सत्यमेव जयते

Report of the Comptroller and Auditor General of India (Local Bodies)

for the year ended 31 March 2014

Government of Tamil Nadu
Report No.5 of 2015

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PREFACE

This Report for the year ended March 2014 has been prepared for submission to the Governor of the State of Tamil Nadu under Article 151 of the Constitution of India.

The Report contains significant results of Performance Audits and Compliance Audit of Local Bodies of the Government of Tamil Nadu under the General and Social Services sectors covering Municipal Administration and Water Supply and Rural Development and Panchayat Raj Departments. Departments other than these are covered in the Report on the General and Social Services sectors.

The instances mentioned in this Report are those which came to notice in the course of test audit for the period 2013-14 as well as those which came to notice in earlier years, but could not be reported in the previous Audit Reports; instances relating to the period subsequent to 2013-14 have also been included, wherever necessary.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

OVERVIEW

OVERVIEW

This Report contains six chapters. The first and the fourth chapters contain summary of finances and financial reporting of Urban Local Bodies and Panchayat Raj Institutions respectively. The second chapter contains two Performance Audits on Provision of basic amenities by Vellore City Municipal Corporation and Information Technology audit on Corporation of Chennai. The third chapter contains four paragraphs based on the audit of financial transactions of the Urban Local Bodies. The fifth chapter contains two Performance Audits on Receipts of Panchayats and Total Sanitation Campaign/Nirmal Bharat Abhiyan. The sixth 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

Out of 18 functions to be devolved to Urban Local Bodies (ULBs) as enlisted in the Twelfth Schedule of the Constitution of India, six functions to Town Panchayats, one function to Municipalities and Municipal Corporations (except Corporation of Chennai) and five functions to Corporation of Chennai have not been devolved, as of December 2014. Compilation of annual accounts by ULBs based on the updated Municipal Accounting Manual incorporating the principles laid down in National Municipal Accounting Manual was delayed. Out of annual accounts submitted to Director of Local Fund Audit (DLFA) by ULBs, audit by DLFA was pending for four Municipal Corporations, 109 Municipalities and 480 Town Panchayats for the year 2012-13. Clearance of audit paragraphs issued by DLFA for the period prior to 2008-09 was pending to the extent of 83.44 per cent pertaining to Municipal Corporations and in respect of Chennai, Coimbatore and Madurai Corporations, the paragraphs pending relating to years prior to 2008-09 constituted 87.92, 78.49 and 95.90 per cent respectively of the number of paragraphs pending against them as of November 2014. As of December 2014, 4,262 paragraphs contained in 897 Inspection Reports of the Principal Accountant General (General and Social Sector Audit) for the period 2005-06 to 2013-14 were pending settlement for want of satisfactory replies.

(Paragraphs 1.1 to 1.9)

II Performance Audits

Provision of basic amenities by Vellore City Municipal Corporation

Performance Audit on Provision of basic amenities by Vellore City Municipal Corporation (VCMC) revealed the following:

Though Business Plan (August 2006) and City Development Plan (June 2013) were prepared, implementation of the same was not satisfactory. There was shortage in human resources which affected the functioning of VCMC. Efficiency in collection of revenues, especially the arrears, was poor and

VCMC was unable to provide resources for all the proposals laid out in its Budgets. VCMC did not provide water supply as per norms. Despite inadequate ground water, no efforts were made to augment the ground water resources and there was inadequate testing of water quality. Only 24 out of 60 wards were covered under Underground Sewage System and the execution was also delayed. Despite Government orders, earthen and water-bound macadam roads were not upgraded as black topped and cement concrete roads. Parts of storm water drainage were clogged with solid waste. Six out of 17 health institutions remained closed and functioning of the remaining institutions was affected due to shortage of staff and facilities. Coverage of students under School Health Programme was not comprehensive. Solid waste was not segregated and scientifically disposed of as prescribed in Municipal Solid Wastes (Management and Handling) Rules, 2000. Slaughter houses were inadequate and the existing slaughter house had deficiencies such as non-availability of veterinary doctor and non-functioning of effluent treatment plant. Availability of public conveniences especially in slum areas was inadequate. Progress in construction of houses under Integrated Housing and Slum Development Programme was poor. Lands available for development as parks remained idle or were under encroachment. Schools did not have toilets, incinerators, fire safety etc., despite availability of funds.

(Paragraph 2.1)

Information Technology Audit on Corporation of Chennai

The Municipal e-Governance System was introduced in Corporation of Chennai (CoC) with the primary objective of delivering services to citizens on 'any where any time basis', address the existing service delivery standards, attain synergy in operation and provide timely and reliable MIS reports for decision making. Information Technology Audit on Corporation of Chennai revealed the following significant audit findings:

The Municipal e-Governance System introduced in CoC during 2010 is incomplete even after four years of its implementation and after incurring an expenditure of ₹ 5.48 crore on hardware and software during 2009-13. Out of 13 modules, the integration of seven modules was yet to take place. The Public Grievances Redressal and Property tax modules implemented in the Corporation suffered from weak process controls resulting in lack of data integrity. This also led to generation of inaccurate demands under Property tax and loss of revenue. Poor management of changes such as migration of legacy data, handling of dishonoured cheques etc., had aggravated the loss to the Corporation. The Profession Tax module of the e-governance system has not been put to use till date and CoC still continue to use the FoxPro based system. This system is also largely incomplete and contains deficient assessments due to which the Corporation could not raise authentic demand periodically against organisations and was forced to accept whatever payment is made by the profession tax assessees. CoC failed to collect the profession tax from live assessments and also to identify potential profession tax payers within their jurisdiction (during the years 2010-11, 2011-12, *2012-13 and 2013-14, 19 per cent, 24 per cent, 35 per cent and 47 per cent respectively of the potential Private Enterprises (PEs) were not identified by CoC) resulting in huge revenue remaining untapped. In short, due to weak process control/ineffective updation of database, the Corporation did not raise justified demand amounting to the tune of ₹ 34.99 crore under property and profession tax revenues during 2009-13 besides non-collection of profession tax from potential PEs.*

(Paragraph 2.2)

III Compliance Audit - Urban Local Bodies

Tiruchirappalli Water Supply Improvement Scheme under Tamil Nadu Urban Infrastructure Project

The scheme though planned for completion in May 2012, could not be fully implemented due to non-completion of six packages. The non-completion was mainly due to delay in obtaining permission from service departments and delay on the part of the contractors. Various deficiencies were noticed in the execution of the scheme such as extra expenditure on laying of pipelines and idle investment on pipes due to preparation of Detailed Project Report with incorrect data, avoidable expenditure due to improper planning in construction of overhead tanks, adoption of lower rate of interest for mobilisation advance resulting in loss of interest, payment of price escalation beyond agreement period, overpayment on price escalation and avoidable extra cost on non-availing of Central Excise Duty exemption.

(Paragraph 3.1)

Non-assessment of vacant lands of V.O. Chidambaranar Port Trust by Thoothukudi City Municipal Corporation resulted in non-realisation of revenue of ₹ 8.15 crore.

(Paragraph 3.2.1)

Failure of Udhagamandalam Municipality to seek clarification on quantity of cement to be used led to excess expenditure of ₹ 28.49 lakh.

(Paragraph 3.3.1)

Inaction of the Commissioner, Cuddalore Municipality to complete the works sanctioned in August 2006 resulted in unfruitful expenditure of ₹ 25.64 lakh.

(Paragraph 3.4.1)

IV An Overview of Panchayat Raj Institutions

As of December 2014, 21,972 and 149 paragraphs of Director of Local Fund Audit's Inspection Reports relating to years upto 2011-12 in respect of Block Panchayats and District Panchayats respectively were pending settlement. Out of 21,972 pending paragraphs of Block Panchayats, 8,519 paragraphs (38.77 per cent) related to period prior to 2010-11. As of December 2014, 323 Inspection Reports issued by the Principal Accountant General (General *and Social Sector Audit) containing 1,077 paragraphs for the period 2005-06 to 2013-14 were pending settlement for want of satisfactory replies.*

(Paragraphs 4.1 to 4.9)

V Performance Audits

Receipts of Panchayats

Performance Audit on Receipts of Panchayats for the period 2009-14 revealed the following:

Lack of provisions in the Tamil Nadu Panchayats Act, 1994 denied the Village Panchayats (VPs) the possibility of augmenting their own revenue. There was delay and omission in transferring pooled assigned revenue/assigned/shared revenue to Panchayat Raj Institutions. Entitled State Finance Commission grants were not devolved fully and in time to the three tiers of panchayats. There was a shortfall in devolving State Finance Commission grants amounting to ₹ 14.48 crore due to incorrect calculation of Net State's Own Tax Revenue. Online bank accounts monitoring was not effective as there was delay in transferring Central Finance Commission grants to VPs within the prescribed time. Non-creation of database of bank accounts and own revenue of VPs led to poor monitoring.

(Paragraph 5.1)

Total Sanitation Campaign/Nirmal Bharat Abhiyan

Total Sanitation Campaign/Nirmal Bharat Abhiyan (TSC/NBA) commenced with the objective of improving the quality of life of the rural people through proper sanitation facilities and to provide privacy and dignity to women. Performance Audit of TSC/NBA brought out the following significant audit findings:

The four tier implementation mechanism envisaged as mandatory in the scheme guidelines, viz., State Water and Sanitation Mission, Water Sanitation Support Organisation, District Water and Sanitation Mission and Block Resource Centre were not formed as prescribed. As a result, planning for implementation of the scheme at different levels was not adequate and effective. Maintenance of cash book at the State level was not proper. There were delays in release of funds by Commissioner of Rural Development and Panchayat Raj to District Rural Development Agencies (DRDAs). Non-release of funds by DRDAs to Village Panchayats led to accumulation of funds with DRDAs. Out of 95.40 lakh households in the State, 46.29 lakh households (49 per cent) did not have individual household latrines as of March 2014. No evaluation study was conducted at the State level to assess the overall outcome and effectiveness of scheme. Information, Education and Communication (IEC) strategy to create sanitation awareness and thereby increase demand for sanitation services in the rural areas was not effective at Village Panchayat level.

(Paragraph 5.2)

VI Compliance Audit - Panchayat Raj Institutions

Finance Management in State Institute of Rural Development

The financial management system was ineffective as was evident from lapses such as deficiency in maintenance of accounts, short receipt of funds from Government of India and Government of Tamil Nadu, diversion of funds, unauthorised expenditure, non-refund of unspent fund, etc. Under-utilisation of training funds resulted in forgoing the benefits of training envisaged in the objectives of the institute and the funds were utilised for unintended purposes.

(Paragraph 6.1)

Failure of Block Development Officer, Sivaganga Panchayat Union to provide facilities in the building constructed for Horticulture Department and non-monitoring of the progress of work by Project Officer, District Rural Development Agency, Sivaganga resulted in unfruitful expenditure of ₹ 24.99 lakh.

(Paragraph 6.2.1)

PART I

URBAN LOCAL BODIES

CHAPTER I

AN OVERVIEW OF URBAN LOCAL BODIES

CHAPTER I

AN OVERVIEW OF URBAN LOCAL BODIES

1.1 Background

The 74th Amendment to the Constitution of India 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 local self-government.

Accordingly, the State Legislature 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. As per the 2011 Census, the urban population of the State was 3.49 crore constituting 48.45 *per cent* of the total population of 7.21 crore. Important statistics of the State regarding population and ULBs are given in **Table 1.1**.

Table 1.1: Important statistics of the State

Population	7.21 crore
Population density	555 persons per sq.km
Gender ratio	995 females per 1,000 males
Literacy	80.33 *per cent*
Urban population	48.45 *per cent*
Number of ULBs	664
- Municipal Corporations	12[1]
- Municipalities	124
- Town Panchayats	528

(Source: 2011 Census and Policy Note 2014-15 of Municipal Administration and Water Supply Department)

1.2.1 Classification of Municipalities and Town Panchayats

The Municipalities and the Town Panchayats are classified into different grades by the Government of Tamil Nadu (GoTN) based on their annual income, as given in **Table 1.2.**

Abbreviations used in this report are listed in the Glossary at page 165

1 Chennai, Coimbatore, Dindigul, Erode, Madurai, Salem, Thanjavur, Tiruchirappalli, Tirunelveli, Tiruppur, Thoothukudi and Vellore.

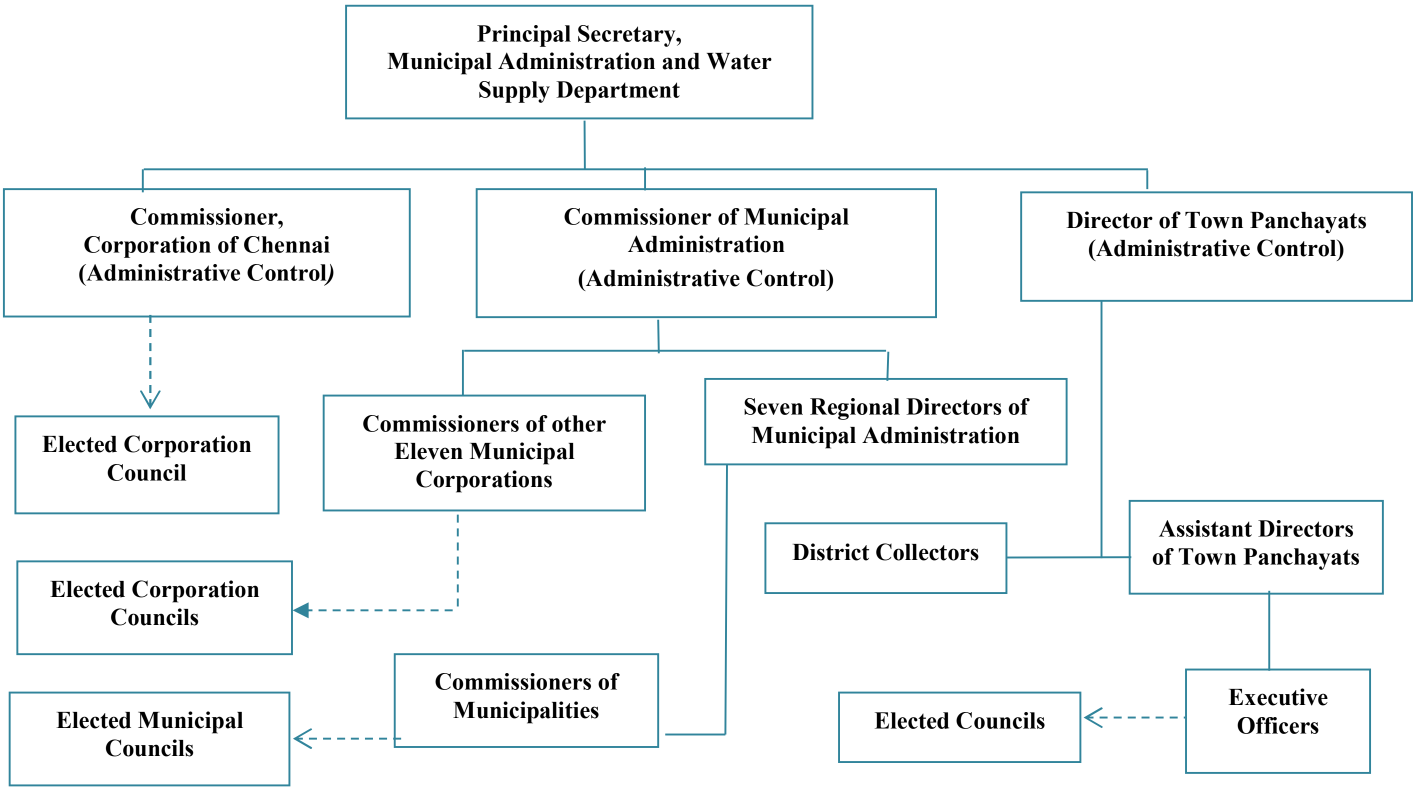
Table 1.2: Income-wise classification of ULBs

Category of ULB	Grade	Annual income	Number
Municipalities	Special grade	Above ₹ 10 crore	18
	Selection grade	₹ 6 crore and above but below ₹ 10 crore	28
	First grade	₹ 4 crore and above but below ₹ 6 crore	34
	Second grade	Below ₹ 4 crore	44
		Total	**124**
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	214
	Grade II	Above ₹ 4 lakh but below ₹ 8 lakh	80
		Total	**528**

(Source: Policy Note 2014-15 of Municipal Administration and Water Supply Department)

1.3 Organisational structure of ULBs

The organisational structure for administration of ULBs in Tamil Nadu is as under:



(Source: Commissionerate of Municipal Administration)

1.4 Devolution of functions

Out of 18 functions enlisted in the Twelfth Schedule of the Constitution, 12 functions have been devolved to the Town Panchayats and 17 functions (except Fire Service) devolved (December 2014) to Municipalities and Municipal Corporations. In respect of Corporation of Chennai, only 13 functions have been devolved so far (December 2014) and the function of water supply is handled by the Chennai Metropolitan Water Supply and Sewerage Board. Therefore, six functions to Town Panchayats, one function to Municipalities and Municipal Corporations (except Corporation of Chennai) and five functions to Corporation of Chennai have not been devolved.

1.5 Decentralised planning

Out of 32 Districts in Tamil Nadu, GoTN constituted a District Planning Committee (DPC) in each of the 31 districts except Chennai as per Section 241(1) of the Tamil Nadu Panchayats Act, 1994. District Panchayat Chairperson is the Chairperson and District Collector is the Vice Chairperson of DPC. Members of Parliament, Members of Legislative Assembly and representatives of Local Bodies are appointed as members subject to the norms and ceiling prescribed. Functions of the DPC were to consolidate the plans prepared by Rural Local Bodies and Urban Local Bodies for preparation of consolidated district plan.

1.6 Financial profile

Funds flow to ULBs

Major resource base of ULBs consists of State Finance Commission (SFC) grants, Central Finance Commission (CFC) grants, Centrally Sponsored Schemes (CSS) grants, grants from GoTN, Own revenue, Assigned revenue and loans from Government of India (GoI), State Government and financial institutions.

A chart depicting various sources of revenue of ULBs is given in **Appendix 1.1.**

Table 1.3 below shows the details of receipts and expenditure of the ULBs for the period 2009-10 to 2013-14.

Table 1.3: Receipts and expenditure of ULBs

(₹ in crore*)

	2009-10	2010-11	2011-12	2012-13	2013-14
Own revenue	1,896	2,033	2,148	2,467	2,957
Assigned revenue	548	661	780	1,084	1,211
Grants	2,154	3,542	3,220	4,020	4,391
Loans	428	626	225	323	903
Total receipts**	**5,026**	**6,862**	**6,373**	**7,894**	**9,462**
Revenue expenditure	2,824	3,244	2,559	3,461	4,985
Capital expenditure	2,395	2,807	2,221	3,117	5,107
Total expenditure**	**5,219**	**6,051**	**4,780**	**6,578**	**10,092**

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

* Rounded off to next higher rupee where the fraction of rupees exceeded ₹ 50 lakh and above

** Difference in figures from previous year was due to furnishing of revised figures by Commissioner, Corporation of Chennai, Commissioner of Municipal Administration and Director of Town Panchayats

The percentage of expenditure and savings to the total receipts during 2009-10 to 2013-14 is given in **Table 1.4.**

Table 1.4: Percentage of savings and excess expenditure

	2009-10	2010-11	2011-12	2012-13	2013-14
Revenue expenditure	56.19	47.24	40.15	43.84	52.68
Capital expenditure	47.65	40.91	34.85	39.49	53.97
Savings(-)/excess expenditure(+)	3.84	(-)11.85	(-)25.00	(-)16.67	6.65

While Capital expenditure over the years ranged between 34.85 and 53.97 *per cent* of the total receipts, Revenue expenditure ranged between 40.15 and 56.19 *per cent* of the total receipts during 2009-14.

1.7 Accounting arrangements

1.7.1 Accounts maintained by Urban Local Bodies

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

Following accounts are maintained by the other eleven Municipal Corporations, all Municipalities and Town Panchayats:

- Revenue Fund and Capital Fund
- Water Supply and Drainage Fund (except Town Panchayats)
- Elementary Education Fund (except Town Panchayats)

1.7.2 Accounting framework

Accrual-based system of accounting is being followed in all the ULBs. Tamil Nadu State adopted a State Accounting Manual. Consequent to the introduction of National Municipal Accounting Manual (NMAM), GoTN has initiated action to prepare a new Accounting Manual incorporating the principles laid down in NMAM to suit the requirement of the ULBs in Tamil Nadu. The updated Municipal Accounting Manual and the Municipal Budget Manual were approved by the GoTN in May 2013 and GoTN directed ULBs to compile the accounts based on the updated Municipal Accounting Manual from 2013-14.

As per the information furnished (December 2014) by Commissioner of Municipal Administration (CMA), as creation of accounting software for the new accounting manual was in progress and necessary training had to be imparted to the staff of ULBs after creation of the accounting software, compilation of accounts based on NMAM would be done from 2016-17. However, CMA had furnished (January 2014) the same reasons for non-compilation of accounts of ULBs based on NMAM and assured compilation from 2014-15.

1.8 Audit arrangements

GoTN entrusted (August 1992) the audit of ULBs to the Director of Local Fund Audit (DLFA), who has to certify the correctness of accounts, assess internal control system and report cases of loss, theft and fraud to the audited entities and to GoTN. The Principal Accountant General (General and Social Sector Audit) provides technical guidance to DLFA regarding the audit in terms of GoTN's order of March 2003.

1.8.1 Arrears in accounts

As per the decision taken by GoTN, while accepting the Fourth State Finance Commission recommendations, ULBs should finalise their annual accounts within three months after the end of the financial year. The number of ULBs which did not submit their accounts to DLFA, as of December 2014, for the years 2012-13 and 2013-14 is given in **Table 1.5**.

Table 1.5: Position of non-submission of accounts by the ULBs to DLFA

Category of ULB	Total number of ULBs	Number of ULBs who had not submitted their accounts	
		2012-13	2013-14
Municipal Corporations	10	5	8
Municipalities	125 (2012-13) 126 (2013-14)	8	48
Town Panchayats	529 (2012-13) 528 (2013-14)	3	27

(Source: Details furnished by DLFA)

Pendency in preparation of accounts by the ULBs and the eventual delay in auditing their accounts by DLFA would deprive the respective Councils of an opportunity to analyse the financial position of the ULBs in time.

1.8.2 Arrears in audit

The position of arrears in audit of ULBs as of December 2014 is given in **Table 1.6**.

Table 1.6: Position of arrears in audit of ULBs by DLFA

(Number of ULBs)

Category of ULB	Total number	2012-13			2013-14		
		Accounts submitted to DLFA (A)	Audit completed out of (A) (B)	Audit pending (A)-(B) (C)	(A)	(B)	(C)
Municipal Corporations	10	5	1	4	2	-	2
Municipalities	125 (2012-13) 126 (2013-14)	117	8	109	78	4	74
Town Panchayats	529 (2012-13) 528 (2013-14)	526	46	480	502	13	489

(Source: Details furnished by DLFA)

As of December 2014, audit of all categories of ULBs was completed upto 2011-12 (except three[2] Town Panchayats and Perambalur Municipality). Reasons attributed (January 2015) by the DLFA for the arrears in audit were delay in submission of annual accounts/rectified accounts, non-closure of subsidiary registers, non-striking of bank reconciliation statements etc., by ULBs.

A District High Level Committee (DHLC) in each district for settling pending paragraphs of DLFA relating to Municipal Corporations (except Chennai) and Municipalities and a State High Level Committee (SHLC) for monitoring the functions of DHLCs and for settling paragraphs which were not settled by the DHLCs were formed in May 2007. In respect of Town Panchayats, DHLCs and SHLC were formed in January 2007. DLFA reported (January 2015) that 25 meetings were held during 2013-14 for settling the pending paragraphs relating to Municipalities and Town Panchayats, wherein 2,962 paragraphs were settled.

DLFA further reported (January 2015) that 3,07,673 paragraphs relating to Municipal Corporations, Municipalities and Town Panchayats included in their Inspection Reports relating to the years upto 2011-12 were pending settlement as of November 2014. The year-wise break-up is given in **Appendix 1.2**. Audit analysis of the data revealed that in respect of Municipal Corporations, out of 1,10,706 paragraphs pending, 92,372 paragraphs (83.44 *per cent*) related to the period prior to 2008-09, of which 67,818 paragraphs pertained to Chennai (31,712), Coimbatore (13,154) and Madurai (22,952) Corporations. In these three Municipal Corporations, the paragraphs relating to years prior to 2008-09 constituted 87.92, 78.49 and 95.90 *per cent* respectively of the number of paragraphs pending against them as of November 2014. This indicated that sufficient attention was not given to settle the long pending paragraphs.

1.8.3 Audit of ULBs by Principal Accountant General (G&SSA)

The Principal Accountant General (General and Social Sector Audit) 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 is followed up through Inspection Reports issued to the Commissioner, Corporation of Chennai (in respect of Corporation of Chennai), CMA, Director of Town Panchayats and to the ULBs concerned. GoTN 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 (General and Social Sector Audit). As of December 2014, 4,262 paragraphs contained in 897 Inspection Reports for the period 2005-06 to 2013-14 were pending settlement for want of satisfactory replies.

Audit Reports of Comptroller and Auditor General of India on ULBs upto 2006-07 have been discussed by the Public Accounts Committee (PAC) and recommendations of PAC for the years 2003-04 and 2005-06 were received.

[2] Ganapathypuram Town Panchayat (TP) in Kanniyakumari District, Kombai TP in Theni District and Minjur TP in Tiruvallur District.

As of January 2015, Action Taken Reports were pending from Municipal Administration and Water Supply Department on 120 recommendations[3] relating to the period from 1985-86 to 2005-06 for final settlement, which *inter alia* consisted of paragraphs relating to ULBs included in the Audit Reports (Civil).

1.9 Conclusion

Out of 18 functions to be devolved to Urban Local Bodies (ULBs) as enlisted in the Twelfth Schedule of the Constitution of India, six functions to Town Panchayats, one function to Municipalities and Municipal Corporations (except Corporation of Chennai) and five functions to Corporation of Chennai have not been devolved, as of December 2014. Compilation of annual accounts by ULBs based on the updated Municipal Accounting Manual incorporating the principles laid down in National Municipal Accounting Manual was delayed. Out of annual accounts submitted to Director of Local Fund Audit (DLFA) by ULBs, audit by DLFA was pending for four Municipal Corporations, 109 Municipalities and 480 Town Panchayats for the year 2012-13. Clearance of audit paragraphs issued by DLFA for the period prior to 2008-09 was pending to the extent of 83.44 *per cent* pertaining to Municipal Corporations and in respect of Chennai, Coimbatore and Madurai Corporations, the paragraphs pending relating to years prior to 2008-09 constituted 87.92, 78.49 and 95.90 *per cent* respectively of the number of paragraphs pending against them as of November 2014. As of December 2014, 4,262 paragraphs contained in 897 Inspection Reports of the Principal Accountant General (General and Social Sector Audit) for the period 2005-06 to 2013-14 were pending settlement for want of satisfactory replies.

[3] 1985-86: 1, 1990-91: 5, 1992-93: 15, 1993-94: 10, 1999-2000: 10, 2000-04: 40 and 2005-06: 39.

CHAPTER II

PERFORMANCE AUDIT (URBAN LOCAL BODIES)

CHAPTER II

PERFORMANCE AUDITS

This Chapter contains findings of (i) Performance Audit on Provision of basic amenities by Vellore City Municipal Corporation and (ii) Information Technology Audit on Corporation of Chennai.

MUNICIPAL ADMINISTRATION AND WATER SUPPLY DEPARTMENT

2.1 Provision of basic amenities by Vellore City Municipal Corporation

Executive Summary

Vellore City Municipal Corporation (VCMC) was formed in August 2008 by upgrading the erstwhile Vellore Municipality which had an area of 11.65 square kilometres with 48 wards. In October 2011, 17 adjoining local bodies were merged with VCMC which increased the area to 87.92 square kilometres and the number of wards to 60. Vellore city had a population of 5.04 lakh (Census 2011). Performance Audit on Provision of basic amenities by Vellore City Municipal Corporation brought out following significant audit findings:

Though Business Plan (August 2006) and City Development Plan (June 2013) were prepared, implementation of the same was not satisfactory. There was shortage in human resources which affected the functioning of VCMC. Efficiency in collection of revenues, especially the arrears, was poor and VCMC was unable to provide resources for all the proposals laid out in its Budgets. VCMC did not provide water supply as per norms. Despite inadequate ground water, no efforts were made to augment the ground water resources and there was inadequate testing of water quality. Only 24 out of 60 wards were covered under Underground Sewage System and the execution was also delayed. Despite Government orders, earthen and water-bound macadam roads were not upgraded as black topped and cement concrete roads. Parts of storm water drainage were clogged with solid waste. Six out of 17 health institutions remained closed and functioning of the remaining institutions was affected due to shortage of staff and facilities. Coverage of students under School Health Programme was not comprehensive. Solid waste was not segregated and scientifically disposed of as prescribed in Municipal Solid Wastes (Management and Handling) Rules, 2000. Slaughter houses were inadequate and the existing slaughter house had deficiencies such as non-availability of veterinary doctor and non-functioning of effluent treatment plant. Availability of public conveniences especially in slum areas was inadequate. Progress in construction of houses under Integrated Housing and Slum Development Programme was poor. Lands available for development as parks remained idle or were under encroachment. Schools did not have toilets, incinerators, fire safety etc., despite availability of funds.

2.1.1 Introduction

Vellore City Municipal Corporation (VCMC) was formed in August 2008 by upgrading the erstwhile Vellore Municipality which had an area of 11.65 square kilometres with 48 wards. As per orders (September 2010) of Government of Tamil Nadu (GoTN), 17 adjoining local bodies were merged with VCMC in October 2011, which increased the area to 87.92 square kilometres and the number of wards to 60. Vellore city had a population of 5.04 lakh (Census 2011).

Out of 18 functions listed in **Appendix 2.1** to be devolved to Urban Local Bodies (ULBs) as required by 74th Amendment to Constitution of India, GoTN had devolved 17 functions (except fire services) to ULBs in Tamil Nadu as of December 2014. The services rendered by VCMC under the devolved functions include provision of amenities like water supply, street lights, roads, sanitation, public health, slaughter house, night shelter, slum upgradation and promotion of education.

Provision of basic amenities is an important function of ULBs. Basic amenities include water supply, street lights, roads, sanitation, public health, slaughter house, night shelter, slum upgradation and promotion of education. Performance Audit was taken up to see whether the above basic amenities were provided by VCMC.

2.1.2 Organisational set-up

At the Government level, Principal Secretary to GoTN, Municipal Administration and Water Supply (MAWS) Department, is in charge of ULBs. At the Department level, Commissioner of Municipal Administration (CMA) monitors the functioning of Municipal Corporations. The Mayor heads the Council of VCMC and is assisted by a Deputy Mayor. Commissioner of VCMC is the executive head for implementing all its functions in accordance with the resolutions of the VCMC Council. Zonal Officers head the four zones and execute the functions of VCMC.

2.1.3 Audit objectives

The objectives of Audit were to assess whether

- the planning process resulted in provision of basic amenities efficiently, economically and effectively;
- the human and financial resources were adequate and utilised efficiently and
- monitoring and evaluation were adequate and effective.

2.1.4 Audit criteria

The audit findings were benchmarked against criteria derived from the following sources:

- 74th Amendment to the Constitution of India;

- VCMC Act, 2008 and Coimbatore City Municipal Corporation Act, 1981 (CCMC Act) provisions of which have been made applicable to VCMC;
- Municipal Solid Wastes (Management and Handling) Rules, 2000;
- Council Resolutions and by-laws of VCMC;
- Guidelines for schemes implemented by VCMC;
- Orders of GoTN and CMA.

2.1.5 Scope and methodology of Audit

Performance Audit commenced with an entry conference held on 28 February 2014 with the Principal Secretary, MAWS Department wherein the audit objectives, criteria and scope of audit were discussed. Audit was conducted during March - July 2014 covering the activities of VCMC for provision of basic amenities such as water supply, sanitation, roads, street lights, health care, slaughter house, night shelter, slum upgradation and amenities in schools during 2009-10 to 2013-14. Records at the Secretariat (MAWS Department), Commissionerate of Municipal Administration, VCMC and in all its four zonal offices were scrutinised and joint inspection with staff of VCMC was undertaken in some cases to verify the provision of basic amenities. Audit findings were discussed with the Principal Secretary, MAWS Department, in an Exit Conference held on 15 October 2014. Response of the department/VCMC was taken into consideration while finalising the audit findings.

Audit findings

2.1.6 Planning

A Business Plan for Vellore Municipality was prepared in August 2006 by Anna University aiming to (a) augment the resources and minimising expenditure of the local body and (b) develop Asset Management Plan for improving the quality of basic services in the next 20 years and the same was accepted by VCMC. The status of implementation of recommendations as to provision of basic amenities included in the Business Plan is given in **Table 2.1**.

Table 2.1: Implementation of recommendations in Business Plan

Recommendations in Business Plan	Status of implementation
Improving road network through provision of Cement Concrete (CC) / Black Topped (BT) road	As of September 2014, VCMC had 142.80 kms of earthen/water bound macadam without being converted into BT or CC roads. (Paragraph 2.1.11.1 of this Report)
Under Ground Sewage Scheme (UGSS)	UGSS scheduled for completion in June 2011 was not completed till July 2014. (Paragraph 2.1.10 of this Report)
Development of new site for dumping wastes	Even eight years after preparation of Business Plan, VCMC had not identified any suitable new site. (Paragraph 2.1.17.1 of this Report)
Augmenting water supply through rain water harvesting and planting trees, establishing five additional dispensaries, provision of basic amenities in schools	VCMC had not initiated any action on these issues. (Paragraphs 2.1.9, 2.1.14.1 and 2.1.22 of this Report)

(Source: Business Plan and details/records furnished by VCMC)

Consequent upon expansion of VCMC, a new plan called City Development Plan (CDP) was prepared (June 2013) by Tamil Nadu Urban Infrastructure Financial Services Limited at a cost of ₹ 11.12 lakh, replacing the earlier Business Plan. CDP *inter alia* suggested short, medium and long term plans up to 2038 for provision of water supply, solid waste management, roads and street lights, housing and urban environment. Though the Council accepted the CDP in July 2013, VCMC had neither prepared action plan to implement the CDP nor provided funds therefor in its Revised Budget for 2013-14 and Budget for 2014-15. In the Exit Conference, the Commissioner of VCMC stated that action plan for implementation of recommendations in the CDP would be framed and funds would be provided in the forthcoming budget.

2.1.7 Human resources

At the time of merger of 17 local bodies with VCMC in October 2011, VCMC had a sanctioned strength of 892 staff. Out of 892 sanctioned posts, 146 posts (16 *per cent*) were vacant. The vacancies were in General Administration Wing (65) and Basic Services (81), which was 52 and 12 *per cent* of their sanctioned strength of 124 and 654 respectively. VCMC sent (June 2013) a proposal to CMA to create 1,739 additional posts (including four Zonal Officers). CMA restricted the number of posts to 1,184 and recommended (July 2013) to GoTN for sanction. However, these posts were not sanctioned by GoTN till July 2014 as CMA did not furnish the details/documents[1] called for by GoTN in October and November 2013.

Audit observed that non-filling up of vacancies and non-sanction of additional posts resulted in (i) the zones being headed by an Assistant Executive Engineer, a Town Planning Inspector, a Town Planning Officer and a Municipal Engineer as additional charge instead of an independent Zonal Officer for each zone, (ii) non-functioning of six health institutions as discussed in paragraph 2.1.14.2 and (iii) delay in implementation of Integrated Housing and Slum Development Programme as discussed in paragraph 2.1.20.3. VCMC admitted (July 2014) that the vacancies affected its functioning.

2.1.8 Finance

2.1.8.1 Budget

As per Municipal Manual, the Commissioner should prepare a budget estimate showing the probable receipts and expenditure during the forthcoming year and place it before the Council not later than 15th November every year. The Council should not authorise any item of expenditure not included in the budget or in excess of the budget allotment without indicating the source from where the money required for the proposed expenditure was to be formed.

The details of receipts and expenditure of VCMC for the period 2009-14 are given in **Table 2.2**.

[1] Details of cadre-wise sanction of posts regularised after upgradation of Vellore Municipality as Corporation and copy of orders issued therefor.

Table 2.2: Receipts and expenditure of VCMC during 2009-14

(₹ in crore)

Fund		Receipts					Expenditure				
		2009-10	2010-11	2011-12	2012-13	2013-14	2009-10	2010-11	2011-12	2012-13	2013-14
Revenue and Capital Fund	BE	24.37	25.07	57.12	87.98	92.20	32.65	26.28	61.65	87.91	93.59
	RE	24.39	37.75	32.72	61.72	129.21	29.09	20.33	30.91	62.52	128.10
	Actual	22.90	42.79	28.75	103.80	NA*	27.25	44.44	31.62	109.43	NA*
Water Supply and Drainage Fund	BE	4.00	45.83	30.25	35.22	37.88	2.50	45.44	33.15	36.25	37.31
	RE	4.29	21.24	35.98	14.25	38.21	3.87	20.88	25.90	12.82	38.88
	Actual	10.88	13.09	34.55	26.42	NA*	4.19	6.05	20.50	34.16	NA*
Elementary Education Fund	BE	1.15	1.13	1.00	1.77	1.85	1.06	0.30	0.84	0.53	1.17
	RE	1.06	0.91	1.62	1.68	1.86	0.26	0.16	0.53	0.09	0.75
	Actual	0.94	1.02	1.62	1.48	NA*	0.93	0.59	4.84	0.02	NA*

BE: Budget Estimate   RE: Revised Estimate   * Actuals for 2013-14 were not available due to non-finalisation of accounts

(Source: BE / RE figures: Budget Books. Actual figures: 2009-10 and 2010-11: Accounts audited by Local Fund Audit (LFA); 2011-12 and 2012-13: Budget Books (The accounts for 2011-12 have not been audited by LFA). Accounts for 2012-13 and 2013-14 have not been finalised by VCMC.)

Excess of expenditure was adjusted against accumulated surplus in Revenue and Capital Fund Account and opening balance of funds in respect of scheme funds.

Though the expenditure exceeded the Budget provision during 2010-11 under Revenue and Capital Fund, the excess was not got regularised by the Council. Further, Audit analysis of difference between RE and Actuals relating to Revenue and Capital Fund and Water Supply and Drainage Fund for 2009-10 and 2010-11 (years for which accounts have been audited) revealed the main reasons for the difference as given in **Table 2.3.**

Table 2.3 : Reasons for difference between RE and Actuals

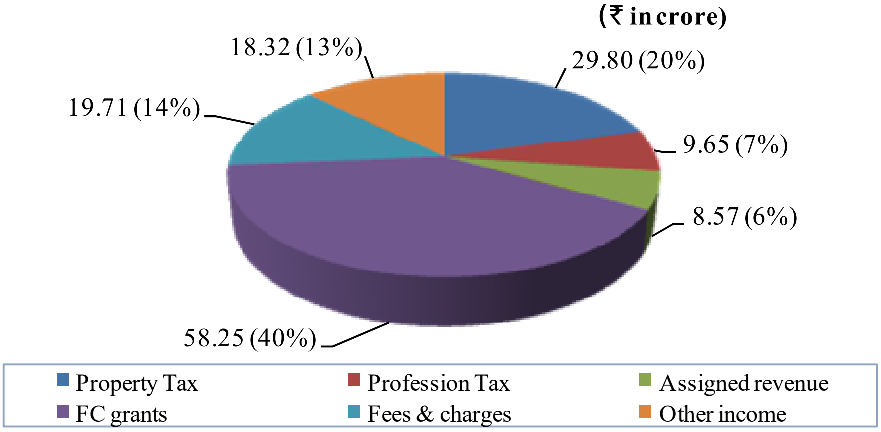
Year	Revenue and Capital Fund	Water Supply and Drainage Fund
2009-10	Receipts: Decreased due to decrease in non-tax receipt and receipt of scheme grants from Government; Expenditure: Decreased due to decrease in scheme expenditure.	Receipt: Increased due to receipt of grant for UGSS; Expenditure: Decreased due to lesser expenditure on UGSS
2010-11	Receipts: Increased due to increase in collection of tax and non-tax revenue and receipt of FC grants, assigned revenue and scheme grants; Expenditure: Increased due to increase in scheme expenditure.	Receipts: Decreased due to decrease in 'other income' and non-receipt of UGSS grant; Expenditure: No expenditure was incurred under UGSS

(Source: Budget books and Audited Accounts for 2009-10 and 2010-11)

Audit observed that there were variations in receipts and expenditure with reference to estimates and excess expenditure incurred was not authorised by the Council till July 2014. VCMC replied (September 2014) that expenditure incurred in excess of the receipts would be adjusted against general fund (i.e. Revenue and Capital Fund) and in future expenditure would be incurred, only if funds were available in the respective fund account.

The source of revenue during 2009-13 is shown in **Chart 2.1**.

Chart 2.1 : Sources of revenue of VCMC



(Figures within brackets indicate percentage to total)

The above Chart shows that major sources of revenue to VCMC during 2009-13 were State Finance Commission grant (40 *per cent*) and property tax (20 *per cent*). Other sources of revenue were fees and charges (14 *per cent*), other income (13 *per cent*), profession tax (seven *per cent*) and assigned revenue (six *per cent*).

2.1.8.2 Tax and Non-tax revenue

As of March 2014, the pendency in collection of tax and non-tax revenue was ₹ 25.16 crore[2], including ₹ 18.40 crore (73 *per cent*) relating to period up to 2012-13. Collection of arrears (₹ 6.31 crore) was less than that of current demand (₹ 17.32 crore) which showed that adequate importance was not given to collection of arrears. Also, there were deficiencies like short assessment of tax, non-collectable demands, non-increase of tariff for water supply periodically, non-collection of deposit for water supply; lease renewal fees and lease rent dues and injudicious fixation of lease rent for bus stand entry fee leading to loss of revenue, as detailed in **Appendix 2.2.** VCMC accepted the audit observations and replied during the Exit Conference that action would be taken to plug the leakages of revenue, to fix target for improving the collection of revenues and to fix upset price for lease of bus stand during next auction due in 2015.

2.1.8.3 Non-levy of penalty for delay in execution of works

The agreements (clauses 5(i) and 5(iii)(b)) between VCMC and contractors under Integrated Urban Development Mission (IUDM) during 2010-11 provided for levy of Liquidated Damages (LD) at the rate of 0.1 *per cent* of value of unfinished work per day for delay in completion of works. However, in six out of 66 works valuing more than ₹ 10 lakh each, though the contractors failed to complete the works within the stipulated time, VCMC did not levy LD to the tune of ₹ 51.72 lakh. VCMC attributed (September 2014) the delay in completion to local residents' objections and encroachments and

[2] (Amount : ₹ in crore) Property tax: 11.88, Vacant Land Tax: 0.71, Profession tax: 1.88, Water charges: 4.55 and Non-tax: 6.14.

stated that the delay could not rest on the contractors. The reply is not acceptable as the above reasons were not on record and no extension of time was granted by VCMC to the contractors.

2.1.8.4 Avoidable payment of service tax

GoI introduced (June 2007) service tax at the rate of 12 *per cent* on renting of immovable properties and reduced the rate to 10 *per cent* in February 2009. However, VCMC did not raise the demand and collect the tax from the lessees of VCMC's 1,349 shops and remit it to Central Excise Department. After a notice (March 2009) from Commissioner of Central Excise to pay tax from June 2007 onwards, VCMC decided (September 2009) to pay the tax and collect it from the lessees; but it did not implement the decision, for which no recorded reason was available. Audit observed that despite the introduction of service tax in June 2007, VCMC did not add a clause regarding the lessees' liability to pay the tax in the agreements entered thereafter. When the demands were issued for payment of service tax, the lessees protested (May 2013). As a result, VCMC paid (July to September 2014) ₹ 65 lakh to Central Excise Department from its General Fund. VCMC replied that notices were issued to the lessees for payment of service tax for the period 2007-08 to 2012-13 and stated that from the year 2013-14, service tax is recovered from the lessees and paid to the Central Excise Department.

Provision of amenities

2.1.9 Provision of water supply

While water supply was the responsibility of ULBs, Tamil Nadu Water Supply and Drainage (TWAD) Board was vested with investigation, formulation and execution of water supply schemes, receipt of grants and raising of loans for the water supply schemes in respect of all ULBs in the State except Chennai metropolitan area. The source for water included mini-power pumps and hand pumps in addition to major water supply schemes. Water was supplied through house service connections and public taps, and through water lorries and tractors to uncovered areas and during water scarcity seasons. GoTN prescribed 135 litres per capita per day (lpcd) as norm for supply of potable drinking water for the people living in Corporation areas with UGSS provided/contemplated.

VCMC met its water requirements from sub-surface sources *viz*. the borewell/well at the Otteri lake, Palar and Ponnai river bed. There was no perennial water source. VCMC supplied water from 14 head works created during the years from 1907 to 2013. Total quantity of potable water pumped from these head works, bore wells and open wells was 181 lakh litres per day. The water from the sources was stored in the two ground level reservoirs and eight overhead tanks and supplied through distribution system and sintex tanks. A Combined Water Supply Scheme (CWSS) with river Cauvery as source was under execution by TWAD Board since February 2012 to provide 135 lpcd water to VCMC and other areas[3] in the district, at a cost of

[3] Eleven Municipalities, five Town Panchayats and 944 wayside rural habitations.

₹ 1,295 crore of which the share of VCMC is ₹ 529.56 crore. The scheme is scheduled for completion by January 2015.

Against the norm of 135 lpcd, VCMC was able to supply 37 to 45 lpcd during the year 2013-14 with the available source to 97 areas covered in the 60 wards due to absence of perennial water source. Out of this, 37 areas were supplied water daily while 60 areas were supplied water once in 7 to 11 days.

Further, despite CMA's instructions (April 2009) to all ULBs to test water samples once in a month in departmental laboratories, VCMC tested the samples through laboratory of TWAD Board only twice (November 2010 and July 2011) for only four out of 14 headworks during 2009-14.

