

# OVERVIEW



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*This Report contains six chapters. The first and the fourth chapters contain an overview of the Functioning, Accountability Mechanism and Financial Reporting issues of Panchayat Raj Institutions and Urban Local Bodies respectively. The second chapter contains a Performance Audit on IT support to Panchayat Accounts including Accounting of Major Schemes. The third chapter contains two paragraphs based on the audit of financial transactions of the Panchayat Raj Institutions. The fifth chapter contains one Performance Audit on Revenue collection and delivery of citizen services by Erode City Municipal Corporation. The sixth chapter contains five paragraphs based on the audit of financial transactions of the Urban Local Bodies. A synopsis of some of the findings contained in this Report is given below:-*

### ***I An Overview of the Functioning, Accountability Mechanism and Financial Reporting issues of Panchayat Raj Institutions***

*Government of Tamil Nadu delegated certain powers to the three tiers of Panchayats to supervise, assist and monitor the works, falling under the 29 subjects, implemented by various departments. This indicated that none of the functions had been delegated to Panchayat Raj Institutions. The draft rules framed regarding submission of consolidated annual reports to the Legislative Assembly by the Statutory Auditor of District Panchayats (DPs) and Block Panchayats (BPs) were awaiting the orders of Government of Tamil Nadu.*

*Though Thirteenth Finance Commission recommended to establish Local Body Ombudsman at least at District Panchayats level, Block Panchayats and Village Panchayats in Tamil Nadu may also be brought under the purview of Local Bodies Ombudsman Act, 2014 (as they are implementing schemes meant for Panchayat Raj Institutions) in line with Government of Kerala which had brought all officials and elected representatives of all local bodies (Municipal Corporations, Municipalities and Panchayats of all three levels) under the purview of Ombudsman for Local Self Government Institutions.*

***(Paragraphs 1.1 to 1.11)***

### ***II Performance Audit***

#### ***IT support to Panchayat Accounts including Accounting of Major Schemes***

*Performance Audit on IT support to Panchayat Accounts including Accounting of Major Schemes revealed the following:*

*Hardware procured for ₹ 10.98 crore was not put into use for the intended purpose. Training in Panchayat Raj Institutions Accounting Software (PRIA Soft) was not fully imparted. Data were not entered in all the formats prescribed by the Comptroller and Auditor General of India. Data entry works were outsourced in contravention to the instructions. Multiple nomenclatures were used for single Object Head. Inadequate input control resulted in duplicate bank accounts numbers. Receipts and expenditure were incorrectly classified in PRIA Soft. Receipts and expenditure incurred by*

*District Rural Development Agencies for Panchayat Raj Institutions were not accounted for in PRIA Soft since receipts and expenditure Heads of Accounts were incorrectly operated in PRIA Soft. There were multiple users for same login id and password. Fake vouchers were entered and cash book in PRIA Soft was not reconciled with the pass books of bank, post office or treasury. While PRIA Soft was stated to be fully implemented, the accounts produced by PRIA Soft were not the system of record.*

*The Online Scheme Monitoring System (OSMS) software lacked referential integrity, effective input and process control, audit trail and mapping of business rule etc. Further, incomplete houses were exhibited as completed.*

***(Paragraph 2.1)***

### ***III Compliance Audit - Panchayat Raj Institutions***

#### ***Thane Housing Scheme***

*Audit of Thane Housing Scheme implemented in Cuddalore and Villupuram districts revealed the following:*

*Though the Thane Housing Scheme was intended to be completed within the financial year 2012-13, construction of houses was not completed in both Cuddalore and Villupuram districts even after two years. Non-formation of Selection Committee for selecting the beneficiaries led to allotment of houses to ineligible beneficiaries. There was excess of expenditure on payment for completed portion of houses constructed under Rural Housing Scheme. Cement was not supplied at subsidised rates to the beneficiaries of Thane Housing Scheme.*

***(Paragraph 3.1)***

*Failure of the Executive Authorities of nine Village Panchayats to levy Infrastructure and Amenities Charges before issue of building permit resulted in loss of revenue of ₹2.31 crore.*

