Report of the
Comptroller and Auditor General of India
(Local Bodies)

for the year ended 31 March 2015

Government of Tamil Nadu
Report No.3 of 2016

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PREFACE

This Report for the year ended March 2015 has been prepared for submission to the Governor of Tamil Nadu under the Comptroller and Auditor General of India's (Duties, Powers and Conditions of Service) Act, 1971.

The Report contains significant results of the audit of the Panchayat Raj Institutions and Urban Local Bodies in the State including the departments concerned.

The issues noticed in the course of test audit for the period 2014-15 as well as those issues which came to notice in earlier years, but could not be dealt with in the previous Reports have also been included, wherever necessary.

The audit has been conducted in conformity with the auditing standards issued by the Comptroller and Auditor General of India.

OVERVIEW

OVERVIEW

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/downtrodden 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)

PART - A

PANCHAYAT RAJ INSTITUTIONS

CHAPTER I

AN OVERVIEW OF THE FUNCTIONING, ACCOUNTABILITY MECHANISM AND FINANCIAL REPORTING ISSUES OF PANCHAYAT RAJ INSTITUTIONS

CHAPTER I

AN OVERVIEW OF THE FUNCTIONING, ACCOUNTABILITY MECHANISM AND FINANCIAL REPORTING ISSUES OF PANCHAYAT RAJ INSTITUTIONS

An Overview of the functioning of the Panchayat Raj Institutions in the State

1.1 Introduction

The 73rd amendment to the Constitution gave constitutional status to Panchayat Raj Institutions (PRIs) and established a system of uniform structure, election, regular flow of funds through the Finance Commission etc. As a follow-up, the State Governments were required to entrust the PRIs with powers, functions and responsibilities to enable them to function as institutions of local self-government.

Consequent upon the 73rd amendment of the Constitution, the State Legislature enacted the Tamil Nadu Panchayats Act, 1994. Under this Act, a three-tier system of PRIs *viz*., Village Panchayats (VPs) at the village level, Panchayat Unions or Block Panchayats (BPs) at the intermediary level and District Panchayats (DPs) at the district level was established.

The demographic and developmental status of the State is given in **Table 1.1** below:

Table 1.1: Important statistics of the State

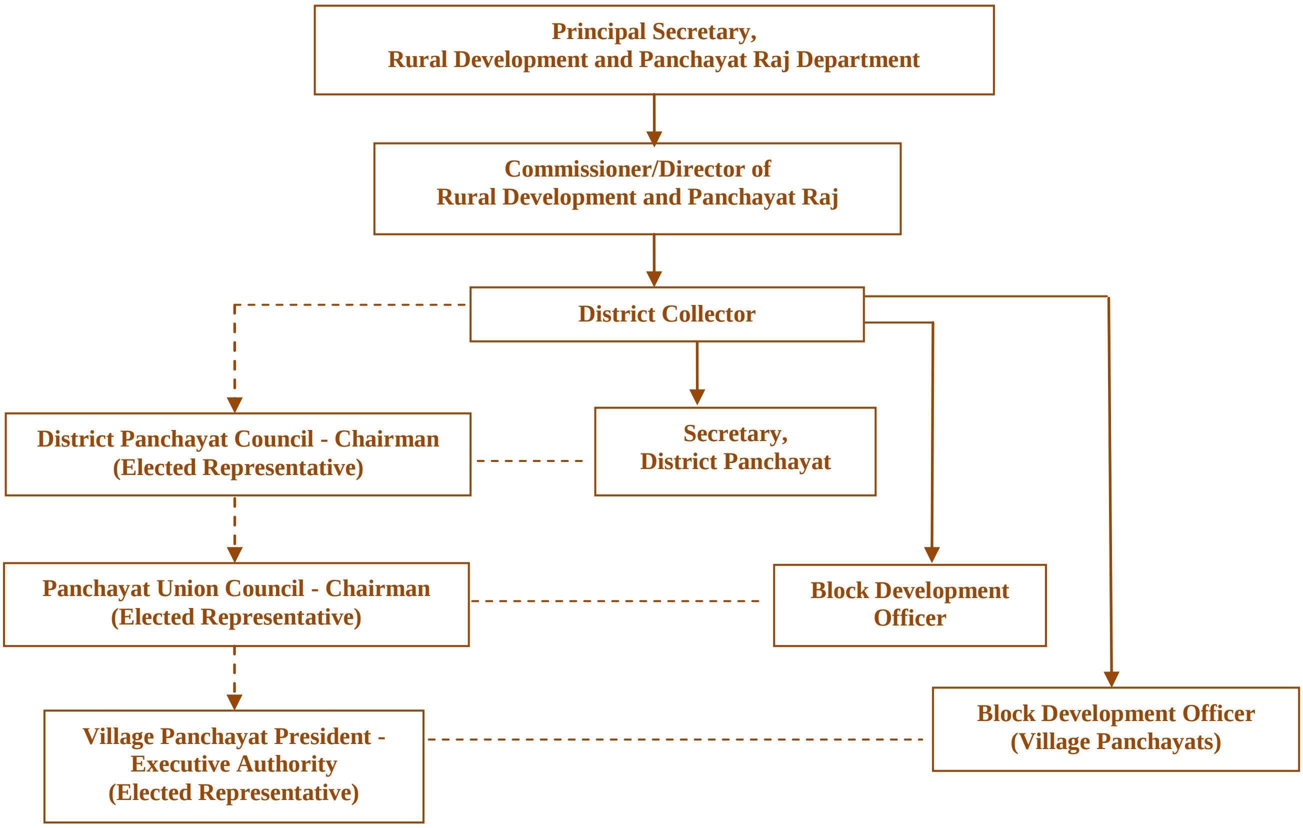
Population	7.21 crore
Population density	555 persons per Sq.Km.
Gender ratio	996 females per 1,000 males
Rural population	51.60 *per cent*
Literacy	80.09 *per cent*
Number of PRIs	12,940
- District Panchayats	31
- Block Panchayats	385
- Village Panchayats	12,524

(Source: Census of India 2011 and Policy Note of the Rural Development and Panchayat Raj Department for 2015-16)

Abbreviations used in this report are listed in the Glossary at page 118

1.2 Organisational set up of PRIs

The organisational structure of PRIs is given below:



1.3 Functioning of PRIs

Eleventh Schedule of the Constitution of India empowered the State Legislatures to devolve 29 functions to PRIs. Director of Rural Development and Panchayat Raj (DRDPR) stated (January 2016) that Government of Tamil Nadu (GoTN) 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 PRIs.

1.4 Formation of various Committees

(i) As per Section 241(1) of the Tamil Nadu Panchayats Act, 1994, out of 32 Districts in Tamil Nadu, GoTN constituted a District Planning Committee (DPC) in each of the 31 districts (except Chennai District) in Tamil Nadu. District Panchayat Chairperson is the Chairperson and District Collector is the Vice Chairperson of the Committee. Members of Parliament, Members of Legislative Assembly and representatives of Local Bodies are appointed as members subject to the norms and ceiling prescribed.

One of the functions of the DPC was to consolidate the plans prepared by Rural Local Bodies and Urban Local Bodies for preparation of consolidated district plan, which will facilitate the State Planning Commission in preparation of State Plan.

(ii) Section 3 of the Tamil Nadu Village Panchayats Act, 1994 stipulates that there shall be a Grama Sabha for every Village Panchayat consisting of persons registered in the electoral roll relating to the Panchayat Village, comprised within the area of the said Village Panchayat. Guidelines and procedures for the conduct of Grama Sabha are prescribed in The Tamil Nadu Grama Sabha (Procedure for convening and conducting of Meeting) Rules, 1998. The Government order ensures conducting of Grama Sabha meetings for a minimum of four times a year i.e., on 26th January, 1st May, 15th August and 2nd October.

1.5 Audit arrangement

1.5.1 Primary Auditor

Director of Local Fund Audit (DLFA) is the statutory Auditor for BPs and DPs. The DLFA conducts only test audit of VPs' accounts. Deputy Block Development Officer (DBDO) audits the accounts of the VPs and certifies them.

Placing of Audit Report of DLFA

As per Section 20 of Local Fund Audit Act, 2014, DLFA should submit annually a consolidated report of the accounts audited by him to the Legislative Assembly. DLFA stated (November 2015) that the draft rules had been framed in this regard and submitted to Government for legal and administrative approval; orders were awaited.

Arrears in Audit by DLFA

(a) Audit of DPs and BPs by DLFA was completed upto 2013-14. Position of arrears in audit of DPs and BPs by DLFA for 2014-15 as of August 2015 is given in **Table 1.2.**

Table 1.2: Position of audit of DPs and BPs by DLFA

Category of PRI	Year	Total number	Accounts submitted	Audit completed	Audit pending
DPs	2014-15	31	3	3	Nil
BPs	2014-15	385	385	9	376

(Source: Details furnished by DLFA)

(b) Out of 2,816 VPs to be audited by DLFA for 2013-14, audit of 2,786 VPs was completed as of August 2015.

(c) As of October 2015, 40,414 and 351 paragraphs of DLFA's Inspection Reports (IRs) relating to years upto 2014-15 in respect of BPs and DPs respectively were pending settlement as given in **Table 1.3.**

Table 1.3: Year-wise pendency of paragraphs of DLFA

Year of IR	Number of paragraphs pending in respect of	
	BPs	DPs
Upto 2010-11	12,440	45
2011-12	5,646	35
2012-13	9,489	105
2013-14	12,442	93
2014-15	397	73
Total	**40,414**	**351**

(Source: Details furnished by DLFA)

Audit analysis of the data revealed that out of 40,414 pending paragraphs of BPs 18,086 (45 *per cent*) related to period prior to 2012-13. This indicates that sufficient attention was not given to settle the long pending paragraphs.

Further, DLFA reported (November 2015) that 74 District High Level Committee meetings were held during 2014-15 and 2,254 pending paragraphs relating to BPs were settled.

1.5.2 Audit by Comptroller and Auditor General of India (CAG)

Audit of PRIs is conducted under Section 20 of the CAG's (Duties, Powers and Conditions of Service) Act, 1971 in respect of financial assistance given to PRIs. Technical Guidance and Support (TGS) is provided by the Principal Accountant General to DLFA.

Audit Reports of CAG

CAG's Audit Reports on PRIs for the years 2000-01, 2005-06 and 2006-07 were discussed and recommendations were given by the Public Accounts Committee (PAC). As of December 2015, Action Taken Reports were pending from Rural Development and Panchayat Raj Department on 152 recommendations[1] relating to 1992-93 to 2008-09 for final settlement, which *inter-alia* consisted of paragraphs relating to PRIs included in the Audit Reports (Civil), (State Finances) and (Local Bodies).

1.6 Response to audit observations

Important irregularities detected by Audit during test-check of records of DPs and BPs are followed up through IRs issued to the concerned DPs and BPs and

[1] 1992-93(2), 1993-94(10), 1995-96(1), 1997-98(5), 1998-99(22), 1999-2000(17), 2000-2001(13), 2001-02(19), 2003-04(8), 2004-05(2), 2005-06(15), 2006-07(28), 2007-08(4) and 2008-09(SF)(6)

Commissioner of Rural Development and Panchayat Raj (CRDPR). As of December 2015, 759 paragraphs contained in 247 IRs issued during the period from 2009-10 to 2014-15 were pending settlement for want of satisfactory replies.

Accountability Mechanism and Financial Reporting Issues

Accountability Mechanism

1.7 Ombudsman

As per Paragraph No.10.161(iii) of the recommendations of the Thirteenth Finance Commission (TFC), the State Government must put in place a system of independent local body Ombudsman who will look into complaints of corruption and maladministration against the functionaries of local bodies, both elected members and officials and recommend suitable action and the system should be made applicable to all elected functionaries and officials in all Municipal Corporations, Municipalities and Zilla Parishads at least. However, the Tamil Nadu Local Bodies Ombudsman Act, 2014, enacted by GoTN in December 2014, did not cover BPs and VPs. Though TFC recommended establishment of Local Body Ombudsman at least at DPs level, BPs and VPs in Tamil Nadu may also be brought under the purview of Local Bodies Ombudsman Act, 2014 (as they implemented schemes meant for PRIs) 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.

1.8 Social Audit

As per Section 15(5)(d) of the National Rural Employment Guarantee Act, 2005, Social Audit of all works in the jurisdiction of VP are to be carried out by the Grama Sabha and prompt action has to be taken on the objections raised in the Social Audit. GoTN established (January 2013) an independent organisation *viz.* Social Audit Society of Tamil Nadu (SASTA) which was registered as a Society. During the year 2014-15, SASTA conducted 1,132 Social Audits (January 2015 to March 2015) in VPs in Tamil Nadu.

1.9 Submission of Utilisation Certificates

DRDPR stated (January 2016) that immediately after utilising the Central Finance Commission (CFC) grants at panchayat level, Utilisation Certificates (UCs) were sent to Government of India (GoI). DRDPR further stated that UCs for CFC grants 2014-15 were sent to GoI on 15 December 2014 (first instalment) and 25 May 2015 (second instalment).

1.10 Internal Audit and Internal Control System of PRIs

DRDPR stated (January 2016) that each VP had to send a monthly report on the expenditure to the Block Development Officer (VPs). DRDPR further stated that the monthly reports were being received at Block and District level; in addition, all the expenditure made in VPs were placed in the Grama Sabha.

1.11 Financial Reporting Issues

1.11.1 Source of funds

The source of receipts for VPs and BPs are non-tax revenue, assigned revenue from State Government and grants given by State Government and GoI for various purposes and State and Central Finance Commissions grants. In addition, VPs have the power to levy taxes. State Finance Commission (SFC) grants, CFC grants, grants given by State Government and GoI and assigned revenue were released from the Directorate of Rural Development and Panchayat Raj to the District Collectors.

Table 1.4 below shows the details of receipts and expenditure of the PRIs for the period 2010-11 to 2014-15.

Table 1.4: Details of receipts and expenditure of PRIs

(₹ in crore)

	2010-11	2011-12	2012-13	2013-14	2014-15
Own revenue	466	528	631	766	422
Assigned revenue	314	564	705	975	866
Grants	3,071	3,685	4,484	4,375	4,358
Total receipts	**3,851**	**4,777**	**5,820**	**6,116**	**5,646**
Revenue expenditure	597	623	1,294	1,025	3,154
Capital expenditure	784	940	1,308	1,813	2,385
Total expenditure	**1,381**	**1,563**	**2,602**	**2,838**	**5,539**
Percentage of capital expenditure to the total expenditure	**57**	**60**	**50**	**64**	**43**

(Source: Details furnished by DRDPR)

1.11.2 Recommendations of State Finance Commission

Fourth SFC, constituted in December 2009, recommended (September 2011) a vertical sharing ratio of 56:44 between rural and urban local bodies. GoTN accepted (June 2013) the recommendations with modifications to adopt the vertical sharing ratio between rural and urban local bodies at 58:42 and the horizontal sharing ratio of SFC devolution funds at 60:32:8 among VPs, BPs and DPs respectively. Out of 130 recommendations given by Fourth SFC, GoTN accepted 112 recommendations.

1.11.3 Recommendations of Thirteenth Finance Commission

Though the TFC recommended the release of ₹ 545.95 crore and ₹ 371.58 crore towards Basic Grant and General Performance Grant respectively, GoI released only ₹ 515.52 crore and ₹ 152.96 crore. The reason for short allocation of Basic Grant by GoI was not available on record. GoI forfeited the State share of General Performance Grant amounting to ₹ 218.62 crore due to non-fulfilment of the condition of appointing Ombudsman for PRIs by the State.

1.11.4 Maintenance of records

Road Register : Out of 65 test checked BPs during 2014-15, it was found that entries in respect of improvements carried out on earthern roads as Black Topped/Water Bound Macadam/Cement Concrete roads were not made in the register in three BPs (Andanallur – from 2010-11 to 2014-15; Uthangarai - from 2011-12 to 2014-15 and Sankagiri – from 2012-13 to 2014-15). As a result, the current status of the roads could not be verified in Audit. As improvement works of roads are taken up with reference to the present status of roads, non-updation of Road Registers would lead to incurring of expenditure on the same roads frequently.

1.11.5 Reconciliation of Balances as per cash book with Bank Pass Book

At the end of each month, the balance as per cash book in Panchayat Raj Institutions Accounting Software (PRIA Soft) had to be reconciled with the pass books of bank, post office or treasury. Analysis of PRIA Soft data (March 2015) revealed that only 1,383 PRIs (31 DPs, 45 BPs and 1,307 VPs) completed the bank reconciliation up to December 2014 and the balance 11,557 PRIs (340 BPs and 11,217 VPs), completed bank reconciliation up to December 2013 only.

Cheques or cash remitted directly into the bank, treasury or post office which were not taken into cash book were added at the time of monthly reconciliation. Similarly, cheques received or cheques issued by PRIs but not yet realised in bank, treasury or post office were deducted or added from the cash book. However, these transactions did not appear in the monthly reconciliation statement of PRIA Soft cash book.

1.11.6 Maintenance of accounts by PRIs

A new simplified accounting framework, namely the "Model Accounting System (MAS) for Panchayats" was developed in 2009 to bring about transparency and accountability in the maintenance of accounts of PRIs. PRIA Soft was developed by National Informatics Centre (NIC) in consultation with Ministry of Panchayati Raj (MoPR) to establish centralised accounting software for use by all the three tiers of PRIs. It also facilitated the adoption of eight model accounting formats as prescribed by the CAG.

GoTN stated (October 2015) that out of 12,524 VP Secretaries in Tamil Nadu, training in PRIA Soft had been imparted to 9,368 VP Secretaries.

1.11.7 Issue related to AC/DC Bills

The practice of preparing abstract contingent bills and detailed contingent bills for managing Temporary advances is not in vogue in Tamil Nadu State including PRIs.

1.11.8 Maintenance of database and the formats therein on the finances of PRIs

Even in the case of Panchayat Secretaries to whom the training was imparted, the data were entered in PRIA Soft through outsourcing. The data entered in PRIA Soft were not complete and reliable as discussed in Paragraph Nos.2.1.7.5 and 2.1.7.6(b) of this Report. However, the DRDPR stated (January 2016) that separate action would be taken for improving the existing PRIA Soft – MAS through MoPR.

CHAPTER II

PERFORMANCE AUDIT

(PANCHAYAT RAJ INSTITUTIONS)

CHAPTER II

PERFORMANCE AUDIT

This Chapter contains findings of Performance Audit on IT support to Panchayat Accounts including Accounting of Major Schemes.

RURAL DEVELOPMENT AND PANCHAYAT RAJ DEPARTMENT

2.1 Performance Audit on "IT support to Panchayat Accounts including Accounting of Major Schemes"

Executive Summary

A new simplified accounting framework, namely the "Model Accounting System (MAS) for Panchayats" was developed in 2009 to bring about transparency and accountability in the maintenance of accounts of Panchayat Raj Institutions (PRIs). Panchayat Raj Institutions Accounting Software (PRIA Soft) was developed by National Informatics Centre (NIC) to establish centralised accounting software for use by all the three tiers of PRIs.

