# Report of the
# Comptroller and Auditor General of India

## (Local Bodies)

**for the year ended 31 March 2012**

**Government of Tamil Nadu**
**Report No.5 of 2013**

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# PREFACE

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

2. The 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 2011-12 together with other points arising out of audit of transactions of the Government of Tamil Nadu are included in separate volumes of the Report (General & Social Sector) of 2011-12.

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 2011-12 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 2012 have also been included wherever considered necessary.

# OVERVIEW

# OVERVIEW

*This Report contains five chapters. The first and the fourth chapter contain summary of finances and financial reporting of Urban Local Bodies and Panchayat Raj Institutions respectively. The second chapter contains two Performance Audits on Third Tamil Nadu Urban Development Project and Functioning of Tiruchirappalli Municipal Corporation. The third chapter contains two paragraphs based on the audit of financial transactions of the Urban Local Bodies. The fifth chapter contains two paragraphs based on the audit of financial transactions of the Panchayat Raj Institutions. A synopsis of some of the findings contained in this Report is given below:-*

### I An Overview of Urban Local Bodies

Transfer of all functionaries to the Urban Local Bodies to carry out the devolved functions has not yet been made by the Government making the devolution incomplete. Though the savings ranged between 12 to 25 *per cent* of the total receipts during the last five years, the Urban Local Bodies failed to utilise the savings towards creation of additional infrastructure. Due to non-preparation of the accounts in time by the Urban Local Bodies, correct picture of their financial position could not be ascertained by the councils in time. While two municipalities did not submit their accounts for the year 2009-10, two municipal corporations, 52 municipalities and seven town panchayats did not submit their accounts for the year 2010-11. As of December 2012, audit of two municipalities and 11 town panchayats for the year 2009-10 and audit of 52 municipalities, 31 town panchayats and two municipal corporations was pending for the year 2010-11. As of December 2012, 2,402 paragraphs contained in 449 Inspection Reports of the Principal Accountant General for the period 2009-10 to 2011-12 were pending for settlement for want of satisfactory replies.

***(Paragraphs 1.1 to 1.12)***

### II Performance Audit

### 2.1 Performance Audit of the Third Tamil Nadu Urban Development Project

Government of Tamil Nadu took-up the Third Tamil Nadu Urban Development Project (TNUDP III) in April 2005 by availing financial assistance of US Dollar 300 million (₹ 1,350 crore) from the World Bank. The project had two components namely, Institutional development and Urban investment. The total outlay for the Project was ₹ 1,996.40 crore. TNUDP III, scheduled to be completed by March 2011, was extended upto March 2014 due to slow progress in implementation of the project. A Performance Audit of the project disclosed the following:-

As of March 2012, ₹ 922.47 crore (46 *per cent*) was spent on the project as against the project cost of ₹ 1,996.40 crore, despite extension of the project upto March 2014. Even though 75 (67 *per cent*) out of 112 sub projects under urban investment had been completed, the expenditure on the completed projects was only 13 *per cent*, and major projects of underground sewerage scheme, water supply and transportation were still in progress.

Release of funds by Government of Tamil Nadu to Tamil Nadu Urban Infrastructure Financial Services Limited/Commissioner of Municipal Administration without verifying the actual utilisation by the implementing agencies resulted in ₹ 403.90 crore remaining unspent with TNUIFSL, local bodies and other implementing agencies.

Failure of Chennai Metropolitan Development Authority to revise the terms of reference for consultancy in time resulted in dropping of 29 out of 34 sub-projects of the transportation sub component after incurring an expenditure of ₹ 2.37 crore on unfructified consultancy services.

Incorrect Selection of tank site for Sewage Treatment Plant (STP) for Thiruvallur Under Ground Sewerage Scheme resulted in refusal of permission to use land for setting up of the STP due to ban on utilisation of the tank poramboke land for other purposes. The work for STP awarded in December 2009 could not be started till date (November 2012), though the collection system of the scheme taken up in September/December 2008 was nearing completion by incurring an expenditure of ₹ 27.95 crore.

Lining of the bed and sides of the Thirumanimutharu river in Salem with reinforced cement concrete instead of plain cement concrete deviating from the Indian Standard Specifications, resulted in avoidable extra cost of ₹ 4.80 crore. Assets created/goods procured at a cost of ₹ 2.72 crore were idling and not put to effective use. There were unintended benefits to the tune of ₹ 2.36 crore made to the contractors. Under the sub-component capacity building under Institutional Development component, only 18,573 were trained as against the target of 1,10,783 officials and elected representatives and only ₹ 14.63 crore out of ₹ 40.70 crore allotted for the purpose was utilised.

***(Paragraph 2.1)***

### ***2.2 Performance Audit on Functioning of Tiruchirappalli Municipal Corporation***

Tiruchirappalli city is situated on the banks of river Cauvery and is the fourth largest town of Tamil Nadu. Tiruchirappalli Municipality was constituted in 1866 and it was upgraded as Tiruchirappalli City Municipal Corporation (Corporation) with effect from 1 June 1994 covering an area of 146.90 square kilo meters by adding the adjacent two municipalities, four town panchayats and six village panchayats.

The total area of Corporation, as of now, is 167.23 sq.km. and the Corporation was subdivided into four Administrative Zones consisting of 65 wards for effective administration. The Corporation Council was constituted with a Mayor and 65 Ward Councilors. The population of Tiruchirappalli as per 2011 census is 9.16 lakh

Performance Audit on functioning of Tiruchirappalli Municipal Corporation revealed the following :

Corporation deposited the funds recovered from its employees towards Contributory Pension Scheme in banks instead of depositing in Treasury deposit violating the Government instructions. Terminal benefits under the scheme were not paid to retired employees and employees who died in harness during 2009-12. In collection of property tax, there was incorrect classification of buildings, lack of follow-up action in respect of legal cases for which the judgments have been delivered and omission to assess property tax. Non-tax revenue such as lease rent was not received from the service departments, renewal fees not received from the leased shops in two Zones, annual rent was not levied on cable TV operators and track rent was not collected from telephone providers. There was encroachment of land in Corporation area. School maintenance was not executed despite availability of funds. Purified drinking water was not provided in Municipal Schools. Modernised kitchen constructed at a cost of ₹ 7.83 lakh remained unutilized. Periodical water samples were not tested, equitable distribution of water was not ensured. Waste disposal facilities were not set up, private scavenging fees were not collected. Urban Health Care delivery Policy announced by the Government of Tamil Nadu has not been implemented. The vacancy in the post of medical officer hampered the work in urban health posts.

***(Paragraph 2.2)***

### *III Audit of transactions in Urban Local Bodies*

Execution of permanent restoration of road work without obtaining the plan of action from Tamil Nadu Water Supply and Drainage Board which is implementing the under ground drainage sewerage scheme resulted in wasteful expenditure of ₹ 23.10 lakh.

***(Paragraph 3.1.1)***

Injudicious rejection of tender by Tamil Nadu Water Supply and Drainage Board resulted in avoidable expenditure of ₹ 1.31 crore to two Urban Local.Bodies.

***(Paragraph 3.2.1)***

### *IV An Overview of Panchayat Raj Institutions*

The proportion of capital expenditure to total expenditure declined from 18 *per cent* in 2007-08 to 13 *per cent* in 2011-12. Government of Tamil Nadu decided to implement the Panchayat Raj Institutions Accounting (PRIA) software in all the three tiers of Panchayat Raj Institutions from 2012-13. Installation of computers, printers and UPS has not been completed in all Village Panchayats. As reported by the Commissioner of Rural Development and Panchayat Raj, the installation process is likely to be completed by 31 March 2013. The implementation of PRIA software in other two tiers i.e Panchayat Unions and District Panchayat has not been taken up. Though Government issued orders for the implementing the PRIA software from 2012-13, the accounting model is yet to start. As of December 2012, 1,727 paragraphs contained in 472 Inspection Reports of the Principal Accountant General for the period 2008-09 to 2011-12 were pending for settlement for want of satisfactory replies.

***(Paragraphs 4.1 to 4.13)***

### *V Audit of transactions in Panchayat Raj Institutions*

Release of grant for construction of toilets under the Total Sanitation Campaign by Block Panchayats, in addition to ₹ 1.50 lakh given for construction of 3,038 green houses which included the cost of toilet resulted in excess release of grant to the extent of ₹ 97 lakh to the beneficiaries.

***(Paragraph 5.1.1)***

Incorrect selection of site, non-adherence to the recommendation of Coimbatore Institute of Technology, Coimbatore before commencement of the work resulted in idling of incomplete houses constructed at a cost of ₹ 78 lakh.

***(Paragraph 5.2.1)***

# PART I

## URBAN LOCAL BODIES

# CHAPTER I

# AN OVERVIEW OF URBAN LOCAL BODIES

# CHAPTER I

# SECTION 'A'

# AN OVERVIEW OF URBAN LOCAL BODIES

## 1.1 Background

The 74th Constitutional Amendment gave constitutional status to Urban Local Bodies (ULBs) and established a system of uniform structure, regular election, regular flow of funds through Finance Commission etc. As a follow up, the States are required to entrust these bodies with powers, functions and responsibilities so as to enable them to function as institutions of self-government.

Consequent to the 74th amendment of the Constitution, the Government of Tamil Nadu 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.

## 1.2 State profile

Tamil Nadu is one of the most urbanised States in India. The urban population of the State as per the 2011 census was 3.49 crore constituting 48.45 *per cent* of the total population (7.21 crore) in the State. The demographic and developmental status of the State is given in **Table 1.1**.

**Table 1.1: Important statistics of the State**

| Indicator | Unit | State statistics |
|---|---|---|
| Population | Millions | 72.14 |
| Population density | Sq.Km | 555 |
| Urban population | Percentage | 48.45 |
| Number of ULBS | Numbers | 664 |
| Number of Corporations | Numbers | 10 |
| Number of Municipalities | Numbers | 125 |
| Number of Town Panchayats | Numbers | 529 |
| Gender ratio | Per 1,000 males | 995 |
| Literacy | Percentage | 80.33 |

(Source: 2011 Census figures and Policy Note of the Municipal Administration and Water Supply Department for 2012-13).

### 1.2.1 Classification of Urban Local Bodies

The Municipalities and Town Panchayats are classified into different grades by the Government of Tamil Nadu based on their own revenue and population, as given in **Table 1.2**.

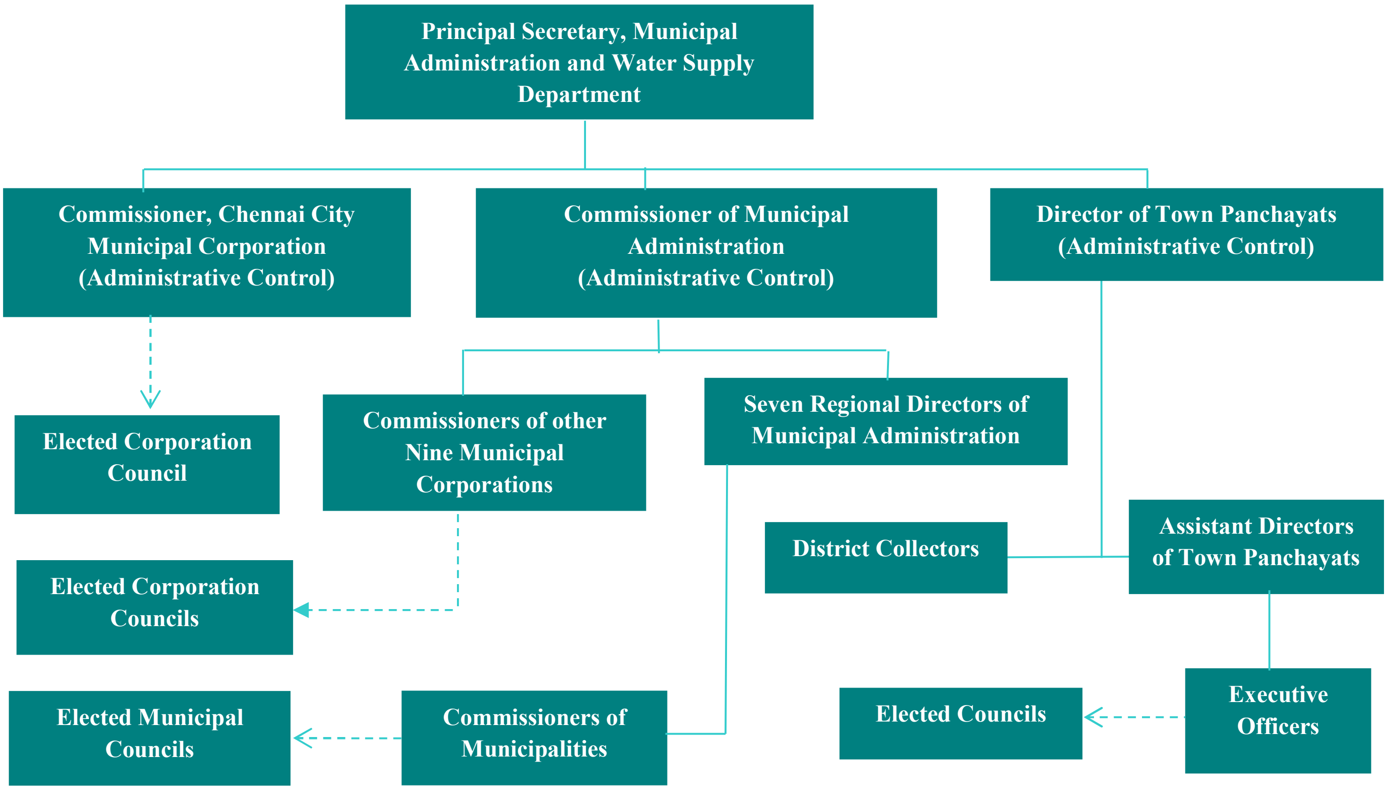
**Table 1.2: Income wise classification of ULBs**

| Category of ULB | Grade | Annual income | Number |
|---|---|---|---|
| Municipalities | Special grade | Above ₹ 10 crore | 17 |
| | Selection grade | ₹ 6 crore and above but below ₹ 10 crore | 31 |
| | First grade | ₹ 4 crore and above but below ₹ 6 crore | 33 |
| | Second grade | Below ₹ 4 crore | 44 |
| | | **Total** | **125** |
| Town Panchayats | Special grade | Above ₹ 20 lakh | 12 |
| | Selection grade | Above ₹ 16 lakh but below ₹ 20 lakh | 222 |
| | Grade I | Above ₹ 8 lakh but below ₹ 16 lakh | 215 |
| | Grade II | Above ₹ 4 lakh but below ₹ 8 lakh | 80 |
| | | **Total** | **529** |

(Source: Policy Note 2012-13 of the Municipal Administration and Water Supply Department)

## 1.3 Organisational structure of ULBs

The Organisational structure for administering the ULBs in Tamil Nadu is as under:




(Source : Directorate of Municipal Administration)

## 1.4 Devolution of functions, functionaries and funds

Consequent to the 74th amendment of the Constitution, the Government of Tamil Nadu amended the Tamil Nadu District Municipalities Act, 1920 for transferring the powers and responsibilities to ULBs. Twelve out of 18 functions enlisted in the Twelfth Schedule of the Constitution have been devolved to the Town Panchayats. The Commissioner of Municipal Administration (CMA) stated (October 2012) that 17 functions (except Fire Service) are the natural and statutory functions of ULBs and they have been devolved to the Municipalities and Corporations and necessary and adequate provisions in respect of the said functions are available in the Act governing the ULBs and other Acts, Rules, Regulations and Orders. He further stated that the ULBs have adequate sanctioned strength of staff for effectively discharging their functions and the Government is taking necessary efforts towards capacity building of the staff of ULBs. The CMA further stated that as per the recommendations of Third State Finance Commission, State's own revenue is devolved to ULBs and Government is sanctioning necessary funds for taking up infrastructure projects in individual ULBs and the Government is devolving necessary funds for the effective functioning of ULBs as institutions of Local Self Government.

In respect of Chennai City Municipal Corporation, only 13 functions have so far been devolved and the function of water supply is handled by the Chennai Metropolitan Water Supply and Sewerage Board.

## 1.5 Decentralised planning

### 1.5.1 Standing Committees

The ULBs constitute Standing Committees to perform the assigned functions. The list of various committees in the ULBs is given in **Table 1.3**.

**Table 1.3: Standing Committees**

<table>
<tr><th>Category of ULBs</th><th>Chief Political Executive</th><th>Standing Committees</th><th>Political executive of Standing Committees</th></tr>
<tr><td>Corporations</td><td>Mayor</td><td>Public Health, Town Planning, Works, Taxation and Finance, Education and Accounts</td><td rowspan="3">Chairman (elected among the members)</td></tr>
<tr><td>Municipalities</td><td>Chairman</td><td rowspan="2">Contract Committee, Town Planning Committee and Taxation Appeal Committee</td></tr>
<tr><td>Town Panchayats</td><td>Chairman</td></tr>
</table>

As per Section 241(1) of the Tamil Nadu Panchayats Act, 1994 the State Government constituted a District Planning Committee (DPC) in each of the 28 districts in November 1997. One DPC was formed in 2005 and two more were formed in April 2012 totalling to 31 DPCs. The DPC consists of following members:

- The Collector of the District as Chairman;
- The Chairman of the District Panchayat as Vice Chairman;
- Members of Parliament, Members of Legislative Assembly and representatives of Local Bodies as members.

The functions of the DPC is to consolidate the plans prepared by Rural Local Bodies and Urban Local Bodies for the preparation of consolidated district plan, which will facilitate the State Planning Commission in the preparation of State Plan; identification of priority needs, determination of policies, programmes and priorities for development of the district; collection, compilation and updation of information on the natural resources of the district to create a comprehensive database for decentralised planning; monitoring and evaluation of various developmental programme in the district; encouraging the participation of voluntary organisations in the development process; advising the State

Government with regard to the implementation of the State schemes and any other function that may be entrusted by the State Government.

At present, the Annual Plans prepared at the Government level are consolidated and adopted as District plans.

## 1.6 Financial profile

### 1.6.1 Funds flow to ULBs

The major resource base of ULBs consists of State Finance Commission (SFC) grants, Central Finance Commission (CFC) grants, Centrally Sponsored Schemes (CSS) grants, Own revenue, Assigned revenue and loans as given in **Table 1.4** below:

**Table 1.4: Funds flow mechanism in ULBs**

| Nature of Funds | Corporations | | Municipalities | | Town Panchayats | |
|---|---|---|---|---|---|---|
| | Source of fund | Custody of fund | Source of fund | Custody of fund | Source of fund | Custody of fund |
| Own revenue | Assessees and users | Bank | Assessees and users | Bank | Assessees and users | Bank |
| Assigned revenue<br>SFC grants | State Government | Bank | State Government | Bank | State Government | Bank |
| CFC/CSS grants | GOI | Bank | GOI | Bank | GOI | Bank |
| State Plan grants | State Government | Bank | State Government | Bank | State Government | Bank |
| Loans | GOI/State Government/ Financial Institutions | Bank | GOI/State Government/ Financial Institutions | Bank | GOI/State Government/ Financial Institutions | Bank |

**Table 1.5** below shows the details of receipts and expenditure of the ULBs for the period 2007-08 to 2011-12.

**Table 1.5 : Receipts and expenditure of the ULBs**

**(₹ in crore)**

| | 2007-08 | 2008-09 | 2009-2010 | 2010-2011 | 2011-12 |
|---|---|---|---|---|---|
| Own revenue | 1,511 | 1,742 | 1,992 | 2,174 | 4,858 |
| Assigned revenue | 453 | 451 | 370 | 372 | 821 |
| Grants | 2,000 | 1,944 | 2,658 | 3,969 | 4,136 |
| Loans | 114 | 353 | 428 | 636 | 225 |
| **Total receipts** | **4,078** | **4,490** | **5,448** | **7,151** | **10,040** |
| Revenue expenditure | 1,806 | 2,186 | 2,558 | 3,319 | 4,129 |
| Capital expenditure | 1,395 | 1,767 | 1,878 | 2,514 | 3,418 |
| **Total expenditure** | **3,201** | **3,953** | **4,436** | **5,833** | **7,547** |

(Source: Details furnished by the Commissioner of Chennai City Municipal Corporation; Commissioner of Municipal Administration and Director of Town Panchayats)

The percentage of expenditure and savings to the total receipts during 2007-08 to 2011-12 is given in **Table 1.6.**

**Table 1.6: Percentage of expenditure and savings**

| | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 |
|---|---|---|---|---|---|
| Revenue expenditure | 44 | 49 | 47 | 46 | 41 |
| Capital expenditure | 34 | 39 | 34 | 35 | 34 |
| Savings | 22 | 12 | 19 | 19 | 25 |

While the Capital expenditure over the years ranged between 34 and 39 *per cent* of the total receipts, Revenue expenditure ranged between 41 and 49 *per cent* and savings between 12 and 25 *per cent* of the total receipts. The ULBs failed to utilize these savings towards Capital expenditure for creating additional infrastructure.

## 1.7 Accounting framework

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 and in all Town Panchayats with effect from 2002-03. Tamil Nadu State was adopting a State Accounting Manual. Consequent to the introduction of National Municipal Accounting Manual (NMAM) and in order to comply with the condition stipulated by the XIII Central Finance Commission, the State Government has initiated action to prepare a new Accounting Manual incorporating the principles laid down in NMAM to suit the requirement of ULBs in Tamil Nadu. Regarding the implementation of NMAM Government stated (February 2013) that synchronizing the State Accounting Manual with that of National Municipal Accounting Manual is under consideration of the Government. The final decision on this matter will be furnished shortly.

## 1.8 Audit arrangements

As per the Government Order issued in August 1992, audit of ULBs had been entrusted to the Director of Local Fund Audit (DLFA). He is to certify the correctness of accounts, assess internal control system and report cases of loss, theft and fraud to the audited entities and to the State Government. The Principal Accountant General 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.

Arrears in certifying the accounts of the Urban Local Bodies and arrears in audit by DLFA are given in paragraph 1.11.2 and 1.11.3 respectively.

### 1.8.1 Audit of ULBs by the Principal Accountant General

The Principal Accountant General also audits the ULBs under Section 14(2) of the Comptroller and Auditor General of India's (Duties, Powers and Conditions of Service) Act, 1971. Audit of ULBs by test checking of records are followed-up through Inspection Reports issued to the Commissioner of Municipal Administration and to the ULBs concerned. Government had issued general orders in April 1967 fixing a time limit of four weeks for response by the authorities for all paragraphs included in the Inspection Reports issued by the Principal Accountant General. As of December 2012, 2,402 paragraphs contained in 449 Inspection Reports for the period 2009-10 to 2011-12 were pending for settlement for want of satisfactory replies.

The Public Accounts Committee (PAC) commenced the process of discussion of the CAG Audit Reports on Local Bodies in January 2012. Audit Reports on ULBs upto 2006-07 have been discussed and recommendations of the PAC are awaited. As of January 2013, Action Taken Report on 99 recommendations relating to 1985-86 to 1995-96 of the Municipal Administration and Water Supply Department was pending for final settlement, which *inter-alia* consisted of paragraphs relating to ULBs included in the Audit Reports (Civil).

# SECTION 'B' – FINANCIAL REPORTING

## 1.9 Introduction

Financial reporting in the ULBs is a key element of accountability. The matters relating to drawal of funds, form of bills, incurring of expenditure, maintenance of accounts, rendering of accounts by the ULBs are governed by the respective ULB Acts. A chart depicting various sources of revenue of ULBs is given in **Appendix 1.1**.

## 1.10 Accounts maintained by Urban Local Bodies

The following accounts are prepared on accrual basis by adopting Double Entry Accounting System as prescribed under the Tamil Nadu Accounting Manual for ULBs in Tamil Nadu by all the municipalities, nine municipal corporations (excluding Chennai) and all the town panchayats:

- Revenue Fund and Capital Fund
- Water Supply and Drainage Fund (except town panchayats)
- Elementary Education Fund (except town panchayats)

The Chennai City Municipal Corporation maintains (i) a General Fund comprising both Revenue and Capital Funds and (ii) an Elementary Education Fund. The cash balance of each of the funds is maintained in separate bank account.

Figures in this Chapter have been compiled from the details furnished by the ULBs. However, in the absence of data compiled from the audited accounts of the ULBs by the Department/Government, the accuracy of these figures cannot be authenticated and the data given here are provisional subject to audit by DLFA.

## 1.11 Financial Reporting Issues

### 1.11.1 Position of outstanding loans

The position of outstanding loans of ULBs as of March 2012 is given in **Table 1.7**.

**Table 1.7: Position of outstanding loans in ULBs**

(₹ in crore)

| Sl. No | Category of ULB | Position of consolidated loan | | | |
|---|---|---|---|---|---|
| | | Opening balance as on 1 April 2011 | Fresh loans availed during 2011-12 | Repayment made during 2011-12 | Closing balance as on 31 March 2012 |
| 1. | Chennai City Municipal Corporation | 172.19 | 24.86 | 6.92 | 190.13 |
| 2. | Other municipal corporations @ | 670.12 | 137.51 | 56.48 | 751.15 |
| 3. | Municipalities@ | 941.75 | 49.80 | 97.15 | 894.40 |
| 4. | Town panchayats* | 622.99 | 12.73 | 37.00 | 598.72 |

(Source: Details furnished by the Commissioner of Chennai City Municipal Corporation, Commissioner of Municipal Administration and Director of Town Panchayats)

@ Due to merger of Municipalities and Town Panchayats with Corporations, OB and CB differs

* The variation between closing balance for 2010-11 and opening balance for 2011-12 is due to non-finalization of audit by DLFA.

### 1.11.2 Arrears in Accounts

While accepting the Third State Finance Commission (TSFC) recommendation, the State Government stated that the accounts would be finalised within three months after the end of the financial year. The due date for submission of accounts to DLFA by municipal corporations, municipalities and town panchayats were 30 June; 15 May and 30 April respectively. The number of ULBs who did not submit their accounts, as of December 2012, for the years 2009-10 and 2010-11 are given in **Table 1.8**.

**Table 1.8 : Position of non-submission of accounts by the ULBs**

| Category of ULB | Number of ULBs not submitted their accounts | |
|---|---|---|
| | 2009-10 | 2010-11 |
| Corporations | Nil | 2 |
| Municipalities | 2 | 52 |
| Town panchayats | Nil | 7 |

(Source: Details furnished by DLFA in January 2013)

While two municipalities did not submit their accounts for the year 2009-10, two municipal corporations, 52 municipalities and seven town panchayats did not submit their accounts for the year 2010-11. The pendency in preparation of accounts of ULBs and the eventual delay in audit of their accounts might result in continued existence of deficiencies in the accounts. This also deprived the respective councils of an opportunity to analyse the financial position of the ULBs in time.

### 1.11.3 Arrears in Audit

The position of arrears in audit of ULBs, as of December 2012, is given in **Table 1.9**.