Non-augmentation of ground water

Though VCMC formulated plans in the budgets to augment the ground water, it had not achieved the same as evidenced from decreasing ground water levels recorded by TWAD Board in May (pre-monsoon stage) every year during 2011 to 2014 in Gandhi Nagar area of the city. The ground water level which was 5.80 metres (m) below the surface in 2011 decreased to 6.20 m in 2012, 6.40 m in 2013 and 10.40 m in 2014. VCMC did not implement the following measures to augment the ground water:

Plantation of Trees : The planned tree plantation (50,000 to one lakh trees per year) with private sector participation during the years 2011-14 was not taken up, which VCMC attributed to paucity of funds.

Desilting of lakes : The proposals announced in budgets for 2012-13 and 2013-14 to conduct a feasibility study to desilt seven lakes to prevent entry of sewage water and develop source of drinking water were not implemented as funds were not provided in the budgets. VCMC did not furnish the reason for not providing funds in the budgets but stated (October 2014) that a feasibility study ordered in March 2014 was in progress.

Rainwater harvesting : As per Section 295A of CCMC Act, rain water harvesting (RWH) structure should be constructed by the owner/occupier of the building, failing which VCMC had to create the structure and recover the cost as part of property tax. VCMC, while approving building plan, collected ₹ 1,500 from each applicant in violation of the provisions of the Act. However, it did not take follow up action either to ensure construction of the structure by the applicant or to construct it out of the amount collected. Thus, VCMC had not initiated any step to ensure RWH by individual houses and institutions as per Section 295A of the Act. VCMC replied that provision of RWH structure in the new buildings would be ensured during the course of construction of building.

2.1.10 Provision of underground sewage facility

The Municipal Council entrusted (2003) the investigation works and preparation of Detailed Project Report (DPR) for the Under Ground Sewage Scheme (UGSS) for 24 wards in the old municipal area of VCMC to TWAD Board. The DPR was prepared by the TWAD Board based on which GoTN sanctioned (January 2006) the implementation of UGSS for the 24 wards at a cost of ₹ 30 crore (revised in December 2009 to ₹ 39.28 crore).

The work was taken up in four packages. Packages I and II covered collection system, pumping main and house service connection; Package III was for construction of Sewage Treatment Plant (STP) with a capacity to treat 10.28 million litres per day (mld); Package IV was for laying of pipelines from STP to the disposal point at Velavadi Eri.

Work orders for Packages I and II were issued in March 2009 for a value of ₹ 13.94 crore and ₹ 10.83 crore respectively while the work orders for Packages III and IV were issued in December 2009 and November 2012 for a value of ₹ 9.93 crore and ₹ 3.87 crore respectively. The works scheduled to be completed in June 2011 (Packages I to III) and May 2013 (Package IV) were granted extension of time till December 2014 and the construction of STP (Package III) was completed in February 2013.

Scrutiny of records relating to execution of works revealed the following deficiencies:

Delay in obtaining permission : VCMC adopted the DPR along with the results of investigation on road levels prepared by the TWAD Board in 2003. As the road levels had since risen by one foot, the contractor for Packages I and II had to do a fresh survey (cost:₹ 3.42 lakh) in September 2010. Further, before commencement of work, VCMC should have obtained permission from Department/agencies concerned like Highways for laying sewer lines. However, Audit observed that VCMC obtained permission from State Highways Department belatedly in October 2010. Fresh survey by the contractor and delay in obtaining permission from Department/agency concerned by VCMC delayed commencement of UGSS works by 18 months.

Laying of Sewer lines : VCMC sought (July 2010) the permission of National Highways Authority of India (NHAI) for laying sewer lines on National Highways. As NHAI objected to the laying of pipelines by drilling method, VCMC revised (November 2012) the method to trenchless technology. Thereafter, the NHAI accorded (August 2013) the permission. This delayed the commencement of work in such areas by 53 months.

Laying of RCC manholes : CMA instructed (December 2010) to lay reinforced cement concrete (RCC) manholes on highways in view of traffic pressure. VCMC had initially proposed manholes with brickwork and later (April 2011) switched over to RCC type, which delayed the work by 24 months.

Disposal of treated sewage : For letting the treated sewage into nearby Palar river as per the DPR, VCMC sought the consent of Tamil Nadu Pollution Control Board (TNPCB) belatedly in January 2010. While giving (February 2010) the consent, TNPCB objected to letting the treated water into the river. Hence, VCMC relocated the disposal point and awarded (November 2012) the work of laying pipeline from STP to a new disposal point (Velavadi Eri) to a contractor as Package IV.

Road network : Though implementation of UGSS was commenced in March 2009, VCMC separately prepared a report on road network belatedly in August 2009 at a cost of ₹ 8.95 lakh to identify areas for implementing UGSS. Hence, the report findings could not be used for UGSS rendering the expenditure wasteful.

Further, CMA directed (December 2010) VCMC to ensure provision of diaphragm chamber, by commercial establishments[4], in their sewer outlets to prevent blockage in sewer line and entry of solid waste into UGSS. VCMC replied (November 2014) that notices and pamphlets were issued to each of the building owners for immediate provision of diaphragm chambers.

The delay in completion of the scheme led to the following:

Letting of sewage into river : Sewage generated in VCMC area was let out in the Palar river (October 2014) thereby polluting the river water.

Non-conducting of trial run of STP : Though STP work was completed in February 2013 and power supply obtained in October 2013, trial run of STP could not be conducted since house service connections had not been provided, resulting in avoidable expenditure of ₹ 6.24 lakh towards charges for high-tension electricity.

Thus, inadequate planning led to delay in completion of UGSS and deprived the residents of Vellore city of a hygienic environment. VCMC accepted (October 2014) the audit observations and replied that all the balance works were expected to be completed before March 2015.

2.1.11 Provision of roads

2.1.11.1 Non-upgradation of earthen/WBM road

CCMC Act vested the responsibility of providing roads within Corporation area with VCMC. As per the order of GoTN in 2006-07 and its reiteration in 2009-10, earthen roads and water bound macadam (WBM) roads in ULBs were to be converted into black topped (BT) and cement concrete (CC) roads. As of April 2009, VCMC had 109.46 kilometres (kms) of roads including 6.75 kms of WBM roads and 2.75 kms of earthen roads. Due to merger of 17 local bodies with VCMC in October 2011, the length increased to 649.69 kms, with 60.10 kms of WBM roads and 82.70 kms of earthen roads.

Scrutiny of records revealed that no WBM road or earthen road was upgraded as BT/CC road till the date of audit. VCMC replied (October 2014) that it needed sizeable revenue for the conversion of existing WBM and earthen roads into BT/CC roads and that the conversion works would be taken up in the coming days based on availability of funds and getting special funds from Government. The reply is not acceptable as no WBM or earthern road was upgraded though VCMC had surplus of ₹ 2.70 crore in Revenue and Capital Fund as per the accounts for the year ended 31 March 2012.

2.1.11.2 Non-maintenance of Road Register

Rule 8.19 of Municipal Manual (Volume II) required the maintenance of Register of Roads containing names of all municipal roads with particulars of length, classification (metalled/unmetalled), renewal and special repairs carried out. Due to non-maintenance of the Register, VCMC did not identify

4 Hotels, marriage halls, educational institutions, hospitals, shopping complexes, multi-storeyed apartments.

the roads requiring improvement at periodical intervals, but made only lump sum provision in annual budgets for works relating to roads and storm water drains.

2.1.12 Provision of storm water drains

As of July 2014, VCMC had 798.27 kms of storm water drains[5]. Drains in all streets of VCMC were connected to the Kanar Odai (a stream) draining into Palar river, one of the main sources of drinking water for VCMC. Field visit by Audit team to Kanar Odai along with the Engineers of VCMC revealed the following:

(i) Heaps of plastic wastes blocked the stream in many places *viz.* Kansal point, confluence points, end point of the stream behind the District Collectorate where it drains into the river and also in the streets. Water stagnated in the drainage in places like Ambedkar Nagar-Makhan behind the new fish market on the Bangalore Road. Though VCMC decided (September 2009) to levy penalty of ₹ 100 to ₹ 200 for putting garbage in sewage drains, it did not levy and collect the penalty for littering of garbage in public places and drains which blocked free flow of water in the drains requiring frequent desilting. **Picture 1** taken at the site where the drains merged with Palar river exhibits the hazardous condition.

Picture 1 : Hazardous condition of Palar River

VCMC replied (July 2014) that public would be educated about the need for maintaining hygienic environment and that action was being taken to maintain solid waste management programme through private operators.

(ii) VCMC executed lining works with RCC in the city's interior areas, but not in the main area of confluence of the water and behind the District Collectorate (**Picture 2**). This led to accumulation of all wastes thereby causing environmental pollution.

Picture 2 : Behind the District Collectorate

VCMC replied (July 2014) that lining would be taken up with grants from the Government.

(iii) Sewage water was also let out into the storm water drain and it ultimately reached the dry beds of Palar river which would contaminate the river's ground water. VCMC replied (July 2014) that the main cause for

5 Kutcha : 224.54 km, Pucca : 542.70 km, closed with slab : 31.03 km.

contamination of ground water at Palar river was due to sand quarrying and accumulation of effluents from tanning industries. The reply is not specific to point raised. VCMC is responsible for safe disposal of sewage.

2.1.13 Provision of street lights

VCMC provided street lights with poles 30 metres apart as per the norms. VCMC entrusted (February 2009 and February 2011) the maintenance of street lights in 48 wards in two phases of 24 wards each to a contractor at a cost of ₹ 23.02 lakh, for three years from June 2009 and May 2011 respectively. VCMC cancelled (January 2012) the contracts citing delay in attending to repairs and increasing number of complaints and with the purposes of avoiding problems in maintenance when new zones were formed and providing satisfactory service to the public. Scrutiny of records revealed that the reasons attributed by VCMC for cancellation were not on record. Thus, the cancellation of the contracts was found to be unjustified.

VCMC entrusted (June 2012) the maintenance of street lights of all the 60 wards to a new contractor selected through tenders with effect from 01 July 2012. On comparison of rates, Audit observed that had VCMC allowed the earlier contractor to continue the contracts for 48 wards,VCMC could have avoided additional expenditure of ₹ 24.73 lakh for the period from July 2012 to April 2014.

2.1.14 Provision of health care facilities

Public health is one of the functions devolved to ULBs in Tamil Nadu. For providing health care facilities, VCMC operated health institutions viz. dispensaries, maternity centres (MC) and Urban Health Posts (UHPs). Deficiencies regarding non-operation of maternity centres and dispensaries, shortage of staff and facilities in the functioning of health institutions are discussed in the succeeding paragraphs.

2.1.14.1 Inadequate facilities

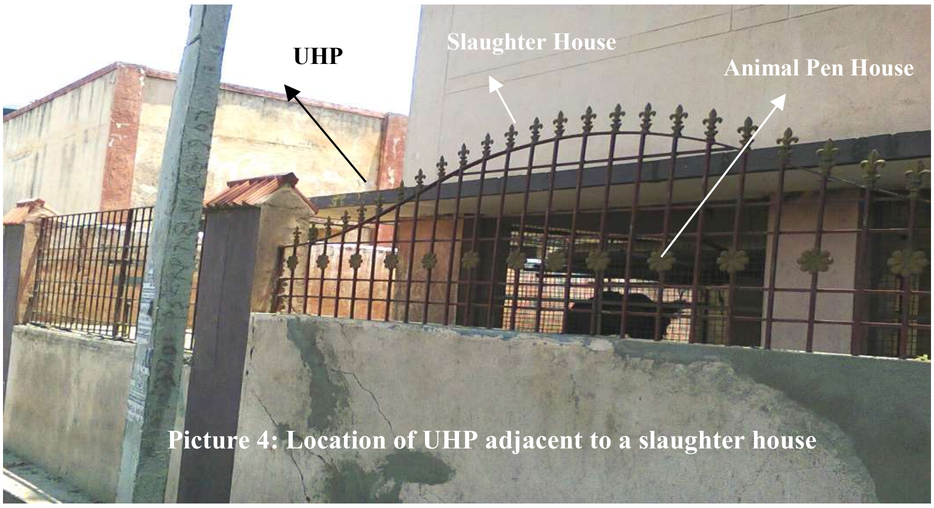
(i) Dispensaries

Picture 3: Damaged roof at Velappadi Siddha Dispensary

The Siddha and the Unani dispensaries were functioning in buildings which were in dilapidated condition and lacked drinking water and toilets. During visit to the Siddha dispensary at Velappadi, Audit observed that it was accommodated in an old dilapidated building with damaged roof (**Picture 3**), and without water, toilet facilities and visitors' room; plastic wastes and building materials were stored in the building.

(ii) Urban Health Posts

The UHP at Ambedkar Nagar was situated adjacent to a slaughter house; especially the rooms for delivery and post-delivery recovery were closer to the slaughtering area (**Picture 4**). The UHP was thus functioning in an unhygienic condition.



Picture 4: Location of UHP adjacent to a slaughter house

As per the Indian Public Health Standards guidelines (2012) for Public Health Centres, the essential / desirable equipments to be available in health centres are refrigerator, laboratory, ECG, stretcher, wheel chair, cots with mattresses and laundry. All the three UHPs lacked basic facilities like ECG, laboratory, stretcher/wheel chair, sufficient number of cots with mattresses and laundry. VCMC did not provide funds in its budgets during 2009-14 for purchase of these equipments.

Due to inadequate facilities and absence of Maternity Assistants, critical delivery cases were referred to Government Hospitals. In Lakshmipuram UHP alone, 680 cases were referred to outside hospital during 2009-14. The number of deliveries conducted in all the three UHPs and the maternity centre decreased drastically and it was nil in Ambedkar Nagar and Lakshmipuram UHPs during 2013-14. VCMC, while admitting the observations, stated (July 2014) that action would be taken to provide infrastructure facilities under the proposed National Urban Health Mission (NUHM). In the Exit Conference, the Commissioner of VCMC stated that due to paucity of funds, provisions were not made in the budget and that with the launch of NUHM, adequate facilities in the health institutions would be provided.

2.1.14.2 Inadequate staff

Non-functioning of dispensaries : To carry out the activities relating to health care[6], VCMC had 17 institutions *viz.* three UHPs, four MCs and 10 dispensaries as detailed in **Appendix 2.3.** Out of this 17 institutions, six institutions *viz.* three MCs, one Allopathy dispensary and two Siddha dispensaries were not functioning from periods prior to 2009-10 due to vacancies in the posts of Medical Officers and staff. Of the 73 posts

[6] UHP: for institutional and outreach activities (mass contact programme covering schools, slums etc.); MCs: for institutional activities; dispensaries: for OP treatment.

sanctioned for the 11 functioning institutions, only 32 posts (44 *per cent*) were filled as of March 2014**.** As the Siddha dispensary at Velappadi did not have Medical Officer (MO), the MO of Salavanpettai dispensary had to attend both the dispensaries on alternate days from August 2013.

VCMC replied (October 2014) that filling up of vacant posts and creation of additional posts were being considered under the proposed NUHM.

Unani Dispensaries : Details of outpatients (OP) who visited Unani dispensaries and deliveries conducted in the three UHPs and Saidapet MC during the years 2009-14 are given in **Tables 2.4** and **2.5**.

Table 2.4: Outpatients in Unani dispensaries

Year	Number of OPs
2009-10	24,702
2010-11	26,749
2011-12	25,788
2012-13	17,417
2013-14	11,832

(Source: Details furnished by VCMC)

It may be seen from the above table that there was steep decrease in the number of OP cases in the Unani dispensaries from 2011-12.

Table 2.5 : Deliveries in UHPs and MC

Year	Deliveries			
	Ambedkar Nagar UHP	Kaspa UHP	Lakshmi-puram UHP	Saidapet MC
2009-10	0	301	6	58
2010-11	10	315	44	125
2011-12	0	356	12	176
2012-13	0	246	1	80
2013-14	0	184	0	38

(Source: Details furnished by VCMC)

From the above table, it may be seen that there was decrease in number of deliveries in UHPs after 2010-11 and in MC after 2011-12. In Lakshmipuram UHP, though the number of deliveries increased during 2010-11, it decreased from 2011-12 and was nil in 2013-14; in Ambedkar Nagar UHP the number of deliveries was 10 during 2010-11 and nil thereafter.

VCMC attributed (October 2014) the decrease in the number of OPs and the deliveries to shortage of staff.

Vacancies in the cadre of Urban Health Nurse (UHN) : As per norms prescribed by GoTN, each UHN should cover a population of 10,000 people to provide outreach services. Due to vacancies in the cadre of UHN in Lakshmipuram and Ambedkar Nagar UHPs, the available UHNs had to cover 13,482 to 33,842 persons and 12,500 to 14,500 persons respectively during 2011-14; In Kaspa UHP, the UHNs covered 13,750 persons during 2013-14 due to increase in population; however, no additional UHN was posted. VCMC accepted the audit observations.

2.1.15 School Health Programme

GoTN issued (1991) guidelines for implementation of School Health Programme which *inter alia* provided for comprehensive health care services (general check up, minor ailments treatment, immunisation, referral to higher medical institutions and health education) to school students and required medical teams to visit every school thrice a year to check the students and follow up. However, in VCMC, which had 72 schools, the number of visits made by its medical team drawn from Health Department of GoTN every year during 2009-10 to 2013-14 was only 46 to 90 against the requirement of 216 visits per year. Shortfall in visits resulted in non-follow up of the cases of 55,157 students identified by the medical team as suffering from health issues and non-examination of the students left out during the first visit as subsequent visits were not made. VCMC attributed (July 2014) the shortfall in visits to paucity of manpower and time, school managements' pre-occupation with their regular activities and entrustment of additional responsibilities with the medical team. However, the fact remained that VCMC had not taken up the matter with the Health Department for posting of sufficient manpower.

2.1.16 Prevalence of diseases in Corporation area

CMA instructed (April 2009) all ULBs that the standard for water quality prescribed by Bureau of Indian Standards should be followed and good quality water as per Central Public Health and Environmental Engineering Organisation norms should be supplied to the public. CMA also directed that quality of water should be tested in reputed departmental laboratories by the ULBs every month.

During the years 2011-13, 4,391 persons[7] in 48 wards (only for which details were available) of VCMC were affected by major diseases including water and air borne diseases like acute diarrhoea, acute respiratory infection, malaria and dengue as per reports of VCMC furnished to Health Department. Audit observed that the incidence of water borne diseases was mainly due to non-adherence to instructions of CMA regarding quality of water supplied.

As stated in Paragraph 2.1.9 of this Report, against the norm of testing water samples every month, VCMC tested water quality only in four out of its 14 head works, once each during 2010 and 2011; the local District Environment Engineer (DEE) of TNPCB responsible for monitoring quality of air and water informed (April 2014) that no such test was conducted in VCMC area during 2009-14.

2.1.17 Solid waste management

As per Municipal Solid Wastes (Management and Handling) Rules, 2000 (MSW Rules), municipal authorities, district administration, State Pollution

[7] 2011 : 1,507, 2012 : 1,788 and 2013 : 1,096.

Control Board and the Government were responsible for safe disposal of municipal waste. The MSW Rules require all local bodies to identify landfill sites and set up complete waste processing and disposal facilities by the end of December 2003. Scrutiny of records revealed the following deficiencies.

2.1.17.1 Inadequacy of landfill sites

VCMC had three sites at Sathuperi, Sathupalayam and Moola Kollai as land fill sites. Against a requirement of 50 acres of land for dumping about 230 tonnes of wastes collected every day, VCMC was using only the Sathuperi site which was 7.91 acres. The site at Sathupalayam purchased (March 2006) at a cost of ₹ 9.90 lakh was not used due to public protest. The Moola Kollai site of Sathuvachari Municipality (merged with VCMC in October 2011) could not be used as a landfill site because it was situated at the foot hills and was flood-prone. Despite the requirement of an additional site for dumping the waste, VCMC did not identify suitable alternative sites, but dumped all the wastes in the Sathuperi site alone.

2.1.17.2 Non-segregation of wastes

The MSW Rules require the municipal authority to organise house-to-house collection of solid waste, segregate into bio-degradable and non-bio-degradable wastes and process the bio-degradable wastes by composting, vermin-composting, anaerobic digestion or any other appropriate biological processing for stabilisation. Except for segregation of waste at a vegetable market and composting it at Gandhi Nagar, VCMC collected and dumped the wastes at the Sathuperi landfill site without segregation. The composting facilities provided (2005) were not used after 2007-08 as there was no demand for the compost prepared. A shed for segregating plastic wastes though constructed (August 2013) at a cost of ₹ 8.08 lakh remained idle due to non-segregation.

During site visit along with VCMC officials, Audit observed that due to non-segregation of wastes, the landfill area was overflowing with garbage from which smoke was emanating leading to an unhealthy condition in the area as shown in **Picture 5.**

Picture 5 : Smoke emanating at Sathuperi

2.1.17.3 Lack of infrastructure facilities at landfill site

The Sathuperi landfill site did not have internal road, fire protection equipment and drinking water facility as prescribed in MSW Rules. Audit further noticed that the wastes were dumped over the internal road laid for movement of vehicles at a cost of ₹ 10.36 lakh during 2012-13, rendering the expenditure infructuous. VCMC admitted (May 2014) that the road was scraped ever since the road was laid due to day-to-day aggregation of the garbage dumped thereon and attributed such dumping to inadequacy of the site area for dumping.

2.1.17.4 Poor quality of groundwater

MSW Rules required TNPCB to monitor[8] land filling sites for compliance with standards regarding ground water and ambient air. Information furnished (April 2014) by local District Environmental Engineer of TNPCB revealed that TNPCB did not conduct required tests in the Sathuperi site during 2009-14. Also VCMC did not request TNPCB to test groundwater. After this was pointed out (March 2014) by Audit, TNPCB tested (August 2014) the quality of water of two wells near the site. The results revealed that out of 18 factors which determined the quality of water, presence of 12 factors like total dissolved solids, chlorides, ammonia and hardness in the water tested exceeded the desirable limit by one to 179 times as shown in **Appendix 2.4.**

2.1.17.5 Poor management of bio-medical wastes

Bio-Medical Waste Rules require keeping of bio-medical wastes separately from municipal wastes. However, the MC functioning at Saidapet and the three functioning UHPs of VCMC had no provision for scientific disposal of bio-medical wastes, which were mixed with the municipal solid wastes and disposed at the Sathuperi site causing environmental hazards. VCMC stated (October 2014) that action had been initiated to dispose of the bio-medical waste through an authorised agency.

2.1.18 Slaughter house

2.1.18.1 Inadequate number of slaughter houses

CCMC Act required VCMC to provide sufficient number of slaughter houses. Eleventh Five Year Plan (2007-12) of GoTN envisaged having one modern slaughter house for one lakh population in municipal corporations. Against a requirement of five slaughter houses for its five lakh population, VCMC had only one slaughter house as of April 2012. Out of four additional slaughter houses proposed (April 2012) by VCMC for construction, CMA sanctioned (September 2012) the construction of two slaughter houses at an estimated cost of ₹ 50 lakh each. As per the work orders dated 03 June 2013 and 20 September 2013 issued by VCMC for the construction in RN Palayam and Kalinjur respectively, the works were to be completed in three months. Audit observed that the works reached ‘above lintel’ and roof levels in November 2013 and December 2013 respectively and there was no progress in the works thereafter (September 2014). VCMC replied (September 2014) that suitable action would be taken against the contractors on completion of work as per the contract clauses and that work would be completed at the earliest.

In respect of requirement of two more slaughter houses, VCMC stated (October 2014) that they would be constructed in due course.

2.1.18.2 Deficiencies in existing slaughter house

Chapter 5 of Solid Waste Management Manual issued by Ministry of Urban Development of GoI required local bodies to ensure slaughtering under

[8] Water to be tested periodically and ambient air to be tested twice a year (for cities with population of one to ten lakh).

hygienic conditions for fresh and disease-free meat. MSW Rules and instructions of TNPCB required that solid wastes from slaughter houses should pass through a rendering plant[9] and waste water generated from washing and cleaning should be treated in an effluent treatment plant.

Joint visit (May 2014) by Audit team and VCMC officials to the slaughter house in Bengaluru Road revealed that the two chambers (one for collecting the liquid waste and the other for treating it), though constructed, were not connected to the municipal sewage line and were filled with trash and bushes. As a result, the untreated liquid wastes were let out in open drainage causing pollution and health hazards. Further, there was no veterinary doctor[10] to certify fitness of the animals to be slaughtered. Thus, supply of hygienic meat to public could not be ensured. Though VCMC claimed (September 2014) to have conducted inspections periodically to prevent slaughtering in public, there was no record to support the claim.

2.1.19 Provision of public convenience

The Tamil Nadu Public Health Act, 1939 required VCMC to provide and properly maintain sufficient number of sanitary conveniences in proper and convenient places for the use of public. VCMC had 108 public toilets in public places and slum areas; of this, 11 were 'pay and use' toilets and 97 were free of charge. As of July 2014, 25 toilets including 22 in slum areas were not functioning for the past one to five years either due to dilapidated condition of the building or lack of water supply/provision. This included eight toilets constructed in slum areas during 2012-13.

Eleventh Five Year Plan (2007-12) envisaged provision of one toilet seat per 30 persons in notified slum areas. As of July 2014, VCMC had 59 notified slums with 80,749 people, requiring 2,690 toilet seats. As against this, VCMC had only 60 functioning toilets with 600 seats (22 *per cent*).

2.1.20 Safeguarding interests of weaker sections

One of the functions devolved to ULBs is safeguarding interests of weaker sections of the people. VCMC implemented schemes namely Amma Unavagam, Integrated Housing and Slum Development Programme (IHSDP) and Swarna Jayanthi Shahari Rozgar Yojana (SJSRY) funded by GoTN and GoI.

Some of the deficiencies noticed in implementation of the schemes are discussed in subsequent paragraphs.

9 Plant used for recycling dead animals, slaughter house wastes etc. into various products such as recycled inert, bone meal and animal fat.

10 As per Rule 4(2) of Prevention of Cruelty to Animals (Slaughter House) Rules, 2001, a Veterinary Doctor shall thoroughly examine a maximum of 12 animals in an hour and 96 animals in a day. Thus, the slaughter house required at least one Veterinary Doctor.

2.1.20.1 Good practice: Amma Unavagams


Picture 6 : Amma Unavagam

Based on the advice of GoTN, VCMC operated 10 'Amma Unavagams' (canteens) from June 2013 to provide food at subsidised rates to downtrodden people by meeting the expenditure from its own funds. During June 2013 to May 2014, these canteens provided idlis to 13.08 lakh persons, sambar rice to 10.52 lakh persons and curd rice to 6.62 lakh persons at subsidised rates. Audit team's visit to three canteens with VCMC's officials showed that they had positive response from the public and were functioning in a fairly clean environment **(Picture 6)**.

VCMC spent ₹ 3.29 crore to provide infrastructure facilities (building, utensils, water supply etc.). During June 2013 to March 2014, VCMC spent ₹ 3.05 crore on provisions and staff as against sale proceeds of ₹ 1.33 crore and met the deficit of ₹ 1.72 crore from its General Fund.

2.1.20.2 Swarna Jayanthi Shahari Rozgar Yojana scheme

Swarna Jayanthi Shahari Rozgar Yojana (SJSRY) is a GoI scheme with separate components for self-employment, women self-help, skill training, wage employment and community development. During 2009-14, VCMC received ₹ 255.64 lakh and spent ₹ 168.82 lakh only (66 *per cent*), as detailed in **Appendix 2.5** to implement the above components. The scheme required posting of Community Organiser (CO) at the rate of one per 2,000 families.

Scrutiny of records revealed the following:

- Against 11 COs required for 21,797 selected families, there was only one CO during 2009-14, with one additional CO during 2011-12.
- Beneficiaries were selected not through a survey as envisaged in the scheme guidelines, but from the BPL list.
- Poverty sub-plan and budget for urban poor required as per guidelines were not prepared since the Urban Poverty Alleviation cell required under the scheme was not formed.
- Under wage employment component, storm water drain works were executed for ₹ 23.30 lakh, but records for expenditure of ₹ 5.60 lakh under labour component were not furnished to Audit.
- VCMC attributed (July 2014) the poor implementation to shortage of COs .

2.1.20.3 Upgradation of slums

VCMC executed IHSDP (shared by GoI and State Government/ULB in the ratio of 80:20 respectively) for holistic slum development with a healthy and enabling urban development by providing adequate shelter through (a) construction of individual house at a unit cost of ₹ 1 lakh (GoI subsidy: ₹ 72,000, State Government subsidy: ₹ 18,000 and the balance to be borne by the beneficiary) and (b) basic infrastructure facilities like water supply and sewer system to the slum dwellers. In respect of individual houses, the houses were to be constructed by the beneficiaries within 90 days from the date of issue of work order by VCMC; the subsidy of ₹ 90,000 was to be credited to the beneficiary's bank account in four equal instalments, *viz.* on completion of basement, lintel, roof and the entire house.

Scrutiny of records revealed that VCMC identified (May 2012) 513 beneficiaries and issued (December 2012 to January 2014) work orders to them. Out of this, 248 beneficiaries were stated to have commenced construction of the houses. Of this, 76 (31 *per cent*) beneficiaries completed the construction; 133 were in various stages (basement: 21, lintel: 23 and roof: 89) as shown in **Table 2.6** and construction of 39 houses had not commenced (September 2014). In respect of the remaining 265 beneficiaries who had not commenced the construction, 198 alternative beneficiaries had been identified.

Table 2.6: Details showing slow progress in construction of houses

(Number of houses)

Stage	Number of months at the same stage					Total
	1-3	4-6	7-9	10-12	Above 12	
Basement	7	3	1	4	6	21
Lintel	11	0	4	5	3	23
Roof	28	9	24	15	13	89
Total	**46**	**12**	**29**	**24**	**22**	**133**

(Source: Details furnished by VCMC)

Though a house was to be constructed within 90 days, it may be seen from the above Table that construction of the 133 houses had stagnated for periods ranging from three months to more than a year at the same stage indicating poor implementation of the programme. VCMC attributed (September 2014) the poor progress to lack of monitoring caused by vacancies in the posts of Assistant Engineer, Junior Engineer, Overseer, Draughtsman and Junior Assistant. As the estimates for the construction were prepared in 2012-13, the possibility of cost escalation can not be ruled out.

In respect of infrastructure, VCMC had completed 42 works at a cost of ₹ 3.55 crore out of 44 works taken up (September 2014).

2.1.21 Provision of parks and playfields

2.1.21.1 Open space reservation lands

Promoters developing residential/commercial layouts and building complexes of an area of 3,000 square metres or more are required to handover 10 *per cent* of the layout area to the local bodies as open space reservation (OSR) for development as parks and playfields.

Out of 101 land sites received (prior to 2009) from land owners as OSR lands, gift deeds transferring the title to VCMC were available only for 30 sites. However, VCMC had not taken action to change the titles of these sites in Revenue Department's records till the date of Audit. VCMC had also not formulated any plan for developing OSR lands as parks/playfields. Scrutiny of records and joint field visits (May 2014) by Audit team and VCMC officials to 26 sites in Zones I (7), II (11) and III (8) revealed as under:

- VCMC, instead of developing OSR lands as parks and playfields, irregularly transferred (April 2014) an OSR site (5,701 sq.ft.) at RN Palayam to TWAD Board for construction of reservoir under Vellore Combined Water Supply Scheme, besides six other OSR lands.
- Three OSR sites (3,445 sq.ft.) though developed as parks, were not maintained but kept closed.
- Nine sites (50,350 sq.ft.) had encroachments like religious worship place and residential houses.
- 13 sites (2,18,805 sq.ft.) were not developed as parks.
- In the Exit Conference, the Principal Secretary, MAWS Department, instructed (October 2014) VCMC to take follow up action on the matter.

2.1.21.2 Absence of basic facilities at Otteri Park

VCMC improved (November 2011) a park at Otteri at a cost of ₹ 120.50 lakh provided by GoI and decided (October 2012) to maintain it departmentally through collection of entry fee from the visitors. However, VCMC opened the park to the public in June 2014 after a delay of 31 months. Reason for the delay was neither available on record nor was furnished to Audit by VCMC. Audit observed (July 2014) that the park lacked facilities like drinking water, security, compound wall and lighting till the date of audit. VCMC replied that drinking water and security had since been provided and other facilities would be provided in future.

2.1.22 Provision of amenities in schools

VCMC had 79 schools (elementary: 52, middle: 21, high and higher secondary: 3 each) with 11,885 students. As per various Acts/Manuals[11],

[11] Right of Children to Free and Compulsory Education Act, 2009, Manual for Secondary and Higher Secondary Schools, the Tamil Nadu Public Buildings Act, 1965 and instructions issued by CMA and School Education Department.

VCMC was required to maintain the infrastructure of the schools and to provide basic amenities such as drinking water (preferably with reverse osmosis system), toilets[12] (separately for boys and girls) with water facility, play ground with play material, sports equipment, safety certificate[13] regarding structural soundness from Public Works Department through Revenue Department.

During 2009-14[14], against availability of ₹ 17.75 crore in Elementary Education Fund, VCMC spent ₹ 2.34 crore (13 *per cent*) on school buildings. Joint inspection (July 2014) of 27 selected schools by Audit team and VCMC and scrutiny of information regarding availability of toilets in the remaining 52 schools (non-sample) revealed lack of basic amenities such as inadequate toilet facilities, non-availability of incinerators in girls' toilets, non-availability of purified drinking water, play grounds, safety certificate etc., as detailed in **Appendix 2.6.**

Damaged roof in Corporation Middle School at Kalasapalayam and poor flooring in Primary School at Sathuvachari West are exhibited in **Pictures 7** and **8** below:

Picture 7: Damaged roof of Corporation Middle School, Kalasapalayam

Picture 8 : Poor flooring at Sathuvachari West Primary School

In 14 schools, the number of students seeking admission was decreasing over the years as shown in **Appendix 2.7.**

VCMC replied (July 2014) that the amenities would be provided in the schools after approval by the Council.

2.1.23 Other points

2.1.23.1 Animal Birth Control (ABC) programme

Under ABC programme to sterilise and immunise street dogs for preventing spread of rabies virus, GoI provides grants up to 50 *per cent* of expenditure to local bodies. CMA issued (July 2005) instructions for periodical census of street dogs. VCMC conducted a census in 2007-08 and identified 5,290 dogs for sterilisation. Out of this, 3,815 dogs were sterilised during 2007-08.

12 **Boys** : six urinals per 100 boys and one toilet per 50 boys, **Girls** : one toilet per 25 girls (with incinerator in middle, high and higher secondary schools).

13 Valid for three years or lesser period as specified by the issuing authority.

14 For 2013-14, accounts have not been finalised and hence, estimated receipts and expenditure figures have been adopted.

VCMC conducted the next census in 2012 after a delay of five years and identified 9,048 dogs for sterilisation/immunisation. Out of this, VCMC could sterilise/immunise (March 2013) only 1,000 dogs (11 *per cent*) till the date of Audit. On the shortfall in sterilisation/immunisation being pointed out by Audit, VCMC replied (July 2014) that the programme was being implemented during 2014-15.

2.1.23.2 Idle investment on construction of library

GoTN decided (2007-08) to provide library facility with computer and compact discs for students pursuing higher education. In compliance, VCMC constructed (December 2010) a new library adjacent to VCMC's new Main Office building and provided furniture, at a total cost of ₹ 24.41 lakh from its own funds. The building was not put to intended use till the date of audit due to non-provision of books, computers and compact discs and non-posting of a Librarian. VCMC replied (October 2014) that a zonal office of VCMC has been accommodated from August 2014 in the building. The reply is not acceptable as the building was not intended for accommodation of the zonal office.

2.1.24 Monitoring

2.1.24.1 Government level

As required by CCMC Act, the performance of VCMC in implementation of major schemes such as water supply scheme, UGSS and IUDM was to be periodically monitored by GoTN through review meetings and performance watched.

2.1.24.2 Head of Department level

Scrutiny of records at field level indicated lack of monitoring as discussed below:

The Engineering Manual for ULBs (Chapter IX) published (April 2000) by MAWS Department required formation of a Technical Audit Cell at CMA's office to ensure quality in execution of works, accountability, avoid fraud and irregularities, timely and effective rendering of services, by examination of work orders and contracts for major works, bills for works above ₹ 1 lakh and muster rolls. However, CMA did not form the Cell (October 2014) as envisaged. Lack of monitoring resulted in 1,123 works which were executed during 2009-14 not being subjected to technical audit.

Further, there was insufficient monitoring by CMA in several areas wherein VCMC did not adhere to provisions contained in the Acts/Rules governing them and orders of the Government and CMA which resulted in deficiencies as detailed in the preceding paragraphs.

2.1.25 Conclusion

Though Business Plan (August 2006) and City Development Plan (June 2013) were prepared, implementation of the same was not satisfactory. There was shortfall in human resources which affected the functioning of VCMC. Efficiency in collection of revenues, especially the arrears, was poor and VCMC was unable to provide resources for all the proposals laid out in its Budgets. VCMC did not provide water supply as per norms. Despite inadequate ground water, no efforts were made to augment the ground water resources and there was inadequate testing of water quality. Further, only 24 out of 60 wards were covered under Underground Sewage System and the execution was also delayed. Despite Government orders, earthen and water-bound macadam roads were not upgraded as black topped and cement concrete roads. Parts of storm water drainage were clogged with solid waste. Six out of 17 health institutions remained closed and functioning of the remaining institutions was affected due to shortage of staff and facilities. Coverage of students under School Health Programme was not comprehensive. Solid waste was not segregated and scientifically disposed of as prescribed in Municipal Solid Wastes (Management and Handling) Rules, 2000. Slaughter houses were inadequate and the existing slaughter house had deficiencies such as non-availability of veterinary doctor and non-functioning of effluent treatment plant. Availability of public conveniences especially in slum areas was inadequate. Progress in construction of houses under Integrated Housing and Slum Development Programme was poor. Lands available for development as parks remained idle or were under encroachment. Schools did not have toilets, incinerators, fire safety etc., despite availability of funds.

2.1.26 Recommendations

VCMC may consider to

- ensure provision of water supply at 135 lpcd as prescribed by Government of Tamil Nadu, by ensuring the completion of the Combined Water Supply Scheme
- complete and operationalise the underground sewerage scheme
- install additional slaughter houses commensurate with the meat-eating population in Vellore city
- take constructive action to utilise open space reservation (OSR) lands as parks/playfields and ensure that OSR lands are free from encroachment
- ensure that all schools and hospitals of VCMC have proper and adequate amenities and are in safe condition by taking action as per the extant Acts, Rules, orders of the Government etc.

The matter was referred to Government in September 2014; reply has not been received (February 2015).

MUNICIPAL ADMINISTRATION AND WATER SUPPLY DEPARTMENT

2.2 Information Technology Audit on Corporation of Chennai

Executive Summary

The Municipal e-Governance System was introduced in Corporation of Chennai (CoC) with the primary objective of delivering services to citizens on 'any where any time basis', address the existing service delivery standards, attain synergy in operation and provide timely and reliable MIS reports for decision making. Information Technology Audit on Corporation of Chennai revealed the following significant audit findings:

The Municipal e-Governance System introduced in CoC during 2010 is incomplete even after four years of its implementation and after incurring an expenditure of ₹ 5.48 crore on hardware and software during 2009-13. Out of 13 modules, the integration of seven modules was yet to take place. The Public Grievances Redressal and Property tax modules implemented in the Corporation suffered from weak process controls resulting in lack of data integrity. This also led to generation of inaccurate demands under Property tax and loss of revenue. Poor management of changes such as migration of legacy data, handling of dishonoured cheques etc., had aggravated the loss to the Corporation. The Profession Tax module of the e-governance system has not been put to use till date and CoC still continue to use the FoxPro based system. This system is also largely incomplete and contains deficient assessments due to which the Corporation could not raise authentic demand periodically against organisations and was forced to accept whatever payment is made by the profession tax assessees. CoC failed to collect the profession tax from live assessments and also to identify potential profession tax payers within their jurisdiction (during the years 2010-11, 2011-12, 2012-13 and 2013-14, 19 per cent, 24 per cent, 35 per cent and 47 per cent respectively of the potential Private Enterprises (PEs) were not identified by CoC) resulting in huge revenue remaining untapped. In short, due to weak process control/ineffective updation of database, the Corporation did not raise justified demand amounting to the tune of ₹ 34.99 crore under property and profession tax revenues during 2009-13 besides non-collection of profession tax from potential PEs.

2.2.1 Introduction

The Corporation of Chennai (CoC) a civic body governed by Chennai City Municipal Corporation Act, 1919 and providing civic and infrastructural facilities[15], computerised its functional areas more than two decades ago. Initially, CoC was sub-divided into 10 zones and 155 divisions for administrative purposes. In November 2011, due to expansion of city limits,

[15] Laying and maintenance of roads, street lights, removal of garbage, issue of birth and death certificates, granting building plan approval, issue of trade licenses etc.

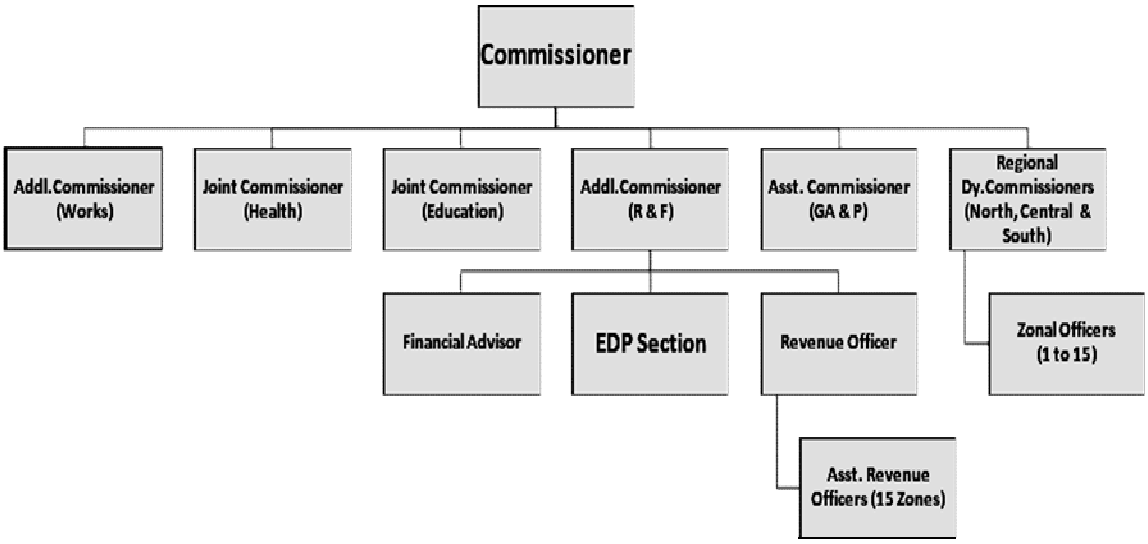
42[16] local bodies got merged with CoC and the number of zones/divisions increased to 15[17] and 200 respectively.

To provide simple and efficient services to the citizen through e-Governance system, CoC decided (June 2007) to develop a new application software (Municipal e-Governance System), consisting of 13 modules[18] for various activities of the Corporation. This solution was intended to integrate the key functions of CoC. The development and customisation of the application software was entrusted (November 2008) to a private firm (M/s. e-Governments Foundation Limited) at ₹ 1.67 crore and the supply of hardware at ₹ 3.48 crore was entrusted to Electronic Corporation of Tamil Nadu Limited (ELCOT).

The above software designed on a work-flow system, running in Linux Operating System with Oracle as back-end was introduced (July 2010) in all the erstwhile zones of CoC initially. CoC having decided to extend the Municipal e-Governance system to newly added zones (Greater Chennai) also entrusted (February 2012) the task of further customisation of the software through the same firm at a cost of ₹ 0.40 crore. The firm completed the job in March 2013. The data captured in CoC main office/zonal offices gets stored in the Central Servers placed at State Data Centre (SDC), Chennai.

2.2.2 Organisational set-up

The organisational set up existing in CoC is as under.



The Commissioner reports to Secretary to Government, Municipal Administration and Water Supply Department.

16 Nine Municipalities, eight Town Panchayats and 25 Village Panchayats.

17 Zone-1 - Tiruvottiyur; Zone 2- Manali; Zone 3 - Madhavaram; Zone 4 - Tondaiarpet; Zone 5 - Royapuram; Zone 6 - Thiru-Vi-Ka-Nagar; Zone 7 - Ambattur; Zone 8 - Anna Nagar; Zone 9 - Teynampet; Zone 10 - Kodambakkam; Zone 11 - Valasaravakkam; Zone 12 - Alandur; Zone 13 - Adyar; Zone 14 - Perungudi and Zone 15 - Sholinganallur.

18 Property tax, Profession tax, Trade license & Company tax, Land and Estate, PGR, Works, Inventory, Asset Management, Online Payment Gateway, Legal cell, Cash collection, Personnel information system and pay roll and Finance and Management.

2.2.3 Audit Objectives

The audit objectives were to examine whether

- the Corporation created plans for computerisation of its functions and acquired hardware and software based on their plan of action and established procedures;
- the system was implemented properly for selected business critical domains *viz*. Property Tax, Profession Tax and Grievances Redressal System;
- the business rules were mapped and change management process handled properly;
- application controls were adequate to ensure that data is valid;
- IT Governance processes such as approval of resource, setting of timelines, implementation, extension, operational monitoring of project were adequate and
- the Municipal e-Governance System was integrated as planned and functioning effectively to achieve the intended business objectives.

2.2.4 Audit criteria

The audit findings were benchmarked against criteria derived from the following sources:

- Chennai City Municipal Corporation Act, 1919
- Council Resolutions with Bye-laws
- Instructions issued by the State Government in the form of Government Orders/Circulars etc.
- Instructions/guidelines issued by CoC on Assessment and Collection of taxes.

2.2.5 Scope and methodology of Audit

The IT audit covered two revenue modules *viz*. Property Tax and Profession Tax and one service module i.e. Public Grievances Redressal (PGR) covering the period from 2009-10 to 2013-14. Apart from scrutiny of manual records, the examination of data for all the three modules was carried out through SQL queries and Computer Aided Audit Techniques (CAATs). Four zonal offices (Zones - 7, 9, 10 and 12) out of 15, selected through random sampling method (25 *per cent*) were visited for assessing the working of Municipal e-Governance System in the field offices. Further, the overall position relating to other modules and the extent to which the integration process took place was also examined in audit. The audit was conducted between February and May 2014 with an Entry Conference held with the Commissioner of CoC on 17 February 2014. On completion of audit, an Exit Conference was held on 15 October 2014 with the Secretary to Government, Municipal Administration and Water Supply Department and Commissioner of CoC. Responses of the department/Corporation have been considered while finalising audit findings.

