

OVERVIEW

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This Report contains five chapters. The first and the fourth chapter contain summary of finances and financial reporting of Urban Local Bodies and Panchayat Raj Institutions respectively. The second chapter contains two Performance Audits on Third Tamil Nadu Urban Development Project and Functioning of Tiruchirappalli Municipal Corporation. The third chapter contains two paragraphs based on the audit of financial transactions of the Urban Local Bodies. The fifth 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

Transfer of all functionaries to the Urban Local Bodies to carry out the devolved functions has not yet been made by the Government making the devolution incomplete. Though the savings ranged between 12 to 25 per cent of the total receipts during the last five years, the Urban Local Bodies failed to utilise the savings towards creation of additional infrastructure. Due to non-preparation of the accounts in time by the Urban Local Bodies, correct picture of their financial position could not be ascertained by the councils in time. While two municipalities did not submit their accounts for the year 2009-10, two municipal corporations, 52 municipalities and seven town panchayats did not submit their accounts for the year 2010-11. As of December 2012, audit of two municipalities and 11 town panchayats for the year 2009-10 and audit of 52 municipalities, 31 town panchayats and two municipal corporations was pending for the year 2010-11. As of December 2012, 2,402 paragraphs contained in 449 Inspection Reports of the Principal Accountant General for the period 2009-10 to 2011-12 were pending for settlement for want of satisfactory replies.

(Paragraphs 1.1 to 1.12)

II Performance Audit

Performance Audit of the Third Tamil Nadu Urban Development Project

Government of Tamil Nadu launched the Third Tamil Nadu Urban Development Project (TNUDP III) in October 2005 by availing financial assistance of US Dollar 300 million (₹ 1,350 crore) from the World Bank. The project had two components namely, Institutional development and Urban investment. The total outlay for the Project was ₹ 1,996.40 crore. TNUDP III, scheduled to be completed by March 2011, was extended upto March 2014 due to slow progress in implementation of the project. A Performance Audit of the project disclosed the following:-

As of March 2012, ₹ 922.47 crore (46 per cent) was spent on the project as against the project cost of ₹ 1,996.40 crore, despite extension of the project upto March 2014. Even though 75 (67 per cent) out of 112 sub projects under urban investment had been completed, the expenditure on the completed projects was only 13 per cent, and major projects of underground sewerage scheme, water supply and transportation were still in progress.

Release of funds by Government of Tamil Nadu to Tamil Nadu Urban Infrastructure Financial Services Limited/Commissioner of Municipal Administration without verifying the actual utilisation by the implementing agencies resulted in ₹ 403.90 crore remaining unspent with TNUIFSL, local bodies and other implementing agencies.

Failure of Chennai Metropolitan Development Authority to revise the terms of reference for consultancy in time resulted in dropping of 29 out of 34 sub-projects of the transportation sub component after incurring an expenditure of ₹ 2.37 crore on unfructified consultancy services.

Incorrect selection of tank site for Sewage Treatment Plant (STP) for Thiruvallur Under Ground Sewerage Scheme resulted in refusal of permission to use land for setting up of the STP due to ban on utilisation of the tank poramboke land for other purposes. The work for STP awarded in December 2009 could not be started till date (November 2012), though the collection system of the scheme taken up in September/December 2008 was nearing completion by incurring an expenditure of ₹ 27.95 crore.

Lining of the bed and sides of the Thirumanimutharu river in Salem with reinforced cement concrete instead of plain cement concrete deviating from the Indian Standard Specifications, resulted in avoidable extra cost of ₹ 4.80 crore. Assets created/goods procured at a cost of ₹ 2.72 crore were idling and not put to effective use. There were unintended benefits to the tune of ₹ 2.36 crore made to the contractors. Under the sub-component capacity building under Institutional Development component, only 18,573 were trained as against the target of 1,10,783 officials and elected representatives and only ₹ 14.63 crore out of ₹ 40.70 crore allotted for the purpose was utilised.