**Table 1.9 : Position of non-completion of audit of the ULBs**

| Category of ULB | Total number | 2009-10 Number of units | | | 2010-11 Number of units | | |
|---|---|---|---|---|---|---|---|
| | | Completed accounts (A) | Audit completed (B) | Audit pending (C) | (A) | (B) | (C) |
| Corporations | 10 | 10 | 10 | Nil | 8 | 8 | 2 |
| Municipalities | 148 (2009-10)<br>150 (2010-11) | 146 | 146 | 2 | 98 | 98 | 52 |
| Town Panchayats | 561 (2009-10)<br>559 (2010-11) | 561 | 550 | 11 | 552 | 528 | 31 |

(Source: Details furnished by DLFA in January 2013)

From the above table, it can be seen that audit of two municipalities and 11 town panchayats for the year 2009-10 and 52 municipalities, 31 town panchayats and two municipal corporations was pending for the year 2010-11 as of December 2012. The main reasons attributed (January 2013) by the DLFA for the arrears in audit was due to non-submission of annual accounts by the corporations, submission of defective accounts by the municipalities, non-receipt of accounts on due dates and returning of defective accounts by the DLFA for rectification and shortage of staff. The DLFA also stated that the vacancies could not be filled up due to pending court cases.

Based on the recommendations of TSFC, a District High Level Committee (DHLC) for settling the pending paragraphs of DLFA relating to municipal corporations and a State High Level Committee for monitoring the functions of DHLC were formed in 2007. A district committee for settling the pending paragraphs was already in existence.

The Director of Town Panchayats stated (January 2013) that 89 DHLC meetings and five State High Level Committee meetings were conducted between January 2008 and January 2013 and 3,983 audit objections relating to town panchayats were settled in those meetings.

The DLFA reported that 2,99,316 paragraphs relating to municipal corporations, municipalities and town panchayats included in their Inspection Reports issued upto 2010-11 were pending for settlement as of December 2012. The year-wise and ULB-wise break-up is given in **Appendix 1.2**.

## 1.12 Conclusion

Transfer of all functionaries to the Urban Local Bodies to carry out the devolved functions has not yet been made by the Government making the devolution incomplete. Though the savings ranged between 12 and 25 *per cent* of the total receipts during the last five years, the Urban Local Bodies failed to utilise the savings towards creation of additional infrastructure. Due to non-preparation of the accounts in time by the Urban Local Bodies, correct picture of their financial position could not be ascertained by the councils in time. While two municipalities did not submit their accounts for the year 2009-10, two municipal corporations, 52 municipalities and seven town panchayats did not submit their accounts for the year 2010-11. As of December 2012, audit of two municipalities and 11 town panchayats for the year 2009-10 and audit of 52 municipalities, 31 town panchayats and two municipal corporations was pending for the year 2010-11. As of December 2012, 2,402 paragraphs contained in 449 Inspection Reports of the Principal Accountant General for the period 2009-10 to 2011-12 were pending for settlement for want of satisfactory replies.

# CHAPTER II

## PERFORMANCE AUDIT

**MUNICIPAL ADMINISTRATION AND WATER SUPPLY AND HOUSING AND URBAN DEVELOPMENT DEPARTMENTS**

## 2.1 Performance Audit of the Third Tamil Nadu Urban Development Project


### Executive Summary

Government of Tamil Nadu launched the Third Tamil Nadu Urban Development Project (TNUDP III) in October 2005 by availing financial assistance of US Dollar 300 million (₹ 1,350 crore) from the World Bank. The project had two components namely, Institutional development and Urban investment. The total outlay for the Project was ₹ 1,996.40 crore. TNUDP III, scheduled to be completed by March 2011, was extended upto March 2014 due to slow progress in implementation of the project. A Performance Audit of the project disclosed the following:

As of March 2012, ₹ 922.47 crore (46 *per cent*) was spent on the project as against the project cost of ₹ 1,996.40 crore, despite extension of the project upto March 2014. Even though 75 (67 *per cent*) out of 112 sub-projects under urban investment had been completed, the expenditure on the completed projects was only 13 *per cent*, and major projects of underground sewerage scheme, water supply and transportation were still in progress.

Release of funds by Government of Tamil Nadu to Tamil Nadu Urban Infrastructure Financial Services Limited/Commissioner of Municipal Administration without verifying the actual utilisation by the implementing agencies resulted in ₹ 403.90 crore remaining unspent with TNUIFSL, local bodies and other implementing agencies.

Failure of Chennai Metropolitan Development Authority to revise the terms of reference for consultancy in time resulted in dropping of 29 out of 34 sub-projects of the transportation sub component after incurring an expenditure of ₹ 2.37 crore on unfructified consultancy services.

Incorrect selection of tank site for Sewage Treatment Plant (STP) for Thiruvallur Under Ground Sewerage Scheme resulted in refusal of permission to use land for setting up of the STP due to ban on utilisation of the tank poramboke land for other purposes. The work for STP awarded in December 2009 could not be started till date (November 2012), though the collection system of the scheme taken up in September/December 2008 was nearing completion by incurring an expenditure of ₹ 27.95 crore.

Lining of the bed and sides of the Thirumanimutharu river in Salem with reinforced cement concrete instead of plain cement concrete deviating from the Indian Standard Specifications, resulted in avoidable expenditure of ₹ 4.80 crore. Assets created/goods procured at a cost of ₹ 2.72 crore were idling and not put to effective use. There were unintended benefits to the tune of ₹ 2.36 crore made to the contractors. Under the sub-component capacity building under Institutional Development component, only 18,573 were trained as against the target of 1,10,783 officials and elected representatives and only ₹ 14.63 crore out of ₹ 40.70 crore allotted for the purpose was utilised.

### 2.1.1. Introduction

Government of Tamil Nadu (GoTN) launched (October 2005) the third Tamil Nadu Urban Development Project (TNUDP III) by availing financial assistance of US dollar 300 million (₹ 1,350 crore) from the World Bank. The approved cost of the project is ₹ 1,953 crore. The objective of TNUDP III was to improve the urban infrastructure services in a sustainable manner. The project had two components, namely institutional development and urban investments through the Tamil Nadu Urban Development Fund[1] (TNUDF). It envisaged capacity building of the municipal staff, provision of loans and grants to the Urban Local Bodies (ULBs) for creation of infrastructure and grants to Chennai Metropolitan Development Authority (CMDA) for traffic and transportation projects. The World Bank, restructured (December 2009) the project after mid-term review. The restructured TNUDP III comprised major components such as underground sewerage, water supply, roads, bus stands, solid waste management and transportation schemes. After restructuring, the project cost was ₹ 1,996.40 crore. The projects scheduled to be completed by March 2011, was extended upto March 2014 due to slow progress in implementation of the project. A Performance Audit of the project was taken up in view of the poor physical and financial achievement and extension of the project period twice.

### 2.1.2 Organisational framework

Principal Secretaries to Government, Municipal Administration and Water Supply (MAWS) Department, Housing and Urban Development and Highways and Minor Ports Departments are responsible for implementation of the various components of TNUDP III at Government level. The Institutional Development component is implemented through the Commissioner of Municipal Administration (CMA) and the Urban Investment component is implemented through the fund manager of TNUDF *viz.,* the Tamil Nadu Urban Infrastructure Financial Services Limited (TNUIFSL) and the Chennai Metropolitan Development Authority (CMDA).

The sub-projects taken up under the Urban Investment component are executed by the ULBs, the Tamil Nadu Water Supply and Drainage (TWAD) Board, the Chennai Metropolitan Water Supply and Sewerage Board (CMWSSB), the Highways and Minor Ports Department and the Chennai Traffic Police. CMA and TNUIFSL execute the sub-components of Project Preparation Facility[2] (PPF) and Project Development Advisory Facility[3] (PDAF).

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1 Fund established by GoTN with the participation of ICICI Bank Limited, HDFC Limited and IL&FS Limited in order to bridge the demand-supply gap in funds and to link the urban local bodies with capital markets.

2 A sub-component operated by CMA for engaging consultants for preparation of the Detailed Project Report for regular sub-projects.

3 A sub-component operated by TNUIFSL for preparation of complex/innovative project reports and supervision of projects by engaging consultants. This was also extended to regular sub-projects from December 2009.

### 2.1.3 Audit Objectives

The audit objectives were to assess whether

- the funds released were effectively utilised for the project activities;
- the physical targets set in respect of each component were achieved;
- the sub-projects were planned and implemented efficiently, economically and effectively; and
- the planned activities under the institutional development were carried out efficiently.

### 2.1.4 Audit Criteria

The terms and conditions, guidelines and specifications contained in the following documents were used as criteria for judging the performance under various activities of the project:

- Loan Agreement with the World Bank
- Project Appraisal Document of the World Bank
- Project Agreements
- Environmental and Social Frame Work
- World Bank Procurement guidelines for works and consultancy services
- GoTN orders and guidelines on the project

### 2.1.5 Audit Coverage and methodology

Performance Audit was conducted between April and July 2012 covering the period 2005 to 2012 in the respective administrative departments of GoTN, TNUIFSL and selected project executing agencies. Out of 112 sub-projects and 206 consultancy services involved in TNUDP III, 44 sub-projects and 99 consultancy services were selected for audit on simple random sampling basis and also covering high value sub-projects. The sub-projects selected for test check are given in **Appendix 2.1.** The audit objectives and audit methodology were discussed with the Additional Chief Secretary to Government, MAWS Department during an Entry Conference held on 14 May 2012. Audit observations were discussed with the Principal Secretaries of MAWS Department and Housing and Urban Development Department during Exit Conference held in January 2013. Their views and replies wherever received have been taken into consideration while finalising the report.

## Audit findings

### 2.1.6 Financial performance

#### *2.1.6.1 Funding pattern and expenditure*

The total project cost of ₹ 1,996.40 crore of TNUDP III was proposed to be funded through grants of ₹ 1,163.80 crore, loans of ₹ 786.60 crore and ULBs' contribution of ₹ 46 crore. GoTN provided funds required for the project in their annual budgets and subsequently claimed the expenditure from the World Bank on reimbursement basis. The details of component and sub-component-wise funding pattern and expenditure incurred as of March 2012 are given in **Appendix 2.2.**

The details of release and utilisation of funds during the period 2005-12 are given in **Table 2.1.**

**Table 2.1 : Details of release and utilisation of funds**

**(₹ in crore)**

| Year | Funds released and Expenditure | | Cumulative Balance as on 31[st] March | World Bank Release/ Reimbursement |
|---|---|---|---|---|
| | Total Release by GoTN (both loan and grant) | Expenditure | | |
| Upto 2008-09* | 634.74 | 287.29 | 347.45 | 409.72** |
| 2009-10 | 85.00 | 281.61 | 150.84 | 178.75 |
| 2010-11 | 279.29 | 209.52 | 220.61 | 246.69 |
| 2011-12 | 215.41 | 144.05 | 291.97 | 120.40 |
| **Total** | **1,214.44** | **922.47** | **291.97** | **955.56** |
| Add opening balance of funds transferred from TNUDP-II, excess of income over expenditure in Grant funds and interest and other receipts@ | 0.00 | 0.00 | 111.93 | 0.00 |
| **Grand Total** | **1,214.44** | **922.47** | **403.90** | **955.56**** |

* The split up details of expenditure for the period upto 2008-09 were not available.

** The World Bank release figure included front end fees of ₹ 3.36 crore and advance of ₹ 68.63 crore for special account of GoI.

@ The figure includes opening balances of ₹ 42.77 crore in the grant funds maintained by TNUIFSL, excess of income over expenditure in grant funds during 2005-06 to 2011-12 of ₹ 50.50 crore and other receipts in grant funds ₹ 0.61 crore and Interest & other receipts – CMA – ₹ 12.54 crore; CMDA – ₹ 5.51 crore.

As against the total project cost of ₹ 1,996.40 crore and release of ₹ 1,214.44 crore to the implementing agencies, only ₹ 922.47 crore (76 *per cent* of the release) was spent on the project upto March 2012. Expenditure was 46 *per cent* of the total project cost until the expiry of first extended period of the project (March 2012).

It was noticed that an assistance of ₹ 955.56 crore was availed from the World Bank upto March 2012. Due to slow progress in implementation of project works particularly, the traffic and transportation component, which involved land acquisition, resettlement and rehabilitation measures and underground sewerage sub-projects, there was poor financial achievement leading to shortfall in drawal of the committed funds from the World Bank. The delay in drawal of the committed funds led to payment of commitment charges of ₹ 14.47 crore to the World Bank during 2005-12.

### *2.1.6.2 Parking of funds*

Project funds were released to TNUIFSL and CMA by GoTN in advance. The TNUIFSL, in turn, distributed the funds to CMDA and ULBs for implementation of Urban Investment Component and also utilised the allocated funds for sub-component PDAF. The CMA utilised the funds for Institutional Development Component.

Audit noticed that allocation of funds by GoTN to TNUIFSL was based on transfers made by the TNUIFSL to the implementing agencies and not on the basis of actual expenditure. This resulted in release of funds in excess of actual expenditure. Out of ₹ 1,214.44 crore released by GoTN to TNUIFSL and CMA and accumulated balances, interest and other receipts of ₹ 111.93 crore during 2005-12, an amount of ₹ 922.47 crore was spent and the balance ₹ 403.90 crore remained unspent with TNUIFSL/CMA and other implementing agencies. Out of ₹ 403.90 crore, ₹ 182.50 crore was kept in the Public Account of GoTN by TNUIFSL and the remaining ₹ 221.40 crore was kept in banks by the implementing agencies (TNUIFSL - ₹ 93.88 crore, ULBs/ other agencies - ₹ 106.08 crore, CMA - ₹ 16.10 crore and CMDA - ₹ 5.34 crore).

Audit scrutiny revealed that accumulation of idle funds of ₹ 93.88 crore by TNUIFSL was avoidable for reasons indicated below:

The Government, while establishing (June 2005 and February 2006) Grant Funds I, II & III of TNUDP III under the management of TNUIFSL merged the existing balances of ₹ 42.77 crore under Grant Funds I & II of the erstwhile Second Tamil Nadu Urban Development Project with the Grant Funds I & II of TNUDP III for utilization under TNUDP III. Besides there were accumulated (2005-12) excess of income over expenditure of ₹ 50.50 crore and other receipts of ₹ 60.61 lakh in the Grant funds as of March 2012. However, these funds were not utilized by TNUIFSL by projecting the availability of funds to the GoTN. Consequently these funds amounting to ₹ 93.88 crore was lying unutilized and kept in savings/deposit accounts as of March 2012. If these funds were utilized by TNUIFSL with the approval of GoTN the additional release to the extent of ₹ 93.88 crore by GoTN could have been avoided. Also, such parking of huge funds outside the Government account without ascertaining the actual extent of utilisation by the end user was not prudent.

#### *2.1.6.3 Non-availing of grant*

As per the loan agreement executed (July 2005) by TNUIFSL and Erode Municipal Corporation, selection of the contractors for the works was to be undertaken by the Corporation only after TNUIFSL approved the selection procedure. The Solid Waste Management sub-project for Erode Municipal Corporation was taken up in August 2005 under TNUDP III at a cost of ₹ 2.84 crore. Funding pattern included a grant of ₹ 85.28 lakh (30 *per cent*) of the project cost besides loan from TNUIFSL and contribution of the Corporation. Fifteen works taken up by the Erode Municipal Corporation under the sub-project were completed by May 2006 at a cost of ₹ 2.81 crore. The Erode Municipal Corporation was eligible for a grant of ₹ 84.30 lakh.

However, Erode Municipal Corporation received only ₹ 26.46 lakh from TNUIFSL as grant, as the bid documents for 13 out of 15 works were not forwarded by the Erode Municipal Corporation to TNUIFSL for approval as they were completed with XII Finance Commission Grants and General Fund of the corporation.

Commissioner of Municipal Administration stated (Jan 2013) that the works were completed by utilizing the XII Finance Commission Grants and General Fund in order to protect the public health.

The reply is not acceptable as failure of the Erode Municipal Corporation to get clearance of TNUIFSL as stipulated in the loan agreement led to foregoing of grant of ₹ 57.84 lakh under the project.

#### *2.1.6.4 Diversion of funds*

Fine imposed for slow progress and liquidated damages recovered from the contractors by the project executing authorities were to be credited to the respective sub-projects, as they would suffer due to slow progress and cost escalation.

Audit noticed that fines and liquidated damages of ₹ 1.32 crore recovered by TWAD Board (₹ 90.16 lakh) and CMWSSB (₹ 41.65 lakh) between December 2006 and March 2012 from the contractors of six packages of four sub-projects[4] were credited to the revenue accounts of the implementing agencies *viz.* TWAD Board and CMWSSB, which amounted to diversion of TNUDP III funds. CMWSSB and TWAD Board accepted the diversion. The Government stated (January 2013) that an amount of ₹ 0.39 crore recovered by the CMWSSB have been credited to the project account. TWAD Board stated (January 2013) that it had instructed the divisions concerned to credit the amounts to the project account.

### 2.1.7 Urban Investments

The urban investment component of TNUDP III aimed at developing sustainable urban infrastructure such as water supply system, sewerage, storm water drains, roads and other common facilities like transportation networks. Audit findings on consultancies, implementation of sub-projects and contractual issues relating to the urban investment component are discussed below:

#### *2.1.7.1 Consultancy services*

The details of allocation for consultancy services/studies for the various components of TNUDP III and the expenditure incurred as of March 2012 are given in **Table 2.2.**

**Table 2.2 : Expenditure incurred on consultancy services**

**(₹ in crore)**

| Sub-component | Implementing agency | Allocation as per restructured TNUDP III | Expenditure as of March 2012 | Excess(+)/ Shortfall (-) in utilisation as of March 2012 |
|---|---|---|---|---|
| Project Preparation Facility (PPF) | CMA | 36.80 | 11.52 | (-) 25.28 |
| Project Development Advisory Facility (PDAF) | TNUIFSL | 41.40 | 19.70 | (-) 21.70 |
| Traffic and Transportation | CMDA | 1.62 | 1.80 | (+) 0.18 |
| | Highways - Project Management Consultancy | 3.00 | 3.65 | (+) 0.65 |
| | Highways-studies | 6.00 | 7.89 | (+) 1.89 |
| **Total** | | **88.82** | **44.56** | **(-) 44.26** |

[4] Thiruvallur UGSS (Package I), Virudhunagar UGSS (Packages I & II), Thiruvottiyur UGSS (Packages III & IV), Thatchanallur WSIS

It may be observed from the above table that only ₹ 44.56 crore (50 *per cent*) out of the allocation of ₹ 88.82 crore made for consultancy services/studies was utilised upto March 2012. Much of the savings were in the case of Project Preparatory Facility and Project Development Advisory Facility sub-components. Reasons of dropping of some of the consultancy works and other deficiencies noticed by Audit are given in the sub-paragraphs.

### *2.1.7.2 Consultancies on transportation sub-projects*

Government of Tamil Nadu decided to implement the traffic and transportation sub-component in the Chennai Metropolitan Area at an estimated project cost of ₹ 663.75 crore. This sub-component was to be coordinated by CMDA and was to be implemented by the Highways and Minor Ports Department. Initially 34 urban sub-projects were identified for implementation at an estimated cost of ₹ 714.99 crore.

The Project Appraisal Document (PAD) prepared in May 2005 required preparation of Environmental and Social Frame work and Resettlement Action Plans, Resettlement Implementation Plans compliant and Detailed Project Reports (DPRs) by CMDA in consultation with TNUIFSL, if necessary by making required adjustments to the Terms of Reference (TOR) for preparing the DPRs. When the Draft Feasibility Reports were submitted by the consultants engaged for 22 road and bridge sub-projects, the World Bank insisted (February 2006) on submission of Resettlement Action Plan and Resettlement Implementation Plan for the sub-projects before giving final clearance of the DPRs.

Consequently, the TOR of the consultancy contracts had to be revised by incorporating additional scope of work desired by the World Bank and the consultants demanded extra payment for the additional work. As extra payment was not agreed to, the consultants delayed submission of the final DPRs. The additional rates for consultancy were approved by GoTN in August 2007, after a delay of nine months. This delay coupled with the delay of more than three years in formation of full fledged Project Implementation Unit in CMDA hampered the preparation of Environmental and Social Frame work for TNUDP III, which was a pre-requisite for preparation of Resettlement Action and Implementation Plans.

Despite clear stipulations in the Project Appraisal Document of World Bank for preparation of the resettlement action and implementation plans for the sub-projects, the Project Management Committee of CMDA failed to revise the TOR of the consultancies in time. This led to dropping (July 2008) of 29 out of 34 sub-projects of the transportation sub-component. Besides, 15 out of 29 dropped sub-projects were yet to be taken up (July 2012) by GoTN in other schemes and the expenditure of ₹ 2.37 crore on consultancy services for these 15 sub-projects did not serve the purpose.

The Project Director and Member Secretary, CMDA stated (January 2013) that the delay was mainly due to change of scope of consultancy services, delay in finalization of resettlement action plan and transfer of officials coordinating the pre-project activities. He further stated that in respect of DPRs prepared by the consultancies the same are being utilized and some of the sub-projects are being executed with State Funds.

The reply is not acceptable as the delay in preparation of Resettlement Action Plan and Resettlement Implementation Plans indicated the lack of readiness on the part of CMDA. As regards the expenditure on preparation of DPRs, ₹ 2.37 crore was spent on consultancy services, where the projects were not taken up even under State's funds.

### *2.1.7.3 Consultancy services not falling within the scope of PDAF*

The objective of Project Development Advisory Facility (PDAF) operated by TNUIFSL was to provide support to the innovative/complex infrastructure projects, financial structuring including Public Private Partnerships (PPP) and projects with energy efficiency etc.

While restructuring TNUDP III in December 2009, technical assistance support for preparatory studies of regular sub-projects and implementation were also included under PDAF. Out of 103 consultancy assignments awarded by TNUIFSL at a cost of ₹ 22.40 crore, nine[5] studies costing ₹ 2.54 crore did not fall within the scope indicated by PDAF. It was also noticed that three[6] out of these nine consultancies costing ₹ 1.98 crore did not fructify into projects (June 2012).

Government stated (January 2013) that in respect of four consultancies related to transport corporations taken up for preparation of DPR and development of land under PPP mode was innovative and would have impact on the urban infrastructure. Government further stated that in respect of five consultancies relating to proof checking of DPRs; PDAF was expanded to regular sub-project also.

The reply is not acceptable as sub project for transport corporations were not financed out of TNUDP III and that DPR proof checking consultancies covered projects intended mostly for rural habitations and not financed under TNUDP III also one of the proof checking consultancy was taken up after commencement of works.

### *2.1.7.4 Non utilization of the Detailed Project Reports*

(i) During the period 2006-09, CMA awarded 74 UGSS consultancy services to TWAD Board (72 - ₹ 9.38 crore) and private consultants (two - ₹ 45 lakh). However, the output of 70 consultancy works costing ₹ 9.32 crore were not converted into sub-projects as the respective sub-projects were not taken up for execution by the ULBs.

Audit scrutiny revealed that out of 70 consultancies, 42 DPRs prepared at a cost of ₹ 5.55 crore required updation. Thus, due to preparation of the DPRs without ensuring scope/readiness for implementation, the DPRs have not been made use of despite lapse of three to six years since their preparation.

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[5] Studies in (i) proof checking of the DPRs of local bodies (5); (ii) improvements to existing infrastructure including repairs to machinery/procurement of equipment (2) and (iii) transaction advisors to develop a model through BoT for land development (2).

[6] (i) Studies (2) on improvements to existing infrastructure including repairs to machinery/procurement of equipment for transport corporations and (ii) transaction advisors to develop a model through BoT for land development.

The Commissioner of Municipal Administration stated (January 2013) that shelf of DPRs are required to be kept ready as and when fund tie up become possible.

The reply is not acceptable as 60 *per cent* of the DPRs required updation with resultant additional cost and uncertainties in their utility.

(ii) Consultancy services on 10 topics including two[7] for which specific importance was given in the PAD and by GoTN were abandoned by TNUIFSL after incurring an expenditure of ₹ 1.13 crore, due to delay on the part of ULBs in furnishing the details, processing the bids and making available land for the concerned sub-projects rendering the expenditure unproductive.

During Exit Conference (January 2013), the CMA accepted the abandonment of the consultancies.

### 2.1.8 Implementation of the sub-projects

Details of physical targets and achievements, expenditure incurred and the status of implementation of major sub-projects taken up under urban investment component as of March 2012 are given in **Table 2.3.**

**Table 2.3 : Physical targets and achievements**

| Sl.No. | Name of major sub-project component | Target | | Achievement: Sub-project completed as of March 2012 | | Achievement: Ongoing sub-project | | Total Expenditure (₹ in crore) |
|---|---|---|---|---|---|---|---|---|
| | | Number of sub-projects taken up | Sanctioned cost (₹ in crore) | Number | Expenditure (₹ in crore) | Number | Expenditure (₹ in crore) | |
| 1 | Solid Waste Management | 32 | 26.33 | 32 | 15.34 | - | - | 15.34 |
| 2 | Water Supply | 18 | 402.04 | 17 | 85.12 | 1 | 63.67 | 148.79 |
| 3 | Under Ground Sewerage Scheme (UGSS) | 25 | 1,217.71 | 1 | 5.54 | 24 | 447.85 | 453.39 |
| 4 | Roads | 18 | 185.86 | 17 | 97.65 | 1 | | 97.65 |
| 5 | Bus Stand | 7 | 29.30 | 5 | 19.79 | 2 | 1.96 | 21.75 |
| 6 | Thirumanimutharu River | 1 | 31.23 | 0 | - | 1 | 20.42 | 20.42 |
| 7 | Transportation | 11 | 120.34 | 3 | 36.40 | 8 | 16.92 | 53.32 |
| | **Total** | **112** | **2,012.81** | **75** | **259.84** | **37** | **550.82** | **810.66** |

As of March 2012, though 75 (67 *per cent*) out of 112 sub-projects taken up for execution were completed, the expenditure on the completed sub-projects constituted only 13 *per cent* of the sanctioned project cost, which indicated that major sub-projects were still in progress. Some of the major projects in progress are Ambattur Under Ground Sewerage Scheme, Thiruvallur Under Ground Sewerage Scheme and widening and strengthening of Minjur-Kattur-Thirupalavanam Road.

Audit scrutiny of records relating to test checked sub-projects revealed the following:

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7 (i) Construction or relaying of roads with fly-ash cement concrete and (ii) Energy efficiency projects in Municipal water pumping.

### 2.1.8.1 *Avoidable expenditure due to deviation from Indian Standard specification*

As per the Project Appraisal Document and Loan and Project Agreements, all specifications of Bureau of Indian Standards and guidelines applicable for designing of urban infrastructure were to be followed. As per para 5 – 'Laying of *in-situ* concrete lining' read with 'Para 1-Scope' of Indian Standards 3873:1993 – 'Laying cement concrete/stone slab lining on canals – Code of Practice', the concrete used for lining of canals should be Plain Cement Concrete (PCC) of grade M10 or M15. As such, the Indian Standard did not recommend the usage of Reinforced Cement Concrete (RCC) for lining works. However, the estimates (cost: ₹ 16.85 crore) and agreements for packages I to IV of Thirumanimutharu River lining works under execution by Salem Municipal Corporation provided for lining with RCC resulting in avoidable cost on steel used in the RCC works, as compared to PCC which do not have the steel component. Out of the total contract value of ₹ 17.14 crore for the four packages, Package I was completed (July 2012) at a cost of ₹ 4.18 crore and expenditure incurred (October 2012) on the remaining three packages was ₹ 7.69 crore. The quantum of avoidable expenditure on the contracted value was ₹ 4.80 crore (**Appendix 2.3**).

The Commissioner of Municipal Administration stated (January 2013) that RCC was provided by the consultant in the DPR based on the report given by the retired professor and Head of Department of Ocean Engineering, IIT and also considering the soil condition, heavy traffic in service roads and multiple storey buildings on either side of the river which might release pressure to the side lining.