Audit Findings

The audit observations which emanated by examining files/records and by examination of the entire database of the three Modules (Property tax, Profession tax and PGR) are elaborated below.

2.2.6 IT Strategy

2.2.6.1 Deviation from System Design Strategy

ELCOT submitted (June 2007) a Detailed Project Report (DPR) to Government of Tamil Nadu (GoTN) for implementation of Integrated Municipal e-Governance at a total cost of ₹ 6.92 crore, wherein it was envisaged to develop the solution using open source software i.e. PostgreSql/MySQL. In March 2008, ELCOT submitted another proposal to GoTN, wherein it had recommended that since the mainframe hosting facility at ELCOT is readily available, the purchase of servers, storage devices, UPS, air-conditioning and operating system software could be removed from the original projection.

Considering the recommendations of ELCOT, GoTN ordered (June 2008) reduction in the project cost of Integrated Municipal e-Governance from ₹ 6.92 crore to ₹ 4.68 crore with directions that the development of software would be in 'Open Source Platform'.

However, during implementation stage, by deviating from the DPR and the orders of the State Government, CoC developed the new application software with Oracle as the back-end database instead of going in for Open Source Technology (PostgreSql/MySQL). This has resulted in an expenditure of ₹ 0.49 crore towards Oracle license.

Corporation in its reply (September 2014) stated that CoC was already using Oracle for their legacy application software. Further, the open source alternative is cost effective in terms of initial pricing but the support for Oracle and open source (PostgreSql/MySQL) would be the same. Moreover, the availability of skilled man power for open source platforms is scarce when compared to Oracle support source.

The reply is not acceptable for the following reasons:

- the DPR was accepted by State Government, considering among other advantages to develop the software adopting open source technology only. By deviating from the above decision, CoC failed to avail the advantage of cost reduction.
- support cost for open source technology (PostgreSql/MySQL) is minimal when compared to other proprietary database licenses.
- CoC has procured Oracle 10G RDBMS at a cost of ₹ 0.49 crore during development of Municipal e-Governance Software.
- the open source technology is in use in many Departments/ Organisations of the State Government (Health, Police, Chennai Metropolitan Development Authority, Registration etc.) and therefore, there is availability of skilled support for such platforms.

2.2.6.2 Delay in procuring hand-held devices

In order to regularise and strengthen the collection of property tax, reconciliation and adjustment of old dues with automatic updating of the data and to hand over spot receipt to the property owner, CoC procured (November 2009) 300 hand-held devices. These devices with GSM/GPRS connectivity for use by tax collectors were procured at a cost of ₹ 0.93 crore which included maintenance charges for three years. As the three year maintenance was nearing completion (March 2013), CoC decided (October 2012) to procure 360 new hand-held devices through tendering process. However, due to frequent break-down of the existing hand-held devices used in the field by tax collectors, CoC decided (June 2013) to stop using the devices procured in 2009.

Subsequently, CoC entrusted (October 2013) the supply of 360 new hand-held devices to ELCOT and made an advance payment of ₹ 0.52 crore to them. But the new machines were yet to be supplied (September 2014) by ELCOT.

Audit observed that though the process of procuring new machines commenced in October 2012 itself, even after lapse of more than 24 months the new machines were yet to be procured (September 2014), thus losing the advantages i.e. updating the Demand, Collection and Balance (DCB) on-line and preventing back-end correction processes etc. Audit further observed that many of the errors in the DCB of the assessees brought out in the subsequent paragraphs could have been avoided by procuring the devices in time for use by the tax collectors.

CoC replied (September 2014) that the process of procurement of devices was delayed due to election process. It was further stated that tender has since been finalised and devices would be supplied by the vendor in the first week of October 2014.

2.2.6.3 Poor planning in Data migration

The legacy data of 42 local bodies (maintained in oracle/excel/manual registers) were migrated to Municipal e-Governance system. On completion of the migration process from a computer system or manual records, CoC should ensure whether the requirements of the added areas were fully met and all the records were captured in the new system from the legacy system. CoC should also monitor and ensure that each and every assessment with appropriate values[19] got migrated to the Municipal e-Governance System database without any error or omission/commission.

Examination of a sample of the migrated data of relevant municipalities/town panchayats and village panchayats pertaining to Zone 12 disclosed the following deficiencies.

- In Mugalivakkam Panchayat (Zone 12), 1,809 Property cases were not assigned any assessment number before migration to CoC. After merger, proposals were sent (October 2011) to CoC head office for allotment of new Assessment number for the above 1,879 property

[19] Area of the plot, built-up area, Annual Value, Street rate, number of floors, basic tax etc.

cases. So far assessment numbers were allotted by CoC head office for 887 Assessments only and the balance 992 cases are pending. Consequently, no demand for six half-years could be raised by Zone 12 for these 992 Assessments. Likewise, in respect of Manapakkam, Nandambakkam, Adambakkam and Nanganallur panchayats also, new assessment numbers were yet to be allotted in respect of 57, 24, 61 and 99 cases respectively.

- In 412 out of 58,556 assessments, there was a difference in property tax between legacy data and Municipal e-Governance System data. It was seen that the total property tax in these 412 assessments in the legacy data worked out to ₹ 0.15 crore whereas in the Municipal e-Governance System it was ₹ 0.11 crore. No steps were taken by the Zone to reconcile the difference.

CoC replied (September 2014) that the database of the erstwhile local bodies will be correlated at the time of field survey proposed to be taken during October 2014 and the databases will be updated.

2.2.6.4 Business Continuity Plan - Disaster Recovery (DR) Site not available

Considering the key role played by IT in the delivery of citizen centric services as envisaged in Government of Tamil Nadu - E-Security Policy 2010, the State Government had ordered (September 2010)[20] development and implementation of an IT Disaster Recovery Plan for each Government Department functioning in an IT environment. As CoC had computerised all their functional activities two decades ago and had introduced new integrated software, it is mandatory for them to maintain a DR site.

Audit observed that though the data is stored in SDC, Chennai and periodical back-ups are taken and tested, there is no provision for continuity of business operations immediately due to absence of a DR site.

In reply CoC had stated (September 2014) that they had planned to host DR site in the infrastructure provided by SDC.

However, due to inadequate planning, CoC did not have any plan of action to counter the risk involved in case of any eventuality such as break down of servers, network, natural calamities etc. at the SDC considering the criticality of the functionalities carried out with the assistance of IT systems.

2.2.6.5 Defective System Design - Abnormal size of the demand table

The demand for a property tax assessment is sub-divided into four heads of account for which four[21] records were created in the property tax demand table on every tax cycle (six months). Audit noticed that due to defective system design, the earlier records were getting re-appended twice apart from the four new records that gets generated during that half year for each assessment. For instance, assuming that there was only one assessment initially for which four records was already available in the table the increase in number of records from 2011-12 to 2013-14 second half-year would be as given in **Table 2.7**.

[20] G.O.Ms.No.42, Information and Technology Department dt.24.09.2010.

[21] One record each for General Tax, Education tax, Library Cess and Lighting charges.

Table 2.7 : Exponential growth in size of demand table

Half-year Demand Generated on	Opening balance of number of records	Number of Records created on generation of demand for that half year	Closing balance of number of records in the database	Closing balance of number of records required to be created	Excess creation of records
	-	4 (1x4)	4	4	**472**
01.04.2011	4	(4 +4)+4	12	8	
01.10.2011	12	(12+12) +4	28	12	
01.04.2012	28	(28+28)+4	60	16	
01.10.2012	60	(60+60)+4	124	20	
01.04.2013	124	(124+124)+4	248	24	
01.10.2013	248	(248+248)+4	500	28	

From the above illustration, it could be seen that against 28 records required to be in place as on 1 October 2013, 472 additional records gets appended to the demand table. Due to defective system design, the number of records in the demand table had increased exponentially (presently with 64 crore records as on 31 January 2014), and the table continues to grow resulting in abnormal size, unnecessary occupation of space, decreased efficiency/performance of the system etc. It was noted that even presently the normal process of generation of demand in each cycle takes 2-3 days. It may also lead to problems in reporting, reconciliation and if the design error is not addressed, this trend may lead to breakdown of the system with the passage of time in 2-3 years.

CoC replied (September 2014) that the issue was already analysed and the system requires major application and database level changes. The redesigning process is under progress. In the exit conference, CoC assured that action would be taken to archive the past records and to retain only the last six years demand in the current table.

2.2.6.6 Inaccurate reporting to Government of India

The State Government approved the DPR prepared by ELCOT i.e. Municipal e-Governance system at a cost of ₹ 4.68 crore and the same was taken up for implementation by CoC in June 2008.

However, in October 2009, CoC prepared a new DPR through another company for computerisation of its functions under Jawaharlal Nehru National Urban Renewal Mission (JNNURM) scheme sponsored by Government of India (GoI). The total project outlay was ₹ 19.46 crore. This DPR submitted by CoC through GoTN was approved (January 2010) by GoI at a final outlay of ₹ 12.06 crore. The final project cost was proposed to be met by GoI (35 *per cent*), GoTN (15 *per cent*) and CoC (50 *per cent*).

So far, GoI and GoTN had released (March 2010) a sum of ₹ 1.06 crore and ₹ 0.45 crore respectively out of ₹ 4.22 crore and ₹ 1.81 crore remains to be released by them. CoC had issued the 'Project Physical Completion Certificate/Utilisation Certificate' to GoI for the entire project cost of ₹ 12.07 crore stating that the sanctioned scheme has been completed in all respects (December 2012).

In this regard audit observed the following:

- The DPR prepared by ELCOT was frozen at a cost of ₹ 4.68 crore covering all the major functional activities of CoC and the implementation of the same was in progress. But CoC prepared another DPR through WIPRO to obtain funds under JNNURM scheme which lacks justification.
- CoC also submitted utilisation certificate to GoI by preparing a list of expenditure under 'IT head' incurred during 2009-13 for ₹ 12.40 crore without implementing the computerisation as envisaged in the DPR prepared by WIPRO.
- The functionalities claimed to be completed as per WIPRO DPR i.e. Health Management System, Town Planning Management System, Council Administration System, School Management System and File Tracking System have not been done and therefore the project completion/utilisation certificate has misrepresented these facts.
- Preparation of a DPR through WIPRO at a cost of ₹ 0.07 crore for the functionalities already under implementation in CoC also became infructuous.

CoC replied (September 2014) that the DPR prepared by ELCOT was only a preliminary report to kick start the implementation, whereas WIPRO DPR was prepared in compliance with the funding norms of JNNURM scheme and this project report was the detailed one because of which CoC could complete the project within the time frame and the roll out of Financial Management in compliance with the New Municipal Accounting Manuals.

The reply is not acceptable since the present Municipal e-Governance System is only based on the DPR prepared by ELCOT and not based on the DPR prepared by WIPRO.

2.2.7 Implementation and Operation

2.2.7.1 Partial integration of modules

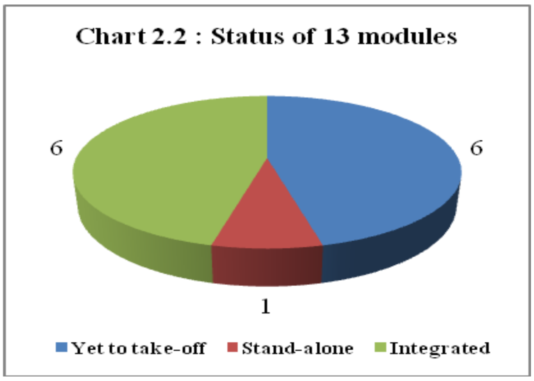
The Municipal e-Governance project was planned to be implemented in 3 phases[22] and all the 13 modules were to be completed within 18 months from the date of agreement (July 2008). All the software modules should be developed on a web centric environment and the modules should be integrated and deployed on a service oriented e-Governance infrastructure. The User Acceptance Test (UAT) certificate for all the modules was given (March 2010

[22] **Phase I** - Municipal Accounting, Cash Collection, Works Management, Property tax and Public Grievances Redressal; **Phase II** - Personnel Information System and Pay roll, Inventory and Stores Management, Asset Management and Integrated Payment Gateway**; Phase III -** Trade license and Company tax, Land and Estate, Profession tax and Legal cases monitoring.

and January 2011) by CoC and ₹ 1.67 crore was paid to the developer. All the modules were declared as 'go-live'[23] between July 2010 and January 2011.

Audit examined the working of each module with the user departments and the status (May 2014) of the modules are summarised below:

- **Six modules** (Profession Tax, Trade License & Company tax, Personnel Information System, Land and Estate, Inventory and Asset Management) are yet to take-off due to non-migration/ incomplete migration of data and back-log in capture data from legacy system.



- **One module** *viz*. Legal Case Monitoring System is functioning as stand-alone.
- Remaining **six modules** *viz*. Property Tax, Cash Collection, Works, Payment Gateway System, Finance & Management and Public Grievances Redressal System are functioning with data flowing from one module to another. In Property Tax system mismatches were noticed in the Demand, Collection and Balances of the individual assessees.

Audit observed through perusal of records that CoC had given User Acceptance Test (UAT) to all the modules and declared (January 2011) that all the modules had gone live and have become fully functional. However, it is evident from the above that due to lack of IT governance and Project ownership at the appropriate level, even after a lapse of more than three years after it is stated to be implemented and the amounts having been paid, the Municipal e-Governance system has not become fully functional and only 6 out of 13 modules have been integrated (September 2014). Further, no timeline has been fixed by CoC for commencement and completion of data migration for each module and integration of the modules as well.

2.2.7.2 Non-generation of automated property tax demands on the due date

According to System Requirement Specifications (SRS), the computer system should automatically create the demand for all the properties for the next demand period. This process should run every half-year at midnight on 31 March and on 30 September for eventual generation of demand for all the live assessments'.

Audit observed that during first half-year 2014-15, the demand for all the assessments was generated by the system during the third week of April 2014 only because the process of generation of demand was carried out only after obtaining the concurrence of the Revenue Department of the CoC and was not run automatically by the system as envisaged in the SRS.

[23] '**Go live**' means the software has become fully functional (including migration of legacy data/ back log data, if any, in the system).

This procedure therefore misrepresents the receivables of the CoC in the accounts as the CoC is following accrual system of accounting and the Property Tax and Municipal Accounting modules are linked.

CoC replied (September 2014) that the process of generation of demand is carried out after obtaining concurrence of the revenue department and is for the sake of closing of financial collection during the half year. However, from the coming half-year onwards the demand will be generated as scheduled.

The reply is not pertinent to the audit observation. Since the application is developed in ERP-like system, every process has to be automated and there should not be any manual intervention in the processes.

2.2.7.3 Data migration issues - Property tax collection could not be posted

The collection module of the property tax was brought into the Municipal e-Governance System from 25 February 2014 in all the erstwhile zones (seven zones). Considering the fact that UAT has been given (March 2010) to property tax module and 'go-live' was declared in September 2010, the module should be error free, dependable and the process flowing from it should be accurate so as to generate the correct demand, posting of collections and the balance due on any given date. Due to inadequate check/monitoring by the designated personnel working in EDP of CoC during migration of legacy data, there were errors in the migrated data, which led to the following issues in two test-checked zones:

Errors in Demand, Collection and Balance due to data migration issues

The property tax is collected by CoC from the assessees through cheque or demand draft. Whenever payment is received from an assessee against the property tax demand, the computer system would adjust the payment received against the oldest outstanding half-yearly demand.

In Zone 9, audit observed that due to errors in migration of legacy data, incorrect outstanding in DCB statements occurred in certain assessments resulting in inability to post the cheques received from the assessees in the computer system. Two illustrative cases are explained in **Table 2.8**.

Table 2.8 : Incorrect status of DCB statements (illustrative cases)

Sl. No.	New Assessment number	Half-years for which cheque is given by assessee		Status shown in the DCB of the assessee in computer system
		Half-years	Cheque payment Received	
1.	09-118-04039-000	I and II / 2013-14	058995 dt. 18.3.2014 for ₹ 5,126.00	Outstanding from 93-94/I to 98-99/I
2.	09-116-04458-000	I and II / 2014-15 and I and II / 2015-16	002088 dt. 11.4.2014 for ₹ 1,392.00	Outstanding from 94-95/II to 97-98/II

(Source : Information collected from Zone 9)

In both the assessments, the assessees had paid the property tax up-to-date and had given cheques for clearing the property tax due for 2013-14 and

2014-15/2015-16 respectively. However, due to error in data migration, the DCB shows incorrect outstanding for earlier years in the computer system. If the cheques given by the assessees for current years were posted in the computer system, the system would adjust the oldest outstanding, which is shown incorrectly. Due to the above issue, in all, cheques worth ₹ 0.28 lakh could not be presented for posting / sent for collection in the above zone.

Discrepancy between manual receipts and DCB of computer system

CoC dispensed with the usage of hand-held devices from June 2013. Audit observed that there were many instances of discrepancy between computer DCB posting and manual receipts issued by tax collectors during field visit. Since there was no provision in the system to capture the details of cheques which could not be posted against the individual assessees due to discrepancy between manual receipts and DCB, audit could not derive assurance that the property tax was properly collected and accounted for.

CoC replied (September 2014) that the database of the erstwhile local bodies would be correlated at the time of field survey proposed to be taken during October 2014 and the database would be updated.

2.2.7.4 Improper customisation and change management for extending to new areas

CoC extended (February 2012) the Municipal e-Governance system to Greater Chennai (42 newly added local bodies) by customising the application software at a cost of ₹ 0.40 crore, which included data migration and data updation. Therefore, all the assessments with its full parameters, which were existing in the 42 local bodies, should get migrated to the Municipal e-Governance System database. These local bodies were maintaining the assessments in different modes such as manual registers, oracle, excel etc. Examination of the database of newly added zones disclosed the following deficiencies:

- Though, all the parameters of the new property or modified property were stored in the database, the 'Annual Value' and the 'Property tax' were calculated outside the Municipal e-Governance System and the final figure was entered in the screen due to absence of provision in the software to calculate a system generated annual value and property tax.
- The floor-wise details[24] were not captured for the existing properties in all the 42 local bodies. Instead the total built up area of all the floors were aggregated and entered in the system along with the existing Annual Value and the Property tax, thus giving no scope to handle the situation during revision of property tax. For example, in Zone 12, for a property with three floors (Property-ID 12-156-07695-000) having a total built-up area of 1,328 sq.ft., floor-wise built-up area was not available in the database.

[24] Floor number, built-up area of floor, structure details, usage details, occupation details etc.

- Of the 42 newly added local bodies there were nine municipalities which were using application software developed under Tamil Nadu Urban Development Project for their functional activities. However, no attempt was made to migrate the property tax oracle database (legacy database) to Municipal e-Governance system in respect of these nine[25] municipalities.

Thus, due to improper handling of 'Change Management Process' in the computer system of newly added Zones as highlighted above, the benefits of customising the Municipal e-Governance System software to suit the newly added zones at a cost of ₹ 0.40 crore was largely not achieved by CoC even after lapse of more than three years.

CoC replied (September 2014) that the database of the erstwhile local bodies will be correlated at the time of field survey proposed to be taken during October 2014 and the databases will be updated.

2.2.7.5 Delay in validation of migrated records leading to non-realisation of revenue

In all the erstwhile zones, though the Municipal e-Governance System was introduced in 2009 itself, the 'Collection Module' of Property Tax was introduced on 25 February 2014 only after migration of legacy data to the Municipal e-Governance System database.

The following are the procedure for handling of dishonoured cheques in the computer system:

On receipt of a cheque from an assessee, the details are entered in the computer system and a computer-generated receipt is issued to the assessee. Subsequently if any cheques get dishonoured, such cheques were sent by the banker to the CoC head office with reason for dishonour of each cheque. A Return Memo addressed to the assessee with a copy to the zonal office is sent by CoC head office with details of property tax payable and penalty amount. The property tax payable including the penalty amount is collected from the assessee through demand draft in lieu of the dishonoured cheque. It was observed that:

if the cheque dated after 25 February 2014 gets dishonoured, a reversal entry for 'cancellation of receipt' should be made in the computer system and the record is sent to the inbox of the Accounts Officer of the relevant zone. The Accounts Officer by opening the inbox should approve the record, so as to obtain a demand draft in lieu of dishonoured cheques. In 4 out of 7 erstwhile zones, due to failure of Accounts Officers to approve the records, dishonoured cheques worth ₹ 0.12 crore (**Appendix 2.8**) were lying unprocessed and

if the cheque dated before 25 February 2014 gets dishonoured, a reversal entry for the receipt already issued in the legacy system could not be made in the New Municipal e-Governance System. To overcome this technical issue, the zonal officer of the concerned zone needs to enter the penalty amount in the 'Edit Demand' screen (specifically developed for this purpose) and approve the

[25] Alandur, Ambattur, Kathivakkam, Madhavaram, Manali, Maduravoil, Tiruvottiyur, Ullagaram and Valasaravakkam.

record so as to collect a demand draft in lieu of dishonoured cheque. Though, CoC had migrated all the legacy data to the Municipal e-Governance System, the validation of migrated records is done in a phased manner only and the same has been completed upto 2010-11 (as of May 2014), which is in tune with finalisation of Annual Accounts i.e. 2010-11. In the 'Edit demand' screen the penalty amount for a dishonoured cheque could be entered only if the migrated legacy data is validated. Audit observed that in all the seven erstwhile zones, due to absence of validation of records from 2011-12 onwards, dishonoured cheques worth ₹ 2.67 crore (**Appendix 2.8**) received by the seven zones during January to December 2013, could not be processed in the system. In these instances, demand drafts in lieu of dishonoured cheques could not be obtained from the assessees concerned. CoC failed to take any effort to speed up the process of validation of legacy data so far (September 2014) so as to realise the revenue due to the Corporation.

2.2.7.6 Access control - Excess allocation of login ids to Zonal heads and incorrect allocation of privileges

Access privilege to an IT system are limited to authorised users on a ‘need to know’ basis. A 'privilege' in an IT environment means giving a user accounts only those privileges which are essential to that user's work. Such privilege should be properly mapped for each user in the Municipal e-Governance System by CoC head office and watched on a regular basis. There are 15 Zones in CoC and each user of the workflow system is assigned one Uid/password including the Zonal Officer to perform their day to day function in the Municipal e-Governance System.

In this connection, the deficiencies noticed in password policy/allocation of privileges by examining the database are explained below:

- Login ids are allocated to 'designations' instead of individual names which is not in line with the principles of password policy.
- There are 25 live login-ids against 15 zonal officers, giving room for misuse of the system. CoC accepted (September 2014) the audit observation and replied that the excess login ids will be removed.
- An Assistant Revenue Officer (ARO) of CoC could view and edit the demand amount of an assessment outside his jurisdiction due to non-mapping of AROs to their respective zones in the system. CoC replied (September 2014) that provision has been given to the users to view the notices pertaining to other zones since such notices are public records. The reply is not acceptable because the AROs have been given access not only to view assessments outside their jurisdiction but to edit the demand values as well.
- In Zone 9, against 2 AROs and 6 Assessers working in the Zone, 6 and 11 live login ids respectively are available in the system. Excess creation and availability of login ids may result in unauthorised access to the computer system. CoC replied (September 2014) that the additional logins were created on the anticipated postings of additional AROs which is not acceptable from security point of view.

- A common login id is being used by outsourced personnel working in the collection centres in all the zones of the CoC. CoC accepted (September 2014) the observation and stated that action will be taken after the introduction of Employees Information System.

2.2.8 Delivery and Support

The database relating to Property tax, Profession tax revenue modules and PGR were examined in audit. The deficiencies in the application software due to absence of controls/validations as well as in the implementation process are commented (Module-wise) in the succeeding paragraphs.

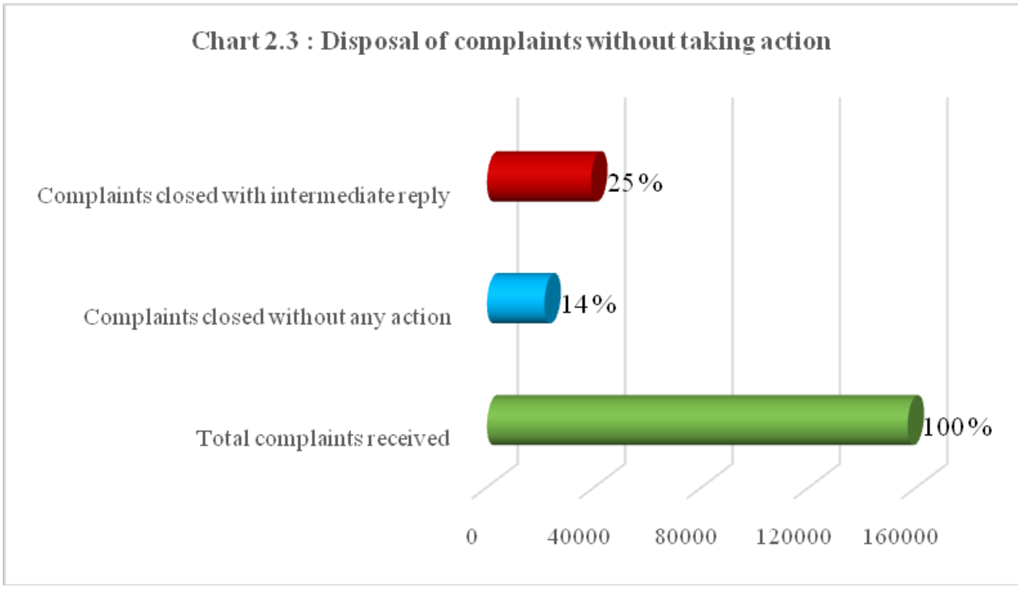
2.2.8.1 Public Grievances Redressal (PGR) System

PGR System was introduced in CoC to enable the citizens to air their grievances and be able to track the progress of its redressal in a structured and efficient manner. The system enables the citizen to register their complaints with the CoC either through internet or phone and the computer system assigns a complaint number for each complaint so registered to track and monitor the progress of it. Complaints were then auto-routed to the appropriate officer for redressal. If complaints were not redressed within the allotted time, they were escalated to the next level officer automatically. PGR system is in operation from April 2009.

Audit made a study of the functioning of PGR system and also examined the PGR database. The deficiencies noticed in implementation of PGR system are brought out hereunder.

Disposal of complaints without taking action

Out of 1,56,686 complaints registered during 2009 to 2014, 21,393 complaints (14 *per cent*) were assigned 'completed' status even though no action was taken by CoC on these complaints. A lower level officer to whom the complaint is marked in his inbox could assign 'completed' status in the computer system without taking any action on the complaint. The status assigned by him is not reviewed through system by his immediate superior. Further, 38,771 complaints (25 *per cent*) out of 1,56,686 complaints, contained intermediate replies such as ‘garbage will be cleared’, ‘broken bin will be removed shortly’, ‘forwarded to….’ etc. These were given 'completed' status without taking any remedial action. In all, 39 *per cent* of the complaints were treated as “completed” without taking any action on them as depicted in **Chart 2.3**. Audit observed that due to lack of input control, the application software allows the user to choose 'Completed' action without recording the redressal details.



In the above circumstances, the MIS reports generated by the PGR System for determining the performance of the CoC in attending to the complaints did not show the true status. CoC replied (September 2014) that action has been initiated against those officials who closed the complaints without taking action.

Deletion of missing complaint numbers

The 'Complaint ID Number' is a system generated running serial number available in the Complaint Table. Examination of the database disclosed that out of 1,56,686 registered complaints so far, 1,816 number of complaint ID numbers were missing. The Complaint ID number is the link field for all the tables in the database. This situation only shows that these 1,816 complaints were deleted in the back-end. CoC replied (September 2014) that due to reallocation of wards and renumbering of zones during expansion of city limits and removal of complaints registered during testing phase some complaints were deleted.

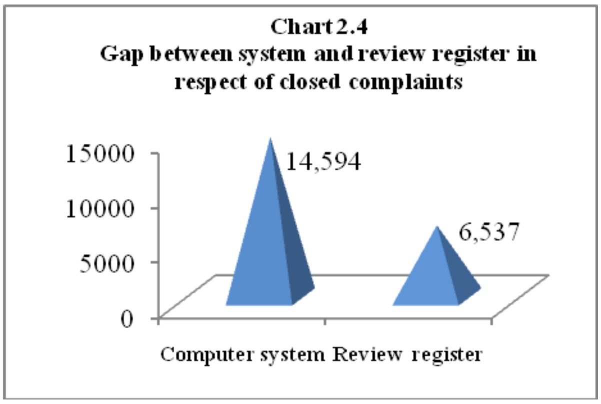
The reply is not acceptable since before going in for 'live' operation, the complaints registered during testing phase should have been removed. Further instead of deleting the complaints relating to new boundaries, the complaints should have been transferred and re-assigned to officials in-charge of new boundaries.

Five per cent review of grievances treated as closed - Deficiencies in system followed resulting in closure of complaints without action taken

In order to have an effective monitoring of the PGR System, the Public Relation Officer of the CoC had introduced the system of reviewing 5 *per cent* of the closed complaints periodically from October 2013. Examination of the database and records relating to reviewed complaints for the period from 26 October 2013 to 07 February 2014 revealed the following:

- There was a gap between the computer system and review register in respect of closed complaints due to which 8,057 closed complaints (55 *per cent*) were not considered for review.

- Out of 6,537 completed complaints as per register, 334 cases were reviewed (5 *per cent*) by the complaint cell, wherein it was found that 150 complaints representing 45 *per cent* were treated as "completed" without taking appropriate action and were actually "pending".

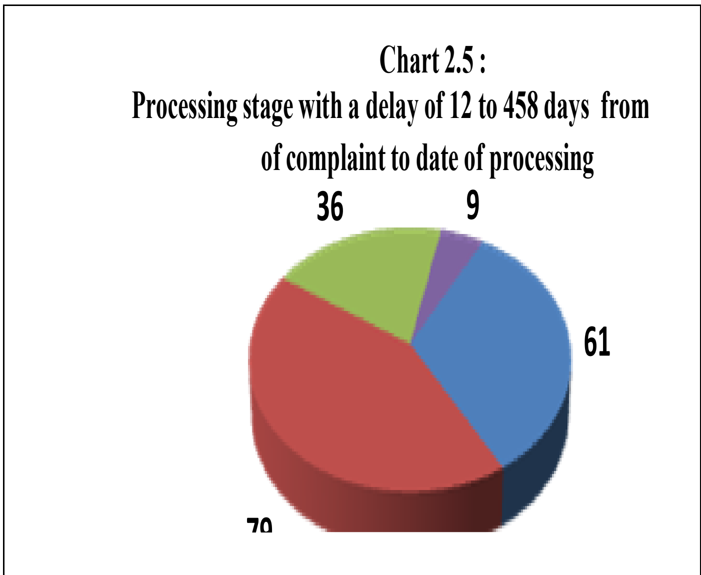


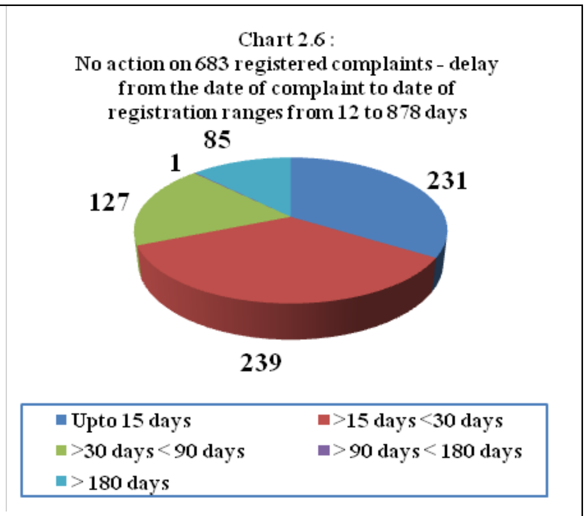
- The selection of five *per cent* of closed complaints was done manually and not by adopting any scientific method so as to represent the entire population.

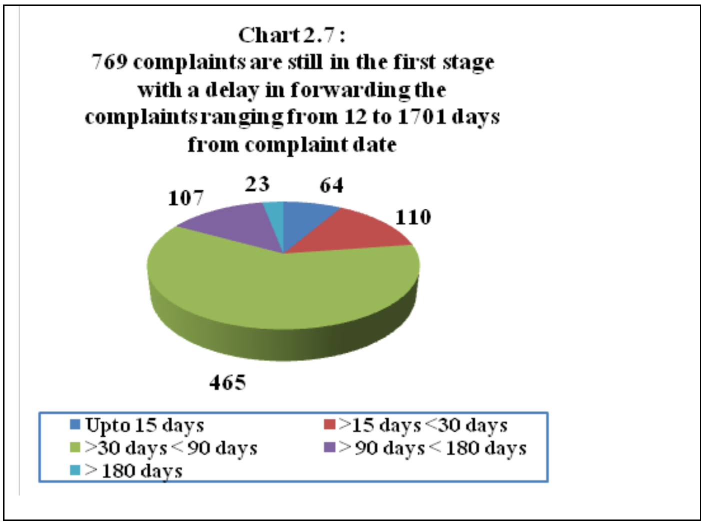
CoC replied (September 2014) that the complaints were periodically reviewed in the regular review meetings and actions were initiated against those officials who closed the complaints without proper attempt. However, audit observed that inspite of conducting regular review meetings and action initiated against the erring officials, the above deficiencies persist due to ineffective monitoring.

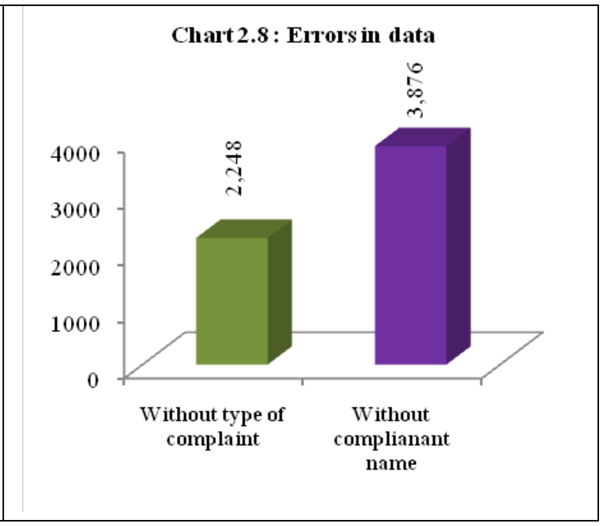
Overall status on PGR

The overall performance of PGR system through examination of database revealed deficiencies which are indicated in **Charts 2.5** to **2.8**.









The above status reveal that poor monitoring of the system coupled with absence of validation controls in the software had resulted in delayed action or no action on registered complaints besides incorrect generation of MIS.

CoC in its reply (September 2014) stated that the timeframe for all the types of complaints has been fixed now.

2.2.8.2 Profession Tax

According to Section 138-B of Chennai City Municipal Corporation Act, 1919, every company which transacts business and every person who is engaged actively or otherwise in any profession, trade, calling or employment within the city on the first day of the half-year for which return is filed, shall pay half-yearly tax at the rates specified. The profession tax is payable in every six months and the rates was last revised in October 2008.

Under Municipal e-Governance System, a separate module for Profession Tax was developed (September 2010) by CoC. The basic objective of developing a separate module is to ensure that half-yearly demands were raised through the computer system against the live assessees, ensure collection of the profession tax due from them according to the profession tax slab.

Audit observed that even after a lapse of four years, the new module is yet to be put to use since the master details of profession tax assessees alone were captured in the new Profession Tax e-governance module so far (May 2014). The data available in the transaction tables are yet to be migrated or captured from FoxPro database (legacy system). Further, no timeline has been fixed for completion of the migration process from the legacy system. Hence, the FoxPro database is continued to be used by CoC for Assessment and Collection of Profession Tax[26] (September 2014). An analysis of the Master tables of New Profession Tax module and the FoxPro database presently in use disclosed the following:

26 Profession Tax collected - 2009-10 (₹ 30 crore); 2010-11 (₹ 121 crore); 2011-12 (₹ 141 crore); 2012-13 (₹ 126 crore); 2013-14 (₹ 77 crore).

Deficiencies in New Profession Tax Master Database

The master details of assessees were re-entered in the new module and not migrated electronically from FoxPro. A comparison of the master tables existing in the FoxPro database and the new profession tax module disclosed the following deficiencies:

- Discrepancy in Demand details - In 1,088 records, the initial demand detail varied between the master tables.
- Discrepancy in Date of Registration - The Data of Registration of an assessee is one of the crucial information captured in the master data. Audit observed that in 1,496 records, there was discrepancy in 'Date of Registration'.
- Discrepancy in assessee Name - In 45,601 out of 91,744 records representing 50 *per cent*, there were discrepancies in the name of the assessee.

The above deficiencies only show that the new module of CoC may not help them to achieve their business objectives since CoC failed to compare each and every record with legacy data or the manual records (application of the assessees given at the time of registration for Profession tax) to ensure its correctness. Due to poor handling of change management process, the demand and collection of Profession tax from the above module may show incomplete/inaccurate information in future. Therefore, the existing FoxPro database used for collection of profession tax was examined in audit which revealed that FoxPro database is largely incomplete in terms of assessment, demand and collection which will be eventually reflected in the new profession tax module of e-governance system.

Deficiencies in present FoxPro database

In the FoxPro data, the profession tax assessees are classified into four major 'category' *viz*. CG (Central Government), SG (State Government), IN (Individual) and PEs (Private Enterprises). Though provision is available in the database to capture the details regarding number of employees working in an organisation with salary details, the information is not collected by the Tax collectors and updated in the computer system. Moreover, the income details of individuals, employers etc. were also not captured and updated in the system leaving no scope for CoC to raise any half-yearly demand. Hence, the payments received from assessees through cheque/demand drafts were simply posted in the computer system without any scope for verification.

Loss of Profession tax revenue to CoC due to non-collection during 2009-13

CoC should collect the profession tax due from all the live assessees for each half-year. Examination of the database disclosed that in respect of 234 out of 1,794 Central Government Organisations (CG), 421 out of 4,860 State Government Organisations (SG), 37,401 out of 66,274 Individuals and 10,031 out of 26,002 PEs, profession tax revenue was not collected by CoC during the last 10 half years i.e. five years (2009-10 to 2013-14). With the available information in the database, the minimum loss of revenue[27] to CoC during 2009-10 to 2013-14, works out as given in **Table 2.9**.

Table 2.9 : Non-collection of profession tax from live assessees

Category	Number of Assessments	Cumulative loss* of revenue during 2009-10 to 2013-14 (₹ in crore)
Central Government establishments	234	2.43
State Government establishments	421	1.00
Individuals	37,401	2.23
Private Enterprises	10,031	28.97
Total		**34.63**

* The loss of revenue has been worked out @ ₹ 60 (minimum amount of profession tax) per half year, wherever the information regarding 'Registered Amount' was not available in the Master table

(Source : Foxpro data from Profession Tax System furnished by CoC)

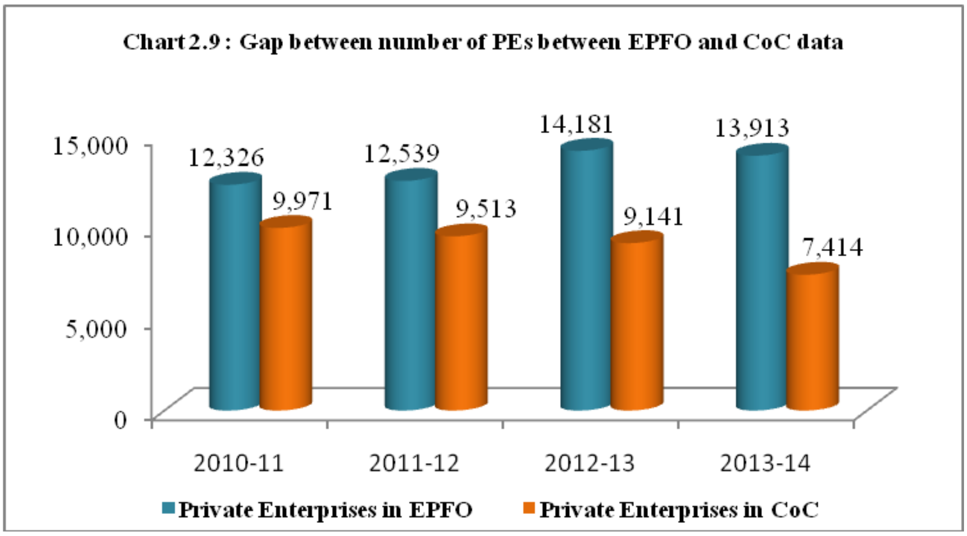
Thus, failure of CoC in initiating effective steps to collect the profession tax due from live assessees had resulted in a minimum loss of revenue of ₹ 34.63 crore to the Corporation during the years 2009-13.

CoC replied (September 2014) that it is proposed to conduct comprehensive field survey in the month of October 2014 in order to find out the profession tax defaulters.

Non-identification and inclusion of potential Private Enterprises in the database

The PEs being one among the four types of Profession tax payers forms the major contributors of profession tax revenue to CoC. To check the completeness of the number of live 'PEs' existing in the FoxPro database of CoC, audit obtained the database of Employees' Provident Fund Organisation (EPFO) for comparing the same. Comparison of EPFO data with data available with CoC revealed that the number of live PEs as per EPFO database outnumbered the live 'PEs' as per information held with CoC during 2010-11 to 2013-14. The pictorial representation of the same is given in **Chart 2.9**.

27 Loss of revenue for 10 half years was calculated by adopting the profession tax collected at the time of enrolment of the organisations i.e. "Registered Amount".



It could be seen from the above chart that during 2010-14, the extent of potential PEs unknown to CoC was 19 to 47 *per cent* and the gap was showing steady increase. Thus, huge revenue due to corporation remains untapped.

CoC replied (September 2014) that it has been decided to obtain the required data from various departments under the State/Central concern including EPFO to make more number of assessment of profession tax after verification of existing database.

2.2.8.3 Property Tax

The Property tax revenue continues to be the major source of revenue[28] to CoC. According to Section 99 and 100 of the Chennai City Municipal Corporation Act, 1919, the Council by a resolution determines that a property tax should be levied on every building together with its site and other adjacent premises occupied as appurtenances thereto unless the owner of the building is different from the owner of such site or premises.

The Revenue Department of CoC is responsible for assessment, raising of demand and collection of Property tax. A separate module for Property tax under Municipal e-Governance System was developed and introduced in September 2010.

Generation of demand for de-activated properties

The demand for all the property assessments is generated by the computer system on 1 April and on 1 October every year. While generating such demands, no demand for the properties which were de-activated due to various reasons such as demolition, reconstruction or wrong property etc., should be generated by the system.

Examination of the Property Tax database disclosed that during 2009-10 (II half-year) 954 properties were de-activated due to various reasons. However, property tax demand was generated by the system amounting to ₹ 0.39 crore during that year. Since then the number of de-activated properties got increased in the subsequent years and the system continued to generate demand for these de-activated properties. As on 1 April 2014,

[28] Property Tax collected - 2009-10 (₹ 366 crore); 2010-11 (₹ 376 crore); 2011-12 (₹ 358 crore); 2012-13 (₹ 461 crore); 2013-14 (₹ 322 crore).

16,753 properties got de-activated for which property tax demand for ₹ 10.53 crore has been generated by the computer system as detailed in **Table 2.10**.

Table 2.10 : Generation of demand for 16,753 de-activated properties

Assessment Year	Half-year	No of 'Deactivated' Assessments	Demand generated for 'Deactivated' Assessments - (in ₹)
2009-10	II	954	38,99,682
2010-11	I	2,968	94,58,831
2010-11	II	5,627	1,81,39,773
2011-12	I	7,547	2,43,52,771
2011-12	II	9,397	3,47,07,693
2012-13	I	10,516	3,77,29,716
2012-13	II	11,703	6,17,58,274
2013-14	I	12,600	6,85,84,840
2013-14	II	14,076	7,68,11,899
2014-15	I	16,753	10,52,76,919

(Source : Data furnished by CoC from Property Tax System)

Such type of error in the system had crept in due to absence of process control which would have a direct bearing in the budget forecast as well as in the Annual Accounts of the Corporation during the respective years.

CoC accepted (September 2014) the audit observation and stated that action was being taken to resolve the issue. It was further stated that this issue has been resolved and no demand is being generated for the bill numbers deactivated. However, audit is of the view, that even though the issue had been resolved, the Corporation had not taken steps to remove the existing demand generated for deactivated properties from the database which affects the financial statements of the entity.

Generation of '0' demands for 'live' Properties

The property tax module has been designed to generate demand for the two half-years automatically by running a process on the midnight of 31 March and 30 September. This process should generate accurate half-yearly demand for all the live assessments. Examination of the property tax data pertaining to two test-checked zones (Zone 9 and Zone 10) disclosed that in respect of 42 and 21 assessments respectively, the demands were generated for '0' amount from the First half-year of 2009-10 to till date. These properties were live in nature as observed from the database. It was also observed that property tax demand was raised up to second half-year 2008-09 for all these assessments. Due to process failure, the computer system had generated zero half-yearly demand in respect of these active properties.

The following are the consequences of generation of '0' demand for the above properties.

- The projection of budget forecast would not be accurate to that extent during the financial years 2009-10 to 2014-15 and would show an incorrect projection of revenue collection.
- The deferred revenue loss to CoC due to generation of '0' demands for the above properties for 11 half-years (2009-10 to 2014-15 I half-year) works out to ₹ 0.22 crore (**Appendix 2.9**).

Corporation in its reply (September 2014) stated that they have identified 6,189 such properties from the whole database and that all such kind of properties enlisted would have to be inspected and necessary proposals submitted to the property tax committee for making assessment of property tax.

The contention of CoC that the identified 6,189 properties have to be inspected for making assessment of property tax is not acceptable because only on assessment of property tax, had the above properties come into the system. Further, during verification of the basic manual records in the test-checked zones, it was found that all the 42 and 21 assessments mentioned above were assessed for tax.