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 to use for the intended purpose resulting in blocking up of capital. Training in PRIA Soft was not fully imparted and data were not entered in all the formats prescribed by the Comptroller and Auditor General of India. Data entry work was outsourced in contravention to the instructions. Multiple nomenclatures were used for single Object Head resulting in incorrect generation of Annual Receipt and Payment Accounts and Ledger Accounts. 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 PRIs 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.

2.1.1 Introduction

A new simplified accounting framework, namely the "Model Accounting System (MAS) for Panchayats" was developed in 2009 to bring about transparency and accountability in the maintenance of accounts of Panchayat Raj Institutions (PRIs). Panchayat Raj Institutions Accounting Software (PRIA Soft) was developed by National Informatics Centre (NIC) in consultation with Ministry of Panchayati Raj (MoPR) to establish centralised accounting software for use by all the three tiers of PRIs i.e. District Panchayats (DPs), Block Panchayats (BPs) and Village Panchayats (VPs). It also facilitated the adoption of eight model accounting formats as prescribed by Comptroller and Auditor General of India (CAG). The aim of this software, apart from making the process of accounting easy and simple, was to bring about transparency in PRIs' accounts and allow for reports to be available in public domain.

The PRIA Soft is web based software. It is a generic and Open Source software (Postgre SQL in Linux Platform) that captures the four tier accounting structure consisting of Major Heads, Minor Heads, Sub-Head and Object Heads and generate reports in the format prescribed by the CAG.

Based on the recommendations of Thirteenth Finance Commission, Government of India (GoI) stipulated a condition that MAS should be implemented in PRIs, using PRIA Soft for availing General Performance Grant.

Government of Tamil Nadu (GoTN) ordered (April 2012) implementation of MAS in PRIs using PRIA Soft. GoTN also prescribed the features, guidelines and formation of a Committee to monitor MAS both at the State and the District Levels.

Prior to implementation of MAS using PRIA Soft, during 2011, Rural Development and Panchayat Raj (RDPR) Department of GoTN established (January 2011) a dedicated online system called "Online Scheme Monitoring System" developed by NIC, Chennai for departmental use. The software was developed in Linux platform with Postgre SQL as database. The web based application could be accessed from the clients using browser software. The objective of this system was to monitor the physical and financial performance at District, Block and Village Panchayat levels.

2.1.2 Organisational set up

The Principal Secretary, RDPR Department is the overall head at the Government level. Commissioner of Rural Development and Panchayat Raj (CRDPR) is the head of the department and District Collector is the Inspector of all the Panchayats. Secretary, in the cadre of Assistant Director from the RDPR Department, heads the DP. Block Development Officer (BDO) (BP) and President of VP (elected representative) are the executive authorities for BP and VP respectively.

2.1.3 Audit objectives

The audit objectives were

- to ascertain whether the requisite infrastructure to completely implement PRIA Soft including hardware, software, networking, training and data Capture were provided;
- to assess the state of PRIA Soft operation including adequacy of input/processing/output control, integrity of data and examine reasons for shortfall in operation, if any and
- to examine "Scheme Accounting System" for its ability to meet the needs of its stakeholders.

2.1.4 Audit criteria

The audit findings were benchmarked against the following criteria:

- Instructions/orders issued by MoPR
- Orders issued by GoTN
- Circulars issued by CRDPR
- PRIA Soft Operating and Mapping Manual prepared by GoTN
- PRIA Soft User Manual prepared by NIC
- Data dump for PRIA Soft and OSMS provided by CRDPR

2.1.5 Scope and methodology of audit

The Performance Audit commenced with an entry conference held in March 2015 with the Secretary, RDPR Department and was conducted between March and August 2015 covering the period 2012-15. Out of 31 districts (except Chennai which is an urban district), eight districts (Kancheepuram, Karur, Krishnagiri, Perambalur, Nagapattinam, Ramanathapuram, Theni and Vellore) were selected based on random sampling method (two districts each in the four zones i.e. North, South, East and West zones). Eight District Rural Development Agencies (DRDAs), eight Offices of Assistant Directors of Panchayats and eight DPs in the select eight districts were selected. Further, 18 BPs and 60 VPs in the select eight districts were selected based on random sampling method. Apart from the scrutiny of records in these offices, records in RDPR Department and Office of CRDPR were also scrutinised. Audit findings were discussed with the Secretary, RDPR Department, in the Exit conference held on 28 December 2015. Replies wherever received have been considered while finalising the Audit findings which are discussed in the succeeding paragraphs.

Audit findings

2.1.6 Provision of infrastructure for PRIA Soft

2.1.6.1 Hardware procured for ₹10.98 crore not put to use

GoTN accorded (April 2012) administrative sanction for ₹ 79.49 crore[1] to implement MAS in all the 12,524 VPs using PRIA Soft. CRDPR placed (May 2012) an order with M/s Electronics Corporation of Tamil Nadu Limited (ELCOT) to purchase and install one Computer, one Printer, one UPS and establishment of Broad Band Connectivity for each VP in all the 12,524 VPs without prescribing any time limit for supply and installation. Procurement and installation of computers, printers and UPS were completed (May 2013) by ELCOT and a sum of ₹ 69 crore (₹ 54 crore in June 2012 and ₹ 15 crore in August 2013) was paid to ELCOT till May 2015. ELCOT informed (February 2013) RDPR department that Bharat Sanchar Nigam Limited (BSNL) had been engaged for providing Broad Band connectivity in the VPs. BSNL had provided Broad Band connectivity to 10,010 VPs and the remaining 2,514 VPs were not given Broad Band connectivity till September 2014. Hence the hardware procured for ₹ 10.98 crore (₹ 43,666[2] x 2,514 VPs) was not put into use for the intended purpose.

In reply, GoTN accepted (October 2015) that 2,514 VPs had not been provided with Internet connectivity and action was being taken to tide over the connectivity issue.

2.1.6.2 Training in PRIA Soft not fully imparted

While according administrative sanction for procurement of hardware and other items, GoTN sanctioned (April 2012) ₹ 3.13 crore for training to Panchayat Secretaries of all the 12,524 VPs. ELCOT imparted the training in PRIA Soft to 8,680 Panchayat Secretaries of VPs as of September 2014. It was noticed that neither GoTN nor CRDPR prescribed the time schedule for commencement and completion of training and training in PRIA Soft to all the Panchayat Secretaries had not been completed. It was noticed in test checked VPs that even in the case of Panchayat Secretaries to whom the training was imparted, the data were entered in PRIA Soft through outsourcing. As per paragraph 6.2 of PRIA Soft Operating and Mapping Manual, all the Panchayats at all tiers should have separate log in details so that there would not be any mix up of Accounts and these log in details were not to be shared with anyone else outside that Panchayat. Further, the audit scrutiny revealed

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[1] Computers : ₹ 37.35 crore; Printers : ₹ 13.65 crore; UPS : ₹ 7.39 crore; Broad Band connectivity : ₹ 11.35 crore; Training to Panchayat Secretaries of VPs : ₹ 3.13 crore and Taxes : ₹ 6.62 crore. **Total : ₹ 79.49 crore**

[2] Desk top Computers : ₹ 24,050; RAM : ₹ 725; Key Board : ₹ 950; Printer : ₹ 7,850; UPS : ₹ 5,900; Taxes and service charges : ₹ 4,191

that in 11[3] test checked BPs and 10[4] test checked VPs, the data entry work was outsourced in contravention of the above Manual provision and a sum of ₹ 4.09 lakh was paid for the same.

GoTN replied (October 2015) that only 9,368 VP secretaries were trained and instructions were issued to Districts not to engage outsourcing of data entry work relating to PRIA Soft.

2.1.7 Implementation and operation of PRIA Soft

2.1.7.1 Non-posting of Budget Estimates by PRIs

As per paragraph 5 and 5.2 of PRIA Soft Operating and Mapping Manual, capturing initial Budget Estimates and Revised Estimates for both Receipts and Expenditure as per Major, Minor and Object heads in PRIA Soft is one of the four Major Sections of the components of PRIA Soft. However, the State level Annual Budget Reports pertaining to the period 2012-15 generated through public domain did not exhibit the same.

GoTN replied (October 2015) that District Project Management Units (DPMUs) were instructed to provide support to PRIs for entering data in budget module and, for technical issues, National Informatics Centre Services Incorporated (NICSI) would be addressed.

2.1.7.2 Non-adoption of model accounting format

CAG prescribed eight model accounting formats to be adopted in the PRIA Soft. Out of these eight standard formats[5], data were entered and records generated only in three formats (i.e. Formats I, II and III) through PRIA Soft and data were not entered in the remaining five formats.

Reasons for not entering data in the remaining five formats were attributed by the BDOs (BP) of the test checked BPs to (i) absence of instructions from the authorities concerned, (ii) lack of man power and (iii) lack of training to make entries in the prescribed format.

GoTN accepted (October 2015) the audit observation and stated that this issue was addressed to MoPR to delegate powers for generation of customised reports.

3 Acharapakkam, Bodinaickkanur, Bogalur, Kancheepuram, Katpadi, Kaveripakkam, Krishnagiri, Mudukulathur, Sembanarkoil, Tirupathur and Veppanthattai

4 A.Puthur, Booringinamitta, Karumbakerri, Kozhialayam, K.Valasai, Malayalapatti, Pimbalur, Sowdikuppam, Theeyanur and Thondapadi

5 (i) Annual Receipts and Payments Accounts (Format-I), (ii) Consolidated Abstract Register (Format-II), (iii) Monthly Reconciliation Statement (Format-III), (iv) Statement of Receivables and Payables (Format-IV), (v) Register of Immovable Property (Format-V), (vi) Register of Movable Property (Format-VI), (vii) Inventory (Stock) Register (Format-VII) and (viii) Register of Demand, Collection and Balance (Format-VIII)

2.1.7.3 Non-availability of capital head of accounts under Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)

GoTN informed (March 2015) GoI that an expenditure of ₹ 804.80 crore was incurred during 2014-15 towards material component for construction of Panchayat Office Building, Foodgrains storage Godown, BP Service Centre, VP Service Centre and Anganwadi Buildings under MGNREGS.

Since the assets created were of permanent nature and remained as assets of the local body, the expenditure incurred for creation of such assets had to be classified as capital expenditure in the PRIA Soft. As the existing head of accounts available under MGNREGS did not have a separate head for exhibiting capital expenditure on buildings, the same were shown as revenue expenditure by the BPs and the VPs resulting in understatement of capital expenditure to that extent.

In reply GoTN accepted (October 2015) the audit observation and stated that steps for mapping of capital head of account under MGNREGS would be initiated in consultation with accounting experts in MGNREGS.

2.1.7.4 e-FMS Payment made under MGNREGS not fully captured in PRIA Soft

The Electronic Fund Management System (e-FMS) was an automated system through which the wages would be credited to the individual worker's bank account through nodal banks. This was implemented by the CRDPR, phase-wise since 2012-13, instead of making the payment of wages under MGNREGS through VPs by cash.

It was recorded in the web site of MGNREGS portal that the wages of workers executing the works under MGNREGS amounting to ₹ 3,009.32 crore were paid for the whole of the State through e-FMS during the year 2014-15. However, when this was compared with the report of "Scheme-wise Receipts and Payment Statement" taken from PRIA Soft for MGNREGS, ₹ 232.29 crore only was exhibited as payment. Receipts and expenditure of VPs under MGNREGS for the entire State for the period 2012-15 exhibited in PRIA Soft are detailed in **Table 2.1**. It could be seen from the table that capturing of both receipts and payments were reducing owing to migration of payment of wages from manual to e-FMS.

Table 2.1: Receipts and payments of MGNREGS in PRIA soft

(₹ in crore)

Year	Village Panchayats	
	Receipts	Payments
2012-13	3,979.75	3,843.75
2013-14	3,224.86	3,296.49
2014-15	193.67	232.29

As a consequence, the payment to workers through e-FMS under MGNREGS could not be captured in PRIA Soft.

In reply, GoTN stated (October 2015) that steps for synchronisation of e-FMS payment made to MGNREGS beneficiaries in PRIA Soft would be undertaken in consultation with accounting experts on MGNREGS.

2.1.7.5 Incorrect mapping of Central Scheme as State Scheme

The National Rural Livelihood Mission (NRLM) was a GoI Scheme and it was mapped under Central Scheme in PRIA Soft. However, the State Administrator mapped this scheme under the State Scheme and the GoI grant of ₹ 7.96 crore and expenditure of ₹ 8.65 crore incurred were accounted for under the State Scheme for the period 2012-15 in PRIA Soft instead of exhibiting them under Central Scheme. This resulted in incorrect and unreliable generation of MIS.

GoTN replied (October 2015) that though NRLM was a GoI scheme, GoTN implemented the scheme with a name called Tamil Nadu State Rural Livelihood Mission from 2012-13 onwards with a funding ratio of 75:25. The reply is not acceptable as it is not relevant to the point raised in Audit.

2.1.7.6 Non-accounting of receipts and expenditure

(a) Receipts received and expenditure incurred by DRDAs for PRIs not accounted

The District Rural Development Agency functions under the administrative control of RDPR Department. Test check of cash books of seven DRDAs (except Kancheepuram) for the period 2012-15 revealed that funds received and expenditure incurred for execution of scheme works[6] by DRDAs on behalf of the PRIs and for DRDA administration were not accounted for in PRIA Soft as user id and password had not been provided to them to account for these transactions. This resulted in understatement of receipts (₹ 401.96 crore) and expenditure (₹ 470.45 crore) of the PRIs concerned.

(b) Receipts received and expenditure incurred by BPs not accounted

All the receipts and expenditure of PRIs should be accounted for in PRIA Soft. However, it was noticed that in 11 out of 18 BPs test checked, the receipts (₹ 39.81 crore) and expenditure (₹ 32.20 crore) related to schemes like Total Sanitation Campaign (TSC), MGNREGS, Member of Legislative Assembly Constituency Development Scheme (MLACDS), Anaithu Grama Anna Marumalarchi Thittam (AGAMT), Tamil Nadu Village Habitation Improvement Scheme (THAI) and Noon Meal Programme were not accounted for in PRIA Soft during the period 2012-15.

The above omissions in the PRIA Soft show that data in PRIA Soft were not complete and reliable.

[6] (i) Thirteenth Finance Commission (Roads), (ii) Bio-gas, (iii) Infrastructure Gap Filling Fund, (iv) NABARD, (v) Plastic Road, (vi) Pooled Assigned Revenue and (vii) Road Infrastructure Scheme

GoTN replied (October 2015) that in respect of non-posting of receipts and expenditure by DRDA, steps would be taken in consultation with MoPR for synchronisation of DRDA accounts in PRIA Soft. Regarding non-posting of receipts and expenditure by BPs, it was stated that orders were issued to appoint officers to ensure accounting of all transactions in PRIA Soft.

2.1.7.7 Non-accountal of receipts

(a) The receipt of Pooled Assigned Revenue[7] received from Assistant Director (Panchayats) were not accounted for by Veppanthattai BP and four VPs in PRIA Soft for the period 2012-15 as detailed in **Table 2.2.**

Table 2.2: Non-accounting of Pooled Assigned Revenue in PRIA Soft

(₹ in lakh)

Name of the BP/VP	2012-13	2013-14	2014-15	Total
Veppanthattai BP	47.64	64.10	59.08	170.82
Pimbalur VP	1.98	2.72	2.50	7.20
Thondapady VP	1.71	2.37	2.19	6.27
Malayalapatti VP	2.91	4.06	3.74	10.71
Total	**54.24**	**73.25**	**67.51**	**195.00**

(b) It was noticed from the certified accounts of Director of Local Fund Audit Report for the years 2012-13 and 2013-14 that ₹ 15.98 lakh and ₹ 17.71 lakh respectively pertaining to receipts included in the accounts of Alangayam BP and ₹ 10.81 lakh for the year 2012-13 relating to Tirupathur BP of Vellore District were not accounted for in PRIA Soft by the respective BPs.

The above omission in the PRIA Soft shows that data in PRIA Soft was incomplete, unreliable and hence could not be used for future planning purposes.

In reply, GoTN stated (October 2015) that the orders were issued to appoint officers to ensure accounting of all transactions in PRIA Soft.

2.1.7.8 Entering of fake vouchers

On verification of cash books and bank pass books of five test checked BPs with entries thereof captured in PRIA Soft, it was noticed that fake vouchers were entered in PRIA Soft even though such transactions were not available in the cash books and bank pass books. An illustrative list is given in **Appendix 2.1.**

GoTN replied (October 2015) that the orders were issued to appoint officers to ensure accounting of all transactions in PRIA Soft.

[7] Pooling of select Assigned Revenues like Local Cess, Local Cess Surcharge, Surcharge on Stamp Duty and Entertainment Tax at State level and apportionment to Rural Local Bodies

2.1.7.9 Incorrect operation of receipts and expenditure Heads of Accounts

As illustrated in PRIA Soft User Manual, when funds were received by the Panchayats in the form of grants, it should be accounted for as 'Direct Receipts' under the Major Head "1601-grants in aid" and when this amount was transferred to other Panchayats i.e. from DP to BPs or from BPs to VPs, it should be accounted for under the head "8782-cash remittances and adjustments between Panchayats". Subsequently, the BP or VP which receives the funds should account the same under "8782- cash remittances and adjustments between Panchayats" as prompted by the system and when payment is made by the BP or VP, it should be accounted for under the expenditure head concerned.

As an instance, how the double accounting taken place is narrated in the pictorial diagram below pertaining to Vellore DP and Katpadi BP in respect of transfer of State Finance Commission (SFC) grant posted as revenue expenditure by the Vellore DP and as receipt by Katpadi BP. Similarly when Katpadi BP transferred MGNREGS amount to Senur VP, it was posted as revenue expenditure by Katpadi BP and as receipt by Senur VP.

Vellore DP		**Katpadi BP**
Vr.No.SFC/2013-14/P/144	FUND TRANSFER (MH 8782 should be operated) →	Vr.No.MLACDS/2013-14/R/4
Booked under MH 2515		Booked under MH 1601

Katpadi BP		**Senur VP**
Vr.No.MGNREGS/2013-14/P/27	FUND TRANSFER (MH 8782 should be operated) →	Vr.No.MGNREGS/2013-4/R/6
Booked under MH 2402		Booked under MH 1601

From the above, it could be seen that when the amount of State Finance Commission (SFC) grant was transferred to meet the expenditure of the works sanctioned by Vellore DP and executed by Katpadi BP, the amount was booked as Revenue expenditure by Vellore DP instead of operating the "MH 8782 - cash remittances and adjustments between Panchayats". On receipt of the amount, the Katpadi BP posted the same as Receipt instead of operating the same MH 8782 leading to double accounting once by DP and again by BP. Similarly, when MGNREGS amount was transferred by Katpadi BP to Senur VP, the amount was posted as revenue expenditure by Katpadi BP instead of operating MH 8782 and the Senur VP posted the amount as Receipt. On receipt of MGNREGS amount, the amount was booked as receipt by Katpadi BP and again it was booked as receipt by Senur VP leading to double accounting.

