

**CHAPTER III**  
**AUDIT OF TRANSACTIONS**  
**(URBAN LOCAL BODIES)**



## CHAPTER III

### AUDIT OF TRANSACTIONS (URBAN LOCAL BODIES)

Audit of transactions in the Municipal Administration and Water Supply Department in the Secretariat, three Municipal Corporations, four Municipalities and one Town Panchayat brought out several instances of lapses in management of resources and failures in the observance of the norms of regularity, propriety and economy. These have been presented in the succeeding paragraphs.

#### ***MUNICIPAL ADMINISTRATION AND WATER SUPPLY DEPARTMENT***

##### **3.1 Losses detected in Audit**

##### ***ALANDUR MUNICIPALITY***

##### **3.1.1 Loss of revenue due to non-collection of scavenging fee and administrative charges**

**Failure of Alandur Municipality to collect scavenging fee and administrative charges from marriage halls/restaurants/industries/wine shops resulted in loss of revenue of Rs 30.84 lakh.**

To manage and handle solid wastes generated in the municipal area as provided in “The Municipal Solid Wastes (Management and Handling) Rules, 2000”, Alandur Municipality (municipality) proposed (September 2002) to levy scavenging fee and administrative charges at prescribed rates<sup>1</sup> per month on marriage halls, restaurants, industries, small hotels, wine shops etc. The proposal was approved by the municipal council in October 2002 and the by-law enforcing the levy and collection of scavenging fee and administrative charges with effect from April 2002 was published in the District Gazette in February 2003.

Scrutiny of records (July 2009) revealed that scavenging fee and administrative charges were not levied and collected from marriage halls/

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(In Rupees)

Sl.No.	Category	Scavenging fee
1.	Marriage halls	500 (for one marriage)
2.	Restaurants	1,000 per month
3.	Big industries	1,000 per month
4.	Small industries	350 per month
5.	Small hotels and tea stalls	250 per month
6.	Wine shops	1,000 per month (administrative charges)

restaurants/industries/wine shops even though the same was approved by the municipal council and by-law published in the District Gazette.

Failure of the Commissioner, Alandur Municipality to oversee proper levy and collection of scavenging fee and administrative charges as per approved by-law resulted in loss of revenue of Rs 30.84 lakh for the period from April 2003 to March 2009 as detailed in the **Appendix 3.1**.

On this being pointed out (July 2009) the municipality replied (July 2009) that action would be taken to collect the scavenging fee and administrative charges.

The matter was referred to Government in November 2009; reply has not been received (June 2010).

### **SANKARANKOIL MUNICIPALITY**

#### **3.1.2 Loss of revenue by not providing additional water supply connections**

**Failure of Sankarankoil Municipality to provide additional connections for water supply and collect monthly water charges and deposit resulted in loss of revenue of Rs 30.27 lakh.**

Sankarankoil Municipality was supplying 2.6 million litres water per day (mld) to the public from the existing two sources. To improve water supply position, the State Government approved (May 2003) an additional supply of 2.5 mld. from Manur Combined Water Supply Scheme from which water could be supplied to 2,000 additional connections. Tamil Nadu Water Supply and Drainage Board (TWAD) completed the works like construction of sump of 3 lakh litre capacity, pump room, service reservoir and laying of distribution system etc., in January 2006 at a cost of Rupees Nine Crore and water was supplied from the new scheme from 20 January 2006.

The municipality had enhanced the water charges and one time deposit for water connections for domestic and commercial use as under:

Date of council resolution	Domestic		Commercial	
	Water charges	Deposit	Water charges	Deposit
07.07.2005	30 to 50	--	100 to 250	---
29.12.2006	--	1,000 to 3,000	--	3,000 to 6,000

Commissioner of Municipal Administration (CMA) sanctioned (May 2007) 2,000 new connections with a condition to revise the deposit from Rs 1,000 to Rs 9,000 for domestic connection and from Rs 3,000 to Rs 20,000 for commercial connection as per the resolution of municipal council made in December 2003. The municipal council in its resolution (July 2007) did not accept the proposal of CMA as the public would be unhappy with this increase. Government however ordered (July 2007) to provide water connections to all eligible applicants within seven days from the receipt of applications, at the tariff rate applicable in the respective Urban Local Bodies.