Values in the Built-up area more than the Sital area

The property tax module has been designed to capture the floor-wise details[29] of every property at the time of assessment through Form-6. While capturing the assessment details in the system, the area of the land (sital area) and the built-up area (floor-wise) are entered among other values and information. Under no circumstances, could the built-up area of the ground floor be more than the sital area of the property.

However, examination of the property tax data disclosed that in 7,903 assessments relating to 15 zones, the built-up area of the ground floor is more than the sital area thus rendering the data unreliable. Any MIS report generated on the above cases would not furnish the correct information about the property. Due to absence of validation control in the Property Tax module, the above type of error had crept in while making data entry in the system of the above properties.

Corporation in its reply (September 2014) stated that the property tax is to be levied for the structures being used for human habitation. The sital area is not the criteria for making assessment of property tax.

The contention of CoC that the sital value is not reckoned for calculation of property tax is not acceptable since it is one of the basic information captured about a property in the database and the values captured in the system should be realistic when compared with the plinth area of the property.

Failure to calculate Library Cess, Education Tax and Lighting Charges on Basic Tax for assessments relating to added areas

Under Section 100 of Chennai City Municipal Corporation Act, 1919 read with Corporation Resolution No.405/2009 dated 29 October 2009, the method of calculation of Monthly Rental Value/Annual Rental Value and the Total Tax (which included General Tax, Education Tax, Library Cess and Lighting Charges) has been prescribed. CoC had to remit the Education Tax/Library Cess to the respective Departments (Government head of account).

As far as erstwhile zones of the CoC are concerned, the Property tax is calculated by the computer system with complete break up details such as General Tax/Education Tax/Library Cess and Lighting Charges as

[29] Location of the property, total sital area, built-up area of each floor, usage of the property etc.

contemplated in the above Resolution. The system automatically carries the head-wise apportionment as mentioned above, to enable CoC to remit the same to Government heads and also reflect the same in the Financial Management System of the Corporation.

However, in respect of the newly added 42 local bodies (Greater Chennai area), no such apportionment as envisaged in the Council Resolution is carried out in the computer system in respect of 4.3 lakh migrated assessments. Due to the above failure, CoC could not apportion and remit the relevant tax portion to the respective Government head of account so far, even after spending ₹ 0.40 crore for customisation of the existing Municipal e-Governance System to suit the requirement of Greater Chennai.

In reply (September 2014) CoC stated that the amount collected towards Library Cess at 10 *per cent* on property tax is being calculated separately based on the collection made and is being remitted to the District Library Authority concerned periodically. CoC also stated that the different procedure followed in the newly added area would be removed at the time of general revision of the property tax and the collection would be apportioned as per the component.

The reply of CoC is not acceptable since in ERP-like application software, the system should automatically apportion the relevant tax portion and post the same in the financial accounting module without any manual intervention.

Non-mapping of business rule in calculation of property tax

The Annual Value of any property has been fixed by a common factor *viz.* 10.92 and the half-yearly tax was fixed as 12.40 *per cent* on the Annual Value of the Property. Therefore, the calculation of property tax for the erstwhile zones shall be as follows:

Half-yearly tax = Built up area x Basic rate x (10.92 x 12.40 *per cent*)

By multiplying 10.92 with 12.40 *per cent,* the resultant factor works out to 135.41. In the program logic, the half-yearly tax is calculated on the above basis. With a view to simplify the calculation process, CoC in its Council Resolution[30] (August 2008) ordered for calculation of half-yearly tax as follows:

Half-yearly tax = Built up area x Basic Rate x (135 *per cent*)

However, no change in the application software was carried out in calculation of half-yearly property tax in line with the Council resolutions. Thus, excess amount of property tax at 0.41 *per cent* is collected from the assessees processed in the municipal e-governance system. An illustrative calculation for the assessment 09-110-01106-000 (Non-residential/owner/permanent category) is furnished in **Table 2.11**.

[30] Resolution No.470/2008 dated 27.08.2008.

Table 2.11 : Excess collection of property tax (illustration)

Floor No	Built Up Area (sq.ft.)	Rate	Half yearly tax calculated by CoC			Half yearly tax to be calculated as per Resolution		
			Tax*	Discount	Net Tax (Col 4-5)	Tax**	Discount	Net Tax (Col 7-8)
		(in ₹)						
1	2	3	4	5	6	7	8	9
0	3,789	3	15,391.83	3,847.96	11,543.87	15,345.45	3,836.36	11,509.09
1	3,789	3	15,391.83	3,847.96	11,543.87	15,345.45	3,836.36	11,509.09
2	3,789	3	15,391.83	3,847.96	11,543.87	15,345.45	3,836.36	11,509.09
					34,631.61			**34,527.27**
	Rounded off to			**(A)**	**34,630**		**(B)**	**34,530**
	Difference in Tax			**(A)-(B)**				**100**

*Built-up Area x Rate x 10.92 x 12.40 *per cent* ** Built-up Area x Rate x 135 *per cent*

The Corporation replied (September 2014) that there was no reduction or increase in the value of property tax due to the introduction of simplified calculation (i.e. 135 *per cent*).

The reply of the CoC is not acceptable since the decision taken in the above Council resolution would result in reduction of property tax for individuals by 0.41 *per cent.* Resolution of Council should have been given effect to in the computer system.

Non-integration of Building Plan Approval module with property tax

The Chennai City Municipal Corporation Act, 1919 stipulated that any person who intends to construct or re-construct a building should send an application to the Commissioner of CoC and obtain approval from the Commissioner for execution of work. The above rules are also applicable for additions/ alterations. In case the Commissioner is of the opinion that the construction or re-construction has been done by deviating from the approved plan or in contravention of the provisions of the rule, he may impose a penalty of ₹ 50 per 100 sq.ft or part thereof for such deviations.

Apart from the 13 modules developed under the Municipal e-Governance System, a module for according Building Plan approval was developed by CoC separately and is in use. However, the above module has not been integrated with Property tax module so far. Had integration of the above two modules been done, the vital parameters such as sital area of land, plinth area, floor-wise built-up area, etc. need not have to be captured in the Property tax module under work flow system and the same would be fetched accurately from the Building Plan database.

CoC in its reply (November 2014) stated that action has already been initiated to integrate the data base of building permission given through the planning section with the data base of building assessed for property tax.

Incorrect mapping of Property Identification Numbers leading to inability of the owners to pay their property tax

In the property tax module, each property is identified by a unique 13-digit number. The first two digits represent the Zone (Zones 01 to 15), the next three digits represent the Division (001 to 200), the next four represent the property identity within the Division and the last three digits represent the sub-divisions, if any, under that property. In the CoC website, the system fetches a property by selecting the zone and then division falling under that zone followed by entering the property number and subdivision numbers. It was observed in audit through examination of data that in respect of 396 active properties, the divisions were not properly mapped with the zones during data migration process. Due to incorrect mapping, the demands for 287 out of 396 properties, though populated in the demand table are not available for any further transaction i.e. mutations, amalgamations etc. Illustrative list of such cases are furnished in **Table 2.12**.

Table 2.12 : Incorrect mapping of 287 assessments in the system

Sl. No.	Property ID	Zone	Division No. of the property	Divisions actually falling under the Zone
1	03-039-1268-000	03	039	022 - 033
2	04-058- 673-056	04	058	034 - 048
3	07-105-0546-101	07	105	079 - 093
4	08-115-1329-004	08	115	094 - 108
5	10-149-2339-000	10	149	127 - 142

(Source : Data furnished by CoC from Property Tax System)

Further, since these properties cannot be fetched through the system, no property tax payment could be made by the assessees concerned and demand to the tune of ₹ 0.10 crore (for II half-year 2013-14 alone) was not available for payment. In the remaining 109 properties, no demands was generated and populated in the demand table.

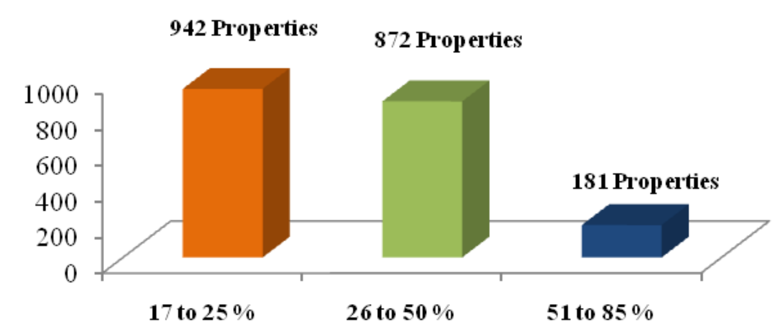
CoC in its reply (November 2014) accepted the audit observation and stated that the demands for the above assessments have been raised. The reply is not pertinent to the point since audit observed that due to incorrect mapping of the property identification number, the owner of the property cannot pay the property tax either on-line or at the property tax collection counters.

Abnormal floor areas captured in the computer system due to lack of input control

In the property tax database, the capture and storing of parameters of each property is critical since the basic tax is calculated by the computer system from the system calculated Annual Value based on these parameters.

Examination of the database disclosed that abnormal increase in area between ground floor and first floor in respect of independent buildings was noticed in 1,995 Assessments as detailed in **Chart 2.10**.

Chart 2.10 : Percentage of increase in area between First Floor and Ground Floor



Such variations only show that the application software lacks input control. Reply of the CoC (September 2014) is not pertinent to the observation since the audit contention relates to independent buildings whereas the reply of CoC relates to Flats.

Incorrect calculation of property tax due to process failure or non-mapping of business rule in the system

CoC in their resolution[31] passed in August 2008 decided to simplify the calculation of property tax and resolved that the property tax calculation be done in the following manner.

Half-year tax= Built-up area x Basic rate x 135 *per cent*

Examination of the Property tax database disclosed that in 376 assessments, the half-yearly property tax was wrongly stored in the system resulting in revenue loss of ₹ 0.04 crore to the Corporation.

Corporation accepted (November 2014) the audit observation and stated that action would be taken to revise property tax for the above properties.

2.2.9 Monitoring

2.2.9.1 Absence of internal control for Information Systems

CoC having computerised its functional areas two decades ago, switched over to 'Municipal e-Governance System' in 2009. In 2011, 42 local bodies got merged with CoC. During this process, large scale data was migrated from legacy system to Municipal e-Governance system leaving ample scope for undetected errors in the database of CoC due to lack of controls/validations/processing errors in the software. Audit observed that:

- No internal control system exists in CoC to monitor the IT systems.
- Though, the Local Fund Audit team conduct audit of the Accounts/ transactions of CoC, periodically, the Local Fund Audit team is confined to check of manual records and registers.
- CoC made an attempt to purify the legacy data in the year 2005. Since then no data purification exercise was carried out in CoC till date.

2.2.9.2 Inconsistent methods adopted for handling of dishonoured cheques

The procedure adopted for handling of dishonoured cheques in the computer system has already been explained in paragraph number 2.2.7.5 of this report. However, due to absence of clear instructions from CoC head office to Zonal offices on handling of dishonoured cheques, the following discrepancies were also noticed.

- The Manual receipts issued from June 2013 to the assessee for all the cheques received during field visit by the tax collectors are then posted in the computer system. If any discrepancy between manual receipts issued and DCB statements was found, the posting of manual receipts

31 Resolution No.470/2008 dated 27.08.2008.

is not carried out in the computer system but the cheques were sent for collection.

- In the collection process, if any cheques get dishonoured, the record (cheques number/date) could not be fetched in the computer system at CoC head office for want of posting of the manual receipt details. Audit found that in as much as 592 cases of dishonoured cheques amounting to ₹ 0.30 crore (**Appendix 2.10**), posting were not done in the computer system during January 2014 to March 2014 in 14 Zones.
- In Zone 12, out of 250 manual receipts issued by one tax collector during July 2013 to November 2013, discrepancy exists in 49 manual receipts amounting to ₹ 0.02 crore. Further, on receipt of intimation about dishonoured cheques, the Accounts Officer failed to open the inbox and approve the record for reversion of 'collection amount' and automatic posting of 'penalty' in the relevant DCB. Instead, the tax collectors collect the property tax with penalty through DDs with the help of 'return memo'. A manual receipt is given for the DD amount to the assessee and the collection of property tax with penalty is not posted in the computer system at all since 2012 onwards. In 294 instances amounting to ₹ 0.10 crore, no posting of property tax with penalty has been made in the computer system. In the circumstances, if any online payment is resorted to by any assessee in the above 294 instances, the posting of the collection would be adjusted against the earlier outstanding amount erroneously.

CoC in its reply (September 2014) stated that detailed instructions (dated 11 February 2013 and 03 June 2013) were issued to all the zonal officers regarding handling of dishonoured cheques. However, even after issuance of the instructions from CoC the above deficiencies still persisted due to lack of monitoring.

2.2.10 Conclusion

The Municipal e-Governance System was introduced in CoC with the primary objective of delivering services to citizens on 'any where any time basis', address the existing service delivery standards, attain synergy in operation and provide timely and reliable MIS reports for decision making.

The e-Governance system was declared 'go-live' in January 2011. Even after a lapse of more than three years and investing ₹ 5.48 crore on hardware, software etc., CoC is yet to achieve their goals due to the following deficiencies in the system.

- The integration process of all the modules was not complete so far (September 2014). Out of 13 modules, the data is flowing between five financial modules, that too with errors under property tax module. CoC could not integrate other modules due to reasons such as non-migration of data, partial migration/capture of data, standalone functionality etc.
- Under Public Grievances Redressal system, 39 *per cent* of registered complaints were assigned 'completed' status without taking any action.

No time frame for disposal of complaints according to their nature has been fixed so far (May 2014). Abnormal delays in disposal of complaints also exist.

- Under Profession Tax revenue, failure to collect profession tax from live establishments and ineffective action by CoC in identifying potential Private Enterprises to bring them under the Profession Tax net had resulted in loss of revenue to the Corporation.
- Under Property tax, generation of 'zero' demands for certain live properties, generation of demand for de-activated properties etc., only show that the software lacks controls.
- Poor handling of change management process lead to deficiencies in migration of data, loss of revenue due to improper handling of dishonoured cheques were noticed.

2.2.11 Recommendations

Government and Corporation of Chennai may consider to:

- take steps to complete migration/data capture in respect of modules such as Profession tax, Trade license, company tax, Personal Information System etc.
- integrate all the modules as originally planned so as to make the Municipal e-Governance System fully functional
- incorporate required validation controls in the Property tax/PGR modules to arrest the revenue loss and to dispose of complaints after initiating action respectively
- revamp the assessment and collection process of Profession tax so as to utilise its full potential in augmenting the revenue to the CoC.

The matter was referred to Government in September 2014; reply has not been received (February 2015).

CHAPTER III

COMPLIANCE AUDIT (URBAN LOCAL BODIES)

CHAPTER III

COMPLIANCE AUDIT

Compliance Audit of Tiruchirappalli City and Thoothukudi City Municipal Corporations and Udhagamandalam and Cuddalore Municipalities brought out instances of lapses in management of resources and failures in the observance of the norms of regularity, propriety and economy. These have been presented in the succeeding paragraphs.

MUNICIPAL ADMINISTRATION AND WATER SUPPLY DEPARTMENT

3.1 Tiruchirappalli Water Supply Improvement Scheme under Tamil Nadu Urban Infrastructure Project

3.1.1 Introduction

Tiruchirappalli Municipality was upgraded as Tiruchirappalli City Municipal Corporation (TCMC) in June 1994 and subsequently its limit was extended (January 2011) by adding Tiruverumbur Town Panchayat and four Village Panchayats[1]. TCMC with a population of 9.17 lakh (Census 2011) comprises four zones[2] with 65 wards.

For creating additional source and to provide water supply to the entire city area (excluding wards 1 to 6 covered under Srirangam Water Supply Improvement Scheme and wards 61 to 65 added in January 2011) at the required level of 135 litres per capita per day during the non-flow periods in the river Cauvery, Government of Tamil Nadu (GoTN) sanctioned ₹ 144.86 crore in September 2007 for implementation of Tiruchirappalli Water Supply Improvement Scheme (TWSIS) with river Coleroon as source. The sanctioned cost of the scheme was subsequently (February 2011) enhanced to ₹ 221.42 crore[3]. The works were executed in nine packages as detailed in **Appendix 3.1**. As of October 2014, three packages were completed and the remaining six packages were in progress as against the originally scheduled date of completion of May 2012 (excluding Package VII-C) and expenditure of ₹ 163.76 crore was incurred**.** As the works for source creation (Packages I and III) were completed in September 2012 and April 2013 respectively, the scheme was inaugurated on 12 February 2014 and water supply was commenced with the existing infrastructure from the date of inauguration.

Execution of the scheme covering the period from September 2007 to April 2014 was audited during April and May 2014 by scrutiny of records at the Secretariat (Municipal Administration and Water Supply Department) of

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1 Alathur, Elaikudi, Katturpappakurichi and Keelakalkandarkottai.

2 Ariyamangalam, Golden Rock, K. Abishekapuram and Srirangam.

3 Loan of ₹ 111.25 crore and grant of ₹ 66.43 crore from JBIC and TCMC's contribution of ₹ 43.74 crore.

GoTN, Commissionerate of Municipal Administration (Head of Department), TCMC and Tamil Nadu Urban Infrastructure Financial Services Limited (TNUIFSL), the fund manager for operation and maintenance of funds received under Tamil Nadu Urban Infrastructure Project (TNUIP). The audit findings are discussed in the succeeding paragraphs.

Audit findings

3.1.2 Planning

3.1.2.1 Extra expenditure due to preparation of Detailed Project Report with incorrect data on laying of pipelines and unnecessary provision for road cutting restoration

Based on the Detailed Project Report (DPR) for Improvement to Water Distribution System, the works were split into two packages (VII-A & VII-B) with estimated cost of ₹ 23.60 crore and ₹ 22.80 crore respectively and awarded to contractors through tenders. Package VII-A was entrusted to a contractor in November 2010 with contract value of ₹ 22.45 crore. DPR had provision for laying of pipelines involving (a) earthwork excavation and refilling, (b) supply, laying and jointing of the pipes and (c) road cutting restoration work with plain cement concrete (PCC), for entire length of 283.76 kms.

Scrutiny of records revealed that during execution, the contractors noticed that TCMC had already laid pipelines during 2006-07 to 2009-10 for a length of 75.13 kms in the area covered under TWSIS. Hence, the length of pipes to be laid under TWSIS was revised by TCMC to 208.63 kms (283.76 kms - 75.13 kms) after deleting works valuing ₹ 3.01 crore.

Further, Central Public Health and Environmental Engineering Organisation (CPHEEO) Manual for Water Supply and Treatment required laying of pipes on the side of the streets where the population is dense. As such, the pipes under the scheme were to be laid on the streets' side; road cutting restoration with PCC was required only at the road crossings. However, DPR provided for road cutting restoration with PCC (work value: ₹ 8.90 crore) for the entire length (283.76 kms) of the distribution system, which was subsequently deleted from the scope of the work. This showed that DPR was prepared with incorrect data due to which the contract value was enhanced by ₹ 11.91 crore.

On further scrutiny of the rates quoted by all the three tenderers for works excluding the deleted items, Audit observed that the rates (aggregate: ₹ 996.60 lakh) quoted by second lowest tenderer were virtually less than the rate (aggregate: ₹ 1,056.51 lakh) quoted by lowest tenderer (to whom the work was awarded) by ₹ 59.91 lakh as detailed in the **Appendix 3.2.**

The City Engineer of TCMC responsible for execution of TWSIS replied (May 2014) that the DPR was always prepared considering the essential items of works which would be executed actually and hence, such comparison was not needed for items deleted during execution. The reply is not tenable as TCMC failed to reduce the length of pipelines considering the length of pipelines already laid by them in the areas covered by TWSIS and to delete the road cutting restoration work before tendering.

3.1.2.2 Idle investment on pipes

As per the agreement (November 2010) for Package VII-A, the contractor should supply 283.76 km of pipes in three stages *viz.* 85 kms in six months (May 2011), 200 kms (cumulative) in 12 months (November 2011) and 283.76 kms (cumulative) in 18 months (May 2012). Since DPR was prepared without taking into account the existing pipes, the requirement was subsequently revised to 208.63 kms from 283.76 kms. As against the revised length of 208.63 kms, the contractor had already supplied 280.52 km of pipes, which led to an excess supply of 71.89 kms of pipes valuing ₹ 1.89 crore. The excess supply included 56.14 kms of pipes valuing ₹ 82.96 lakh (at agreement rates) supplied on 14 December 2011. Though the contractor intimated TCMC on 30 November 2011 itself that pipelines had already been laid in some areas, TCMC did not act to stop further supplies. The contractor supplied 56.14 kms of pipes due to TCMC's failure to act on the intimation.

Similarly, in respect of Package VII-B, though the requirement of pipes of five sizes was reduced from 17.17 kms to 11.79 kms, the contractor supplied 14.90 kms of pipes, which was an excess supply of 3.11 kms of pipes valuing ₹ 0.14 crore. The pipes supplied in excess valuing ₹ 2.03 crore (₹ 1.89 crore + ₹ 0.14 crore) were lying idle.

The City Engineer replied (May 2014) that the materials were supplied with the intention to complete the scheme; while laying the distribution main (October 2012) it was assessed that 208.63 kms of pipes would be enough; due to urgency and local problem regarding water supply in the distribution area, the pipeline was laid then and there under various funds as per local public demand and the balance pipes would be used in the distribution system of the newly added areas in the wards 61 to 65 for which estimate was under preparation. But fact remains that TCMC prepared the DPR without taking into consideration the pipes already laid.

3.1.2.3 Avoidable expenditure due to improper planning of overhead tanks

As per loan agreement with TNUIFSL, TCMC should ensure that the project was implemented as per quality standards specified by CPHEEO. For water treatment plants, clear water reservoirs at the head works, balancing tanks and service reservoirs (overhead or ground level), the CPHEEO Manual for Water Supply and Treatment prescribed a design period of 15 years.

Scrutiny of DPR and agreements revealed that the overhead tanks (OHTs) were proposed and constructed with capacity required for a design period of 30 years instead of 15 years resulting in creation of additional capacity far ahead of the requirement with an avoidable expenditure of ₹ 66.14 lakh as detailed in **Appendix 3.3**.

The City Engineer replied (May 2014) that normally reinforced cement concrete (1:1.5:3 mix) is used and hence the life of OHTs is also expected to increase considerably. The reply is not acceptable as the Audit observation was not about the reinforced cement concrete but about construction of OHT for a design period of 30 years instead of 15 years prescribed in the Manual.

3.1.3 Financial performance

The details of funds received as loan and grant and contribution by TCMC during 2009-15 are given in **Table 3.1**.

Table 3.1 : Details of loan, grant and TCMC's contribution

(₹ in crore)

Year	Funds received from JBIC		TCMC's Contribution	Total	Interest earned	Expenditure
	Loan	Grant				
2009-10	25.00	14.76	0.00	39.76	0.48	32.99
2010-11	58.30	9.89	0.00	68.19		60.58
2011-12	5.00	28.80	0.00	33.80		41.00
2012-13	5.00	--	14.44	19.44		12.23
2013-14	--	--	3.62	3.62		11.47
2014-15 *	--	--	--	--		5.49
Total	**93.30**	**53.45**	**18.06**	**164.81**		**163.76**

(Source: Details furnished by TCMC) * up to November 2014

JBIC: Japan Bank for International Cooperation

3.1.3.1 Adoption of lower rate of interest on mobilisation advance resulting in loss of interest

GoTN fixed (March 2008, March 2009 and March 2010) the rate of interest (ROI) to be charged on mobilisation advance paid to contractors at 12 *per cent* per annum. TCMC paid mobilisation advances amounting to ₹ 15.23 crore to the contractors between June 2009 and December 2010 and recovered ₹ 12.63 crore till April 2014. However, TCMC specified the ROI in the agreements with the contractors as 10 *per cent* and recovered interest at the same rate leading to loss of interest of ₹ 59.62 lakh as detailed in **Appendix 3.4**.

The City Engineer attributed (May 2014) the adoption of lower ROI for recovery to the provision in the agreements. The reply is not acceptable as the levy of interest on mobilisation advance at lower rate is violative of the orders of GoTN.

3.1.3.2 Non-revision of water tariff

As per the loan agreement (July 2008) with TNUIFSL, TCMC should implement TWSIS with an increase in monthly tariff receivable from users from ₹ 85 to ₹ 160 for domestic house service connections (HSCs) and from ₹ 250 to ₹ 600 for non-domestic HSC. The TCMC's Council had resolved (September 2007) to give effect to the increase as above and later resolved (April 2013 and January 2014) to further revise the tariff. However, TCMC had not taken any follow up action to revise the tariff. The City Engineer attributed (May 2014) the non-revision of tariff to delay in completion of the scheme and stated that once the distribution system is completed and HSCs are given, the revised tariff will be given effect. The reply is not tenable as TCMC failed to complete the distribution system and commissioning of the scheme before the scheduled date (May 2012).

3.1.3.3 Non-provision of house service connections

TCMC provided water to a section of the public through HSCs and to others through 3,116 public fountains in streets, for which no user charge is leviable. Based on Government instructions (September 2007) to provide at least 1.10 lakh HSCs within a certain period including 20,000 HSCs before completion of the scheme, TCMC resolved (September 2007) to implement the instructions. TCMC gave only 18,820 HSCs during 2009-13 against a target of 20,000 HSCs. Further, as per the loan agreement (July 2008) with TNUIFSL, TCMC should give 10,000 HSCs every year for the next four years. The source creation work was completed in April 2011 and out of 407.40 kms of distribution system proposed in the scheme, 376.38 kms (92 *per cent*) has been laid till date (November 2014). However, TCMC could not complete the target of 40,000 HSCs.

The City Engineer replied (May 2014) that the target for giving HSCs would be achieved on completion of entire distribution system. The fact remains that due to non-completion of the scheme, HSCs could not be provided by TCMC.

3.1.3.4 Shortfall in collection of water charges

As per the loan agreement with TNUIFSL, TCMC shall ensure the tariff collection of 60 *per cent* of arrears and 70 *per cent* of current demands. However, against an arrears of ₹ 12.85 crore as of April 2010 and further demand of ₹ 32.45 crore during 2010-13, TCMC collected only ₹ 36.67 crore leaving a balance of ₹ 8.63 crore as of March 2013. Though collection of current demand during 2010-13 ranged from 61 to 82 *per cent*, collection of arrears ranged from 29 to 45 *per cent*. The Commissioner, TCMC, attributed (July 2014) the shortfall in collection to shortage of manpower and engagement of official machinery in the conduct of various elections held in 2011.

3.1.4 Execution of the scheme

3.1.4.1 Delay in execution of the scheme

TCMC awarded the work of source creation, laying of pumping main and improvements to distribution system in eight packages to various contractors between April 2009 and November 2010 for completion between April 2011 and May 2012. However, only three packages were completed and the remaining five packages were in progress as against the originally scheduled date due to poor response to tender calls, delay in getting permission from service departments for laying pipelines and delay on the part of the contractors, as discussed in the succeeding paragraphs. As a result, the scheme scheduled for completion in May 2012 was partially completed in October 2014.

(i) Delay in obtaining permissions by TCMC leading to payment of price escalation

As per the loan agreement with TNUIFSL and technical sanction given by CMA's office, necessary permissions from the departments concerned for laying pumping main in National Highways and railway crossings should be obtained by TCMC before commencement of the works.

Scrutiny of records revealed that though TCMC awarded the works for Packages I to VI in April 2009 and September 2009, permissions from State Highways/National Highways/Railways/Tamil Nadu Electricity Board were sought during October 2009 and February 2012. Permissions were obtained after the expiry of scheduled date of completion in respect of 11 cases and the contractor could not complete the work in time.

As per the agreements with the contractors, price escalation shall apply for the work done from the start date given in the contract data up to end of the initial intended completion date or extensions granted by the Engineer and shall not apply to the work carried out beyond the stipulated time for reasons attributable to the contractor.

Since the delay was not attributable to the contractors, TCMC paid price escalation amounting to ₹ 25.36 lakh as per agreement as detailed in **Appendix 3.5**. Had permission from the service departments been obtained before awarding the contract, payment of price escalation beyond agreement period could have been avoided.

The City Engineer replied (July 2014) that permissions from the service departments were applied for only after formation of the Project Management Consultant (PMC). The reply is not tenable as the PMC was appointed in October 2008 and permission was sought only during October 2009 and February 2012 i.e. after commencement of the works.

(ii) Non-levy of liquidated damage for delay by contractors

As per agreement for the works, the contractor shall pay liquidated damages (LD) to the employer at the rate stated in the contract data for each day if the completion date is later than the intended completion date (for the whole of the works or the milestone as stated in the contract data). The employer may deduct LD from payments due to the contractor. The maximum amount of LD for the whole of the works is 10 *per cent* of final contract price**.**

As may be observed from **Appendix 3.1,** the works for source creation (Packages I and III) commenced in April 2009 and scheduled for completion in April 2011 were actually completed (September 2012 and April 2013) after delay of 17 and 24 months respectively. Similarly, in respect of works for laying of pumping main, Package II was completed, with delay of 26 months; works for other packages (IV to VI) commenced in September 2009 and scheduled for completion in September 2011 were yet to be completed (November 2014). However, TCMC levied LD of ₹ 94.26 lakh for delay in completion only for Packages IV and V. In respect of distribution system (Packages VII-A and VII-B), though the works commenced in November and October 2010 for completion in May and April 2012 respectively, they were not completed (November 2014). The contractor for Package VII-A abandoned the work in August 2013 and resumed it in June 2014. For the abandonment in Package VII-A and the delay in Package VII-B, TCMC warned (August and September 2012) the contractors about possible termination of the contracts and levy of LD respectively, but did not do so. As per the agreement, LD for delay in Package VII-A and VII-B worked out to ₹ 1.19 crore and ₹ 1.08 crore respectively (calculated at 10 *per cent* of the final contract price).

The quantity of water pumped from the new source from July 2013 to April 2014 ranged from 22.33 mld to 75.19 mld. Though source creation under the scheme was satisfactory, TCMC could supply only 110 lpcd of water to the beneficiaries during 2013-14, as against the targeted 135 lpcd, due to delay in creating the distribution system. Further, due to delay in execution of the scheme, TCMC had to incur avoidable expenditure of ₹ 1.79 crore during 2012-14 on supply of water through lorries.

3.1.4.2 *Adoption of incorrect index for price adjustment resulting in overpayment to the contractor*

As per the agreement for Package II, the contract price shall be adjusted for increase or decrease in rates and price of all commodities in accordance with the principles and procedures prescribed therein and as per formula given in the contract data, and the index applicable for the quarter in which the work was done.

Scrutiny of records revealed that though the contractor supplied 5,487 metres length of pipes in November 2009 and measured and check-measured during 24 November 2009 to 4 December 2009, price variation amounting to ₹ 40.40 lakh for the above supply was paid to the contractor based on price index applicable for the quarter January - March 2010 instead of ₹ 19.08 lakh payable based on price index applicable for the quarter October - December 2009. The incorrect adoption of price index resulted in overpayment of ₹ 21.32 lakh.

The City Engineer attributed (May 2014) the adoption of inappropriate index to oversight and stated that the overpaid amount would be recovered from the withheld amount of the contractor. However, the amount was yet to be recovered (November 2014).

3.1.4.3 *Avoidable extra cost due to non-availing of Central Excise Duty exemption*

As per Government of India Notification of March 2006 amended in March 2007 and December 2009, pipes of outer diameter exceeding 10 centimetres (cm) forming an integral part of the water supply projects are exempted from payment of Central Excise Duty (CED). In TCMC's estimates for Packages I to VII B, the rates for the pipe materials included CED. The bid documents stated that the rates quoted by the contractor shall be deemed to be inclusive of sales/other taxes payable by the contractor. The matter of availing the exemption was raised by contractors in pre-bid meeting (August 2008). However, TCMC did not include a condition in the draft bid document and the agreements requiring the contractors to avail the exemption. CMA, who approved the bid document, also did not take the necessary corrective steps. Due to the above omissions, the contractors did not avail the exemption for 177.55 kms of pipes with outer diameter exceeding 10 cm acquired for the project, and TCMC paid the contractors ₹ 7.81 crore as CED as detailed in **Appendix 3.6.** Thus, failure of TCMC to include CED exemption clause in the agreement not only led to avoidable expenditure of ₹ 7.81 crore but also inflated the cost of the scheme to that extent.

The City Engineer replied (May 2014) that CED paid by the contractors has to be claimed in their name only and then collected from the contractors by TCMC and that necessary action would be taken to avail the CED exemption for the pipes supplied.

3.1.5 Conclusion

The scheme though planned for completion in May 2012, could not be fully implemented due to non-completion of six packages. The non-completion was mainly due to delay in obtaining permission from service departments and delay on the part of the contractors. Various deficiencies were noticed in the execution of the scheme such as extra expenditure on laying of pipelines and idle investment on pipes due to preparation of Detailed Project Report with incorrect data, avoidable expenditure due to improper planning in construction of overhead tanks, adoption of lower rate of interest for mobilisation advance resulting in loss of interest, payment of price escalation beyond agreement period, overpayment on price escalation and avoidable extra cost on non-availing of Central Excise Duty exemption.

The matter was referred to Government in July 2014; reply has not been received (February 2015).

3.2 Losses detected in Audit

THOOTHUKUDI CITY MUNICIPAL CORPORATION

3.2.1 Non-realisation of revenue due to non-assessment of vacant lands

Non-assessment of vacant lands of V.O. Chidambaranar Port Trust by Thoothukudi City Municipal Corporation resulted in non-realisation of revenue of ₹ 8.15 crore.

Thoothukudi Municipality became Municipal Corporation with effect from 05 August 2008. Coimbatore City Municipal Corporation Act, 1981 was made applicable to Thoothukudi City Municipal Corporation (Corporation). Government of Tamil Nadu (GoTN) ordered (January 2011) to merge five[4] Village Panchayats with the Corporation. As per Section 121(4)(a) of Coimbatore City Municipal Corporation Act, 1981, the Corporation may levy vacant land tax (VLT) in the case of lands which are not used exclusively for agricultural purposes and are not occupied by, or adjacent and appurtenant to buildings, on the capital value of such lands at such percentages as fixed by the Municipal Council which shall not exceed six *per cent* of their capital value. However, GoTN amended (August 2009) the laws relating to Municipalities and Municipal Corporations (except Chennai) so as to levy the property tax on vacant lands subject to the minimum and maximum rates fixed by GoTN instead of capital value of such lands. The Council of the Corporation resolved (October 2009) the rate of VLT as 40 paise to 60 paise per square foot per half-year depending upon the area of the city in which the

[4] Athimarapatti, Meelavittan, Muthiahpuram, Sankarapperi and Thoothukudi Rural.

vacant land is situated. The Corporation extended (April 2012) this rate of VLT to the newly merged areas also.

Audit scrutiny revealed that V.O. Chidambaranar Port Trust had 708.35 acres (3.09 crore square feet[5]) of vacant lands which fall under the newly merged Muthiahpuram Village Panchayat limits. As per the resolution of the Corporation, VLT to be levied for these 708.35 acres of vacant land is 60 paise per square foot. However, the Corporation did not assess these vacant lands for levy and collection of VLT which resulted in non-realisation of revenue amounting to ₹ 8.15[6] crore during 2012-13 and 2013-14.

The matter was referred to Government in June 2014; reply has not been received (February 2015).

3.3 Excess expenditure

UDHAGAMANDALAM MUNICIPALITY

3.3.1 Excess expenditure incurred on laying of cement concrete roads

Failure of Udhagamandalam Municipality to seek clarification on quantity of cement to be used led to excess expenditure of ₹ 28.49 lakh.

Government of Tamil Nadu sanctioned (September 2010) the proposal for improvement of roads in urban local bodies, damaged by natural calamities or due to implementation of infrastructure works, under Special Roads Programme 2010-11. Commissioner of Municipal Administration accorded (September 2010) administrative sanction for improving roads in Udhagamandalam Municipality (Municipality). The Commissioner of the Municipality (Municipal Commissioner) prepared (October 2010) estimates for laying of cement concrete (CC) on three roads namely Higgins Road, Thomas Church Road and Patna House Road in the proportion 1:1.1:2.3 (cement:sand:aggregate) and submitted them to the Regional Executive Engineer (REE) in the office of Regional Director of Municipal

5 1 acre=100 cents; 1 cent= 436 sq. feet; 1 acre=43,600 sq.feet; 708.35 acre=3,08,84,060 sq. feet.

6

Total vacant land (708.35 acres)	3,08,84,060 sq. ft
VLT rate per half year	₹ 0.60 per sq. ft
VLT for 3,08,84,060 sq.feet per half year	₹ 1,85,30,436
Add: Library Cess (10 *per cent*)	₹ 18,53,044
Total (for one half year)	₹ 2,03,83,480
VLT for 2012-13 and 2013-14 (4 half years)	₹ 8,15,33,920
	or ₹ 8.15 crore

Administration, Tiruppur, for technical sanction. While according (October 2010) technical sanction, REE instructed the Municipal Commissioner to execute the works as per specifications of Ministry of Road Transport and Highways (MORTH) of Government of India.

Audit observed that the proportion 1:1.1:2.3 required a cement content of 589 kilograms (kg) (1,440 kg/1.1 = 1,309.09 kg x 0.45[7]) per cubic metre (cu.m) of CC, whereas, as per Clause 602.3.2 of MORTH Specifications for Road and Bridge Works (November 2000), minimum cement content in CC should be 350 kg /cu.m of CC and if the minimum cement content was insufficient to produce concrete of the strength specified in the drawings/design, it should be increased as necessary to a maximum of 425 kg/cu.m of CC without additional compensation under the contract.

Scrutiny of the Municipality's records during February 2014 and June 2014 revealed that the Municipal Commissioner did not seek clarification from REE regarding the quantity of cement to be used, but laid (April - September 2011) the three concrete roads for a total area of 2,423.65 cu.m (Higgins Road: 815.17 cu.m, Thomas Church Road: 811.77 cu.m and Patna House Road: 796.71 cu.m) adopting the proportion of 1:1.1:2.3. This led to the use of 589 kg of cement per cu.m of CC which was 239 kg more than 350 kg specified by MORTH. The results of cube tests[8] confirmed that the concrete in the sample cubes conformed to the proportion of 1:1.1:2.3. The Municipal Commissioner paid (April - September 2011) ₹ 148 lakh to the contractor for the three works without restricting the payment for the minimum cement content of 350 kg/cu.m as per MORTH specifications.

Thus, the failure of the Udhagamandalam Municipality to seek clarification on the quantity of cement to be used and execution of works adopting a proportion with higher cement content in violation of MORTH specifications led to excess use of 579 tonnes of cement and resultant excess expenditure of ₹ 28.49 lakh[9].

The matter was referred to Government in November 2014; reply has not been received (February 2015).

[7] As per PWD Standard Data Book of Government of Tamil Nadu, for cement mortar in the cement:sand ratio of 1:1.1, 1,440 kg cement is required; for making 1 cu.m of CC, 0.45 cu.m cement mortar is required.

[8] Test of sample cubes cast with concrete used in the works.

[9] 239 kg cement/cu.m of CC x 2,423.65 cu.m = 579 tonnes of cement x ₹ 4,700 per tonne of cement = ₹ 27.21 lakh + tender excess of 4.7 *per cent*: ₹ 1.28 lakh; **Total : ₹ 28.49 lakh.**

3.4 Unfruitful expenditure

CUDDALORE MUNICIPALITY

3.4.1 Inordinate delay in putting up of bio-mass gasifier crematorium

Inaction of the Commissioner, Cuddalore Municipality to complete the works sanctioned in August 2006 resulted in unfruitful expenditure of ₹ 25.64 lakh.

Government of Tamil Nadu sanctioned (August 2006) ₹ 30 lakh for putting up of bio-mass gasifier cremation[10] unit at Cuddalore under non-conventional energy sector of Rashtriya Sam Vikas Yojana (a Government of India scheme) in Cuddalore district during 2006-07. The District Collector and Chairman, District Rural Development Agency (DRDA), Cuddalore accorded (August 2006) administrative sanction to put up a bio-mass gasifier crematorium at Municipality Burial Ground at Kammiyampettai. Municipal Commissioner, Cuddalore was the implementing officer to execute the work. DRDA released ₹ 30 lakh to the Commissioner in two equal instalments in November 2006 and July 2007.

The Municipality invited (September 2006) tenders and awarded (January 2007) the work to a contractor at a value of ₹ 29.40 lakh for completion within 90 days. Though the work order required the contractor to enter into an agreement with the Municipality within one week of receipt of the order, the contractor signed the agreement in January 2009, after issue of repeated notices by the Municipality.

The work comprised design, supply and erection of five components of the crematorium *viz*. chimney, double chamber cremation furnace, body changing iron trolley, smoke filtering high pressure venturi wet scrubber with dust separator and bio-mass gasifier and commissioning of the crematorium. Of the above, the contractor supplied and erected the first two components in March 2009 and the third component in November 2010, their aggregate value being ₹ 21.15 lakh for which the Municipality paid ₹ 16.77 lakh after withholding an amount of ₹ 4.38 lakh.

Though the work was scheduled for completion in the first week of April 2007 and the supplies were much delayed, the Municipality requested the contractor only during June 2009 to complete the supplies and commission the crematorium within 30 days failing which a penalty of ₹ 100 per day would be imposed for delay in completion of the work. After the last supply of a component in November 2010, the Municipality reminded the contractor only

10 Gasifier technology is a non-conventional energy system to convert wood chips into combustible gas by thermo-chemical actions. Cremation of dead bodies in gasifier crematoria is an improved way of cremating bodies, in contrast to the conventional method of cremation using wood pieces and cow dung cakes, which takes considerable time and effort, is expensive and also affects the environment.

in April 2011 and June 2011 to complete the work early. The agreement provided for levy of liquidated damages (LD) for a maximum of five *per cent* of the contract value, for delay in completion of work.

Simultaneously, the Municipality constructed (March 2009) a building for the crematorium at a cost of ₹ 8.87 lakh with its own funds through another contractor and obtained (January 2010) the consent (valid for two years) of Tamil Nadu Pollution Control Board (TNPCB) to establish the crematorium.

The Municipality did not take any action on the matter after the reminder issued to the contractor in June 2011. However, it decided in September 2013 to bring the crematorium to use by completing the balance work through another contract. Accordingly, the Municipality selected a contractor (tendered cost:₹ 6.74 lakh) through tender and issued a work order on 10 January 2014 to execute an agreement for the work and to complete the work in 30 days. However, the contractor had neither executed the agreement nor commenced the work till July 2014. Reasons for the same were not furnished by the Commissioner. Meanwhile, the consent of TNPCB expired in January 2012.

Thus, due to inaction of the Municipal Commissioner to get the work executed through both the first contract (January 2007) and the second contract (January 2014), materials worth ₹ 21.15 lakh received (March 2009 and November 2010) and the building constructed (March 2009) at a cost of ₹ 8.87 lakh were lying idle; the work sanctioned in August 2006 by GoTN has not been completed (July 2014) even after a lapse of eight years. The objective of providing an improved method of cremating to save time, cost and environment was not achieved.

The Municipality had not levied LD on the contractor. The Municipality stated that no LD was levied due to no response from the contractor to the notices issued and the same would be adjusted against the amount withheld and security deposit (₹ 0.28 lakh) obtained from the contractor.

The matter was referred to Government in July 2014; reply has not been received (February 2015).

PART II

PANCHAYAT RAJ INSTITUTIONS

CHAPTER IV

AN OVERVIEW OF PANCHAYAT RAJ INSTITUTIONS

CHAPTER IV

AN OVERVIEW OF PANCHAYAT RAJ INSTITUTIONS

4.1 Background

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

Consequent upon the 73rd Amendment of the Constitution, the State Legislature enacted the Tamil Nadu Panchayats Act, 1994. Under this Act, a three-tier system of PRIs *viz*., Village Panchayats (VPs) at the village level, Panchayat Unions or Block Panchayats (BPs) at the intermediary level and District Panchayats (DPs) at the district level was established.

4.2 State profile

Important statistics of the State regarding population and PRIs are given in **Table 4.1**.