The reply is not acceptable as the thickness of lining was selected by the consultant based on IS 3873:1993 which provided for PCC only. Also provisions were made in the detailed project report for taking care of the pressures due to buildings, earth and sub soil water.

### 2.1.8.2 *Avoidable expenditure due to use of ductile iron pipes*

As per the standardised norms approved (December 2003) by the Technical Standing Committee appointed by GoTN, stoneware pipes were to be laid for sewage mains having diametres upto 375 mm and depths upto 3.50 metre.

It was noticed in audit that the estimate sanctioned (December 2005) by the Chief Engineer (CE), TWAD Board, Western Region for the Udagamandalam Underground Sewerage Scheme, which had provision for laying of stoneware pipes for a length of 3.335 km. was subsequently (December 2006) revised to ductile iron pipes on the request of the Udagamandalam Municipality. Additional cost was proposed to be met out of the savings due to deletion of some of the major items. Pipelines using ductile iron pipes for a length of 1.006 km. (200 mm dia) and 3.371 km. (250 mm dia) were laid and the work was completed (November 2009) at a cost of ₹ 5.95 crore. It was noticed that no technical reasons were stated either by the local body or by TWAD Board for substituting the stoneware pipes with ductile iron pipes involving an extra expenditure of ₹ 72.89 lakh.

The Government replied (February 2013) that Coonoor road and Ettines Road were very important and heavy traffic roads and in order to avoid delay in laying and jointing of stoneware pipes and to avoid breakage of stoneware pipes due to heavy traffic flow in hill slopes of Udagamandalam town, ductile iron pipes had been proposed and executed.

The reply is not acceptable as the Ettines Road and Coonoor road portion was only 2.4 km out of 5.14 km proposed and the balance portion is along channels (2.0 km) which was free from traffic and other inner roads (0.74 km). Also the cost of deviations was met by omitting certain major items of work such as laying of collection system in the new areas on the periphery of municipality and rehabilitation to the existing Sewage Treatment Plant (STP) and without the approval of GoTN for the deviation.

### *2.1.8.3 Non-setting up of Sewage Treatment Plant*

In April 2007, GoTN sanctioned the Underground Sewerage Scheme to Thiruvallur Municipality at an estimated cost of ₹ 35.39 crore. The scheme was divided into four packages with three packages (Packages I to III) for collection system and one package (Package IV) for setting up of the STP. Works relating to collection system were entrusted by the CE, TWAD Board, Vellore to three different contractors in September 2008 (Packages II and III) and December 2008 (Package I) at the agreement value of ₹ 32.23 crore. These works scheduled to be completed during March 2010 to December 2010 were in progress (September 2012). Package IV for STP was entrusted to a contractor in December 2009 for ₹ 5.50 crore, but the work was yet to be taken up (November 2012).

Audit scrutiny revealed that poramboke land measuring 4.60 acres, in a tank belonging to Public Works Department (PWD) in Periakuppam village was selected (August 2006) by the District Collector for setting up of the STP. The CE, Water Resources Organisation, PWD inspected (August 2009) the site and recommended (October 2009) the land alienation proposal to the Principal Secretary to Government, PWD. The land alienation proposal was, however, rejected (July 2011) by the Secretary, PWD for reasons that it was not feasible to construct a STP inside the tank and that there was a ban order (February 2010) from the High Court of Madras regarding alienating tank poramboke lands for other purposes.

While rejecting the proposal, the Secretary, PWD instructed the Collector to find a suitable alternative site for the STP. However, revised proposal for transferring on long-term basis the PWD land in the tank already identified was submitted (September 2011) by CMA to the Secretary, MAWS Department with a request to take up the issue again with PWD on the plea that no other land was available for STP and revision of the design due to relocation of STP would cause additional financial burden to the municipality. The CMA assured that by adopting advanced sewage treatment process, the quality of treated effluent would fulfil the standards of Tamil Nadu Pollution Control Board. The outcome of the proposal sent to Government was awaited (November 2012). Revised proposal of CMA delayed the process of identification of suitable site/land acquisition for more than 15 months (July 2011 to October 2012).

Thus, due to selection of land in a tank and delay in finding an alternative site, the STP work (Package IV) awarded to a contractor in December 2009 at ₹ 5.50 crore was not started (January 2013) and the contractor has to be paid price variation for the intervening period also as per the agreement provision. Collection system works were nearing completion (September 2012) and investment of ₹ 27.95 crore already incurred as of September 2012 on the collection system and pumping main would remain idle till identification of the land and setting up of the STP.

The Commissioner of Municipal Administration replied (January 2013) that due to delay in finalization of land the STP work could not be taken up. It was further stated that the proposal is presently under active consideration of the GoTN and that orders were expected shortly.

However, the work is yet to be taken up besides escalation in the cost of work the benefit would not be achieved in the near future.

#### *2.1.8.4 Under-utilisation of the infrastructure due to delays*

In November 2001, GoTN sanctioned the Underground Sewerage Scheme to Ambattur Municipality (Municipality) at a cost of ₹ 39.60 crore and the work was to be taken up in two phases. The works relating to Phase I of the scheme, comprising collection system, sub-pumping stations and house service connections were entrusted to M/s. Nagarjuna Constructions Company Limited (NCCL) in September 2004 at a contract value of ₹ 21.37 crore by the Municipality. The firm completed (November 2007) a portion of the work valuing ₹ 9.83 crore.

Scrutiny of records revealed that the Ambattur Municipality initiated (November 2003) and awarded the contract without firming up the location of the terminal pumping station and the arrangement for conveyance of sewage to STP. Due to delay in handing over of lands and consequent demand of higher rates by the contractor for the balance works that were to be executed beyond the agreement period of May 2007, the Phase I work was foreclosed in November 2007.

In September 2009, the balance work of Phase I was entrusted by the municipality to CMWSSB, who in turn, awarded the work for a value of ₹ 41.31 crore in June 2010 to the single same bidder NCCL, whose contract was earlier foreclosed by the Municipality. Though the work was scheduled for completion in July 2012, there was poor progress due to change of design (May 2012) from gravity main to pumping main in some reaches and introduction of three sub-pumping stations at an additional cost of ₹ 8.91 crore.

Phase II works comprising construction of terminal pumping station at Karukku and laying of pumping main to Kodungaiyur STP were proposed (July 2003) to be executed through CMWSSB. When the work was in progress, keeping in view the operational convenience, CMWSSB decided (October 2005) to convey the sewage to Koyambedu STP instead of Kodungaiyur STP and changed the terminal pumping station from Karukku to Korattur, as the proposed alignment of pumping main to Kodungaiyur STP was fixed in between two water mains for a length of 3.00 kilometers.

Revised Phase II works commenced in June/October 2007 were completed in August 2009 at a cost of ₹ 7.55 crore.

Audit observed that the originally proposed alignment of the pumping main in-between two water mains was ill-conceived and it led to abandonment of pipes laid for a length of 1.050 km at a cost of ₹ 17.43 lakh under Phase I. Pipes supplied at a cost of ₹ 21.50 lakh for conveying the sewage into Kodungaiyur STP could not be used due to change of conveying main to Koyambedu STP.

Thus, due to delay in completion of Phase I, completed Phase II works could not be optimally put to use, as only 2.00 to 3.00 mld of sewage being pumped during 2012, as against 5.86 mld of sewage estimated to be treated (base year 2007) in the scheme. Even this quantity of sewage pumped was collected from Korattur Housing colony, which was not originally envisaged in the DPR of this scheme.

The Government stated (January 2013) that the delay was mainly attributable to delay in identification of terminal and sub-pumping station sites and location of STP as the ULB failed to firm up the location of terminal pumping station and arrangement for the conveyance of sewage to the STP.

The reply is not acceptable as identification of sites for STP and pumping stations are pre-requisites for taking up the schemes.

### 2.1.9 Unintended benefit to contractors

(i) Bid and agreement conditions for the UGSS to Thiruvannamalai and Thiruvallur Municipalities stipulated that the bidders should submit proposals for sub contracting for the components of works, which in aggregate exceeds more than 20 *per cent* of the bid price. The bidders should not sub-contract whole of the work. Also they should not sub contract any part of the work without prior consent of the Executive Engineer.

Test check of records revealed that M/s. IVRCL Infrastructures and Projects Limited (IVRCL), who was awarded the contract, without intimating the board, sub-contracted two works to M/s. V.V.V. Constructions Limited, *in toto,* in violation of the bid and agreement conditions and earned benefits for ₹ 2.09 crore without doing any work. The letter of acceptance/work order specified that the contractor did not intend to sub-contract any part of the work. Despite being aware (December 2008) of execution of the works by the prime contractor through the sub-contractor, TWAD Board did not take any action against IVRCL for breach of contract and undue benefit realised by the firm by sub-contracting the work as given in **Table 2.4.**

**Table 2.4 : Undue benefit to contractor by sub-contracting in violation of the agreement**

| Name of sub project | Agreement date | Value of contract (₹ in crore) | Sub-contract value (₹ in crore) | Benefit earned by IVRCL (₹ in crore) |
|---|---|---|---|---|
| Providing sewage collection system and construction of lift station and supply of non- clog sewage submersible pump sets to Thiruvannamalai Municipality Zone IIA under Phase I, Package I | 01.12.2007 | 12.44 | 11.26 | 1.18 |
| Providing sewage collection system and construction of lift station and supply of non- clog sewage submersible pump sets to Thiruvallur Municipality Zone III under Package II | 24.09.2008 | 7.52 | 6.61 | 0.91 |
| **Total** | | | | **2.09** |

The Government stated (February 2013) that action is being taken to examine the issue of sub-contract and violation of contractual provision by the main contractor and would be dealt with as per bid condition including recovery of undue benefit, if necessary.

(ii) As per the Central Excise Notification No. 108/95-CE Dated 28 August 1995, as amended in Notifications No. 4/99, 40/99, and 13/2008, goods required for the projects assisted by the World Bank are eligible for exemption from payment of Central Excise Duty (CED). Since TNUDP III is a World Bank assisted Project, the benefit of CED exemption is available for this project work.

World Bank Procurement Guidelines, Bid Document and Bill of quantities for supply of pipes and other materials require the bidders to quote their rates inclusive of all duties, taxes and other levies.

Also as per bid condition, if the bidders quoted their rates taking into account the benefit of CED exemption, they must give all information required for CED exemption in the form prescribed in the bid documents and the CED exemption certificates would be issued by the employer after determining the reasonableness of the quantity indicated in the bid with reference to the bill of quantities, construction programme and methodology. In cases where the bidders did not specify the quantity of material in the prescribed form of bid document, no certificate would be issued.

It was noticed that contract for two packages of the collection system of Thiruvarur UGSS were entrusted (September 2007) by the CE, TWAD Board, Thanjavur, to the single bidder IVRCL. While quoting the rates (May 2007), IVRCL did not indicate in the prescribed format of the bid, the materials for which CED exemption certificates were to be used by them. Hence, their rates were inclusive of CED and they were not eligible for issue of CED exemption certificates in respect of both the packages. However, they requested for (November 2007) CED exemption certificates for cement, steel and pipes, etc., for a total value of ₹ 7.44 crore for the two packages.

Though IVRCL was not eligible for the CED exemption certificate, the CE, Eastern Region, TWAD Board instructed (March 2008) the SE, TWAD Board, Thanjavur Circle (SE) to obtain proposal from the contractor in the prescribed format, even though the ineligibility was pointed out (March 2008) by the SE and the Executive Engineer (Monitoring) functioning in the office of the CE, Eastern Region. Accordingly, the exemption certificates for cement and steel for a total value of ₹ 2.29 crore for the two packages were issued (July 2008) to IVRCL. The work scheduled to be completed in April 2009 was under progress and an expenditure of ₹ 16.26 crore was incurred by March 2012. Thus, granting of CED exemption certificates to IVRCL for which they were not entitled to resulted in undue benefit of ₹ 27.30 lakh to IVRCL.

The Government stated (January 2013) that the contractor had indicated in his letter dated 3 April 2007, while submitting their bid that they had considered the excise duty exemption available to World Bank funded projects and quoted their rates after taking into account the excise duty exemption in their bids. As such, the Central Excise exemption had been availed by the contractor and no financial loss to the TWAD Board.

The reply is not acceptable as the contractor purchased the bid documents only on 20 April 2007 and the letter dated 3 April 2007 of the contractor quoted by the Government is prior to the purchase of bid documents.

### 2.1.10 Avoidable expenditure due to non-availing of Central Excise Duty exemption

(i) In five of the test-checked sub-projects the bid documents did not specify the availability of CED exemption as the DPRs were prepared including the CED for materials. The CED exemption certificates were not issued in such cases. The rates quoted by the contractors were, however, inclusive of CED, as the bidders were instructed to quote their rates with all taxes and duties.

In another sub-project (Kuzhithurai Bus Stand) though the bid documents specified the availability of CED exemption, the contractor did not mention the materials for which the CED exemption had been considered by him in the prescribed proforma in the bid documents. Thus the rates quoted by this contractor was also inclusive of CED.

Five out of the six sub-projects were completed at a cost of ₹ 52.00 crore and one sub project (Kuzhithurai Bus stand) was in progress with an expenditure of ₹ 1.60 crore. Avoidable cost to the project due to non-availing of CED exemption was ₹ 91.67 lakh as given in **Table 2.5.**

**Table 2.5 : Non-availing of CED exemption**

**(₹ in lakh)**

| S.No. | Sub-Project | Amount |
|---|---|---|
| 1 | Thatchanallur WSIS | 37.94 |
| 2 | Tirunelveli Municipal Corporation Roads | 23.94 |
| 3 | Kuzhithurai Bus stand | 13.91 |
| 4 | Udumalpet Municipality Roads | 8.45 |
| 5 | Palladam Municipality Roads | 5.29 |
| 6. | SMC roads | 2.14 |
| | **Total** | **91.67** |

In respect of Thatchanallur WSIS, Managing Director, TWAD Board stated that since the water supply improvement scheme did not have the water treatment plant, it is not eligible for CED exemption . The reply is not acceptable as all the materials used in the project assisted by World bank are eligible for exemption of CED.

In respect of Udumalpet and Palladam Municipalities and Salem Municipal Corporation, the Commissioner of Municipal Administration stated (January 2013) that the data were prepared without Central Excise Duty. However, audit observed that the data was prepared including Central Excise Duty.

In respect of Tirunelveli Municipal Corporation Roads, the Commissioner of Municipal Administration stated that the CED certificates were not given to any of the contractor as per tender documents, thereby confirming the audit observation.

In respect of Kuzhithurai Bus stand, the Commissioner of Municipal Administration stated that certificate is yet to be issued to the contractor.

(ii) Despite availability of CED exemption, in six of the test-checked solid waste management sub-projects, machinery and equipment required for the sub-projects were purchased at a cost of ₹ 4.77 crore by the ULBs concerned by paying CED resulting in avoidable expenditure of ₹ 20.92 lakh to the project as given in **Table 2.6.**

**Table 2.6 : Non-availing of CED exemption by the ULBs for Solid Waste Management sub-projects**

**(₹ in lakh)**

| S.No. | Sub-Project | Amount |
|---|---|---|
| 1 | Salem Municipal Corporation | 7.66 |
| 2 | Erode Municipal Corporation | 7.25 |
| 3 | Gopichettipalayam Municipality | 2.70 |
| 4 | Nallur Municipality | 1.21 |
| 5 | Thurayur Municipality | 1.05 |
| 6 | Punjai Puliyampatti Municipality | 1.05 |
| | **Total** | **20.92** |

The Commissioner of Municipal Administration stated (January 2013) that the CED exemption was not specified in the tender documents for purchase of vehicles and materials for Solid Waste Management thereby confirming the loss to ULBs on account of non-availing of CED.

### 2.1.11 Idle investment

#### *2.1.11.1 Non-formation of approach roads to bridges*

To provide direct entry to the Salem city bus stand from Tiruchirappalli Main road (Gun point bridge)) and easing the traffic flow from Salem Town Station Road and Agraharam Salai (Oxford school bridge), construction of two bridges was included under the Thirumanimutharu River Improvement sub-project.

Scrutiny of records revealed that construction of the two bridges commenced in September 2007 was completed in December 2010 and March 2011 at a total cost of ₹ 2.36 crore. However, proceedings for acquisition of land required for forming approach roads to both the bridges were initiated in July and August 2009 only and land acquisition proposals were submitted to the District Collector in May 2010. Based on the land value fixed (July and September 2010) by the District Collector, the Commissioner, Salem Municipal Corporation requested for release (February 2011) of funds of ₹ 6.17 crore from the Director of Town and Country Planning. The funds were yet to be allotted (June 2012) to the Corporation.

It was noticed in audit that in the estimate for the bridge near Gun point it was stated that there was no necessity for land acquisition. In the case of the bridge near Oxford school, though lump sum provisions were made in the estimate for land acquisition (₹ 1.50 crore) and forming approaches (₹ 10 lakh), land acquisition proceedings were not initiated in time. The present status of the bridges (June 2012) are shown in the **Figures 1** and **2** below:

**Figure 1 : Bridge near Gun point**

**Figure 2 : Bridge near Oxford School**

Thus, due to omission to include provision for land acquisition or to initiate action for acquiring the required lands, the bridges completed at ₹ 2.36 crore in December 2010 and March 2011 were yet to be put to effective use, defeating the intended objective of easing the traffic in the town.

The Commissioner of Municipal Administration stated (January 2013) that the GoTN had sanctioned (January 2013) ₹ 4.15 crore for acquiring the land for formation of approach roads.

### *2.1.11.2 Idling of pipes*

As per the agreement for collection system (Phase I) work of Ambattur UGSS, 88.384 km. of various pipes were supplied between November 2004 to May 2007 by the contractor and full payment was made by the Commissioner, Ambattur Municipality. Out of the said quantity, the contractor utilised pipes for a length of 71.371 km. in the work. As mentioned in paragraph 2.1.8.4, the contract was foreclosed in November 2007 and the balance pipes costing ₹ 49.52 lakh were transferred (July 2008) to the stock of municipality. Out of this, a quantity of 9.515 km. of pipes costing ₹ 22.45 lakh was subsequently utilised (October 2008 to November 2010) by the municipality in the maintenance works, leaving a balance of 7.498 km. of pipes valuing ₹ 27.07 lakh idle for more than five years.

As per the practice adopted by the TWAD Board and CMWSSB, when items were included as split up works, part payment for the extent of supply were effected. It was noticed in audit that in the estimate, bid documents and agreement for the work, supply of pipes, laying them, testing and commissioning was included as split up works. On supply of the pipes at the site, the contractor was paid the cost of pipes in full. Thus, due to failure of the Ambattur Municipality to make provision in the agreement for making part payments against the supply resulted in payment of cent per cent of cost of pipes. Had pipes been paid on need basis, procurement in bulk and subsequent idling could have been avoided.

The Managing Director, CMWSSB, to whom the assets and liabilities of Ambattur Municipality was transferred on re-organisation of Chennai corporation area, stated (February 2013) that on assuming the physical possession of the pipes, they would explore the avenues for utilising the same beneficially.

### 2.1.12 Solid Waste Management Project

Under the solid waste management programme of ULBs, waste generated in urban areas were to be segregated into bio-degradable and non-bio-degradable items and they have to be scientifically disposed off without causing environmental pollution.

The Municipal Council of Padmanabapuram Municipality sanctioned (June 2005) six works[8] at a cost of ₹ 15 lakh for management of solid waste. Works including construction of compound wall entrusted (May 2006) to the contractors were completed (June 2007) at a cost of ₹ 13.23 lakh.

It was noticed during joint inspection (July 2012) of garbage dumping yard by the Audit team with the Sanitary Inspector that segregation of the waste and composting were not done and the unsegregated garbage continued to be dumped in the yard. A watchman shed, overhead tank with mini power pump, toilet, cement concrete windows constructed at a cost of ₹ 7.15 lakh and street lights installed at a cost of ₹ 2 lakh remained idle (June 2012) due to non-execution of the work of composting of waste, non-sanctioning of the post of watchman and non-provision of approach roads to the toilet.

The Commissioner of Municipal Administration stated (January 2013) that action is being taken to outsource man power for segregation and waste processing.

### 2.1.13 Institutional Development component

The Institutional Development component provides technical assistance and training needed to build the capacity of ULBs to further the devolution of functions and power to the ULBs. Audit findings on implementation of this component are discussed below:

#### *2.1.13.1 Debt monitoring cell*

To collect financial information relating to the ULBs, assisting them in facilitating access to financial markets/negotiations with the financial institutions, etc., an ULB Debt Monitoring Cell (DMC) was proposed in TNUDP III with a grant of ₹ 1.40 crore. Accordingly, DMC was created by CMA by outsourcing (December 2007) the services to Infrastructure Professionals Enterprise (P) Limited (IPE) at a cost of ₹ 1.24 crore and an expenditure of ₹ 1.26 crore was incurred (March 2012). The major terms of references and the actual performance of the consultant are as indicated in **Table 2.7**.

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8 Link wall front side, CC slab and linked works, watchman shed, OHT and mini pump, toilet and street lighting.

**Table 2.7 : Performance of the consultant**

| Terms of reference | Performance of the consultant on expiry of contract in March 2012 |
|---|---|
| 1.To maintain upto date database on Municipal finances from 2001-02 | Updation completed upto the year 2007-08 with audited financial statement. |
| 2.To suggest measures for reducing the indebtedness of ULBs through debt restructuring | The consultant suggested debt restructuring for seven ULBs. |
| 3.To impart training to the officials to handle debt management | Training was imparted to 11 officials. |
| 4.To guide ULBs in reconciliation of accounts | Reconciliation upto the year 2009-10 was completed. |

Audit noticed shortfall in creation of database and reconciliation of loan balances of ULBs by IPE due to delay in furnishing the Audited Financial Statements by the ULBs. On expiry of the contract period (March 2012) of IPE, DMC became non-functional and in response to an audit query, CMA replied (May 2012) that alternative arrangements were in progress for updating the database of ULB loans for the years 2009-10 and 2010-11.

It was further noticed that even after setting up the DMC and incurring an expenditure of ₹ 1.26 crore, the critical works such as non-updation of the register of loans and completion of the financial Accounting Software for ULBs, confirmation of loan balances of ULBs, obtaining of consolidated loan reports from the Financial Institutions were not completed. No action was taken by CMA to revive the DMC and to sustain the achievements made under the component.

The Commissioner of Municipal Administration stated (January 2013) that DMC has been revived with departmental staff. However, the main objective of creation of data base is yet to be completed and the process for the year 2009-10 was in progress as of January 2013.

### *2.1.13.2 Implementation of Geographical Information System*

With a view to develop a Geographical Information System (GIS) based database of municipal infrastructure, to assist the decision making process for various municipal functions including improvement of property tax assessment, collection of taxes and infrastructure planning for expansion and management, GIS was introduced in three[9] Corporations and two[10] Municipalities on pilot basis . The work was awarded (December 2007) to M/s. Tata Consultancy Services Limited (TCS) for a contract value of ₹ 2.66 crore and scheduled to be completed by July 2009. The work was in progress (June 2012) and the total expenditure incurred upto May 2012 on this sub-project was ₹ 1.45 crore.

Audit noticed that TCS was paid (January 2009) ₹ 53.03 lakh for submission of an Inception Report and Existing System Study Report. The implementation of GIS was not completed (June 2012) due to (i) handing over of satellite imageries to TCS with a delay ranging from 12 to 28 months in procuring and (ii) difficulties in conducting property survey as cooperation

9 Coimbatore, Madurai and Tiruchirapalli

10 Gobichettipalayam and Rajapalayam

from the public and officials of ULBs was lacking leading to collection of defective data by TCS which required elaborate revision.

The CMA, during a review meeting (June 2012) instructed the ULBs to ensure presence of the Bill Collectors/municipal staff during the survey and fixed a target of five months time for the corporations and 45 days for the municipalities to complete the property survey. Thus, the pilot study of GIS commenced in October 2007 was progressing at snail's pace, even after three years from the expiry of scheduled date of completion (May 2009). CMA failed to initiate any effective action to complete the work of GIS except conducting review meetings.

The Commissioner of Municipal Administration stated (January 2013) that the survey work in respect of Rajapalayam and Gobichettipalayam Municipalities have been completed and in respect of other ULBs it was in progress.

### 2.1.14 Capacity building

Capacity building sub-component was aimed at continuous institutional and human resources capacity enhancement leading towards professionalisation of urban management at State and ULB levels. As against the target of 1,10,783 officials and elected representatives proposed to be trained during the project period, only 18,573 were imparted (October 2005 to March 2012) training by CMA leaving a shortfall of 83 *per cent* of the staff. Out of 133 training courses sanctioned by GoTN during 2005-12, 69 courses, such as water supply system management, comprehensive computer training for staff of ULBs, advanced post graduate diploma in Urban Financial Accounting and management course at Tamil Nadu Institute of Urban Studies, Coimbatore were conducted. Out of the grant of ₹ 40.70 crore allocated for the sub-component, only an amount of ₹ 14.63 crore (36 *per cent*) was utilised (March 2012).

The Commissioner of Municipal Administration reported (January 2013) that out of 133 training programmes, 73 have been completed and three were in progress.

### 2.1.15 Conclusion

Only ₹ 922.47 crore (46 *per cent*) was spent on the project upto March 2012 as against the project cost of ₹ 1,996.40 crore despite extension of the project twice from March 2011 to March 2014. Sub-projects under traffic and transportation component of the project did not take off. Expenditure of ₹ 2.37 crore incurred on the consultancy services for preparation of Detailed Project Reports of 15 roads and bridges sub-projects did not serve the purpose. Expenditure incurred on the completed sub-projects was only 13 *per cent* and major sub-projects such as under ground sewerage, water supply and transportation schemes were still in progress. Incorrect selection of tank site for Sewage Treatment Plant (STP) for Thiruvallur Under Ground Sewerage Scheme resulted in refusal of permission to use land for setting up of the STP due to ban on utilisation of the tank poramboke land for other purposes. The work for STP awarded in December 2009 could not be started till date (November 2012), though the collection system of the scheme taken up in September/December 2008 was nearing completion by incurring an expenditure of ₹ 27.95 crore. Unintended benefits of ₹ 2.36 crore were made to the contractors by deviating the contract conditions. Lining the bed and sides of Thirumanimutharu river in Salem with Reinforced Cement Concrete instead of Plain Cement Concrete, deviating from the Indian Standard Specifications resulted in an avoidable extra expenditure of ₹ 4.80 crore. Assets created/goods procured at a cost of ₹ 2.72 crore were not put to use resulting in idle investment. Institutional Development activities were progressing at a slow pace and under the sub-component capacity building under Institutional Development component, only 18,573 were trained as against the target of 1,10,783 officials and elected representatives and only ₹ 14.63 crore out of ₹ 40.70 crore allotted for the purpose was utilised.

### 2.1.16 Recommendations

- Consultancy assignments for preparation of Detailed Project Reports need to be taken up considering the viability/feasibility of the projects.
- Major hurdles such as non-availability of land, rehabilitation and resettlement of project affected persons and delays in implementation need to be addressed through proper planning and close monitoring.
- Project executing agencies need to take action to utilise the infrastructure created without keeping them idle.
- All activities under institutional development component of project need to be given priority and completed in a time bound manner.