Based on Government order, CMA ordered the municipality (July 2008) after a lapse of one year, to provide new water connections at the existing rates with directions to consider increasing of water tariff and deposit from 1 October 2008 and 1 October 2010 respectively. Despite these instructions from CMA, the municipality did not provide (July 2009) water supply connection to the 1,636 applicants aspiring for water connections from February 2006 onwards. Thus the failure of municipality to provide water connections as per the directions of the CMA has resulted in loss of revenue of Rs 30.27 lakh<sup>2</sup> on account of forgone monthly water charges and deposit from July 2008 to November 2009. TWAD asked the municipality (September 2008) to repay Rs 899.83 lakh spent by them for the above water supply scheme. However, the Sankarankoil Municipality did not formulate any plan so far (December 2009) for increase of tariff/deposit and create additional fund for repayment of the amount spent for the Water Supply Scheme.

On this being pointed out, the municipality stated (December 2009) that CMA was addressed (November 2009) and final orders were awaited from CMA.

The matter was referred to Government in December 2009; reply has not been received (June 2010).

### **MADURAI CITY MUNICIPAL CORPORATION**

#### **3.1.3 Loss of revenue due to non-collection of lease rent**

**Failure of Madurai City Municipal Corporation to evict the encroachment or to collect lease rent for encroached area resulted in loss of revenue of Rs 28.03 lakh.**

Madurai City Municipal Corporation (Corporation) leased out (March 1995) an open space measuring 3,000 sq. ft at the eastern side of Rajaji Children's Park in Gandhi Museum Road to a private person for construction and running of a hotel. The lease amount was fixed initially at Rs 5,400 per month by the Corporation and was renewed every three years with 15 *per cent* increase as per the guidelines of Municipal Administration and Water Supply Department (December 2000).

The Town Surveyor inspected (March 2004) the site and stated that the lessee had encroached 7,022 sq. ft of corporation land without any allotment in his favour. As per the above inspection report the lessee constructed a hotel building measuring 4,176 sq. ft. (3,000 sq. ft. on the allotted site and

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<sup>2</sup> Water charges for 1,636 applicants x Rs 50 per month x 17 months = Rs 13.91 lakh  
 One time water deposit for 1,636 applicants x Rs 1,000 = Rs 16.36 lakh  
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 Rs 30.27 lakh  
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As the deposit for water connection was not enhanced, the prevailing deposit rate of Rs 1,000 as on July 2009 for domestic connection was adopted

1,176 sq. ft. on the encroached land) and also provided motor room, vehicle shed etc. in the remaining vacant site of 5,846 sq. ft.

The corporation neither took action to evict the encroachment and resume the land immediately though it was aware of the encroachment even in March 2004 nor did it collect the lease rent for the period of occupation of the encroached area for the past 14 years.

The failure of the corporation to evict the encroachment even in March 2004 facilitated the lessee to occupy the land unauthorisedly from March 2004 onwards. Further land measuring 7,022 sq. ft. in the corporation area had gone out of corporation's reach. The corporation also failed to collect lease rent for the unauthorised occupation of 7,022 sq. ft. of land resulting in loss of revenue of Rs 28.03 lakh for the period from April 1995 to March 2009 (**Appendix 3.2**).

On this being pointed out, the Corporation accepted the fact (December 2008) and addressed (July 2009) the lessee to pay the lease rent for the land encroached by him. However, the Corporation did not initiate any action to evict the lessee from the unauthorised encroachment (July 2009).

The matter was referred to Government in November 2009; reply has not been received (June 2010).

## **SANKARNAGAR TOWN PANCHAYAT**

### **3.1.4 Non-realisation of revenue due to non-levy of tax on vacant land**

**Failure of Sankarnagar Town Panchayat to levy tax on vacant land owned by Tamil Nadu Housing Board resulted in non-realisation of revenue of Rs 27.76 lakh.**

Section 81 of the Tamil Nadu District Municipalities Act, 1920 stipulates that the Municipal Council shall, in case of lands which are not used exclusively for agricultural purpose and are not occupied by or adjacent and appurtenant to buildings, levy the tax at such percentages of the capital value of such lands as the council may fix.