Table 4.1: Important statistics of the State

Population	7.21 crore
Population density	555 persons per sq.km
Gender ratio	995 females per 1,000 males
Literacy	80.33 *per cent*
Rural population	51.55 *per cent*
Number of PRIs	12,940
- DPs	31
- BPs	385
- VPs	12,524

(Source: 2011 Census figures and Policy Note 2014-15 of Rural Development and Panchayat Raj Department)

4.2.1 Classification of Village Panchayats

The income-wise classification of the VPs is given in **Table 4.2.**

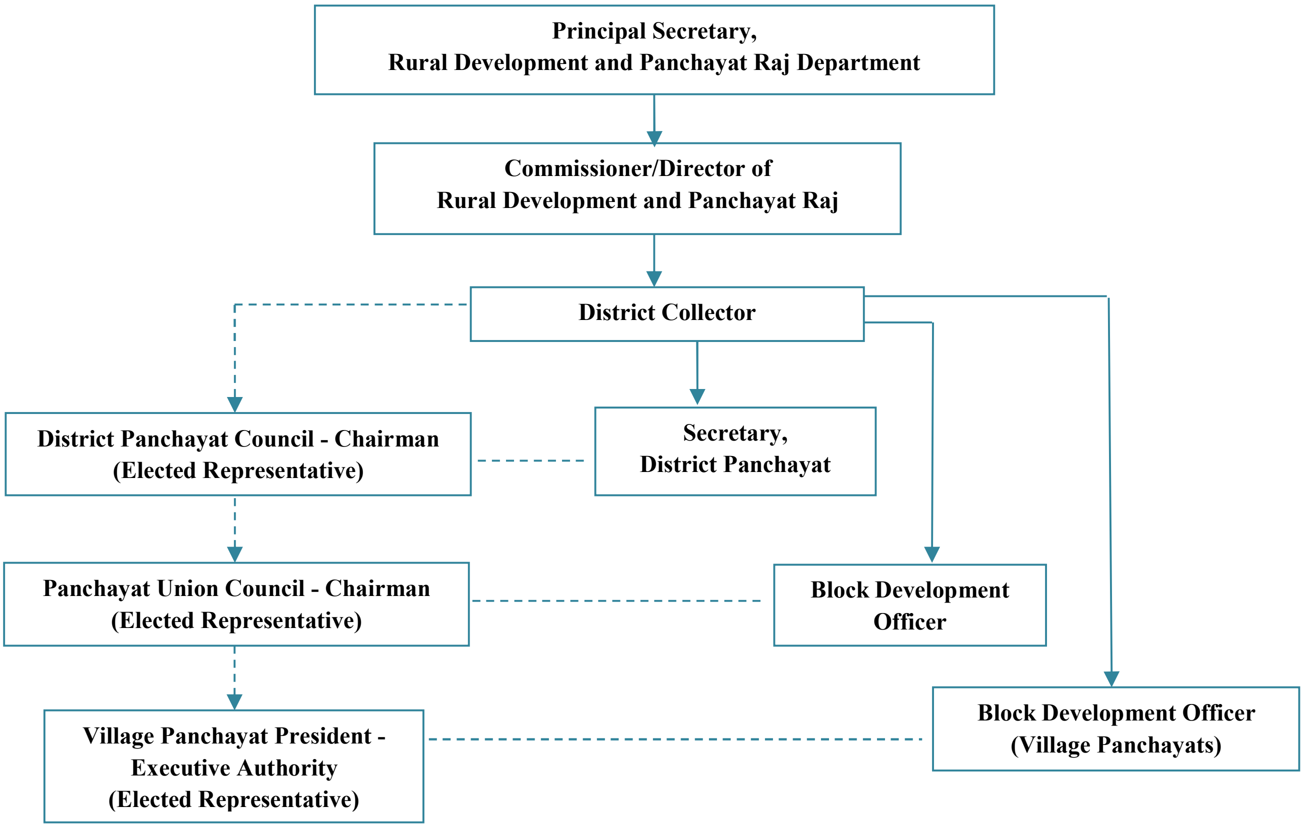
Table 4.2: Income-wise classification of Village Panchayats

Annual Income range	Number of Village Panchayats
₹ 5 lakh to ₹ 7 lakh	160
₹ 7 lakh to ₹ 10 lakh	963
₹ 10 lakh to ₹ 20 lakh	6,275
₹ 20 lakh to ₹ 50 lakh	4,332
₹ 50 lakh to ₹ 1 crore	675
Above ₹ 1 crore	119
Total	**12,524**

(Source: Policy Note 2014-15 of Rural Development and Panchayat Raj Department)

4.3 Organisational structure of PRIs

An organogram of PRIs is as given below:



4.4 Status of devolution of functions

Eleventh Schedule of the Constitution of India empowered the State Legislatures to devolve 29 functions to PRIs. As per details furnished (December 2014) by the Director of Rural Development and Panchayat Raj (DRDPR) to Audit, seven functions are carried out by Rural Development and Panchayat Raj Department and 22 functions are carried out by other departments **(Appendix 4.1)**, making the devolution incomplete.

4.5 Decentralised planning

As per Section 241(1) of the Tamil Nadu Panchayats Act, 1994, out of 32 Districts in Tamil Nadu, GoTN constituted a District Planning Committee (DPC) in each of the 31 districts (except Chennai District) in Tamil Nadu. District Panchayat Chairperson is the Chairperson and District Collector is the Vice Chairperson of DPC. Members of Parliament, Members of Legislative Assembly and representatives of Local Bodies are appointed as members subject to the norms and ceiling prescribed. Functions of the DPC were to consolidate the plans prepared by Rural Local Bodies and Urban Local Bodies for preparation of consolidated district plan.

As per the information furnished (December 2014) by DRDPR, Grama Sabhas approved the Budget/Annual Plans prepared by the VPs and the same were forwarded to the Inspector of Panchayats through Block Development Officers (VPs) and the plans prepared were consolidated at district level by the DPC.

4.6 Financial profile

Funds flow to PRIs

The source of receipts for VPs and BPs are non-tax revenue, assigned revenue from State Government and grants given by State Government and GoI for various purposes and State and Central Finance Commissions grants. In addition, VPs have the power to levy taxes.

Table 4.3 below shows the details of receipts and expenditure of the PRIs for the period 2009-10 to 2013-14.

Table 4.3: Details of receipts and expenditure of PRIs

(₹ in crore)

	2009-10	2010-11	2011-12	2012-13	2013-14
Own revenue	425.82	466.31	528.41	631.25	766.26
Assigned revenue	465.80	313.83	563.84	705.24	974.82
Grants	2,100.54	3,071.00	3,685.06	4,484.03	4,375.48
Total receipts*	**2,992.16**	**3,851.14**	**4,777.31**	**5,820.52**	**6,116.56**
Revenue expenditure	553.17	596.78	623.45	1,294.36	1,025.00
Capital expenditure	800.96	784.02	940.47	1,308.20	1,812.82
Total expenditure*	**1,354.13**	**1,380.80**	**1,563.92**	**2,602.56**	**2,837.82**
Percentage of capital expenditure to the total expenditure	**59.15**	**56.78**	**60.14**	**50.27**	**63.88**

* Difference in figures from previous year was due to furnishing of revised figures by Director of Rural Development and Panchayat Raj

(Source: Details furnished by DRDPR)

From the above table, it could be seen that the receipts were not effectively utilised for creation of capital assets by PRIs as there were huge savings even after meeting the revenue expenditure during the period 2009-14.

4.7 Accounting framework

Accounts format

The Thirteenth Central 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 the Commission. 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 Ministry of Panchayat Raj has been introduced in all PRIs. GoTN ordered (April 2012) implementation of the Panchayat Raj Institutions Accounting (PRIA) software in all the VPs, BPs and DPs from 2012-13. As per the information furnished by DRDPR (December 2014), all the VPs, BPs and DPs have completed online entry of accounts using PRIA Soft application upto 2013-14 and the entry for 2014-15 was in progress.

4.8 Audit arrangements

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

Table 4.4: Audit arrangements for PRIs

Tier of PRI	Auditors	Periodicity
DPs	Director of Local Fund Audit (DLFA)	Annual
BPs	DLFA	Quarterly
VPs	Deputy Block Development Officer (DBDO) and by DLFA (20 *per cent* of the total number of VPs)	Annual

(Source: Details furnished by DLFA)

DLFA is the statutory Auditor for BPs and DPs. Based on the recommendation of the Second State Finance Commission, DLFA is conducting only test audit of VPs' accounts. DBDO audits the accounts of the VPs and certifies them.

Accounts of DPs and BPs are audited by the Principal Accountant General (General and Social Sector Audit) also 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 (General and Social Sector Audit) to DLFA regarding audit of DPs and BPs in terms of order of GoTN issued in March 2003.

4.8.1 Arrears in audit by DLFA

(i) Position of arrears in audit of DPs and BPs by DLFA as of December 2014 is given in **Table 4.5.**

Table 4.5 Position of audit of DPs and BPs by DLFA

(Number of DPs and BPs)

Category of PRI	Year	Total number	Accounts submitted	Audit completed	Pendency in submission/ audit of accounts
DPs	2012-13	31	23	23	8
	2013-14	31	15	15	16
BPs	2012-13	385	385	280	105
	2013-14	385	385	173	212

(Source: Details furnished by DLFA)

(ii) Though 2,505 VPs (20 *per cent* of 12,524 VPs) were to be audited by DLFA, audit of 1,634 and 922 VPs was only completed for 2012-13 and 2013-14 respectively. DLFA reported (December 2014) that due to delay in submission of annual accounts by DPs/BPs, the audit was not completed.

(iii) As of December 2014, 149 and 21,972 paragraphs of DLFA's Inspection Reports relating to years upto 2011-12 in respect of DPs and BPs respectively were pending settlement as given in **Table 4.6.**

Table 4.6: Year-wise pendency of paragraphs of DLFA

Year of IR	Number of paragraphs pending in respect of	
	DPs	BPs
Upto 2007-08	2	3,456
2008-09	3	2,042
2009-10	6	3,021
2010-11	87	5,058
2011-12	51	8,395
Total	**149**	**21,972**

(Source: Details furnished by DLFA)

Audit analysis of the data revealed that out of 21,972 pending paragraphs of BPs, 8,519 paragraphs (38.77 *per cent*) related to period prior to 2010-11. This indicated that sufficient attention was not given to settle the long pending paragraphs.

GoTN appointed (November 1997) (i) a State High Level Committee (SHLC) with Commissioner of Rural Development and Panchayat Raj (CRDPR) as Chairman and DLFA as Deputy Chairman, assisted by three members[1] and (ii) a District High Level Committee (DHLC) in each district, with District Collector as Chairman and Project Officer, District Rural Development Agency (DRDA) as Deputy Chairman, assisted by three members[2] and one Secretary for settlement of outstanding paragraphs.

[1] Financial Advisor and Chief Accounts Officer of Office of CRDPR, Chief Engineer/Superintending Engineer of Tamil Nadu Water Supply and Drainage Board and Chief Engineer (Highways and Rural Works).

[2] Deputy Director (DLFA), Executive Engineer (DRDA), Deputy Director, Rural Development and Panchayat Raj Department as members and Personal Assistant (Audit) to District Collector as Secretary.

The DLFA reported (January 2015) that 88 DHLC meetings were held during 2013-14 for settling pending paragraphs relating to BPs and 1,192 paragraphs were settled.

4. 8.2 Audit of PRIs by the Principal Accountant General (G&SSA)

Audit of PRIs is conducted by Principal Accountant General (General and Social Sector Audit) under Section 14(1) of the Comptroller and Auditor General of India's (Duties, Powers and Conditions of Service) Act, 1971. Important irregularities detected by Audit during audit of PRIs by test-check of records are followed up through Inspection Reports issued to the PRIs concerned and CRDPR.

GoTN had issued general orders in April 1967 fixing a time limit of four weeks for response by the audited entities for all paragraphs included in the Inspection Reports. However, as of December 2014, 1,077 paragraphs contained in 323 Inspection Reports issued during the period 2005-06 to 2013-14 were pending settlement for want of satisfactory replies.

Audit Reports of Comptroller and Auditor General of India on Panchayat Raj Institutions for the years 2000-01, 2005-06 and 2006-07 were discussed and recommendations were given by the Public Accounts Committee (PAC). As of January 2015, Action Taken Reports were pending from Rural Development and Panchayat Raj Department on 125 recommendations[3] relating to 1992-93 to 2007-08 for final settlement, which *inter-alia* consisted of paragraphs relating to PRIs included in the Audit Reports (Civil).

4.9 Conclusion

As of December 2014, 21,972 and 149 paragraphs of DLFA's Inspection Reports relating to years upto 2011-12 in respect of BPs and DPs respectively were pending settlement. Out of 21,972 pending paragraphs of BPs, 8,519 paragraphs (38.77 *per cent*) related to period prior to 2010-11. As of December 2014, 323 Inspection Reports issued by the Principal Accountant General (General and Social Sector Audit) containing 1,077 paragraphs for the period 2005-06 to 2013-14 were pending settlement for want of satisfactory replies.

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[3] 1992-93 : 2, 1995-96 : 1, 1998-99 : 22, 1999-2000 : 17, 2000-01 : 24, 2003-04 : 8, 2004-05 : 6, 2005-06 : 15, 2006-07 : 28 and 2007-08 : 2.

CHAPTER V

PERFORMANCE AUDIT (PANCHAYAT RAJ INSTITUTIONS)

CHAPTER V

PERFORMANCE AUDITS

This Chapter contains findings of two Performance Audits on (i) Receipts of Panchayats and (ii) Total Sanitation Campaign/Nirmal Bharat Abhiyan.

RURAL DEVELOPMENT AND PANCHAYAT RAJ DEPARTMENT

5.1 Receipts of Panchayats

Executive Summary

Consequent to 73rd amendment to Constitution, which gave constitutional status to Panchayat Raj Institutions (PRIs), the State Legislature enacted the Tamil Nadu Panchayats Act, 1994 (Act). Under this Act, a three tier system of PRIs viz. Village Panchayats (VPs) at the village level, Block Panchayats (BPs) or Panchayat Unions at the intermediary level and District Panchayats (DPs) at the district level were established. There were 31 DPs, 385 BPs and 12,524 VPs in Tamil Nadu and the rural population, as per 2011 Census, constitutes 51.55 per cent of the total population.

Performance Audit on Receipts of Panchayats for the period 2009-14 revealed the following:

Lack of provisions in the Tamil Nadu Panchayats Act, 1994 denied the Village Panchayats the possibility of augmenting their own revenue. There was delay and omission in transferring pooled assigned revenue/assigned/shared revenue to Panchayat Raj Institutions. Entitled State Finance Commission grants were not devolved fully and in time to the three tiers of panchayats. There was a shortfall in devolving State Finance Commission grants amounting to ₹ 14.48 crore due to incorrect calculation of Net State's Own Tax Revenue. Online bank accounts monitoring was not effective as there was delay in transferring Central Finance Commission grants to Village Panchayats within the prescribed time. Non-creation of database of bank accounts and own revenue of VPs led to poor monitoring.

5.1.1 Introduction

Consequent to 73rd amendment to Constitution, which gave constitutional status to Panchayat Raj Institutions (PRIs), the State Legislature enacted the Tamil Nadu Panchayats Act, 1994 (Act). Under this Act, a three-tier system of PRIs *viz.* Village Panchayats (VPs) at the village level, Block Panchayats (BPs) or Panchayat Unions at the intermediary level and District Panchayats (DPs) at the district level were established. There were 31 DPs, 385 BPs and 12,524 VPs in Tamil Nadu and the rural population, as per 2011 Census, constitutes 51.55 *per cent* of the total population.

As per Sections 110, 111 and 112 of the Act, major functions of PRIs are provision of basic amenities to the public such as water supply, street lights, roads, drainage, public health and promotion of education in the panchayat area.

5.1.2 Organisational set-up

The Principal Secretary, Rural Development and Panchayat Raj (RDPR) Department is the overall head at the Government level. Commissioner of Rural Development and Panchayat Raj (CRDPR) is the head of the department and District Collector is the Inspector of all the Panchayats. The organisational set-up for flow of funds to PRIs is given in **Appendix 5.1.**

5.1.3 Audit objectives

The audit objectives were to ascertain whether:

- there were adequate provisions of Act and Rules governing assessment, levy and collection of tax;
- efficient system was in place for assessment and collection of own revenue;
- Central and State Finance Commissions grants and assigned revenues were released and received in time as per allocation;
- effective internal control mechanism existed to ensure the accounting of such revenue and its remittance to respective fund accounts and
- monitoring of receipt of funds was adequate.

5.1.4 Audit criteria

Audit findings were benchmarked against the following criteria:

- The Tamil Nadu Panchayats Act, 1994 and Rules framed thereunder;
- Thirteenth Central Finance Commission (CFC) guidelines issued by Ministry of Finance, Government of India (GoI);
- State Finance Commission (SFC) Reports/Action Taken Reports on the recommendations of SFCs and Government orders issued from time to time;
- Second Administrative Reforms Commission Report issued by Ministry of Panchayat Raj, GoI;
- The Mines and Minerals (Development and Regulation) Act, 1957 and Tamil Nadu Minor Mineral Concession Rules, 1959 and
- The Tamil Nadu Entertainments Tax Act, 1939.

5.1.5 Scope and methodology of audit

Performance Audit commenced with an Entry Conference held in March 2014 with the Principal Secretary, RDPR Department and conducted between March and August 2014 covering the period from 2009-10 to 2013-14. Out of 32 districts (except Chennai which is an urban district), based on rural population in the districts, eight districts[1] representing the entire State were selected through stratified random sampling. Records of 23 BPs (22 *per cent)* out of the total 103 BPs in selected districts and 157 VPs (five *per cent)* out of 3,032 VPs in the selected districts were test checked besides records at Finance and RDPR Departments at the Secretariat, Commissionerate of Rural Development and Panchayat Raj, Offices of the Assistant Directors (Panchayats) and District Rural Development Agencies (DRDAs) in the selected districts. Further, records in the Office of the Commissioner of Commercial Taxes, Inspector General of Registration, Director of Industrial Safety and Health and Assistant Directors of Mines and District Forest Officers in the selected districts were also checked for cross verification of details obtained from PRIs. Audit findings were discussed with the Principal Secretary, RDPR Department in an Exit Conference held on 07 November 2014.

5.1.6 Source of receipts

Among the three tiers of PRIs, VPs alone have the power to levy taxes. The source of receipts of PRIs is given in **Table 5.1.**

Table 5.1: Source of receipts of PRIs

District Panchayats	Block Panchayats	Village Panchayats
SFC grant	Non-tax revenue	Tax revenue
Pooled assigned revenue	Assigned/shared revenue	Non-tax revenue
	Pooled assigned revenue	Assigned/shared revenue
	SFC grants	Pooled assigned revenue
		SFC grants
		CFC grants

(Source : Policy Note 2013-14 of RDPR Department)

Details of receipts of the three tiers of PRIs for the period 2009-14 are given in **Table 5.2.**

[1] Ariyalur, Dharmapuri, Dindigul, Kanniyakumari, Krishnagiri, Namakkal, Tirunelveli and Villupuram.

Table 5.2: Details of receipts of three tiers of PRIs

(₹ in crore)

Year	Own revenue			SFC/CFC grants				Assigned/Shared revenue and Pooled Assigned Revenue		
	Tax receipts	Non-tax receipts								
	VPs	VPs	BPs	VPs		BPs	DPs	VPs	BPs	DPs
				SFC	CFC					
2009-10	123.78	220.37	81.67	1,073.20	173.99	577.38	275.97	311.97	125.07	28.76
2010-11	132.15	248.51	85.65	1,657.95	287.10	900.76	225.19	210.70	84.22	18.91
2011-12	144.98	292.11	91.32	1,999.48	352.59	1,066.39	266.60	380.91	182.93	*
2012-13	163.90	370.48	96.87	2,440.88	416.11	1,301.80	325.24	480.49	224.76	*
2013-14	208.59	455.83	101.84	2,280.64	461.11	1,306.93	326.80	663.81	311.01	*
Total	**773.40**	**1,587.30**	**457.35**	**9,452.15**	**1,690.90**	**5,153.26**	**1,419.80**	**2,047.88**	**927.99**	**47.67**

* From 2011-12, Pooled Assigned Revenue was apportioned amongst BPs and VPs only.

(Source: Details furnished by CRDPR for Own Revenue and Assigned Revenue, Finance Accounts for SFC/CFC grants and Government orders issued for Pooled Assigned Revenue)

It could be seen from the above table that there was an increasing trend in the receipt of tax, non-tax revenue and CFC grants of PRIs for the years 2009-10 to 2013-14. However, there was a decrease in receipt of SFC grants for VPs from ₹ 2,440.88 crore in 2012-13 to ₹ 2,280.64 crore in 2013-14. Similarly, share of Pooled Assigned Revenue decreased for the year 2010-11 mainly due to short realisation of Surcharge on Stamp Duty (SSD).

Audit findings

5.1.7 Tax revenue

The components of tax revenue in VPs are House Tax (HT), Profession Tax and Advertisement Tax.

House Tax

(i) Short levy of House Tax

Section 172 of the Tamil Nadu Panchayats Act, 1994 enabled VPs to levy HT on all houses in every panchayat village on the basis on which such tax was levied immediately before the commencement of the Act or on the basis of classified plinth area method at the rates specified in Schedule I of the Act. Levy of HT was done by VPs on capital value basis prior to the commencement of the Act. SFCs recommended (November 1996, May 2001 and September 2006) levying of HT based on plinth area of the building instead of the capital value of the building stating that the capital value of houses was fixed arbitrarily. However, Government of Tamil Nadu (GoTN) did not accept their recommendations.

Scrutiny of records revealed that all selected VPs in eight test checked districts did not maintain proper building plan registers as per Rule 35 of the Tamil Nadu Panchayats Building Rules, 1997 and Rule 5(2) of the Tamil Nadu Village Panchyats (Receipts and Expenditure and Maintenance of the

Accounts of Village Panchayats) Rules, 2000 and hence, Audit could not carry out any analysis on levy of HT on plinth area method.

However, an illustrative analysis made by Audit on levy of HT for Samathuvapuram scheme, a State sponsored scheme, in two VPs (J.Thathanur of Jayamkondam BP in Ariyalur District and Sigaralapalli of Bargur BP in Krishnagiri District) out of 157 selected VPs revealed that adoption of plinth area based method for levying HT is advantageous to the VPs as it would fetch more revenue than the HT fixed based on capital value method as given below:

As per Schedule I of the Tamil Nadu Panchayats Act, 1994, the annual minimum HT prescribed by GoTN (by adopting plinth area method)	50 paise per sq.ft.
Plinth area of each Samathuvapuram house	260.50 sq. ft.
HT leviable for each Samathuvapuram house by the two VPs based on plinth area method	₹ 130
HT levied/fixed by the two VPs based on capital value based method by calculating 0.1 *per cent* on the estimate cost of ₹ 1 lakh by the panchayat	₹ 100
Difference (plus) in HT per house on adoption of plinth area method instead of capital value method	₹ 30
Short levy of HT for 100 houses in each Samathuvapuram* (100 x ₹ 30 = 3,000 x 2 villages)	₹ 6,000

* A Samathuvapuram consists of 100 houses.

GoTN replied (November 2014) that the VPs assess and collect the HT as per the plinth area only. The reply is not acceptable as the VPs in test checked districts adopt capital value based method for levying HT.

(ii) Absence of enabling provisions in the Act to levy tax on structures other than houses

One of the conditions laid down by Thirteenth Central Finance Commission for drawal of general performance grant was that all local bodies must be fully enabled to levy property tax (including tax for all types of residential and commercial properties) and any hindrance in this regard must be removed and self certification by the State Government would demonstrate compliance with this condition. GoTN had furnished a self certificate for having fulfilled this condition. However, the enabling provisions were not provided in the Tamil Nadu Panchayats Act, 1994 as explained in the succeeding paragraph, thereby not enabling VPs to levy taxes on all structures.

As per Tamil Nadu Panchayats Act, 1994, VPs are enabled to levy HT on all houses in every panchayat village and Section 2(14) of the Act defines a house as "a building fit for human occupation, whether as a residence or otherwise, having a separate principal entrance from the common way and includes any shop, workshop or warehouse or any building used for garaging or parking buses or as a bus stand". In VPs, other than houses, there are buildings such as windmills, petrol bunks and toll plazas on which no tax was levied as there is no enabling provision in the Act. However, provisions to levy tax on these types of structures exist in the Tamil Nadu Urban Local Bodies Act, 1998.

5.1.8 Non-tax revenue

Main sources of non-tax revenues are water charges, building licence fees, fees for approval of layouts, shandy lease amount, fee from ferries and fishery rentals.

Delay in receipt of lease income

Rule 12 of the Tamil Nadu Panchayats (Procedure for Conducting Public Auction of Leases and Sales in Panchayats) Rules, 2001 stipulates that when the lease period does not exceed one year, the lease amount may be permitted to be paid in not exceeding two instalments, to be decided by the panchayat in respect of every lease, provided that the last instalment should be paid before six months of expiry of the period of lease.

Scrutiny of records revealed that two (Erumapatti BP in Namakkal District and Nallampalli BP in Dharmapuri District) out of 23 test checked BPs had shandies and they were leased out on annual basis by BPs. The lessees had to pay the lease amount within the stipulated period. These two BPs received the lease amount in instalments ranging between three and eleven (five cases in Erumapatti BP : three and four instalments; six cases in Nallampalli BP: 3 to 11 instalments) instead of two as stipulated in the above rules. This resulted in postponement of revenue to local bodies.

GoTN replied (November 2014) that instructions were given to the districts in the monthly review meetings to ensure prompt payment of entire amount by the lessees.

5.1.9 Assigned/Shared Revenue

Entire income such as seigniorage fees[2], lease amount, dead rent, penalties, area assessment fees and interest from minor minerals[3] and 75 *per cent* of receipts from Social Forestry were the revenues assigned to/shared with the VPs by GoTN. Though these revenues were collected and assigned to/shared directly with VPs concerned by the Government departments at the district level, scrutiny of records revealed that assigned revenues relating to minor minerals (other than seigniorage fees), lease amount and receipts from Social Forestry were not transferred within the stipulated time to the PRIs as discussed in the succeeding paragraphs.

5.1.9.1 Partial transfer of minor minerals revenue

GoTN ordered (May 1997) to transfer all revenues collected from minor minerals to the VPs. Scrutiny of records in the offices of Assistant Director of

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[2] Fee collected by the Government every year from persons permitted to quarry minor minerals in the panchayat village.

[3] Minor mineral means building stones, gravel, ordinary clay, ordinary sand other than sand used for prescribed purposes and any other mineral which the Central Government may, by notification in the Official Gazette, declare to be a minor mineral.

Mines in the test checked districts revealed that only seigniorage fees and lease amount were transferred to the VPs within the financial year. However, an amount of ₹ 116.58 crore collected towards dead rent, penalties for unauthorised mining, area assessment fees and interest in respect of minor minerals for the period 2009-14 for the entire State was not transferred (November 2014) to VPs as detailed in **Table 5.3.**

Table 5.3: Details of dead rent, penalties, area assessment fees and interest in respect of minor minerals not transferred to VPs

(₹ in crore)

Year	Penalties	Dead Rent	Area assessment fees	Interest	Total
2009-10	16.89	0.07	0.25	0.41	17.62
2010-11	18.85	0.05	0.27	0.15	19.32
2011-12	24.17	0.09	0.46	0.13	24.85
2012-13	24.87	0.09	0.35	0.20	25.51
2013-14	28.95	0.06	0.14	0.13	29.28
				Total	**116.58**

(Source : Details furnished by Department of Geology and Mining)

Though GoTN had also ordered to transfer all revenues collected from minor minerals to the VPs, the non-transfer of these revenues to the VPs by the Department of Geology and Mining led to the shortfall of shared revenues amounting to ₹ 116.58 crore during the period 2009-14.

While accepting (November 2014) the audit observation, GoTN informed that the Director of Geology and Mining would take a decision to release dead rent/penalties as a cumulative amount after consultation with the Government.

5.1.9.2 Delay in transfer of receipts from Social Forestry

Based on the Third SFC recommendations, GoTN accepted adjusting the receipts from Social Forestry from 2007 onwards through a separate detailed head with budget provision in each year's budget of the Forest Department for apportionment to the local bodies so that the department may adjust the amount within the financial year itself. Any dues in the year which are left out should be adjusted in the next financial year. However, scrutiny of records by Audit revealed that in six test checked districts (except Dindigul and Kanniyakumari, for which there were no receipts from Social Forestry), receipts from Social Forestry for the years 2009-10 and 2010-11 were transferred to VPs by District Forest Officers with delay of three and 15 months respectively as detailed in **Appendix 5.2.**

GoTN replied (November 2014) that progress of drawal and disbursal of receipts from Social Forestry was being reviewed districtwise and suitable instructions were given during the monthly review meetings of Assistant Directors (Panchayats).

5.1.10 Pooled Assigned Revenue

Following are the taxes, duties and cesses/surcharge collected and pooled by GoTN and assigned to local bodies.

(i) Entertainment tax (ET)

(ii) Surcharge on Stamp Duty

(iii) Local Cess (LC)/Local Cess Surcharge (LCS) on land revenue (dispensed from 2009-10)

5.1.10.1 Delay in assigning Pooled Assigned Revenue

Based on the Third SFC recommendations, GoTN ordered (April 2007) pooling of the assigned revenue *viz.* ET, SSD, LC and LCS at State level and apportioning them amongst PRIs as pooled assigned revenue on quarterly basis. However, it was noticed that pooled assigned revenue of ₹ 133.11 crore, ₹ 166.89 crore and ₹ 234.91 crore being the first quarter instalment for the year 2011-12, 2012-13 and 2013-14 respectively were assigned to VPs and BPs by GoTN only during the third quarter of the respective year instead of second quarter.

GoTN replied (November 2014) that since assigning revenues due to PRIs involved different line departments and gathering data from their field offices at grass root level across the State, the process of pooling and assigning the revenue would take time. GoTN further stated that action would be taken to reduce the time gap in sanction and release of assigned revenue to PRIs. The reply is not acceptable as the assignment of pooled revenue for each year was determined by the GoTN based on summing up the actual collection of the previous year and the difference between actual and estimated collection for the previous year and the actual collections for the previous year were being furnished by the respective line departments during the first quarter of the next year.

5.1.10.2 Non-transfer of compensation for loss of revenue on ET exemption

GoTN ordered (July 2002) that 10 *per cent* of the proceeds of tax collected every year in respect of entertainments held within the jurisdiction of any local authority should be credited to the Government account and the balance 90 *per cent* should be paid to the local authority. Further, GoTN exempted (July 2006) payment of ET for all films named in Tamil language and decided (November 2006) to compensate this loss of income by providing ₹ 3 crore each year to the VPs and BPs. GoTN sanctioned (June 2011) an amount of ₹ 1.71 crore towards balance unreleased ET compensation amount for the years 2006-11 to match the loss of income on ET exemption to VPs and BPs. However, the same was not transferred to VPs and BPs till date (August 2014) even after a lapse of three years. Further, ₹ 9 crore for the period 2011-14 (₹ 3 crore per year) was also not sanctioned by GoTN till the date of audit.

GoTN stated (November 2014) that sanction order issued for ₹ 1.71 crore in June 2011 to match the loss of income on ET exemption given for Tamil films released with Tamil titles was kept (July 2011) in abeyance until further instructions and orders were issued (July 2013) for release of ₹ 96.72 lakh.

However, CRDPR stated (August 2014) that clarification was sought and GoTN was requested to revise the sanction order for the entire amount of ₹ 1.71 crore and orders were awaited (November 2014).

No reply was given by GoTN regarding non-sanction of compensation for the period 2011-14.

5.1.11 State Finance Commission grants

Articles 243(I) and 243(Y) of the Constitution of India mandate the States to constitute SFC once in five years to review the financial position of local bodies and to make recommendations to the Governor of the State which *inter alia* include principles of distribution of the net proceeds of the taxes, duties, tolls and fees leviable by the State between the State and the Local Bodies and the allocation between the panchayats at all levels of their respective shares of such proceeds. Accordingly, four SFCs were constituted in Tamil Nadu once in five years from 1997-98. Third SFC recommended (September 2006) devolution of grants to the local bodies at prescribed percentage[4] from the State's Own Tax Revenue (SOTR). Such devolution of SOTR funds was to be shared in the vertical sharing ratio of 58:42 between rural and urban local bodies respectively and 58 *per cent* share of rural local bodies should be shared at the horizontal sharing ratio of 60:32:8 among VPs, BPs and DPs respectively. This recommendation was accepted by GoTN in May 2007. Fourth SFC, constituted in December 2009, recommended (September 2011) a vertical sharing ratio of 56:44 between rural and urban local bodies. GoTN accepted the recommendation in June 2013 with modification to adopt the vertical sharing ratio between rural and urban local bodies at 58:42 and the horizontal sharing ratio of SFC devolution funds at 60:32:8 among VPs, BPs and DPs respectively.

Scrutiny of records revealed that devolution of SFC grants was made to local bodies based on Net State's Own Tax Revenue (NSOTR). The method adopted by GoTN in working out the NSOTR was incorrect as detailed in Paragraph 5.1.11.1. SFC grants to be devolved were diverted to State Plan schemes and there were delays and short release of SFC grants as given in the following paragraphs.

5.1.11.1 Shortfall in devolution of SFC grant due to incorrect calculation of NSOTR

A prescribed percentage of the NSOTR, as recommended by the four SFCs and accepted by GoTN, should be reserved for devolution to local bodies. Vertical sharing ratio of devolution of SFC grants between rural and urban local bodies was 58:42. GoTN ordered (May 2007) that for arriving at the NSOTR for the purpose of devolution of grants to local bodies, Tamil Nadu Rural Road Development Fund, other surcharges including specific surcharges and collection charges for tax administration heads alone should be deducted from the SOTR.

GoTN further ordered (October 2007) to pool the assigned revenue of SSD and ET due to rural local bodies at the State level and apportion them among PRIs. The pooled assigned revenue comprising of SSD and ET due to PRIs forms part of SOTR and hence, the same also had to be deducted while

[4] 2007-08 and 2008-09: 9 *per cent;* 2009-10: 9.5 *per cent*; 2010-11 and 2011-12: 10 *per cent;* 2012-13 onwards : 10 *per cent.*

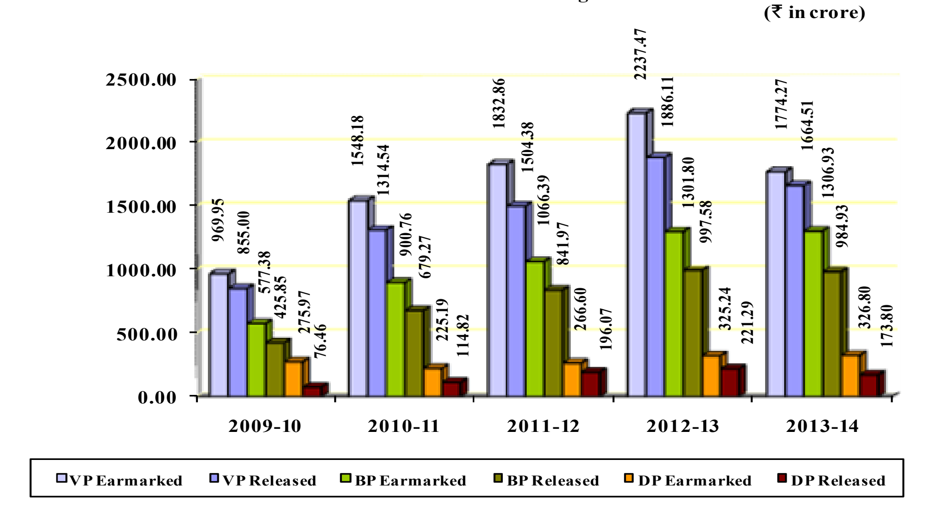
computing NSOTR. In arriving at the NSOTR, correct method was adopted in respect of SSD. However, GoTN had deducted the entire gross receipts of ET collected in the State instead of deducting the ET assigned to PRIs, while arriving at the NSOTR. The above incorrect calculation of NSOTR resulted in shortfall in devolution of SFC grants to PRIs amounting to ₹ 14.48 crore as detailed in **Appendix 5.3.**

Finance Department of GoTN replied (December 2014) that there appears to be some arithmetical error in arriving at the NSOTR and the issue would be sorted out in near future.

5.1.11.2 Implementation of State plan schemes through devolution grants

As per GoTN orders (July 2009 and July 2013), GoTN had to devolve the SFC grants at committed percentage to PRIs after deducting 5 *per cent* (up to 2012-13) and 10 *per cent* from 2013-14 towards Infrastructure Gap Filling Fund (IGFF) from the share of the SFC devolution. Scrutiny of records revealed that GoTN had not devolved the committed percentage of SFC grants in full to the three tiers of PRIs as mentioned in paragraph 5.1.11, but had also deducted some amount from the grant to be devolved to PRIs, in addition to the deduction towards IGFF, for implementation of State Plan Schemes and such deductions varied every year according to the State Plan Schemes. The details of earmarked devolution of grants for the three tiers of PRIs and the actual grants released during the period 2009-14 are depicted in **Chart 5.1**.

Chart 5.1: Devolution of grants to PRIs



(Source : Finance Accounts for the respective years)

The overall deficits in devolution of untied grant in three tiers of PRIs ranged between 17 and 26 *per cent* during the period 2009-14.

GoTN replied (November 2014) that deduction was done from SFC grant to be devolved to PRIs for implementing flagship schemes based on the responsibility entrusted to each tier of PRIs for fulfilling their statutory role as per the Tamil Nadu Village Panchayats Act, 1994 as well as the objectives of respective flagship schemes. The reply is not acceptable as the commitment of GoTN for transfer of grants to PRIs to ensure their independence as suggested by Central/State Finance Commission was not adhered to.

5.1.11.3 Shortfall in devolving SFC grants

SFC grants were devolved in the form of statutory minimum basic grant and population grant. Minimum basic grant was devolved only to VPs and BPs (equally for each VP and for each BP). Population grant was devolved to VPs, BPs and DPs based on the population in their jurisdiction.

Paragraph 3.5.2.18 of the sixth report of the Second Administrative Reforms Commission on Local Governance stipulates that Action Taken Report (ATR) on the recommendations of the SFC must compulsorily be placed in the State Legislature concerned within six months of its submission.

One of the recommendations of Fourth SFC which was accepted (June 2013) by GoTN was to increase the minimum basic grant from ₹ 3 lakh to ₹ 5 lakh per VP and this amount had to be deducted as the first charge from the rural share of 60 *per cent* of SFC grant intended for VPs.

Scrutiny of records revealed that Fourth SFC submitted its report to Governor of Tamil Nadu on 30 September 2011 and the ATR on the above SFC recommendations was belatedly presented to State Legislature only in May 2013 after a delay of 14 months. This resulted in non-devolving of the enhanced minimum basic grant amounting to ₹ 250.48 crore (12,524 VPs x ₹ 2 lakh) for 2012-13 to VPs.

Scrutiny of records further revealed that there was a short devolution of minimum basic grants of ₹ 7.39 crore (out of ₹ 626.20 crore) to VPs during the year 2013-14 and population grant of ₹ 12 lakh to VPs in 2011-12 which was in turn excessively released to BPs.

The short devolution of SFC grants to the respective tier of PRIs had affected the horizontal sharing pattern between three tiers of PRIs (*viz*. 60:32:8 between VPs, BPs and DPs).

GoTN replied (November 2014) that action is being taken to obtain necessary sanction for releasing the balance SFC minimum basic grants of ₹ 7.39 crore. However, no reply was furnished by GoTN for the short release of population grant of ₹ 12 lakh to VPs and for delayed submission of ATR.

5.1.11.4 Delay in release/devolution of SFC grants

After deducting an amount towards IGFF from the share of the SFC devolution as mentioned in paragraph 5.1.11.2, the balance grants should be released to PRIs in 14 instalments *viz.* 10 monthly instalments from April to January based on the provision of funds in the Budget Estimate and the balance four instalments during February and March based on provisions made in the Revised Estimate. However, it was noticed in Audit that GoTN had not devolved the SFC grants in a phased and timely manner as detailed in **Table 5.4.**

Table 5.4: Delay in release of SFC grants to be devolved

Year	Number of instalments in which grants were released	Month in which first instalment was released
2009-10	8	July 2009
2010-11	11*	June 2010
2011-12	3	December 2011
2012-13	8	June 2012
2013-14	7	July 2013

* Last instalment was released at the fag end of the financial year with instructions to the District Collectors to keep the funds at district level and the same was released to PRIs during next financial year.

GoTN replied (November 2014) that Tamil Nadu is one of the pioneer States in releasing the SFC grants through ECS and the funds were released to the respective VP's accounts within seven days. But grants were devolved to PRIs in 3 to 11 instalments during 2009-14 and with delays.

5.1.11.5 Non-release of interest amount

As per guidelines issued (November 2007) by GoTN for sanction and execution of works by the District Collectors under IGFF, the balance unallocated amount available at the district level as on 1st March of every year should be released to the VPs along with the SFC grant for the month of March based on population. The interest earned on the funds vested with the District Collector also forms part of the unallocated amount and the same had to be transferred to VPs' SFC account.

Scrutiny of records revealed that in three out of the eight test checked districts, interest amounting to ₹ 30.76 lakh was accumulated in IGFF vested with the District Collector and the same was not released to the VPs as stipulated in the guidelines as detailed in **Table 5.5.**

Table 5.5: Non-release of interest amount to VPs out of IGFF

Name of the District	Amount of interest (₹ in lakh)
Kanniyakumari	5.01
Dindigul	19.07
Namakkal	6.68
Total	**30.76**

GoTN replied (November 2014) that during 2013-14 instructions were given to Districts to utilise the IGFF for taking up water supply works to mitigate the water scarcity in rural areas and, hence, the savings amount was kept for that purpose as a special case.

But unallocated amount available with the District Collectors as on 1st March of every year should be released to the VPs along with the SFC grant for the month of March based on population and hence the interest amount should have been transferred to the VPs along with SFC grant as per IGFF guidelines.

5.1.12 Central Finance Commission grants

Twelfth CFC grants for the year 2009-10 and Thirteenth CFC grants for the years from 2010-11 to 2013-14 were released based on the respective CFC recommendations. The Thirteenth CFC grants comprised basic grant and general performance grant. Scrutiny of records revealed non-payment of interest despite delay in transfer of funds to VPs and delayed submission of utilisation certificates (UCs) by GoTN to GoI as discussed in the following paragraphs.

5.1.12.1 Non-payment of interest for delayed release of funds

As per paragraph 4.2 of guidelines issued (September 2010) by GoI for release and utilisation of grants recommended by the Thirteenth CFC for urban and rural local bodies, CFC grants must be transferred within the stipulated number of days i.e. five days of receipt from GoI in the case of States with easily accessible banking infrastructure and ten days in the case of States with inaccessible banking infrastructure from the second instalment of 2010-11, and, if there was any delay, the State Government had to release the instalment with interest, at the bank rate of Reserve Bank of India, for the number of days of delay.

Scrutiny of CFC grant bank accounts maintained in the eight test checked districts revealed that though GoTN paid interest for the belated releases of CFC grants (₹ 33.39 crore from 2011-12 first instalment to 2013-14 second instalment except for 2012-13 second instalment) up to the date of issue of Government order, interest amounting to ₹ 16.56 lakh for the subsequent delay ranging between 13 and 24 days in crediting the above grants to the accounts of Assistant Directors (Panchayats) for onward distribution to VPs was not paid by GoTN/CRDPR as detailed in **Appendix 5.4.**

Further, CRDPR did not release (August 2014) the interest amount of ₹ 23.14 lakh (Second instalment of 2012-13: ₹ 0.94 lakh sanctioned by GoTN in March 2013 and first instalment of 2013-14: ₹ 22.20 lakh sanctioned by GoTN in August 2013).

GoTN replied (November 2014) that as the per capita allocation of interest amount sanctioned was minimum, the same was not released to the PRIs by CRDPR. GoTN further stated that as pointed out by Audit, the interest amount would be released to VPs along with the second instalment of CFC grant in 2014-15.

5.1.12.2 Submission of utilisation certificate

As per the guidelines issued (September 2010) by Ministry of Finance, GoI, the CFC grants would be released in two tranches in July and January every fiscal year and the release of subsequent instalment would be subject to furnishing of UC for the previous instalment drawn. Test check of two VPs (Thalaiyuthu VP of Manur BP in Tirunelveli District, Killiyanur VP of Vanur BP in Villupuram District) revealed that CFC grants released for the year 2010-11 were credited to VP scheme account instead of earmarked VP II account (maintained for payment of water supply and electricity charges) and were diverted for other schemes for that year. However, GoTN sent UCs to

GoI in a routine manner without ascertaining the proper utilisation of funds by the respective VPs.

GoTN replied (November 2014) that CFC grants were released to VPs for prompt settlement of electricity charges to Tamil Nadu Electricity Board and water charges to Tamil Nadu Water Supply and Drainage Board and immediately after utilising the grant at VP level, UCs were sent to GoI.

5.1.13 Internal control

5.1.13.1 Non-issue of Receipt Books

As per Rules 27 and 29 of Tamil Nadu Village Panchayats (Receipts and Expenditure and Maintenance of the Accounts of VPs) Rules, every VP servant entrusted with the collection of revenue due to VP should be supplied with a collection book. Scrutiny of records revealed that in seven out of eight test checked districts (except Ariyalur where receipt books were being procured centrally at district level and supplied to VPs), receipt books were being purchased and used by the VPs after getting approval of Block Development Officer (VP). The non-issuance of receipt books to VPs at the block/district level may lead to non-accounting of all receipts and the possibility of misappropriation could not be ruled out.

GoTN replied (November 2014) that the Act did not provide for purchase of receipt books at BP/district level. But possibility of receipts not being accounted for correctly by VPs in the absence of authorised receipt books exists.

5.1.13.2 Non-credit of amount released to PRIs

On a scrutiny of orders issued by District Collectors and bank statements relating to pooled assigned revenue released to BPs and VPs based on population, it was noticed that ₹ 3.70 lakh was not credited to the VP/BP Account-I as detailed in **Table 5.6.**

Table 5.6: Non-credit of pooled assigned revenue in VP/BP fund account

Sl. No.	Amounts pertains to	Name of the VP/ BP	Date of release	Amount (₹ in lakh)
1.	2010-11 III Quarter	Vilathurai VP, Kanniyakumari District	21.10.2010	0.43
2.	2010-11 IV Quarter	Vanur BP, Villupuram District	05.01.2011	2.47
3.	2009-10 IV Quarter	Jambai VP, Mugaiyur BP, Villupuram District	05.01.2010	0.29
4.	2009-10 IV Quarter	Poothai VP, Sankarapuram BP, Villupuram District	05.01.2010	0.51
			Total	**3.70**

Further an amount of ₹ 5.56 lakh released during January 2013 relating to first and second quarter of 2012-13 was not credited to Melsankarankuzhi VP account and the same was subsequently credited (May 2014) into the VP account after it was pointed out by Audit.

Similarly, IGFF amounting to ₹ 6.32 lakh, though released by Assistant Director (Panchayats), Dharmapuri in December 2010 and February 2013, was not credited into the scheme accounts of two VPs (Anjehalli in Pennagram BP (₹ 3.12 lakh) and Adhiyamankottai in Nallampalli BP (₹ 3.20 lakh) as of August 2014.

GoTN replied (November 2014) that the pooled assigned revenue amounting to ₹ 3.70 lakh was credited to the respective BP/VP account between November 2009 and January 2011. But verification of bank statements by Audit in August 2014 revealed that the amounts were not credited into the respective VP account.

Regarding IGFF amounting to ₹ 6.32 lakh (Anjehalli VP in Pennagram BP (₹ 3.12 lakh) and Adhiyamankottai VP in Nallampalli BP (₹ 3.20 lakh), GoTN replied that the amounts were credited to the respective VP account during September 2014 and July 2014 respectively. This was done only after the lapses were pointed out by Audit.