GoTN accepted the audit observation and stated (October 2015) that technical and accounting reasons for occurrence of double accounting due to transfer of funds from Higher PRIs to Lower PRIs would be resolved in consultation with the accounting experts and NICSI.

2.1.7.10 Misclassification on diversion of funds

As per paragraphs 5.3.1 and 2 of the PRIA Soft Operating and Mapping Manual, funds diverted/transferred from one scheme/own resources to another scheme would come under "fund diversion". As illustrated in PRIA Soft User Manual, when the amounts are transferred/diverted from one scheme to another, it should be exhibited under "Funds receivable" under the Major Head – 8658 with Object Head – RB-Receivables in the scheme from which the amount was transferred and PB-Payables in the other account.

Audit scrutiny revealed that in the two test checked BPs (Tirupathur and Sembanarkoil) the transferred/diverted amount to the tune of ₹ 2.39 crore (Tirupathur BP: ₹ 65 lakh and Sembanarkoil BP : ₹ 1.74 crore) was incorrectly classified as Receipts and Expenditure in both the schemes.

GoTN replied (October 2015) that the convergence and dovetailing of funds was allowed in special cases to tide over the paucity of funds to execute a development work and proper orders were obtained by the PRIs for such convergence of funds from different schemes. GoTN further stated that the assumption of Audit that diversion of funds misclassified as expenditure was incorrect.

The reply of the Government is not pertinent to the point observed by Audit. Audit had pointed out that, based on the documentary evidence, the transferred/diverted amount being incorrectly classified as Receipts and Expenditure in both the schemes. As an instance, the pictorial diagram of fund diversion of ₹ 30 lakh in Sembanarkoil BP in Nagapattinam District is narrated below:

Vr.No.TSC/2014-15/P/69 → FUND DIVERSION → Vr.No.THAI/2014-15/R/18

Booked under MH 4215 Booked under MH 1601

Vr.No.TSC/2014-15/R/36 ← FUND - REFUND ← Vr.No.THAI/2014-15/P/138

Booked under MH 1601 Booked under MH 2515

When ₹ 30 lakh was transferred from TSC scheme cash book to THAI cash book, it was booked under Capital Head of account instead of operating the MH 8658 - RB Receivables. This amount was recorded as though it was a receipt in THAI cash book instead of operating MH 8658 - PB Payables. When this amount was refunded from THAI to TSC, the transaction was initially recorded under Revenue Expenditure heads instead of operating MH 8658 - PB Payables and taken as receipts in TSC by the same BP resulting in double accounting and inflating receipts and payments.

2.1.7.11 Incorrect classification

(a) GoI sanctioned (December 2013) ₹ 56.43 crore to GoTN under Rajiv Gandhi Panchayat Sashaktikaran Abhiyan (RGPSA) for e-enablement of Panchayats (₹ 50.09 crore) and strengthening of panchayat process in Panchayats with inadequate resource base (₹ 6.34 crore) for the year 2013-14. However, ₹ 56.43 crore was released (November 2014) by CRDPR to the District Collectors through ECS with instructions to release the amount to Account No. I of VPs (₹ 40,000 per VP for 12,524 VPs = ₹ 50.09 crore and ₹ 6.34 crore to VPs with inadequate resource base (₹ 50,000 x 1,268 VPs). Instead of showing this as grants received from GoI, the same were exhibited under grants received from GoTN in the PRIA Soft.

(b) GoI directed to classify the expenditure incurred under Indira Awaas Yojana (IAY) under revenue head of expenditure : 2216 whereas Paragraph 11.4 of PRIA Soft Operating and Mapping Manual prescribed to classify the same under capital head of expenditure : 4216. PRIs booked the expenditure under capital head of expenditure : 4216 following the PRIA Soft Operating and Mapping Manual which led to classification of expenditure in contravention to the order of GoI. Scrutiny of database revealed that 3,27,646 vouchers (70 *per cent*), 2,46,950 (68 *per cent*) and 79,390 vouchers (62 *per cent*) out of 4,65,207, 3,62,748 and 1,27,165 vouchers pertaining to IAY were incorrectly classified during 2012-13, 2013-14 and 2014-15 respectively.

(c) As per PRIA Soft Operating and Mapping Manual, grants received by the Panchayats were to be treated as Direct Receipts and should be accounted for under the Major Head : 1601 – Grants-in-Aid with relevant Minor Head 101 : Grants from Central Government or 102 : Grants from State Government or 103 : Grants from other institutions according to source of receipt.

In order to execute certain Road Works, GoTN borrowed funds from National Bank for Agriculture and Rural Development (NABARD) and sanctioned them as its grant to the BPs. Scrutiny of Receipts and Payment Report in four test checked BPs (Alangayam, Bodinaickkanur, Kaveripakkam and Periyakulam) revealed that the grants received from GoTN amounting to ₹ 4.66 crore for the period 2012-14 (2012-13: ₹ 2.76 crore and 2013-14: ₹ 1.90 crore) for undertaking NABARD works were booked under the minor head 103 - Grants from other institutions instead of 102 - Grants from State Government under the Major Head 1601 - Grants-in-Aid.

In reply, GoTN stated that incorrect instruction depicted in the manual resulted in incorrect classification and the same would be resolved in consultation with the accounting experts.

2.1.7.12 Non-reconciliation of accounts

At the end of each month, the balance as per cash book in PRIA Soft had to be reconciled with the balance in pass books of bank, post office or treasury.

Analysis of PRIA Soft data (March 2015) revealed that only 1,383 PRIs (31 DPs, 45 BPs and 1,307 VPs) completed the bank reconciliation up to

December 2014 and the balance 11,557 PRIs (340 BPs and 11,217 VPs) completed bank reconciliation up to December 2013 only.

Cheques or cash remitted directly into the bank, treasury or post office which were not taken into cash book were added at the time of monthly reconciliation. Similarly, cheques received or cheques issued by PRIs but not yet realised in bank, treasury or post office were deducted or added from the cash book. However, these transactions did not appear in the monthly reconciliation statement of PRIA Soft cash book. An illustrative list is given in **Appendix 2.2.**

GoTN replied (October 2015) that instructions were given to Assistant Director (Panchayats) and BDOs to reconcile and verify the PRIA Soft online accounts with the manual accounts maintained by the PRIs and the technical reasons for non-reconciliation would be resolved with the accounting experts and NICSI.

2.1.7.13 Discrepancies in the Opening Balance Report

As per paragraph 5.1 of PRIA Soft Operating and Mapping Manual, input entry should be done in the Master Data only once during the start of entry in PRIA Soft. However, it was noticed that data entered in PRIA Soft during its implementation (i.e. on 01 April 2012) were found to be incorrect in 14 bank accounts in two out of 18 test checked BPs and 12 bank accounts in seven out of 60 test checked VPs. The above discrepancies continued in the years 2013-14 (BPs: 57 and VPs: 35) and 2014-15 (BPs: 143 and VPs: 28) also. As the entries in the Master Data itself were incorrect, various reports generated *viz*. Trial Balance, Balance Sheet, Ledger Account and Annual Receipt and Payment Accounts (ARPA) were not reliable. It was also seen that accounts produced through PRIA Soft was not the system of record. A separate set of books were maintained through which Annual Accounts were compiled and audited thereafter.

GoTN replied (October 2015) that discrepancies in the opening balance report would be resolved in consultation with the accounting experts and NICSI.

2.1.7.14 Delay in posting of transactions

As per Paragraph 5.3 of PRIA Soft Operating and Mapping Manual, the PRIs had to enter each accounting transaction as and when it occurred. From the database for the year 2013-14, it was ascertained in Audit that out of 12,940[8] PRIs in the State, 12,938 PRIs (details for two PRIs were not available in the data base) did not enter the receipt vouchers as and when they occurred. Instead, they kept the receipt vouchers pending posting in PRIA Soft for months together and entered the accumulated receipt vouchers after delay of 1 to 73 days at their convenience. Similarly, in respect of 12,935 PRIs (details for five PRIs were not available in the data base) with regard to accumulated

[8] District Panchayats : 31; Block Panchayats : 385 and Village Panchayats : 12,524

payment vouchers, data entry were made after delay of 1 to 110 days. The details of days taken for bulk posting of receipts and payments vouchers for the year 2013-14 are given in **Table 2.3**.

Table 2.3: Details of days taken for bulk posting

Payment vouchers		Receipt vouchers	
No. of days taken to complete data entry	No. of PRIs	No. of days taken to complete data entry	No. of PRIs
1-5	6,916	1-5	8,255
6-10	3,771	6-10	3,471
11-20	1,700	11-20	960
21-50	497	21-50	237
51 - 110	51	51-73	15
Total	**12,935**	**Total**	**12,938**

GoTN replied (October 2015) that bulk posting would be avoided in future.

2.1.7.15 Non-availability of Audit Log Report

As per paragraph 5.10.3.14 of PRIA Soft User Manual (Version 1), the Audit Log Report module allows the user to view/maintain detailed audit logs of all the transactions carried out through the software which was available in the Master Entry menu under Master Entry ->Audit Log Report or in the Reports menu under Reports->other Reports->Audit Log Report.

Provision of Audit Log Report as stated in the Manual was not available in the Master Entry Menu. Audit could not verify the IP Address to confirm whether the data entry was done by PRIs themselves or elsewhere.

Government replied (October 2015) that action would be taken to provide Audit Log report in consultation with MoPR.

2.1.7.16 Multiple users for same login id and password

In order to have e-security, each user of PRIA Soft should have unique login id and password and the login id and the password should be kept confidential. However, it was noticed that both the District Administrator and the Zilla Panchayat Administrator had common login id and password. Similarly, the BDO (VPs) and BDO (BP) were given a single user id and password to enter data in PRIA Soft. Due to this, the possibility of modifying or deleting the entries made by one user in PRIA Soft by the other user could not be ruled out.

In reply, GoTN stated (October 2015) that the user ID and password given at District level was for the DP Secretary and the District level PRIA Soft module allowed the District level technical administrator to resolve the technical issues faced by the VPs also. GoTN further stated that it was the responsibility of the BDO (BP) to update the entire data relating to BPs in PRIA Soft. The reply is not acceptable when two different roles were assigned to single user id, the possibilities were open for manipulation of data without the knowledge of the other. This led to data vulnerability. However, the BDOs (BP)[9] in their replies to the audit slips expressed the need for individual user ID and password for the BDO (BP) and the BDO (VPs).

2.1.7.17 Multiple nomenclatures for single Object Head

Under the four tier system of classification of accounts prescribed by the CAG for PRIA Soft, unique code numbers were assigned for every major head, minor head, sub-head and object head of account. Scrutiny of database by Audit revealed that many object heads operated in PRIA Soft had more than one nomenclature. Due to inadequate input control, 252 object heads were repeated with multiple nomenclatures in PRIA Soft, as illustrated in **Table 2.4.**

Table 2.4: Illustrative case of Object Head with different nomenclature

Account Code	Detailed Unique Code Number	Object Head Code	Nomenclature of the Object Head	Minor Head Code	Sub Head Code	Major Head Code
132972	38156	17	Grants	102	S003	1601
188489	43872	17	Grants-in-Aid	102	S003	1601
162510	43658	17	Grants-in-Aid General	102	S003	1601
159848	42897	17	Grants-in-Aid	102	S003	1601
160863	42897	17	Grants-in-Aid	102	S003	1601
140618	38156	17	Grants-in-Aid	102	S003	1601

Source: Details extracted from database - Dump

The above indicates inadequate input control, piloted to non-mapping of 35,004 object heads. As a result the grand totals of Receipts and Payments did not agree, in contravention of the accounting principle in the ARPA generated Minor head-wise, Sub head-wise and Object head-wise reports.

GoTN accepted the audit observation and stated (October 2015) that the issues would be resolved in consultation with the NICSI and MoPR.

2.1.7.18 Inadequate input control resulted in duplicate bank accounts numbers

In PRIA Soft database, the details of bank accounts and bank branches were stored in the tables "bank account" and "branch" respectively. The system should have necessary input control to prevent duplicate entries in the bank account. Further, these bank accounts were linked with their respective Indian Financial System Code (IFSC) in the system so as to maintain the uniqueness of the bank accounts. However, it was seen from the data base that there were 213 duplicate bank account numbers in the database, 686 bank branches were

[9] Alangayam, Bogalur, Karur, Katpadi, Kaveripattinam Periyakulam, Thanthoni and Tiruporur

allowed to be captured without IFSC code and 178 bank branches were captured in the system with invalid IFSC code.

For instance, it was noticed that Sulur BP in Coimbatore District exhibited two bank accounts with same account number 0161101000034590 exhibiting opening balance amount as ₹ 3,27,996 and ₹ 37,00,000 respectively as on 01 April 2013.

GoTN accepted the audit observation and stated (October 2015) that NICSI and MoPR would be addressed to resolve the issue.

2.1.7.19 Software output issues

- Bank-wise and scheme-wise list of accounts could be generated in PRIA soft. However, report generated for scheme wise list of accounts did not cover scheme accounts maintained in Treasury or Post Office. As a result, the stakeholders and public could not view all the schemes executed by the PRIs.
- When object head-wise expenditure was viewed, the space provided was not sufficient to accommodate the number of digits in the grand total column. This had projected incorrect figures to the stakeholders and public.
- In the opening balance report print out, the name of the District, Block, Village Panchayat and year was not displayed. This resulted in difficulty in categorising to which District, Block and VP this report pertained to and for which year.
- The Annual Receipt and Payment Account did not display Headers like ‘object head’, ‘minor head’ and ‘sub head’. This resulted in difficulty in classifying ARPA to which head it pertained to.
- In the Opening Balance (OB) report under the column ‘Capital Fund Amount’ displayed ‘no values’. As the Capital Fund Amount was shown as ‘nil’ and it was reflecting in the payable column, the OB report projected unreliable figure to the public and stakeholders.

GoTN replied (October 2015) that the software output issues would be resolved in consultation with NICSI and MoPR.

2.1.8 Monitoring

Control failures and weakness in the Online Scheme Monitoring System

RDPR Department established (January 2011) a dedicated online system called “Online Scheme Monitoring System” (OSMS) developed by NIC, Chennai for departmental use. The objective of this system was to provide a single web based platform for monitoring the physical and financial performance of various works at District, Block and Village Panchayats level. Audit analysed the database in discussion with the NIC Software team and linked the information collected from the users during field visits. Non-adoption of time-tested system development life cycle followed in the development of an application system resulted in weaknesses and the control failures in the OSMS, which are discussed in the following paragraphs.

2.1.8.1 Discrepancies noticed in information on works implemented

In the OSMS, information from the date of commencement of work to the date of its completion during implementation was stored in the master table 't_works' besides information relating to administrative sanction, technical sanction, name of the scheme, current status of the work etc. The database designed, by default, would carry 'N' flag under the field 'yn_completed' indicating that the work was in progress. On completion of the work 'N' flag would change to 'Y'. These two flags i.e. Y/N got populated through assignment of various flags in the field 'current_stage_of_work' based on the stage of work. The final stage of entry i.e. 'completed' which was represented by the flag '11'. Hence, if the flag was '11' in the field 'current_stage_of_work', the flag in the field 'yn_completed' should always carry 'Y' flag.

Examination of the information captured in this table disclosed that (i) in 620 works pertaining to 2013-14 and 2014-15, though the flag 'Y' had been assigned in the field 'yn_completed', the 'current_stage_of_work' field had exhibited flags other than '11' and (ii) in 568 works pertaining to 2013-14 and 2014-15, though the flag '11' had been assigned in the field 'current_stage_of_work', the field 'yn_completed', carried a flag 'N' due to absence of process control in the application software.

GoTN accepted the audit observations and stated (October 2015) that the matter had been communicated to NIC for rectification.

2.1.8.2 Inadequate process control

OSMS has been designed to capture various stages of progress of work for every scheme for effective monitoring. The system should not permit the user to capture the same stage of progress of work more than once so as to guard against redundancy/inconsistency in information storage in the database. In other words, the database should not contain duplicate stage of work. Audit examined the front-end-screen of the software and noted that, for each work, initially the drop down of the screen displayed all the stages of the relevant work and once a stage was selected by the user, the same stage did not get displayed in the drop down menu. However, data analysis revealed that there were 1,56,307 duplicate stages of work captured in the data involving 1,46,651 number of works due to lack of process control in the system.

GoTN accepted the audit observations and stated (October 2015) that the matter had been communicated to NIC for rectification.

2.1.8.3 Non-availability of referential integrity between two transaction tables

When an entry for progress of work is made in OSMS, a record was created in 't_scheme_works_physical_progress' table with the current stage of work updated in the column 'current_stage_of_work' in the master table 't_works'. However, data analysis of these tables relating to the financial year 2013-14 and 2014-15 disclosed that though the 18,937 works were shown as completed in the 't_works' table, the details in the 't_scheme_works_physical_progress' for the corresponding work did not indicate the 'completed' stage. This resulted in non-availability of various stages of the work in the database rendering the information on progress of work incomplete. This deficiency in the on-line monitoring system could have been avoided had the database included suitable referential integrity[10] in its design to avoid inconsistency of information within the database.

GoTN accepted the audit observations and stated (October 2015) that NIC would be asked to resolve the referential integrity issue.

2.1.8.4 Skipping of stages in the progress of work done

The OSMS application provides for capturing the stages of each work by the implementing agency as and when a stage was reached in a work. This information helps the department to evaluate and monitor the work in progress. When a new work was taken up, an entry was created in the OSMS application and subsequently the stage of each work was captured as the work progressed. The stages of work in each category of work varied from three stages to 21 stages. If all the stages of work were captured in the system as and when the events/progress took place, the status/progress of the works could have been effectively monitored in on-line system at State/District level. The software should have been designed in such a way that the stages were captured in sequence without skipping stages. However, in OSMS, the user could skip the sequence of stages and capture any stage of work without validating whether the previous stage in the sequence of work had been completed.

In Kaveripattinam BP of Krishnagiri District, the work 'WBM BT[11] Road from KPTM - Pochampalli Road to Vetrilaikaranoor Road' was classified under WBM BT road and the work was to be monitored in 17[12] stages but the same was monitored only in seven Stages i.e. earth work in progress, Grade III Metal Collection 50 *per cent* Completed, Grade III Metal Collection 75 *per cent* Completed, WBM Grade III Completed, BT progress,

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[10] Referential integrity is a relational database concept in which multiple tables share a relationship based on the data stored in the tables and that relationship must remain consistent

[11] Water Bound Macadam Bituminous Top

[12] (i) Tender Not Finalised, (ii) Not started, (iii) Earth Work in Progress, (iv) Earth Work Completed, (v) WBM Grade II Metal Collection Progress, (vi) WBM Grade II Spreading, (vii) WBM Grade II Progress, (viii) WBM Grade II completed (ix) WBM Grade III Metal Collection Progress, (x) WBM Grade III Spreading, (xi) WBM Grade III Progress, (xii) WBM Grade III completed, (xiii) BT Chips collection, (xiv) BT Progress, (xv) BT Completed, (xvi) Physically Completed and (xvii) Completed

Physically completed and Completed. The intermittent 10 stages were skipped rendering the data incomplete.