Sankarnagar Town Panchayat (Town Panchayat) resolved (October 1998) to levy tax on vacant land at one *per cent* of the capital value of vacant land as half yearly tax.

Scrutiny of records in the Town Panchayat and Tamil Nadu Housing Board (TNHB), Tirunelveli Housing Unit revealed that out of the total 48 number of units measuring 9,48,136 sq. ft. developed by the TNHB for sale to the public under commercial category in the Town Panchayat, 33 units measuring 7,34,328 sq. ft. were not sold. However the Town Panchayat did not raise any demand for the payment of tax for the unsold plots for the period from October 1998 to March 2009 resulting in non-realisation of revenue of Rs 27.76 lakh (**Appendix 3.3**). There is no proper internal control

mechanism available in the Town Panchayat to ensure proper implementation of the council resolution/by-laws to arrest loss of revenue.

On this being pointed out, the Deputy Director of Town Panchayats, Tirunelveli stated (October 2009) that the Executive Officer of the Town Panchayat has sent a proposal to the Chief Engineer of TNHB regarding payment of tax on vacant land.

The matter was referred to Government in October 2009; reply has not been received (June 2010).

### **MADURAI CITY MUNICIPAL CORPORATION**

#### **3.1.5 Loss of revenue due to non-recovery of supervision charges**

**Failure of Madurai City Municipal Corporation to include the supervision charges in the estimate resulted in loss of revenue of Rs 23.16 lakh.**

According to water supply by-law published by the Madurai City Municipal Corporation (corporation) in July 1984, every applicant seeking water supply connection should deposit the estimated cost of connection as fixed by the executive authority within the time prescribed. The estimated cost includes a centage of 10 *per cent* of the actual cost of work to cover supervision charges.

Scrutiny of records (December 2008) revealed that the corporation did not include the 10 *per cent* supervision charges in the estimate and recovered only the cost of connection charges from the applicants. Failure of the corporation to include the supervision charges in the estimate and also the failure of the Director of Local Fund Audit to point out this omission resulted in loss of revenue of Rs 23.16 lakh for 12,029 water supply connections given by the corporation during 2004-05 to 2008-09 (upto December 2008) as per details given in the following table:

Year	Number of connections provided during						Non-recovery of supervision charges (in Rupees)
	2004-05	2005-06	2006-07	2007-08	2008-09 (upto December 2008)	Total	
East zone	320	356	326	467	349	1,818	3,84,854
North zone	1,222	759	486	403	286	3,156	6,24,182
South zone	555	718	405	686	251	2,615	5,21,718
West zone	1,511	865	777	740	547	4,440	7,85,167
<b>Total</b>							<b>23,15,921</b>

The matter was referred to Government in November 2009. In reply Government stated (November 2009) that the water supply charges fixed in

2004-05 included supervision charges also. The reply is not acceptable as all the four Assistant Commissioners (East, West, South and North Zone) of the corporation accepted (December 2008) that the supervision charges were not collected and agreed that action would be taken to recover the supervision charges in future. Further the reply of the Government was not substantiated by any evidence.

### **3.2 Unfruitful expenditure**

#### ***COONNOOR MUNICIPALITY***

##### **3.2.1 Unfruitful expenditure on water supply scheme**

**Failure of Coonoor Municipality to coordinate with the Forest Department for maintenance of the check dam constructed in the forest area resulted in unfruitful expenditure of Rs 62.89 lakh.**

To lessen the hardship caused by scarcity of drinking water during the summer season and also to ensure supply of water as per the norms of 90 litres per capita per day, Coonoor Municipality (municipality) proposed to Commissioner of Municipal Administration (CMA), Chennai (March 2003) to implement the scheme "Improvements to Coonoor water supply system by laying additional pipeline from Gurrency to Gray's Hill" at Gurrency forest area. The scheme was to be implemented at a cost of Rs 63 lakh under Member of Legislative Assembly Constituency Development Scheme (Rs 49.80 lakh) and by utilising municipal funds (Rs 13.20 lakh). CMA, Chennai accorded (December 2003) technical sanction for the scheme. A check dam was also constructed (September 2002) by the Forest Department at Gurrency Forest area for providing water supply to the municipality at a cost of Rupees Six lakh.