# MUNICIPAL ADMINISTRATION AND WATER SUPPLY DEPARTMENT

## 2.2 Performance Audit on Functioning of Tiruchirappalli Municipal Corporation


### Executive Summary

Tiruchirappalli city is situated on the banks of river Cauvery and is the fourth largest town of Tamil Nadu. Tiruchirappalli Municipality was constituted in 1866 and it was upgraded as Tiruchirappalli City Municipal Corporation with effect from 1 June 1994 covering an area of 146.90 square kilometers by adding the adjacent two municipalities, four town panchayats and six village panchayats.

The total area of Corporation, as of now, is 167.23 sq.km. and the Corporation is subdivided into four Administrative Zones consisting of 65 wards for effective administration. The Corporation Council was constituted with a Mayor and 65 Ward Councillors. The population of Tiruchirappalli as per 2011 census is 9.16 lakh.

Performance Audit on functioning of Tiruchirappalli Municipal Corporation revealed the following :

Corporation deposited the funds recovered from its employees towards Contributory Pension Scheme in banks instead of depositing in the Treasury thereby violating the Government instructions. Terminal benefits under the scheme to retired employees and employees who died in harness were not paid during 2009-12. In collection of property tax, incorrect classification of buildings, omission in assessment of property tax, lack of follow-up action in legal cases for which the judgments had been delivered were noticed. Non-tax revenue such as lease rent was not received from the service departments, cases of renewal fees not received from the leased shops in two zones, annual rent not levied on cable TV operators and track rent not collected from telephone providers were also noticed. There was encroachment of land in Corporation area. School maintenance was not executed despite availability of funds. Purified drinking water was not provided in Municipal Schools. Modernised kitchen constructed at a cost of ₹ 7.83 lakh remained unutilized. Periodical water samples were not tested and equitable distribution of water was not ensured. Waste disposal facilities were not set up and private scavenging fees were not collected. Urban Health Care Delivery Policy announced by the Government of Tamil Nadu has not been implemented. Shortages in the post of Medical Officer hampered the work in urban health posts.


### 2.2.1. Introduction

Tiruchirappalli city is situated on the banks of river Cauvery and is the fourth largest town of Tamil Nadu. Tiruchirappalli Municipality was constituted in 1866 and it was upgraded as Tiruchirappalli City Municipal Corporation (Corporation) with effect from 1 June 1994 covering an area of 146.90 square kilometers by adding the adjacent two municipalities, four town panchayats and six village panchayats. Golden Rock Locomotive Workshop, Ordnance Factory, Indian Institute of Management and National Institute of Technology are located in this city. During the year 2011, the adjacent four village panchayats and one town panchayat measuring 20.33 sq.km. were added with the Corporation. The total area of Corporation, as of now, is 167.23 sq.km. and the Corporation is subdivided into four Administrative Zones[11] consisting of 65 wards for effective administration. The Corporation's Council consists of a Mayor and 65 Ward Councillors. The population of Tiruchirappalli as per 2011 census is ₹ 9.16 lakh. The average expenditure by Corporation was ₹ 203.33 crore per year.

## 2.2.2 Organisational framework

The Corporation is headed by a Commissioner who is the executive head for implementing all functions of the Corporation in accordance with the resolutions passed by the Corporation Council. The Mayor is the ex-officio member of the Council and shall have all the rights and privileges of an elected Councillor of the Council. The Mayor is the Chairperson of the Council and assisted by the Deputy Mayor who is also an elected representative. The Council is vested with powers to govern and guide the development of Corporation. The Council is convened periodically to discuss matters included in the agenda prepared based on the needs and issues pertaining to development of individual wards, public petitions directed by District Collector, Mayor, Commissioner and ward Chairpersons. The Mayor conducts council meetings and special meetings, presents budgets, disposes of application received from the public for redressal of grievances.

Every Councillor has access to the records of the Corporation after due notice to the Commissioner. The Commissioner of Municipal Administration (CMA) is the head of the Department. The Principal Secretary, Municipal Administration and Water Supply (MAWS) Department is overall head at the Governmental level. An Organisational Chart of the Corporation is given in **Appendix 2.4**.

The functions of the Corporation *inter alia* include:

- Urban planning for amenities in all sectors
- Development of infrastructure for providing roads and bridges, water supply, sewerage systems and maintaining them
- Providing public amenities, street lighting
- Maintaining Public health, cleaning of drains and management of solid/liquid wastes
- Regulation of slaughter houses, public markets etc.
- Regulation of building construction
- Maintenance of public parks and gardens
- Maintenance of school buildings

Corporation was empowered to levy various taxes, fees on land and buildings, advertisements etc. under Tiruchirappalli City Municipal Corporation Act, 1994. State Government also assigns revenues that include entertainment tax, Surcharge on Stamp Duty, besides grants from the Finance Commission.

[11] Ariyamangalam, Ko. Abhisekapuram, Ponmalai and Srirangam

### 2.2.3 Audit Objectives

The audit objectives were to assess whether

- revenues of the corporations were assessed, collected and accounted for correctly,
- the existing arrangements for management of municipal schools, water supply, solid waste and health care are effective,
- schemes such as MPLAD, MLACDS, IHSDP etc., were implemented efficiently, effectively and economically and
- human resource management was adequate and effective.

### 2.2.4 Audit Criteria

Terms and conditions contained in the following sources were used as criteria for arriving the audit observations:

- Budget and Accounting Manuals,
- Tiruchirappalli City Municipal Corporation Act,1994,
- Government orders/instructions etc., issued from time to time,
- Guidelines of Central and State Government Schemes,
- State/Central Finance Commission recommendations and
- Planning Commission Recommendation to Tenth Finance Commission.

### 2.2.5 Audit Coverage and methodology

Performance Audit on functioning of Tiruchirappalli Municipal Corporation was conducted between May and December 2012 covering transactions relating to the period from 2009-10 to 2011-12. Records of the head office of Corporation and four zones relating to selected aspects *viz.,* revenue, education, water supply, solid waste management, town planning and public health were test-checked. An Entry Conference was conducted in July 2012 with CMA at Chennai wherein the officers of all the concerned wings of Corporation were present. The scope, purpose and methodology of the Performance Audit were explained to them. The audit observations were discussed with the Joint Commissioner of Municipal Administration in an Exit Conference held on 14 February 2013. Views expressed during the Exit Conference and replies furnished to audit observations have also been taken into account while finalising the report.

The results of the Performance Audit are presented in the succeeding paragraphs.

## Audit findings

### 2.2.6 Planning

The Corporation prepared a City Development Plan (CDP) during 2007 under Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT) at the cost of ₹ 10.36 lakh. The plan was to be approved by CMA after scrutiny by the technical committee with state level senior engineer. CMA instructed the Corporation to update the CDP after merger of new wards with the Corporation. The Corporation updated the CDP in 2010 at the cost of ₹ 9.87 lakh. The Corporation was again expanded in 2011 with new wards. Consequent to the expansion of the Corporation, the updation of the CDP is again under progress. As envisaged in the CDP of 2007, the Water Supply Improvement scheme and Underground Sewage Scheme is under progress. As the plan is under implementation, improvements made by the Corporation could not be assessed at this stage.

### 2.2.7 Financial position

Receipt and expenditure of Corporation for the period 2009-12 was as given in **Table 2.8.**

**Table 2.8 : Receipt and Expenditure statement for the period 2009-12**

**(₹ in crore)**

| Revenue Account | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Receipt** | | | | **Expenditure** | | | |
| **Head** | **2009-10** | **2010-11** | **2011-12** | **Head** | **2009-10** | **2010-11** | **2011-12** |
| Tax | 37.41 | 39.55 | 40.48 | Salaries | 39.08 | 44.34 | 51.47 |
| Non-Tax | 8.23 | 8.52 | 12.47 | Pension | 14.27 | 14.65 | 18.91 |
| Others | 28.24 | 27.02 | 32.48 | Maintenance | 4.67 | 5.77 | 5.68 |
| Devolution from SFC Grant | 36.94 | 54.17 | 64.83 | Street Lights | 6.37 | 6.22 | 6.01 |
| Entertainment Tax | 0.19 | 0.13 | 0.26 | Water Supply | 10.06 | 11.11 | 9.09 |
| Surcharge on Stamp duty | 8.03 | 9.63 | 9.41 | Conservancy | 0.55 | 1.12 | 0.63 |
| | | | | Others | 5.08 | 9.36 | 18.52 |
| **Total (A)** | **119.04** | **139.02** | **159.93** | **Total (A)** | **80.08** | **92.57** | **110.31** |
| **Capital Account** | | | | | | | |
| **Receipt** | | | | **Expenditure** | | | |
| **Head** | **2009-10** | **2010-11** | **2011-12** | **Head** | **2009-10** | **2010-11** | **2011-12** |
| Grants for IHSDP | 6.42 | 3.68 | 2.73 | Roads | 32.71 | 21.13 | 29.29 |
| Grants from Government | 6.84 | 37.08 | 46.36 | Water Supply | 24.74 | 96.16 | 54.72 |
| Others | 20.48 | 9.89 | 15.65 | Street Lights | 1.86 | 1.26 | 1.34 |
| Loan | 40.00 | 58.30 | 16.87 | Others | 20.62 | 23.14 | 20.07 |
| **Total (B)** | **73.74** | **108.95** | **81.61** | **Total (B)** | **79.93** | **141.69** | **105.42** |
| **Grand Total (A+B)** | **192.78** | **247.97** | **241.54** | **Grand Total (A+B)** | **160.01** | **234.26** | **215.73** |

(Source : Financial statement furnished by the Corporation)

As seen from the above table, the Corporation incurred expenditure from its own revenue towards administrative cost ranging from 67 *per cent* to 69 *per cent*. Out of the total revenue receipts, expenditure towards salary and pension was ranging from 42.4 *per cent* to 45 *per cen,* while expenditure towards maintenance of street lights, water supply and solid waste management was ranging from 22.5 *per cent* to 25 *per cent* during the three years. Excess expenditure under capital fund met from surplus fund under revenue account was 8.4 *per cent* during 2009-10, 30 *per cent* during 2010-11 and 29.02 *per cent* during 2011-12, which indicated that for creation of assets, the Corporation could not generate sufficient funds from its own sources. Thus, the Corporation during 2009-10, 2010-11 and 2011-12 was mainly dependant on Government grants and loans for implementation of its capital projects.

### 2.2.8. Accounts and Audit

As per provisions under Accounting Manual for Urban Local Bodies, the annual accounts of the Corporation should be duly finalized by the Commissioner on or before 30 June and placed before the council for approval. Audit scrutiny revealed that the annual accounts of the Corporation were compiled on due date for the years 2009-10, 2010-11 and 2011-12 and placed before the council for approval and handed over immediately thereafter to the Director of Local Fund Audit (DLFA). Audit has been completed for the year 2009-10 only. The audit on the accounts for the year 2010-11 and 2011-12 are in progress.

The total number of outstanding Local Fund audit objections are 5,473 relating to the years from 1970-71 to 2009-10. However, details of pending objections were not made available to audit.

### 2.2.9 Financial Management

The new Contributory Pension Scheme (CPS) was extended to the employees of the Urban Local Bodies (ULBs) with effect from 01 April 2003. The employees' contribution at 10 *per* cent of Pay, Grade pay and Dearness Allowance along with the employer's contribution at the same rate was to be remitted every month into Treasury deposit Account to be opened in the Government Treasury.

GoTN issued instruction that ULBs are required to send statement showing subscriptions recovered along with reconciliation certificate to be issued by the Treasury Officer to the DLFA who shall audit the accounts of CPS and certify the credit of both subscription and matching contribution into the Treasury. On receipt of the details, the Director of Government Data Centre, Chennai would work out interest for the remittances and arrange to deposit interest amounts into the treasury on the cumulative monthly closing balance. The Director of Municipal Administration shall assess, once in six months, the contributions made by local bodies and also shall ensure the employer's contributions are remitted into Government Account alongwith the subscriber's contributions.

GoTN issued instructions in June 2010 regarding assigning of specific head of accounts and maintenance of CPS account by opening a T-deposit account in the Government Treasury. Tiruchirappalli Municipal Council also passed a resolution for implementing the Government instructions.

Despite Government Orders and Council approval, the Corporation had failed to comply with the mandatory procedure of opening the T-deposit account in the Sub-Treasury for depositing the CPS subscriptions and employer's contributions instead funds collected were deposited in the bank account. Also, Corporation failed to send periodical returns to the CMA regarding details of subscriptions of CPS and employer's contributions. Further, Corporation failed to send the DLFA's audited ledger account to the Commissioner, Government Data Centre. CMA also failed to monitor the periodical return to watch the timely deposit of funds in the T-deposit account.

The employees' subscriptions recovered from September 2008 to May 2012 amounting to ₹ 4.15 crore was deposited in the bank account after a delay ranging between one and three years. Scrutiny of records by Audit revealed that due to delay in depositing of the matching contribution of Corporation totalling to ₹ 4.15 crore from September 2008 to May 2012, Corporation failed to earn interest to the tune of ₹ 33.40 lakh as detailed in **Appendix 2.5.**

Eight subscribers from whom the subscription was recovered retired from service during the period 2008-12. They were not paid terminal benefits ranging from ₹ 8, 000 to ₹ 54,000 under CPS. Twenty three subscribers who died in harness during 2008-12 were not paid the benefits ranging from ₹ 2,700 to ₹ 58,000 per person.

In reply Corporation stated (September 2012) that in spite of efforts taken by them, the T-deposit account could not be opened and hence the amount was kept in bank account. Reply is not acceptable as the Scheme introduced in 2003 is yet to become procedurally functional which had also led to shortfall in earning of interest.

## 2.2.10 Tax Revenue

### *2.2.10.1 Property tax*

A major source of Tax Revenue is the Property Tax (PT). The Planning Commission in its recommendations to Tenth Finance Commission emphasized on the need to:

- reform the PT so that it becomes a major source of revenue of ULBs and the collection efficiency reaches the level of 85 *per cent* of tax demands, by the end of the Tenth Five Year Plan.
- levy reasonable User Charges by the ULBs, with the objective of recovery of full cost of operation and management, by the end of the Tenth Five Year Plan.

Share of percentage of property tax with reference to the total revenue of the Corporation was 16.61, 16.28 and 16.39 for the years 2009-10, 2010-11 and 2011-12 respectively.

PT is levied and collected on all buildings and lands under Section 121 of the Corporation's Act within the jurisdiction of the Corporation and as per Section 126 of the Act, the PT shall be levied every half year and has to be paid by the assessee within fifteen days after the commencement of the half year. As per Taxation Rules under Schedule II (Part VI) of Section 169 of the Act, the Commissioner of the Corporation may recover by distraint under his warrant and sale of the moveable property of the defaulter, if the PT is not paid by the assessee within fifteen days from the service of the notice.

There were 1,77,499 property tax assessments (including 4,159 assessments for vacant land property) as of March 2012 and the annual demand raised for 2011-12 was ₹ 31.47 crore. The Corporation maintains database of all property with details of classification, locality and type of construction and update the record with periodical additions and deletions of assessments.

General revision of tax was made in October 1998 and April 2008 with the approval of Government.

Details of demand and collection of Property Tax are given in **Table 2.9.**

**Table 2.9 : Details of demand and collection of property tax**

| Year | Demand raised | | Collection made | | Percentage of collections | |
|---|---|---|---|---|---|---|
| | Arrears | Current | Arrears | Current | Arrears | Current |
| | (₹ in Crore) | | | | | |
| 2009-10 | 35.96 | 28.61 | 11.01 | 19.78 | 30.61 | 69.14 |
| 2010-11 | 32.79 | 30.05 | 5.83 | 22.63 | 17.79 | 75.31 |
| 2011-12 | 32.52 | 31.47 | 6.47 | 26.22 | 19.90 | 83.32 |
| **Total** | **101.27** | **90.13** | **23.31** | **68.63** | | |

(Source: Demand, Collection and Balance statement furnished by the Corporation)

The percentage of collection of arrears was less than 20 *per cent* during the years 2010-11 and 2011-12. Though the collection efficiency of current tax has increased from 69.14 *per cent* in 2009-10 to 83.32 *per cent* in the year 2011-12, it is yet to reach the level of 85 *per cent* as recommended by Planning Commission.

The details of number of property tax assessments test-checked are given in **Table 2.10.**

**Table 2.10 : Details of number of Property Tax assessments test checked**

| Description | Total number of assessments | Time barred | | Litigation | | Government buildings | |
|---|---|---|---|---|---|---|---|
| | | Assessment | Money value (₹ in crore) | Assessment | Money value (₹ in crore) | Assessment | Money value (₹ in crore) |
| Residential/ Industrial/ Commercial | 1,72,451 | 5,580 | 4.68 | 605 | 15.93 | Nil | 0 |
| Government | 889 | 0 | 0 | 0 | 0 | 523 | 6.93 |
| Vacant Site Tax | 4,159 | 0 | 0 | 0 | 0 | | |
| Total | 1,77,499 | 5,580 | 4.68 | 605 | 15.93 | 523 | 6.93 |
| Number of assessments test-checked | 170 (10) | 56 (10 ) | | 221 (36.5) | | 52 (10) | |

(Figures in brackets denote percentage of assessments test checked)

Accumulation of arrears was due to failure of the Corporation to take appropriate distraint proceedings contemplated in the Act and failure to bring to the notice of Government at Secretary level, though funds for payment of tax were provided in the budget on a regular basis in respect of Government properties (Government, Quasi Government and Government companies).

When this was pointed out, the Commissioner of the Corporation replied (August 2012) that arrears in collection related to buildings that were under dilapidated condition, door locked and assessees whereabouts not known. The reply is not acceptable as there were failure on the part of the Corporation in taking timely and appropriate action as discussed below:

### *2.2.10.2 Incorrect classification of buildings for levy of tax*

The Commissioner of Municipal Administration issued guidelines in February 2008 for revision of the property tax with effect from April 2008. As per the guidelines, property tax for Government buildings was to be increased by 50 *per cent* over the previous assessed amount and a maximum of 150 *per cent* over the previous assessed amount for commercial buildings. Accordingly Tiruchirappalli Municipal Council resolved (June 2008) to increase the property tax of commercial buildings by 80 *per cent* over the previous assessed amount.

Test-check of property assessment records by Audit revealed that in respect of The Tamil Nadu State Transport Corporation Limited and Tamil Nadu Electricity Board, which are commercial undertakings, Corporation levied 50 *per cent* increase of property tax over the previous year assessment instead of 80 *per cent* increase as decided by the council, treating these commercial undertakings as Government buildings. This resulted in short collection of property tax to the tune of ₹ 4.43 lakh for period April 2008 to September 2012.

On this being pointed out, the Commissioner of the Corporation replied that there was no specific guideline for revision of tax in respect of commercial undertakings of the Government. The reply is not acceptable as the transport corporations and Electricity Board are commercial entities of the State Government.

### *2.2.10.3 Review of assessments under litigation*

As per information furnished by the Corporation, 605 assessments[12] out of 1,77,499 were pending for collection due to litigations from the years 1978 to 2011. As of 31 March 2012, PT due to be collected from these 605 assessments was ₹ 15.93 crore. Audit analysis revealed that the reasons for litigations were (i) objection to the increase in tax made during general revisions in 1987, 1993, 1998 and 2008 and (ii) dispute in the assessed area of building.

On a review of 221 assessments under litigations, Audit noticed that though interim/permanent injunction/final judgements were passed by the Court between 1981 and 2012 in 59 assessments, no follow-up action was taken in respect of 55 assessments. In respect of four assessments, an amount of ₹ 51.95 lakh was collected by Corporation in August 2012 at the instance of Audit. Decision in respect of 97 assessments was pending with Court and details in respect of 65 assessments were not available on record.

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[12] 1978: 1, 1980:1, 1985:2, 1986:4, 1988:18, 1989:9, 1990:5, 1991:2, 1992:5, 1993:10, 1994:106, 1995:9, 1996:76, 1997:27, 1998:9, 1999:53, 2000:2, 2001:8, 2002:5, 2003:130, 2004:3, 2005:4, 2006:1, 2007:2, 2009:4, 2011:6, Not known : 103.

### 2.2.10.4 Lack of effective follow up action

(i) Corporation assessed property tax of the buildings of Mega Hotel in April 1992 and the tax was fixed as ₹ 54, 529 per half year. The assessee objected to the increase in assessment on the ground that the measurement taken by the Corporation was incorrect and the owner went on appeal to Tax Appellate Tribunal and judgment was delivered in January 2005. The Corporation noticed that the judgment copy erroneously showed the PT as ₹ 28,170 per half year with effect from 1 April 1992 instead of ₹ 38, 170 per half year. The Corporation referred the matter to DLFA only in July 2011. DLFA opined (August 2011) that the PT have to be revised after getting the orders of Court and stated that based on the Court judgment the PT can be revised at ₹ 38,170 from 1 April 1992, ₹ 76,340 from 1 October 1993 and ₹ 91,624 from 1 October 1998. Corporation did not take any action to approach the Court to revise the tax as there was arithmetic inaccuracy and there was no subsequent revision on the amount fixed by Court. The assessee paid PT of ₹ 2.60 lakh upto March 2005 and thereafter he did not pay any amount. This resulted in non-realisation of revenue of ₹ 31.83 lakh for the period from 01.04.1992 to 30.09.2012.

When this was pointed out, the Commissioner of Corporation replied (August 2012) that Standing Counsel was addressed for re-fixing the tax and the Standing Counsel opined that after getting consent from the assessee, the tax of ₹ 38,170 per half year can be fixed as per the judgment. He further stated that it was being effectively pursued to re-fix the tax as per the Standing Counsel's opinion and the balance amount will be collected at the earliest.

The reply is not tenable as the judgement showing the amount of PT was delivered in January 2005 and the Corporation did not take any effective action for the last seven years to rectify the incorrect amount of PT erroneously mentioned in the judgement and pursue the matter for effective collection of Property Tax.

(ii) The Seahorse Hospitals Limited buildings constructed on a leasehold land was assessed by the Corporation for ₹ 1, 34,115 per half year in December 1992 and demand was raised (December 1992) against the owner of the land. Corporation revised the property tax to ₹ 4, 02,418 from 1 October 1993 during general revision and demand was raised against the owner of the land. The owner of the land approached Court of law in 1996 objecting the increase made by the Corporation and not to levy tax on the owner of the land. The Court stayed the revision made by Corporation on the owner of the land and stated (November 2003) that Corporation should ascertain the owner of the asset and levy tax accordingly. However, Corporation failed to implement the orders of the Court for the last nine years which had resulted in loss of revenue of ₹ 1.36 crore for the period from 1 October 1993 to 31 March 2013. Corporation did not raise the demand on the owner of asset as directed by the Court.

When pointed out, the Commissioner of Corporation replied that there was stay on revision and only admitted tax was being collected.

The reply is not acceptable as the Court had already given judgement in November 2003 itself to Corporation to ascertain the owner of the asset and levy PT.

(iii) M/S Shree Sabari Mills located in Ponmalai was paying property tax upto March 2008. The property tax was revised during the general revision from 1 April 2008. The assessee approached Tax Appellate Tribunal (TAT) in 2011 against the order passed by Assistant Commissioner. objecting to the revision of property tax from 1 April 2008 as the Mill was under lock out since 1996 and became defunct. TAT instructed Corporation (October 2011) to inspect the premises and ascertain utilization of the premises, age of the building and take fresh measurement. Based on the TAT's direction, Corporation inspected the premises and measured the area and found that there was short measurement of built-up area and the property tax was short assessed. Based on the report of Corporation, judgment was delivered in December 2011 stating that the buildings were assessed for lesser area than the actual built up area and directed Corporation to revise the tax considering the present use of the buildings with effect from 1 April 2008. However, Corporation did not take any effective action to revise the PT. Thus there was a short levy of tax to the extent of ₹ 5.42 lakh for the periods from 1 October 1998 to 31 March 2008. The Commissioner's reply was silent on the above issue when pointed out.

### *2.2.10.5 Omission to assess property*

Royal Southern Hotel in Ponmalai Zone was constructed between October 2001 and April 2002 with 74,552 square feet in four floors. Ground, first and second floor were completed in October 2001. The buildings were assessed in October 2001 for ground and first floor and property tax was levied at ₹ 1,01,183 per half year. The owner of the hotel moved the Court in 2005 against the measurement taken for assessment of property tax for the ground floor and first floor. As per the directions of the Court (September 2006), Corporation has to take fresh measurement excluding the open space and toilet. Corporation took fresh measurement (December 2011) and tax was assessed for ground floor, first and second floors (January 2012). The fourth floor of the hotel was utilised for educational purposes for the period from April 2002 to March 2009, for which PT was exempted as per the Act. However, Corporation failed to assesses PT for the third and fourth floors of the hotel. Non-assessment of PT for the third floor from April 2002 to March 2013 and for fourth floor from April 2009 to March 2013 resulted in non-recovery of property tax of ₹ 15.96 lakh (₹ 11.41 lakh plus ₹ 4.55 lakh).

On this being pointed out, the Commissioner of Corporation replied (August 2012) that action is being taken to assess the property tax for the third floor for which notice was issued to hotel authorities.

During Exit Conference, the Corporation furnished the copy of notices issued to the assessee for having assessed the third and fourth floors specifying tax of ₹ 9,65,252 for the period from 01 April 2006 to 31 March 2013. The notices issued were incomplete as the Corporation had levied tax from 2006-07 instead of 2002-03.

### *2.2.10.6 Vacant land tax*

Based on the recommendations of Third State Finance Commission and High Level Committee, GoTN amended laws relating to the Municipalities and

Municipal Corporation (except Chennai Corporation Act) in August 2009 envisaging levy and collect property tax on vacant land with effect from 1 September 2009.

Accordingly, Corporation resolved to collect the vacant land tax at the rate given below from 1 September 2009.

| Sl.No. | Location of the vacant land | Tax (per sqft in) |
|---|---|---|
| 1. | Streets in residential area | 0.30 |
| 2. | Main roads and bus roads other than those which lead to arterial road | 0.50 |
| 3. | Arterial roads, main roads and bus route roads which lead to arterial road | 0.60 |

Scrutiny of records at Corporation revealed that though 2,933 vacant lands were identified and assessed for vacant land tax, demand was not raised in any of the cases for the period from 2003-04 to 2011-12 resulting in non-realization of ₹ 82.38 lakh. Reasons were not available on records furnished to Audit.

When this was pointed out, the Commissioner of the Corporation replied that the tax on vacant land was being collected at the time of sanction of building plans. The reply is not acceptable since the Corporation has failed to collect tax on vacant land every half year as per Corporation Act.

## 2.2.11 Non Tax Revenue

Following are sources of the non- tax revenues of the Corporation.

(1) Lease of land, markets, pay and use toilets, shops, two wheeler and four wheeler parking stands and bus entry fee and stand etc.,

(2) Annual track rent for laying cable.

Following deficiencies were noticed during audit scrutiny of records relating to non-tax revenue:

### *2.2.11.1 Lease rent not paid by fire services department*

Land measuring 27,692 square feet was allotted in July 1970 to the Fire and Rescue Services under Home Department for 20 years fixing the rent of ₹ 25 per annum. Scrutiny of records revealed that based on the resolution of the Council (December 1996), Government revised (May 1998) the lease rent to ₹ 40,154 per month for twenty years from July 1990 to July 2010 and the rent was enhanced by 15 *per cent* to ₹ 46,177 per month from May 2010. Accordingly, the demand was raised by the Corporation (November 2004). The Director of Fire Services addressed Government in February 2007 to sanction the rent as demanded by the Corporation as power to sanction rent by the Director of Fire Services was only ₹ 12,000. The matter was still under protracted correspondence with the Government. Thus, rent due from the Fire Services department amounting to ₹ 1.07 crore for the period from July 1990 to March 2012 is yet to be received by Corporation.