Analysis of OSMS data pertaining to 'WBM BT road' work for the period 2013-15 disclosed that out of 11,248 'WBM BT road' works, no work was monitored in all the 17 sequential stages. Similarly, out of 10,394 'Housing' works, only 11 works were monitored in all the 12[13] sequential stages. The details are given in **Table 2.5.**

Table 2.5: Analysis of OSMS data relating to WBM BT Road and Housing works

Sl. No.	WBM BT Road (contain 17 stages)		Housing (contain 12 stages)	
	No. of stages monitored	No. of works	No. of stages monitored	No. of works
1.	11 to 15	29	9 to 11	1,522
2.	6 to 10	2,370	5 to 8	5,453
3.	0 to 5	8,849	1 to 4	3,408
Total		**11,248**		**10,383**

The above details substantiate the fact that due to deficiency in the application software, non-capturing of all sequential stages of work by users rendered the on-line monitoring of the works ineffective at various stages.

GoTN replied (October 2015) that it might not be possible to update/visit all the work sites spread over many villages across the block by field staff for each work. Sometimes before visiting the work site, the work might have progressed two to three stages more than the last visited stage. However, when payment was made to a work, a field visit was made by the staff who confirmed this stage of work. The reply of the GoTN is not tenable in the light of the fact that the Nodal Officer was appointed in all the districts to monitor the online update of all scheme works right from issue of Administrative Sanction, subsequent stages till completion as per instructions issued by CRDPR (October 2014).

2.1.8.5 Beneficiary under Chief Minister's Solar Powered Green House Scheme – business rule not mapped

GoTN implemented Chief Minister's Solar Powered Green House Scheme (CMSPGHS) from the year 2011-12 in the State. The release of payment to the beneficiary under the scheme was based on the recordings made in the Measurement Book (M-Book) for the work done. However, GoTN decided (July 2013) to dispense with the M-Book procedure and introduced the 'Valuation Certificate' for the release of payment to the beneficiaries in four instalments. This instruction was followed effectively in the manual system

[13] (i) Not started, (ii) Site marked, (iii) Earth work completed, (iv) FC Laid, (v) Basement completed, (vi) Lintel level, (vii) Roof level, (viii) Roof laid, (ix) Plastering, (x) Whitewash/colour wash progress, (xi) Physically completed and (xii) Completed.

by recording the transaction in Estimate and Allotment Register and adopting Valuation Certificate. OSMS software was modified accordingly to capture the instalment payment details in four stages after deducting the materials supplied to the beneficiaries. However, if payment was not released stage-wise or payment was made by clubbing two stages, it should be flagged to monitor such payment. But, such controls were not in place in the software to monitor the release of payment in four instalments to the beneficiaries, in adherence to the revised instructions of the Government.

It was noticed that even though payments were made in three or four instalments as seen from the Estimate and Allotment Register, the data was captured in OSMS by clubbing the instalments.

Summary of analysis of OSMS data for the years 2012-15 on payment details captured for CMSPGHS was given in **Table 2.6.**

Table 2.6: Payment details for CMSPGHS during 2012-15

Year	No. of houses completed and final payment released	Payment released in single instalment	Payment released in two instalments	Payment released in three instalments	Payment released in four instalments	Payment released in more than four instalments
2012-13	59,999	10,589	23,501	18,635	6,932	342
2013-14	59,956	3,835	23,058	21,610	10,398	1,055
2014-15	51,481	9,014	22,565	13,227	6,550	125

Audit observed that non-adoption of business rules on release of payment to beneficiaries had also contributed to the unreliability/incompleteness of the data in OSMS.

The Government, while accepting the audit observation replied (October 2015) that necessary rectification would be carried out in future.

2.1.8.6 Poor validation control during capture of financial transaction

In the OSMS, information relating to implementation of work was stored in the table 't_works' from the date of commencement of work to the date of its completion besides information relating to Administrative sanction, technical sanction, name of scheme, progress and completion of the works etc. This information enabled the Department to monitor the works implemented under various schemes.

The payment entry should be made in the financial progress entry screen when part/final payment was made for the work done by the contractor/beneficiary. When a financial entry was made, one record would be added in the 't_scheme_work_financial_progress' table with information such as work id, financial year, stage code, instalment number, amount paid and status of work (Yes/No). Simultaneously, in the corresponding record of the 't_works' table, the "amount_spent_so far" (sum of all the cumulative payments of the work) field gets updated. In this regard the following audit observations were made:-

(a) Audit noticed that neither the software had authentication process (data entries were to be checked by higher authority to ensure correctness and completeness) nor there was a manual check by a higher authority/department staff for the data entries done in the OSMS application by the outsourced person resulting in erroneous data entry. Also, there was no input validation control in the software to capture Administration Sanction value/Technical Sanction value. This had resulted in 62 records (7 works during the year 2014-15) exhibiting value less than ₹ 10 as administrative sanction. During the process, the difference between the Administrative Sanction of amount and Total Expenditure was worked out and the amount of saving was arrived at by the system and stored in the field 'Savings_amt' on completion of work. Owing to process control failure in the system, the savings amount in 10,223 (out of 14,21,048) completed works showed an incorrect figure in the field 'Savings_amt' for the years 2013-14 and 2014-15.

(b) System allows capturing of payment details even after the final payment was released for the work. This resulted in duplicate payments in 1,506 works in the final release of payment.

(c) Final payment for a work should be released only after ensuring that the work was 'completed' (i.e. after moving to stage code =11). Due to inadequate process control, in 355 works relating to year 2014-15, the final payment was released without ensuring the completion of work.

GoTN accepted the audit observations and stated (October 2015) that corrective measures would be taken in consultation with NIC.

2.1.8.7 Absence of link between Financial Module and Cement Distribution Module

Under OSMS software, in the Financial Module, all the payments made to contractor and payments released to beneficiaries for various works[14] were captured and cement bags issued were accounted and monitored through Cement Distribution module. Whenever, cement bags were issued to the beneficiaries, the cost of the cement bag would be deducted from the instalments paid to the beneficiaries.

As these two modules were not integrated with each other in OSMS, whenever details about issue of cement bags were captured in the system, such details do not automatically get reflected in the Financial Module of OSMS so as to have an effective control on payments and issue of materials. It was also noticed that though entries regarding issue of cement for the works were properly maintained in the manual records, the data entry in the Cement Distribution module was partial in many instances.

[14] Construction of Individual Houses under IAY, CMSPGHS; construction of Individual Household Latrines (IHHL) and Cement Concrete Roads

Due to non-integration of these two modules, the Department relied only on the manual records maintained by the BPs/VPs for accounting and monitoring purposes.

GoTN replied (October 2015) that the data gap indicated by audit involved various stakeholders (Block, District and State including Tamil Nadu Cements Corporation Limited (TANCEM) and private suppliers) in the process. It was also stated that data entry would be ensured for all the works relating to Financial Module and Cement Distribution Module.

2.1.8.8 Inadequate input control in capturing the bank account details

The money kept in the accounts of VPs was used for provision of basic amenities, payment of user charges to Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO)/Tamil Nadu Water Supply and Drainage (TWAD) Board, implementation of schemes and for regular Panchayat administration. In order to effectively monitor the fund utilisation and the expenditure from these accounts, the Online Bank Accounts Module was introduced in OSMS. The details on bank accounts were stored in table 'm_vbd_bank_account_nos'. The system should have necessary input control so as not to capture any duplicates in the bank account of the VPs, since these bank accounts were linked with their respective IFSC codes in the system, in order to maintain uniqueness.

Analysis of OSMS database disclosed that due to lack of input controls at the data entry stage, there were 548 duplicate bank account numbers and 970 account numbers were captured '-' as IFSC code.

The Government accepted the audit observation and replied (October 2015) that NIC had been informed to carry out the rectification.

2.1.8.9 Absence of audit trail for reversal of stages in a work

The OSMS system was designed in such a way that once a 'stage of progress' was selected by the user, the same stage would not get populated in the drop down menu again. In the database, each stage of work was assigned by a numeral. The stage of progress of work could either remain the same or step forward over a period of time. The present OSMS system allows the user to select any of the stage displayed in the drop down menu of a particular work and if any mistake was committed in the selection of stage by the user, the same could be set right only by the OSMS State Administrator. The State Administrator would reverse the same by entering the correct/current stage of the work. There was no audit trail in the system for 1,026 works relating to period 2013-15 so as to verify who has done the reversal entry (user name), the date of reversal entry and reasons for reversal entry and prevent manipulation.

GoTN accepted the audit observations and stated (October 2015) that audit trail had been introduced by NIC. However, documentary evidence for the change management incorporated in the application software was not produced to audit.

2.1.8.10 Missing works in the database - gaps in Work_ID

When the details of a work were captured for the first time in the database, the system automatically assigns a unique number for the work. This unique ID number was the link field for all the related tables in the database. This system of automatic sequential numbering was in vogue since 2011. In these circumstances, there should not be any missing work_id in the data. Analysis of data pertaining to work_ids of various schemes (IAY, NABARD road works, PMGSY, IHHL, BRGF etc.) for the year 2014-15 disclosed that there were 78,656 missing work_ids in the 't_works' table. These missing work_ids also did not exist in the table 't_works_deleted_history' and 't_works_cancel' (meant for storing deleted/cancelled works).

Audit noticed from the above that only possibility for these missing work_ids could be deleted through back-end process leaving no trail in the system for removing such work_ids.

GoTN accepted (October 2015) the Audit observation stating that the discrepancy arose because the works created under IHHL scheme were cancelled due to non-availability of funds during 2014-15. It was further stated that the cancelled beneficiaries were reverted to IHHL during 2015-16 and in this process, the record in t_work_cancelled was permanently deleted and new work_id was created in t_works with same beneficiary details with financial year as 2015-16 and with new work_id. The reply is not acceptable as no Government order was produced to Audit, substantiating the cancellation of the 2014-15 IHHL scheme and including the same beneficiaries under IHHL scheme for 2015-16. No reply was furnished by GoTN in respect of work_ids of other schemes.

2.1.8.11 Incorrect capture of data due to absence of authorisation/ approval process in the application software

The OSMS data was captured by outsourced Data Entry Operators (DEO). To ensure the correctness and completeness of the data captured in the system, the responsibility lied with DRDAs, Assistant Director (Panchayats) and BPs. The data entered in the system needs to be verified by the official to ensure its correctness before preparing the reports every month. However, it has been observed in audit that no such check was carried out.

For instance, an administrative sanction of ₹ 61 lakh was accorded by DRDA, Nagapattinam for 'upgrading the road from Pudaiyur to Thiruvidaikazhi Kms 0/0 - 1/100'. On completion of the work, payment was released in first and final bill for ₹ 51,95,293 vide Voucher No.118 dated 27-10-2014. However, OSMS captured the payment for the above work as ₹ 63,50,656 under three different vouchers.

Government replied (October 2015) that instructions would be followed in future.

2.1.8.12 Schemes removed from software of OSMS prior to completion of work

The works of Rural Housing Scheme (RHS) and Periyar Ninaivu Samathuvapuram schemes were not yet completed as receipts and expenditure for the years 2012-15 had been accounted for in PRIA Soft as given in **Table 2.7.**

Table 2.7: Details of schemes not accounted for in OSMS

(₹ in crore)

Year	RHS		Periyar Ninaivu Samathuvapuram	
	Receipts	Payment	Receipts	Payments
2012-13	373.04	479.30	471.54	958.96
2013-14	160.32	238.18	749.52	670.83
2014-15	22.37	59.83	1.53	1.71

The progress of these schemes could not be watched by the authorities concerned through OSMS since the schemes were not available in the software.

Government replied (October 2015) that rectification would be made in future.

2.1.8.13 Non-monitoring of unutilised bank balances of inoperative schemes

DRDA maintained bank accounts scheme-wise. Some of these accounts were not operated owing to non-operation of the schemes. The unutilised balances amounting to ₹ 7.10 crore of these defunct schemes in two DRDAs (Theni and Vellore) were not watched through OSMS. Few illustrative cases are given in the **Appendix 2.3.**

Government has not given any specific reply to the point (October 2015).

2.1.8.14 Incomplete houses shown as completed in OSMS

It was observed from the Estimate and Allotment Register of 16 test checked BPs (except Kancheepuram and Veppanthattai) that work of construction of houses taken up under CMSPGHS and IAY during 2012-15 was not completed whereas the same was shown as completed in the OSMS as given in **Appendix 2.4.**

Government replied (October 2015) that defects pointed out in audit would be rectified in future.

2.1.9 Conclusion

Performance Audit on "IT support to Panchayat Accounts including Accounting of Major Schemes" revealed that hardware procured for ₹ 10.98 crore was not put to use for the intended purpose resulting in blocking up of capital. Training in PRIA Soft was not fully imparted and data were not entered in all the formats prescribed by the CAG. Data entry work was outsourced in contravention to the instructions. Multiple nomenclatures were used for single Object Head resulting in incorrect generation of ARPA and

Ledger Account. Inadequate input control resulted in duplicate bank accounts numbers. Receipts and expenditure were incorrectly classified in PRIA Soft. Receipts and expenditure incurred by DRDAs for PRIs 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.

2.1.10 Recommendations

Government of Tamil Nadu may

For PRIA Soft:

- take action to effectively use the hardware procured and impart effective training to all the Village Panchayat Secretaries
- ensure that the PRIA Soft is implemented as a system of record and annual accounts prepared out of its data
- ensure capturing of data correctly in PRIA Soft at all levels.

For OSMS:

- review the system to address control weaknesses identified and incorporate the essential validations in OSMS software
- integrate the modules and to introduce the authentication process.

CHAPTER III

COMPLIANCE AUDIT (PANCHAYAT RAJ INSTITUTIONS)

CHAPTER III

COMPLIANCE AUDIT

Compliance Audit on implementation of Thane Housing Scheme in Cuddalore and Villupuram Districts and in nine Village Panchayats in Kancheepuram and Tiruvallur districts under the administrative control of Rural Development and Panchayat Raj Department brought out the following instances of lapses in management of resources and failure in the observance of the norms of regularity, propriety and economy. These have been presented in the succeeding paragraphs.

RURAL DEVELOPMENT AND PANCHAYAT RAJ DEPARTMENT

3.1 Thane Housing Scheme

3.1.1 Introduction

Cuddalore and Villupuram Districts in Tamil Nadu witnessed (December 2011) a very severe cyclonic storm called 'Thane', which had damaged lakhs of houses and left lakhs of families without livelihood. Government of Tamil Nadu (GoTN) announced (January 2012) a fully State funded scheme *viz.* 'Thane Housing Scheme' (THS) for the benefit of the victims in rural areas. GoTN sanctioned (August 2012) ₹ 1,000 crore (₹ 1 lakh per house for 1,00,000 houses) for construction of 90,000 and 10,000 concrete houses in rural areas of Cuddalore and Villupuram districts respectively.

The financial assistance of ₹ 1,00,000 to each beneficiary was given by way of reimbursement in four instalments *viz*. ₹ 18,606 on completion of basement, ₹ 22,499 at lintel level, ₹ 24,557 at roof level and ₹ 34,338 on completion. As per the scheme guidelines, the department had to procure and arrange for smooth supply of materials such as cement and steel to the beneficiaries and adjust the procurement cost towards THS account maintained at District level. As of March 2015, work orders were issued for construction of 90,000 houses (Cuddalore: 80,000 and Villupuram: 10,000) and the expenditure incurred was ₹ 785.80 crore (Cuddalore: ₹ 685.61 crore and Villupuram: ₹ 100.19 crore).

The Principal Secretary, Rural Development and Panchayat Raj (RDPR) Department is the overall head at the Government level. Commissioner of Rural Development and Panchayat Raj (CRDPR), as the head of the department, draws and releases funds to Village Panchayats (VPs) through District Rural Development Agencies (DRDAs).

To assess whether the Department identified eligible beneficiaries and facilitated them by procurement and supply of materials at subsidised rates for construction of houses, Audit was conducted between February and June 2015 covering the period from 2012-13 to 2014-15. Records were test checked in RDPR Department, Commissionerate of Rural Development and Panchayat Raj, two DRDAs (Cuddalore and Villupuram), 3[1] out of 13 Block Panchayats (BPs) in Cuddalore District and 2[2] out of 22 BPs in Villupuram District selected on the basis of maximum number of houses undertaken for construction under THS in both the districts. Records were also test checked in 31[*] out of 144 VPs in three test checked BPs in Cuddalore district and 18[*] out of 81 VPs in two test checked BPs in Villupuram District, besides joint inspection of houses constructed under the scheme with the department staff. Audit findings are discussed in the succeeding paragraphs.

Audit findings

3.1.2 Financial and physical performance

3.1.2.1 Financial performance

GoTN had sanctioned (August 2012) ₹ 1,000 crore for implementation of the scheme in 2012-13. CRDPR had drawn the entire amount of ₹ 1,000 crore from Government account between September 2012 and February 2015 and released ₹ 800 crore to DRDA, Cuddalore (September 2012 – February 2015) and ₹ 100 crore to DRDA, Villupuram (September 2012 and June 2013) and kept the balance of ₹ 100 crore in CRDPR’s bank account.

As of March 2015, DRDA, Cuddalore had released ₹ 685.61 crore for implementation of the scheme; diverted (January 2014) on its own ₹ 5 crore for Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) and had an unspent balance of ₹ 117.51 crore (including interest of ₹ 8.12 crore). On this being pointed out in Audit, the amount diverted to MGNREGS was received back in July 2015.

Similarly, as of March 2015, DRDA, Villupuram had released ₹ 100.19 crore instead of ₹ 100 crore for the scheme. The excess release of funds was due to release of interest earned in THS bank account to VPs. However, DRDA, Villupuram received back (July 2015) the excess amount of ₹ 0.19 crore from the VPs concerned at the instance of Audit.

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1 Cuddalore, Kurinchipadi and Panruti

2 Kandamangalam and Koliyanur

* Maximum affected VPs in the test checked BPs selected on the basis of maximum number of houses allotted under THS

3.1.2.2 Physical performance

As per the guidelines of THS, houses were to be constructed during the financial year 2012-13. Position of construction of houses in the five test checked BPs as of March 2015 is given in **Table 3.1**.

Table 3.1: Physical performance of construction of houses

Name of the BP	No. of houses initially sanctioned	No. of houses for which work order issued during				No. of houses fully completed during				No. of houses shown as completed (as per the monthly reports furnished by Project Director, DRDA)	Actual Percentage of completion (col.10/col.6)
		2012-13	2013-14	2014-15	Total	2012-13	2013-14	2014-15	Total		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Cuddalore District											
Cuddalore	10,108	5,055	2,528	843	8,426	Nil	596	1,962	2,558	2,915	30
Kurinchipadi	14,171	10,122	1,412	235	11,769	7	338	2,355	2,700	4,820	23
Panruti	12,450	6,638	3,203	-	9,841	4	1,098	2,467	3,569	3,997	36
					30,036				**8,827**	**11,732**	**29**
Villupuram District											
Koliyanur	1,850	1,348	-	-	1,348	120	480	265	865	1,348	64
Kanda-mangalam	1,850	1,636	-	-	1,636	Nil	380	854	1,234	1,636	75
					2,984				**2,099**	**2,984**	**70**

Source: Details furnished by respective BPs.