5.1.14 Monitoring

5.1.14.1 Non-creation of database of Panchayat bank accounts

As per the recommendations of the Committee constituted (January 2005) by GoI to examine the feasibility and modalities for rapid transfer of funds to Panchayat bank accounts through banking channels, the Department of Panchayat Raj in the State has to create and maintain, with the assistance of National Informatics Centre (NIC) functioning at State level, a database of Panchayat bank accounts on the National Panchayat Portal.

Scrutiny of records revealed that CRDPR had not taken any action till February 2014 and conducted a meeting with Bankers for the online monitoring of accounts of VPs and prepared a plan of action for implementation only during March 2014. The non-creation of database of panchayat bank accounts at the commissionerate level led to poor monitoring as there were 17 cases of missing credit in VP II fund account as detailed in **Appendix 5.5.**

GoTN replied (November 2014) that in order to effectively monitor the utilisation of funds and monitor the expenditure incurred from the scheme accounts maintained by VPs, an online bank accounts monitoring system was developed and a database of 60,000 VPs' bank accounts was created in the official website of RDPR Department. GoTN further stated that all bank transactions under different accounts of VPs were sent to the central server maintained by NIC at Chennai which facilitated the Government to monitor the banking accounts of VPs on daily basis. But the details stated to have been developed were not available in the National Panchayat Portal as of December 2014.

GoTN also stated that 17 cases of missing credit in VP II fund account were rectified. However, the details for the same were not furnished to Audit.

5.1.14.2 Non-creation of database of own revenue

GoTN ordered (June 2004) that own income (excluding assigned revenue) of all VPs should be 25 *per cent* of their total income in each year and CRDPR should develop a database on the above information and monitor the achievement by each VP on the above target so as to issue necessary instructions to augment their own resources. Scrutiny of records in Audit revealed that CRDPR had not created any database to monitor VPs' own income even after a lapse of ten years.

GoTN replied (November 2014) that the assessment, demand and collection of VPs' own tax and non-tax revenue were being reviewed at district level by District Collector, Assistant Director (Panchayats) and BDO (VP) at block level and by CRDPR at State level. However, the fact remains that CRDPR had not created the database so far to monitor VPs' own income.

5.1.15 Conclusion

Seventy third amendment to the Constitution gave constitutional status to PRIs. Major functions of PRIs are provision of basic amenities to the public such as water supply, street lights, roads, drainage, public health and promotion of education in the panchayat area. Performance Audit on 'Receipts of Panchayats' revealed the following deficiencies:

Lack of provisions in the Tamil Nadu Panchayats Act, 1994 denied the Village Panchayats the possibility of augmenting their own revenue. There was delay and omission in transferring pooled assigned revenue/assigned/shared revenue to Panchayat Raj Institutions. Entitled State Finance Commission grants were not devolved fully and in time to the three tiers of panchayats. There was a shortfall in devolving State Finance Commission grants amounting to ₹ 14.48 crore due to incorrect calculation of Net State's Own Tax Revenue. Online bank accounts monitoring was not effective as there was delay in transferring Central Finance Commission grants to VPs within the prescribed time. Non-creation of database of bank accounts and own revenue of VPs led to poor monitoring.

5.1.16 Recommendations

Government may consider the following measures:

- Necessary provisions to be included in the Tamil Nadu Panchayats Act, 1994 to bring all superstructures like windmills, toll plazas, petrol bunks under tax net of rural local bodies and to adopt a scientific method in assessment of buildings for tax, as is done in the case of Urban Local Bodies.
- Pooled assigned revenue/assigned/shared revenue may be transferred to Panchayat Raj Institutions in time as per stipulations.
- Government of Tamil Nadu/Commissioner of Rural Development and Panchayat Raj may devolve the entitled State Finance Commission grants fully and Central Finance Commission grants to Panchayat Raj Institutions in time.

- Adequate and effective internal control mechanism may be established at all levels of Panchayat Raj Institutions.
- Proper and correct database of Village Panchayats' bank accounts for quick release of funds to Village Panchayats and database of own revenue of Village Panchayats need to be created for effective monitoring.

5.2 Total Sanitation Campaign/Nirmal Bharat Abhiyan

Executive Summary

Total Sanitation Campaign/Nirmal Bharat Abhiyan (TSC/NBA) commenced with the objective of improving the quality of life of the rural people through proper sanitation facilities and to provide privacy and dignity to women. Performance Audit of TSC/NBA brought out the following significant audit findings:

The four tier implementation mechanism envisaged as mandatory in the scheme guidelines, viz., State Water and Sanitation Mission, Water Sanitation Support Organisation, District Water and Sanitation Mission and Block Resource Centre were not formed as prescribed. As a result, planning for implementation of the scheme at different levels was not adequate and effective. Maintenance of cash book at the State level was not proper. There were delays in release of funds by Commissioner of Rural Development and Panchayat Raj to District Rural Development Agencies (DRDAs). Non-release of funds by DRDAs to Village Panchayats led to accumulation of funds with DRDAs. Out of 95.40 lakh households in the State, 46.29 lakh households (49 per cent) did not have individual household latrines as of March 2014. No evaluation study was conducted at the State level to assess the overall outcome and effectiveness of scheme. Information, Education and Communication (IEC) strategy to create sanitation awareness and thereby increase demand for sanitation services in the rural areas was not effective at Village Panchayat level.

5.2.1 Introduction

Government of India (GoI) launched (1986) Central Rural Sanitation Programme (CRSP) primarily with the objective of improving the quality of life of the rural people through proper sanitation facilities and to provide privacy and dignity to women. CRSP was renamed in 1999 as Total Sanitation Campaign (TSC) by adopting demand driven approach. The revised approach sought to increase sanitation awareness among the rural people and thereby generate demand for sanitary facilities. Financial incentives were provided to Below Poverty Line (BPL) households for construction and usage of Individual Household Latrines (IHHL). Assistance was also provided for construction of School Toilets, Anganwadi Toilets and Community Sanitary Complexes (CSCs). GoI launched (October 2003) Nirmal Gram Puraskar (NGP) (a rewarding scheme) to recognise the achievements and efforts made by the Panchayats to ensure full sanitation coverage in their areas. With a view to accelerating the sanitation coverage in rural areas and comprehensively covering the rural community through renewed strategies and saturation approach, GoI renamed (April 2012) TSC as Nirmal Bharat Abhiyan (NBA). NBA included certain sections[5] of Above Poverty Line (APL) households also.

[5] Scheduled castes, scheduled tribes, small and marginal farmers, landless labourers with homestead, physically handicapped and women-headed households.

5.2.2 Organisational structure

Principal Secretary, Rural Development and Panchayat Raj (RDPR) Department is the overall head at Government level. Commissioner of Rural Development and Panchayat Raj (CRDPR) is the administrative head of the Rural Development and Panchayat Raj Department. CRDPR at State level, Project Officer, District Rural Development Agency (DRDA) at District level, Block Development Officer (BP) at Block level and President of Village Panchayat (VP) at Village level were responsible for implementation of the programme.

5.2.3 Audit objectives

The Performance audit of TSC / NBA was conducted with the objective to assess whether

- planning for implementation of the Scheme at different levels was adequate, effective and was aimed towards achievement of objectives of the scheme;
- funds released by GoI were accounted for and utilised by the State Government in compliance with the guidelines issued for the Scheme;
- the information, education and communication strategy under the Scheme was effective in generation of demand of TSC/NBA services through community mobilisation;
- the convergence of the NBA activities with other programmes/ stakeholders as envisaged was effectively achieved and
- the mechanism in place for monitoring and evaluation of the outcomes of the programme was adequate and effective.

5.2.4 Audit criteria

The audit findings were bench-marked against the criteria derived from the following sources:

- GoI Guidelines for TSC (2007, 2010 and 2011) and NBA (2012); notifications and circulars issued by Ministry of Drinking Water and Sanitation;
- GoI Guidelines for IEC, Nirmal Gram Puraskar and engagement of Swachchhata Doot / Prerak;
- State Government orders relating to implementation of the TSC/NBA;
- Guidelines for engagement of skilled and unskilled workers from Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS);
- Tamil Nadu Treasury Rules

5.2.5 Scope and methodology of Audit

The Performance Audit on implementation of NBA (erstwhile TSC) covering the period 2009-10 to 2013-14 was conducted during May - September 2014 by examining records of CRDPR, DRDAs of seven districts[6] selected by 'Probability to size with replacement' method, 22 Block Panchayats and 183 Village Panchayats (VPs), all selected by Systematic Random Sampling without Replacement method. An entry conference was held on 9 June 2014 with the Principal Secretary, RDPR Department. Exit Conference was held with Principal Secretary, RDPR Department and CRDPR on 07 November 2014 and replies furnished by the Government of Tamil Nadu (GoTN) and CRDPR have been considered while finalising the report.

Audit findings

5.2.6 Planning

5.2.6.1 Inadequate/absence of implementation structure at different levels

For implementation of TSC/NBA, GoI guidelines (July 2011) required setting up of the structure at State / District / Block / Village Panchayat level for various purposes as detailed in **Appendix 5.6.** However, the above structure was not created in the State even after lapse of three years since issue of the guidelines. CRDPR stated (November 2014) that the State Water and Sanitation Mission (SWSM), Water Sanitation Support Organisation (WSSO), District Water and Sanitation Mission (DWSM) and Village Water and Sanitation Committee (VWSC) were constituted (March 2009) in Tamil Nadu Water Supply and Drainage (TWAD) Board. But, missions and organisations formed under National Rural Drinking Water Programme (NRDWP) were intended to take care of only water supply related affairs and not sanitation. In the Exit Conference, the Principal Secretary agreed to examine the matter to issue an integrated order.

Similarly, Block Resource Centres (BRC) should be set up at the Block level to provide continuous support to the programmes by way of awareness creation, motivation, mobilisation, training of village communities, VPs and VWSC. Audit observed that no BRC was set up in the test checked Blocks. As per the guidelines of NBA for BRCs, there should be two to four Block Coordinators/Cluster Coordinators per Block to do all functions[7] contemplated in the Programme. However, there was only one Block Coordinator at the Block level in the test checked districts. The BRCs were not set up as per guidelines issued (August 2010) by GoI. CRDPR stated (September 2014) that BRCs could not be formed due to various constraints such as non-allotment of funds exclusively for expenditure on BRCs and very low salary envisaged for the Block Coordinators/Cluster Coordinators.

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6 Coimbatore, Krishnagiri, Madurai, Thanjavur, Tirunelveli, Tiruvannamalai and Tiruvarur.

7 Support for awareness creation, continuous motivation, mobilisation, training and handholding to village communities, VPs and VWSCs.

5.2.6.2 Project Implementation Plan and Annual Implementation Plan

The Project Implementation Plan (PIP) for ₹ 1,143.67 crore was approved (August 2010) by GoI on the basis of Baseline Survey conducted prior to the year 2009 (Census 2001). There was no revision in the PIP thereafter though GoI enhanced the unit cost[8] periodically. The PIP revised in 2012 based on Census 2011 and submitted (2013) by DRDAs to CRDPR has not yet been approved by the State Scheme Sanctioning Committee. CRDPR stated (December 2014) that in order to re-examine PIP, guidelines for Swach Bharath Mission (Gramin) are awaited from GoI.

As per the guidelines of TSC/NBA, the Annual Implementation Plan (AIP) should be prepared by identification of VPs to be saturated for obtaining the project objectives. The VP plans should be consolidated at the Block and District levels to form State AIP, which should be approved by the Plan Approval Committee of GoI. The main objective of AIP is to provide a definite direction to the programme and to ensure periodical monitoring of physical and financial progress.

Audit observed that the bottom-up approach was not followed in preparing AIP. However, the District level Plan was prepared only from 2012-13 onwards. There was consequently wide variation between financial target and achievement as shown in **Table 5.7** and consequent slow pace of fund utilisation.

Table 5.7 : Variation between total outlay and funds released

(₹ in crore)

Year	Total outlay approved in AIP	Funds available (opening balance + receipts + interest)		Expenditure
2009-10	616.00	149.58	(24)	76.61 (51)
2010-11	767.65	189.11	(25)	69.80 (37)
2011-12	901.08	230.28	(26)	152.10 (66)
2012-13	980.50	274.98	(28)	125.45 (46)
2013-14	981.88	610.27	(62)	361.75 (59)
Total	**4,247.11**	**1,454.22**	**(34)**	**785.71 (54)**

Note: Figures within brackets indicate percentage to outlay and expenditure incurred out of funds available.

(Source: Details furnished by CRDPR)

As may be seen from the above Table, funds available during 2009-14 ranged from 24 to 62 *per cent* of the approved outlay. Despite less release of funds, the Department failed to utilise the available funds as their utilisation ranged between 37 and 66 *per cent*. CRDPR stated (December 2014) that due to revision of guidelines, transition from TSC to NBA and convergence with MGNREGS, the AIP targets could not be strictly adhered to.

[8] ₹ 2,000 in 2007; ₹ 2,500 (normal areas) / ₹ 3,000 (hilly and difficult areas) in 2010; ₹ 3,500 / ₹ 4,000 in 2011; ₹ 10,000 / ₹ 10,500 in 2012.

5.2.7. Financial management

The State level details of availability of funds and expenditure incurred during 2009-14 are given in **Table 5.8.**

Table 5.8: Availability of funds and expenditure incurred during 2009-14

(₹ in crore)

Year	Opening Balance (including interest)	Funds received	Interest	Total	Expenditure		Closing Balance
2009-10	57.86	88.17	3.55	149.58	76.61	(51)	72.97
2010-11	72.97	113.37	2.77	189.11	69.80	(37)	119.31
2011-12	119.31	99.61	11.36	230.28	152.10	(66)	78.18
2012-13	78.18	168.12	28.68	274.98	125.45	(46)	149.53
2013-14	149.53	413.12	47.62	610.27	361.75	(59)	248.52
Total		**882.39**	**93.98**		**785.71**		

(Figures in brackets indicates the percentage to total)

(Source : Details furnished by CRDPR)

It may be observed from the above Table that out of ₹ 1,034.23 crore available during 2009-14, the Department had spent ₹ 785.71 crore (76 *per cent*). The low utilisation of funds was mainly due to poor achievement in construction of individual household latrines as discussed in paragraph 5.2.10.1 of this Report.

5.2.7.1 Release of funds

(i) Delay in release of funds by State Government

As per the guidelines, the State should release GoI grant to DRDAs along with its share within 15 days of receipt of GoI share. However, during 2010-14, GoTN released the funds received from GoI (without adding GoTN share) to DRDAs after a delay of 4 to 56 days as detailed in **Appendix 5.7(i)**. Further, during 2009-14, GoTN released its share separately after delays ranging from 4 to 444 days as detailed in **Appendix 5.7(ii).** In the Exit Conference, CRDPR attributed the delay at the State level to three stage process involved.

(ii) Non-release of funds by DRDAs to Village Panchayats

As per the guidelines, on receipt of scheme funds from GoI and State Government, DRDAs had to transfer the funds to VPs within 15 days. However, Audit observed that during 2009-14, the test checked DRDAs transferred 7 to 147 *per cent* of funds available with them to VPs as given in **Table 5.9** below.

Table 5.9: Funds released by DRDAs to VPs

(₹ in lakh)

District	2009-10		2010-11		2011-12		2012-13		2013-14	
	TFA	FR	TFA	FR	TFA	FR	TFA	FR	TFA	FR
Coimbatore	204.02	210.52 (103)	440.93	166.44 (38)	623.50	230.09 (37)	909.04	585.97 (64)	1,389.59	981.43 (71)
Krishnagiri	1,671.17	146.05 (9)	1,569.77	866.81 (55)	1,358.80	1,815.15 (134)	883.14	355.82 (40)	2,233.95	1,938.90 (87)
Madurai	1,105.29	227.27 (21)	1,373.30	586.22 (43)	1,198.69	479.34 (40)	1,379.08	620.96 (45)	2,010.26	1,227.58 (61)
Thanjavur	740.14	364.95 (49)	991.21	347.60 (35)	1,758.02	843.08 (48)	2,637.51	171.74 (7)	2,694.17	3,958.03 (147)
Tiruvanna-malai	276.00	308.33 (112)	273.69	303.80 (111)	421.14	487.30 (116)	536.46	273.12 (51)	2,781.16	1,609.37 (58)
Tirunelveli	542.98	307.13 (54)	553.27	352.59 (67)	356.76	251.42 (70)	301.04	286.45 (95)	1,089.33	1,027.26 (94)
Tiruvarur	230.66	140.17 (61)	192.87	29.67 (15)	327.90	276.72 (84)	157.80	87.77 (56)	852.29	858.03 (101)

TFA - Total funds available   FR - Funds released to VPs.
(Figures within brackets indicate percentage to TFA).
(Source: Details furnished by DRDAs)

Details of funds received and released by DRDAs are given in **Appendix 5.8.** CRDPR stated (December 2014) that the accumulation of funds with DRDAs was due to release of funds by DRDAs to VPs based on requirement of funds at VP level. The reply is not acceptable since the retention of funds by DRDAs was in violation of the guidelines.

(iii) Non-observance of condition in release of grant to Districts

Further, as per CRDPR's instructions (April 2009), the DRDAs were required to spend minimum 60 *per cent* of funds available to become eligible for release of the next year's grant. However, CRDPR released funds to the test checked DRDAs which released less than 60 *per cent* of the funds available to VPs during 2009-14 as shown in **Table 5.10.**

Table 5.10: Release of funds by DRDAs below 60 *per cent* of funds available

Percentage of funds released to VPs					
DRDA	2009-10	2010-11	2011-12	2012-13	2013-14
Coimbatore	-	38	37	-	-
Krishnagiri	9	55	-	40	-
Madurai	21	43	40	45	-
Thanjavur	49	35	48	7	-
Tiruvarur	-	-	-	51	58
Tiruvannamalai	57	-	-	-	-
Tirunelveli	-	15	-	56	-

(Source: Details furnished by DRDAs)

Table 5.10 shows that in 18 out of 35 instances (seven Districts x five years), CRDPR released the funds to the test checked DRDAs though they released less than 60 per *cent* of the available funds to VPs. CRDPR replied (December 2014) that 60 *per cent* of expenditure would be ensured before claiming of second instalment fund from GoI in future.

(iv) Improper maintenance of Cash Book

The Tamil Nadu Treasury Rules require that moneys received shall be immediately brought to account in a cash book. However, in the cash book of CRDPR for TSC, transactions of receipts and payments were not recorded as and when they occurred, but were copied from bank scroll / pass book at a later date. In such a case, the reconciliation between the cash book and the scroll / pass book would not serve the purpose of reconciliation. Further, the transactions relating to State Share of Grant were not recorded in the cash book. Hence, the cash book did not provide a complete picture of the funds. During the Exit conference, CRDPR agreed to record all transactions in future.

5.2.8 Utilisation of funds

5.2.8.1 Inflated expenditure recorded in the audited accounts

During 2011-12, DRDA, Krishnagiri recorded an expenditure of ₹ 18.15 crore in the cash book of NBA. Scrutiny of audited accounts showed that the amount included ₹ 15.35 crore which was sanctioned (March 2012) by DRDA for releasing it to all ten blocks in the district. However, instead of transferring the amount to the Blocks, DRDA transferred the amount to its bank account for UNICEF schemes in March 2012. The amount was subsequently re-transferred (April 2013) from UNICEF account to NBA account. This implies that the amount was shown as expenditure mainly to avail the grant for the subsequent year (2012-13). CRDPR released the grant for the subsequent year without verifying the fact of diversion of NBA amount to UNICEF account. CRDPR replied in the Exit Conference that a new Integrated Management Information System was being put into practice and that such defective reports and accounting errors would not occur in future. Further, CRDPR agreed to look into this specific issue.

5.2.8.2 Irregular diversion of scheme funds

The NBA guidelines prescribed that audited accounts should be accompanied by a certificate from the Chartered Accountant to the effect that scheme funds were not diverted to other purposes. However, three test checked DRDAs temporarily transferred scheme funds to MGNREGS for periods ranging from 11 to 376 days as shown in **Table 5.11** below:

Table 5.11: Diversion of NBA funds

DRDA	Amount diverted (₹ in crore)	Period of diversion	No. of days	Interest at 4.5 *per cent* per annum (₹ in lakh)
Krishnagiri	5.00	30.9.2010 to 31.3.2011	181	11.16
	5.00	24.10.2011 to 5.11.2011	11	0.68
	15.35	30.3.2012 to 10.4.2013	376	71.15
Madurai	4.00	9.9.2010 to 31.3.2011	202	9.96
Thanjavur	10.00	29.4.2013 to 15.5.2013	15	1.85
	5.00	20.8.2013 to 16.11.2013	87	5.36
			Total	**100.16**

(Source: Records of DRDAs)

Though the diverted funds were subsequently recouped, the diversions were irregular. Had these funds not been diverted, they would have been available in the savings bank account and the DRDAs could have earned interest amounting to ₹ 100.16 lakh.

5.2.8.3 Refund of funds to DRDA

Based on Annual Implementation Plan, DRDA, Coimbatore had released funds to all eight Blocks in the district. Subsequently (July and August 2013), the DRDA instructed the Blocks to refund the unspent amount lying with them. Reasons for seeking the refund were not on records of either the DRDA or the test checked Blocks. The DRDA obtained ₹ 1.42 crore as refund.

5.2.9 Nirmal Gram Puraskar

Under the component Nirmal Gram Puraskar (NGP) introduced in 2003, a cash incentive ranging from ₹ 1 lakh to ₹ 10 lakh (depending on the population) is awarded to recognise the efforts of Panchayat Raj Institutions (PRIs) which have contributed significantly towards ensuring full sanitation coverage in all spheres like IHHL, school/anganwadi sanitation, access to adequate water as per guidelines for National Rural Drinking Water Programme, solid / liquid waste management. The underlying idea is to accelerate sanitation coverage in rural areas and also to comprehensively cover all components of sanitation in a village (IHHL, School Toilets, Anganwadi Centres and Solid & Liquid Waste Management). The benchmark of success with respect to sanitation coverage in a village is related to qualifying for the NGP award.

5.2.9.1 Non-availing of NGP grant from GoI

After selection of awardees (BPs/VPs) for a particular year, the award money should be released by GoI to the States subject to submission of statement of disbursement of award money to PRIs concerned and furnishing of Utilisation Certificate for the amount money received earlier. Due to non-submission of the disbursement statement, GoTN has not yet received the balance of NGP grant of ₹ 17 lakh due for 2011-12 (out of the total award of ₹ 85 lakh) relating to 51 VPs. Due to this, the award money could not be given to the VPs. CRDPR attributed (December 2014) the non-submission of the disbursement statement to non-receipt of the same from DRDAs.

5.2.9.2 Non-release of NGP grant from State to DRDAs

According to the guidelines, grant received from GoI has to be released by the State Government to DRDAs within seven days of receipt. However, during 2010-11 and 2011-12, CRDPR received ₹ 413.50 lakh (February 2011) and ₹ 68 lakh (May 2011) respectively, but released ₹ 284.25 lakh (April 2012) and ₹ 85 lakh (December 2012) respectively to DRDAs with a delay of 13 months and 18 months respectively and retained ₹ 112.25 lakh. In the Exit conference, the Principal Secretary attributed the retention to non-receipt of utilisation certificates from DRDAs for the earlier release. The reply is not acceptable since the delayed release and the non-release of funds were in violation of the guidelines.

5.2.9.3 Non-release of grant by DRDAs to Village Panchayats

The guidelines require the DRDAs to release funds received from the State to awardee VPs within seven days of receipt. However, as of March 2014, six test checked DRDAs (except Tirunelveli) had retained ₹ 1.56 crore with them without disbursing it to the VPs selected for the award as given in **Table 5.12.**

Table 5.12: Non-release of grant from DRDAs to Village Panchayats

DRDA	Amount available as of March 2014 (₹ in lakh)	Period of receipt
Coimbatore	27.94	2010-11
Krishnagiri	2.50	April 2010
Madurai	13.85	2007-08
Thanjavur	29.75	April 2010: ₹ 8 lakh, May 2012: ₹ 19.75 lakh, July 2014: ₹ 2 lakh
Tiruvannamalai	21.26	2010
Tiruvarur	60.73	March 2013
Total	**156.03**	

(Source: Records of DRDAs)

CRDPR stated (December 2014) that the test checked DRDAs would release the funds to the VPs on completion of works sanctioned by them and taken up by the VPs with NGP funds sanctioned for them. The reply is not acceptable as the funds were retained by DRDAs beyond the seven days limit prescribed.

5.2.9.4 Poor performance under NGP component

According to the guidelines, CRDPR was to call for applications from VPs for grant of award, verify the applications and forward the eligible applications to the State. From the information furnished by CRDPR to Audit, it was noticed that CRDPR selected 484 VPs for grant of award for 2009-12. During 2012-13 and 2013-14, CRDPR selected 1,857 and 2,167 VPs respectively for saturation. During 2012-13, there was no application from any VP and during 2013-14, applications were received from 168 VPs. After going through the prescribed procedures, only 104 VPs were selected for the award by CRDPR. Since inception of the award in 2003, only 2,489 VPs (20 *per cent*) out of 12,524 VPs in the State have been awarded under the scheme. This implies that adequate IEC activities were not taken to improve the awareness about the need for attaining saturation.

5.2.10 Construction and upgradation of infrastructure

5.2.10.1 Construction of Individual Household Latrines

According to the guidelines, provision of Individual Household Latrines (IHHL) was a priority area under NBA. A duly completed IHHL shall comprise of a toilet unit including a super structure. Therefore incentive was provided to cover the entire rural community by including certain sections of APL households besides all BPL households in a VP.

Performance under IHHL component

As per Baseline Survey (BLS) 2012, out of 95.40 lakh households in the State, 52.67 lakh households (55 *per cent*) did not have toilets, as against the national average of 60.67 *per cent.* The target for construction of IHHL for the State and achievement during 2009-14 are given in **Table 5.13.**

Table 5.13: Target and achievement of IHHL

(Number of IHHLs)

Year	Target	Achievement
2009-10	9,78,651	5,33,108 (54)
2010-11	18,83,168	4,73,647 (25)
2011-12	10,40,089	4,10,794 (39)
2012-13	7,13,436	3,24,216 (45)
2013-14	10,84,532	3,13,402 (29)

(Figures within brackets indicate percentage to target)

(Source: Details furnished by CRDPR)

At the State level, IHHLs were constructed in 6.38 lakh households during 2012-14 and 46.29 lakh households (49 *per cent*) did not have IHHL as of March 2014.

Analysis of the details showed that the achievement during 2009-14 ranged from 25 to 54 *per cent* of the targets fixed. CRDPR attributed (December 2014) the low achievement to the reason that behavioural change from earlier habits to usage of toilet was a major challenge compared to other challenges like water availability, space constraint and ownership of land, which could be addressed through community toilets.

Details of target and achievement in respect of construction of IHHLs in test checked districts are given in **Table 5.14.**

Table 5.14 : Construction of IHHL - Target and achievement in sample districts

Year		Coimba-tore	Krishna-giri	Madurai	Thanjavur	Tiruvanna-malai	Tiruvarur	Tirunelveli
2009-10	T	35,571	16,000	37,000	24,000	24,000	6,925	20,593
	A	9,146	10,535	10,415	14,324	1,90,926	6,925	19,505
2010-11	T	24,000	24,000	42,000	24,000	12,236	2,130	35,434
	A	6,566	16,181	20,218	37,702	24,610	2,130	39,127
2011-12	T	35,571	36,000	38,301	18,000	8,048	5,072	8,414
	A	17,070	9,653	23,333	18,964	7,089	5,072	13,561
2012-13	T	11,857	19,915	38,205	32,000	8,600	2,430	5,633
	A	8,237	6,968	12,442	23,313	2,342	2,430	5,589
2013-14	T	1,00,764	45,000	49,500	24,000	48,854	7,651	16,783
	A	25,063	10,645	6,112	21,483	8,672	7,651	9,155
Total	**T**	**2,07,763**	**1,40,915**	**2,05,006**	**1,22,000**	**1,01,738**	**24,208**	**86,857**
	A	**66,082**	**53,982**	**72,520**	**1,15,786**	**2,33,639**	**24,208**	**86,937**
	%	**32**	**38**	**35**	**95**	**230**	**100**	**100**

(Source: Details furnished by DRDAs)

T: Target; A:Achievement; %: Percentage of achievement to the Target.

It may be seen from the above table that out of seven test checked districts, three districts have achieved their targets, one district has achieved 95 *per cent* of its target and achievement of remaining three districts ranged between 32 and 38 *per cent*.

The details regarding the performance by the test checked districts during 2012-14 are given in **Table 5.15.**

Table 5.15: Households without toilets in test checked districts

District	Total Number of HHs	Number of HHs without toilets as per BLS	Number of IHHLs constructed in		Number of HHs without IHHL (as of March 2014)	Percentage of HHs without IHHL (as of March 2014)
			2012-13	2013-14		
1	2	3	4	5	6 = 3-(4+5)	7= 6/2 * 100
Coimbatore	4,00,277	1,87,492	8,237	25,074	1,54,181	39
Krishnagiri	3,31,920	226,150	15,784	10,645	1,99,721	60
Thanjavur	3,80,643	2,30,401	23,313	21,483	1,85,605	49
Tirunelveli	4,49,612	2,01,888	7,789	9,155	1,84,944	41
Tiruvannamalai	4,56,004	2,42,348	2,342	8,672	2,31,334	51
Tiruvarur	2,39,665	1,41,745	2,430	7,651	1,31,664	55
Madurai	3,22,514	1,71,769	12,442	6,112	1,53,215	48

(Source : GoI website for TSC)   HH - Households

While four out of the seven test checked districts performed either equal to or better than the State's performance (49 *per cent*), the performance of three districts (Krishnagiri, Tiruvannamalai and Tiruvarur) was below the State's performance.

Construction of IHHL in violation of norms and non-payment of incentive

NBA guidelines provided for payment of financial incentive at the prescribed rate to beneficiaries for construction and use of IHHL in recognition of their achievement. However, in Madukkarai Block of Coimbatore district, DRDA constructed 189 IHHLs through a contractor and 144 toilets through departmental staff during 2013-14 in violation of guidelines.

NBA guidelines provided for taking up sanitation works in convergence with MGNREGS. GoTN fixed (November 2012) ₹ 4,500 as amount to be met from MGNREGS and this amount would be part of total unit cost of ₹ 11,500 for construction of an IHHL. During 2013-14, 624 toilets were constructed under NBA in Madukkarai Block in convergence with MGNREGS. Of this, 291 toilets were constructed by the beneficiaries themselves, 189 through contractors and 144 through departmental staff. In respect of the toilets constructed through the contractors, payment was made in 2013-14 itself. Regarding the remaining 435 toilets, 144 were completed by departmental staff in 2013-14 and 291 were completed by beneficiaries in 2014-15. Though DRDA decided to construct the toilets in convergence with MGNREGS, it did not provide for the expenditure to be borne under MGNREGS in the labour budget of MGNREGS. As a result, the DRDA could not pay the incentive of ₹ 19.57 lakh to 435 beneficiaries (₹ 4,500 per beneficiary).

5.2.10.2 Non-recovery of loan from Self Help Groups

As per the guidelines, families Above Poverty Line (APL) without IHHL also are eligible for incentive under the scheme who may be motivated to construct IHHL on their own. For such families, if they face shortage of funds, the scheme provided for assistance in the form of loan from Revolving Fund recoverable in 12 to 18 monthly instalments.

In the test checked district of Tirunelveli, DRDA gave (prior to 2009) a loan of ₹ 45 lakh to Self Help Groups (SHGs) for constructing IHHL for 2,124 APL families in 17 Blocks. Subsequently, DRDA instructed (November 2012) Block Development Officers (BDOs) to recover the entire amount from the SHGs and reason for the same was not available in the files. However, the BDOs recovered ₹ 21.76 lakh and balance amount of ₹ 23.24 lakh had not been recovered till November 2014.

5.2.10.3 Dysfunctional IHHLs

As per the Baseline Survey 2012, the number of IHHL constructed earlier (prior to 2009) and remaining dysfunctional constituted 15 *per cent* of households in the test checked districts against the State average of 30.47 *per cent* as given in **Table 5.16.**

Table 5.16: Details of dysfunctional toilets

District	Number of households	Dysfunctional toilets	Percentage
Coimbatore	4,00,277	23,215	6
Krishnagiri	3,31,920	25,854	8
Madurai	3,22,514	43,991	14
Thanjavur	3,80,643	35,658	9
Tirunelveli	4,49,612	61,845	14
Tiruvannamalai	4,56,004	1,58,248	35
Tiruvarur	2,39,665	26,108	11
Total	**25,80,635**	**3,74,919**	**15**

(Source: Baseline Survey 2012)

The problem of dysfunctional toilets was due to non maintenance / repairs or use of toilet rooms for other purposes such as store room, cattle shed etc. CRDPR stated (December 2014) that for the purpose of Baseline Survey, the houses with dysfunctional IHHLs were considered as houses with IHHLs. Audit observed that this resulted in the number of houses without IHHLs being understated in the Baseline Survey to that extent.

5.2.11 Construction of Community Sanitary Complex

5.2.11.1 Non-obtaining of community contribution

According to the guidelines, the maximum unit cost prescribed for constructing a Community Sanitary Complex (CSC) was ₹ 2 lakh to be shared among GoI, State Governments and the community in the ratio 60:30:10 and the community's contribution can be made by the VP. However, in five test checked districts (except Krishnagiri and Madurai), the entire expenditure of

₹ 122 lakh incurred on construction of 61 CSCs was met from the NBA fund, without obtaining ₹ 12.20 lakh from either the community or the VP.

5.2.11.2 Operation and maintenance of CSC

The guidelines stipulate that CSCs should be constructed only when there is lack of space in the village for construction of household toilets and the community owns the responsibility for operation and maintenance (O & M) of CSC. The guidelines further stated that the maintenance of CSCs was essential for which the VP should own the ultimate responsibility. User families may be asked to contribute a reasonable monthly user charge for cleaning and maintenance. Audit observed that though user groups for O & M have been formed in all the test checked districts, monthly user charge was not collected in five districts (except Madurai and Tirunelveli), for O & M. In Coimbatore district, the District Collector has allowed VPs to utilise ₹ 2,000 per month for O & M of CSCs with effect from 2012. In Madurai and Tirunelveli districts, user charges were collected.

5.2.11.3 Schools without toilets

The scheme guidelines required construction of toilets in all types of Government schools. As per the consolidated State level position furnished by CRDPR, the number of school toilets constructed during 2009-14 was only 12,811 as against the target of 30,122. Thus the coverage under the school sanitation component was only 42.53 *per cent* during 2009-14. The details of target and achievement in respect of the test checked districts are given in **Table 5.17.**

Table 5.17 : Target and achievement for construction of school toilets

District	2009-10		2010-11		2011-12		2012-13		2013-14	
	T	A	T	A	T	A	T	A	T	A
Coimbatore	0	0	0	0	0	62	0	18	0	697
Krishnagiri	224	104	91	62	623	322	91	136	215	211
Madurai	0	0	0	0	0	0	787	502	156	120
Thanjavur	4,540	1,150	0	0	0	1,224	0	199	0	244
Tiruvannamalai	148	148	430	430	516	459	0	0	38	2
Tiruvarur	0	0	0	0	0	226	0	200	0	28
Tirunelveli	532	532	24	24	1	1	0	0	0	0

(Source: Details furnished by CRDPR) T - Target A - Achievement

Based on instructions of GoI, CRDPR instructed (December 2009) DRDAs to provide toilets with water facility to all schools in convergence with National Rural Drinking Water Programme. However, out of 8,650 Government schools in two test checked districts, 11 schools (Madurai: 10 and Tirunelveli: one) did not have toilet. In the Exit Conference, CRDPR explained that there was no provision in the Rural Development budget for maintenance of school toilets and it was for the Education Department to take care of maintenance of school toilets. However, in view of the fact that though O & M of school toilets is primarily the responsibility of Education Department, funds were also available under the XII/XIII Finance Commission grant (PRI) for O & M of water supply and sanitation.

5.2.12 Anganwadi Toilets

5.2.12.1 Incorrect planning due to non-inclusion of Anganwadi centres functioning in rented buildings

NBA scheme envisaged construction of baby-friendly toilets in all Anganwadi centres to instill the practice of using toilets in children and thus bring a behavioural change in children from an early age. It was for this purpose that the guidelines required construction of baby-friendly toilets in the centres operating from Government/Panchayat owned buildings. For centres in private buildings, the building owner must be asked to construct the toilet as per design and the owner may be allowed to charge enhanced rent for the building or allow Government to reduce the rent suitably to recover the cost of construction. The State Government sanctioned (February 2012 and February 2013) construction of baby-friendly toilets in the centres operating in Government / Local Bodies owned building; the Government, however, excluded the centres functioning in private buildings and required the owners themselves to carry out the improvement works. The seven test-checked districts had 1,801 such centres, out of which 1,514 centres[9] (84 *per cent*) did not have toilets.

CRDPR replied (December 2014) that action was being taken to persuade the owners of the private buildings to construct toilet or to move the centres to own buildings.

5.2.12.2 Anganwadi centres in Government / Panchayat buildings without water facility

As per the revised Baseline Survey (2012), 8,325 Anganwadi centres in the seven test checked districts functioned in Government / Panchayat Buildings, out of which 2,619 centres[10] (31 *per cent*) did not have water facility. CRDPR replied (December 2014) that TWAD Board has been requested to provide water supply to the centres as National Rural Drinking Water Programme implemented by the Board specifically provides for provision of water supply in Anganwadi centres.

5.2.12.3 Toilets in Anganwadi centres

The details of target and achievement with regard to provision of toilets in anganwadi centres during 2009-14 are given in **Table 5.18**.

[9] Coimbatore: 98, Krishnagiri: 240, Madurai: 381, Thanjavur: 104, Tirunelveli: 273, Tiruvannamalai: 302 and Tiruvarur: 116.

[10] Coimbatore: 330, Krishnagiri: 156, Madurai:121, Thanjavur: 910, Tirunelveli: 226, Tiruvannamalai: 653 and Tiruvarur: 223.

Table 5.18 : Provision of toilets in anganwadi centres

Year	Target	Achievement
2009-10	2,437	410 (17)
2010-11	2,064	182 (9)
2011-12	3,888	1,202 (31)
2012-13	1,579	2,076 (131)
2013-14	521	904 (173)
Total	**10,489**	**4,774 (46)**

(Source: Details furnished by CRDPR)

As may be seen from the table, against the target of 10,489 toilets, only 4,774 toilets were constructed. The achievement during 2009-12 was very low and ranged from 9 to 31 *per cent* of the target. However, during 2012-13 and 2013-14, the achievement improved to 131 and 174 *per cent* respectively due to completion of incomplete works of earlier years.

5.2.13 Rural Sanitation Marts and Production Centres

The guidelines provided for construction of Rural Sanitation Marts and Production Centres as a commercial venture with a social objective to produce and sell variety of pans (ceramic, mosaic, high density polyethylene and fibre glass) and provide materials, services and guidance needed for constructing different types of latrines and other sanitary facilities for a clean environment. The centres/marts could be opened and operated by SHGs/Women Organisations/Panchayats/Non-Governmental Organisations (NGOs) etc. An interest free loan upto ₹ 3.50 lakh can be given for establishing a mart/centre from out of Revolving Fund available with District. Loan was recoverable in 12 to 18 instalments after one year from the date of receiving the loan.

The number of marts and centres approved for the test checked districts in the Project Implementation Plan and completed were as detailed in **Table 5.19.**

Table 5.19: Rural Sanitation Mart/Production Centres approved and completed

District	Number of Marts approved	Completed
Coimbatore	14	4
Krishnagiri	6	6
Madurai	10	7
Thanjavur	10	2
Tirunelveli	10	10 (5*)
Tiruvannamalai	10	4
Tiruvarur	5	1 (1*)
Total	**65**	**40**

(Source: Details furnished by DRDAs)

* Five Centres and one Centre were completed though there was no approval given in the Project Implementation Plan

None of the 34 marts and six centres completed was functional at any point of time, thus defeating the purpose for which the marts/centres were required to be formed. In four test checked districts (Krishnagiri, Thanjavur, Tiruvannamalai and Tirunelveli), ₹ 21 lakh was given as loan to NGOs; out of which ₹ 9.20 lakh was recovered leaving a balance of ₹ 11.80 lakh. No expenditure details in respect of three other test checked districts were available. CRDPR quoting the DRDAs stated (December 2014) that the marts and centres became defunct over time and action was being taken to revive and strengthen them in view of need for quality products at affordable rates.

5.2.14 Improper implementation of Solid and Liquid Waste Management (SLWM)

As per NBA guidelines, SLWM was one of the key components of the NBA programme to bring about improvements in the general quality of life in rural areas. It was to be taken up in Project mode in the VPs with financial assistance based on the population with further facility to dovetail funds from other rural development schemes. Each Project taken up under this component should be approved by the State Scheme Sanctioning Committee. Maximum assistance per VP provided under NBA was in the range of ₹ 7 lakh to ₹ 20 lakh based on the number of households in the VP. However, five test checked districts (except Tiruvarur and Thanjavur) spent ₹ 316.94 lakh during 2009-14 on individual items like compost pits, soak pits and purchase of dust bins, which were not on project mode for the entire VP and without approval of the Sanctioning Committee. No expenditure was incurred in Tiruvarur and Thanjavur districts.

During the Exit Conference, CRDPR replied that village level SLWM projects to be operated for single village or cluster of villages were being formulated with the assistance of experts and projects like bio-methanation were also under the department’s consideration.

5.2.15 Lack of effectiveness in Information, Education and Communication (IEC) strategy

Guidelines for IEC envisaged intensive mass media campaign at State, district, block and village levels involving stakeholders/partners like SWSM, WSSO, DWSM, District Collector, officials of Education, Health and Women and Child Development Departments, teachers, anganwadi workers, NGOs and media. However, during 2009-13, there was no provision for IEC at the State level. During 2013-14, an allotment of ₹ 3.89 crore was provided for the IEC component at State level but was not spent. Blocks and Village Panchayats did not incur any expenditure. Much of the IEC activities were planned and executed only at DRDA level. As per guidelines of IEC, 15 *per cent* of District’s project outlay can be utilised for IEC for generating effective demand for toilets and spreading hygiene education. However, all test checked districts spent only 0.06 to 1.62 *per cent* of their project outlay on IEC during 2009-14.

Inspection of records of DRDAs in test checked districts revealed that

- Sanitation Day, though included in the Annual Implementation Plan of Districts to be observed by each VP, was generally not observed in the VPs.

- As per guidelines, the IEC activities should be conducted in State, Districts, Blocks and VP levels, but were conducted only at the District level. IEC activities, though expected as per the guidelines to be in a planned and sustained manner, were conducted in 2013-14 only.
- Water Sanitation and Support Organisation required to be formed as per NBA guidelines to deal with IEC activities has not been formed at the State level.
- Though guidelines required BRCs to prepare Annual Activities Calendar focusing on IEC, BRCs were not formed at Block level.
- IEC publicity was confined to distribution of some printed materials and wall paintings alone. The Print and Electronic media were not effectively utilised.

Anna University, Department of Media Sciences, conducted a study on IEC strategy of NBA in 2011-12. The study concluded that the strategy was not effective and required an appropriate mix of communication channels - inter personal, community, group and mass media.

During the Exit Conference, CRDPR informed that IEC activities were aggressively planned and implemented only from 2014-15.

5.2.16 Scheme convergence and engagement of NGOs

The concept of convergence and engagement of NGOs was the central idea of the whole scheme. Implementation of NBA was not planned in convergence with other line departments - School Education, Health, Rural Water Supply and Sanitation and Women and Child Development. Engagement of NGOs in IEC activities or capacity building which would lead to demand generation was not done. Due to non-formation of District Water and Sanitation Mission at district level as stated in paragraph 5.2.6.1, the active engagement of NGOs could not be properly planned.

5.2.17 Utilisation of scheme assets

The guidelines required regular field inspection by State / District level officers to ensure proper use of the latrines after construction and that they are not used for any other purpose. However, joint inspection (July 2014) of school toilets, IHHLs etc. in Madurai East Block by Audit along with the Department officials revealed that toilets in individual houses, schools and anganwadi centres constructed at a cost of ₹ 11.63 lakh during 2010-14 were not being properly utilised due to damaged doors and absence of water facility as detailed in **Appendix 5.9.** As may be seen from the appendix, IHHLs were used as store rooms in most cases. The BDO stated that necessary repairs would be carried out and the assets put to use so that there would not be open sanitary habits.

5.2.18 Monitoring

5.2.18.1 State level monitoring mechanism

(i) NBA guidelines require constitution of State Level Review Mission headed by a Joint Secretary level officer with at least three members from other linked departments - Rural Development, Water Supply, etc., and independent representatives from reputed sanitation organisations. CRDPR stated (December 2014) that a composite State Level Scheme Review and Sanctioning Committee had been formed (May 2013) to function both as a Scheme Sanctioning Committee and as a Review Mission. However, Audit observed that no review on implementation of Sanitation Programmes had been conducted by the Committee since its formation.

(ii) The State level experts panel, as per the guidelines, to be constituted in addition to State Level Review Mission to conduct periodical review of implementation was not formed. CRDPR stated that the Monitoring Committees have been formed only in 2014-15.

5.2.18.2 Social Audit

The scheme guidelines stipulate that as part of social audit, every VP would have to earmark a particular day of the month as Sanitation Day (Swatchatha Diwas) to discuss the progress of the scheme and discuss IEC strategies to create sanitation awareness and to adopt monthly plans. The Gram Swatchatha Sabha (sub-committee of the Gram Sabha) has to review the monthly plans once in six months and the proceedings of Swatchatha Diwas.

As per the details furnished by the DRDA, Tiruvannamalai, Sanitation Day was observed once in a month ranged between five and seven in a year during 2009-14 only in 40 VPs out of 860 VPs in Tiruvannamalai District.. Though DRDA stated that the 40 VPs convened Grama Swatchatha Sabha, Audit observed that no record was maintained.

CRDPR stated that the Sanitation Day was being observed from the current year and the observance was strictly monitored.

5.2.19 Evaluation

As per NBA guidelines, the States should conduct periodical evaluation studies on the implementation of NBA. However, the implementation of NBA during 2009-14 was not evaluated to assess the effectiveness of implementation of the scheme and its outcomes, except for an evaluation of IEC component through Anna University.