### *2.2.11.2 Lease of land, shops etc., under litigations*

As ordered by the GoTN in December 2000, revision of lease rent was made (January 2004) by Corporation with retrospective effect from 1 April 2001. Objecting to this revision of rent, the lessees moved to Court. There were 2,249 assessments in lease rent. Out of this, 249 assessments were under litigations involving arrears of ₹ 28.96 crore. A review of 67 assessments out of 249 assessments revealed that action was taken by Corporation only in respect of eight assessments as per the direction of the Court. In respect of the balance 59 assessments, the following failures were noticed:

- Permanent/interim injunction restraining the Corporation to increase the lease amount was passed by the Court in respect of nine assessments amounting to ₹ 62.60 lakh between 2001 and 2012, on which no action was taken to get the injunction vacated.
- Corporation delayed filing of appeal by three years and filed appeal during 2012 though judgment was passed by the Court in favour of 14 lessees in November 2009. No reasons were on record for the delay.
- Status in respect of 36 lessees was not available in the files and the Corporation did not take any follow up action thereon.

#### *2.2.11.3 Non-renewal of lease of shops*

Government of Tamil Nadu issued instructions (July 2007) to all Local Bodies to collect the lease renewal fees according to the space occupied from the lessees who have completed three years of lease period. Scrutiny of records revealed that Corporation had leased 1,942 shops in two zones. Out of 1,942 shops, renewal fees in respect of 522 shops amounting to ₹ 3.45 lakh have not been collected during 2007-12.

When this was pointed out, Commissioner of Corporation stated that the amount have not been collected due to litigation. The reply is not acceptable as the litigation was only for the revision of rent and not for the renewal fees.

#### *2.2.11.4 Non-levy of annual rent from cable TV operators*

As per the Tamil Nadu Municipalities Television Cable Installation Regulation Rules 2000, any person indenting to commence operations of giving cable television connection in any area within the municipal limits, shall apply to the Commissioner for provisional permission to install cables on street light poles. Annual rent should be paid by the person concerned within the period from 1 April to 30 April of every year. Failing which a sum of ₹ one per month for the annual rent of every ₹ 100 shall be payable. Rent at the rate of ₹ 6,300 per annum per kilometer should be collected for installation of television cable for using the street light poles and for erecting additional poles. Cable TV operators have to register with the Post Office for carrying out the operation and licenses were issued to them by the Post Office.

Details obtained by audit from the Head Post Office, Tiruchirappalli revealed that licenses were issued for 334 cable TV operators for the period from January 1995 to March 2012. Scrutiny of records revealed that annual rent from 190 cable TV operators was not collected by the Corporation. Failure to raise demand from cable TV operators for a total length of 212.325 km. of cables laid upto 2006-07 resulted in non-realization of revenue of ₹ 13.37 lakh every year. Details regarding the total length of cables laid after 2006-07 was not made available by Corporation.

When this was pointed out (August 2012) in audit, the Commissioner of Corporation replied that no demand was raised so far and all the four zonal officers were already instructed to raise the demand for collection of annual rent from cable TV operators.

The reply is not acceptable as Corporation failed to tap the revenue and CMA also failed to monitor the revenue collection by the Corporation.

#### *2.2.11.5 Non-collection of Track rent*

For use of public right of way, the applicants have to pay annual track rent for laying Optic Fibre Cables (OFC) to the respective local bodies at the rates fixed by the Government from time to time. Track rent should be remitted by the applicant every year. GoTN fixed (March 2000) the annual track rent of ₹ 6,300 per km per year to be collected for laying OFC in corporation limit/area.

Scrutiny of records by Audit revealed that the Corporation raised demand at the time of laying of cables in respect of private telecom service providers. After that periodical reminders were not issued as there was no register maintained to watch the collection of rent. It was further noticed that though permissions were granted to six telecom service providers for laying OFC for 248.152 km. for the period from 2006-07 to 2011-12, Corporation failed to collect annual track rent of ₹ 35.97 lakh (₹ 60.56 lakh - ₹ 24.59 lakh) for the period from 2007- 08 to 2011-12. Bharat Sanchar Nigam Limited (BSNL) laid 175 km. of OFC upto 2000-01. Even though a paragraph on the same subject relating to Corporation in respect of BSNL had already appeared in the Audit Report on Local Bodies for the year ended 31 March 2005, Corporation failed to effectively collect the annual track rent of ₹ 1.32 crore (175 km. x ₹ 6,300 × 12 years) for the period from 2000-01 to 2011-12.

Commissioner of Corporation replied that registers would be maintained in order to watch the collection of annual track rent and necessary steps would be taken to collect the same. The reply is not acceptable as GoTN had already issued orders in March 2000 itself to collect annual track rent for OFC cables laid and the Corporation failed to collect fully the annual track rent.

#### *2.2.11.6 Trade License*

As per Tiruchirappalli City Municipal Corporation Act, 1994, every person intending to carry on any dangerous and hazardous nature of work specified in the schedule, shall not less than 45 days before doing so, apply to the executive authority for license with prescribed fee duly fixed and fully paid. The council resolved (February 2002) to collect license fee. Details collected by Audit from the Deputy Chief Inspector of Factories, Tiruchirappalli Circle I revealed that trade license was not issued to 44 industries/factories and demand for license fee was not raised. This had resulted in loss of revenue to the tune of ₹ 8.87 lakh for the period from 2008 to 2011 as the data base on the trade license issued by the Corporation was not available with them. When this was pointed out, it was replied by the Commissioner of the Corporation (August 2012) that action was being taken to raise the demand.

### 2.2.12 Encroachment

According to Section 256 of the Tiruchirappalli City Municipal Corporation Act, 1994, no one shall build any wall, erect any fence, other obstruction, projection, make any encroachment in or over any street, any public place under the Municipal Corporation area.

According to Section 258 of the Act, the Commissioner may issue notice to the owner, occupier of any premises to remove, alter any projection, encroachment, obstruction in front of such premises and in any street, public place under the Corporation area.

Scrutiny of records by Audit relating to four zones, *viz.,* Srirangam, Ariyamangalam, Ponmalai, and K.Abisehkapuram of the Corporation revealed that an extent of 4.55 Hectare (4,89,740 square feet) of lands was encroached by 770 encroachers for dwelling and construction of temples, mosques and church etc.

Zone-wise encroachers and extent of area encroached is given in **Table 2.11.**

**Table 2.11 : Zone-wise encroachment in the Corporation area**

| Sl.No | Name of the zone | Total number of encroachers | Extent of area in hectares |
|---|---|---|---|
| 1. | Srirangam | 613 | 1.08 |
| 2. | Ariyamangalam | 28 | 3.01 |
| 3. | Ponmalai | 31 | 0.22 |
| 4. | K.Abisekapuram | 98 | 0.24 |
| **Total** | | **770** | **4.55** |

(Source: Details furnished by Tiruchirappalli Municipal Corporation)

Age-wise number of encroachment in respect of the above mentioned zones is given in **Table 2.12**.

**Table 2.12 : Age-wise break-up of encroachments**

| Sl. No | Name of the zone | Age of encroachment | | | | |
|---|---|---|---|---|---|---|
| | | Less than five years | More than five years but less than 10 years | More than 10 years but less than 15 years | More than 15 years but less than 20 years | More than 20 years |
| 1. | Srirangam | 41 | 188 | 161 | 118 | 105 |
| 2. | Ariyamangalam | - | 1 | 2 | 7 | 18 |
| 3. | Ponmalai | - | 9 | 10 | 5 | 7 |
| 4. | Abishekapuram | 3 | 21 | 23 | 12 | 39 |
| **Total** | | **44** | **219** | **196** | **142** | **169** |

Scrutiny of records revealed that even though eviction notices were issued, no further action such as eviction of encroachment was taken by the Corporation. Corporation replied (September 2012) that necessary eviction notices were issued to the encroachers for removal of encroachment. Corporation further replied that the encroachments were made for residential and religious purposes, hence after identifying suitable place to the encroachers, encroachment would be evicted completely. The reply is not acceptable as the Commissioner failed to take appropriate action as per the Tiruchirappalli City Municipal Corporation Act, 1994 and there is no provision in the Act to provide suitable place to the encroachers.

## 2.2.13 Education

Corporation maintains 74 (42 primary, 24 Middle, seven High and one Higher secondary) schools catering to the needs of 8,553 students with an aim to meet the educational needs of the poor. The schools are required to be maintained with all necessary basic amenities and to provide a hygienic environment to the students and staff.

### *2.2.13.1 Shortfall in maintenance expenditure*

Corporation apportions 2.5 *per cent* of the annual value of the property collected as education tax along with property tax and credits the amount to Elementary Education Fund (EEF) for utilization towards capital and maintenance works of educational institutions. As per the guidelines issued by State Government in March 1999, minimum 25 *per cent* of EEF collected was to be spent for maintenance of school buildings every year. Education tax collected and utilized for maintenance during 2009-10 to 2011-12 were as given in the **Table 2.13.**

**Table 2.13 : Details of education tax collected and utilised for maintenance during 2009-12**

**(₹ in lakh)**

| Year | Budget estimate for collection of Education tax | Actual Collection of Education tax | Amount to be provided for maintenance (25 *per cent* of Column 3) | Amount actually spent | Percentage of utilization |
|---|---|---|---|---|---|
| (1) | (2) | (3) | (4) | (5) | (6) |
| 2009-10 | 546.00 | 400.88 | 100.22 | 0.87 | 0.87 |
| 2010-11 | 564.41 | 384.72 | 96.18 | 2.77 | 2.88 |
| 2011-12 | 590.00 | 453.48 | 113.37 | 0.66 | 0.58 |
| **Total** | **1,700.41** | **1,239.08** | **309.77** | **4.10** | **1.32** |

(Source : Details furnished by Corporation and budget estimate figures of Corporation)

It may be seen from the above table that the annual expenditure incurred by Corporation for maintenance of school buildings every year ranged between 0.58 and 2.88 *percent* against the minimum prescribed percentage of 25 during 2009-12. However, the position was not reviewed by the Corporation or by CMA for appropriate action.

When this was pointed out, Commissioner of Corporation replied (January 2013) that there was reluctance on the part of the contractors to participate in the tenders for the school building works and this resulted in poor expenditure under Education Fund. The reply is not acceptable as the Corporation should have explored alternative options to carry out maintenance work of school buildings without compromising on the safety of school children.

### *2.2.13.2 Non-execution of maintenance works*

School buildings are to be structurally sound and should fulfill requisite safety norms. They should be provided with necessary amenities, impervious ceiling, good lighting and ventilation arrangement. Corporation has been divided into four Zones for better administration and Zonal Officers of the respective Zones were responsible for maintenance of Corporation schools. The maintenance works were to be taken up based on the requests received from the schools and field inspection reports submitted by various field level officers.

Justice Sampath Commission which was constituted in the aftermath of Kumbakonam fire accident made many recommendations which were accepted by the Government. On the basis of recommendations of the Commission, Government issued detailed guidelines (August 2006) and instructions in respect of maintenance of school buildings, fire safety measures, safety amenities and noon meal kitchen etc. The guidelines provided that school buildings should be strongly founded on hard strata and the building should be water tight and shall not have leaky roof. They should be provided with necessary amenities, impervious ceiling, good lighting and ventilation arrangement. The maintenance works for school buildings were to be taken up based on the request received from the schools. Though sufficient funds under EEF were available for maintenance of schools, the zonal officers did not take up the work for reasons not on record.

As per Government letter (November 2002), ULBs must inform the Chief Educational Officer concerned about the maintenance works to be undertaken during the year. Likewise, Chief Educational Officer must inform the required maintenance works to the concerned ULBs every year. The ULB has to include the works suggested by Chief Educational Officers invariably in their annual work plan. The Commissioner of Municipal Administration is required to monitor the progress of expenditure. However, in 10 out of 21 test checked schools, works in respect of roof leaking, damaged roof, damaged building were not executed despite Government instructions. In respect of one school at Melachintamani repeated requests were been sent by school authorities.

Corporation replied that damaged buildings are being demolished and reconstructed.

The reply is not acceptable as the school buildings were very old and needed urgent repair. The Corporation should have taken up the work at least based on the Justice Sampath Commission report (August 2006) as funds were not a constraint Moreover, CMA who must monitor the implementation of the recommendation of Justice Sampath Commission report also failed to do so.

### *2.2.13.3 Provision of Basic amenities*

Manual for Secondary and Higher Secondary schools provided that schools should be pedagogic and meet the sanitary/hygienic requirements with suitable and adequate latrines/urinals for students and staff separately for men and women with playground. Further school building should be structurally sound, suitable and admit sufficient air/light. Provision of pure drinking water, play ground and required number of toilets and urinals are some of the basic amenities to be provided for running a school. Shortcomings noticed in this regard in Corporation schools were as discussed below:

### *2.2.13.4 Lack of purified drinking water facility*

The Commissioner of Municipal Administration issued (November 2005) guidelines for utilization of EEF to provide drinking water facilities preferably with Reverse Osmosis (RO) System to the Schools.

Audit noticed that in 56 out of 74 schools (76 *per cent*) provision for RO System was not made. When this was pointed out, Commissioner of Corporation stated (September 2012) that protected water supply was being provided to all schools. The reply is not acceptable as headmasters of the six test checked schools stated that drinking water was not provided in the schools.

#### *2.2.13.5 Non-availability of play grounds*

Manual for High/Higher Secondary Schools stipulates that provision of land should be made for play ground besides the school building. As per the norms and standards specified in the Right of Children to Free And Compulsory Education Act, 2009 every school shall have a playground, play material, sports equipment to each class as required.

Audit noticed that out of 74 schools, 34 (46 *per cent*) did not have play grounds depriving the students of these schools the opportunities for recreational and sports activities.

#### *2.2.13.6 Provision of toilets*

Education Department of GoTN has prescribed norms for provision of flush-out latrines in schools at one per 25 girls and one per 50 boys and urinals at six per 100 boys. However, in 21 test checked schools, two schools[13] did not have toilet facilities at all. In two schools, no toilet facility was provided for boys and in one school no toilet was provided for girls. Further, in one school no separate toilet facility was provided for boys and girls and school teachers did not have separate toilet in one school. Toilets and urinals were not maintained properly for want of water facilities and damaged and unusable toilets resulting in non-adherence of Government norms and depriving the basic amenities to the students in four schools (Panchayat Union Middle School, Thangeswari Nagar, Municipal Middle School, Woraiyur (North), Corporation High School, Kamaraj Nagar, Airport, Panchayat Union Primary School, Kothamangalam).

When this was pointed out, the Commissioner of Corporation had replied that jet rodder lorries were assigned the task of cleaning the toilets of schools every week. The reply is not acceptable as Headmasters of four test checked schools stated that toilets were not cleaned daily and requested the Commissioner of Corporation for appointment of a sanitary worker/safaiwala.

### 2.2.14 Safety and security measures

Tamil Nadu Public buildings (Licensing) Act 1965, provides for inspection and licensing to ensure the structural stability of the buildings. Further, as fire hazard in public buildings is one of the most common occurrences which are life threatening, fire extinguishers have to be installed and maintained in these buildings. Test check of 21 schools revealed the following:

#### *2.2.14.1 Building licenses*

Tamil Nadu Public Buildings (Licensing) Act, 1965 stipulates that public buildings like schools shall be used only under a valid license obtained from competent authority. The license should be renewed every three years. As per the above Act not obtaining the License is punishable. Further, the Manual of

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[13] CES, Kosemettu Street, Melchintamani and Municipal Urdu Primary Shool, Jinnah Street.

Secondary Education also provided for obtaining a License under the above Act.

Audit scrutiny revealed that out of 74 schools, only one school obtained the required license from the competent authority and the remaining schools were functioning without the building license. This shows that Corporation did not bother to see whether the schools are functioning with proper licence or not and CMA also did not call for the report after the Justice Sampath Commission report recommendations.

When pointed out, Commissioner of Corporation replied (September 2012) that Corporation would consult the competent authority and will take necessary action to obtain the license.

The reply is not acceptable as the Tamil Nadu Public Buildings (Licensing) Act, 1965 requires a valid license from the competent authority and non-compliance of the above provision violates the provision of the Act.

#### *2.2.14.2 Fire extinguishers*

As per Government Order (August 2006), adequate number of fire extinguishers are to be provided in schools.

Audit noticed that fire extinguishers were not installed in six schools out of 74 schools. When this was pointed out, the Commissioner of Corporation replied that fire extinguishers would be provided and installed in all schools.

#### *2.2.14.3 Mock drills*

As per Government guidelines (August 2006), mock drills are to be conducted regularly to sensitize students and teachers for safety during natural calamities/fire etc.

Audit noticed that mock drills were not conducted in 64 out of 74 schools. When this was pointed out, the Commissioner of Corporation replied that Headmasters of schools would be requested to conduct mock fire drill periodically.

Reply is not acceptable as the Commissioner failed to comply with Government guidance. CMA also failed to monitor the same.

### 2.2.15 Non-functioning of modernized kitchen

Government of Tamil Nadu sanctioned ₹ 10 lakh (January 2007) for modernizing kitchen of 50 noon meal centers at ₹ 20,000 per centre in Tiruchirappalli Municipal Corporation. Commissioner of Social Welfare released the amount in March 2007. The work of supply of LPG gas stove with two burners, erection of non-return valve, steel pipe to convey gas and kitchen platform was completed in all 50 selected centers in June 2007 at a cost of ₹ 7.83 lakh. The deposit amount of ₹ 1.90 lakh and ₹ 58,432 being the cost of 200 LPG cylinders were remitted to Hindustan Petroleum Corporation Limited (HPCL) in June 2007 and October 2007 respectively.

Audit scrutiny revealed (January 2013) that HPCL delivered only 44 LPG cylinders instead of 200 cylinders for which the amount was paid in October 2007. The Chief Regional Manager, HPCL, Tiruchirappalli expressed (May 2008) his inability to supply the balance and stated that such a huge requirements are to be shared by Indian Oil Corporation (IOC)/Bharat Petroleum Corporation Limited (BPCL) and HPCL in ratio of 62:26:12 respectively and ₹ 1,93,706.76 was refunded by the agency in November 2011 being the deposit cost of 156 gas connection and cost of LPG gas cylinders.

Corporation did not approach the other two oil companies for supply of LPG gas to the noon meal centers.

Thus, the work of supply of LPG gas stove with two burners, erection of non-return valve, steel pipe to convey gas and kitchen platform completed in all 50 selected centers in June 2007 at cost of ₹ 7.83 lakh remained unutilized for more than five years.

When this was pointed out, Commissioner of Corporation replied that the deposit amount was returned by HPCL after a gap of four years and cost of gas cylinder refills was increased manifold. The grant given by the Government was inadequate to meet the cost of 156 cylinders. He further stated that all the 22 noon meal centers initially used the modern kitchen where gas cylinders were provided and exhausted the cylinder within four days and after that no cylinders were supplied and all the 50 selected noon meal centers are not using the modern kitchen.

The reply is not acceptable as Corporation had failed to take effective steps by taking up the matter with IOC/BPCL for supply of gas cylinders to the modernized kitchens even after HPCL expressed its inability to supply gas cylinders.

## 2.2.16 Water supply

While water supply is the responsibility of ULBs, Tamil Nadu Water Supply and Drainage (TWAD) Board 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. The sources for water include mini-power pumps and hand pumps in addition to water supply schemes. Water supply is effected through house service connections and public fountains.

Cauvery river is the main source of water supply to the Corporation. In the existing water supply system drawal of water was through infiltration wells, borewells, Golden Rock Combined Water Supply Scheme and Pirattiyur Combined Water Supply Scheme. The average drawal of water was about 75.45 million litres per day (mld) which worked out to 110 litres per capita per day (lpcd).

The above schemes related to the period 1985-2006 and required improvements. With a view to providing equitable distribution of water of 135 lpcd to all Zones of the Corporation comprehensively, the Tiruchirappalli Water Supply Improvement Scheme (TWSIS) with source as river Coleroon was sanctioned (September 2007) and designed (2009) at a cost of ₹ 144.86 crore with the grant from GoTN, loan from Tamil Nadu Urban Infrastructure Financial Services Limited (TNUIFSL) and public contribution. The TWSIS is under progress.

Deficiencies noticed in execution of water supply scheme are commented in the following paragraphs.

### *2.2.16.1 Inadequate testing of water samples*

Commissioner of Municipal Administration directed (April 2009) that the water quality standard should be followed based on the Bureau of Indian Standards (BIS) and good quality water should be supplied to the public as per Central Public Health and Environmental Engineering Organisation (CPHEEO) norms. As per the circular, the Municipal Engineers were to visit the head works, OHT pumping stations, open wells and borewells in a periodical manner and rectify the defects, if any, and the quality of water should be tested in the reputed departmental laboratories by the ULBs every month and the report of tested water samples should be sent to the office of CMA before 3rd of every month.

CMA in his circular (July 2012) reiterated the above orders about supply of quality drinking water. 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. Number of tests conducted in the Corporation during 2009-12 is given in **Table 2.14.**

**Table 2.14 : Details of testing of water samples**

| S.No. | Month/Year of test | Month of test conducted | Number of tests conducted during the year |
|---|---|---|---|
| 1. | 2009 | January(1) and February(1) | 2 |
| 2. | 2010 | March (1), May (1) , July (2), November (1) and December (2) | 7 |
| 3. | 2011 | May(1) and November (1) | 2 |
| 4. | 2012 | January (1), March (1) and August (1) | 3 |

(Source: Details furnished by the Corporation)

From the above table it can be seen that only two, seven, two and three tests were conducted during 2009, 2010, 2011 and 2012 respectively as against the required 12 tests every year.

Remarks found in the reports in respect of Corporation were: (i) disinfection practice followed by the Corporation 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* under BIS standards and (iii) the residual chlorine was 1.32mg/litre instead of permissible limit of 0.2 to 0.4 mg/litre as prescribed in CPHEEO norms. Total dissolved solids (TDS) and hardness exceeded the maximum permissible limit.

When details of follow up action taken by CMA on the water test reports received from the Chief Water Analyst were called for by Audit, the CMA replied (January 2013) that details were called for from the Corporation. Despite clear instructions to local bodies on report of tested water samples, the Corporation failed to ensure collection of samples of water periodically for ascertaining the nature of potability of drinking water and CMA also failed to monitor the functions of the Corporation.

### *2.2.16.2 Equitable distribution of water not ensured*

With a view to maintaining equitable distribution of available water throughout the Corporation 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 House Service Connections (HSCs). There are 86,117 water supply HSCs in Corporation (March 2012) and none of the HSCs were fitted with flow control valves. Hence, there was no mechanism to ensure equitable distribution of water. The Corporation supplied 110 lpcd of water as against the norms of 135 lpcd fixed by Government of Tamil Nadu.

When this was pointed out, Commissioner of Corporation replied (January 2013) that flow control valves had not been purchased and installed in the HSCs and that action would be taken to fix flow control valves in all the HSCs in future.

Reply is not acceptable as the existing arrangement did not ensure equitable distribution of water.

### *2.2.16.3 Metering of water supply not done*

Rates of water charges were fixed (February 2000) by the Council at ₹ 20 per kilolitre subject to a minimum of ₹ 200 per month from 2009-10 if the payments are made based on meter reading. If no meter is fixed, a flat rate at ₹ 100 per month for single connection was fixed by the Council. In Corporation area 79,949 HSCs (93 *per cent*) of the total 86,117 HSCs were fitted with water meters supplied by the applicant and fixed by the Corporation, for measuring the quantity of water supplied. However, Corporation levied water charges at flat rate of ₹ 100 (monthly minimum) for single connection. The quantity of water distributed through HSCs every month was 1,242 million litres and the amount recoverable at ₹ 20 per kilolitre was ₹ 2.55 crore[14]. However only ₹ 0.92 crore per month was recovered. Levy of demand on flat rate resulted in revenue loss of ₹ 1.63 crore per month.

Corporation replied that there was no staff for taking the readings and also to verify the working condition of the meters. The reply is not acceptable as the existing arrangements led to loss of revenue and it is the responsibility of the Corporation to ensure that infrastructure/manpower requirement are planned properly for effective implementation.

### *2.2.16.4 Wastage of water*

Central Public Health and Environmental Engineering Organisation provided 15 *per cent* wastage of water during the supply of water to the beneficiaries. Test check of records in Corporation revealed that there was a wastage of 30.70 *per cent* of water during distribution.

Total water pumped from the infiltration was 75.45 million litres per day. The distribution through various mode were given in **Table 2.15.**

**Table 2.15 : Distribution of water from various sources**

| S.No. | Mode of distribution | Quantity distributed (in mld.) |
|---|---|---|
| 1 | House Service Connections | 41.40 |
| 2 | Public fountains | 8.36 |
| 3 | Lorries | 1.00 |
| 4 | Bulk Water supply | 1.50 |
| **Total** | | **52.26** |

14 
| | | |
|---|---|---|
| Domestic | : | ₹ 2.44 crore |
| Non Domestic | : | ₹ 0.10 core |
| Industrial | : | ₹ 0.01 core |
| **Total** | **:** | **₹ 2.55 crore** |

Out of 75.45 mld of water pumped, 52.26 mld of water is being distributed and balance 23.19 mld water, which works out to 30.70 *per cent*, is being wasted during distribution due to leak, which is 15.73 *per cent* over and above the permitted level of wastage of 15 *per cent*. Corporation purchased a mobile leak detection device and repairing van in August 2009 at a cost of ₹ 13.85 lakh. Audit scrutiny revealed that the vehicle was not put into use during most of the period as there was no driver and supporting staff to man the vehicle.

When this was pointed out, Commissioner of Corporation replied (January 2013) that water carrying pipes were age old and action would be taken to arrest the leakage of water during transmission. He further stated that all the visible leaks were rectified manually and leaks which were normally not identifiable, machinery was used. He further stated that there was no sanctioned strength of driver for the vehicle and the same was being managed with the existing drivers.

The reply is not acceptable as 30.70 *per cent* of water pumped is being wasted and post of driver should have been got sanctioned/action taken to make alternative arrangement while purchasing the mobile water leak detection unit so that the water could be used to the optimum level.

#### *2.2.16.5 Non-collection of additional deposits*

To augment revenue of Corporation for meeting the increasing maintenance cost and for repaying loans obtained for water supply improvement schemes, Corporation resolved (September 2007) to enhance the deposits for providing HSCs by ₹ 3,000 for domestic and ₹ 6,000 from industrial and commercial purposes. The initial deposits were taken as revenue of Corporation and used for repayment of loans obtained for water supply schemes. According to the resolutions passed by the council, 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. Scrutiny of records revealed that 48,454 new connections were given after collection of deposits. However, in respect of collection of difference in deposits from the existing 37,663 consumers, it was observed that out of ₹ 26.27 crore due, ₹ 21 crore had been collected. The Commissioner of Corporation did not raise demand for the differential amount of deposits totalling ₹ 5.27 crore from the consumers.

When this was pointed out, Commissioner of Corporation replied (September 2012) that this would be collected after completion of water supply improvement scheme. Reply is not acceptable, since the council had already passed the resolution for collection of the differential amount from the existing consumers.