The number of houses completed was 8,827 in three test checked BPs in Cuddalore District and 2,099 in two test checked BPs in Villupuram District as on 31 March 2015. But the DRDAs of both districts reported completion of 11,732 and 2,984 houses respectively in the monthly progress reports for the month of March 2015 furnished to CRDPR.

GoTN replied (October 2015) that nearly 40 *per cent* of the houses in the three test checked BPs in Cuddalore District had now been completed and the remaining houses would be completed within seven months. As regards Villupuram District, GoTN replied that all pending houses had been completed and final payments made to all houses.

3.1.3 Drawal of ₹ 100 crore without requirement and avoidable payment of interest

Out of the allotment of 90,000 houses to be constructed in rural areas of Cuddalore district, District Collector, Cuddalore requested (August 2012) CRDPR to transfer 9,993 houses to the urban areas, stating that Thane cyclone not only damaged houses in rural areas but also those in urban areas in the district. CRDPR recommended (October 2013) the same to GoTN for transferring 10,000 houses to urban areas within that District. The same was pending with Government (May 2015). However, CRDPR had drawn ₹ 100 crore (₹ 50 crore each in March 2014 and February 2015) being the THS grant pertaining to these 10,000 houses and deposited the amount in its savings bank account.

Subsequently, CRDPR sent (August 2013) a proposal to Government of India (GoI) for allotment of 34,380 houses (22,707 for Cuddalore and 11,673 for Villupuram) for Thane cyclone affected families under five *per cent* disaster quota given as a Special project for disaster affected areas under Indira Awaas Yojana (IAY), a GoI sponsored scheme and GoI approved (September 2013) the same for the year 2013-14. As per the funding pattern of IAY, out of the total unit cost of ₹ 70,000, ₹ 17,500 per unit (25 *per cent* of the unit cost) was to be met by GoTN. Besides, ₹ 50,000 per unit was to be met by GoTN towards roofing cost. In order to meet its financial needs for implementation of IAY, GoTN authorised (March 2014) CRDPR to obtain a loan of ₹ 746.10 crore from Tamil Nadu Rural Housing and Infrastructure Development Corporation. The loan was drawn in March 2014 (₹ 373.17 crore) and September 2014 (₹ 372.93 crore). However, while drawing the loan, CRDPR failed to take into account the available funds of ₹ 100 crore parked in its bank account, resulting in excess drawal of loan amount of ₹ 100 crore and avoidable interest payment of ₹ 3.05 crore[3] for the period from May 2014 to February 2015.

3.1.4 Selection of Beneficiaries

3.1.4.1 Non-formation of Selection Committee

As per paragraph 2 of guidelines for THS, all rural families which have been affected by Thane cyclone would automatically be eligible for construction of houses with a plinth area of 200 square feet. As per paragraph 9 of the guidelines, selection of beneficiaries should be made by a Committee comprising of Block Development Officer (BDO) (BP), a Deputy BDO and the President of the VP concerned. The list of beneficiaries identified by the Committee should be placed before Grama Sabha for its approval.

Audit scrutiny, of five test checked BPs, revealed that no Committee was constituted to identify the beneficiaries. The VPs selected the beneficiaries based on the list of recipients of Thane cyclone relief furnished by Revenue Department.

GoTN replied (October 2015) that the beneficiaries were selected by the Selection Committees. The reply is not correct since the BDOs of test checked BPs had stated that no separate Committee, comprising BDO (BP),

[3] ₹ 5.91 crore (interest paid) minus ₹ 2.86 crore (interest earned in the SB Account for ₹ 100 crore)

Deputy BDO and President of VP was formed, for identification of beneficiaries.

3.1.4.2 Selection of ineligible beneficiaries

The scheme guidelines stipulated that the beneficiary, to become eligible under THS, should either not own other pucca house in the village or elsewhere. He/she should not have benefitted under any other housing scheme of the Government and should have a clear patta for the site/house, in the name of the head of the family or any other member of the household.

Scrutiny of records such as ration card, voter ID card and house tax receipts by Audit revealed that in one case in Cuddalore district, two houses were allotted under the THS based on one patta which was contrary to the guidelines for the THS. As per the details furnished by the CRDPR, only huts were affected by Thane cyclone in Villupuram district. Therefore, individuals whose huts affected by the Thane cyclone were alone eligible for allotment of houses under the THS in Villupuram District. However, it was noticed that three men beneficiaries who had tiled/pucca houses in their names and three women beneficiaries who had tiled/pucca houses in the name of their husbands were allotted houses under the THS in Villupuram District in contrary to the guidelines of the THS.

For allotment of two houses based on one patta in Cuddalore district, GoTN replied (October 2015) that the land patta was in the name of the beneficiary (mother). The other beneficiary was the son of the former, but living separately. The reply is not acceptable since the second beneficiary (son) had a separate family and did not have clear patta in his name or in the name of any other member of the household as required in the guidelines for THS.

In respect of Villupuram district, GoTN replied (October 2015) that in one case, the site belonged to two brothers (i.e. the beneficiary and his elder brother); the brother of the beneficiary constructed his house abutting the beneficiary’s house and in respect of another case, the beneficiary attached the THANE house with that of his old tiled house for his convenience. The replies are not acceptable since these two beneficiaries already had houses and were not eligible for allotment of houses under THS. Reply for the remaining four cases are awaited (December 2015).

3.1.4.3 Incorrect inclusion of Neyveli project affected persons under the scheme

GoTN accorded (May 2005) administrative sanction for acquiring lands in Kathalai, Kilpathi and Valayamadevi Melpathi VPs in Chidambaram Taluk, Gangaikondan Town Panchayat in Virudhachalam Taluk and Thenkuthu and Vadakuthu Town Panchayats in Panruti Taluk in favour of Neyveli Lignite Corporation Limited (NLC) for expansion of its mines. NLC provided alternate land sites in Perumathur VP in Kurinchipadi BP and Marungoor VP in Panruti BP for the persons displaced from the above mentioned villages, besides payment of compensation as per National Rehabilitation and Resettlement Policy, 2007.

Scrutiny of records revealed that District Collector, Cuddalore included (May 2013 and February 2014) 179 NLC project affected persons (for whom alternate sites were provided by the NLC) as beneficiaries under THS. It was observed that the displaced persons had not constructed houses in the alternate lands allotted to them in the two panchayats (Perumathur VP in Kurinchipadi BP and Marungoor VP in Panruti BP) at the time of Thane Cyclone. Compensation for land and structures built on the land acquired for NLC project had already been given by NLC between February 2007 and December 2009 to the persons displaced. They had not constructed houses in the alternate site allotted to them before Thane cyclone. Therefore, their inclusion under this scheme resulted in avoidable expenditure of ₹ 1.15 crore on the completed portion of houses (March 2015).

GoTN replied (October 2015) that the NLC project affected persons did not have pucca concrete houses in their VPs/ Town Panchayats or in the alternate land provided by NLC; they were living in kutcha houses; affected by Thane cyclone and obtained relief from Revenue Department. The reply is not acceptable since compensation for the land and structures built on the land had already been provided by NLC to the displaced persons and they had not constructed houses in the alternate site allotted to them before Thane cyclone.

3.1.5 Execution of the Scheme

3.1.5.1 Adoption of higher cement mortar mix for brick works

As per THS guidelines, the houses were to be constructed as per IAY type design and pattern. As per IAY design, cement mortar (CM) mix of 1:6 was to be adopted in the model estimate for brick work constructions. The same was adopted by the RDPR Department in the State sponsored Kalaignar Veettu Vasathi Thittam (KVVT). Scrutiny of records relating to THS revealed that CM mix of 1:5 was provided in the model estimate instead of the economic design of CM mix of 1:6 for brick work which resulted in avoidable expenditure of ₹ 1.78 crore as detailed in **Appendix 3.1.**

GoTN admitted (October 2015) that CM 1:5 mix was adopted in the model estimate and the beneficiaries preferred to adopt CM 1:5 instead of CM 1:6 as the richer mix would be strong. Reply of GoTN is not acceptable as it is against the concept of low cost housing stipulated in IAY guidelines and the type design of houses under THS is the same as IAY.

3.1.5.2 Non-adoption of fly ash bricks

GoI prescribed (August 2003) that every construction agency, engaged in the construction of buildings within a radius of fifty to one hundred kilometres from a coal or lignite based thermal power plant, should use fly ash bricks or blocks or tiles or clay fly ash bricks or cement fly ash bricks or blocks or similar products or a combination or aggregate of them in such construction. Further, there are key advantages in using fly ash bricks, as they have higher chloride and sulphate corrosion resistance and plastering on outer wall was not necessary. All the test checked BPs in both Cuddalore and Villupuram Districts are within a radius of 100 km from NLC. The guidelines prescribed by GoTN (August 2012) for implementation of THS stipulated that country bricks, fly ash bricks and Hollow Blocks could be used for construction as desired by the beneficiaries based on the Public Works Department approved data. Audit scrutiny revealed that the model estimates of five test checked BPs and valuation certificates issued by them for payment to beneficiaries did not provide for use of fly ash bricks. The panchayats were in the cyclone affected area near the sea shore and thus vulnerable to chloride and sulphate corrosion. Therefore, use of fly ash bricks would have helped in arresting corrosion besides lowering expenditure, by avoiding plastering. The non-adoption of low cost technology of using fly ash bricks in brick work in house construction had resulted in avoidable expenditure of ₹ 5.85 crore **(Appendix 3.2)** on plastering of walls with cement mortar.

GoTN replied (October 2015) that the cost of fly ash bricks was costlier than that of country bricks and the beneficiaries preferred country bricks to fly ash bricks. The reply is not acceptable. Even though the basic rate of fly ash bricks was costlier, brick works with fly ash bricks does not require outer wall plastering and hence would be economical. This was very essential for low cost housing and fly ash bricks had been used for houses constructed under Tsunami Housing Scheme in Cuddalore District.

3.1.5.3 Excess expenditure on payment for completed portions of houses constructed under Rural Housing Scheme

District Collector, Cuddalore accorded (April 2013) administrative sanction to convert 1,580 houses, sanctioned under KVVT scheme during 2010-11, later renamed as Rural Housing Scheme (RHS), which were at basement/lintel level, as pucca concrete houses under THS, as a special case. Expenditure incurred for the work done under RHS was debited to THS by crediting back that amount of expenditure to RHS.

Audit scrutiny revealed that 890 RHS houses completed up to basement level and 690 RHS houses completed up to lintel level were taken up under THS. Expenditure incurred above basement level and lintel level for these houses were to be paid only at the rate applicable to THS. However, payments were made at the rates applicable to THS including for the work already completed under RHS by releasing the differential amount of ₹ 1.28 crore between the two schemes to the beneficiaries as given in **Table 3.2.**

Table 3.2: Excess expenditure on payment of difference in rates of the completed portion of RHS houses

Stages of completion of houses under RHS	Number of non-completed RHS Houses taken up under THS	Rates allowed as per THS (in ₹)	Rates to be allowed as per RHS (in ₹)	Difference in rates (in ₹)	Excess release of grant (in ₹)
(1)	(2)	(3)	(4)	(5)	(6) (Col.(2) X Col.(5))
Basement level	890	18,606	11,571	7,035	62,61,150
Lintel Level	690	41,105	31,605	9,500	65,55,000
				Total	**₹ 1,28,16,150 or ₹ 1.28 crore**

As Schedule of Rates and the specifications for brick work for superstructure were different for the two schemes, the release of differential amount resulted in excess expenditure of ₹ 1.28 crore under THS.

GoTN replied (October 2015) that the incomplete RHS houses which were severely damaged by Thane Cyclone were taken up under THS, since further construction was not possible under RHS as the scheme was closed. Reply is not acceptable since the incomplete RHS houses were taken up under THS only in April 2013 whereas the RHS was closed as early as October 2011. Hence the incomplete RHS houses were taken up under THS in April 2013 only to achieve the target fixed for THS.

3.1.6 Procurement and Supply of Materials

As per paragraph 14 of the guidelines for THS, supply of cement for the scheme should be arranged through Tamil Nadu Cements Corporation Limited (TANCEM) and the payment would be made by the respective DRDA at District level. Steel required for the scheme would be supplied by the respective DRDA by procuring the same through open tender system. As per the handbook issued to the beneficiaries, the estimated requirement of cement and steel for constructing a 200 square feet house under THS were three Metric Tonne (MT) and 0.155 MT respectively.

3.1.6.1 Non-supply of cement at subsidised rates

GoTN directed (June 2012 and February 2013) TANCEM to supply each year four lakh MT of cement from their own supply for 2012-13 and 2013-14 and the required quantity of 9.85 lakh and 8.40 lakh MT of cement from private cement companies for the years 2012-13 and 2013-14 respectively.

The rate at which cement was procured by DRDAs from TANCEM during 2012-13 and 2013-14 ranged between ₹ 235 and ₹ 245 per bag. GoTN also fixed (November 2012 and May 2013) the rate for procurement of cement by DRDA from private companies at ₹ 222.50 per bag (Cost of cement: ₹ 220; margin money: ₹ 2 and inspection charges: ₹ 0.50) for the years 2012-13 and 2013-14. CRDPR had also directed (December 2012 and November 2013) all

DRDAs to adopt the cost of cement supplied by private companies at ₹ 222.50 per bag in the estimates for all housing schemes so as to supply cement at maximum subsidised rates to the beneficiaries.

It was observed in Audit that all the five test-checked BPs had recovered the cost of cement from the beneficiaries at the rate ranged between ₹ 225 and ₹ 257 per bag, instead of recovering the cost of cement at ₹ 222.50 per bag as instructed by CRDPR. This had resulted in short release of grant amounting to ₹ 2.95 crore to the beneficiaries during the period 2012-15 as detailed in the **Appendix 3.3.**

GoTN replied (October 2015) that it was hard to differentiate the cement of two different rates among the beneficiaries and to maintain uniformity in the recovery rates among the beneficiaries, uniform recovery rate was arrived at and recovered. The reply is not tenable as uniform recovery rate of ₹ 222.50 per bag, as prescribed by CRDPR, was not adopted by the five test checked BPs.

3.1.7 Other points

3.1.7.1 Irregular deduction of Labour Welfare Fund

As per Government Order issued in September 2010, Labour Welfare Fund (LWF), building licence fees etc. should not be deducted from the beneficiaries of Integrated Housing and Slum Development Programme as in the case of IAY, Jawaharlal Nehru National Urban Renewal Mission (JNNURM) schemes etc. as the beneficiaries are themselves involved in the construction of houses. However, it was observed in Audit that two BPs (Kandamangalam and Koliyanur) in Villupuram District had recovered the amount of contribution from the beneficiaries towards LWF resulting in short release of grant of ₹ 0.12 crore and kept the amount in the VP's THS account.

GoTN replied (October 2015) that orders had been issued to refund the amount to the beneficiaries.

3.1.7.2 Rain water harvesting

As per paragraph 4 of the scheme guidelines, rain water harvesting (RWH) structure should be provided in all the houses. However, no provision was made in the estimate and, hence, the same was not developed by the beneficiaries in all the test checked VPs.

GoTN replied (October 2015) that provision of RWH structure would have an additional cost of ₹ 5,000 which was five *per cent* of the total estimated cost; would definitely be a burden to the beneficiaries; most of the beneficiaries of THS have constructed RWH structures; only a few have not provided RWH and were educated to provide RWH at their own interest and cost.

3.1.8 Conclusion

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.

RURAL DEVELOPMENT AND PANCHAYAT RAJ DEPARTMENT

3.2 Loss of revenue

NINE VILLAGE PANCHAYATS IN KANCHEEPURAM AND TIRUVALLUR DISTRICTS

3.2.1 Non-collection of Infrastructure and Amenities charges

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.

Proviso to Rule 25 of Tamil Nadu Panchayat Building (TNPB) Rules, 1997 stipulated that the Executive Authority of the Village Panchayat (VP) should not grant approval for construction, reconstruction, addition or alteration of any building without consulting the concerned Joint Director or Deputy Director of Town and Country Planning (DTCP). The local authority (i.e. VP) should levy Infrastructure and Amenities (I & A) charges on the institution of use or change of use of land or building or development of any land or building in the whole area or any part of the planning area at the prescribed rates as per Section 63-B of the Tamil Nadu Town and Country Planning (TNTCP) Act, 1971. As per Section 2(10) of the TNTCP Act, 1971, educational institutions fall under commercial category. In June 2007, Government of Tamil Nadu (GoTN) fixed the rate of I & A charges to be collected on different categories of buildings. For commercial buildings, the rate of I & A charges was ₹ 500, ₹ 250 and ₹ 375 per square metre from 01 June 2007, 08 February 2008 and 28 March 2012 respectively.

Audit scrutiny of records revealed that Executive Authorities of nine VPs (seven in Kancheepuram District and two in Tiruvallur District) issued building permits to 10 educational institutions without obtaining the concurrence of DTCP and collecting I & A charges. Non-compliance of the above rules by the Executive Authorities of these nine VPs resulted in non-collection of I & A charges amounting to ₹ 2.31 crore.

On this being pointed out (March 2015) by Audit, GoTN replied (October 2015) that action had been taken to issue surcharge notice against the VP Presidents who had caused loss to the Government by issuing planning permission without concurrence of DTCP. GoTN further stated that plan approval for the concerned educational institutions in Tiruvallur District were sanctioned during the tenure of previous VP Presidents and the educational institutions were directed to apply for the revised plan approval from DTCP and to remit the I & A charges. It was further stated that notices have since been issued by the VP Presidents to the concerned educational institutions.

PART - B

URBAN LOCAL BODIES

CHAPTER IV

AN OVERVIEW OF THE FUNCTIONING, ACCOUNTABILITY MECHANISM AND FINANCIAL REPORTING ISSUES OF URBAN LOCAL BODIES

CHAPTER IV

AN OVERVIEW OF THE FUNCTIONING, ACCOUNTABILITY MECHANISM AND FINANCIAL REPORTING ISSUES OF URBAN LOCAL BODIES

An Overview of the functioning of the Urban Local Bodies in the State

4.1 Introduction

The 74th amendment to the Constitution gave constitutional status to Urban Local Bodies (ULBs) and established a system of uniform structure, regular election, regular flow of funds through Finance Commission etc. As a follow-up, the States are required to entrust these bodies with powers, functions and responsibilities so as to enable them to function as institutions of local self-government.

Accordingly, the State Legislature amended the Tamil Nadu District Municipalities Act, 1920 for transferring the powers and responsibilities to ULBs in order to implement schemes for economic development and social justice including those in relation to the matters listed in the Twelfth Schedule of the Constitution.

Tamil Nadu is one of the most urbanised State in India. As per the 2011 census, the urban population of the State was 3.49 crore constituting 48.40 *per cent* of the total population of 7.21 crore. Important statistics of the State regarding population and ULBs are given in **Table 4.1**.