(Paragraph 2.1)

Performance Audit on Functioning of Tiruchirappalli Municipal Corporation

Tiruchirappalli city is situated on the banks of river Cauvery and is the fourth largest city of Tamil Nadu. Tiruchirappalli Municipality was constituted in 1866 and it was upgraded as Tiruchirappalli City Municipal Corporation with effect from 1 June 1994 covering an area of 146.90 square kilometers by adding the adjacent two municipalities, four town panchayats and six village panchayats.

The total area of Corporation, as of now, is 167.23 sq.km. and the Corporation is subdivided into four Administrative Zones consisting of 65 wards for effective administration. The Corporation Council was constituted with a Mayor and 65 Ward Councillors. The population of Tiruchirappalli as per 2011 census is 9.16 lakh.

Performance Audit on functioning of Tiruchirappalli Municipal Corporation revealed the following :

Corporation deposited the funds recovered from its employees towards Contributory Pension Scheme in banks instead of depositing in the Treasury thereby violating the Government instructions. Terminal benefits under the scheme to retired employees and employees who died in harness were not paid during 2009-12. In collection of property tax, incorrect classification of

buildings, omission in assessment of property tax, lack of follow-up action in legal cases for which the judgments had been delivered were noticed. Non-tax revenue such as lease rent was not received from the fire service department, cases of renewal fees not received from the leased shops in two zones, annual rent not levied on cable TV operators and track rent not collected from telephone providers were also noticed. There was encroachment of land in Corporation area. School maintenance was not executed despite availability of funds. Purified drinking water was not provided in Municipal Schools. Modernised kitchen constructed at a cost of ₹ 7.83 lakh remained unutilized. Periodical water samples were not tested and equitable distribution of water was not ensured. Waste disposal facilities were not set up and private scavenging fees were not collected. Urban Health Care Delivery Policy announced by the Government of Tamil Nadu has not been implemented. Shortages in the post of Medical Officer hampered the work in urban health posts.

(Paragraph 2.2)

III Audit of transactions in Urban Local Bodies

Execution of permanent restoration of road work without obtaining the plan of action from Tamil Nadu Water Supply and Drainage Board which is implementing the under ground sewerage scheme resulted in wasteful expenditure of ₹ 23.10 lakh.

(Paragraph 3.1.1)

Injudicious rejection of tender by Tamil Nadu Water Supply and Drainage Board resulted in avoidable expenditure of ₹ 1.31 crore to two Urban Local Bodies.

(Paragraph 3.2.1)

IV An Overview of Panchayat Raj Institutions

The proportion of capital expenditure to total expenditure declined from 18 per cent in 2007-08 to 13 per cent in 2011-12. Government of Tamil Nadu decided to implement the Panchayat Raj Institutions Accounting (PRIA) software in all the three tiers of Panchayat Raj Institutions from 2012-13. Installation of computers, printers and Uninterrupted Power Supply (UPS) has not been completed in all the Village Panchayats. As reported by the Commissioner of Rural Development and Panchayat Raj, the installation process is likely to be completed by 31 March 2013. The implementation of PRIA software in other two tiers i.e. Panchayat Unions and District Panchayats has not been taken up. Though Government issued orders for implementing the PRIA software from 2012-13, the accounting model is yet to start. As of December 2012, 1,727 paragraphs contained in 472 Inspection Reports of the Principal Accountant General for the period 2008-09 to 2011-12 were pending for settlement for want of satisfactory replies.

(Paragraphs 4.1 to 4.13)

V *Audit of transactions in Panchayat Raj Institutions*

Release of grant for construction of toilets under the Total Sanitation Campaign by Panchayat Unions, in addition to ₹ 1.50 lakh given for construction of 3,038 green houses which included the cost of toilet resulted in excess release of grant to the extent of ₹ 97 lakh to the beneficiaries.

(Paragraph 5.1.1)

Incorrect selection of site, non-adherence to the recommendation of Coimbatore Institute of Technology, Coimbatore before commencement of the work resulted in idling of incomplete houses constructed at a cost of ₹ 78 lakh.

(Paragraph 5.2.1)