.01.2006
		14.03.2005	10,00,000	07.01.2006
8	Sankarankoil	19.03.2004	30,00,000	13.09.2005
		28.03.2005	30,00,000	22.02.2006
Virudhunagar District				
9	Rajapalayam	29.11.2002	5,00,000	30.01.2006
		27.03.2003	20,00,000	30.01.2006
		25.03.2004	50,00,000	30.01.2006
10	Sattur	29.01.2003	5,00,000	30.12.2003
11	Sivakasi	29.03.2003	15,00,000	23.04.2004
12	Srivilliputhur	27.08.2002	12,00,000	14.05.2004
		28.11.2002	5,00,000	14.05.2004
		26.03.2003	10,00,000	14.05.2004
13	Virudhunagar	27.03.2002	15,00,000	13.02.2003
		29.03.2003	10,00,000	02.01.2006
		25.03.2004	25,00,000	02.01.2006
Total			3,17,00,000 or Rs 3.17 crore	

Appendix 5.5

(Reference: Paragraph 5.2.4.2; Page 107)

Diversion of General Fund to other schemes

Sl. No.	Name of the Panchayat Union	Amount diverted (Rs)	Period of diversion (months)	Loss of interest (Rs)
Krishnagiri District				
1	Bargur	1,74,775	3	1,966
		26,950	27	2,729
		20,000	26	1,950
		2,57,873	12	11,604
		1,12,877	57	24,127
		2,00,000	23	17,250
		3,00,000	32	36,000
		9,00,000	4	13,500
		2,00,000	6	4,500
2	Kaveripattinam	1,50,000	5	2,813
3	Krishnagiri	30,000	14	1,575
Salem District				
4	Valapady	1,09,726	8	3,292
		84,313	11	3,478
		91,967	14	4,828
		1,06,603	15	5,996
		1,56,852	17	9,999
5	Yercard	1,50,000	24	13,500
Theni District				
6	Cumbum	10,000	7	263
		29,841	45	5,036
		2,80,000	4	4,200
7	Periyakulam	2,41,082	20	18,081
		2,00,000	42	31,500
		2,00,000	40	30,000
		84,000	40	12,600
		48,034	23	4,143
		2,00,000	11	8,250
		2,00,000	3	2,250
2,00,000	3	2,250		
2,84,000	22	23,430		

Sl. No.	Name of the Panchayat Union	Amount diverted (Rs)	Period of diversion (months)	Loss of interest (Rs)
		2,32,000	21	18,270
		2,90,000	19	20,663
		1,45,000	18	9,788
		2,56,920	17	16,379
		16,020	15	901
8	Theni	92,400	3	1,040
		75,000	49	13,781
		51,600	3	581
		45,000	38	6,413
		37,900	36	5,117
		5,68,000	32	68,160
9	Uttamapalayam	1,25,000	10	4,688
		33,000	9	1,114
	Tiruvaveli District			
10	Kadayanallur	6,00,000	11	24,750
		1,24,238	12	5,591
11	Manur	8,50,000	10	31,875
12	Nanguneri	2,00,000	5	3,750
		5,00,000	3	5,625
		75,000	48	13,500
		26,986	27	2,732
		9,866	27	999
		3,285	24	296
		3,30,336	20	24,775
		2,48,857	12	11,199
	Tiruvarur District			
13	Nannilam	11,26,048	5	21,113
14	Needamangalam	11,58,254	12	52,121
15	Thiruthurai poondi	3,00,000	12	13,500
		2,10,000	3	2,362
		2,00,000	5	3,750
		75,000	3	844
		2,00,000	4	3,000
	Virudhunagar District			
16	Aruppukottai	29,000	10	1,088

Sl. No.	Name of the Panchayat Union	Amount diverted (Rs)	Period of diversion (months)	Loss of interest (Rs)
		9,98,184	7	26,202
		22,000	6	495
		3,62,580	4	5,439
		6,55,817	23	56,564
17	Rajapalayam	6,00,000	8	18,000
18	Sivakasi	6,000	5	113
		2,00,000	5	3,750
		3,000	11	124
		1,00,000	11	4,125
		1,00,000	7	2,625
		40,000	3	450
19	Virudhunagar	7,25,000	8	21,750
Total				8,30,512 or Rs 8.31 lakh

Appendix 5.6

(Reference: Paragraph 5.2.4.2; Page 108)

Pay and allowances of Fitter, Electrician and Fitter Assistant met from General Fund