Table 4.1: Important statistics of the State

Population	7.21 crore
Population density	555 persons per Sq.Km.
Gender ratio	996 females per 1,000 males
Urban population	48.40 *per cent*
Literacy	80.09 *per cent*
Number of ULBs	664
- Municipal Corporations	12[1]
- Municipalities	124
- Town Panchayats	528

Source: 2011 Census figures and Policy Note of the Municipal Administration and Water Supply Department for 2015-16)

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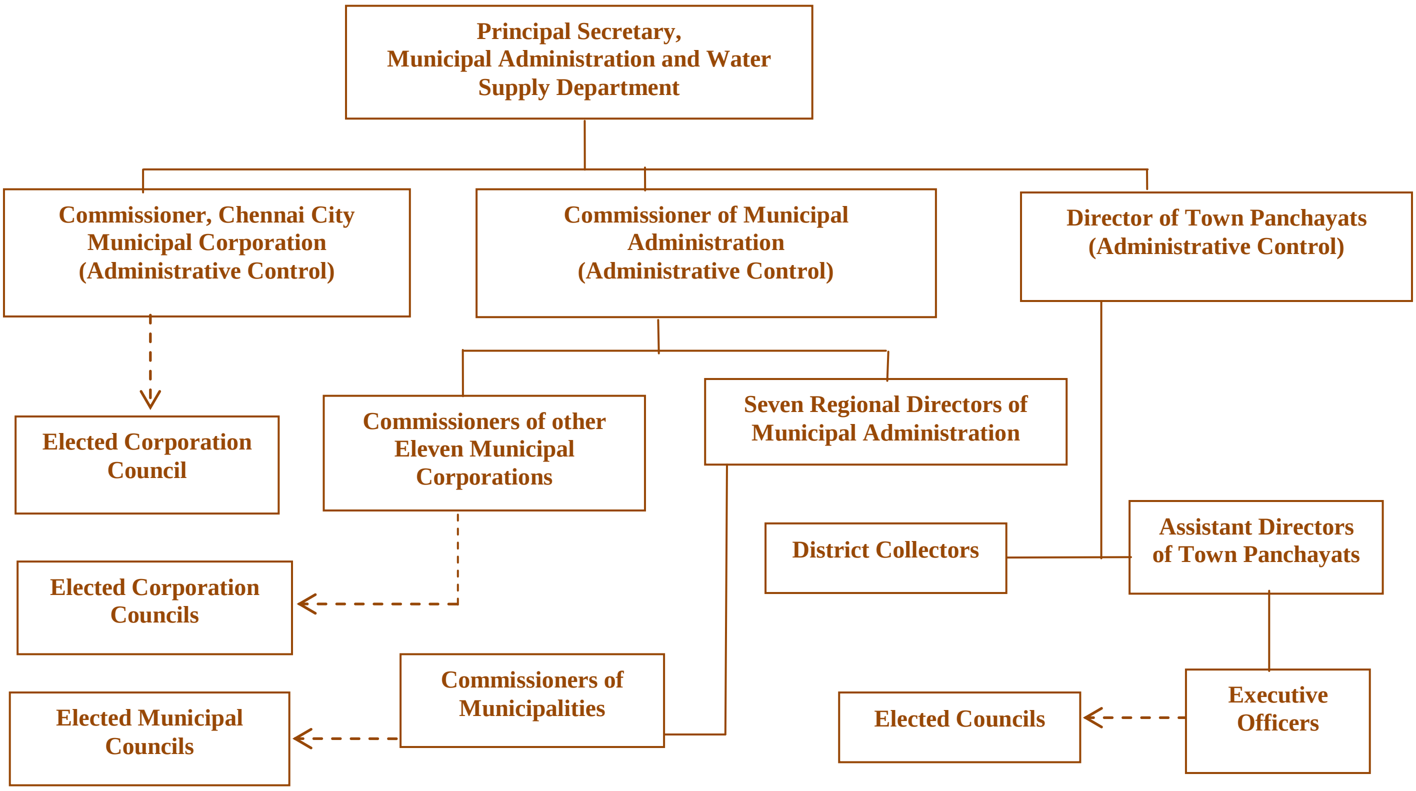
[1] Chennai, Coimbatore, Dindigul, Erode, Madurai, Salem, Thanjavur, Tiruchirappalli, Tirunelveli, Tiruppur, Thoothukudi and Vellore.

4.2 Organisational set up of ULBs

The organisational structure for administration of ULBs in Tamil Nadu is as under:



Source : Commissionerate of Municipal Administration

4.3 Functioning of ULBs

Consequent upon the 74th amendment to the Constitution, the State Legislature amended the Tamil Nadu District Municipalities Act, 1920 for transferring the powers and responsibilities to ULBs. 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.

4.4 Formation of various Committees

Out of 32 Districts in Tamil Nadu, Government of Tamil Nadu (GoTN) constituted a District Planning Committee (DPC) in each of the 31 districts except Chennai as per Section 241(1) of the Tamil Nadu Panchayats Act, 1994. Constitution and functions of the DPC are mentioned in Paragraph 1.4 of this Report.

Corporation of Chennai stated (July 2015) that Standing Committees for Public Health, Town Planning, Works, Taxation and Finance, Education, Accounts and Appointment were formed. Director of Municipal Administration stated (January 2016) that Standing Committees for Public Health, Town Planning, Works, Taxation and Finance, Education, Accounts and Appointment were formed in Municipal Corporations and Standing Committees for Contracts, Town Planning, Taxation Appeal and Appointment were formed in Municipalities. Director of Town Panchayats (DTP) stated (December 2015) that Standing Committees for Contracts, Town Planning, Taxation Appeal and Appointment were formed.

4.5 Audit arrangement

4.5.1 Primary Auditor

GoTN entrusted (August 1992) audit of ULBs to the Director of Local Fund Audit (DLFA), who has to certify the correctness of accounts, assess internal control system and report cases of loss, theft and fraud to the audited entities and to GoTN. Placing of Audit Report of DLFA to the Legislative Assembly is mentioned in Paragraph 1.5.1 of this Report.

Arrears in submission of accounts

ULBs should finalise their annual accounts within three months after the end of the financial year. Number of ULBs who did not submit their accounts to DLFA, as of August 2015, for the years 2012-13, 2013-14 and 2014-15 are given in **Table 4.2.**

Table 4.2: Position of non-submission of accounts by the ULBs to DLFA

Category of ULB	Total number of ULBs	Number of ULBs not submitted their accounts relating to		
		2012-13	2013-14	2014-15
Municipal Corporations	10 (2012-13 and 2013-14) 12 (2014-15)	1	8	12
Municipalities	125 (2012-13) 126 (2013-14) 124 (2014-15)	2	28	124
Town Panchayats	529 (2012-13) 528 (2013-14 and 2014-15)	Nil	16	516

Source: Details furnished by DLFA

Arrears in Audit by DLFA

The position of arrears in audit of ULBs by DLFA, as of August 2015, is given in **Table 4.3.**

Table 4.3: Position of non-completion of audit of ULBs by DLFA

Category of ULB	Total number	2013-14			2014-15		
		Accounts submitted to DLFA	Audit completed out of (A)	Audit pending (A) - (B)			
		(A)	(B)	(C)	(A)	(B)	(C)
Municipal Corporations	10 (2013-14) 12 (2014-15)	2	Nil	2	Nil	N.A.	Nil
Municipalities	126 (2013-14) 124 (2014-15)	98	15	83	Nil	N.A.	Nil
Town Panchayats	528	512	475	37	12	12	Nil

N.A – Not applicable

Source: Details furnished by DLFA

DLFA reported (November 2015) that 2,75,766 paragraphs relating to Municipal Corporations, Municipalities and Town Panchayats included in their Inspection Reports (IRs) relating to the years upto 2012-13 were pending settlement as of August 2015. Audit analysis of the data revealed that out of 1,09,570, 1,16,723 and 49,473 paragraphs pending upto 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.

DLFA further reported (November 2015) that for settling the pending paragraphs relating to Municipal Corporations, Municipalities and Town Panchayats, 32 meetings were held during 2014-15 wherein 11,077 paragraphs were settled.

4.5.2 Audit by Comptroller and Auditor General of India (CAG)

The Principal Accountant General also audits the ULBs under Section 14(2) of the CAG's (Duties, Powers and Conditions of Service) Act, 1971. Technical Guidance and Support (TGS) is provided by the Principal Accountant General to DLFA.

Audit Reports of CAG

CAG's Audit Reports on ULBs upto 2006-07 were discussed and recommendations were given by the Public Accounts Committee (PAC). As of December 2015, Action Taken Reports were pending from Municipal

Administration and Water Supply Department on 196 recommendations[2] relating to 1985-86 to 2007-08 for final settlement, which consisted of paragraphs relating to ULBs included in the Audit Reports (Civil) and (Local Bodies).

4.6 Response to audit observations

Audit of ULBs by test check of records are followed-up through IRs issued to the Commissioner, Corporation of Chennai (in respect of Chennai City Municipal Corporation), Commissioner of Municipal Administration (CMA), DTP and to the ULBs concerned. As of December 2015, 3,807 paragraphs contained in 732 IRs issued during the period from 2009-10 to 2014-15 were pending settlement for want of satisfactory replies.

Accountability Mechanism and Financial Reporting Issues

Accountability Mechanism

4.7 Ombudsman

As per Paragraph No.10.161(iii) of the recommendations of the Thirteenth Finance Commission (TFC), the State Government must put in place a system of independent local body Ombudsman who will look into complaints of corruption and maladministration against the functionaries of local bodies, both elected members and officials and recommend suitable action and the system should be made applicable to all elected functionaries and officials in all Municipal Corporations, Municipalities and Zilla Parishads at least.

Subsequent to the enactment (December 2014) of Tamil Nadu Local Bodies Ombudsman Act, 2014, Ombudsman for the Municipal Corporations, Municipalities, Town Panchayats and District Panchayats in Tamil Nadu was established. Tamil Nadu Local Bodies Ombudsman stated (January 2016) that 352 complaints were received till December 2015 against the ULBs and its public servants from various Municipal Corporations, Municipalities and Town Panchayats, out of which 282 have been disposed of and the remaining cases were in final stage.

4.8 Social Audit

ULBs are not covered by Social Audit in the State.

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[2] 1985-86 (1), 1990-91 (5), 1992-93 (15), 1997-98 (1), 1999-2000 (10), 2000-2001 (1), 2001-02 (9), 2002-03 (2), 2003-04 (28), 2004-05 (33), 2005-06 (55), 2006-07 (30) and 2007-08 (6)

4.9 Property Tax Board

GoTN enacted (May 2013) Tamil Nadu State Property Tax Board Act, 2013 and framed (October 2014) Tami Nadu State Property Tax Board Rules, 2014. However, Property Tax Board has not yet (December 2015) been constituted in the State.

4.10 Service Level Benchmark

As per paragraph 10.161(viii) of the TFC recommendations, State Governments must notify or cause all the Municipal Corporations and Municipalities to notify the service standards for four service sectors *viz.*, water supply, sewerage, storm water drainage and solid waste management proposed to be achieved by them by the end of the succeeding fiscal year. District-wise Notifications covering all ULBs were issued by GoTN in April 2012.

Audit scrutiny of the service level benchmarks fixed for Corporation of Chennai in respect of solid waste management revealed that the achievement relating to the main component of segregation of solid waste into bio-degradable and non-bio-degradable waste was nine *per cent* as against the benchmark of 100 *per cent*. In respect of other Municipal Corporations, Municipalities and Town Panchayats, details of achievement of service level benchmarks were not furnished by CMA.

4.11 Fire hazard response

As per paragraph 10.161(ix) of the TFC recommendations, all Municipal Corporations with a population of more than one million must put in place a fire hazard response and mitigation plan for their respective jurisdictions. Notification accepting this recommendation of TFC was issued by GoTN in November 2013.

Municipal Corporations of Chennai, Coimbatore and Madurai released a sum of ₹ 267.70 lakh, ₹ 51.10 lakh and ₹ 48.50 lakh respectively for the period 2011-15 and an amount of ₹ 107.82 lakh, ₹ 3.28 lakh and ₹ 3.28 lakh was utilised by the Fire and Rescue Services Department from the amount released by the respective corporations during the period for purchase of vehicles and equipments. However, the expenditure incurred during the period 2011-15 was only 40 *per cent*, six *per cent* and seven *per cent* respectively.

4.12 Submission of Utilisation Certificates

Corporation of Chennai stated ((July 2015) that Utilisation Certificates (UCs) were issued after utilising the actual amount received from GoI. CMA stated (January 2016) that the UCs were sent to GoI by booking the release of grants as expenditure. DTP stated (December 2015) that in some projects UCs were sent directly to GoI and in some projects through the nodal agencies.

4.13 Internal Audit and Internal Control System of ULBs

Corporation of Chennai stated (July 2015) that as the Financial Advisor was the overall controller for verification of audit and accounts of Corporation of Chennai, the Chief Accounts Officers were doing internal audit in their respective zones. CMA stated (January 2016) that in respect of 11 Municipal Corporations and Special Grade Municipalities, DLFA was conducting concurrent Audit.

4.14 Financial Reporting Issues

4.14.1 Source of funds

The resource base of ULBs consists of

(i) own revenue,

(ii) assigned revenue,

(iii) grants from GoI and GoTN and

(iv) loans from GoI/GoTN/financial institutions.

Table 4.4 below shows the details of receipts and expenditure of the ULBs for the period from 2010-11 to 2014-15.

Table 4.4: Receipts and expenditure of ULBs

(₹ in crore)

	2010-11	2011-12	2012-13	2013-14	2014-15
Own revenue	2,033	2,148	2,467	2,957	3,133
Assigned revenue	661	780	1,084	1,211	1,255
Grants	3,542	3,220	4,020	4,391	4,232
Loans	626	225	323	903	850
Total receipts	**6,862**	**6,373**	**7,894**	**9,462**	**9,470**
Revenue expenditure	3,244	2,559	3,461	4,985	5,383
Capital expenditure	2,807	2,221	3,117	5,107	5,241
Total expenditure	**6,051**	**4,780**	**6,578**	**10,092**	**10,624**

Source: Details furnished by the Commissioner, Corporation of Chennai, CMA and DTP

The percentage of expenditure and savings to the total receipts during 2010-11 to 2014-15 is given in **Table 4.5.**

Table 4.5: Percentage of expenditure and savings

	2010-11	2011-12	2012-13	2013-14	2014-15
Revenue expenditure	47	40	44	53	57
Capital expenditure	41	35	39	54	55
Savings(-)/Excess expenditure(+)	(-)12	(-)25	(-)17	7	12

While Capital expenditure over the years ranged between 35 and 55 *per cent* of the total receipts, Revenue expenditure ranged between 40 and 57 *per cent* of the total receipts during 2010-15.

4.14.2 Recommendations of State Finance Commission (SFC)

Out of 130 recommendations given by Fourth SFC, GoTN accepted 112 recommendations. GoTN accepted (June 2013) the recommendations of Fourth SFC regarding devolution of grants to local bodies with modifications to adopt the vertical sharing ratio between rural and urban local bodies at 58:42 and the horizontal sharing ratio of SFC devolution funds at 40:31:29 among Municipal Corporations, Municipalities and Town Panchayats respectively.

4.14.3 Recommendations of Thirteenth Finance Commission

(a) The details of TFC grants released by GoI and released by GoTN to the Municipal Corporations, Municipalities and Town Panchayats during 2010-15 is given in **Table 4.6.**

Table 4.6: Release of TFC grants by GoI and GoTN

(₹ in crore)

Year	Earmarked TFC grant by GoI	Total release by GoI to GoTN	Total release by GoTN to ULBs		Total
			Municipal Corporations and Municipalities	Town Panchayats	
2010-11	133.91	220.84	158.98	62.02	221.00
2011-12	343.69	276.84	199.15	82.46	281.61
2012-13	504.77	314.48	226.24	88.71	314.95
2013-14	596.99	362.79	260.99	101.81	362.80
2014-15	705.77	396.54	281.55	130.00	411.55
Total	**2,285.13**	**1,571.49**	**1,126.91**	**465.00**	**1,591.91**

Source: Details furnished by CMA and DTP

(b) A sum of ₹ 1.03 crore released by GoI as Twelfth Finance Commission Grant for implementing Solid Waste Management scheme in Idappadi Municipality remained unutilised since March 2010. The amount has been invested in short term deposit in December 2015 for a period of six months with a maturity value of ₹ 1.21 crore.

4.14.4 Maintenance of records

Asset Register

According to Chapter 9 of Accounting Manual for ULBs, all assets namely land, buildings, etc. have to be entered in the Asset Register at the original cost as arrived at in the Fixed Asset Journal Voucher and the original cost will remain as such in the Register. However, it was noticed that out of 48 municipalities audited during 2014-15, Asset Registers were either not maintained or entries were not made as and when assets were created in two municipalities (Pammal and Kangeyam).

Road Register

A scrutiny of Road Register maintained by the ULBs revealed that entries in respect of improvements carried out on existing roads as Black Topped/Water Bound Macadam/Cement Concrete roads during the periods from 2000-01 to 2014-15 were not made by Madambakkam (190 road works) and Uthiramerur (95 road works) Town Panchayats. It was also noticed that Jayankondam Municipality did not maintain the Road Register and Thiruverkadu Municipality did not update the register after April 2010. As a result, the current status of the roads could not be verified. As improvement works of roads were taken up with reference to the present status of roads, non-updation of road register may lead to incurring of expenditure on the same roads frequently.

4.14.5 Maintenance of accounts by ULBs

Accrual-based system of accounting is being followed in all the ULBs. Corporation of Chennai stated (July 2015) that in conformity with the National Municipal Accounting Manual, the chart of accounts was revised and accounts upto 2013-14 were finalised. CMA stated (January 2016) that at present the annual accounts of ULBs have not been compiled as per the newly updated Accounting Manual due to non-availability of software. CMA further stated that in order to implement a centralised web enabled software application for ULBs, a e-governance project has been taken up under Tamil Nadu Sustainable Urban Development Project (TNSUDP) at a cost of ₹ 18.31 crore and software for 29 modules (including accounting software) had been completed and validation process was in progress.

4.14.6 Issues related to AC/DC Bills

The practice of preparing abstract contingent bills and detailed contingent bills for managing Temporary advances is not in vogue in Tamil Nadu State including ULBs.

4.14.7 Maintenance of database and the formats therein on the finances of ULBs

The annual accounts of ULBs were not compiled as per the newly updated accounting manual due to non-availability of software.

CHAPTER V
PERFORMANCE AUDIT
(URBAN LOCAL BODIES)

CHAPTER V

PERFORMANCE AUDIT

This Chapter contains findings of Performance Audit on Revenue collection and delivery of citizen services by Erode City Municipal Corporation.

MUNICIPAL ADMINISTRATION AND WATER SUPPLY DEPARTMENT

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

Executive Summary

Erode City Municipal Corporation (ECMC) was formed in January 2008 by upgrading the erstwhile Erode Municipality. After merger of 11 adjoining local bodies in January 2011 with the ECMC, it has 60 wards and 15 sanitary divisions with total area of 109.52 square kilometres. Performance Audit on 'Revenue Collection and delivery of citizen services by ECMC' conducted between February and August 2015 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 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.