The scheme proposed drawal of four lakh litres of water per day from the check dam at Gurrency stream, conveying the water through the pipelines to the collection well and then to ground level reservoir. The scheme proposal did not envisage coordinating with the Forest Department for maintaining the check dam. The municipality completed (October 2004) the laying of pipe lines, construction of collection wells, pumping station etc., at a cost of Rs 56.89 lakh and trial run was carried out in November 2004. However, the municipality did not utilise the source after the trial run, due to frequent silt formation and high cost of pumping.

On a request made by the municipality (September 2006) for maintenance of check dam, the Forest Department replied (September 2006) that an additional Reinforced Cement Concrete (RCC) wall was to be constructed in front of the check dam already constructed to arrest any leakage of water. However, the municipality neither provided any fund to the Forest Department for carrying out this work nor took up the matter with the higher authorities for maintaining the check dam themselves, resulting in silt formation in the check dam during the last five years.



Thus, failure of the municipality to ensure the availability of check dam free of silt and to liaison with the Forest Department for maintaining the check dam properly resulted in unfruitful expenditure of Rs 62.89 lakh.

On this being pointed out, the municipality accepted (September 2009) the point and stated that action will be taken to put the scheme into use.

The matter was referred to Government in December 2009; reply has not been received (June 2010).

### ***TINDIVANAM MUNICIPALITY***

#### **3.2.2 Unfruitful expenditure on construction of ramps**

**Failure of Tindivanam Municipality to terminate the contract at the risk and cost of the contractor and making payment before completing entire work resulted in unfruitful expenditure of Rs 29.58 lakh.**

Tindivanam Municipality (municipality) proposed (September 2006) to construct two ramps for two wheelers/auto rickshaws and pedestrians, of 10 feet width in the subway connecting Kaveripakkam and Kamatchi Amman Koil Street constructed (September 2006) by Southern Railway. An amount of Rs 15 lakh each for eastern and western side of the subway was allotted to the Tindivanam Municipality by the Government of India under Member of Parliament Local Area Development Scheme 2006-07.

Work orders for construction of the above two ramps were issued to two contractors on 4 December 2006 by the Tindivanam Municipality. As per the conditions of the contract agreement the contractors were to complete all the work at the agreed rates within 90 days from the date of award of work order i.e. by 4 March 2007 failing which the cost of re-tendering and all losses were to be recovered from the contractor.

The contractors executed certain works such as centering, reinforced cement concrete work and foundation concrete, etc., for increased quantity for which no sanction was obtained but did not complete the remaining works such as plastering the foundation, top roof etc.

Despite the municipality issuing three notices (April 2007 to August 2007) to the contractor responsible for the construction of ramps at eastern side and four notices (April 2007 to August 2007) to the contractor of western side, the contractors did not execute the above works. The municipality paid the final bills of both the contractors in May and June 2008 amounting to Rs 29.58 lakh. For the balance work in respect of both sides, an estimate of Rupees Seven lakh was prepared under Member of Parliament Local Area Development Scheme 2008-09 by the municipality and tender for this work was yet to be finalised (July 2009).

The municipality failed to (i) terminate the contract at the risk and cost of the contractors when there was abnormal delay in execution of work, (ii) withhold the final bill of the contractors due to non completion of work by them and

also for eventual adjustment of excess expenditure, if any, incurred on completing the work. Thus, the two ramps constructed at a cost of Rs 29.58 lakh could not be put to use so far (July 2009).

The matter was referred to Government in November 2009; reply has not been received (June 2010).

### 3.3 Avoidable expenditure

#### **TIRUCHIRAPPALLI CITY MUNICIPAL CORPORATION**

##### 3.3.1 Avoidable payment of electricity charges

**Failure of Tiruchirappalli City Municipal Corporation to reduce the contracted demand from 231 KVA despite consuming less power resulted in avoidable payment of Rs 13.14 lakh towards electricity charges.**

According to Tamil Nadu Electricity Board (TNEB) Tariff, High Tension (HT) consumers were required to pay demand charges at a rate fixed from time to time on the maximum demand recorded in the month or 90 per cent of the contracted demand whichever was higher besides the energy charges.

