

## OVERVIEW

This Audit Report, dealing with the results of audit of accounts and transactions of Local Bodies, is prepared in two parts and consists of five chapters. Part I deals with Urban Local Bodies and part II on Panchayat Raj Institutions. A synopsis of important audit findings is presented in this overview.

### *I Accounts and finances of Urban Local Bodies*

The urban population of the State as per the 2001 census was 2.75 crore constituting 44 per cent of the State population. The decadal growth rate of the urban population was 43 per cent.

The Director of Local Fund Audit is the statutory auditor for all the Urban Local Bodies. As of May 2010, audit of Urban Local Bodies was mostly in arrears for a period ranging from one to three years. As of March 2009, the number of paragraphs of Inspection Reports issued during 2005-08 by the Director of Local Fund Audit relating to Urban Local Bodies pending settlement aggregated to 43,308.

During 2008-09, own revenue collection of the Urban Local Bodies was Rs 1,742 crore of which tax-revenue was Rs 1,046 crore. While the own revenue of Chennai City Municipal Corporation and Other Municipal Corporations increased during 2008-09, the same in respect of Municipalities decreased during 2008-09.

During 2007-08, Twelfth Finance Commission grants were released to Urban Local Bodies with delays ranging between nine and 334 days and the State Government did not pay interest for the delayed release of grants.

*(Paragraphs 1.1 to 1.9)*

### *II Performance reviews - Urban Local Bodies*

#### **1 Anaithu Peruratchi Anna Marumalarchi Thittam – a scheme for strengthening infrastructure of Town Panchayats**

Performance Audit of Anaithu Peruratchi Anna Marumalarchi Thittam, a State Government sponsored scheme in 35 selected Town Panchayats revealed the following:

- There was delay of more than three months in release of Rs 10.68 crore to Town Panchayats by five Zonal Assistant Directors of Town Panchayats.
- For want of clear instructions in the guidelines, eight Town Panchayats refunded unspent balance of Rs 12.04 lakh to the Director of Town Panchayats.
- Failure of five Zonal Assistant Directors of Town Panchayats to follow the instructions of Director of Town Panchayats in procurement of compact fluorescent lamps resulted in avoidable expenditure of Rs 13.42 lakh.

- Twenty community halls constructed under the scheme at a cost of Rs 2.72 crore were not put to use either due to lack of basic amenities or due to their construction in remote areas.
- Defects such as poor quality of work and non-shifting of electricity poles to the edge of the road were noticed in cement concrete roads formed in four Town Panchayats.
- 33 out of 37 shops constructed at a cost of Rs 42.08 lakh in five Town Panchayats were not let out either due to lack of demand or non-availability of power connection.
- There was a shortfall of 74 per cent in convening the meetings of District Level Monitoring Committee in four test-checked districts.

*(Paragraph 2.1)*

## **2 Utilisation of Central Twelfth Finance Commission Grant for Solid Waste Management in Urban Local Bodies**

Performance Audit of Utilisation of Central Twelfth Finance Commission Grant for Solid Waste Management in three Municipal Corporations, 20 Municipalities and 55 Town Panchayats revealed the following:

- In three test-checked local bodies, grants received for the period 2005-06 to 2007-08 were not utilised.
- Salem City Municipal Corporation diverted Rs 3.06 crore towards fuel expenses during 2005-07.
- Infrastructural facilities created for segregation and conversion of waste into manure were not utilised in seven test-checked municipalities and Vellore Corporation.
- High Level Committee meetings to review the utilisation of grants were held only once in a year during 2005-06 to 2008-09 instead of once in a quarter.

*(Paragraph 2.2)*

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

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.

*(Paragraph 3.1.1)*

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.

*(Paragraph 3.1.2)*

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.

*(Paragraph 3.1.3)*

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.

*(Paragraph 3.1.4)*

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

*(Paragraph 3.1.5)*

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.

*(Paragraph 3.2.1)*

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.

*(Paragraph 3.2.2)*

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.

*(Paragraph 3.3.1)*

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.

*(Paragraph 3.3.2)*

#### ***IV Accounts and finances of Panchayat Raj Institutions***

There were 12,620 Village Panchayats, 385 Panchayat Unions and 30 District Panchayats in the State as of March 2009.

Computers purchased and distributed to Panchayat Raj Institutions at a cost of Rs 51.64 crore for maintenance of accounts and data base could not be utilised for the intended purpose.

The Director of Local Fund Audit is the statutory auditor for District Panchayats and Panchayat Unions. As of December 2009, the audit of accounts of six Panchayat Unions for 2007-08 and 372 Panchayat Unions and 17 District Panchayats for 2008-09 were pending. 4,570 paragraphs of Inspection Reports issued by Director of Local Fund Audit relating to Panchayat Unions prior to 2003-04 was pending settlement. Out of 2,523 Village Panchayats to be test-checked by Director of Local Fund Audit in each year, the audit of accounts of 896 for 2007-08 and 1,561 for 2008-09 was pending.

Interest on Provident Fund account of the Panchayat Union employees in 15 test checked Panchayat Unions were not paid from 1989-90 to 2008-09 either due to non forwarding of the claim proposals by the concerned Block

Development Officer or non authorisation of the claim proposals by the Director of Local Fund Audit, who is the sanctioning authority.

In 17 test checked Panchayat Unions, unclaimed deposits amounting to Rs 18.29 lakh were not lapsed and credited to their General Fund Account.

*(Paragraphs 4.1 to 4.9)*

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

Failure of Thiruppullani Panchayat Union to rectify the discrepancy in the NABARD loan availed by it resulted in excess payment of Rs 6.09 lakh.

*(Paragraph 5.1.1)*