5.1.1 Introduction

Erode City Municipal Corporation (ECMC) was formed in January 2008 by upgrading the erstwhile Erode Municipality. After merger of 11[1] adjoining local bodies in January 2011 with ECMC, it has 60 wards and 15 sanitary divisions with total area of 109.52 square kilometres. New Council of ECMC

[1] Kasipalayam, Periyasemur, Surampatti and Veerapanchatiram Municipalities, B.P.Agraharam and Sooriyampalayam Town Panchayats, Ellapalayam, Gangapuram, Muthampalayam, Thindal and Villarasampatti Village Panchayats

was formed with elected members in October 2011. As per 2011 census, population of ECMC was 4.98 lakh.

5.1.2 Organisational set up

Principal Secretary to Government of Tamil Nadu (GoTN), Municipal Administration and Water Supply (MAWS) Department is the overall head at the Government level. Commissioner of Municipal Administration (CMA) is the head of the Department who monitors the functions of Municipal Corporations. ECMC is headed by a Commissioner who is the executive head for implementing all functions in accordance with the resolutions passed by the ECMC Council. Mayor is the Chairperson of the Council and is assisted by a Deputy Mayor. Zonal Officers head the four zones and execute the functions of ECMC as per the powers delegated to them.

5.1.3 Audit objectives

The Audit objectives were to assess whether:

- planning was aimed at effective delivery of citizen services;
- revenue generation was adequate to support the delivery of services and revenue collection mechanism was efficient;
- citizen services were rendered efficiently, economically and effectively and
- the existing mechanism for Monitoring and Evaluation was effective.

5.1.4 Audit criteria

Audit findings were benchmarked against the following criteria:

- Erode City Municipal Corporation Act, 2008 and Coimbatore City Municipal Corporation Act, 1981 (CCMC Act);
- Tamil Nadu Town and Country Planning Act, 1971;
- Tamil Nadu Tender Transparency Act, 1998;
- Municipal Solid Waste (Management and Handling) Rules, 2000;
- Indian Road Congress specifications;
- Municipal Manual, Municipal Accounting Manual, IT Manual, Engineering Manual and Council resolutions;
- Guidelines of various schemes and
- Orders of GoTN, executive instructions and circulars issued from time to time.

5.1.5 Scope and methodology of audit

The Performance Audit was conducted between February and August 2015 covering the period from 2010-11 to 2014-15. Records were test checked in the Secretariat, office of the CMA and the ECMC, including all its four zonal offices besides collecting details from Departments of GoTN such as Health Department and Town and Country Planning Department and organisations such as Employees' Provident Fund Organisation and Tamil Nadu Pollution Control Board (TNPCB) for cross checking of details obtained from the ECMC. Performance Audit commenced with an entry conference held on 16 April 2015 with the Principal Secretary, MAWS Department wherein audit objectives, criteria and scope of audit were discussed. Audit findings were discussed with the Principal Secretary, MAWS Department, in the Exit conference held on 25 January 2016. Replies wherever received have been considered while finalising the Audit findings discussed below:

Audit findings

5.1.6 Finance

Sources of revenue of the ECMC were tax receipts which included Property Tax (PT) and Profession Tax and non-tax receipts comprised of recovery of rent, fees, fines and other charges. The ECMC also received grants from State and Central Finance Commissions, funds devolved by GoTN and other specific grants from Government of India (GoI) and GoTN.

The details of receipts and expenditure of ECMC, as per the budget proposals for the years 2010-15, are indicated in **Table 5.1**.

Table 5.1: Details of Receipts and Expenditure

(₹ in crore)

Fund		Receipts					Expenditure				
		2010-11	2011-12*	2012-13	2013-14	2014-15	2010-11	2011-12*	2012-13	2013-14	2014-15
Revenue and Capital Fund	BE	34.76	39.56	146.47	137.95	230.47	54.98	77.38	152.54	146.06	231.19
	RE	24.31	114.64	127.75	161.71	111.82	51.06	120.56	115.57	168.82	116.49
	Actuals	28.39	58.35	121.43	161.31	N.A**	34.82	56.07	74.36	168.82	N.A**
Water Supply and Drainage Fund	BE	78.89	71.84	22.14	17.36	36.16	80.81	67.16	25.84	21.23	41.64
	RE	22.50	21.67	18.52	16.67	16.99	19.51	20.82	20.91	19.76	16.97
	Actuals	5.77	6.10	9.25	16.67	N.A**	5.76	6.79	17.08	19.76	N.A**
Elementary Education Fund	BE	4.89	3.30	2.97	5.64	5.45	4.78	3.27	3.42	1.99	6.33
	RE	2.92	4.16	3.53	4.61	6.75	2.04	4.73	4.23	5.92	6.80
	Actuals	1.90	1.73	0.91	4.61	N.A**	3.03	1.20	0.51	5.92	N.A**

*Adjoining local bodies were merged with the ECMA during 2011-12; hence the increase.

**Actuals for 2014-15 were not available due to non-finalisation of accounts.

BE: Budget Estimate; RE: Revised Estimate

Excess expenditure over income shown in the accounts reflected expenditure towards provision for depreciation on assets and expenses booked under 'contribution to other funds' which were not actually incurred.

Source: **BE / RE figures**: Budget Books. **Actual figures**: 2010-13: Accounts audited by Local Fund Audit (LFA); 2013-14 and 2014-15: Budget Books

Analysis of the **Table 5.1** revealed the following:

Revenue and Capital Fund: The actual receipts during the years 2011-12 and 2013-14 increased when compared with BE for these years. In respect of 2010-11 and 2012-13, the same decreased against the BE for these years. The actual expenditure was less than the BE for the years 2010-14 except 2013-14. Increase of receipts over the years was mainly due to increase in receipts under Devolution Fund, increase in PT, assigned revenue and other income.

Water Supply and Drainage Fund: There was shortfall in actual receipts and expenditure during 2010-14 against the BE for these years. The decrease in income and expenditure compared to BE was due to non-execution of capital works and also reduction in maintenance expenditure.

Elementary Education Fund: There was shortfall in actual receipts during 2010-14 against the BE for these years whereas the actual expenditure was less than the BE during 2010-13 and the expenditure increased over the BE during 2013-14. The increase in expenditure was due to increase in expenditure under the head 'administration' expenses.

5.1.7 Planning

In view of the expansion of the ECMC in 2011, a City Development Plan (CDP) was prepared (December 2013) through a Consultant. It was approved by the council of the ECMC in February 2014. As per the CDP, short, medium and long term plans were proposed to be completed by 2017-18, 2024-25 and 2042-43 respectively. These plans were submitted (August 2014) to Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited (TUFIDCO) for their recommendation to Ministry of Urban Development, GoI for a total value of ₹ 2,089.70 crore. ECMC did not pursue the matter further (June 2015). Sanctions by the GoI to the identified projects and funds for implementation of those projects were awaited (June 2015). Delay in implementation of these projects included in the CDP would result in escalation of costs and ultimately affect the delivery of citizen services.

5.1.8 Human Resources

5.1.8.1 Vacancies in various posts of essential services

As of February 2015, men in position of the ECMC in various posts were 1,106 as against 1,326 sanctioned posts. The vacancy position in essential services of Engineering and Water Supply and Public Health were 68 and 44 *per cent* respectively which affected the delivery of these services. Though the ECMC requested (February 2013) sanction of 588 posts, the CMA recommended (September 2013) 432 posts to the GoTN for sanction and the same was not sanctioned as of August 2015.

Commissioner of the ECMC stated (August 2015) that vacancies in various posts affected services in Health and Sanitation sectors and also Accounts Department.

5.1.8.2 Excess payment of service tax

The ECMC employed 25 security personnel in addition to the nine sanctioned posts of 'Night Watchman' through outsourcing on contract basis from Tamil Nadu Ex-servicemen's Corporation Limited (TEXCO) without the approval of Head of the Department. The amount of ₹ 3.27 crore paid by ECMC to TEXCO included service charges of ₹ 29.90 lakh and service tax of ₹ 34.16 lakh for the period from August 2007 to June 2015. As per Rule 5(2) of Service Tax (Determination of Value) Rules, 2006, service tax for this particular type of service was computable on the service charges payable.

However, the TEXCO computed the service tax on the gross bill value which resulted in avoidable expenditure of ₹ 30.49[2] lakh for the period from August 2007 to June 2015.

On this being pointed out, Commissioner of the ECMC replied (August 2015) that TEXCO would be addressed in this regard.

5.1.9 Assessment and collection of tax revenue

The main components of tax revenue were PT, Vacant Land Tax (VLT) and Profession Tax. PT was assessed based on the self-assessment details furnished by the assessee and collected for all buildings and lands every half year[3] (HY). Profession Tax had to be remitted by the Drawing and Disbursing Officers of the offices concerned once in six months in respect of their employees, whether they had deducted the amount from the employees' salary or not, at the rate fixed by the Council.

5.1.9.1 Property Tax

As per Sections 121 and 122 of the CCMC Act, PT should be levied and assessed on all buildings and lands within the city at such percentage of the annual value of buildings or lands which are occupied by or adjacent and appurtenant to buildings or both. Test check of 1,101 cases out of 10,604 new PT assessments made during 2010-15 revealed the following deficiencies:

(i) Lack of coordination between Town Planning Section and Revenue Section

Municipal Manual Volume-I, inter-alia, provided that complete details of licenses given for construction or reconstruction of buildings and field inspection reports on such constructions should be furnished by the Town Planning Section to Revenue Section to assess the building to PT.

Audit scrutiny of 1,101 assessments out of 10,604 new assessments made during 2010-15 revealed that this system was not being followed in the ECMC. The tax was assessed by the Revenue Section based on the self-assessment details furnished by the assessees, which resulted in short collection of PT amounting to ₹ 32.68 lakh in 19 assessments for the period from the second half year of 2008-09 to 2014-15.

GoTN replied (December 2015) that officers of Town Planning and the Revenue sections performed their duties in accordance with the circular issued in August 2010 fixing their responsibility in assessment of PT. GoTN further stated that the assessments pointed out related to the period prior to issue of the circular. The reply is not acceptable as the cases pointed out related to the assessments made during the period 2010-15 i.e. after issue of circular in August 2010.

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[2] Total Service Tax calculated and paid on the basis of gross bill value (₹ 34.16 lakh) – Actual Service Tax payable (₹ 3.67 lakh)

[3] First half year = 01 April to 30 September
Second half year = 01 October to 31 March

(ii) Non-adherence of CMA guidelines

As per guidelines issued (February 2008) by the CMA, no discount for buildings occupied by the owners themselves was to be allowed from April 2008. In 153 cases, the ECMC had incorrectly allowed discount for the buildings occupied by owners which resulted in loss of revenue of ₹ 9.52 lakh for the period from 2010-11 to 2014-15.

GoTN replied (December 2015) that PT module generated the demand based on the details fed into the system, hence there was no possibility for allowing any discount to self occupied property. The reply is not acceptable as a discount of 30 *per cent* for self occupied property was allowed by the ECMC in respect of the cases pointed out by Audit.

(iii) Incorrect adoption of basic values for computation of PT

It was noticed that the ECMC had incorrectly adopted the basic value in 26 cases in the erstwhile Kasipalayam Municipality which resulted in loss of revenue of ₹ 0.67 lakh for the period from the second half year of 2012-13 to the second half year of 2014-15. This incorrect adoption would also result in recurring loss of revenue to the ECMC.

GoTN replied (December 2015) that Audit adopted the basic value applicable to the main street for assessing PT for inner lanes. The reply is not acceptable since the erstwhile Kasipalayam Municipality did not fix separate basic values for main street and inner lanes.

(iv) Failure of the ECMC to conduct inspection

As per Sections 281 and 447 of the CCMC Act, the Commissioner of the ECMC may inspect any building during the construction or reconstruction thereof and should levy fine on the owners of unauthorised constructions.

Scrutiny of PT assessment records revealed that there was no record of inspections as stipulated in the CCMC Act, even when unauthorised constructions were reported to be carried out during the period 2010-15 in 492 cases out of 1,101 test checked new assessments. ECMC failed to levy fine on these 492 unauthorised constructions as provided in the CCMC Act.

GoTN replied (December 2015) that unauthorised constructions were booked by the Town Planning wing of the ECMC and brought to the notice of Lok Adalat who had imposed a fine of ₹ 1,000 in each case. The reply is not acceptable since as per Section 447 of the CCMC Act, on conviction for the unlawful acts, a fine of ₹ 1,000 and a further fine of ₹ 200 for each day during the offence should be paid by the owner of the building. Hence, levy of ₹ 1,000 only as fine was not in order.

(v) Unauthorised alteration of PT demand

Property tax was assessed through the computer system and stored in the PT Assessment table. Half-yearly demands were generated by the computer system from the available data in the Assessment table. It was observed in Audit that data entry/manipulating the existing demand in the front-end screen itself was possible. It was also noticed that the PT demands in respect of

258 assessments were altered in the database without authorisation during 2010-15. No trail was available in the database for these changes in the database, resulting in short raising of PT demand to the tune of ₹ 18.11 lakh.

GoTN replied (December 2015) that the Assistant Revenue Officer had been instructed to verify the demand and furnish a detailed report to revise the demand, if needed.

(vi) Existence of missing demands

The computer system generates half yearly demands (i.e. 1st of April and 1st of October) every year in respect of all the live assessments existing in the assessment data. The software should have the required validations to generate year-wise consecutive demands through demand data without any gap. Missing demands between two given half-years without any audit trail rendered the data incomplete thereby resulting in loss of revenue to the Corporation.

Lack of validation control in the software resulted in 2,774 missing demands in respect of 517 assessments during the period from April 2012 to March 2015 which led to a loss of revenue of ₹ 12.94 lakh to the ECMC**.**

GoTN replied (December 2015) that the Assistant Revenue Officer had been instructed to verify the demand and furnish a detailed report to revise the demand, if needed.

5.1.9.2 Vacant Land Tax

Section 121(4)(a) of the CCMC Act provides for the levy of PT on vacant lands which are not used exclusively for agricultural purposes and are not occupied by, or adjacent or appurtenant to, buildings having regard to its location and subject to the minimum and maximum rates per square feet as may be prescribed by the State.

The rates of VLT for the ECMC (before merger of adjoining local bodies) and Urban Local Bodies which were merged with ECMC in January 2011 are given in **Appendix 5.1.**

Non-levy, Short levy and non-collection of VLT - ₹ 19.07 lakh

Scrutiny of records relating to levy and collection of VLT revealed the following deficiencies:

(i) In 19 test checked cases of Building Plan approvals given during the period 2010-15, VLT was short levied in two cases (₹ 0.63 lakh) and not levied in 17 cases (₹ 4.10 lakh).

(ii) Library Cess at the rate of 10 *per cent* was to be levied on the basic VLT. However, during 2010-15, in 39 test checked assessments, ECMC deducted Library Cess at the rate of 10 *per cent* of VLT from the VLT already collected which resulted in loss of revenue of ₹ 0.62 lakh.

(iii) The CMA instructed (April 2009) that VLT was to be collected for 13 half years at the time of granting building plan approval in cases where levy of VLT was omitted to be collected. It was noticed that ECMC had collected

VLT for four half yearly periods only from an applicant instead of 13 half yearly periods which resulted in short levy of ₹ 13.72 lakh[4].

GoTN replied (December 2015) that action would be taken to recover the VLT amount from the concerned owners.

5.1.9.3 Profession Tax

Section 169(B) of CCMC Act provides for levy of tax on profession, trade, calling and employment. As per Municipal Manual Volume I, the ECMC should maintain a list of persons liable to pay Profession Tax.

Scrutiny of records revealed that ECMC did not maintain the list of persons liable to pay Profession Tax. Further, cross verification of details obtained by Audit from the Employees' Provident Fund Organisation revealed that ECMC did not raise demand for Profession Tax against employees working in 169 establishments in the ECMC area during the period 2010-14. This resulted in loss of revenue of ₹ 99.77 lakh during the period 2010-14.

GoTN replied (December 2015) that action would be taken to collect Profession Tax from the individuals.

5.1.9.4 Non-receipt of Advertisement Tax

As per Tamil Nadu Urban Local Bodies Licensing of Hoardings and Levy and Collection of Advertisement Tax Rules, 2003 (Advertisement Tax Rules) as amended in December 2008, the District Collector should levy and collect every half year the Advertisement Tax and arrange to remit the 100 *per cent* of the tax to the Personal Deposit account of the ULB concerned.

Details collected by Audit revealed that Advertisement Tax of ₹ 8.36 lakh collected by the District Collector, Erode during the period 2010-15 was not remitted to the ECMC's account till August 2015. The Commissioner, ECMC had also not taken up the matter with the District Collector in this regard.

GoTN replied (December 2015) that the District Collector, Erode was addressed to remit the Advertisement Tax collected so far to the ECMC's account.

5.1.10 Non-Tax receipts

5.1.10.1 Construction of shops without assessment of demand

The ECMC constructed (August 2009) a shopping complex at RKV Road Daily market with 90 shops at a cost of ₹ 64 lakh and additional improvement works were executed at a cost of ₹ 49 lakh.

Though the ECMC conducted repeated auctions from November 2009 onwards, no response was received for the shops. Based on the request of the shopkeepers, the deposit amount was also reduced (December 2009) for 78 shops from ₹ 75,000 to ₹ 25,000 and for 12 shops from ₹ 1,00,000 to ₹ 50,000. In spite of this, there was no demand for these shops. This indicated that shops were constructed without ascertaining demand which resulted in idle investment of ₹ 1.13 crore for over five years.

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4 Amount of VLT payable for 7,160 sq.mtr. (77,042 sq.ft.) : ₹ 15.08 lakh - Amount of VLT actually paid : ₹ 1.36 lakh = Short levy: ₹ 13.72 lakh

GoTN replied (December 2015) that as the size of the shops were very small, the public had not shown interest in participating in the auction. GoTN further stated that it had been proposed either to convert the above shops as daily market or to enlarge the shops by merging two or three shops into one so as to attract the participation in the auction.

5.1.10.2 Water charges

(i) Non-raising of demand for water charges

The computer system was designed to generate quarterly (i.e. 1st of April, July, October and January) demands for water charges for each water connection. Due to lack of validation control in the system, there were 4,464 omissions in the demands generated by the computer system in 510 assessments during the period 2012-15, resulting in non-raising of demand to the tune of ₹ 94.67 lakh and there was no system of alerting such a lapse.

GoTN replied (December 2015) that while computerising the water charges, excess demand was raised in 26 cases at ₹ 3.28 lakh instead of ₹ 488 in each case; but actually the assessees were only paying ₹ 488 and therefore the excess demand of ₹ 85.15 lakh was not the actual demand. It was further stated that ₹ 0.89 lakh per annum had been collected instead of ₹ 0.81 lakh for 123 House Service Connections (HSCs) given to police quarters. However, further analysis of the reply revealed that there were 2,884 omissions in the demand generated for water charges amounting to ₹ 6.98 lakh in respect of 361 HSCs.

(ii) Incorrect raising of demand

Water charges were assessed and stored in the Water Charges Assessment Table in the computer system. Quarterly demands were generated by the system from the available data in the Assessment Table. Under no circumstances could the demands vary from the initial water charges assessed.

