

OVERVIEW

This Report contains six chapters. The first and the fourth chapter contain a summary of finances and financial reporting of Urban Local Bodies and Panchayat Raj Institutions respectively. The second chapter contains two performance audit reviews on Urban Local Bodies. The third chapter contains thirteen paragraphs based on the audit of financial transactions of the Urban Local Bodies. The fifth chapter contains a performance audit review on Panchayat Raj Institutions and sixth chapter contains a paragraph based on the audit of financial transactions of Panchayat Raj Institutions. A synopsis of the findings contained in the performance reviews and paragraphs is presented in this overview.

I Accounts and finances of Urban Local Bodies

A review of finances of Urban Local Bodies revealed that there was steady increase in the overall receipts and expenditure during 2007-08 to 2009-10. Assigned revenue declined in 2009-10 compared to 2008-09. There was increase in outstanding loans at the end of March 2010 compared to last year. There were arrears in finalisation of accounts by the Urban Local Bodies and there were also arrears in audit of accounts by the Director of Local Fund Audit (DLFA) due to non-submission of annual accounts after rectification as suggested by DLFA. As of January 2011, Audit was completed by DLFA only in seven municipalities and 48 town panchayats for the year 2009-10.

(Paragraphs 1.1 to 1.12)

II Performance reviews - Urban Local Bodies

1 Running of Educational Institutions by Chennai City Municipal Corporation

Chennai City Municipal Corporation runs 281 schools from Primary to Higher secondary level catering to the needs of 1.07 lakh students with an aim to meet the educational needs of the poor. For the purpose of capital and maintenance expenditure, the Corporation has an Elementary Education Fund, credited with the proceeds of Education tax. The schools were required to be maintained with all necessary basic amenities and to provide a hygienic environment to the students and staff.

Performance review revealed that only 47 to 53 *per cent* of Elementary Education Fund was utilized during 2005-09 and ₹ 35.05 crore was diverted to other works not authorized under Elementary Education Fund. Dilapidated buildings were not taken up for maintenance/reconstruction and the schools continued to operate in the dilapidated buildings. None of the school buildings had a license for public safety under the Tamil Nadu Public Buildings (Licensing) Act, 1965. Further, the fire extinguishers provided were not refilled for more than two to three years. The Corporation school students could not utilize the uniforms issued by the Government during 2005-10 under free supply scheme, as they were different from the uniform adopted by the Corporation. None of the 17 short term vocational courses offered by the four community colleges run by the Corporation were recognized by Directorate General of Employment & Training/National Council for Vocational Training.

(Paragraph 2.1)

2 Implementation of accepted recommendations of Third State Finance Commission in Urban Local Bodies

Government of Tamil Nadu (GTN) constituted Third State Finance Commission (TSFC) in December 2004 as per Article 243 (I) and 243 (Y) of the Constitution of India to analyse the financial position of local bodies and to make recommendations for the award period 2007-2012. TSFC submitted its report in September 2006. Performance Audit on implementation of accepted recommendations of Third State Finance Commission in Urban Local Bodies revealed that an amount of ₹ 8.31 crore towards Cable TV tax for the period from 2003-04 to 2007-08 was not assigned to 475 Urban Local Bodies as of November 2010. Surcharge on Stamp Duty of ₹ 668.40 crore for the period from April 2007 to March 2010 was assigned to 642 Urban Local Bodies belatedly with delay ranging between one to nineteen months. Urban Local Bodies did not levy the minimum property tax for the years 2007-08, 2008-09 and 2009-10 for want of orders from the Government resulting in loss of revenue of ₹ 86.94 lakh in 79 test checked Urban Local Bodies. Reforms recommended by the TSFC are yet to be implemented. State Government failed to implement majority of the accepted recommendations as of November 2010, though High Level Committee under the Chairmanship of the Chief Secretary was formed in May 2007 and did not meet even once to monitor the implementation of accepted recommendations of TSFC, thus defeating the objective of TSFC.

(Paragraph 2.2)

III Audit of transactions in Urban Local Bodies

Failure to include the additional rooms constructed by a Hotel for property tax assessment and adoption of flat tariff for calculation of property tax by Chennai City Municipal Corporation resulted in short collection of property tax by ₹ 1.37 crore.

(Paragraph 3.1.1)

Failure of Devakottai Municipality to adopt correct rate of Property Tax resulted in loss of revenue of ₹ 60.74 lakh.

(Paragraph 3.1.2)

Award of lease for bus entry fee collection by Tiruvannamalai Municipality without assessing the number of buses entering the bus stand resulted in a revenue loss of ₹ 55.21 lakh.

