

OVERVIEW

This Report, dealing with the results of audit of accounts of urban local bodies contains three Performance Reviews and nine Audit Paragraphs. A synopsis of important audit findings is presented in this overview.

I Accounts and Finances of Urban Local Bodies

There were six municipal corporations and 151 municipalities in Tamil Nadu as on 31 March 2005. The urban population of the State as per 2001 census was 2.75 crore comprising 44 *per cent* of total State population. While the growth rate of the total population in the State was 11 *per cent* during 1991-2001, that for the urban population was 43 *per cent*.

The revenues of urban local bodies comprise (a) 'Own Revenue' (tax and non-tax), (b) 'Assigned revenue' comprising a portion of the proceeds from Entertainment tax and Stamp duty surcharge on transfer of property, (c) 'Grants' from Government of India and State Government and (d) 'Loans'.

During 2004-05, the 'Own Revenue' of all the urban local bodies amounted to Rs 986.35 crore (Tax revenue: Rs 597.86 crore and Non-tax revenue: Rs 388.49 crore). The percentage of revenues raised by the urban local bodies to their total receipts increased from 47 in 2003-04 to 48 in 2004-05.

Property tax was the most important source of Tax revenue of urban local bodies. While the percentage of collection of Property tax by Corporation of Chennai increased from 49 in 2003-04 to 51 in 2004-05, that of municipalities declined from 59 to 57 during the above period.

The assigned revenue of urban local bodies out of the proceeds of Entertainment Tax in Corporations (except Chennai) and Municipalities in 2004-05 was lower than their proceeds for 2002-03. Similarly, the assigned stamp duty surcharge for all corporations and municipalities declined since 2002-03.

The expenditure incurred by the urban local bodies increased from Rs 1714.96 crore in 2002-03 to Rs 1982.71 crore in 2004-05.

Against the demand for user charges (mainly water charges) aggregating Rs 80.98 crore raised by the municipalities during 2004-05, Rs 48.59 crore (60 *per cent*) only were collected.

The Director of Local Fund Audit is the Statutory Auditor for all the urban local bodies. As of July 2005, the certification of annual accounts was pending in respect of 55 municipalities for 2002-03, 101 municipalities for 2003-04 and all the 151 municipalities for 2004-05. The certification of annual accounts for the year 2001-02 was pending in respect of two corporations and for the years from 2002-03 to 2004-05, in respect of all the six corporations.

Despite instructions of Committee on Public Accounts for furnishing prompt replies to their pending recommendations arising from the audit paragraphs in the Reports of the Comptroller and Auditor General of India, 133 recommendations (9 Reports) relating to 1985-86 to 1996-97 of Municipal

Administration and Water Supply Department were pending as of September 2005. Eighty three Inspection Reports (issued up to September 2004) of Principal Accountant General (Civil Audit) relating to urban local bodies containing 966 paragraphs from 1997-98 to 2004-05 were pending settlement as of March 2005.

(Paragraphs 1.1.1 to 1.13.2)

II Performance Reviews

1 Computerisation in municipalities

To improve the efficiency of municipalities in the discharge of their responsibilities, computerisation of municipal functions was taken up in 1997 at a total cost of Rs 4.64 crore through a World Bank loan. Additional servers and networking facilities were supplied to the municipalities at a total cost of Rs 10.53 crore in 2003-04. A review of computerisation in twenty municipalities revealed the following:

- Software developed was not fully utilised due to defective planning.
- Unwarranted supply of programme development tool (Visual Studio .NET software) and Digital Audio Tape Drivers to municipalities resulted in avoidable expenditure Rs 77.63 lakh.
- Of the 18 functions taken up for computerisation on an average, only five to six were implemented.
- Non-raising of demand for Property tax between April 2002 and September 2005 resulted in non-recovery of Rs 2.11 crore.