5.2.20 Conclusion

The four tier implementation mechanism envisaged as mandatory in the scheme guidelines, *viz*., State Water and Sanitation Mission, Water Sanitation Support Organisation, District Water and Sanitation Mission and Block Resource Centre were not formed. As a result, planning for implementation of the scheme at different levels was not adequate and effective. Maintenance of cash book at the State level was not proper. There were delays in release of funds by CRDPR to DRDAs. Non-release of funds by DRDAs to VPs led to accumulation of funds with DRDAs. Out of 95.40 lakh households in the State, 46.29 lakh households (49 *per cent*) did not have individual household latrines as of March 2014. No evaluation study was conducted at the State level to assess the overall outcome and effectiveness of scheme. IEC strategy to create sanitation awareness and thereby increase demand for sanitation services in the rural areas was not effective at Village Panchayat level.

5.2.21 Recommendations

Government may consider the following measures:

- setting up of the structure for implementation of NBA as required by the guidelines
- ensuring timely release of funds to districts and village panchayats
- arranging for maintenance of accounts as per rules
- constituting State level experts panel for periodical review of implementation of the scheme

The matter was referred to Government in December 2014; reply has not been received (February 2015).

CHAPTER VI

COMPLIANCE AUDIT
(PANCHAYAT RAJ INSTITUTIONS)

CHAPTER VI

COMPLIANCE AUDIT

Compliance Audit of State Institute of Rural Development and Sivaganga Panchayat Union brought out instances of lapses in management of resources and failures in the observance of the norms of regularity, propriety and economy. These have been presented in the succeeding paragraphs.

RURAL DEVELOPMENT AND PANCHAYAT RAJ DEPARTMENT

6.1 Finance Management in State Institute of Rural Development

6.1.1 Introduction

With the aim to provide for and promote the study and deal with relevant fields and factors contributing to the improvement of economic development and social well-being of the rural areas, State Institute of Rural Development (SIRD) was established in 1961. SIRD also offers off-campus training through the District Rural Development Agencies (DRDAs) and five[1] Regional Institutes of Rural Development (RIRD).

SIRD has a Governing Body and an Executive Committee (EC), both under the Chairmanship of the Principal Secretary to Government, Rural Development and Panchayat Raj (RDPR) Department. Proposals for the schemes and release of funds were routed through Commissioner of Rural Development and Panchayat Raj (CRDPR). The Director, SIRD, in the cadre of Additional Director of RDPR Department, is looking after the administration of the Institute.

Audit was conducted during April 2014 to June 2014 covering the period 2011-14 by test checking records of RDPR Department at the Secretariat, Commissionerate of RDPR Department, SIRD, three out of 31 DRDAs (Kancheepuram, Vellore and Tiruvannamalai) and two out of five RIRDs (Bhavanisagar and Sathiya Vijaya Nagaram). During the period 2011-14, SIRD imparted training under 11 schemes, out of which five schemes were test checked. Further, out of six accounts of defunct schemes, three defunct schemes were scrutinised besides the scrutiny of funds received for administration and provision of infrastructure. Audit objectives were to assess whether (i) proper accounting system was followed, (ii) there was effective management of funds and (iii) funds were utilised for the intended purpose. Audit findings are discussed in the succeeding paragraphs.

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[1] Bhavanisagar in Erode District, Krishnagiri in Krishnagiri District, Pattukkottai in Thanjavur District, Sathiya Vijaya Nagaram in Tiruvannamalai District and T.Kallupatti in Madurai District.

Audit findings

6.1.2 Non-maintenance of Register for Advances

As per the provisions contained in Tamil Nadu Financial Code - Volume I, registers should be maintained to watch the settlement of advances. As SIRD was under the control of RDPR department and in so far as the financial transactions of SIRD are concerned, all rules and regulations stipulated in Tamil Nadu Financial Codes of GoTN would apply to the transactions of SIRD. However, on a scrutiny of audited accounts of SIRD, it was noticed that advances to the tune of ₹ 110.02 lakh were pending adjustment as of March 2013. Out of this, ₹ 32.42 lakh, ₹ 26.13 lakh and ₹ 51.47 lakh were pending settlement for more than seven years, four years and less than four years respectively. Register for showing purposes for which advances paid, recipients of advances and dates of payments was not maintained by SIRD.

SIRD replied (October 2014) that action had been initiated to trace the old files and records relating to advances and matter would be settled shortly.

6.1.3 Management of funds

6.1.3.1 Unauthorised operation of Training Corpus Fund

SIRD was operating a Training Corpus Fund (TCF) by crediting room/hall rent received, projector hire charges, institutional charges collected as a percentage of total expenditure on training under various schemes etc., and day-to-day maintenance expenditure was incurred out of the fund. The details of receipt and expenditure of TCF for the period 2011-14 is given in **Table 6.1.**

Table 6.1 : Receipts and Expenditure details of TCF during 2011-14

(₹ in lakh)

Year	Opening balance	Receipt	Total	Expenditure	Closing balance
2011-12	97.72	84.05	181.77	86.85	94.92
2012-13	94.92	103.74	198.66	104.59	94.07
2013-14	94.07	127.70	221.77	150.21	71.56

(Source: Details furnished by SIRD)

Scrutiny of records revealed that SIRD was operating TCF without getting approval from the Governing Body so far (August 2014). SIRD was authorised (February 1991) by the Executive Committee (EC) to keep ₹ 9 lakh received towards training expenses from 18 DRDAs as Corpus Fund and to utilise the interest received therefrom towards expenditure in connection with training programmes of SIRD. However, it was observed that SIRD was receiving amount more than ₹ 9 lakh, as detailed in **Table 6.1** without any authorisation by EC.

On this being pointed out (August 2014), SIRD replied furnishing a copy of resolution passed (February 1991) by EC of SIRD. The reply is not acceptable as it was related to a Corpus Fund created by SIRD in connection with its training programmes and the fact remains that SIRD was operating TCF without getting approval from the Governing Body.

6.1.3.2 Short receipt of Government of India (GoI) share

The expenditure on salary and allowances of the faculty members and administrative staff was to be shared equally by GoI and GoTN. During the period 2011-14, there was a short receipt of GoI share amounting to ₹ 87.43 lakh as given in **Table 6.2.** The short receipt was met by GoTN.

Table 6.2: Short receipt of GoI share

(₹ in lakh)

Year	Expenditure incurred by SIRD	50 *per cent* share	Funds released by GoI	Shortfall
2011-12	144.11	72.06	44.75	27.31
2012-13	158.56	79.28	49.22	30.06
2013-14	168.40	84.20	54.14	30.06
			Total	**87.43**

(Source: For 2011-12 and 2012-13 - Audited accounts; for 2013-14 - details furnished by SIRD)

On this being pointed out, SIRD replied (October 2014) that GoI released its share based on expenditure details of previous year. SIRD further stated that matter is being pursued with GoI to get the remaining grants.

6.1.3.3 Short receipt of Backward Region Grant Fund grant

Based on the proposal for implementation of capacity building plan under Backward Region Grant Fund (BRGF) grant prepared by SIRD for ₹ 36 crore and approved by the High Powered Committee of GoTN, Ministry of Panchayati Raj (MoPR) released (August 2008 - March 2013) ₹ 32.21 crore as against ₹ 36 crore for the period 2006-13 as detailed in **Table 6.3.**

Table 6.3: Short receipt of BRGF grant

(₹ in lakh)

Year	Amount entitled	Amount released by GoI	Shortfall
2006-07 to 2008-09	1,800.00	1,631.83	168.17
2010-11	600.00	524.00	76.00
2011-12	600.00	600.00	Nil
2012-13	600.00	465.00	135.00
Total	**3,600.00**	**3,220.83**	**379.17**

As per Paragraph 4.7 of BRGF guidelines, the implementing agencies which did not render accounts and Utilisation Certificate (UC) for the funds released earlier would not be considered for further release of funds. As SIRD failed to furnish UCs for the amounts already released, physical and financial progress report for 2011-12, financial check list for 2012-13 and non-payment of interest by GoTN for delayed release of GoI funds, MoPR released ₹ 32.21 crore only as against ₹ 36 crore resulting in short release of ₹ 3.79 crore.

SIRD replied (October 2014) that (i) based on the proposal for implementation of capacity building plan prepared by it for ₹ 36 crore and forwarded to MoPR for sanction and release of funds, MoPR released ₹ 16.31 crore against the entitlement of ₹ 18 crore for the period 2006-09 and hence short receipt of fund for 2006-09 was not due to non-furnishing of utilisation details for the amount already released; (ii) due to various field level problems at district level, the expected number of participants could not be trained during 2009-11 resulting in non-utilisation of entire amount received and (iii) as the model code of conduct was in force due to various elections in 2011, only lesser number of participants could be trained in 2011-12 which resulted in lesser expenditure. The reply is not tenable as GoI pointed out (August 2009 - December 2012) lapses like delayed submission of UCs, non-achievement of expenditure threshold of 60 *per cent*, availability of significant unspent balances, shortcomings in management of programmes, non-furnishing of physical and financial progress report in prescribed format, etc.

6.1.3.4 Delay in release of funds and non-release of penal interest

According to BRGF scheme guidelines issued (January 2007) by GoI, funds released to the Consolidated Fund of the State shall be transferred to the Implementing Agency (IA - i.e., SIRD) within 15 days of release by GoI, failing which penal interest at the prevailing Reserve Bank of India (RBI) rates should be paid to the IA by the State. Funds amounting to ₹ 32.21 crore released by GoI was transferred to SIRD by GoTN with delay ranging from 34 to 159 days. As per the guidelines, penal interest amounting to ₹ 39.21 lakh was payable by GoTN to SIRD as depicted in **Table 6.4.**

Table 6.4 : Non-receipt of penal interest

Year	Amount released by GoI (₹ in lakh)	Date of release by GoI	Due date for release by GoTN	Actual date of release by GoTN	Delayed release by GoTN (in days)	Penal Interest* (₹ in lakh)
2008-09	1,631.83	21-08-2008	05-09-2008	31-10-2008	56	15.02
2010-11	524.00	29-03-2011	13-04-2011	23-05-2011	40	3.45
2011-12	192.00	25-10-2011	09-11-2011	16-12-2011	37	1.17
	408.00	31-03-2012	15-04-2012	21-09-2012	159	16.00
2012-13	465.00	25-03-2013	09-04-2013	13-05-2013	34	3.57
Total	**3,220.83**					**39.21**

* calculated as per RBI bank rates - 6 *per cent* up to 12 February 2012; 9 *per cent* up to 28 January 2013 and 8.25 *per cent* for 2012-13.

GoTN had not paid penal interest to SIRD till date (August 2014). SIRD had also not claimed the penal interest from GoTN.

SIRD replied (October 2014) that the delay was due to administrative procedures which was unavoidable and timely receipt of funds would be ensured in future. The reply is silent about non-receipt of penal interest.

6.1.4 Utilisation of funds

6.1.4.1 Diversion of funds

Table 2 of Para 4.5 of BRGF guidelines stipulated submission of non-diversion certificate as a condition for subsequent release of funds and GoI also reiterated (November 2009) the same for subsequent release of BRGF grant. However, SIRD diverted (November 2009) ₹ 21.20 lakh out of ₹ 90 lakh provided for infrastructure development under BRGF scheme to Training Corpus Fund for payment to contractors for repairs of hostel building. An amount of ₹ 12.40 lakh was refunded in November 2011 and ₹ 8.80 lakh was not refunded to the BRGF scheme account till August 2014.

SIRD replied (October 2014) that as the existing hostel building was constructed in 1994 and the rooms and toilets had to be maintained periodically by carrying out repairs so as to ensure the comfortable stay and use of the infrastructure created therein by the participants, the expenditure of ₹ 8.80 lakh was incurred for strengthening the infrastructure of SIRD. It was further stated that no other grant was received from GoI or GoTN for upkeep and repairing of existing infrastructure created out of grants given by GoI in the earlier years. However, BRGF guidelines prohibit diversion of funds.

6.1.4.2 Unauthorised expenditure

(i) As per Rashtriya Gram Swaraj Yojana (RGSY) guidelines, expenditure should be incurred for conducting training in non-BRGF districts of the State. However, SIRD released (November-December 2010) ₹ 182.28 lakh to five RIRDs for conducting training in six BRGF districts in contravention of the scheme guidelines.

On this being pointed out, SIRD replied (October 2014) that funds were released for all 31 districts and the training was imparted in good faith with the intention of imparting knowledge to participants. The reply is not acceptable as the training was conducted in BRGF districts in violation of scheme guidelines by SIRD.

(ii) As per the provisions contained in Tamil Nadu Transparency in Tender Rules, 2000, 'Notice inviting Tender' should be published in the State Tender Bulletin where the value of procurement exceeds ₹ 25 lakh. However, SIRD did not the follow the above provisions while printing 14,500 directories containing contact details of functionaries of PRIs for distribution among them at a cost of ₹ 80.29 lakh.

On this being pointed out, SIRD replied (August 2014) that as the time period available was short, competitive rates were obtained from various printing companies.

6.1.4.3 Under-utilisation of training funds

On GoI seeking (July 2009) proposals for organising training programmes to Self Help Groups (SHGs) within the period 2010-12 under Swarnajayanti Gram Swarozgar Yojana (SGSY), SIRD submitted (September 2009) the proposal for ₹ 8.66 crore. Based on the above, Ministry of Rural Development (MoRD) sanctioned ₹ 256.19 lakh (March 2010) to SIRD as a one-time grant and released ₹ 128.10 lakh (50 *per cent)* to SIRD being the first instalment. Balance 50 *per cent* of ₹ 128.09 lakh would be released after utilisation of 60 *per cent* of the funds released earlier and on submission of UC and audited statement of accounts. SIRD entrusted (April 2010) the programme to Tamil Nadu Corporation for Development of Women Limited (TNCDW), a Corporation under the control of RDPR Department, and paid ₹ 128 lakh (April 2010) to TNCDW. TNCDW could utilise only ₹ 66.86 lakh (52 *per cent*) as of June 2014.

SIRD could not submit the UC to GoI (due to lesser utilisation of funds) for release of second instalment of funds. Even though two years had passed after the scheduled month of completion i.e., March 2012, SIRD could not avail the balance amount as it did not satisfy the conditions stipulated in the guidelines. Slow progress in conducting training programmes for SHGs by TNCDW was not effectively monitored by SIRD which resulted in denial of capacity building to stakeholders and non-receipt of the second instalment grant of ₹ 128.09 lakh.

SIRD replied (October 2014) that the delay was due to various elections held during May 2011 and October 2011. It was further stated that due to implementation of Tamil Nadu State Rural Livelihood Mission activities across the State, the preparation and planning of the training programmes were delayed and TNCDW programmed to complete the training programmes before December 2014. The reply is not acceptable as the funds were transferred to TNCDW in April 2010 itself and the elections were held after one year of transfer of funds.

6.1.5 Incorrect submission of Utilisation Certificate

Based on SIRD's request for non-recurring grant for augmentation of accommodation and strengthening of infrastructure facilities, MoRD, GoI released (November 2011) ₹ 22.50 lakh for purchase of Multimedia Projector and Computers with accessories and furniture during the year 2011-12 under non-recurring grant with conditions that the amount should be utilised within 18 months from the date of release (i.e. by May 2013), failing which the unutilised portion should be surrendered to GoI. SIRD purchased (July 2012 and January 2014) one Multimedia Projector, 39 computers with accessories, two Laptops and one printer through Electronic Corporation of Tamil Nadu Limited (ELCOT), a State Public Sector Undertaking, for ₹ 15.93 lakh and incurred an expenditure of ₹ 4.88 lakh towards purchase of furniture and ₹ 0.48 lakh for Local Area Network connection. SIRD had furnished (June 2012) UC for ₹ 22.50 lakh to GoI even before utilising the amount. However, it was noticed that SIRD had actually utilised (July 2012 and January 2014) an amount of ₹ 21.30 lakh subsequent to furnishing of UC.

SIRD replied (October 2014) that with regard to the balance amount of ₹ 1.20 lakh, it had placed orders with ELCOT for purchase of two Multimedia Projectors with motorised screen for ₹ 1.41 lakh and the same were supplied and installed and put to use. It was further stated that furnishing of UC before spending the entire amount would not occur in future.

6.1.6 Non-refund of unspent amount

(i) MoRD, GoI, released (August 2008) ₹ 90 lakh to SIRD towards infrastructure development under BRGF scheme and against which SIRD spent ₹ 84.06 lakh (including excess expenditure of ₹ 7.09 lakh on approved items and ₹ 1.91 lakh on purchase of water heater, digital cameras, solid resource management tricycle and stabilizers, which were not approved by GoI) as of June 2014. There was an unspent balance of ₹ 13.46 lakh, including interest of ₹ 6.09 lakh, which was not refunded to GoI so far (August 2014).

SIRD replied (October 2014) that it had been proposed to utilise the unspent amount before December 2014 for upkeep of the existing hostel building.

However, the work of upkeep of the existing hostel building is not in the approved list of items and the scheme guidelines did not permit diversion of funds. Further, the reply is silent on the excess expenditure of ₹ 7.09 lakh and unapproved expenditure of ₹ 1.91 lakh.

(ii) SIRD received ₹ 1.24 crore in two instalments (₹ 62 lakh each) in July 2004 and March 2007 for conducting training programmes under SGSY. SIRD in turn released ₹ 88.28 lakh to DRDAs for conducting training programmes, of which DRDAs incurred an expenditure of ₹ 62.87 lakh and refunded (June 2008 - March 2014) an amount of ₹ 27.18 lakh (including interest earned of ₹ 1.58 lakh) to SIRD. As of August 2014, SIRD had an unspent balance of ₹ 78.39 lakh (including interest earned) lying in the savings bank account of the scheme. Though more than seven years has lapsed from the date of release of the final instalment, SIRD had not returned the unutilised amount to GoI.

SIRD replied (October 2014) that ₹ 77.98 lakh was released (September 2014) to Project Director, Pudhu Vazhvu Project, Chennai for imparting training to strengthen the capacity of weaker Panchayat Level Federations with instructions to complete the training programme before December 2014 and UC would be sent by January 2015.

The reply is not acceptable as SGSY was restructured as National Rural Livelihoods Mission from April 2013 and the unspent amount has to be refunded to GoI as per the instructions of MoRD issued in May 2013.

6.1.7 Conclusion

The financial management system was ineffective as was evident from lapses such as deficiency in maintenance of accounts, short receipt of funds from GoI and GoTN, diversion of funds, unauthorised expenditure, non-refund of unspent fund, etc. Under-utilisation of training funds resulted in forgoing the benefits of training envisaged in the objectives of the institute and the funds were utilised for unintended purposes.

The matter was referred to Government in July 2014; reply has not been received (February 2015).

6.2 Unfruitful expenditure

SIVAGANGA PANCHAYAT UNION

6.2.1 Unfruitful expenditure on construction of building

Failure of Block Development Officer, Sivaganga Panchayat Union to provide facilities in the building constructed for Horticulture Department and non-monitoring of the progress of work by Project Officer, District Rural Development Agency, Sivaganga resulted in unfruitful expenditure of ₹ 24.99 lakh.

Government of Tamil Nadu sanctioned (December 2006) ₹ 15 crore for implementation of third year programmes for Sivaganga District during 2006-07 under Rashtriya Sam Vikas Yojana (RSVY). The District Collector and Chairman, District Rural Development Agency (DRDA), Sivaganga accorded (June 2008) administrative sanction authorising the Block Development Officer (Block Panchayats), Sivaganga Panchayat Union (Panchayat Union) to construct a building for Horticulture Office-cum-Training Centre in Kanjirangal village at an estimated cost of ₹ 25 lakh (Civil works: ₹ 24.68 lakh and Electrification: ₹ 0.32 lakh) and Executive Engineer (Rural Development), Sivaganga had accorded technical sanction for the same in January 2009.

The construction work of the building was entrusted (March 2009) through tender to District Building Centre (DBC), Sivaganga by the Panchayat Union at a cost of ₹ 24.99 lakh and the work was completed (January 2012). Payment of ₹ 13.78 lakh was made to DBC, Sivaganga so far (June 2014). When the Panchayat Union decided (March 2012) to hand over the building to the Horticulture Department for which the building was constructed, Deputy Director of Horticulture (DDH), Sivaganga refused to take over the building stating that facilities like electricity connection, water supply and compound wall for the building were not available and there were incomplete toilet facilities and storm water drain pipes were damaged. Accordingly, DDH requested (March 2012) the Panchayat Union to complete all the works and hand over the building to enable the office-cum-training centre to function.

Scrutiny of records revealed that even though provisions for water supply for ₹ 1.25 lakh and compound wall for ₹ 0.45 lakh were included in the estimate, the same were not executed. Despite non-completion of works, the Panchayat Union issued Completion Certificate and asked the DDH to take over the building. Further, though internal wiring had been completed, no step was taken to provide electricity connection for the building.

Failure of Block Development Officer, Sivaganga Panchayat Union, to provide facilities to the building and failure on the part of Project Officer, DRDA, Sivaganga (who was the monitoring authority) to monitor the progress of work resulted in unfruitful expenditure of ₹ 13.78 lakh, as the building was not taken over and utilised by Horticulture Department for more than two years. Moreover, as per RSVY guidelines, construction of administrative building should not be taken up. In the work of construction of building for office-cum-training centre, the expenditure incurred for construction of office building was in violation of RSVY guidelines. However, the expenditure incurred on construction of building for the office alone could not be ascertained as the estimates were prepared for construction of the whole building.

Thus, failure of Block Development Officer, Sivaganga Panchayat Union, to ensure completion of the building as per the estimate and non-provision of electricity connection led to non-utilisation of the building for two years and blocking of funds amounting to ₹ 24.99 lakh.

On this being pointed out, the Block Development Officer stated (August 2014) that a final report would be obtained from DBC.

The matter was referred to Government in August 2014; reply has not been received (February 2015).

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

Chennai
The 26 March 2015

Countersigned

(SHASHI KANT SHARMA)
Comptroller and Auditor General of India

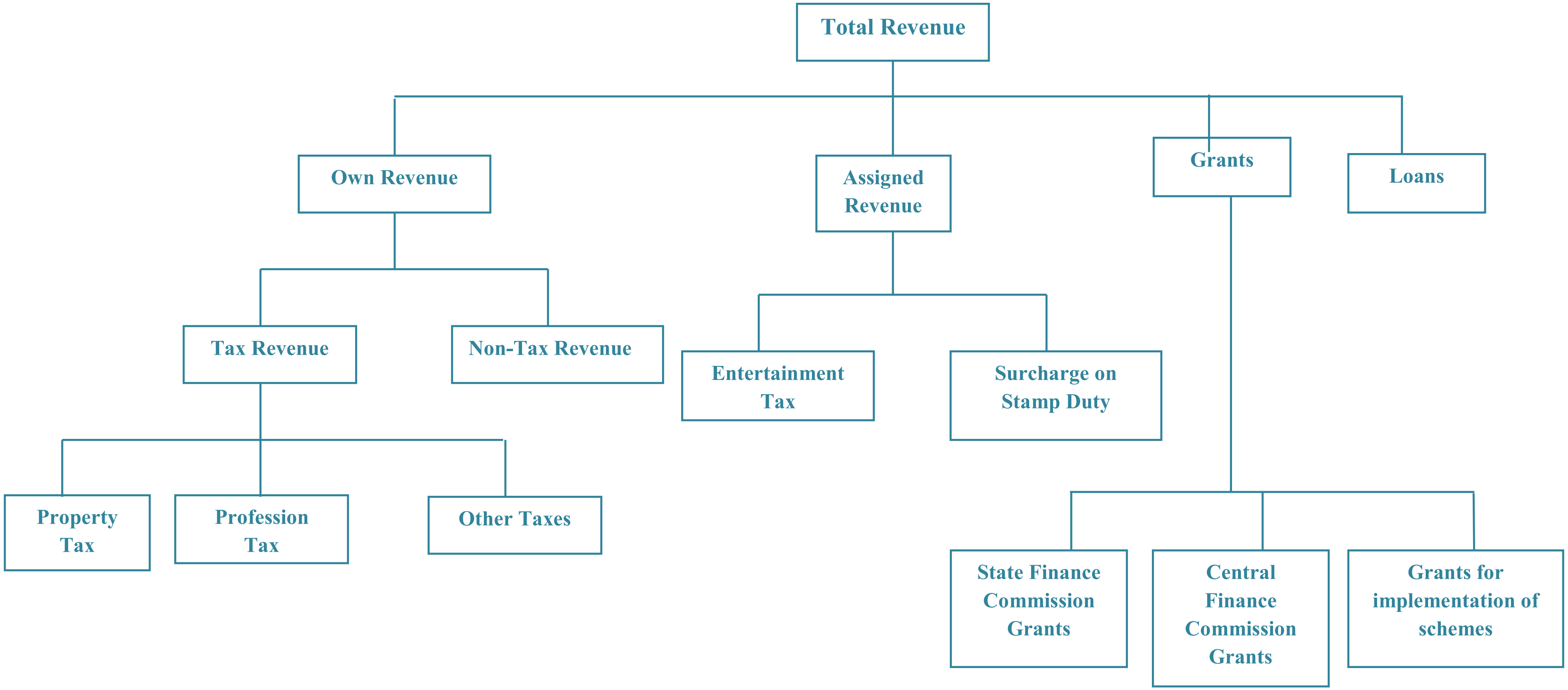
New Delhi
The 30 March 2015

APPENDICES

Appendix 1.1

(Reference : Paragraph 1.6; Page 3)

Sources of revenue of Urban Local Bodies



Appendix 1.2

(Reference : Paragraph 1.8.2 ; Page 6)

Audit paragraphs of DLFA relating to Urban Local Bodies pending settlement as of November 2014

(Number of paragraphs)

Year	All Municipalities	Town Panchayats	Municipal Corporations											Grand Total
			Chennai	Coimbatore	Madurai	Salem	Tiruchi-rappalli	Tirunel-veli	Tirup-pur	Erode	Vellore	Thoothu-kudi	Total	
Upto 2007-08	99,413	18,037	31,712	13,154	22,952	6,929	4,510	3,133	929	3,738	1,500	3,815	92,372	2,09,822
2008-09	21,098	3,618	1,896	907	57	311	0	320	83	379	0	497	4,450	29,166
2009-10	7,605	5,878	1,890	868	245	343	8	399	210	507	0	422	4,892	18,375
2010-11	7,565	8,371	414	1,428	280	511	48	527	211	580	0	213	4,212	20,148
2011-12	9,919	15,463	156	402	400	348	572	995	431	296	1,127	53	4,780	30,162
Total	**1,45,600**	**51,367**	**36,068**	**16,759**	**23,934**	**8,442**	**5,138**	**5,374**	**1,864**	**5,500**	**2,627**	**5,000**	**1,10,706**	**3,07,673**

Appendix 2.1

(Reference : Paragraph 2.1.1; Page 10)
List of functions to be devolved to Urban Local Bodies

1. Urban planning including town planning
2. Regulation of land use and construction of buildings
3. Planning for economic and social development
4. Roads and bridges
5. Water supply to domestic, industrial and commercial purposes
6. Public health, sanitation, conservancy and solid waste management
7. Fire services
8. Urban forestry, protection of the environment and promotion of ecological aspects
9. Safeguarding the interests of weaker sections of society, including the handicapped and mentally retarded
10. Slum improvement and upgradation
11. Urban poverty alleviation
12. Urban amenities and facilities such as parks, gardens, play grounds
13. Promotion of cultural, educational and aesthetic aspects
14. Burial and burial grounds, cremation grounds and electric crematorium
15. Cattle pounds, prevention of cruelty to animals
16. Vital statistics including registration of births and deaths
17. Public amenities including street lighting, parking lots, bus stands and public convenience
18. Regulation of slaughter houses and tanneries

Appendix 2.2
(Reference : Paragraph 2.1.8.2; Page 14)
Deficiencies in assessment and collection of Tax and Non-tax revenues

Tax	Deficiencies
Property tax	(a) In Zone 1, the Revenue Inspector altered the property's area for 65 assessments in the computer system to suit manually-calculated tax. The Zone's Assistant Commissioner who was to authenticate the data entered by Revenue Inspector, did not carry out the authentication. (b) Property tax is the total of basic tax, library cess and education tax. In computer-calculated tax in 142 assessments, the property tax calculated did not tally with the total of the three component taxes, which indicated manipulation of computer-calculated property tax. (c) For the amount pending collection (₹ 11.88 crore) as of March 2014 according to the computer-generated Demand, Collection and Balance (DCB) Statement, the year-wise break up details generated by the same computer aggregated to ₹ 2.10 crore only. VCMC did not furnish reasons for the discrepancy.
Revision of Property tax	(a) As per guidelines for the revision of property tax ordered in 2008, new tax should be determined by assessing the property based on its annual value. However, VCMC revised the tax in 10 assessments by enhancing the existing tax by a percentage leading to short levy of ₹ 3.78 lakh. (b) The tax assessed in 2002-03 for 80 assessments was not uniform though property area, building age, zonal value, tax code and annual value were the same. The incorrect tax was adopted for the revision also. (c) For cases under litigation, the guidelines required collection of existing tax at the old rate along with 50 *per cent* of the difference between old tax and the revised tax. However, such collection was not made for 408 cases. (d) Regarding cases under litigation, the computer-generated DCB statement showed the number of cases as 329, whereas the computer's data table had 408 cases.
Profession tax	There were 142 non-collectable demands worth ₹ 57.39 lakh in respect of 61 assessments relating to 1973 to 2002, due to absence of details like names of persons and institutions, from whom the amount was to be collected.
Water charges	VCMC's decision (2004) to raise water charges by 5 *per cent* every year and to collect deposit from 16,736 domestic and 163 non-domestic water users were not implemented, resulting in loss of ₹ 2.98 crore (water charges) during 2009-14 and non-collection of ₹ 5.10 crore (deposit).
Non-tax revenue	(a) In respect of its 1,440 shops leased out, VCMC did not collect ₹ 12.14 lakh[1] towards lease renewal fees during 2009-14 (b) For its 49 shops, VCMC did not raise demand for lease amount despite being pointed out by Local Fund Audit in 2009-10 (c) In respect of dues of ₹ 26.70 lakh relating to 1952-2001, VCMC did not analyse the feasibility of collecting the dues. (d) VCMC leased out the collection of bus stand entry fee to the highest bidder considering only that the bid exceeded the lease amount of the previous year or average of last three years' lease amount, ignoring the actual number of buses entering the stand. This resulted in loss of ₹ 89.46 lakh during 2010-14. (e) Though a Court ordered (October 2012) the recovery of ₹ 26 lakh from a tenant as rent for VCMC's shop, VCMC did not take action for the recovery.

[1] Calculated by Audit adopting the minimum prescribed rate of ₹ 500 per renewal for two renewals during 2009-14, in the absence of details, less ₹ 2.26 lakh collected

Appendix 2.3

(Reference : Paragraph 2.1.14.2; Page 21)

Health institutions and staffing as of March 2014

Institution	Sanctioned*	Functioning as of March 2014	Staff position (No. of posts) in 11 functioning institutions					
			Medical Officer		Pharmacist		Supporting staff@	
	No. of units		S	F	S	F	S	F
UHPs (3)	3	3	3	3	0	-	33	15
MC	4	1	1	1	0	-	5	2
Dispensaries								
a. Siddha	5	3	3	2	3	2	9	0
b. Unani	2	2	2	2	2	0	6	0
c. Allopathy	3	2	2	1	2	2	2	2
Total	**17**	**11**	**11**	**9**	**7**	**4**	**55**	**19**

* List of institutions

@Male / Female Nursing Assistants, Maternity ayah S – Sanctioned; F - Filled

UHP: Urban Health Post MC: Maternity Centre

Category	Functioning institutions	Non-functioning institutions (Year from which not functioning)
UHP	Ambedkar Nagar, Kaspa, Lakshmipuram	-
MC	Saidapet	Seetharaman Street (June 2007), Engineer Subbarayan Street (June 2007), RN Palayam (1996)
Dispensaries		
a) Siddha	Velappadi, Salavanpet, Thottapalayam	2 (Prior to 2009-10)
b) Unani	Kaspa, RN Palayam	-
c) Allopathy	Kagithapattarai, Saidapet	Sunnambukkara Street (2006)

Appendix 2.4

(Reference : Paragraph 2.1.17.4; Page 25)

Quality of drinking water

(Milligrams per litre)

Sl. No.	Parameter	Desirable limit	Borewell -1 (VLR 327)	Borewell-2 (VLR 328)
I	**General Core Parameters**			
1	Total Suspended Solids	Not Specified*	44	4
2	Total Dissolved Solids	500	11,828 (23)	3,116 (5)
3	Chlorides	250	4,863 (19)	925 (3)
4	Sulphate	200	347	245
5	Bio-oxygen Demand	Not Specified*	42	1
6	Chemical Oxygen Demand	Not Specified*	351	8
7	Oil and Grease	Not Specified*	Less than 1.0	Less than 1.0
II	**Essential Determinants**			
8	Ammonia	0.5	90 (179)	Less than 5.0
9	Alkalinity	200	2,000 (9)	475 (1)
10	Total Hardness	200	2,870 (13)	750 (3)
11	Calcium Hardness	75	1,590 (20)	590 (7)
12	Magnesium Hardness	30	1,280 (42)	160 (4)

* to be taken as NIL

Figures within brackets indicate the number of times the result exceeded the desirable limit.

Appendix 2.5

(Reference : Paragraph 2.1.20.2; Page 27)

Details of receipt and expenditure under SJSRY during 2009-14

(₹ in lakh)

Component	Objective	Opening Balance	Receipts	Total	Expenditure	Closing Balance
Urban Self Employment Programme (USEP)	To provide assistance (loan and subsidy) to individual urban poor beneficiaries for setting up gainful self-employment and providing other support like technology, marketing, infrastructure, knowledge etc.	1.85	49.53	51.38	30.97 (60)	20.41
Urban Women Self-help programme (UWSP)	To extend special incentives (loan and subsidy) to urban poor women who decided to set up self-employment ventures in a group and a revolving fund was also given to the SHGs.	0.49	39.67	40.16	20.77 (52)	19.39
Thrift and Credit Societies	To provide funds to UWSP group functioning as self-help group.	0.05	14.47	14.52	10.08 (69)	4.44
Skill Training for Employment Promotion amongst Urban Poor (STEPUP)	To provide assistance for skill formation / upgradation of the urban poor, to enhance their capacity to undertake self-employment and access better salaried employment.	0.01	67.26	67.27	31.54 (47)	35.73
Urban Wage Employment Programme (UWEP)	To provide wage employment to BPL beneficiaries through construction of socially and economically useful public assets like community centres, storm water drains, roads, night shelters, etc., as decided by the community structures themselves.	2.64	53.73	56.37	52.06 (92)	4.31
Urban Community Development Network (UCDN)	To establish and nurture community organisations such as CDS, NHGs and NHCs which facilitate sustained urban poverty alleviation.	0.08	30.98	31.06	23.40 (75)	7.66
	Total	**5.12**	**255.64**	**260.76**	**168.82 (65)**	**91.94**

Figures within brackets indicate percentage with reference to figure in total column.

Appendix 2.6
(Reference : Paragraph 2.1.22; Page 30)
Deficiencies in schools run by Vellore City Municipal Corporation

Sl.No.	Deficiency	Sample school in which the deficiency was noticed
1	No proper toilet facilities (5 sample schools and 2 non-sample schools)	Sample schools: CES: Refaul Muslim, CMS: Main Bazaar, MHS: SKM (Kasba), MHSS: KAKM (Saidapet), PUMS: Sathuvachari (East) Non-sample schools: CES: PM Chetty, CMS: Katpadi
2	No separate toilets for boys and girls (5 non-sample schools)	CES: Kangeyanallur, Viruthampattu (Zakir Hussain Street), Alamelmangapuram (Postal Nagar) and Abdulla Khan Street. CMS: Kulakkarai in Dharapadavedu)
3	No incinerators in toilets for girls in middle, high and higher secondary schools (5 schools)	CMS: Dr.Ambedkar Nagar, MHSS: KAKM (Saidapet), GMGHSS: Thotapalayam, MHS: Salavanpet, SKM (Kasba)
4	No provision for purified drinking water (8 schools)	CES: Bhattai Street (Velappadi) MES: S S Koil St. (Kosapet), HM Muslim MHS: Salavanpet, MPS: Masilamani St, MP Jameendar St., PUMS: Ashok Nagar, PUPS: Konavattam
5	No play grounds (4 schools)	CES: Refaul Muslim, CMS: Main Bazaar, MES: S S Koil St. (Kosapet), PUMS: Sathuvachari (East)
6	Certificate about safety of the building not obtained from Revenue Department	All 27 sample schools
7	Damaged roof, damaged floor, damaged wooden pillar (3 schools)	MHS: SKM (Kasba), MMS: Kalasapalayam, PUPS: Sathuvachari (West)
8	No fire extinguishers or fire extinguisher with expired chemical reagents (17 schools)	CES(3): BM Chetti Road (Saidapet), Bhattai St (Velappadi), Refaul Muslim, CMS (1) : Dr.Ambedkar Nagar, GMGHSS (1) : Thotapalayam, MES (1) : HM Muslim (Water Tank St), MHS (2): Booshanam Nagar, Kalasapalayam, MPS (6): RN Palayam (Muslim-1, Hindu-1), Masilamani St, Chinnaman Mestri St, MP Jameendar St, SRN Palayam, PUMS(1): Sathuvachari (East), PUPS (2): Gandhi Nagar (West), Konavattam
9	No watchman, leading to miscreants entering school premises and damaging school property (6 schools)	CES: Refaul Muslim, CMS: Main Bazaar, MHSS: KAKM (Saidapet), PUPS: Kalinjur, Sathuvachari (West), Gandhi Nagar (West)

CES: Corporation Elementary School **CMS**: Corporation Middle School **GMGHSS**: Government Municipal Girls Higher Secondary School **MHS**: Municipal High School **MES**: Municipal Elementary School **MHSS**: Municipal Higher Secondary School **MPS**: Municipal Primary School **PUMS**: Panchayat Union Middle School **PUPS**: Panchayat Union Primary School

Appendix 2.7

(Reference : Paragraph 2.1.22; Page 30)

Number of students admitted in schools deficient in infrastructure

(Number of students)

Name of the school		2009-10	2010-11	2011-12	2012-13	2013-14
SukkaiyaVathiyar PS		21	18	18	14	11
S.R.N.Palayam PS		6	5	10	11	9
Urdu PS, Kansalpet		16	14	8	18	14
Dr.Ambedkar Nagar MS		43	38	61	55	45
Kalinjur MS		73	44	50	63	42
Ashok Nagar MS		42	44	31	29	23
Booshanam Nagar MS		203	179	162	144	119
Masilamani PS		28	25	20	23	27
Muthupillai Muslim PS		7	7	7	13	8
Refaul Muslim PS		8	7	5	10	5
Velappadi PS		24	24	17	17	20
Sathuvachari MS	(Primary Section)	15	20	21	37	22
	(Middle school Section)	2	1	2	16	5
KAKM HSS	(Primary Section)	180	212	209	201	181
	(Secondary Section)	492	447	456	436	439
Salavanpet HS (HS Section)		150	140	148	130	120

PS - Primary School; MS - Middle School;
HS - High School; HSS - Higher Secondary School

Appendix 2.8

(Reference : Paragraph 2.2.7.5; Pages 44 and 45)

(a) Cheques dishonoured due to non-approval of records

Sl. No.	Zone Number (Erstwhile Zones)	Value of Cheques (dated from 26 February 2014) (in ₹)
1	4	31,339
2	9	1,484
3	10	7,018
4	13	11,68,743
Total		**12,08,584**

(b) Cheques dishonoured due to non-validation of records

Sl. No.	Zone Number (Erstwhile Zones)	Value of cheques (January 2013 to December 2013) (in ₹)
1	4	7,59,049
2	5	73,13,005
3	6	9,86,338
4	8	32,28,680
5	9	66,77,982
6	10	51,99,325
7	13	25,74,353
Total		**2,67,38,732**

Appendix 2.9

(Reference : Paragraph 2.2.8.3; Page 53)

Loss of revenue due to generation of '0' demands in test-checked zones
(Demand Due = Half yearly Tax X 11 half years)

Sl. No.	Zone	Property ID	Half-year Tax (in ₹)
1	10	10-127-02871-000	261
2	10	10-128-03848-000	487
3	10	10-128-04598-000	221
4	10	10-130-02074-000	114
5	10	10-130-02729-000	122
6	10	10-130-05980-000	79
7	10	10-130-08196-000	197
8	10	10-131-02011-000	104
9	10	10-132-03314-000	1,253
10	10	10-132-08492-000	523
11	10	10-133-06675-000	232
12	10	10-134-08337-000	1,742
13	10	10-135-02481-000	684
14	10	10-138-04923-000	360
15	10	10-140-00001-000	273
16	10	10-141-00923-000	802
17	10	10-141-02694-000	809
18	10	10-142-02186-000	273
19	10	10-142-04971-000	914
20	10	10-139-03171-000	331
21	10	10-130-04987-000	946
22	09	09-109-03048-000	940
23	09	09-111-06261-000	488
24	09	09-112-02726-000	227
25	09	09-112-02996-000	94
26	09	09-114-01052-000	1,018
27	09	09-114-02473-000	383
28	09	09-116-01978-000	163
29	09	09-116-04974-000	659
30	09	09-117-00468-000	1,480
31	09	09-117-02602-000	1,638
32	09	09-117-10756-000	1,138
33	09	09-118-04510-000	744
34	09	09-122-02949-000	418

Sl. No.	Zone	Property ID	Half-year Tax (in ₹)
35	09	09-123-06466-000	1,605
36	09	09-123-07859-000	1,174
37	09	09-123-08051-000	809
38	09	09-124-02350-000	134
39	09	09-124-04504-000	868
40	09	09-125-00231-000	319
41	09	09-125-00258-000	261
42	09	09-125-01311-000	2,447
43	09	09-125-04651-000	1,468
44	09	09-126-00973-000	4,417
45	09	09-126-02361-000	1,958
46	09	09-114-01722-000	1,070
47	09	09-118-00065-000	1,670
48	09	09-122-02820-000	1,651
49	09	09-123-03016-000	3,915
50	09	09-123-04079-000	441
51	09	09-118-00578-000	65,247
52	09	09-111-06280-000	2,864
53	09	09-111-06290-000	3,210
54	09	09-113-04641-000	4,136
55	09	09-114-02816-000	5,481
56	09	09-118-00983-000	27,632
57	09	09-122-01088-000	391
58	09	09-123-04834-000	27,437
59	09	09-123-04913-000	13,702
60	09	09-123-07954-000	2,877
Total (for one half year)			*1,97,301*
Amount for 11 half years			**21,70,311**

Appendix 2.10

(Reference : Paragraph 2.2.9.2; Page 59)

Non-posting of cheque details in the computer system for which manual receipts have been given to the assessees

Sl. No.	Zone	Number of cases	Amount (₹ in lakh)
1	2	35	0.99
2	3	4	0.18
3	4	120	5.75
4	5	42	3.56
5	6	3	0.02
6	7	1	0.01
7	8	2	0.13
8	9	49	5.73
9	10	3	0.89
10	11	88	2.39
11	12	50	1.43
12	13	82	6.99
13	14	63	1.24
14	15	50	0.74
Total		**592**	**30.05**

Appendix 3.1

(Reference : Paragraphs 3.1.1 and 3.1.4.1 (ii); Pages 61 and 66)

Details of works taken up under TWSIS (Position as of October 2014)

Sl. No.	Name of the work	Estimate amount (₹ in lakh)	Date of Agreement	Agreement amount (₹ in lakh	Date of completion as per agreement	Actual date of completion	Reasons for delay	Expenditure incurred (₹ in lakh)
1	Improvements to water supply in Woriyur area: Creation of source of Collector well III (including operation & maintenance for a period of one year from the date of completion of trial run) - Package I	608.00	06.04.2009	683.49	05.04.2011	30.09.2012	Delay by the contractors and delay on the part of TCMC in obtaining permission from service departments	575.31
2	Improvements to water supply in Woriyur area: Pumping main upto Woriyur area with 8 numbers of SRs in Collector well III (including operation & maintenance for a period of one year from the date of completion of trial run) - Package II	3,091.00	14.09.2009	3,035.51	13.09.2011	13.11.2013		3,340.31
3	Improvements to water supply in Ariyamangalam and Ponmalaipatty area: Creation of source of Collector well I&II, construction of common sump and laying conveying main from collector wells I & II to common sump - Package III	1,965.00	09.04.2009	2,388.32	08.04.2011	07.04.2013		2,511.05
4	Improvements to water supply in Ariyamangalam and Ponmalaipatty area: Laying of pumping main from common sump to Rail Nagar (including operation and maintenance for a period of one year from the date of completion of trial run) - Package IV	3,155.00	10.09.2009	3,102.74	18.09.2011	In progress		3,434.56
5	Improvements to water supply in Ariyamangalam and Ponmalaipatty area intermediate sump including branch pumping mains and intermediate booster & pump room and including construction of 12 service reservoirs (including operation and maintenance for a period of one year from the date of completion of trial run) - Package V	1,921.00	19.09.2009	1,824.14	18.09.2011	In progress		1,845.13
6	Laying of pumping main and branch main from Ponmalaipatty intermediate sump to Thendral Nagar and construction of thirteen service reservoirs - Package VI	1,638.00	19.09.2009	1,725.80	18.09.2011	In progress		1,583.67
7	Providing Distribution System for existing and proposed service reservoirs under the project area of new Collector well I & II for uncovered and revamping areas -Package VII A	2,360.00	12.11.2010	2,245.16	11.05.2012	In progress		889.78
8	Providing Distribution System for existing and proposed service reservoirs under the project area of new Collector well III, Pirattiyur CWSS, Turbine, Main Pumping Station and Collector well at Periyar Nagar for uncovered and revamping areas - Package VII B	2,280.00	24.10.2010	2,193.14	23.05.2012	In progress		723.95
9	Design, Supply, Delivery, Erection, Testing & Commissioning of SCADA instrumentation & Telemetry system for Head Works and on reservoirs at various locations of TCMC area with GPRS communication with all necessary accessories and sluice valve with actuator including O&M for five years - Package VII C	502.50	21.09.2012	423.54	20.03.2014	In progress		263.74
10	Road restoration charges paid to service departments							480.16
11	Payment made to Railways and Electricity Board							166.36
12	Third Party inspection charges and testing charges							39.86
13	Others (Advertisement charges, trenchless road cutting and civil works)							521.96
Total								**16,375.84**

Appendix 3.2

(Reference : Paragraph 3.1.2.1; Page 62)
Loss due to inclusion of unwarranted items of work

Sl. No.	Item of work	Length deleted (in kilo-metres)	Rate quoted by (₹ in lakh)		
			Lowest bidder to whom work was awarded	2nd lowest bidder	3rd lowest bidder
1	Earthwork excavation and depositing in bank with an initial lead of 10 metres	75.13	22.86	18.85	37.68
2	Providing and supplying pipes in standard length etc. complete	75.13	207.12	189.66	210.29
3	Labour for laying and jointing HDPE and PVC pipes	75.13	17.35	41.97	21.01
4	Refilling the trench by excavated soil etc. complete	75.13	7.77	8.46	9.47
5	Labour for cutting open BT or macadam roads	33.51	45.24	39.87	63.00
6	Road restoration with PCC 1:4:8 and PCC 1:2:4	67.07	240.09	363.49	318.56
		108.88	650.01	590.13	517.18
7	Value of deleted items (Sl.No. 1 to 6)		1,190.44	1,252.43	1,177.19
7a	Less: rebate		1.79	0.00	0.00
7b	Net value of deleted items		1,188.65	1,252.43	1,177.19
8	Rate quoted by the bidders for all items (i.e. retained items and deleted items)		2,245.16	2,249.03	2,372.32
9	Rate quoted by the bidders for the retained items alone (8 - 7 b)		1,056.51	996.60	1,195.13
10	Rank based on (9)		2nd lowest	Lowest	3rd lowest
Difference between Lowest and 2nd lowest based on (Sl.No.9) : ₹ 59.91 lakh.					