(Paragraph 3.1.3)

Failure of Kancheepuram Municipality to renew the bank guarantee provided by a contractor towards mobilization advance resulted in a loss of ₹ 33.82 lakh.

(Paragraph 3.1.4)

Failure of Mannachanallur Town Panchayat to collect water meter maintenance charges for domestic water supply connections resulted in a revenue loss of ₹ 16.04 lakh.

(Paragraph 3.1.5)

Failure of Tirunelveli City Municipal Corporation to implement the amended by-law for underground drainage scheme resulted in non-realisation of revenue of ₹ 10.79 lakh towards monthly charges.

(Paragraph 3.1.6)

Failure of Manavalakurichi Town Panchayat to obtain prior approval from Town and Country Planning Department before commencing the construction of bus stand resulted in unfruitful expenditure of ₹ 47 lakh.

(Paragraph 3.2.1)

Failure of Krishnagiri and Mayiladuthurai Municipalities to utilize the newly constructed modernized slaughter house resulted in unfruitful expenditure of ₹ 37.35 lakh.

(Paragraph 3.2.2)

Failure of Nagapattinam Municipality to explore the possibility of maintaining Solar Street Lights before installation resulted in wasteful expenditure of ₹ 20.40 lakh.

(Paragraph 3.2.3)

Failure to install bio-mass gasifiers and to ensure availability of qualified manpower to operate them by Nagapattinam Municipality resulted in an unfruitful expenditure of ₹ 13.07 lakh.

(Paragraph 3.2.4)

Failure of Namakkal Municipality to collect Service Tax from tenants of immovable property during June 2007 to March 2009 led to an avoidable expenditure of ₹ 17.73 lakh on payment of Service Tax.

(Paragraph 3.3.1)

Failure of Dindigul Municipality to adhere to the contract agreement resulted in unintended benefit of ₹ 11.76 lakh to the contractor.

(Paragraph 3.4.1)

Failure of Colachel Municipality to conduct demand survey before construction of shops resulted in unproductive investment of ₹ 30.41 lakh.

(Paragraph 3.5.1)

IV Accounts and finances of Panchayat Raj Institutions

A review of finances of Panchayat Raj Institutions revealed that the expenditure is more than the receipts from 2007-08 to 2009-10. Computers purchased at a cost of ₹ 51.64 crore and distributed to PRIs for maintenance of accounts and data base had not been utilised for the intended purpose. As of December 2010, nine Panchayat Unions and 14 District Panchayats are yet to finalise their accounts for 2008-09 and all the 385 Panchayat Unions and 29 District Panchayats are yet to finalise their accounts for year 2009-10. Audit is in arrears in 336 Panchayat Unions (87 per cent) and in 14 District Panchayats (48 per cent) for the year 2008-09. Audit of 853 Village Panchayats for 2008-09 and 2,523 Village Panchayats for the year 2009-10 are also in arrears.

(Paragraphs 4.1 to 4.12)

V Performance reviews - Panchayat Raj Institutions

1 Implementation of accepted recommendations of Third State Finance Commission in Panchayat Raj Institutions

Government of Tamil Nadu (GTN) constituted Third State Finance Commission (TSFC) in December 2004 as per Article 243 (I) and 243 (Y) of the Constitution of India to analyse the financial position of local bodies and to make recommendations for the award period 2007-2012. TSFC submitted its report in September 2006. Performance Audit on implementation of accepted recommendations of Third State Finance Commission in Panchayat Raj Institutions revealed that an amount of ₹ 76 lakh relating to Tax on Cable Television for the period from 2003-04 to 2008-09 (upto June 2008) was not assigned to the PRIs in six districts as of November 2010. Mines and mineral fees of ₹ 89.97 crore due to Village Panchayats in 21 districts for the period from April 2007 to March 2010 were adjusted after a delay of one to 26 months. Excess allocation to Infrastructure Gap Filling Fund resulted in short assignment of State Finance Commission devolution grant to Village Panchayats to the extent of ₹ 111.46 crore. Self Help Groups and Social Audit have not been involved at Village Panchayats level.

(Paragraph 5.1)

VI Audit of transactions in Panchayat Raj Institutions

Failure of the District Collector to follow the guidelines of Swarnajayanti Grama Swarojgar Yojana and poor monitoring resulted in unfruitful expenditure and blocking of funds to the tune of ₹ 95.85 lakh in construction of a Training Centre.

(Paragraph 6.1.1)