### 2.2.17 Solid Waste Management

Proper disposal of solid waste is essential for avoiding health hazards posed by the flies and rodents feeding on the exposed garbage which could result in spread of diseases and contamination of surface and ground water. In order to combat this menace, the Supreme Court of India issued (January 1998) directions regarding proper collection and disposal of solid waste.

In the context of the above, Government of India (GoI) notified (September 2000) the Municipal Solid Waste (Management and Handling) Rules, 2000 (MSW Rules) in exercise of the powers conferred under the Environment (Protection) Act, 1986. The Rules provide for safe disposal of municipal waste to prevent contamination of ground water, surface water and ambient air quality and fix the responsibilities on municipal authorities, District administration, State Pollution Control Board and the State Government. The Rules also specified a time schedule for implementing the solid waste management (SWM) and recommended biomethanisation, composting or pelletisation as methods of disposal of solid wastes. The Rules required all ULBs to set up complete waste processing and disposal facilities by end of December 2003. GoTN had issued orders for implementation of the MSW Rules, by the municipalities and corporations in December 2001.

Details of grants released by the State Government to Corporation and the expenditure incurred by them till March 2012 were given in **Table 2.16.**

**Table 2.16 : Details of expenditure incurred under Solid Waste Management**

**(₹ in lakh)**

| Year | Budget allocation | Expenditure | Savings | Percentage of saving |
|---|---|---|---|---|
| 2009-10 | 365.00 | 241.72 | 123.28 | 34 |
| 2010-11 | 200.00 | 88.54 | 111.46 | 54 |
| 2011-12 | 100.00 | 89.00 | 11.00 | 11 |
| **Total** | **665.00** | **419.26** | **245.74** | **37** |

(Source: Details furnished by Tiruchirappalli Municipal Corporation)

It may be seen from the above table that the budget allocation was reduced from ₹ 365 lakh in 2009-10 to ₹ 100 lakh in 2011-12 as the savings ranged between 11 and 54 *per cent* during 2009-10 to 2011-12. This only shows that the Corporation could not utilise funds allocated for solid waste management effectively.

### *2.2.17.1 Setting up of waste disposal facilities*

Municipal Solid Waste (MSW) Rules, 2000 provide that wastes from slaughter houses, meat fish markets, fruits and vegetable markets being bio-degradable in nature should be collected and made use of. Rules further contemplate that such wastes be processed by composting, vermi-composting, anaerobic digestion or any other appropriate biological processing for stabilization. Setting up of waste processing and disposal facilities should be completed by 31 December 2003 or earlier as per the provision of the said Rule.

The quantity of waste generated per day in Corporation was 436 metric tonne (MT). Out of this, bio-degradable waste was 222 MT and non-bio-degradable waste was 214 MT. Total primary collection and transportation per day was 416 MT. Corporation has not established waste processing and disposal facilities and commenced composting operations. As a result, solid wastes generated in the Corporation are dumped in the land-fill site that is in existence for over 100 years and was not disposed off scientifically.

The Corporation replied (September 2012) that there was not enough man power to segregate bio-degradable waste for processing. No reply has been given for not setting waste processing and disposal facilities. The reply is not acceptable as the Corporation failed to examine and adopt alternate measures such as privatization of the activity though nine years had elapsed since framing of MSW Rules.

### *2.2.17.2 Private scavenging fee not collected*

As per Schedule 11 to MSW Rules read with CMA circular, the Corporation shall collect charges for the services rendered in clearing of solid wastes in the Corporation area. Corporation proposed (April 2002) levy of scavenging fee/administrative charges on marriage halls, restaurants, industries, small hotels etc., and a by-law enforcing the levy and collection of scavenging fee/ administrative charges was published in the district gazette in December 2002. Scrutiny of records by Audit in January 2013 revealed that Corporation had neither raised any demand for collection of scavenging fee/administrative charges nor did it maintain any demand, collection and balance details in respect of scavenging fee/administrative charges. It received fees only from the business establishments which paid on their own and did not raise demands in all other business establishments.

When this was pointed out, Commissioner of Corporation replied (January 2013) that demands were not raised due to shortage of man power, which was an omission.

## 2.2.18 Public Health

In Tamil Nadu, the role of Government in health care activities in urban areas is largely advisory and supervisory in nature. Tamil Nadu Public Health Act, 1939 envisages that the Local Authorities would carry out all such activities as may be necessary to safeguard public health as prescribed by Government for maternal and child health and family welfare in local body areas. These activities are carried out through urban health posts, dispensaries and maternity homes.

Year-wise details of expenditure relating to Public Health during 2009-12 were given in **Table 2.17.**

**Table 2.17 : Year-wise provision and expenditure on Public Health**

**(₹ in lakh)**

| Year | Budget Provision | Expenditure |
|---|---|---|
| 2009-10 | 81.00 | 80.62 |
| 2010-11 | 105.00 | 101.36 |
| 2011-12 | 98.00 | 84.35 |
| **Total** | **284.00** | **266.33** |

(Source: Details furnished by Tiruchirapalli Municipal Corporation)

### *2.2.18.1 Policy initiatives*

National Health Policy, 2002 envisages that the State Governments should earmark seven *per cent* of their budget for health care, which was to be enhanced to eight *per cent* by 2010, of which 55 *per cent* would be for primary health care. The proportion of budget allocation for health care to the overall budget allocation of Corporation under revenue is given in **Table 2.18.**

**Table 2.18 : Percentage of allocation under health care by the Corporation**

| Year | Budget allocation for Corporation under Revenue Fund (₹ in lakh) | Budget allocation for Public Health (₹ in lakh) | Actual Expenditure | Percentage of allocation for Health Care activities |
|---|---|---|---|---|
| 2009-10 | 6333.00 | 81.00 | 80.62 | 1.27 |
| 2010-11 | 7204.28 | 105.00 | 101.36 | 1.45 |
| 2011-12 | 8821.00 | 98.00 | 84.35 | 1.11 |

The average allocation made by Corporation for Health Care during 2009-12 is a mere 1.27 *per cent* as against the prescribed norm of eight *per cent* of budget allocation. GoTN did not give directions to the ULBs to make similar provisions in their budgets for health care activities. CMA failed to give directions for allocating the funds by the Corporation as required under National Health Policy, 2002.

Corporation replied (February 2013) that they have not received any directions from the GoTN in respect of National Health Policy, 2002 and hence this Policy was not implemented by the Corporation.

The reply is not acceptable as the policy announced by the State Government for providing better health care has not been achieved.

### *2.2.18.2 Non implementation of Urban Health Care Delivery Policy*

Government of Tamil Nadu announced (September 2002) urban health care delivery policy to have a unified control of all urban health care activities and strengthening the existing urban health infrastructure in all municipal corporations and municipalities. The policy envisaged one urban primary health centre for every one lakh population, which should cater to all healthcare needs including maternal and child health, sterilisation, treatment of communicable diseases, etc. The policy prescribed staffing pattern with the mode of redeployment for the staff. The Corporation, however, did not implement the new policy as of January 2013.

Thus, the objective of the policy to do away with the existing multiple agencies in different locations of the Corporation and to reorganise the existing urban health infrastructure by amalgamating all agencies was not achieved.

Corporation replied (February 2013) that though details as called for by the Government in September 2009 was furnished in July 2010, the Urban Health Care Delivery Policy is yet to be implemented in the Corporation.

The reply is not acceptable as the Corporation/CMA failed to pursue implementation of the policy which was announced by Government.

### *2.2.18.3 Maternity and child health and family welfare*

Maternity and child health activities include outreach and institutional services for ante-natal and post-natal care, institutional delivery services, immunisation, collection and recording of vital statistics on birth, death, infant/maternal mortality etc. Family welfare activities are aimed at ensuring small family norms. These activities are carried out through the network of urban health posts. The key indicators pertaining to Corporation were as given in **Table 2.19.**

**Table 2.19 : Key health indicators**

| Year | Birth rate | | Death rate | | Infant mortality rate (IMR) | | Maternal mortality rate (MMR) | |
|---|---|---|---|---|---|---|---|---|
| | (Per 1000 population | | | | (Per 1000 live births) | | (Per lakh live births) | |
| | Target | Achievement | Target | Achievement | Target | Achievement | Target | Achievement |
| 2009 | 15 or less | 29.62 | 15 or less | 9.01 | 30 or less | 16.44 | 100 or less | 20.00 |
| 2010 | | 26.94 | | 9.36 | | 19.52 | | 28.07 |
| 2011 | | 25.38 | | 9.32 | | 19.61 | | 28.50 |

(Source: Information furnished by the Corporation Health Officer of Corporation)

Though Corporation has achieved the targets set by State Government in respect of death rate, IMR and MMR, it is yet to achieve the targeted birth rate of 15. Further, increasing trend in IMR and MMR is a matter of concern.

### *2.2.18.4 Vacancy in the post of Medical Officer*

Vacancy position in the post of Medical Officer as at the end of each year for the period 2009-12 was as given in **Table 2.20.**

**Table 2.20 : Vacancy position in the post of Medical Officer**

| Year | Sanctioned strength | Men in Position | Vacant |
|---|---|---|---|
| 2009-10 | 24 | 13 | 11 |
| 2010-11 | 24 | 11 | 13 |
| 2011-12 | 24 | 11 | 13 |

(Source: Information furnished by the Corporation Health Officer of Corporation)

Non-filling up of vacant posts resulted in Medical Officers attending to more than one health posts daily, though, the number of outpatients increased from 5.34 lakh in 2009-10 to 6.38 lakh in 2011-12.

Government reviewed the sanctioned strength and only allowed continuance of 24 posts of Medical Officers. Even this sanctioned strength was not operated and there were vacancy of 11 posts from 2009-10 and 13 posts were vacant from 2010-11. The Commissioner of Corporation had requested (September 2012) the President of Indian Medical Association, Tiruchirappalli to depute 10 qualified doctors to the Corporation as it was difficult to run 26 health posts with 13 Medical Officers posts being vacant. The Medical Officer's post attached to the School Health Programme is also lying vacant for more than three years.

## 2.2.19 Outreach services

### *2.2.19.1 Inadequate Urban Health Nurses*

Maternal and Child Health (MCH) and Family Welfare (FW) outreach services are extended by the Urban Health Nurses (UHNs) attached to the urban health posts. UHNs were responsible for ante-natal registration, immunisation, outreach services, follow up of expected delivery cases/high risk ante-natal cases, motivation of unprotected eligible couples for sterilisation and other methods, first visit for post-natal cases, updating of families in the area, ante-natal care visits and post-natal care visits in their respective areas. As per the norms, each UHN should cover a population of 20,000 for effective discharge of his duty.

As against the requirement of 42 UHNs to serve the total population of 8.42 lakh (2011-12) in the Corporation, the Family Welfare wing of Corporation had only 30 UHNs. Medical Officer of Woriyur Urban Health Post stated (January 2013) that there were only two UHNs and two maternity assistants looking after 30,000 population each and there was backlog in the field work of UHNs. Due to this inadequate strength, in eight out of nine MCHs, UHNs are required to handle population ranging between 20,643 and 55,655 for 2009-10, 25,186 and 56,005 for 2010-11 and 20,202 and 56,426 for 2011-12.

### *2.2.19.2 Supply of Iron and Folic Acid tablets and Vitamin A solution*

Under the Family Welfare Programme, all children from six months to three years of age must be given 100 tablets of iron and folic acid (small) per year and two doses of vitamin A solution once in six months every year in order to prevent various deficiencies including anaemia. Iron and folic acid tablets (large) were distributed to adolescent girls and pregnant women also.

From the information furnished by the City Health Officer of the Corporation, it was noticed that as against the total requirement of 10,100 bottles of vitamin A solution and 1.47 crore iron and folic acid tablets (small) for the period 2009-12, only 7,203 bottles of vitamin A solution and 20.39 lakh iron and folic acid tablets (small) were supplied. As against the total requirement of 1.72 crore iron and folic acid tablets (large), only 48.12 lakh were supplied during the period 2009-12. The reasons for such short supply were not available on record/furnished by the Corporation.

### *2.2.19.3 Non-implementation of Reproductive and Child Health Project*

Government of India (GoI) launched (November 2003) the Reproductive and Child Health - Project II (RCHP II) with the objective of providing an integrated and sustainable system for primary health care services in urban areas. GoI was to meet the expenditure on urban health care for a period of five years and GoTN and the ULB concerned were to provide funds for sustenance of the project beyond the initial period of five years. The programme was to be implemented in a phased manner.

Project Director, Reproductive and Child Health (RCH), Chennai selected the Corporation for implementation of RCH in November 2003. Corporation sent the Project Report to the Project Director, RCH in May 2004 with a projected estimate of ₹ 10.60 crore. Government of India instructed Corporation in

August 2004 to submit a revised Project Report in accordance with guidelines for development of City Level Urban Slum Health Project. Reminder for submission of Project Report by Corporation was received in January 2005 with an ultimatum that Corporation would be eliminated from the beneficiaries' list if Project Report was not received forthwith. Revised Project Report was sent to GoI in March 2005 only with a projected estimate of ₹ 5.5 crore. Even though GoI was ready to provide funds for implementation of the project with priority for cities with a population of one to ten lakh, Corporation with a population of 9.45 lakh and with a slum dwelling population of 1.70 lakh failed to receive the benefits due to inordinate delay in submission of the Project Report.

It was replied by the City Health Officer that the Corporation is yet to receive orders and funds in regard to implementation of this project from GoI. The reply is not acceptable as the Corporation delayed submission of the Project Report which resulted in non-receipt of funds from GoI and denial of benefits of the scheme.

### *2.2.19.4 Prevention and control of diseases*

Prevention and control of diseases was done through surveillance, vector control, creation of health awareness, school health programme, slum health programme, etc. Health care activities are carried out mainly out of Corporation's own fund.

### Vector borne diseases control

Prevalence of disease in Corporation during 2009-10 to 2011-12 was given in **Table 2.21**.

**Table 2.21 : Details of vector borne diseases in the Corporation**

| Year | Malaria | Filaria | Dengue |
|---|---|---|---|
| 2009-10 | 33 | 14 | 68 |
| 2010-11 | 39 | 6 | 54 |
| 2011-12 | 37 | 7 | 11 |

(Source: Information furnished by the City Health Officer of Corporation)

From the above table it can be seen that dengue was very prevalent during 2009-10 and 2010-11 and it was controlled during 2011-2012. Cases of malaria which was 33 in 2009-10 increased to 39 in 2010-11 and then came down to 37 in 2011-12. Though malarial cases were coming down, it could not be reduced drastically.

### *2.2.19.5 Prevalence of Disease*

Malaria, filaria, dengue and japanese encephalitis are the major vector borne diseases prevalent in urban areas. Control of mosquitoes, the vectors responsible for spreading these diseases, is carried out through fogging operations to control adult mosquitoes and by spraying of larvicides to control mosquito larvae.

(i) Norms under Malaria Eradication Programme for mosquito control operations provide for deployment of one fogging operator per 5,000 population; the number of operators employed by Corporation at one per 23,700 population in 2011-12 and at one per 18,000 population in 2012-13, has adversely affected the mosquito control operations in Corporation.

(ii) The quality of insecticide and larvicide used in mosquito control operations determines its effectiveness. Insecticides and larvicides for mosquito control operations were procured by Corporation from approved suppliers identified by Director of Public Health and Preventive Medicine (DPH&PM), Chennai. DPH & PM, Chennai had instructed ULBs to get the samples of insecticides and larvicides tested by laboratories so as to ensure the quality of the chemicals procured. Corporation has received the sample tested quality certificate from the laboratory along with the delivery challans, sent by suppliers. Relying on the supplier to obtain certificates from the laboratory resulted in lack of assurance on the quality of anti-mosquito chemicals. The value of purchases made during April 2009 to December 2012 by the Corporation without ensuring the quality worked out to ₹ 1.33 crore.

### *2.2.19.6 Areas coverage with anti malarial chemical*

In order to contain the disease spread by mosquitoes fogging operations are carried out throughout the Corporation area to bring down the mosquitoes by using chemicals. The usage of chemicals in all the 65 wards were as given in the **Table 2.22.**

**Table 2.22 : Usage of chemicals**

| Zones | No. of wards | Area in Sq. Kms | Diesel for mixing with chemicals (in litres) | Petrol for running the machine (in litres) | Chemicals (in Kgs.) |
|---|---|---|---|---|---|
| Ponmalai | 17 | 56.75 | Team-I : 38<br>Team-II: 48 | 8<br>10 | 2.0<br>2.5 |
| Abishekapuram | 15 | 53.67 | Team-I : 48<br>Team-II: 48 | 10<br>10 | 2.5<br>2.5 |
| Ariamangalam | 18 | 19.78 | Team-I : 48<br>Team-II: 48 | 10<br>10 | 2.5<br>2.5 |
| Srirangam | 15 | 27.03 | Team-I : 38<br>Team-II: 38 | 8<br>8 | 2.0<br>2.0 |

(Source : Details extracted from the records of the Corporation)

From the above table it can be seen that Ponmalai and Abishekapuram zones, the area is 56.75 Sq.Km and 53.67 Sq. k.ms and Ariyamangalam and Srirangam zones the area is 19.78 Sq.Kms and 27.03 Sq.Km respectively. It was noticed in audit that in all the four zones the chemical used was 2.5 kgs, diesel used for mixing the chemical was 48 litres and petrol used for running the equipment was 10 litres. As Ponmalai and Abisehkapuram zones, the area is double the area that of Ariyamangalam and Srirangam, while the usage of chemicals, diesel and petrol remained the same.

### *2.2.19.7 Disease surveillance*

According to the guidelines of National Vector Borne Disease Control Programme, minimum of 10 *per cent* of target population under surveillance should be covered under annual blood examination to reduce the incidence of malaria.

Target *vis-à-vis* collection of blood smears during the years 2009 to 2011 were as given in **Table 2.23.**

**Table 2.23 : Details of blood smears collected during 2009-11**

| Year | Population of Tiruchirappalli | Targeted number of blood smears | Number of Blood smears collected/examined | Achievement (Percentage) |
|---|---|---|---|---|
| 2009 | 8,28,571 | 82,857 | 10,266/10,266 | 12 |
| 2010 | 8,34,581 | 83,458 | 18,163/18,163 | 22 |
| 2011 | 8,42,165 | 84,216 | 22,277/22,277 | 26 |
| | **Total** | **2,50,531** | **50,706** | **20** |

(Source: Population figures as compiled by Health Department of Tiruchirappalli Corporation)

From the table, it can be seen that surveillance of blood examination ranged between 12 *per cent* to 26 *per cent* during 2009-11.

### *2.2.19.8 School Health Programme*

School Health Programme (SHP) was implemented by ULBs with the intention of early detection of diseases and timely medical treatment to prevent major health problems among school going children. Under the SHP, School Medical Inspection Teams from ULBs (One Medical Officer, Two Health Visitors and One Office Assistant staff as sanctioned by GoTN) visit all the schools in the local area thrice in an academic year to screen the students to diagnose their health problems and to provide treatment for minor ailments. The SHP functioning in Corporation has two Health Visitors only and the other posts are lying vacant.

During 2009-12 out of the average of 61 schools targeted by the Corporation, an average of 56 schools were visited once, 34 schools were visited twice and no schools were visited for the third occasion. The City Health Officer attributed deficiency in coverage to shortage of Medical Officer and diversion of para medical staff to dengue prevalent areas for source reduction and treatment activities. The City Health Officer stated (February 2013) that as a result of outbreak of dengue, medical/para medical staff were diverted to dengue prevalent areas for treatment and source reduction works and hence there was reduction in the number of school visits during the second and third spells.

The reply is not acceptable as the sanctioned strength of one Medial Officer, two Health Visitors and one Office Assistant is only for conducting SHP whereas the actual men in position was only two Health Visitors. This has also hampered the SHP and no steps were taken to fill up the vacancies.

## 2.2.20 Execution of programmes under public health

Dr.Muthu Lakshmi Ninaivu Mahaperu Nidhiyuthavi Thittam was introduced by GoTN in the year 2006-07 with the intention of providing Ante natal (pregnancy period) and Neo natal/Post natal (period after child birth) care to the women of BPL families and ensure that the women and children are safe and sound during pregnancy and after child birth, as well. Under the scheme, an incentive of ₹ 6,000 was given to pregnant women in two instalments. The first instalment of ₹ 3,000 was to be given during the seventh month of pregnancy and the second instalment of ₹ 3,000 was to be given at the time of delivery. The incentive was enhanced to ₹ 12,000 to be disbursed in three instalments of ₹ 4,000 each, given during the seventh month of pregnancy, after the child birth and on dispensation of vaccines to the child.

The requirement of fund considering the pending and expected applications at the end of each financial year is assessed by the Corporation and communicated to the Deputy Director (Health Services), Tiruchirappalli, for inclusion in the next year's projected budget allocation for the scheme.

Scrutiny of records by Audit revealed that out of the allotment of ₹ 3.51 crore for the financial year 2010-11, Corporation disbursed a sum of ₹ 2.83 crore and surrendered ₹ 67.65 lakh in March 2011 to the Deputy Director (Health Services), Tiruchirappalli. However, expected payment (either in ante-natal stage or in post-natal stage) for 1,361 beneficiaries was pending at the time of surrendering the amount. When Corporation assessed the requirement for the year 2011-12, it failed to include the pending and expected application for payment and the amount allotted for the year 2011-12 also did not include the requirement for the year 2010-11. Thus, failure of Corporation to correctly assess the requirement of funds resulted in surrendering of funds to the tune of ₹ 67.65 lakh besides deprival of benefits to 1,361 beneficiaries.

The Corporation replied (September 2012) that efforts would be taken to ensure that the remaining dues of the scheme will be paid to the 1,361 beneficiaries.

The reply is not acceptable as 1,361 beneficiaries have not been included for payment of benefits under the programme as of February 2013.

### 2.2.21 Integrated Housing and Slum Development Programme

#### *2.2.21.1 Non-release of ULB share to the beneficiaries*

The Integrated Housing and Slum Development Programme (IHSDP) aims at ameliorating the conditions of the urban slum dwellers who do not possess adequate shelter and reside in dilapidated conditions. The scheme seeks to enhance public and private investments in housing and infrastructural development in urban areas. The basic objective of the scheme is to strive for holistic slum development with a healthy and enabling urban environment by providing adequate shelter and basic infrastructure facilities to the slum dwellers of the identified urban areas.

Corporation prepared Detailed Project Report (DPR) and identified 1,147 beneficiaries under the scheme for constructing new dwelling units and 61 beneficiaries for upgradation of existing houses under the IHSDP. Corporation forwarded the DPR to GoI and sought funds under IHSDP (January 2008) and the project was approved by GoI (February 2008) at a total outlay of ₹ 15.15 crore (₹ 14.91 crore for construction of new dwelling units and ₹ 0.24 crore for upgradation of existing houses). The entire share of GoI (₹ 7.34 crore) and GoTN (₹ 0.92 crore) relating to new dwelling units was received in four instalments between August 2008 and December 2011. The financing pattern per dwelling unit was GoI share - ₹ 64,000, GoTN share - ₹ 8.000, Corporation share - ₹ 28,000 and beneficiaries contribution - ₹ 30,000.

Commissioner of Municipal Administration in his Circular dated August 2007 directed the Commissioners of the Corporations to provide water supply and under ground drainage connections at subsidiary tariff/free of cost after obtaining necessary council resolutions.

Scrutiny of records by Audit relating to construction of new dwelling units revealed that Corporation had released only GoI share and GoTN share of ₹ 72,000 per beneficiaries to 1,006 beneficiaries and share of Corporation to 1,006 beneficiaries amounting to ₹ 2.82 crore was not released. Out of 1,147 beneficiaries, 1,006 beneficiaries completed construction of houses (December 2012) and remaining houses were at various stages of constructions. When the non-payment of ULB share amounting to ₹ 28,000 per dwelling unit to the beneficiary was pointed out in Audit, Commissioner of Corporation replied that the Corporation's share of ₹ 28,000 would be utilized for providing free house service connections for water supply and under ground drainage.

The reply is not tenable as the CMA had already instructed all the Corporations in August 2007 to provide water supply and underground drainage connections at subsidy tariff/free of cost after obtaining necessary council resolution, which was not adhered to by Corporation, which had forced the beneficiaries to bear the additional financial burden to the tune of ₹ 2.82 crore.

### 2.2.22 Conclusion

Corporation deposited the funds recovered from its employees towards Contributory Pension Scheme in banks instead of depositing in Treasury deposit violating the Government instructions. Terminal benefits under the scheme to retired employees and employees who died in harness during 2009-12 were not paid. In collection of property tax, there was incorrect classification of buildings, lack of follow-up action in respect of legal cases for which the judgments have been delivered and omissions in assessment of property tax. Non-tax revenue such as lease rent was not received from the Fire Service Department, renewal fees not received from the leased shops in two zones, annual rent not levied on cable TV operators and track rent not collected from telephone service providers were noticed. There was encroachment of land in Corporation area. Maintenance of school buildings was not executed despite availability of funds. Purified drinking water was not provided in municipal schools. Modernised kitchen constructed at a cost of ₹ 7.83 lakh remained unutilized. Periodical water samples were not tested and equitable distribution of water was not ensured. Waste disposal facilities were not set up and private scavenging fees were not collected. Urban Health Care Delivery Policy announced by the Government of Tamil Nadu has not been implemented. Shortages in the post of Medical Officer hampered the work in urban health posts.

### 2.2.23 Recommendations

- Tiruchirappalli City Municipal Corporation need to open Treasury Deposit Account and maintain the Contributory Pension Scheme funds to comply with Government orders.
- The Corporation needs to improve revenue collection with special emphasis of arrears of property tax.

- Elementary Education Funds are to be utilized effectively for maintenance of schools.
- Water samples are to be tested periodically to ensure that quality water is supplied to the public.
- Shortages in the post of Medical Officers/Para Medical Staff to be filled up to provide good health care in the urban area.

The above points were referred to Government in February 2013; reply has not been received (March 2013).

# CHAPTER III

## AUDIT OF TRANSACTIONS

## (URBAN LOCAL BODIES)

# CHAPTER III

# AUDIT OF TRANSACTIONS

Audit of transactions in the Municipal Administration and Water Supply Department, Tamil Nadu Water Supply and Drainage Board and in Nagapattinam Municipality brought out instances of lapses in management of resources and failures in observance of regularity, propriety and economy. These have been presented in the succeeding paragraphs.

# MUNICIPAL ADMINISTRATION AND WATER SUPPLY DEPARTMENT

## 3.1 Wasteful expenditure

**NAGAPATTINAM MUNICIPALITY**

### 3.1.1 Wasteful expenditure on execution of road work

**Execution of permanent restoration of road work without obtaining the plan of action from Tamil Nadu Water Supply and Drainage Board which is implementing the under ground drainage sewerage scheme resulted in wasteful expenditure of ₹ 23.10 lakh.**

In December 2007, Government of Tamil Nadu accorded administrative sanction for ₹ 49.43 crore which was revised to ₹ 79.31 crore in February 2011 for implementing Under Ground Sewerage Scheme (UGSS) in Nagapattinam Municipality under Tamil Nadu Urban Development Fund III. The work was divided into six packages consisting of four packages for collection system and two packages for sewerage treatment plant. The work relating to the four packages for collection system which involved the excavation of trenches for laying sewer and pumping mains was entrusted for execution in July 2010 by Tamil Nadu Water Supply and Drainage (TWAD) Board to M/s APR Projects Private Limited.