Appendix 3.3

(Reference : Paragraph 3.1.2.3; Page 63)

Avoidable expenditure due to construction of OHTs with excess capacity

Sl.No.	Location of OHT	OHT constructed		OHT to be constructed		Avoidable expenditure (₹ in lakh)
		Capacity (in lakh litres)	Cost (₹ in lakh)	Capacity (in lakh litres)	Cost (₹ in lakh)	
(1)	(2)	(3)	(4)	(5)	(6)	(7) (Col.4 - Col.6)
1	Jegannathapuram	4	28.00	3	24.21	3.79
2	Sangliyandapuram	10	55.51	8	43.49	12.02
3	Subramaniapuram	4	28.00	3	24.21	3.79
4	Kallukuzhi Tank	4	28.00	3	24.21	3.79
5	Malayappa Nagar	4	28.00	3	24.21	3.79
6	Rail Nagar	4	28.00	3	24.21	3.79
7	M K Kottai	4	28.00	3	24.21	3.79
8	Iswaraya Nagar	3	24.21	2	18.62	5.59
9	Kamarajar Nagar (Sembattu)	8	43.49	6	42.61	0.88
10	Kajamalai	3	24.21	2	18.62	5.59
11	Edamalaipatty Pudur	4	28.00	3	24.21	3.79
12	Fathima Nagar	6	42.61	5	36.42	6.19
13	Jayanagar Extn.	4	28.00	3	24.21	3.79
14	Bharathi Nagar	10	55.51	9	49.96	5.55
Total						**66.14**

Appendix 3.4

(Reference : Paragraph 3.1.3.1; Page 64)

Loss due to levy of interest at lower rate

(₹ in lakh)

Package	Mobilisation Advance paid	Interest to be recovered @ 12 *per cent* per annum	Interest recovered	Difference
II	303.55	59.60	49.16	10.44
III	119.41	14.67	11.52	3.15
IV	310.25	72.21	59.67	12.54
V	182.40	49.54	41.17	8.37
VI	172.50	47.61	40.84	6.77
VII A	224.50	44.46	39.40	5.06
VII B	210.00	60.93	47.64	13.29
Total	**1,522.61**	**349.02**	**289.40**	**59.62**

Appendix 3.5

(Reference : Paragraph 3.1.4.1 (i) ; Page 66)

Avoidable payment of price escalation

(₹ in lakh)

Package No.	Date of completion of work as per agreement	Price escalation payable restricting to the agreement period	Price escalation paid for work done beyond agreement period	Avoidable payment
I	05.04.2011	5.44	6.41	0.97
III	08.04.2011	11.90	16.57	4.67
IV	18.09.2011	66.70	86.42	19.72
			Total	**25.36**

Appendix 3.6

(Reference : Paragraph 3.1.4.3; Page 67)
Avoidable payment of Central Excise Duty

Package	Type of pipe	Size of pipe	Total length (in metres)	CED per metre (in ₹)	CED paid (₹ in lakh)
II to VI	DI K7	12 sizes (150 mm to 1,000 mm)	69,206	142 to 2,193	665.69
	PVC 4Ksc	2 sizes (110 mm and 140 mm)	4,552	12 and 21	0.87
	MS	6 sizes (600 mm to 1,000 mm)	4,927	1,012 to 2,293	74.43
VII A and VII B	HDPE	12 sizes (110 mm to 450 mm)	52,195	15.50 to 475	23.55
	PVC	9 sizes (110 mm to 315 mm)	46,670	14.50 to 117.50	16.46
		Total	**1,77,550**		**781.00**

CED : Central Excise Duty; mm : millimetre

Appendix 4.1

(Reference : Paragraph 4.4; Page 74)

Functions assigned to Panchayats by various Departments in respect of 29 subjects

Sl. No.	Subject/ Department	Role of Village Panchayat	Role of Block Panchayat	Role of District Panchayat
1	Agriculture including Agricultural extension ***Agriculture Department***	Provides support facilities to agricultural activities	To assist procurement/ planning, implementation of scheme	To prepare plan for agricultural development in the District
		Advise in construction of Godown regulated market cold storage	Support for identification of beneficiaries	Review implementation of schemes of the Agriculture Department
		Identification of beneficiaries for agricultural schemes	Select village in association with primary Agricultural Co-operative Society for economic assistance	-
2	Land Improvement, Land reforms, Land consolidation and Soil conservation ***Revenue Department***	Assist to distribution of surplus land	Supervise on surplus land updating records	-
		Assist to update land records	Assisted Revenue Department on land administration	-
		Identification of surplus land and allotment to poor		
3	Minor irrigation, water management and watershed development ***Public Works Department***	Identification of tanks assist in execution of works other than classified	Improvement of classified MI tanks	To maintain macro details of irrigation sources - proportion of plan - compilation of data
		Block Panchayat empowered to identify and plan and execute the work	Collection of details - tanks, potential water supply areas	-
			Execution of MI tank works - Agency work from District Rural Development Agency, Kudimaramath works and levy fee	-

Sl. No.	Subject/ Department	Role of Village Panchayat	Role of Block Panchayat	Role of District Panchayat
4	Animal Husbandry, Dairying, Poultry ***Animal Husbandry Department***	Identification of beneficiaries for Animal Husbandry schemes	Review of functioning of milk co-operative societies	Review and supervision of veterinary sub-centre
		Maintenance of slaughter house	Support for fodder development	Quarterly review of standing committee on live stock
		Support of Animal Husbandry Department during epidemic outbreak		Assist for conduct of live stock exhibition
5	Fisheries ***Fisheries Department***	Identification of beneficiaries	Identification of beneficiaries	Planning, review and supervision of fish farmer development agency
		Support to fish farmer development agency in marketing of fish	Support to fish farmer development agency in marketing of fish	Assist fisheries co-operative societies
		Assist in prevention of sea erosion of products	Assist in prevention of sea erosion of products	Review chemical treatment of catamaran
6	Social forestry and farm forestry ***Forest Department***	Co-ordination with Forest Department in promotion of social forestry/farm forestry	Co-ordination with Forest Department in promotion of social forestry/farm forestry	Assess the potentiality in promotion of social forestry/farm forestry
		Leasing of Village Panchayat lands for social forestry product	Provide technical support for implementation of social forestry	To review social forestry programme at district level
		Assign to the villages in homestead plantations	Supervise and review waste land development schemes	Supervise the plantation activities of Forest Department
7	Minor forest produce ***Forest Department***	To assist to get permission for collection of minor forest produce	To assist to get permission for collection of minor forest produce	To conduct annual conference in promotion of minor forest produce
		Identification of beneficiaries	Assist for selection of beneficiaries	To assist for credit linkage for beneficiaries
		To assist in marketing of minor forest produce	Assist for implementation of tribal welfare, special plan for promotion of minor forest produce	Advise the Government in collection of minor forest produce

Sl. No.	Subject/ Department	Role of Village Panchayat	Role of Block Panchayat	Role of District Panchayat
8	Small scale industries including food processing ***Industries Department***	Assist in identification of beneficiaries	Advise in identification of beneficiaries	Plan for review the industrial centres, growth centres
		Assistance in providing loan to the beneficiaries	Assistance to department in providing loan to the beneficiaries	Assist in implementation of entrepreneurial development programme, preparation of plan
9	Khadi and village industries ***Khadi & Village Industries Board***	Advise in identification of beneficiaries	Formulate new training/ trade centres - assist in marketing of products	Plan for Khadi development activities
		Advise artisan training centres	Supervise Khadi sales outlets, assist supply of palm tree climber device	Advise Khadi & Village Industries Board in promotion of infra-structure
		Formulate schemes for Palmyra tapers		Assist in identification of training centres
10	Rural housing ***Rural Development and Panchayat Raj Department***	Identification of beneficiaries for allotment of House patta - SC, ST, BC and MBC	Supervision of review of housing schemes - IAY allied schemes	To plan and review allocation of houses to SC and ST - advice the Kattidamaiyam to take up low cost technology
		Implementation, monitoring of schemes	Providing technical assistance to construction of houses	
11	Drinking water ***Rural Development and Panchayat Raj Department***	Erection and maintenance of open well, hand pump, power pump	Formulation and implementation of comprehensive water supply works at inter village Panchayat level	Identification and planning for major drinking water schemes
			Supervision and monitoring of accelerated water supply programme	Supervise the implementation of water supply schemes
12	Fuel and fodder ***Forest Department***	Assist in plantation of fuel/ fodder cultivation	Assist in promotion of fodder/fuel cultivation	Plan for fodder/fuel wood cultivation
		Assist in identification of waste land/degraded land	Making awareness among the public about fuel saving devices	Review the works of the Forest Department
		Encourage the people to	Promotion of plantation	

Sl. No.	Subject/ Department	Role of Village Panchayat	Role of Block Panchayat	Role of District Panchayat
		undertake non-conventional energy	in community land	
13	Roads, culverts and bridges ***Rural Development and Panchayat Raj Department***	Formation and maintenance of all village roads, bridges causeways etc.	Formation and maintenance of Block Panchayat roads, bridges and culverts	Preparation of plan and review of implement-tation of VP road and Block Panchayat works executed in Panchayat area
14	Rural electrification ***Tamil Nadu Electricity Board***	Provide lights in streets and public places like roads in Village Panchayat areas	Lighting of public roads where the Village Panchayat have not provided	Review of all schemes under rural electri-fication, collection of data on electricity requirement
				Recommend to EB for power supply to agricultural pump sets
15	Non conventional energy sources ***Rural Development and Panchayat Raj Department***	Identification of benefi-ciaries - Assist in preparation of plan - Supervision of works	Preparation of plan - Review of the schemes implemented in villages	Identification of potential for implementation - Review of all the schemes - Planning and coordination
16	Poverty alleviation programmes ***Rural Development and Panchayat Raj Department***	Implementation of SGRY, IAY, TSC, Food for work programmes	Implementation of SGRY, MPLAD, MLACDS and FFP	Sanction of works to be done under SGRY
		Identification of beneficiaries	Provide technical support to all the works programmes implemented by Gram Panchayat	Supervise and review poverty alleviation programmes
17	Education including primary and secondary education ***Education Department***	Assist and monitor works/ maintenance of schools Assist for opening of library in schools	Maintenance of Block Panchayat schools	Inspection and send report to officials for maintenance of school building
		Recommendation for upgradation of primary school to middle school	Assist in opening of library in school	Forward complaints received against teachers
		To set up education subcommittee to monitor schools in villages	Conduct awareness campaign for full enrolment in schools	Plan to provide education facilities in district

Sl. No.	Subject/ Department	Role of Village Panchayat	Role of Block Panchayat	Role of District Panchayat
18	Technical training and vocational education ***Labour and Employment Department***	Identification of training needs	Estimation and recommendation of training needs	Plan for technical manpower and crafts
		Assist in identification of training centres	Assist in establishment of industrial schools	Review functioning of technical institution
		Assist in identification of suitable vocational course	Assist in identification of suitable vocational course	Plan for establishment of vocational schools
		Help the department in starting a vocational course	Help the department in starting a vocational course for women	-
19	Adult and non-formal education ***School Education Department***	Functioning of non-formal adult education centres	Establishment of adult and non-formal education centres	Supervise the implementation of adult and non-formal centres
		Advice the department for better functioning of centres in Panchayat area	Supervise and advise for functioning of non-formal and adult education centres in Block Panchayat area	Maintenance of non-formal education centres
20	Libraries ***School Education Department***	Opening and maintenance of reading room	Advise local library authority to establish libraries in villages	Advise local library authority to establish libraries in villages
		Purchase of books and dailies, magazines for reading rooms	Provide technical assistance in construction of libraries	Selection and nomination of one elected member of District Panchayat to District Library Committee
		Collection of library cess with house tax	Supervise the functioning of libraries	Preparation of plan for establishment of libraries in rural areas
21	Cultural activities ***Tamil Development Department***	Organise local popular games, sports and cultural activities	Review the schemes for skilled artists maintenance of school of arts	Planning and review of Karandhai Tamil Sangam
		Create awareness through folk arts, music, dance and drama	Assist to the Department for conduct of sports in villages	Review the functioning of Jawahar Bala Bhavan
			Assist in establishment of play grounds	Establishment of District galleries, music school

Sl. No.	Subject/ Department	Role of Village Panchayat	Role of Block Panchayat	Role of District Panchayat
				Assist for organising district level sports events
22	Market and fairs ***Rural Development and Panchayat Raj Department***	Opening and maintenance of Village Panchayat markets	Opening and maintenance of Block Panchayat markets	Advise and review of functioning of public and private markets
		Provide permission license for conduct of private markets	Control of fairs and festivals at Block Panchayat level	Recommend the classi-fication of panchayats
23	Health and sanitation ***Health Department***	Construction and maintenance of drains Improvement of sanitary condition in villages	Preventive and remedial measures for malaria eradication	Planning and review of dispensaries in rural areas
		Construction and maintenance of public toilets like women sanitary complexes	Construction and mainte-nance of maternity centres	Supervision of preventive health measures
		Implementation of total sanitation programme and solid waste management	Maintenance and running of rural dispensaries	Review of functionaries in Primary Health Centres
24	Family Welfare ***Health and Family Welfare Department***	Assist in identification of beneficiaries	Construction and mainte-nance of maternity centres	Planning, review and supervision of family welfare centres
		Assist to para medical staff in antenatal and postnatal care and organise awareness campaign on health and sanitation	Supervision of family welfare measures in rural area. Assist in providing training to family welfare workers	Identification of defects in family welfare measures and advises the department for better functioning of family welfare activities

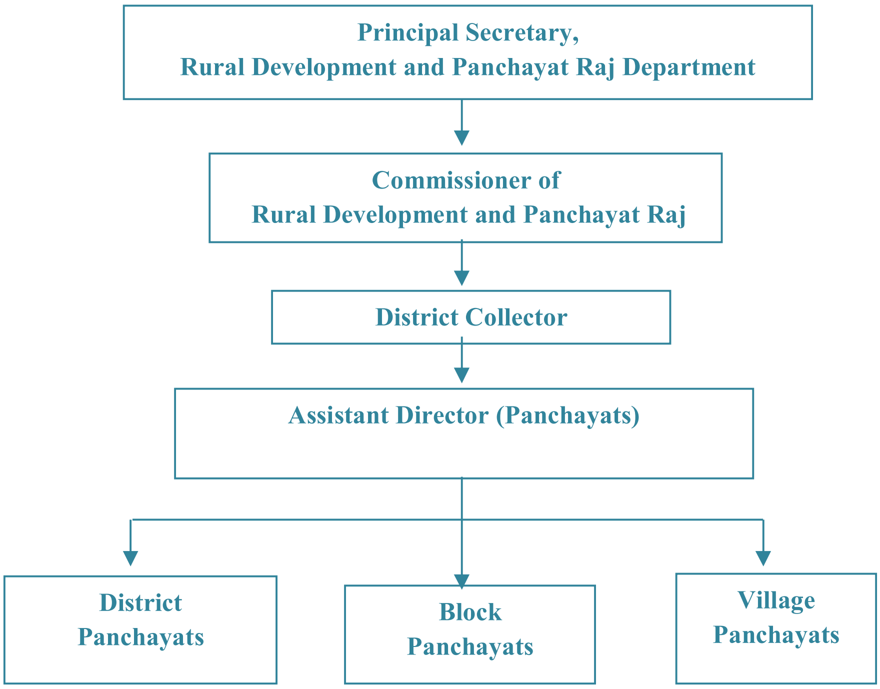
Sl. No.	Subject/ Department	Role of Village Panchayat	Role of Block Panchayat	Role of District Panchayat
25	Women and Child Development ***Social Welfare Department***	Supervise the noon meal centres/anganwadies and diseased women Assist in starting of balwadies and anganwadi centres Assist in construction of balwadis Identification of beneficiaries for Self Help Group	Construction and maintenance of noon meal centres Assist in creation of crèches / working women, hostels Supervise the home for the aged	Review the noon meal centres, crèches, anganwadies, working women hostel and homes for the aged
26	Social welfare including welfare of handicapped and mentally retarded ***Social Welfare Department***	Assist and supervise blind and handicapped	Supervise the blind and handicapped rehabilitation centres	Review the functions of the blind and handicapped
		Assist to implement integrated polio eradication programme	Assist to implement integrated polio eradication programme	Review and distri-bution of scholarships to students of handi-capped schools
		Campaign for causes of disability	Establishment of school for deaf and dumb and organise awareness campaign for physically handicapped	To prepare report about child labour and street children in the district
27	Welfare of weaker sections particularly SC/STs ***THADCO, Adi Dravidar Welfare Department***	Assist to implement schemes intended for SC/ST in villages	Review of schemes for weaker sections, provide technical support for schemes intended for SC/ST area	Planning and review of all schemes intended for SC/ST
		Selection of beneficiaries for various schemes like IAY, THADCO and DIC	Assist for special coaching or training for SC/ST students	Assist in enforcement of Civil Rights Act, 1995
		Provide pathway and maintain burial and burning grounds. Creation of infrastructure like drainage, community hall in SC/ST area and provide drinking water	Inspection of rehabilitation centres for bonded labourers	Evaluation and super-vision of employment generation activities of SC/ST

Sl. No.	Subject/ Department	Role of Village Panchayat	Role of Block Panchayat	Role of District Panchayat
28	Public Distribution System ***Civil Supplies Department***	Empowered to run Public Distribution shops on their own Inspection of Public Distribution shops in villages Co-ordination with the Department for better functioning	Review and report to district level officials Provide technical assistance in construction of Public Distribution shops	Inspect and review the functioning of public distribution system in districts
29	Maintenance of community assets ***Rural Development and Panchayat Raj Department***	Maintenance of roads, streets, women sanitary complexes	Maintenance of roads, tanks, orphanages and shops	Review and super-vision
		Opening and maintenance of burial and burning grounds	Maintenance of Block Panchayat schools	Maintenance of public assets in panchayats
		Maintenance of community assets like Panchayat Office, Community Hall, Noon Meal centres, Public Distribution System shops and other common buildings in villages	Maintenance of choultries	

Appendix 5.1

(Reference : Paragraph 5.1.2; Page 80)

Organisational set-up for flow of funds to PRIs



Appendix 5.2

(Reference : Paragraph 5.1.9.2; Page 85)

Delay in transfer of receipts from Social Forestry

Sl. No.	Year	Name of the District	Amount transferred (₹ in lakh)	Due date for transfer	Date of transfer	Delay (in months)
1	2009-10	Tirunelveli	31.29	31.3.2011	11.7.2012	15
2	2009-10	Namakkal	24.19			
3	2009-10	Villupuram	34.04			
4	2009-10	Ariyalur	2.25			
5	2009-10	Dharmapuri	8.72			
6	2009-10	Krishnagiri	10.05			
7	2010-11	Tirunelveli	43.01	31.3.2012	11.7.2012	3
8	2010-11	Namakkal	19.90			
9	2010-11	Villupuram	100.33			
10	2010-11	Ariyalur	9.41			
11	2010-11	Dharmapuri	5.04			
12	2010-11	Krishnagiri	22.50			

Appendix 5.3

(Reference : Paragraph 5.1.11.1; Page 88)

Short devolution of SFC grant to PRIs due to incorrect calculation of Net State's Own Tax Revenue

(₹ in lakh)

Sl. No.	Workings	2009-10	2010-11	2011-12	2012-13	2013-14
		Based on actuals for the year	Based on actuals for the year	Based on actuals for the year	Based on actuals for the year	Based on Revised Estimate for the year
1	Gross State's Own Tax Revenue	36,54,667	47,78,218	59,51,731	71,25,428	83,36,321
2	Deduct : Deductions worked out by Finance Department, GoTN	46,602	44,746	1,38,199	1,63,673	2,11,887
3	Add: Entire ET previously deducted by GoTN in the deductions mentioned in Sl.No.(2)	1,160	1,259	5,364	8,945	10,762
4	Deduct: ET assigned to PRIs under Pooled Assigned Revenue	165	413	395	627	870
5	Net State's Own Tax Revenue	36,09,060	47,34,318	58,18,501	69,70,073	81,34,324
6	Apportioned for local bodies (9.5 *per cent* in 2009-10 and 10 *per cent* from 2010-11)	3,42,861	4,73,432	5,81,850	6,97,007	8,13,433
7	Entitlement for PRIs at 58 *per cent* of the apportioned amount mentioned in Sl.No.6	1,98,859	2,74,590	3,37,473	4,04,264	4,71,791
8	SFC grant actually devolved	1,98,804	2,74,541	3,37,185	4,03,782	4,71,217
Shortfall (Sl.No.7 - 8)		**55**	**49**	**288**	**482**	**574**
						Total - 1,448 (or) ₹ 14.48 crore

Appendix 5.4
(Reference : Paragraph 5.1.12.1; Page 91)

Non-payment of interest for delayed release of CFC grant

Year of CFC Grant	Date of release by GoI	Due date of release by GoTN	Date of release by GoTN	Delay by GoTN	Amount (in ₹)	Date of receipt by ADRD (P)	Delay (in days)	Interest to be paid (in ₹)
Kanniyakumari								
2011-12 1st instalment	12/08/11	17/08/11	22/09/11	36	15,66,892	11/10/11	19	7,749
2011-12 General Performance Grant (GPG)	31/3/12	05/04/12	07/05/12	33	11,60,217	31/05/12	24	7,247
2011-12 2nd instalment	30/3/12	04/04/12	07/05/12	32	28,52,378	31/05/12	24	17,818
2012-13 2nd instalment	8/3/13	13/03/13	15/03/13	2	31,40,629	28/03/13	13	9,508
2012-13 2nd instalment balance*	8/3/13	13/03/13	22/03/13	-	11,60,217	02/04/13	20	5,404
2013-14 1st instalment	29/7/13	03/08/13	16/08/13	13	90,15,046	02/09/13	17	39,888
2013-14 2nd instalment**	27/2/14	04/03/14	28/02/14	-	16,83,043	25/03/14	21	8,715
							Total	**96,329**
Tirunelveli								
2011-12 1st instalment Balance	12/08/11	17/08/11	22/09/11	36	38,64,693	11/10/11	19	19,112
2011-12 GPG	31/03/12	05/04/12	07/05/12	32	72,32,858	31/05/12	24	45,181
2011-12 2nd instalment	30/3/12	04/04/12	07/05/12	33	29,41,996	31/05/12	24	18,377
2012-13 2nd instalment	08/3/13	13/03/13	15/03/13	2	79,63,784	28/03/13	13	24,110
2012-13 2nd instalment balance*	08/3/13	13/03/13	22/03/13	-	29,41,996	02/04/13	20	13,702
2013-14 1st instalment	29/7/13	03/08/13	16/08/13	13	2,28,59,712	02/09/13	17	1,01,146
2013-14 2nd instalment**	27/2/14	04/03/14	28/02/14	-	42,84,169	25/03/14	21	22,184
							Total	**2,43,812**

Year of CFC Grant	Date of release by GoI	Due date of release by GoTN	Date of release by GoTN	Delay by GoTN	Amount (in ₹)	Date of receipt by ADRD (P)	Delay (in days)	Interest to be paid (in ₹)
Dindugul								
2011-12 1st instalment Balance	12/8/11	17/08/11	22/09/11	36	34,64,524	11/10/11	19	17,133
2011-12 GPG	31/03/12	05/04/12	07/05/12	32	64,83,929	31/05/12	24	40,502
2011-12 2nd instalment	30/3/12	04/04/12	07/05/12	33	26,37,366	31/05/12	24	16,475
2012-13 2nd instalment	08/3/13	13/03/13	15/03/13	2	71,39,171	28/03/13	13	21,613
2012-13 2nd instalment balance*	08/3/13	13/03/13	22/03/13	-	26,37,366	02/04/13	20	12,284
2013-14 1st instalment	29/7/13	03/08/13	16/08/13	13	2,04,92,695	02/09/13	17	90,673
2013-14 2nd instalment**	27/2/14	04/03/14	28/02/14	-	37,94,448	25/03/14	21	19,648
							Total	**2,18,328**
Namakkal								
2011-12 1st instalment Balance	12/8/11	17/08/11	22/09/11	36	26,49,916	11/10/11	19	13,104
2011-12 GPG	31/03/12	05/04/12	07/05/12	32	47,62,824	31/05/12	24	29,751
2011-12 2nd instalment	30/3/12	04/04/12	07/05/12	33	19,37,299	31/05/12	24	12,101
2012-13 2nd instalment	08/3/13	13/03/13	15/03/13	2	52,44,137	28/03/13	13	15,876
2012-13 2nd instalment balance*	08/3/13	13/03/13	22/03/13	9	19,37,299	02/04/13	20	9,023
2013-14 1st instalment	29/7/13	03/08/13	16/08/13	13	1,50,53,077	02/09/13	17	66,605
2013-14 2nd instalment**	27/2/14	04/03/14	28/02/14	-	28,32,392	25/03/14	21	14,666
							Total	**1,61,126**

Year of CFC Grant	Date of release by GoI	Due date of release by GoTN	Date of release by GoTN	Delay by GoTN	Amount (in ₹)	Date of receipt by ADRD (P)	Delay (in days)	Interest to be paid (in ₹)
Krishnagiri								
2011-12 1st instalment Balance	12/8/11	17/08/11	22/09/11	36	35,54,249	11/10/11	19	17,576
2011-12 GPG	31/03/12	05/04/12	07/05/12	32	63,90,074	31/05/12	24	39,916
2011-12 2nd instalment	30/3/12	04/04/12	07/05/12	33	25,99,190	31/05/12	24	16,236
2012-13 2nd instalment	08/3/13	13/03/13	15/03/13	2	70,35,831	28/03/13	13	21,300
2012-13 2nd instalment balance*	08/3/13	13/03/13	22/03/13	-	25,99,190	02/04/13	20	12,106
2013-14 1st instalment	29/7/13	03/08/13	16/08/13	13	2,01,96,061	02/09/13	17	89,361
2013-14 2nd instalment**	27/2/14	04/03/14	28/02/14	-	38,16,139	25/03/14	21	19,760
							Total	**2,16,255**
Dharmapuri								
2011-12 1st instalment Balance	12/8/11	17/08/11	22/09/11	36	29,71,526	11/10/11	19	14,695
2011-12 GPG	31/03/12	05/04/12	07/05/12	32	55,61,259	31/05/12	24	34,739
2011-12 2nd instalment	30/3/12	04/04/12	07/05/12	33	22,62,066	31/05/12	24	14,130
2012-13 2nd instalment	08/3/13	13/03/13	15/03/13	2	61,23,258	28/03/13	13	18,538
2012-13 2nd instalment balance*	08/3/13	13/03/13	22/03/13	-	22,62,066	02/04/13	20	10,536
2013-14 1st instalment	29/7/13	03/08/13	16/08/13	13	1,75,76,560	0409/13	17	77,770
2013-14 2nd instalment**	27/2/14	04/03/14	28/02/14	-	33,59,962	25/03/14	21	17,398
							Total	**1,87,806**

Year of CFC Grant	Date of release by GoI	Due date of release by GoTN	Date of release by GoTN	Delay by GoTN	Amount (in ₹)	Date of receipt by ADRD (P)	Delay (in days)	Interest to be paid (in ₹)
Ariyalur								
2011-12 1st instalment Balance	12/8/11	17/08/11	22/09/11	36	16,65,538	11/10/11	19	8,236
2011-12 GPG	31/03/12	05/04/12	07/05/12	32	31,17,091	31/05/12	24	19,471
2011-12 2nd instalment	30/3/12	04/04/12	07/05/12	33	12,67,888	31/05/12	24	7,920
2012-13 2nd instalment	08/3/13	13/03/13	15/03/13	2	34,32,090	28/03/13	13	10,390
2012-13 2nd instalment balance*	08/3/13	13/03/13	22/03/13	-	12,67,888	02/04/13	20	5,905
2013-14 1st instalment	29/7/13	03/08/13	16/08/13	13	98,51,674	02/09/13	17	43,590
2013-14 2nd instalment**	27/2/14	04/03/14	28/02/14	-	17,47,244	25/03/14	21	9,047
							Total	**1,04,559**
Villupuram								
2011-12 1st instalment Balance	12/8/11	17/08/11	22/09/11	36	68,46,164	11/10/11	19	33,856
2011-12 GPG	31/03/12	05/04/12	07/05/12	32	1,26,73,703	31/05/12	24	79,167
2011-12 2nd instalment	30/3/12	04/04/12	07/05/12	33	51,55,083	31/05/12	24	32,202
2012-13 2nd instalment	08/3/13	13/03/13	15/03/13	2	1,39,54,460	28/03/13	13	42,246
2012-13 2nd instalment balance*	08/3/13	13/03/13	22/03/13	-	51,55,083	02/04/13	20	24,010
2013-14 1st instalment	29/7/13	03/08/13	16/08/13	13	4,00,55,701	02/09/13	17	1,77,233
2013-14 2nd instalment**	27/02/14	04/03/14	28/02/14	-	75,84,044	25/03/14	21	39,271
							Total	**4,27,985**

ADRD(P) : Assistant Director of Rural Development (Panchayats)

* GoTN not paid interest for the belated release ** GoTN released the grants before due date

Note: Calculated @ 9.5 *per cent* for 2011-12; 8.5 *per cent* for 2012-13; 9.5 *per cent* for 2013-14 1st instalment and 9 *per cent* for 2013-14 2nd instalment.

Abstract

SI No	Name of the district	Interest (in ₹)
1	Kanniyakumari	96,329
2	Tirunelveli	2,43,812
3	Dindigul	2,18,328
4	Namakkal	1,61,126
5	Krishnagiri	2,16,255
6	Dharmapuri	1,87,806
7	Ariyalur	1,04,559
8	Villupuram	4,27,985
	Total	**16,56,200**

Appendix 5.5

(Reference : Paragraph 5.1.14.1; Page 93)

Cases of missing credit in Village Panchayat II Account

Sl. No.	Name of the BP	Name of the VP	Year and Instalment	Amount (in ₹)
Dharmapuri District				
1	Pennagaram	Anjehalli	2010-11 / 2	3,20,867
2			2011-12 / 1st (balance)	21,918
3			2011-12 / 2	4,04,817
Krishnagiri District				
4	Thally	Madakkal	2009-10 / 1	1,25,251
5			2009-10 / 2	1,25,251
6			2010-11 / 1	2,06,664
7			2011-12 / 1	2,35,704
8			2011-12 / 1st (balance)	14,123
9			2011-12 / 2nd (balance)	2,60,735
10	Bargur	Kattagaram	2011-12 / 1	3,38,920
11			2011-12 / 1st (balance)	19,972
12			2011-12 / 2	3,68,709
13		Pochampalli	2010-11 / 2	2,75,802
14			2012-13 / 2	2,92,865
Kanniyakumari District				
15	Rajakkamangalam	Melasankarankuzhi	2011-12 (Interest)	1,112
16	Munchirai	Painkulam	2011-12 (Interest)	1,800
17		Villathurai	2011-12 (Interest)	1,107

Appendix 5.6

(Reference : Paragraph 5.2.6.1; Page 98)

Levels of implementation structure for TSC/NBA

Level	Structure required	Purpose
State	State Water and Sanitation Mission (SWSM), as a society under the Department implementing Rural Water Supply and Sanitation headed by Chief Secretary / Additional Chief Secretary, with Secretaries in charge of the connected Departments	To achieve coordination and convergence among Departments dealing with Rural Water Supply, Rural Sanitation, School Education, Health, Women and Child Development, Agriculture etc.
State	(i) Water and Sanitation Support Organisation (WSSO) under SWSM. (ii) Capacity and Communication Development Unit in states like Tamil Nadu, where Water Supply and Sanitation are handled by different departments should be associated with WSSO.	To deal with IEC, HRD and Monitoring and Evaluation
District	District Water and Sanitation Mission headed by District Collector, with all MPs / MLAs of the District, officers of Education, Health, Panchayat Raj, Social Welfare, Water Resources, Agriculture and Information and Public Relations Departments as members and NGOs specialising in sanitation	District level planning and implementation with appropriate IEC strategy and convergence mechanism
Village Panchayat	Village Water and Sanitation Committee as a Sub-Committee of the Gram Sabha	To provide support in sanitation awareness and motivation and in achieving Nirmal Gram status

Appendix 5.7(i)

(Reference : Paragraph 5.2.7.1 (i); Page 100)

Delay in release of GoI grant by GoTN

Year	Instalment	Amount (₹ in lakh)	Date of release by GoI	Due date for release by GoTN	Actual date of release by GoTN	Delay (in days)
2010-11	I	3,796.64	25.10.2010	09.11.2010	18.11.2010	9
2011-12	I	3,831.03	28.06.2011	13.07.2011	07.09.2011	56
	II	3,831.03	28.02.2012	14.03.2012	26.03.2012	12
2012-13	I	6,405.84	29.05.2012	13.06.2012	20.06.2012	7
	II	6,405.84	28.02.2013	15.03.2013	19.03.2013	4
2013-14	I (Part)	8,710.01	28.06.2013	13.07.2013	23.07.2013	10
	I (balance)	6,886.15	27.09.2013	12.10.2013	28.10.2013	16
	II (Part)	7,798.07	31.12.2013	15.01.2014	03.03.2014	47
	II (balance)	7,798.07	28.03.2014	12.04.2014	24.05.2014	42

Appendix 5.7(ii)

(Reference : Paragraph 5.2.7.1 (i); Page 100)

Delay in release of matching share by GoTN

Year	Matching share to be released	Share actually released	Due date for release	Actual date of release	Delay (in days)
	(₹ in lakh)				
2009-10	2,249.39	1,124.69	21.07.2009	27.07.2009	6
2010-11	1,657.16	828.58	09.11.2010	25.11.2010	16
2011-12	-	814.37	13.07.2011	22.09.2011	71
2012-13	-	1,469.28	15.03.2013	19.03.2013	4
		1,061.41	29.05.2012	16.08.2013	444
2013-14	9,058.12	2,938.59	13.07.2013	13.09.2013	58
	-	6,119.46	12.10.2013	01.03.2014	139

Appendix 5.8

(Reference : Paragraph 5.2.7.1 (ii); Page 101)

Availability and release of funds to VPs by test checked DRDAs

(₹ in lakh)

District	Year	Opening Balance	Funds received	Interest	Total Funds available	Funds released to VPs	Closing Balance	Percentage of release
Coimbatore	2009-10	47.98	153.11	2.93	204.02	210.52	-6.50	103
	2010-11	-6.50	443.94	3.49	440.93	166.44	274.49	38
	2011-12	274.49	330.88	18.13	623.50	230.09	393.41	37
	2012-13	393.41	491.70	23.93	909.04	585.97	323.07	64
	2013-14	323.07	1,046.58	19.94	1,389.59	981.43	408.16	71
Krishnagiri	2009-10	729.28	909.47	32.42	1,671.17	146.05	1,525.12	9
	2010-11	1,525.12	Nil	44.65	1,569.77	866.81	702.96	55
	2011-12	702.96	606.28	49.56	1,358.80	1,815.15	-456.35	134
	2012-13	-456.35	1,304.62	34.87	883.14	355.82	527.32	40
	2013-14	527.32	1,644.95	61.68	2,233.95	1,938.90	295.05	87
Madurai	2009-10	328.21	762.96	14.12	1,105.29	227.27	878.02	21
	2010-11	878.02	474.26	21.02	1,373.30	586.22	787.08	43
	2011-12	787.08	376.59	35.02	1,198.69	479.34	719.35	40
	2012-13	719.35	629.12	30.61	1,379.08	620.96	758.12	45
	2013-14	758.12	1,227.58	24.56	2,010.26	1,227.58	782.68	61
Thanjavur	2009-10	345.74	379.61	14.79	740.14	364.95	375.19	49
	2010-11	375.19	602.87	13.15	991.21	347.60	643.61	35
	2011-12	643.61	1,068.92	45.49	1,758.02	843.08	914.94	48
	2012-13	914.94	1,650.78	71.79	2,637.51	171.74	2,465.77	7
	2013-14	2,465.77	150.00	78.40	2,694.17	3,958.03	-1,263.86	147
Tiruvanna-malai	2009-10	69.17	203.60	3.23	276.00	308.33	-32.33	112
	2010-11	-32.33	303.51	2.51	273.69	303.80	-30.11	111
	2011-12	-30.11	445.00	6.25	421.14	487.30	-66.16	116
	2012-13	-66.16	592.18	10.44	536.46	273.12	263.34	51
	2013-14	263.34	2,489.18	28.64	2,781.16	1.609.37	1,171.79	58
Tirunelveli	2009-10	277.71	256.30	8.97	542.98	307.13	235.85	57
	2010-11	235.85	309.11	8.31	553.27	352.59	200.68	64
	2011-12	200.68	148.48	7.60	356.76	251.42	105.34	70
	2012-13	105.34	183.26	12.44	301.04	286.45	14.59	95
	2013-14	14.59	1,066.88	7.86	1,089.33	1,027.26	62.07	94
Tiruvarur	2009-10	110.40	119.21	1.05	230.66	140.17	90.49	61
	2010-11	90.49	101.88	0.50	192.87	29.67	163.20	15
	2011-12	163.20	152.70	12.00	327.90	276.72	51.18	84
	2012-13	51.18	93.63	12.99	157.80	87.77	70.03	56
	2013-14	70.03	772.08	10.18	852.29	858.03	-5.74	101

Appendix 5.9

(Reference : Paragraph 5.2.17; Page 112)

Status of scheme assets

Sl. No.	Details of Asset	Year of Construction	Value of Asset (₹ in lakh)	Status
1	Othakadai Middle School - 6 Toilets	2011-12	2.10	No water facility. No doors. Open Defecation by school children.
2	Islani Panchayat Union Middle School - 2 Toilets	2011-12	0.70	Open Defecation by school children due to unusable condition.
3	Thirumukur Panchayat Union Middle School - 3 Toilets	2011-12	1.05	No water supply.
4	Kuruthur Panchayat Government Adi-Dravidar Welfare High School - 2 Toilets.	2011-12	0.70	No water facility. Waste water entering nearby residential area due to poor workmanship
5	Poikaraipatty Panchayat Union Elementary School - 3 Toilets	2011-12	1.05	Doors damaged. Open defecation all around.
6	Sakimangalam Panchayat Union Elementary & Middle School- 5 Toilets	2011-12	1.75	No water supply.
7	Othakadai Anganwadi Centre - 2 Toilets.	2013-14	0.36	No water facility. Doors damaged.
8	Poikaraipatty Anganwadi Centre - 1 Toilet.	2013-14	0.18	No water supply.
9	IHHLs - 17 Nos.	2010-11	3.74	Not utilised as a toilet. In most cases used as store-room and open defecation resorted to.
	Total		**11.63**	

Glossary of abbreviations

Abbreviation	Full Form
ABC	Animal Birth Control
AIP	Annual Implementation Plan
APL	Above Poverty Line
ARO	Assistant Revenue Officer
ATR	Action Taken Report
BDO	Block Development Officer
BE	Budget Estimate
BLS	Baseline Survey
BP	Block Panchayat
BPL	Below Poverty Line
BRC	Block Resource Centre
BRGF	Backward Region Grant Fund
BT	Black-topped
CAATs	Computer Assisted Audit Techniques
CC	Cement concrete
CCMC	Coimbatore City Municipal Corporation
CDP	City Development Plan
CE	Chief Engineer
CED	Central Excise Duty
CFC	Central Finance Commission
CMA	Commissioner of Municipal Administration
CO	Community Organiser
CoC	Corporation of Chennai
CPHEEO	Central Public Health and Environmental Engineering Organisation
CRDPR	Commissioner of Rural Development and Panchayat Raj
CRSP	Central Rural Sanitation Programme
CSC	Community Sanitary Complex
CSS	Centrally Sponsored Schemes
cu.m	Cubic Metre
CWSS	Combined Water Supply Scheme
DBC	District Building Centre
DCB	Demand, Collection and Balance
DDH	Deputy Director of Horticulture
DEE	District Environment Engineer
DHLC	District High Level Committee
DLFA	Director of Local Fund Audit

Abbreviation	Full Form
DP	District Panchayat
DPC	District Planning Committee
DPR	Detailed Project Report
DR	Disaster Recovery
DRDA	District Rural Development Agency
DRDPR	Director of Rural Development and Panchayat Raj
DWSM	District Water and Sanitation Mission
EC	Executive Committee
ELCOT	Electronics Corporation of Tamil Nadu
EPFO	Employees Provident Fund Organisation
ET	Entertainment Tax
GB	Governing Body
GoI	Government of India
GoTN	Government of Tamil Nadu
HSCs	House Service Connection
HT	House Tax
IA	Implementing Agency
IEC	Information, Education and Communication
IGFF	Infrastructure Gap Filling Fund
IHHL	Individual Household Latrine
IHSDP	Integrated Housing and Slum Development Programme
IT	Information Technology
JBIC	Japan Bank for International Cooperation
JNNURM	Jawaharlal Nehru National Urban Renewal Mission
kms	Kilometres
LC	Local Cess
LCS	Local Cess Surcharge
LD	Liquidated damages
LFA	Local Fund Audit
lpcd	Litres per capita per day
m	Metre
MAWS	Municipal Administration and Water Supply
MC	Maternity Centre
MeGS	Municipal e-Governance System
MGNREGS	Mahatma Gandhi National Rural Employment Guarantee Scheme
mld	Million Litres Per Day
MO	Medical Officer
MoPR	Ministry of Panchayati Raj
MoRD	Ministry of Rural Development

Abbreviation	Full Form
MORTH	Ministry of Road Transport and Highways
NBA	Nirmal Bharat Abhiyan
NGO	Non-governmental organisation
NGP	Nirmal Gram Puraskar
NHAI	National Highways Authority of India
NIC	National Informatics Centre
NRDWP	National Rural Drinking Water Programme
NRLM	National Rural Livelihood Mission
NSOTR	Net State's Own Tax Revenue
NUHM	National Urban Health Mission
O&M	Operation and Maintenance
OHT	Overhead Tank
OP	Out Patient
OSR	Open Space Reservation
PAC	Public Accounts Committee
PCC	Plain Cement Concrete
PE	Private Enterprises
PGR	Public Grievance Redressal
PIP	Project Implementation Plan
PMC	Project Management Consultant
PMGSY	Prime Minister's Gram Sadak Yojana
PRI	Panchayat Raj Institutions
PT	Property Tax
RCC	Reinforced Cement Concrete
RDPR	Rural Development and Panchayat Raj
RE	Revised Estimate
RGSY	Rashtriya Gram Swaraj Yojana
RIRD	Regional Institute of Rural Development
RLB	Rural Local Bodies
RSVY	Rashtriya Sam Vikas Yojana
RWH	Rain Water Harvesting
SDC	State Data Centre
SFC	State Finance Commission
SGSY	Swarnajayanti Gram Swarozgar Yojana
SHG	Self-Help Group
SHLC	State High Level Committee
SIRD	State Institute of Rural Development
SJSRY	Swarna Jayanthi Shahari Rozgar Yojana
SLWM	Solid and Liquid Waste Management

Abbreviation	Full Form
SOTR	State's own tax revenue
SQL	Structured Query Language
SRS	System Requirement Specifications
SSD	Surcharge on Stamp Duty
STP	Sewage Treatment Plant
SWSM	State Water and Sanitation Mission
TCF	Training Corpus Fund
TCMC	Tiruchirappalli City Municipal Corporation
TNCDW	Tamil Nadu Corporation for Development of Women
TNPCB	Tamil Nadu Pollution Control Board
TNSRLM	Tamil Nadu State Rural Livelihood Mission
TNUDP	Tamil Nadu Urban Development Project
TNUIFSL	Tamil Nadu Urban Infrastructure Financial Services Limited
TNUIP	Tamil Nadu Urban Infrastructure Project
TSC	Total Sanitation Campaign
TWAD	Tamil Nadu Water Supply and Drainage
TWSIS	Tiruchirappalli Water Supply Improvement Scheme
UAT	User Acceptance Test
UC	Utilisation Certificate
UGSS	Underground Sewage Scheme
UHN	Urban Health Nurse
UHP	Urban Health Post
ULB	Urban Local Body
VCMC	Vellore City Municipal Corporation
VLT	Vacant Land Tax
VP	Village Panchayat
VWSC	Village Water and Sanitation Committee
WBM	Water Bound Macadam
WSSO	Water Supply and Sanitation Organisation