Tiruchirappalli City Municipal Corporation (corporation) installed (September 2004) an electrical crematorium with two electric furnaces at Oyamari burial ground and obtained HT connection from TNEB with contracted demand of 231 KVA at Rs 200 per KVA.

Perusal of connected records regarding power consumption and payment of electricity charges for the electrical crematorium by the corporation revealed that the actual power consumption ranged only between 33.40 KVA (June 2008) and 128 KVA (December 2004) during the period from September 2004 to September 2009 and was well below the contracted demand of 231 KVA. As the trend of power consumption during the first one year i.e. September 2004 to August 2005 was in a declining trend ranging between 128 KVA (maximum in December 2004) and 80 KVA (minimum in August 2005), the corporation should have reviewed the matter and taken action accordingly in September 2005 itself to reduce the contracted demand as the recorded demand never reached the contracted demand of 231 KVA.

Failure of the corporation in taking action to reduce the contracted demand from 231 KVA to 82 KVA (average demand recorded during September 2004 to August 2005) by taking up the matter with TNEB resulted in avoidable payment of Rs 13.14 lakh<sup>3</sup> towards contracted demand charges during September 2005 to September 2009.

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Period	Number of Months	Payment made for 231 KVA	Payment to be made on reduced demand of 82 KVA	Avoidable expenditure
September 2005 to September 2009	49	90% of 231 i.e 207.90 x Rs 200x49 = Rs 20,37,420	90% of 82 i.e. 73.80 x Rs 200x49 = Rs 7,23,240	Rs 13,14,180

The matter was referred to Government in November 2009. Government stated (December 2009) that as the public generally preferred conventional method of pyre fire than electrical cremation, only one was used out of two furnaces and the other idle furnace was converted into gasifier mode in September 2007. Government further stated that action was also being taken to convert the existing electrical furnace into gasifier mode to reduce power consumption to minimum. The reply reiterates the fact that the corporation failed to reduce the contracted demand in September 2005 after reviewing the trend of power consumption for one year.

### **SALEM CITY MUNICIPAL CORPORATION**

#### **3.3.2 Avoidable expenditure towards payment made on segregation of wastes**

**Failure of the Salem City Municipal Corporation to ensure the facility of processing wastes into biodegradable and non-biodegradable wastes before segregating wastes resulted in avoidable expenditure of Rs 12.82 lakh.**

To follow the norms prescribed by Government of India in the “Municipal Solid Wastes (Management and Handling) Rules, 2000” (MSW Rules) for management of solid wastes, Salem City Municipal Corporation (corporation) engaged (April 2005) self help groups (SHGs) in nine divisions of the corporation to carry out the activities of house-to-house collection of wastes, segregation of wastes and depositing of segregated wastes into the storage points of the corporation.

The SHGs collected the wastes and segregated them. As no facility was provided by the corporation for processing the wastes into biodegradable and non-biodegradable wastes as prescribed in MSW Rules, the segregated wastes were dumped together in the storage points of the corporation. The corporation paid Rs 38.46 lakh to the SHGs, during the period from June 2005 to March 2009, each engaging six persons, of which two persons were engaged in segregation of wastes into biodegradable and non-biodegradable wastes.

Meanwhile, Government of Tamil Nadu assigned (March 2007) 100 acres of land to the corporation for solid waste management and the corporation issued a letter of intent (February 2009) to a private firm for a period of 20 years for construction of scientific disposal of solid wastes on Build, Own, Operate and Transfer (BOOT) basis and the work is in progress (October 2009).

The action of Salem City Municipal Corporation in segregating wastes as biodegradable and non-biodegradable without ensuring infrastructure for their independent disposal as manure resulted in avoidable expenditure of Rs 12.82 lakh<sup>4</sup> towards payment made to SHGs for the period from June 2005 to March 2009 besides non achievement of the objective of MSW Rules, 2000.

<sup>4</sup> Total payment made to the SHGs/three, as two out of six persons were engaged in segregation work : Rs 38,45,617 / 3 = Rs 12,81,872 (or) Rs 12.82 lakh

Further the dumping of biodegradable and non-biodegradable wastes together could also cause serious environmental pollution/health hazards.

The matter was referred to Government in December 2009; reply has not been received (June 2010).