The Commissioner of Municipal Administration (CMA), Chennai instructed (July 2006) all the Urban Local Bodies to obtain a plan of action from the respective agencies implementing water supply schemes and UGSS and plan the road restoration works.

Scrutiny of records by Audit revealed (April 2012) that Nagapattinam Municipality (Municipality) carried out temporary restoration[1] of road work in Sillady Beach Road coming under UGSS at a cost of ₹ 2.30 lakh in January 2011 under Natural calamity scheme 2010-11. In July 2011 Municipality carried out permanent restoration[2] of road work in the same road at a cost of ₹ 23.10 lakh under Natural calamity scheme 2010-11 without obtaining the

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1 Urgent repairs on road of temporary nature to make the road motorable to meet the present need

2 Road work of permanent nature to make the road motorable for the future need

plan of action from TWAD Board which was implementing the UGSS. While the temporary restoration work carried out earlier on that road may have been necessary and should have ensured smooth flow of traffic till the completion of UGSS, the Municipality also undertook permanent restoration in July 2011. Thereafter, TWAD Board executed the work of collection system under UGSS scheme in March 2012.

Though the Municipality was aware of the implementation of UGSS work by TWAD Board, execution of permanent restoration of road work without getting the action plan from TWAD Board resulted in wasteful expenditure of ₹ 23.10 lakh on permanent restoration.

The matter was referred to Government in January 2013; reply has not been received (March 2013).

## 3.2 Avoidable expenditure

**TIRUPPARANKUNDRAM MUNICIPALITY AND HARVEYPATTI TOWN PANCHAYAT**

### 3.2.1 Avoidable expenditure due to injudicious rejection of tender

**Injudicious rejection of tender by Tamil Nadu Water Supply and Drainage Board resulted in avoidable expenditure of ₹ 1.31 crore to two Urban Local Bodies.**

Administrative sanction was accorded (March 2007) by Government of Tamil Nadu for the combined water supply scheme to Tirupparankundram Municipality and Harveypatti Town Panchayat in Madurai District under Jawaharlal Nehru National Renewal Mission at a cost ₹ 9.70 crore with the funding pattern of ₹ 4.85 crore (50 *per cent*) by Government of India (GoI), ₹ 1.94 crore by the State Government (20 *per cent*) and ₹ 2.91 crore (30 *per cent*) by the Urban Local Bodies. The Chief Engineer, Southern Region, Tamil Nadu Water Supply and Drainage (TWAD) Board, Madurai accorded (June 2007) technical sanction for the said work for ₹ 10.50 crore with the condition that the Urban Local Bodies should bear the excess amount over and above the administrative approval amount and invited tenders in July 2007. Only two bids were received and after negotiation, the lowest bidder agreed to execute the work at ₹ 10.96 crore, which was 19 *per cent* over and above the departmental rate of ₹ 9.21 crore at 2007-08 Schedule of Rates (SOR). On the grounds of time bound nature of work and that further calls would not give a fruitful result, the Chief Engineer recommended (September 2007) the lowest bid for consideration and acceptance. But the tender was rejected (October 2007) by the Tender Committee on the ground of high tender percentage.

Retenders were called in October 2007 and January 2008. In both the tender calls, the bidder who quoted the lowest at the time of first call alone came forward to undertake the work at the negotiated rate of ₹ 11.47 crore (17.54 *per cent* excess over the revised estimate of ₹ 9.76 crore) in the second call and at ₹ 12.19 crore (11.71 *per cent* excess over the revised estimate of

₹ 10.91 crore based on 2008-09 SOR) in the third call. The Tender Committee rejected the tenders in December 2007 and May 2008 respectively citing the high tender percentage.

Again retender was called in June 2008 and the lowest between the two bidders agreed to execute the work at ₹ 12.78 crore (21 *per cent* excess over the departmental rate of ₹ 10.56 crore). The tender was approved by the Board in September 2008. The work order was issued to the successful bidder in September 2008 and the work was completed in June 2010 at a cost of ₹ 12.94 crore.

Scrutiny of the records by Audit (August 2009) revealed that the Tender Committee which rejected the lowest tender in the first call citing 19 *per cent* as high tender percentage had approved during the same meeting tender for Combined Water Supply scheme to Tsunami affected coastal establishment in Tirunelveli at tender excess of 19.66 *per cent* and at a meeting in August 2007 for Combined Water Supply scheme to Tsunami affected coastal establishment in Kanyakumari district at a tender excess of 22.06 *per cent* over and above the departmental estimated cost. Similarly, in the subsequent meeting (December 2007) wherein the Tender Committee rejected the second call (citing the tender excess of 17.54 *per cent*) had approved another tender[3] with excess of 19.66 *per cent* over the departmental estimated cost.

Thus, in the background of the prevailing tender rates quoted for water supply schemes, uncompetitive response for the first and second calls, approval given for similar water supply schemes, and anticipated rise in SOR, the Board should have accepted the tender on second call at ₹ 11.47 crore. Injudicious rejection of the tender at the second call by the Tender Committee constituted by TWAD Board led to award of work subsequently in the fourth call at a higher rate resulting in time overrun for nine months and cost overrun of ₹ 1.31 crore for the Urban Local Bodies.

When this was pointed out, the Executive Engineer, TWAD Major Project Division, Madurai replied (February 2012) that the Board rejected the first call having high tender percentage and rejected the second and third call being single tender and expecting better competition. The reply is not acceptable as there was no restriction on acceptance of single tender in the second and third calls as the Board was aware of the response to the tender and increase in the estimate rate due to increasing trend in the SOR. Further, the Board had approved higher percentage for other similar works during the same period.

The matter was referred to Government in January 2013; reply has not been received (March 2013).

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[3] Combined Water Supply Scheme to Perambalur, Veppanthattai and Alathur Panchayat Unions, Arumbavur and Poolamabai Town Panchayts.

# PART II

## PANCHAYAT RAJ INSTITUTIONS

# CHAPTER IV

## AN OVERVIEW OF
## PANCHAYAT RAJ INSTITUTIONS

# Chapter IV

# SECTION 'A'

# AN OVERVIEW OF PANCHAYAT RAJ INSTITUTIONS

## 4.1 Background

The 73rd Constitutional amendment gave Constitutional status to Panchayat Raj Institutions (PRIs) and established a system of uniform structure, election, regular flow of funds through the Finance Commission etc. As a follow up, the States were required to entrust the PRIs with powers, functions and responsibilities to enable them to function as institutions of self-government.

Consequent to the 73rd amendment of the Constitution, the Government of Tamil Nadu (GoTN) enacted the Tamil Nadu Panchayats Act, 1994. Under this Act, a three tier system of 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.

## 4.2 State profile

The demographic and developmental status of the State is given in **Table 4.1** below:

**Table 4.1: Important statistics of the State**

| Indicator | Unit | State statistics |
|---|---|---|
| Population | Millions | 72.14 |
| Population density | Sq.Km | 555 |
| Rural population | Percentage | 51.55 |
| Number of PRIs | Numbers | 12,940 |
| Number of District Panchayats | Numbers | 31 |
| Number of Panchayat Unions | Numbers | 385 |
| Number of Village Panchayats | Numbers | 12,524 |
| Gender ratio | Per 1,000 males | 995 |
| Literacy | Percentage | 80.33 |

(Source: 2011 Census figures and Policy Note of the Rural Development and Panchayat Raj Department for 2012-13)

### 4.2.1 Classification of the Panchayat Raj Institutions

As mentioned above, the PRIs are classified into three tiers, *viz.,* District Panchyats, Panchayat Unions and Village Panchayats. There are 31 District panchayts, 385 Panchayat Unions and 12,524 Village Panchayats in Tamil Nadu.

The categorisation of the Village Panchayats based on population is given in **Table 4.2.**

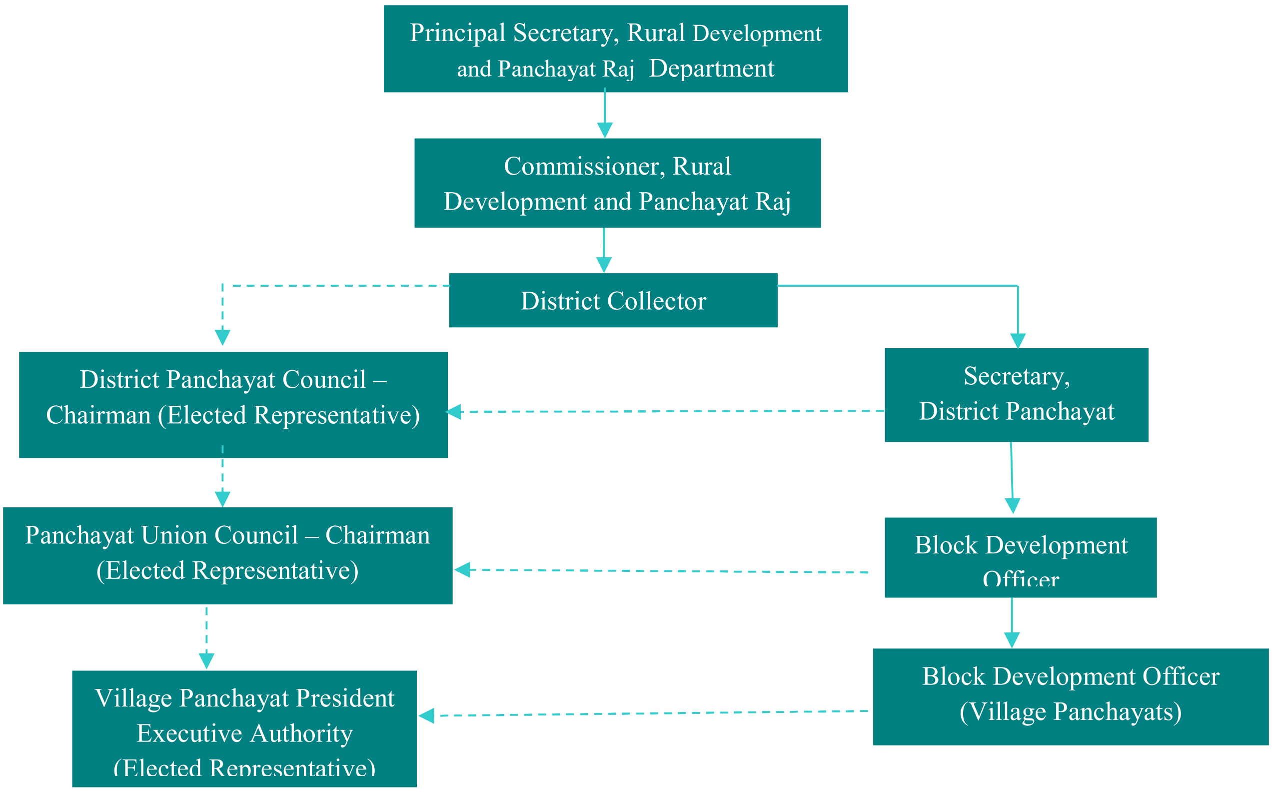
**Table 4.2: Population-wise classification of Village Panchayats**

| Sl. No. | Population | Number of Village Panchayats |
|---|---|---|
| 1 | Below 500 | 66 |
| 2 | 501 to 1,000 | 1,175 |
| 3 | 1,001 to 3,000 | 7,228 |
| 4 | 3,001 to 5,000 | 2,554 |
| 5 | 5,001 to 10,000 | 1,354 |
| 6 | Above 10,000 | 147 |
| | **Total** | **12,524** |

(Source: Policy Note of Rural Development and Panchayat Raj Department for 2012-13)

## 4.3 Administration of PRIs

An organogram of PRIs is as given below:




## 4.4 Status of devolution of functions and functionaries

Eleventh Schedule of the Constitution of India empowered the State Legislature to transfer 29 functions to PRIs. The important changes brought about by the Tamil Nadu Panchayats Act, 1994 were: (i) introduction of three tier system, (ii) mandatory conduct of local body elections every five years,

(iii) introduction of reservation of seats and offices for SC/ST, (iv) introduction of reservation of one-third of seats and offices for women, (v) constitution of State Election Commission to conduct elections to local bodies, (vi) establishment of a quinquennial State Finance Commission, (vii) constitution of District Planning Committees and (viii) introduction of the concept of Grama Sabha in Village Panchayats. In accordance with the changes made in the Tamil Nadu Panchayats Act, 1994, the State Election Commission was constituted and local bodies elections were conducted every five years. One third of seats and offices have been earmarked for women and seats and offices have been reserved for SC/ST and the State Finance Commission has been constituted every five years and its recommendations are placed in the State Legislature.

## 4.5 Decentralised planning

### 4.5.1 Standing Committees

PRIs are required to constitute Standing Committees to perform the assigned functions. The constitution of the committees is given in **Table 4.3** below:

**Table 4.3: Constitution of the Standing Committees**

| Category of PRIs | Chief Political Executive | Standing Committees | Political Executive of Standing Committees |
|---|---|---|---|
| District Panchayats | Chairman/ Chairperson | Food and Agriculture, Education, Health and Welfare, Industries and Labour, Public Works Committee | Chairman and Members of the Council |
| Panchayat Unions | Chairman/ Chairperson | Agricultural Production, Education, General Purpose Committee | |
| Village Panchayats | President | - | -. |

As per Section 241(1) of the Tamil Nadu Panchayats Act, 1994 the State Government constituted a District Planning Committee (DPC) in each of the 28 districts in November 1997. One DPC was formed in 2005 and two more were formed in April 2012 totalling to 31 DPCs. The role and responsibility of DPCs are already mentioned in Paragraph 1.5.1 of this report. As stated in Paragraph 1.5.1 of this report, the Annual Plans prepared at the Government level are only consolidated and adopted as District plans. No separate inputs are received from the PRIs. Requirements at the grass root level were thus not completely reflected in the District plans.

## 4.6 Financial profile

### 4.6.1 Sources of funds flow to PRIs

The major resource base of PRIs consists of State Finance Commission (SFC) grants, Central Finance Commission (CFC) grants, Centrally Sponsored Schemes (CSS) grants, Own Revenue and Assigned Revenue.

## 4.7 Accounting framework

### 4.7.1 Accounts format

The XIII Finance Commission stated (December 2009) that for the period 2011-15, a State Government would be eligible to draw its general performance grant only if it followed the conditions stipulated by it. One of the conditions was that the PRIs should follow the Model Panchayat Accounting System prescribed by the CAG and the Ministry of Panchayat Raj. The State Government has to certify that the accounting system as recommended by the Government of India (GoI) has been introduced in all the Rural Local Bodies.

The Commissioner of Rural Development and Panchayat Raj (CRDPR) reported (December 2011) that the High Level Monitoring Committee in its meeting held in September 2011 decided to implement the conditions laid down by the GoI to draw the general performance grant.

GoTN issued orders (April 2012) for implementation of the Panchayat Raj Institutions Accounting (PRIA) software model accounting system in all the three tiers of PRIs from 2012-13. The Government also ordered the Electoronic Corporation of Tamil Nadu (ELCOT) as the agency for purchase, delivery and installation of computers and peripherals in the Village Panchayats. Out of 12,524 Village Panchayats, ELCOT has completed installation of computers in 12,422 Village Panchayats, Printers in 9,826 Village Panchayats and Uninterrupted Power Supply in 5,611 Village Panchayats. In respect of Broadband connectivity, ELCOT has engaged BSNL to provide Broadband connectivity. The BSNL has just commenced the work and promised to complete 50 *per cent* before 28 February 2013 and the balance before 31 March 2013. The implementation PRIA software in other two tiers i.e Panchayat Unions and District Panchayat has not been taken up.

Though Government issued orders for implementing the PRIA software from 2012-13, the accounting model is yet to start.

## 4.8 Audit arrangements

In accordance with Section 193 of the Tamil Nadu Panchayats Act, 1994, GoTN appointed the following officers as Auditors for PRIs as given in **Table 4.4.**

**Table 4.4: Audit arrangements for PRIs**

| Tier of PRI | Auditors | Periodicity |
|---|---|---|
| District Panchayats | Director of Local Fund Audit (DLFA) | Annual |
| Panchayat Unions | DLFA | Quarterly |
| Village Panchayats | (i) Deputy Block Development Officer (DBDO) except audit of scheme accounts | Quarterly |
| | (ii) Assistant Director of Rural Development (Audit) to follow up the audit of DBDO | Quarterly |

| | | |
|---|---|---|
| | (iii) DLFA for audit of scheme accounts | Annual (test check) |

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 accounts including scheme accounts. The Deputy Block Development Officer audits all the General Fund accounts of the Village Panchayats and certifies them.

Accounts of District Panchayats and Panchayat Unions are also audited by the Principal Accountant General under Section 14 (1) of the Comptroller and Auditor General of India's (Duties, Powers and Conditions of Service) Act, 1971. 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 GoTN issued in March 2003.

### 4. 8.1 Audit of PRIs by the Principal Accountant General

Audit of PRIs is conducted under Section 14 (1) of the Comptroller and Auditor General of India's (Duties, Powers and Conditions of Service) Act, 1971 in respect of financial assistance given to PRIs. Important irregularities detected by Audit during local audit of PRIs by test checking of records are followed up through Inspection Reports issued to the PRIs concerned and CRDPR.

Government had issued general orders in April 1967 fixing a time limit of four weeks for response by the authorities for all paragraphs included in the Inspection Reports issued by Audit. However, as of December 2012, 1,727 paragraphs contained in 472 Inspection Reports relating to the period 2008-09 to 2011-12 were pending for settlement for want of satisfactory replies.

CAG's Audit Reports upto the year 1996-97 were discussed by the Public Accounts Committee (PAC) and recommendations were issued. As of January 2013, Action Taken Reports on 169 recommendations relating to the period 1982-83 to 1996-97 of the Rural Development and Panchayat Raj Department were pending for final settlement. All draft paragraphs/reviews included in CAG's Audit Reports on PRIs for the year 2000-01, 2005-06 and 2006-07 were taken up and discussed by the PAC in January 2012.

# SECTION 'B' – FINANCIAL REPORTING

## 4.9 Introduction

Financial reporting in the PRIs is a key element of accountability. The resource base of PRIs in addition to their own tax/non-tax revenue consists of devolution of funds by State Government, assigned/shared revenue and funds provided based on the recommendations of Central Finance Commission. A chart showing the flow of funds to PRIs is given in **Appendix 4.1**.

## 4.10 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 State Government and grants given by State Government for various purposes and State and Central Finance Commissions grants.

Details of receipts and expenditure of PRIs during 2007-12 as furnished by the Director of Rural Development and Panchayat Raj (DRDPR) are shown in **Table 4.5**. The accuracy of these figures could not be ensured in the absence of audited accounts of PRIs.

**Table 4.5: Details of receipts and expenditure of PRIs**

**(₹ in crore)**

| | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 |
|---|---|---|---|---|---|
| Own revenue | 307.80 | 277.77 | 309.83 | 382.07 | 426.83 |
| Assigned revenue | 217.44 | 459.85 | 220.73 | 154.72 | 374.42 |
| Grants | 1,586.27 | 1,718.50 | 1,926.57 | 2,961.23 | 3,353.96 |
| **Total receipts** | **2,111.51** | **2,456.12** | **2,457.13** | **3,498.02** | **4,155.21** |
| Revenue expenditure | 2,231.60 | 2,579.24 | 3,044.41 | 3,829.72 | 4,193.92 |
| Capital expenditure | 500.69 | 505.21 | 471.61 | 527.73 | 602.40 |
| **Total expenditure** | **2,732.29** | **3,084.45** | **3,516.02** | **4,357.45** | **4,796.32** |
| **Percentage of capital expenditure to the total expenditure** | **18** | **16** | **13** | **12** | **13** |
| **Funds released for MGNREGA** | **592.23** | **1,593.25** | **1,600.49** | **2,099.50** | **3,108.80** |
| **Total funds released for MGNREGA during 2007-12** | | | | | **8,994.27** |

(Source: Details furnished by DRDPR in February 2013)

The expenditure was depicted as more than the receipts for the years 2007-08 to 2011-12 as the details of scheme grants routed through DRDA were not available. The grants included the State and Central Finance Commission grants only.

The funds released by GoI for the flagship scheme directly to DRDA have not been included in the receipts. For example, the funds released by GoI amounting to ₹ 8,994.27 crore for the period from 2007-08 to 2011-12 has not been included in the receipts, while the expenditure incurred under the scheme has been taken into account.

The quantum of Capital expenditure remained more or less at the same level and its proportion to total expenditure declined from 18 *per cent* in 2007-08 to 13 *per cent* in 2010-12. This shows that development activities in the Village Panchayats have not progressed well over the years.

## 4.11 Central Finance Commission grants

The details of Central Finance Commission (CFC) grants released to PRIs are given in **Table 4.6.**

**Table 4.6 : Details of Central Finance Commission grants**

**(₹ in crore)**

| Finance Commission | Period | Grant released | | | |
|---|---|---|---|---|---|
| | | Village Panchayats | Panchayat Unions | District Panchayats | Total |
| X FC | 1996-97 to 2000-01 | 76.97 (27) | 155.62 | 54.75 | 287.34 |
| XI FC | 2000-01 to 2004-05 | 242.49 (52) | 223.63 | Nil | 466.12 |
| XII FC | 2005-06 to 2009-10 | 817.80 (94) | 52.20 | Nil | 870.00 |
| XIII FC | 2010-11 to 2014-15 | 665.16 (100) | Nil | Nil | 665.16 |

(Source: Funds released detail of Rural Development and Panchayat Raj Department and details furnished by DRDPR in February 2013)

It was observed that release of CFC grants to Village Panchayats increased from 27 *per cent* of total grants released to PRIs in X FC period to 52 *per cent* in XI FC period, 94 *per cent* in XII FC period and 100 *per cent* in XIII FC period. These grants were to be spent for operation and maintenance of water supply, sanitation and street lights.

## 4.12 Arrears in Audit and Accounts

### 4.12.1 Audit of PRIs by DLFA

(a) The position of arrears in audit of PRIs as of March 2012 is given in **Table 4.7.**

**Table 4.7: Position of audit of Panchayat Unions and District Panchayats by DLFA**

| Category of PRI | Year | Total number of PRIs | Accounts yet to be submitted | Audit completed | Audit in arrears |
|---|---|---|---|---|---|
| Panchayat Unions | 2009-10 | 385 | Nil | 288 | 97 (25) |
| | 2010-11 | 385 | 21 | 20 | 365(95) |
| District Panchayats | 2009-10 | 29 | 1 | 28 | Nil |
| | 2010-11 | 29 | 6 | 23 | 6 (21) |

(Source: Details furnished by DLFA)
Figures in bracket denote Percentage of Audit in arrears.

As seen from the table, out of 385 Panchayat Unions and 29 District Panchayats, DLFA completed audit of only 288 Panchayat Unions and 28 District Panchayats for the year 2009-10 and 20 Panchayat Unions and 23 District Panchayats or the year 2010-11.

(b) The regular audit of Village Panchayats is conducted by the Deputy Block Development Officers and 20 *per cent* of the total number of Village Panchayats was to be test checked by the DLFA annually. The position of audit of Village Panchayats by DLFA as on 31 March 2012 for the years 2009-10 and 2010-11 is given in **Table 4.8.**

**Table 4.8: Position of audit of Village Panchayats**

| Category of PRI | Number of Village Panchayats | | Total number to be audited by DLFA | Number of Village Panchayats wherein audit not completed | |
|---|---|---|---|---|---|
| | 2009-10 | 2010-11 | | 2009-10 | 2010-11 |
| Village Panchayats | 12,620 | 12,524 | 2,526 (2009-10)<br>2,506 (2010-11) | 43 | 1,061 |

(Source : Details furnished by DLFA in January 2013)

The number of paragraphs included in the Inspection Reports of DLFA issued upto 2010-11, pending for settlement as on 31 March 2012, in respect of Panchayat Unions and District Panchayats aggregated to 29,320 and 330 respectively. Year-wise pendency position is given in **Table 4.9.**

**Table 4.9 : Year-wise pendency of paragraphs**

| Year of IR | Number of paragraphs pending in respect of | |
|---|---|---|
| | Panchayat Unions | District Panchayats |
| Upto 2005-06 | 3,202 | 90 |
| 2006-07 | 905 | 20 |
| 2007-08 | 2,302 | 26 |
| 2008-09 | 9,755 | 65 |
| 2009-10 | 10,516 | 87 |
| 2010-11 | 2,640 | 42 |
| **Total** | **29,320** | **330** |

(Source: Details furnished by DLFA)

The State Government appointed a State High Level Committee (SHLC) in November 1997 with the Commissioner, RDPR Department as Chairman and DLFA as Deputy Chairman assisted by three[1] members and District High Level Committee (DHLC) headed by District Collector as Chairman and

[1] Financial Advisor and Chief Accounts Officer, RDPR Department; Chief Engineer/Superintending Engineer, Tamil Nadu Water Supply and Drainage Board and Chief Engineer (Highways and Rural Works) as members.

Project Officer, District Rural Development Agency (DRDA) as Deputy Chairman assisted by three[2] members and one Secretary for settlement of the outstanding paragraphs.

As reported by DRDPR (February 2013), the DHLC conducted eight meetings during 2011-12 and eight paragraphs were placed in the committee and three paragraphs were settled relating to District Panchayats. In respect of Panchayat Unions 75 meetings were conducted, 3,089 paragraphs were placed in the committee and 2,166 paragraphs were settled. Due to lesser receipt of appeals from the aggrieved persons, State High Level Committees were not conducted after 2006.

## 4.13 Conclusion

The proportion of capital expenditure to total expenditure declined from 18 *per cent* in 2007-08 to 13 *per cent* in 2011-12. Government of Tamil Nadu decided to implement the Panchayat Raj Institutions Accounting (PRIA) software in all the three tiers of Panchayat Raj Institutions from 2012-13. Installation of computers, printers and Uninterrupted Power Supply (UPS) has not been completed in all the Village Panchayats. As reported by the Commissioner of Rural Development and Panchayat Raj, the installation process is likely to be completed by 31 March 2013. The implementation of PRIA software in other two tiers i.e. Panchayat Unions and District Panchayats has not been taken up. Though Government issued orders for implementing the PRIA software from 2012-13, the accounting model is yet to start. As of December 2012, 1,727 paragraphs contained in 472 Inspection Reports of the Principal Accountant General for the period 2008-09 to 2010-12 were pending for settlement for want of satisfactory replies.

[2] Deputy Director, DLFA; Executive Engineer, DRDA; Deputy Director, RDPR Department as members and PA to District Collector (Audit) as Secretary.

# CHAPTER V

## AUDIT OF TRANSACTIONS

## (PANCHAYAT RAJ INSTITUTIONS)

# CHAPTER V

# AUDIT OF TRANSACTIONS

Audit of transactions in the Rural Development and Panchayat Raj Department, District Rural Development Agency, Tiruvannamalai and in Sulthanpet Panchayat Union brought out instances of lapses in management of resources and failures in observance of regularity, propriety and economy. These have been presented in the succeeding paragraphs.