***(Paragraph 3.2.1)***

### ***IV An Overview of the Functioning, Accountability Mechanism and Financial Reporting issues of Urban Local Bodies***

*Out of 18 functions enlisted in the Twelfth Schedule of the Constitution, 12 functions have been devolved (November 2015) to the Town Panchayats and 17 functions (except Fire Service) have been devolved (December 2015) to the Municipalities and Municipal Corporations. In respect of Chennai City Municipal Corporation, only 13 functions have been devolved (June 2015) and the function of water supply is handled by the Chennai Metropolitan Water Supply and Sewerage Board. Out of 1,09,570, 1,16,723 and 49,473 paragraphs issued by Director of Local Fund Audit pending up to 2012-13 in respect of Municipal Corporations, Municipalities and Town Panchayats respectively, 94,968 paragraphs (87 per cent – Municipal Corporations), 86,131 (74 per cent - Municipalities) and 22,094 (45 per cent – Town Panchayats) related to the period prior to 2010-11. This indicates that sufficient attention was not given to settle the long pending paragraphs.*

***(Paragraphs 4.1 to 4.14)***

## **V Performance Audit**

### **Revenue collection and delivery of citizen services by Erode City Municipal Corporation**

*Performance Audit on Revenue collection and delivery of citizen services by Erode City Municipal Corporation (ECMC) revealed the following:*

*There was shortfall in human resources which affected the functioning of the ECMC. Efficiency in collection of revenues was poor. The ECMC did not meet the Service Level Benchmarks in respect of water supply and underground drainage. Execution of Underground Sewage System was also delayed. There was a loss due to poor contract management in implementation of road works. The Maternity Centres and Urban Health Posts operated by the ECMC showed poor delivery of services and these institutions had shortage of staff. Coverage of students under School Health Programme was not comprehensive. Solid waste was not segregated and scientifically disposed off. Slaughter houses were not available in adequate numbers and the existing slaughter house had deficiencies. Available Public conveniences were not adequate, thus paving the way for open defecation. Lands available for development as parks either remained idle or were encroached. Majority of schools did not have adequate facilities. There were delays in issue of birth and death certificates.*

**(Paragraph 5.1)**

## **VI Compliance Audit – Urban Local Bodies**

### **Setting up and operation of Amma canteens in Municipal Corporations**

*Audit on Setting up and operation of Amma canteens in Municipal Corporations revealed the following:*

*While Amma canteens provided hygienic food at cheap rates and enjoyed wide patronage, Audit of Amma canteens in four test checked Corporations revealed that the canteens were opened without conducting any surveys to ascertain the targeted population. Food items were provided at subsidised rate to all people instead of daily wage earners/down-trodden people as envisaged in the scheme. Corporations failed to assess the required man power. The gap between the receipts and expenditure (deficit) had widened whenever the prices of commodities increased. Purchase of wheat flour from Triplicane Urban Co-operative Society without following the prescribed procedure resulted in excess expenditure of ₹ 30.85 lakh. Similarly, purchase of other raw materials at the open market price resulted in avoidable expenditure of ₹ 2.78 crore. Nine fully automated Chappati making machines purchased by Corporation of Chennai at a cost of ₹ 1.33 crore remained unutilised due to repair, resulting in additional expenditure of ₹ 22.20 lakh. Social security scheme (Employees Provident Fund scheme) was not effectively implemented by the test checked Corporations.*

**(Paragraph 6.1)**

*Failure of Municipalities to keep their funds in savings bank account resulted in loss of interest of ₹ 96.48 lakh.*

**(Paragraph 6.2.1)**

*Failure of Madurai City Municipal Corporation to exercise its option in redeeming the bonds resulted in avoidable interest payment of ₹ 58.87 lakh to the bondholders.*

***(Paragraph 6.3.1)***

*Construction of bus stand without removing the encroachments at the entry and exit points by Nellikuppam Municipality resulted in idle investment of ₹ 76.41 lakh.*

***(Paragraph 6.4.1)***

*Creation of new infrastructure before finalisation of the main components of water supply scheme by Palladam Municipality resulted in idling of assets amounting to ₹ 23.49 lakh.*

***(Paragraph 6.4.2)***