(Paragraphs 2.1.6 to 2.1.25)

2 Solid waste management by municipalities and corporations

In pursuance of the Supreme Court of India's directions (January 1988), Government of India (GOI) notified (September 2000) the Municipal Solid Waste (Management and Handling) Rules, 2000. The Rules required all municipalities to set up complete waste processing and disposal facilities by end of December 2003. A review on solid waste management by 22 municipalities and three corporations revealed the following:

- Though all municipalities were required to set up complete waste processing and disposal facilities by December 2003, only two out of 151 municipalities had done so as of September 2005 and only 45 had obtained authorisation from Tamil Nadu Pollution Control Board for setting up such facility.
 - Out of 102 municipalities (excluding the 49 Grade III municipalities), five had no land for dumping solid waste while 36 had inadequate land for this purpose.
 - Rupees 1.12 crore spent by three municipalities towards acquisition of land remains blocked as the land could not be put to use due to its proximity to an Air Force Station.
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- Corporation of Madurai failed to initiate early action to obtain approval of the State Government for reclassification of the site where a bio-conversion facility was to be set up which resulted in loss of revenue of Rs 35.10 lakh.
- The garbage cleared by a private agency in the three privatised zones of Corporation of Chennai was inexplicably higher by 21 to 66 *per cent* as compared to non-privatised zones during 2001 to 2004 resulting in excess expenditure of Rs 37.07 crore to the Corporation.
- Corporation of Chennai failed to collect private scavenging fee of Rs 2.07 crore from marriage halls, shops and trade establishments during 1999-2005.
- Corporation of Madurai short collected periodical conservancy charges of Rs 18.58 lakh during 2002-05 from bulk garbage generators like marriage halls, hotels, lodges, etc.

(Paragraphs 2.2.1 to 2.2.20)

3 Income from remunerative assets of municipalities

Income from remunerative assets constitute 25 *per cent* of the total revenue of the municipalities. A review of such income in 23 selected municipalities revealed the following:

- Eight municipalities could not realise the projected revenue of Rs 1.26 crore from shopping and office complexes constructed by them without any prior assessment of demand.
- Three municipalities could not realise projected revenue of Rs 1.03 crore from the shops, stalls, office premises, etc., constructed by them due to their remote location.
- Delay in allotment of new shops, constructed on land adjoining old shops that were demolished, to the previous lessees despite such a promise, resulted in rental loss of Rs 40.88 lakh to Tirupattur Municipality.
- Coonoor Municipality suffered a revenue loss of Rs 29.48 lakh due to non-collection of enhanced rent in respect of 452 shops run by legal heirs or nominees of its original lessees.
- Failure of four municipalities to renew or obtain recognition of bus stand from Regional Transport Authority resulted in non-collection of bus stand fee of Rs 23.85 lakh during April 1997 to March 2005.

(Paragraphs 2.3.1 to 2.3.17)

III Audit of Transactions

Delay in letting out 136 shops belonging to Corporation of Chennai resulted in revenue loss of Rs 21.01 lakh.

(Paragraph 3.1.1)

Expenditure of Rs 59.81 lakh on construction of two community centres by Corporation of Chennai was unfruitful as they were not utilised due to their inappropriate location.

(Paragraph 3.2)

Building for an Industrial Training Institute completed by Corporation of Chennai at a cost of Rs 1.06 crore in April 2001 has not been put to use due to delay in procurement of required equipment.

(Paragraph 3.3.1)

Payment of Rs 9.88 lakh to Railways for purchasing their land without confirming their acceptance of price resulted in blockade of the entire amount since 1991.

(Paragraph 3.3.2)

Rupees 5.87 crore was pending realisation towards cost of land transferred to Government departments and its organisations by two corporations and one municipality.

(Paragraph 3.4.1)

Kumbakonam municipality unauthorisedly diverted Rs 1.80 crore from Elementary Education Fund that was to be used for maintenance and development of schools.

(Paragraph 3.4.2)

Annual track rent of Rs 1.19 crore was pending collection from Bharat Sanchar Nigam Limited by four corporations and one municipality.

(Paragraph 3.4.3)

Coimbatore Corporation did not collect tax on professions amounting to Rs 14.03 lakh for the period October 1998 - March 2005 from the staff of the Office of the Commissioner of Central Excise, Coimbatore.

(Paragraph 3.4.4)