Sl. No.	Name of the Panchayat Union	Amount (Rs)
Krishnagiri district		
1.	Krishnagiri	23,25,400
2.	Kaveripattinam	22,78,023
3.	Bargur	28,29,900
4.	Soolagiri	21,66,700
5.	Hosur	42,21,900
Salem district		
6.	Salem	20,80,548
7.	Attur	20,73,968
8.	Sankari	14,68,000
9.	Peddanaickenpalayam	15,19,055
10.	Valapady	12,21,383
11.	Thalaiwasal	6,98,525
12.	Mecheri	12,17,200
Theni district		
13.	Theni	5,78,831
14.	Cumbum	3,17,582
15.	Bodi	5,72,165
Thiruvarur district		
16.	Thiruvarur	6,10,362
17.	Nannilam	4,65,469
18.	Koradacheri	6,83,948
19.	Needamangalam	13,38,119
Tirunelveli district		
20.	Keelapaavoor	7,07,623
21.	Tenkasi	3,17,105
22.	Sankarankoil	1,51,723
23.	Manur	9,09,581
24.	Palayamkottai	13,48,042
Virudhunagar district		
25.	Virudhunagar	10,85,666
26.	Srivilliputhur	6,57,642
27.	Rajapalayam	3,87,283
28.	Sivakasi	16,38,867
29.	Sattur	8,34,603
30.	Kariapatty	8,95,432
Total		3,76,00,645
		or
		Rs 3.76 crore

Appendix 5.7

(Reference: Paragraph 5.2.4.3; Page 108)

Expenditure towards fuel and maintenance of vehicles used by Block Development Officers (Village Panchayat)

Sl. No.	Name of the Panchayat Union	Amount (Rs)
Krishnagiri district		
1.	Bargur	3,06,900
2.	Hosur	5,02,300
3.	Kaveripattinam	3,50,378
4.	Krishnagiri	3,86,416
5.	Soolagiri	2,85,024
Salem district		
6.	Attur	3,98,151
7.	Mecheri	5,26,700
8.	Omalur	6,32,149
9.	Peddanaickenpalayam	2,42,500
10.	Salem	2,39,627
11.	Sankari	1,99,102
12.	Thalaivasal	3,35,795
13.	Valapady	3,11,014
14.	Yercard	3,94,100
Theni district		
15.	Bodi	5,91,451
16.	Cumbum	3,30,157
17.	Uthamapalayam	2,85,845
Total		63,17,609 or Rs 63.18 lakh

Appendix 5.8
(Reference: Paragraph 5.2.4.3; Page 108)

Payment of Electricity Tax

Sl. No.	Name of the Panchayat Union	Amount (Rs)
Krishnagiri district		
1.	Hosur	4,232
2.	Krishnagiri	5,300
3.	Soolagiri	7,166
Salem District		
4.	Attur	7,890
5.	Veerapandy	7,580
6.	Omalur	17,344
7.	Sankari	5,452
8.	Peddanaickenpalayam	4,226
9.	Valapady	6,461
10.	Thalaiwasal	4,017
11.	Mecheri	6,904
12.	Yercard	1,868
Theni district		
13.	Bodi	8,661
14.	Cumbum	3,951
15.	Periyakulam	4,386
16.	Theni	4,105
17.	Uthamapalayam	3,821
Tirunelveli district		
18.	Kadayam	3,332
19.	Kadayanallur	5,132
20.	Keelapaavoor	6,645
21.	Manur	7,426
22.	Nanguneri	7,418
23.	Palayamkottai	8,112
24.	Sankarankoil	5,332
Tiruvarur district		
25.	Koradacheri	6,769
Virudhunagar district		
26.	Rajapalayam	7,415
27.	Sattur	4,226
28.	Virudhunagar	5,332
Total		1,70,503
		or
		1.71 lakh

Appendix 5.9

(Reference: Paragraph 5.2.4.3; Page 108)

Contribution to Total Sanitation Campaign

Sl. No.	Name of Panchayat Union	Amount (Rs)
Theni district		
1	Cumbum	13,000
2	Uthamapalayam	35,000
Virudhunagar district		
3	Virudhunagar	10,000
Total		58,000

Appendix 5.10

(Reference: Paragraph 5.2.4.4; Page 109)

Amount receivable not received

Sl. No.	Name of the Panchayat Union	Amount kept in the LF X account (Rs)	Period	Loss of interest (Rs)
Krishnagiri District				
1	Kaveripattinam	2,24,756	54 months	45,513
2	Krishnagiri	19,740	43 months	3,183
Salem District				
3	Peddanaickenpalayam	1,84,131	48 months	33,144
4	Sankari	51,057	54 months	10,339
5	Thalaivasal	17,468	54 months	3,537
Tiruvarur District				
7	Nannilam	6,16,400	54 months	1,24,821
8	Thiruvarur	5,30,575	54 months	1,07,442
Total		16,44,127		3,27,979 or Rs 3.28 lakh

Appendix 5.11

(Reference: Paragraph 5.2.5.1; Page 110)

Details for capital works taken up without sanction from Director of Rural Development and Panchayat Raj Institutions

Sl.No.	Name of Panchayat Union	No. of works	Expenditure (Rs)
Theni District			
1	Periakulam	1	2,00,000
2	Theni	2	59,000
Tiruvaveli District			
3	Rajapalayam	42	46,74,778
4	Sankarankoil	1	2,94,468
5	Srivilliputhur	6	4,71,349
Virudhunagar Distrtict			
6	Aruppukkottai	1	3,82,965
Total		53	60,82,560 or Rs 60.83 lakh