# RURAL DEVELOPMENT AND PANCHAYAT RAJ DEPARTMENT

## 5.1 Excess Payment

**DISTRICT RURAL DEVELOPMENT AGENCY, TIRUVANNAMALAI**

### 5.1.1 Excess release of grant to the beneficiaries

**Release of grant for construction of toilets under the Total Sanitation Campaign by Panchayat Unions, in addition to ₹ 1.50 lakh given for construction of 3,038 green houses which included the cost of toilet resulted in excess release of grant to the extent of ₹ 97 lakh to the beneficiaries.**

Government of Tamil Nadu (GoTN) launched (August 2011) a State Scheme called the Chief Minister's Solar Powered Green House for the poor in rural areas with unit cost of ₹ 1.80 lakh by meeting the entire cost by GoTN. The green houses were to be constructed either *in-situ* (replacing the existing dwelling structure) or in the land owned by the beneficiary. Out of the unit cost, ₹ 1.50 lakh was to be released to the beneficiaries for construction of the house including the toilet and the balance ₹ 30,000 was earmarked for installation of solar powered house lighting system. The scheme guidelines issued by the Government in August 2011 stipulated that the construction of houses should not exceed the permissible limit of 300 sq.ft. as an exclusive type design for the scheme has been developed. The guidelines further stipulated that wherever possible, the toilet was to be constructed by dovetailing funds from the scheme of Total Sanitation Campaign (TSC). The Commissioner of Rural Development and Panchayat Raj (CRDPR), Chennai accorded sanction (December 2011) for construction of 60,000 houses during 2011-12 in 31 districts at a cost of ₹ 1,080 crore.

During audit (September 2012) of the District Rural Development Agency, Tiruvannamalai, it was noticed that 3,038 houses were proposed during 2011-12 in 18 Panchayat Unions in the district at a cost of ₹ 45.57 crore and all 3,038 houses were completed (December 2012).

Audit scrutiny revealed that the model estimate prepared by CRDPR for ₹ 1.50 lakh included the provision for toilet and the beneficiaries were given the maximum permissible amount under the scheme. Based on the sanction accorded by the District Collector, the Panchayat Unions in Tiruvannamalai District had also released grant of ₹ 3,200 per house for 3,038 houses for construction of toilets under Individual Household Latrines component of the TSC.

Release of funds by the Panchayat Unions for construction of toilets under TSC when the entire cost of construction including toilets were released to the beneficiaries resulted in excess release of grant of ₹ 97 lakh to the beneficiaries of 3,038 houses constructed under the Green House scheme.

The department in its reply stated (January 2013) that the cost of construction has gone up and they actually restricted the payment to ₹ 1.50 lakh. The reply is not acceptable as the maximum permissible amount of ₹ 1.50 lakh under the scheme for construction of house was given to the beneficiaries and in addition Panchayat Unions have also released the grant under TSC to the beneficiaries which resulted in excess release of grant of ₹ 97 lakh to the beneficiaries.

The matter was referred to Government in January 2013; reply has not been received (March 2013).

## 5.2 Idle investment

**SULTHANPET PANCHAYAT UNION**

### 5.2.1 Incorrect selection of site for construction of houses

**Incorrect selection of site, non-adherence to the recommendation of Coimbatore Institute of Technology, Coimbatore before commencement of the work resulted in idling of incomplete houses constructed at a cost of ₹ 78 lakh.**

Periyar Ninaivu Samathuvapuram is a housing scheme in rural areas introduced by the Government of Tamil Nadu to promote social equality. Under the scheme, each Samathuvapuram with 100 houses shall be constructed with basic infrastructure like street lights, drinking water with overhead tank, black topped/concrete cement roads and public distribution shop.

In May 2010, Government of Tamil Nadu sanctioned ₹ 75 crore for formation of 36 Periyar Ninaivu Samathuvapurams. As per the scheme guidelines issued in May 2010, the site for construction of houses should not be selected in a low lying or swampy area prone to flooding during rainy season and there should be little or no cost on land filling or levelling. Further, the guidelines did not contemplate the drainage works to be carried out under infrastructure component.

During audit (February 2012) of the Panchayat Union Council, Sultanpet in Coimbatore district, it was noticed that the Project Director, District Rural Development Agency (DRDA), Coimbatore identified (May 2010) a low lying site at Appanaickenpatti Village Panchayat for formation of a Samathuvapuram. Based on the request made (June 2010) by the Block DevelopmentOfficer (BDO), Sulthanpet, Coimbatore Institute of Technology (CIT) Coimbatore conducted (June 2010) a soil test and recommended (June 2010) to provide a proper drainage system and to fill up the site with sand gravel by removing the entire clay soil as the site was an existing pond and low lying.

The administrative sanction for construction of 100 houses in the Samathuvapuram at Appanaickenpatti Village Panchayat at an estimated cost of ₹ 2.15 lakh per house was accorded by the District Collector in July 2010. Construction of the houses were entrusted to the contractor (August 2010) at a tendered cost of ₹ 1.89 crore.

During construction there was water stagnation in the construction site due to rains in October 2010. Based on the instructions of the Assistant Executive Engineer, Sulur Sub-division, DRDA, Coimbatore, BDO, Sultanpet submitted (November 2010) proposals to the District Collector for sanction of ₹ 32.39 lakh under Collector Discretionary Fund for carrying out drainage works (₹ 27.42 lakh) and raising the level by filling earth (₹ 4.97 lakh). But the District Collector during inspection (January 2011) instructed the BDO, Sulthanpet to construct a retaining wall across southern part of the Samathuvapuram site and construct a small culvert for diversion of flood water under Collector Discretionary Fund. He further instructed that drainage across eastern part of the site under National Rural Employment Guarantee Scheme be constructed so as to prevent flood water getting into the site.

The BDO, Sulthanpet executed filling up of site at a cost of ₹ 4.71 lakh under the General Fund and also constructed a retaining wall suggested by the District Collector at a cost of ₹ 4.23 lakh in May 2011 under Collector Discretionary Fund and did not carry out the drainage and culvert works so far (November 2012). After incurring an expenditure of ₹ 78 lakh, the District Collector, Coimbatore ordered stoppage of the construction of houses in November 2011, on the ground of water stagnation at the construction site due to low lying from the road level and unsuitable location for living. The work could not re-start due to public agitation and the District Collector ordered (June 2012) stoppage of work until further orders. The work was not resumed.

Audit scrutiny revealed that the selection of low lying site for construction of houses contrary to the guidelines and non-execution of the drainage work recommended by CIT by the BDO, Sulthanpet and also as per the instructions of the District Collector resulted in idling of incomplete houses constructed at a cost of ₹ 78 lakh for more than 12 months.

The CRDPR, Chennai replied (June 2012) that the water logging in the Periyar Ninaivu Samathuvapuram was not a recurring feature except for unusual rains and construction works were in progress. The reply is not acceptable as there was water logging during 2010 and 2011 and the work was stopped by the District Collector in June 2012 due to public agitation.

The matter was referred to Government in January 2013; reply has not been received (March 2013).

**(K. SRINIVASAN)**
Principal Accountant General
(General and Social Sector Audit),
Tamil Nadu and Puducherry

Chennai
The 11 Apr 2013

Countersigned

**(VINOD RAI)**
Comptroller and Auditor General of India

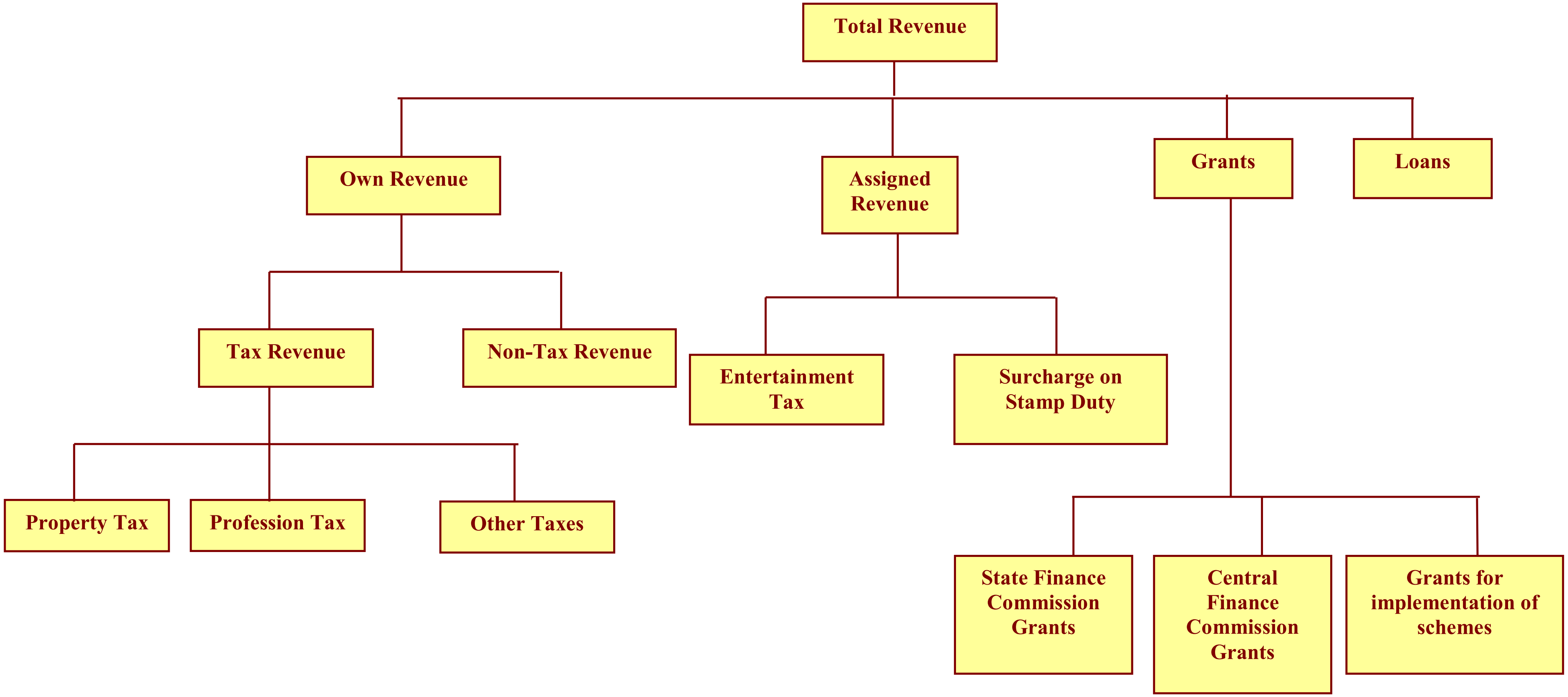
New Delhi
The 16 Apr 2013

# APPENDICES

## Appendix 1.1

**(Reference : Paragraph 1.9; Page 7 )**

**Sources of revenue of Urban Local Bodies**



# Appendix 1.2

## (Reference : Paragraph 1.11.3; Page 9)

## Number of audit paragraphs relating to Urban Local Bodies pending for settlement as of 31 December 2012

| Year | All Municipalities | Town Panchayats | Municipal Corporations | | | | | | | | | | Total | Grand Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Chennai | Coimbatore | Madurai | Salem | Tiruchi-rappalli | Tirunel-veli | Tirup-pur | Erode | Vellore | Thoothu-kudi | | |
| Upto 2005-06 | 32340 | 25311 | 34044 | 11078 | 22238 | 6586 | 3748 | 2475 | 1690 | 2205 | - | 2869 | 86933 | 144584 |
| 2006-07 | 49352 | 3357 | 1617 | 342 | 692 | 348 | 320 | 250 | 160 | 26 | - | 220 | 3975 | 56684 |
| 2007-08 | 24135 | 5119 | 638 | 300 | 160 | 469 | 480 | 275 | 163 | 39 | - | 190 | 2714 | 31968 |
| 2008-09 | 23152 | 8976 | 791 | 587 | 90 | 524 | 450 | 337 | 55 | 220 | 990 | 266 | 4310 | 36438 |
| 2009-10 | 12456 | 9595 | 864 | 426 | - | 659 | 453 | 605 | 137 | 285 | 160 | - | 3589 | 25640 |
| 2010-11 | 462 | 2615 | - | - | - | - | 76 | - | - | - | 849 | - | 925 | 4002 |
| **Total** | **141897** | **54973** | **37954** | **12733** | **23180** | **8586** | **5527** | **3942** | **2205** | **2775** | **1999** | **3545** | **102446** | **299316** |

## Appendix 2.1

### (Reference : Paragraph 2.1.5; Page 13)

### Statement showing the details of sub-projects taken up under TNUDP-III and samples selected

| S.No. | Category of Sub-projects | Total No. of Sub-projects | Sample selected | Details of sample selected | | |
|---|---|---|---|---|---|---|
| | | | | Name | Sanctioned cost (₹ in crore) | District |
| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| 1 | Under Ground Sewerage sub-projects | 25 | 10 | UGSS to Nagapattinam Municipality | 79.31 | Nagapattinam |
| | | | | UGSS to Thiruvarur Municipality | 53.07 | Thiruvarur |
| | | | | UGSS to Virudhunagar Municipality | 27.85 | Virudhunagar |
| | | | | UGSS to Vellore Corporation | 39.28 | Vellore |
| | | | | UGSS to Thiruvallur Municipality | 54.79 | Thiruvallur |
| | | | | UGSS to Udhagamandalam Municipality | 6.92 | The Nilgiris |
| | | | | UGSS to Ambattur Municipality | 65.75 | Thiruvallur |
| | | | | UGSS to Thiruvottiyur Municipality | 88.57 | Thiruvallur |
| | | | | UGSS to Cuddalore Municipality | 65.14 | Cuddalore |
| | | | | UGSS to Salem Corporation | 149.39 | Salem |
| 2 | Water Supply sub-projects | 18 | 9 | Improvements to Water Supply Scheme in Salem Corporation | 283.09 | Salem |
| | | | | Improvements to Water Supply Scheme in Thatchnallur in Tirunelveli Corporation | 6.15 | Tirunelveli |
| | | | | Improvements to Water Supply Scheme in Krishnagiri Municipality | 1.52 | Krishnagiri |
| | | | | Improvements to Water Supply Scheme in Kathivakkam Municipality | 6.22 | Thiruvallur |
| | | | | Improvements to Water Supply Scheme in Thiruvannamalai Municipality | 0.07 | Thiruvannamalai |
| | | | | Improvements to Water Supply Scheme in Vadakkuvalliyur Municipality | 0.87 | Tirunelveli |
| | | | | Improvements to Water Supply Scheme in Vadavalli Municipality | 9.00 | Coimbatore |
| | | | | Improvements to Water Supply Scheme in Pollachi Municipality | 8.64 | Coimbatore |
| | | | | Improvements to Water Supply Scheme in Salem Corporation executed by TWAD Board | 24.84 | Salem |

| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
|---|---|---|---|---|---|---|
| 3 | Solid Waste Management sub-project | 32 | 11 | Solid Waste Sub Project, Erode | 2.84 | Erode |
| | | | | Solid Waste Sub Project, Bodinaikanur | 0.92 | Theni |
| | | | | Solid Waste Sub Project, Padmanabapuram | 0.15 | Kanniyakumari |
| | | | | Solid Waste Sub Project, Mannargudi | 1.19 | Thiruvarur |
| | | | | Solid Waste Sub Project, Nallur | 0.63 | Coimbatore |
| | | | | Solid Waste Sub Project, Pollachi | 0.30 | Coimbatore |
| | | | | Solid Waste Sub Project, Punjaipuliyampatti | 0.09 | Erode |
| | | | | Solid Waste Sub Project, Gopichettipalayam | 0.60 | Erode |
| | | | | Solid Waste Sub Project, Thuraiyur | 0.08 | Tiruchirappalli |
| | | | | Solid Waste Sub Project, Thiruparakundram | 0.30 | Madurai |
| | | | | Solid Waste Sub Project, Salem | 1.48 | Salem |
| 4 | Road sub-projects executed by ULBs | 18 | 7 | Road Sub Project in Tirunelveli Corporation | 25.00 | Tirunelveli |
| | | | | Road Sub Project in Palladam Municipality | 2.48 | Tiruppur |
| | | | | Road Sub Project in Udumalpet Municipality | 2.03 | Coimbatore |
| | | | | Road Sub Project in Tiruvannamalai Municipality | 1.26 | Tiruvannamalai |
| | | | | Road Sub Project in Kumbakonam Municipality | 4.63 | Thanjavur |
| | | | | Road Sub Project in Kasipalayam Municipality | 5.90 | Erode |
| | | | | Road Sub Project in Salem Corporation | 38.00 | Salem |
| 5 | Road sub-projects executed by Highways Department | 11 | 3 | Widening and strengthening of Taramani link road km 0/0 to 3/650 | 23.45 | Chennai |
| | | | | Widening and strengthening of MKT road km 0/0 to 17/4 | 31.78 | Thiruvallur |
| | | | | Widening and strengthening of Madarvedu road km 0/0 to 1/6 | 3.63 | Thiruvallur |
| 6 | Bus stand sub-projects | 7 | 3 | Bus Stand Sub Project in Vaniyambadi Municipality | 3.30 | Vellore |
| | | | | Bus Stand Sub Project in Vandavasi | 3.80 | Thiruvannamalai |
| | | | | Bus Stand Sub Project in Kuzhithurai Municipality | 3.66 | Kanniyakumari |
| 7 | River Improvement sub-project | 1 | 1 | Improvements to Thirumanimutharu river and Vellakutai odai Phase II | 31.50 | Salem |
| | **Total** | **112** | **44** | | **1,159.47** | |

## Appendix 2.2

### (Reference : Paragraph 2.1.6.1; Page 14)

### Statement showing the component and sub-component-wise financing pattern and expenditure

**(₹ in crore)**

| Component | Loan | | | | Grant | | | Total | Expenditure as of March 2012 |
|---|---|---|---|---|---|---|---|---|---|
| | World bank | GoTN | Market | Sub-Total | World bank | GoTN | Sub-Total | | |
| **A. Institutional Development** | | | | | | | | | |
| A1- Capacity Building of Municipal staff | - | - | - | - | 31.70 | 9.00 | 40.70 | 40.70 | 14.63 |
| A2 -Information and Communication Technology | - | - | - | - | 19.30 | 0.50 | 19.80 | 19.80 | 3.91 |
| A3 – ULB Debt Monitoring cell | - | - | - | - | 1.20 | 0.20 | 1.40 | 1.40 | 1.26 |
| A4 – Project Preparation Facility (PPF) | - | - | - | - | 5.10 | 31.70 | 36.80 | 36.80 | 11.52 |
| A5 – Project Management and Incremental Operating cost | - | - | - | - | 11.70 | 4.60 | 16.30 | 16.30 | 14.43 |
| **Total (A)** | **-** | **-** | **-** | **-** | **69.00** | **46.00** | **115.00** | **115.00** | **45.76** |
| **B. Urban Investment*** | | | | | | | | | |
| B1 (a) Loans to ULBs | 575.00 | 73.60 | 184.00 | 832.60 | - | - | - | 832.60 | 757.33 |
| (b) Capital Grant to ULBs | - | - | - | - | 517.50 | 294.40 | 811.90 | 811.90 | |
| (c) Project Development Advisory Facility (PDAF) | - | - | - | - | 41.40 | - | 41.40 | 41.40 | 19.70 |
| B2 (a) Grant to CMDA for Traffic and Transportation Projects | - | - | - | - | 156.40 | 18.40 | 174.80 | 174.80 | 85.89 |
| (b) CMDA/ Highways Project Management, incremental Operating Costs | - | - | - | - | 13.80 | - | 13.80 | 13.80 | 10.43 |
| **Total (B)** | **575.00** | **73.60** | **184.00** | **832.60** | **729.10** | **312.80** | **1,041.90** | **1,874.50** | **873.35** |
| **Total (A +B)** | **575.00** | **73.60** | **184.00** | **832.60** | **798.10** | **358.80** | **1,156.90** | **1,989.50** | **919.11** |
| **Front end fee** | **-** | **-** | **-** | **-** | **6.90** | **-** | **6.90** | **6.90** | **3.36** |
| **Grand Total** | **575.00** | **73.60** | **184.00** | **832.60** | **805.00** | **358.80** | **1163.80** | **1996.40** | **922.47** |

***Includes ULB contribution of ₹ 46.00 crore.**

## Appendix 2.3

**(Reference : Paragraph 2.1.8.1; Page 20)**

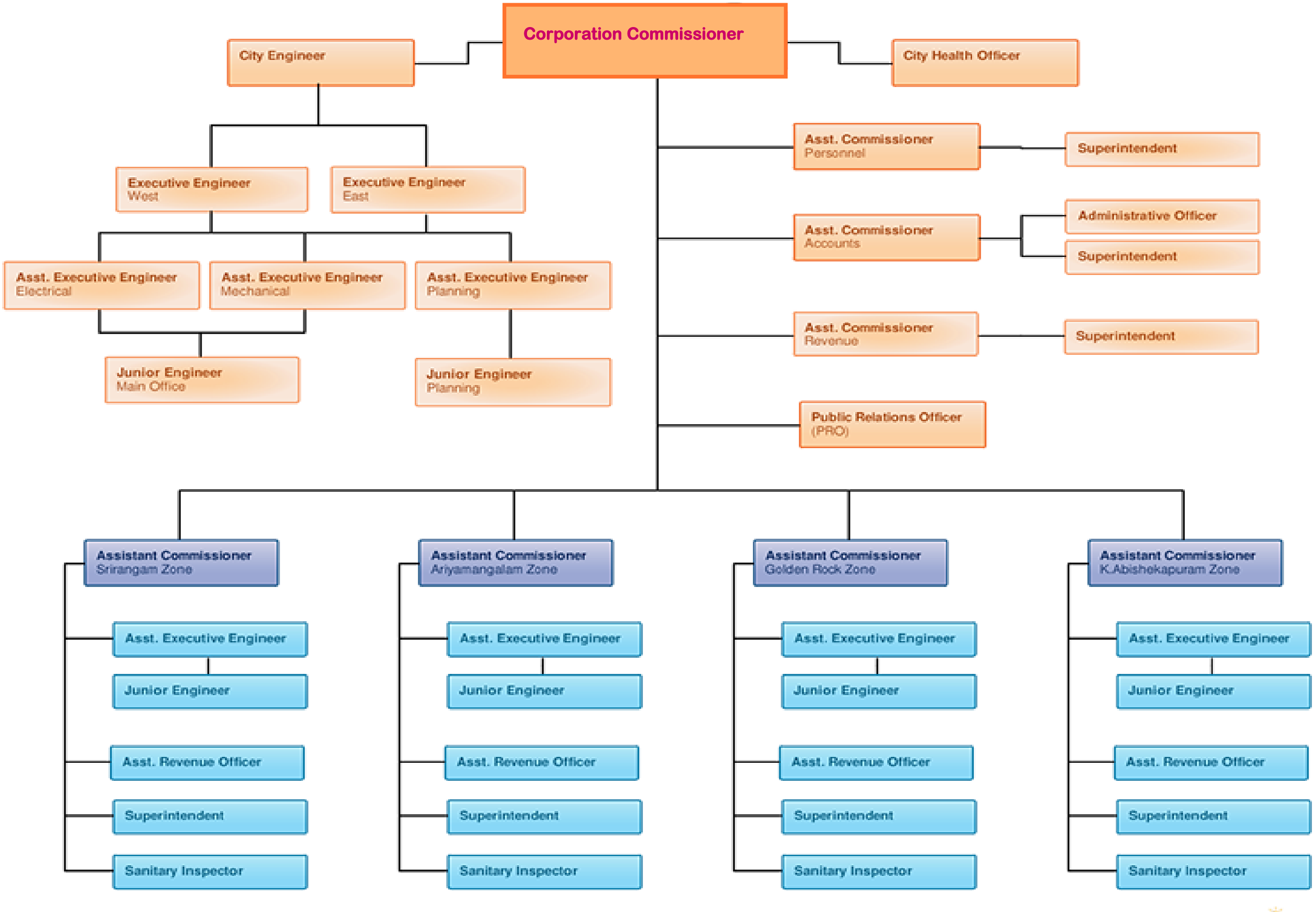
**Avoidable expenditure due to usage of RCC instead of PCC in Thirumanimutharu river lining works**

| Package number | Agreement date | Tender premium in percentage | Estimate/ agreement quantity of RCC (in cum) | Quantity of steel as per estimate/ agreement per cum of RCC (in kg) | Total quantity of steel (in quintal) | Rate of steel as per estimate (₹ per quintal) | Rate of steel including tender premium (₹ per quintal) | Extra cost (in ₹) |
|---|---|---|---|---|---|---|---|---|
| I | 22.09.2007 | 29.00 | 1,983.40 | 100.00 | 1,983.40 | 4,473.69 | 5,771.06 | 1,14,46,320.60 |
| II | 22.09.2007 | 28.95 | 1,880.82 | 100.00 | 1,880.82 | 4,473.69 | 5,768.82 | 1,08,50,118.15 |
| III | 22.09.2007 | 28.89 | 2,305.50 | 100.00 | 2,305.50 | 4,473.69 | 5,766.14 | 1,32,93,833.56 |
| IV | 22.09.2007 | 29.04 | 2,143.26 | 100.00 | 2,143.26 | 4,473.69 | 5,772.85 | 1,23,72,717.58 |
| **Total** | | | **8,312.98** | | **8,312.98** | | | **4,79,62,989.90** |

## Appendix 2.4

**(Reference : Paragraph 2.2.2; Page 33)**

**Organisational Chart**



# Appendix 2.5

## (Reference: Paragraph 2.2.9; Page 37)

## Loss of interest due to delayed remittance of matching contribution

| Period for/during which subscription of CPS (Matching contribution) was retained with the Corporation | Reference and date of remittance | Delay in remittance (in months) | Amount recovered as subscription/Matching contribution to be remitted (in ₹) | Interest amount for the cumulative balance at credit of subscribers @ 8 *per cent* per annum (in ₹) |
|---|---|---|---|---|
| For the year 2008-09 | BPV No. 081/28.04.2011 | 31 | 44,64,747 | 44,64,747 x 8% x 7/12 x 100 = 2,08,355<br>46,73,102 x 8% / 1 Year x 100 = 3,73,848<br>50,46,950 x 8% / 1 Year x 100 = 4,03,756 |
| | | | **Total (A)** | **9,85,959** |
| For the year 2009-10 | BPV No. 577/24.08.2011 | 28 | 1,13,21,865 | 1,13,21,865 x 8% / 1 Year x 100 = 9,05,749<br>1,22,27,614 x 8% / 1 Year x 100 = 9,78,209<br>1,32,05,823 x 8% x 4 / 12 x 100 = 3,52,155 |
| | | | **Total (B)** | **22,36,113** |
| For the year 2010-11 | BPV No.Nil/03.04.2012 | 24 | 1,14,10,821 | 1,14,10,821 x 8% / 1 Year x 100 = 9,12,866<br>1,23,23,687 x 8% x 1 year x 100 = 9,85,895 |
| | | | **Total (C)** | **18,98,761** |
| For the year 2011-12 | Yet to be paid | 19 | 1,43,19,287 | 1,43,19,287 x 8% / 1 Year x 100 = 11,45,543<br>1,54,64,830 x 8% x 7 /12 x 100 = 7,21,692 |
| | | | **Total (D)** | **18,67,235** |
| **Grand total (A + B + C + D)** | | | | **69,88,068** |

| | |
|---|---|
| Unearned interest as a result of delayed remittance of Management Contribution | 69,88,068 |
| Interest earned by way of deposits and investments | 36,47,645 |
| **Net unearned interest** | **33,40,423** |

**Appendix 4.1**

**(Reference: Paragraph 4.9; Page 74)**

**Chart showing flow of funds to Panchayat Raj Institutions**