Examination of the computerised data revealed that the demand raised was different from the assessed amount in respect of 1,829 assessments during the period 2012-15. This had resulted in short raising of demand of water charges to the tune of ₹ 93.76 lakh. Further, no audit trail was available for these differences in the database.

GoTN replied (December 2015) that the correct demand would be raised after verification.

5.1.10.3 Non-collection/Short collection of deposit for Under Ground Sewerage Scheme - ₹ 30.93 lakh

As per the by-law notified (July 2011) by the ECMC, Under Ground Sewerage Scheme (UGSS) deposits should be collected based on the plinth area of the building and separate deposit should be collected for each house for multi-storeyed residential flats and buildings with more than one rental occupation.

The ECMC collected the initial deposits for UGSS at the time of assessment of PT for the building or while according approval for building plan. Though the individual assessees had furnished the actual area of construction in the self-assessment returns for PT, the ECMC failed to raise demand for the differential deposit amount for the excess area (actual area constructed – area actually approved by ECMC) amounting to ₹ 13.50 lakh in respect of

147 test checked PT assessments. Further, ECMC failed to collect the UGSS deposit amounting to ₹ 17.43 lakh in respect of 139 test checked PT assessments.

GoTN replied (December 2015) that due to financial position of the beneficiaries, part collection of initial deposit had been made in some cases and the balance amount would be collected before providing HSCs. However, there was no provision in the by-law for part collection of UGSS deposit.

5.1.11 Provision of citizen services

Provision of basic amenities to citizens include water supply, sanitation, roads, street lights, health care, slaughter house, night shelter, slum upgradation and amenities in schools.

5.1.11.1 Provision of Roads - Avoidable expenditure of ₹ 3.28 crore due to uneconomical restoration of damaged Black Topped roads

As of March 2012, the road network under the maintenance control of the expanded ECMC was 696.720 km comprising of Cement Concrete (CC - 87.547 km), Black Topped (BT - 499.780 km), Water Bound Macadam (WBM - 9.414 km) and earthen (99.979 km) roads. After improvement of these roads between April 2012 and March 2014, the length of CC, BT, WBM and earthen roads were 90.637 km, 549.150 km, 5.414 km and 51.520 km respectively. Therefore, 52.459 km (or 52.46 km) of (earthen: 99.979 - 51.520 = 48.459 km and WBM: 9.414 - 5.414 = 4 km) roads were converted into BT (49.37 km) and CC (3.09 km) roads respectively during 2012-14.

Scrutiny of records on implementation of road works revealed the following:

As per paragraph 4.2 of Indian Road Congress (IRC) specifications 37-2001, BT surfaces could be laid only on WBM/Wet Mix Macadam (WMM) surfaces. Audit scrutiny of estimates, agreements and Measurement Books for the road restoration works revealed that the roads had BT surfaces, indicating that they already had WBM bases. As the cut portions of the roads had to be restored by the UGSS contractors up to the surface, the roads could be restored to their full width by laying one layer of BT of required thickness. However, the roads were re-laid with the provisions of (i) one or two layers of WBM/WMM having thickness of 75/150 mm, (ii) Bituminous Macadam (BM) of 50 mm thick and (iii) Semi Dense Bituminous Concrete (SDBC) of 25 mm thick. As the BT roads already had WBM base, the provision of WBM was not required which resulted in avoidable expenditure of ₹ 3.28 crore in 53 test-checked road works.

GoTN replied (December 2015) that though the estimates provided for road cuttings at 80 cm width at the centre of the road for sewer line, 1.5 m x 1.5 m at every 30 m interval for man holes and 0.75 m width across the roads for HSCs at both sides of the road, the roads were cut up to 1.2 m x 1.5 m width at the centre of the road during execution of UGSS which was unavoidable due to nature of soil (rocky, loose soil) and in certain places the roads were damaged unevenly at the time of controlled blasting. The reply is not acceptable since, as per the provisions of UGSS agreements, the contractors had to restore the trenches and the cut portions of the manholes up to the road surface and that the unevenness of the roads could be rectified by the ECMC by laying BM of 50 mm thick and the SDBC of 25 mm thick. Besides, the photographs taken by the ECMC prior to execution of road works indicated the availability of BT surfaces in the roads.

5.1.12 Provision of water supply - Unfruitful expenditure of ₹ 2.83 crore

As against the normative per capita water supply of 135 litres *per capita* per day (lpcd), the ECMC was supplying about 101 lpcd for the projected population of 5,35,000 in the year 2015. The ECMC proposed a Dedicated Water Supply Scheme (DWSS) and was awaiting financial approval of the GoI (August 2015).

The erstwhile Erode Municipality had taken up (June 2007) a Water Supply Improvement System (WSIS) at an estimated cost of ₹ 5.88 crore, under the GoI assisted Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT), to increase the water supply from 90 lpcd to 135 lpcd by revamping the existing infrastructure. The scheme was completed in January 2012 at a cost of ₹ 8 crore. The ECMC had borne the additional cost of ₹ 2.12 crore.

Even after completion of the WSIS, equitable water supply to all zones could not be achieved due to non-utilisation of an existing Service Reservoir (SR) at Gandhi Nagar and newly constructed SR at Periyar Nagar (₹ 0.53 crore) with the respective branch pumping mains (₹ 2.30 crore).

GoTN replied (December 2015) that the two Overhead Tanks (OHTs) at Gandhi Nagar and Periyar Nagar were merged with the existing water supply scheme; water was distributed from the two OHTs to the local areas by drawing water from Main Head works. The reply is not acceptable as the SR-wise daily online water supply reports furnished by the ECMC to the CMA did not include supply from these two SRs and the total designed daily supply of 54.09 million litres to the ECMC was met through OHTs other than these two OHTs. Further, the Detailed Project Report (DPR) for DWSS itself indicated that the Gandhi Nagar OHT was not receiving the designed quantity of water even after completion of WSIS and a bypass had been provided, to exclude it.

5.1.13 Implementation of Under Ground Sewerage Scheme

5.1.13.1 Undue delay in completion of UGSS

The UGSS was taken up (November 2008) with *Kreditanstalt fur Wiederaufbau* (KfW - a German government-owned development bank) assisted Sustainable Municipal Infrastructure Funding - Tamil Nadu (SMIF-TN) Programme. The GoTN sanctioned an UGSS for ECMC (prior to merger of adjoining local bodies) and four adjoining Municipalities (Veerapanchatiram, Periyasemur, Kasipalayam and Surampatti) at a cost of ₹ 209.22 crore in December 2008. The loan and the grant approved for Erode UGSS were ₹ 71.14 crore and ₹ 62.77 crore respectively. As per the DPR, the scheme was scheduled to be completed within three years from the date of commencement of the scheme.

The UGSS was split into five packages for the purpose of implementation. The details of entrustment of all the packages to contractors and the progress of works as on 18 July 2015 are indicated in **Appendix 5.2.**

Though the UGSS was commenced in January 2010, the same was not completed due to (i) delay in settlement of tenders (Package IV), (ii) slow progress by contractors and (iii) termination and re-entrustment of Package I. The total value of work done by the contractors as on 18 July 2015 was ₹ 90.14 crore (43 *per cent* only) as against the agreements' value of ₹ 209.22 crore. Delay in completion of the project deprived the people the benefit of UGSS besides non-reduction in water pollution.

GoTN replied (December 2015) that 63 *per cent* of works have been completed and the project would be completed by January 2017.

5.1.13.2 Avoidable excess interest payment of ₹ 5.87 crore due to lack of financial planning

The Tamil Nadu Urban Infrastructure Financial Services Limited (TNUIFSL) is the fund manager for the KfW grant. As per the instructions (November 2009) of the CMA, the monitoring authority, the ULBs should approach TNUIFSL for the release of grants first. TNUIFSL did not stipulate any specific condition for release of grant and loan.

As per the terms of loan agreement entered (October 2010) with TNUIFSL, the loan could be drawn in four years. If the loan was not drawn in four years, suitable extensions would be considered by TNUIFSL based on the request of ECMC. As of March 2015, the ECMC had drawn a loan of ₹ 36.24 crore out of ₹ 71.14 crore and a grant of ₹ 37.01 crore out of ₹ 62.77 crore from TNUIFSL. As of March 2015, ECMC paid an interest of ₹ 7.98 crore to TNUIFSL. Had the ECMC ensured to draw the grant based on its proportional eligibility, it would have drawn a minimum grant of ₹ 60.41 crore and could have reduced its loan burden by ₹ 23.40 crore. Thus, failure of the ECMC to manage the loan and grant portions sanctioned by the GoTN resulted in avoidable interest payment of ₹ 5.87 crore as of March 2015.

GoTN replied (December 2015) that though the ECMC had requested for the release of grant, TNUIFSL had released the loan and the ECMC could not ensure the release of proportionate grant. It was further stated that as on 14 October 2015, ₹ 46.24 crore and ₹ 37.49 crore had been received as loan and grant respectively and this showed that the loan and grant were released proportionately. The reply is not acceptable as the ECMC should have postponed the drawal of loan as per the terms of the loan agreement and also brought the matter to the notice of the CMA who was the disbursing authority for the loans and grants released by GoTN to TNUIFSL so as to ensure the drawal of grant first or in proportions of the funding pattern.

5.1.13.3 Lack of diligent evaluation of bids resulted in selection of ineligible bidders

The bids for the UGSS packages were invited based on two cover system comprising of technical and price bids. The bids received for Packages I and II from the bidders were initially evaluated by the Tender Scrutiny Committee of the ECMC and placed before the Technical Standing Committee in the office of the CMA for evaluating the technical qualification of the bidders.

Audit scrutiny of bid documents and tender files, however, revealed that the Technical Standing Committee prescribed certain qualification criteria for inclusion in bid conditions which were to be satisfied by the bidders for getting technically qualified in the bids.

As per tender conditions for packages I and II, bidder should have satisfactorily completed (either as a prime contractor or as a sub-contractor, duly certified by the main contractor), not less than 40 *per cent* of contract value and at least one similar work such as sewage collection system, sewage pumping stations of value not less than ₹ 18.82 crore.

In respect of Package I, the lowest bidder furnished ((July 2009) a certificate in support of his qualification for having completed a work relating to designing, construction, erecting and commissioning of 25 million litres per day (mld) capacity Sewerage Treatment Plant, laying of sewerage pipe line, construction of Manhole etc. for ₹ 21.25 crore and the work was awarded to him. The bidder had also submitted (November 2009) a copy of the same certificate in the bids for Package II also.

While verifying the genuineness of the certificate submitted by him for Package II, the verification team found that (i) there was no Under Ground Drainage work at the site and the housing scheme referred to in the certificate were not completed and were in foundation stage and (ii) the Executive Engineer of the Project informed that the work was awarded to M/s Engineering Projects India Limited, who was the prime and single contractor for the work. He also informed that there was no provision in the agreement for joint venture/sub-contract and denied having issued any such work experience certificate to the bidder. Though the bidder did not meet the tender conditions, the ECMC did not terminate the contract for Package I immediately as per the penal provisions included in the tender documents.

In respect of bids submitted by the lowest bidder for Package II, it was noticed in Audit that the bidder had not completed single similar work and also did not complete the required percentage of work of contract value at the time of submission of the bid. Had the bids been evaluated as per tender conditions, the bidder could not have been qualified.

Further, scrutiny of records revealed that the progress of works was very slow and the contractors did not meet the milestones in both the packages. As the contractor for Package I did not complete the work within the agreed date, the contract was terminated. The termination and entrustment of balance work of Package I in July 2014 to another agency had resulted in additional liability of ₹ 24.55 crore. As per the agreement for balance work of Package I, the work was scheduled to be completed in January 2017. In respect of Package II, though the scheduled date of completion was 06 May 2015, the value of work completed as on 18 July 2015 was only ₹ 7.84 crore (15.08 *per cent*) as against contract value of ₹ 52 crore.

GoTN replied (December 2015) that for both the contracts, the evaluation was made as per the specified conditions in the tender. The reply is not acceptable as the specific conditions prescribed in the bid documents were not met by the selected bidders.

5.1.14 Provision of health care facilities

The Tamil Nadu Public Health Act, 1939 (Health Act) stipulated that local authority would carry out all such activities to safeguard public health as prescribed by GoTN for maternal and child health and family welfare in local body areas. The activities relating to health care such as immunisation, Out-patient treatment, normal deliveries, family welfare activities, outreach services including mass contact programme covering schools, slums, etc., and distribution of GoTN assistance under Dr. Muthulakshmi Reddy Scheme and GoI assistance under Janani Suraksha Yojana were carried out by the ECMC through three Maternity Centres (MCs), two Urban Health Posts (UHPs) and two Ayurvedic dispensaries.

5.1.14.1 Inadequate staff

The details of posts sanctioned, men-in-position and vacancies in the MCs/UHPs/Ayurvedic dispensaries are indicated in **Appendix 5.3** which revealed the following:

- Post of Medical Officer (MO) was vacant during 2013-15 and all the posts of Urban Health Nurse (UHN)/Maternity Assistants and other support staff was vacant during 2012-15 in Karungalpalayam MC. The MO of Rajajipuram UHP attended the Out-patients twice in a week at Karungalpalayam MC. As a result, the patients in the locality had to go to other MCs.
- Though Indian Public Health Standards (IPHS) guidelines (2012) for Public Health Centres provide for appointment of Pharmacists as essential, no posts of Pharmacists were sanctioned for MCs at Gandhiji Road, Karungalpalayam and Nethaji Road and UHPs at Agathiar and Rajajipuram. One post of Pharmacist, UHN/Maternity Assistant and other support staff was sanctioned for each Ayurvedic Centre at Karungalpalayam and Nethaji Road and those posts were not filled as of August 2015.
- All four sanctioned posts of UHN/Maternity Assistant and three out of four sanctioned posts of other support staff were kept vacant during 2011-15 in the MCs at Karungalpalayam and Nethaji Road.

5.1.14.2 Poor performance of MCs and UHPs

The performance of the MCs and UHPs run by the ECMC during 2010-15 was not adequate as discussed below:

(i) No deliveries were registered in the Nethaji Road MC and Karungalpalayam MC during 2011-15 and 2012-15 respectively. Further, the deliveries registered in the Gandhiji Road MC declined from 98 cases in 2012-13 to 51 in 2014-15. The total number of institutional deliveries reported during 2010-15 was 9,202; the number of births reported in private hospitals, Government Hospital and MCs of ECMC during 2010-15 were 6,630, 2,312 and 260 which accounted for 72, 25 and 3 *per cent* respectively. The meagre percentage of births reported in the MCs of the ECMC indicated poor performance of these MCs.

(ii) Ante natal care and immunisation in the Agathiar UHP showed a declining trend during 2010-15.

(iii) The number of Out-patient cases registered declined steadily in Rajajipuram UHP and Karungalpalayam MC during 2010-15.

(iv) Decrease in number of Out-patient cases was also noticed in Agathiar UHP during 2010-14. It was also noticed that MCs referred 1,075 cases to Government Hospital during 2010-15.

The above position clearly indicated poor delivery of health care services by the MCs and UHPs of ECMC.

GoTN replied (December 2015) that due to shortage of staff, the deliveries were not conducted in Karungalpalayam MC and Nethaji Road MC and deliveries were conducted at nearby Centre and there was increase in Out-patient registration at present. The reply is not acceptable as deliveries reported at the other centre i.e. Gandhiji Road also showed a declining trend.

5.1.14.3 Poor implementation of School Health Programme

Under the School Health Programme, each school should be visited three times a year by the medical team. In the first visit, all students should be thoroughly examined. In the second and third visits, students identified in the first visit as having health problems and new cases should be thoroughly examined. The details furnished by the ECMC revealed that first visits only were conducted during 2010-15 except 2011-12 during which second visits were conducted. The details of reports furnished by the School Health Programme Officer to Deputy Director of Health Services (DDHS), Erode on the services rendered by the medical team during 2010-15 in respect of 38 schools covered in the erstwhile Erode Municipality area are given in **Table 5.2.**

Table 5.2: Details of visits made by the medical team under School Health Programme

Year	Number of visits			Number of students			Total number of students with health issues
	Require-ment	Actual	Percentage	To be covered	Covered	Percentage	
2010-11	114	39	34	26,708	23,939	90	9,613
2011-12	114	63	55	24,796	34,234	138	8,617
2012-13	114	39	34	23,551	22,252	94	6,426
2013-14	114	39	34	21,640	17,469	81	3,641
2014-15	114	32	28	21,311	22,885	107	2,923
						Total	**31,220**

Source: Details furnished by ECMC

As against 114 visits to be made for 38 schools at the rate of three visits per school during a year, the number of visits made by the medical team during 2010-15 ranged between 32 and 63 only which accounted for 28 to 55 *per cent* of the number of mandatory visits. Shortfall in visits resulted in non-conduct of follow up medical examinations for 31,220 students identified as suffering from health issues during 2010-15. As a result, the continuance of health issues among these students could not be ruled out.

GoTN replied (December 2015) that at present, the school health programme has been transferred from ECMC to Health Department of the State Government.

5.1.14.4 Prevalence of diseases in the ECMC area

GoI issued (June 2012) guidelines for IPHS for different levels of Health Facilities from Sub-Centre to District Hospitals. The guidelines issued by GoI *inter alia* provided for weekly reporting of diseases in three formats *viz*. Form P (Presumptive cases), Form S (Suspected cases) and Form L (Laboratory confirmed cases) to the Health Department of the State under Integrated Disease Surveillance Project (IDSP). Major diseases reported to MCs and UHPs were (i) acute diarrhoeal disease (19,771), (ii) bacillary dysentery (1,950), (iii) dengue (4), (iv) chikungunya (43), (v) measles (297), (vi) fever of unknown origin (23,816), (vii) acute respiratory infection (29,630) and (viii) pneumonia (302).

Scrutiny of records in ECMC revealed that the details of diseases required to be sent to Health Department, as a measure of surveillance, were not reported to the Health Department (August 2015). Due to non-reporting by ECMC, the vital details were not shared with the district authorities for effective monitoring at District level and also at State level.

GoTN replied (December 2015) that the details of vital diseases were sent to DDHS every month online and vital events like infant death and still birth were reported to the DDHS and the District Collector regularly. The reply is not acceptable as the vital statistics sent to the DDHS every month did not include the details of prevalent diseases as prescribed by GoI.

5.1.15 Provision of sanitation facilities

5.1.15.1 Solid Waste Management

Municipal Solid Wastes (Management and Handling) Rules, 2000 (MSW Rules) provide for safe disposal of municipal waste, segregation of solid waste as biodegradable and non-biodegradable and identification of landfill site. The MSW Rules also stipulate that wastes should be collected and processed by composting, vermin-composting, anaerobic digestion or any other appropriate biological processing for stabilisation.

(i) Non-segregation of waste

Though the ECMC generated approximately 250 tonnes of solid wastes daily, it collected only about 240 tonnes. The wastes were not segregated into bio and non-biodegradable wastes at source as prescribed under MSW Rules. Out of the total quantity of wastes collected, ECMC provided approximately 120 tonnes daily to a private firm for the purpose of composting and dumped the rest of the wastes at a landfill site at Vendipalayam. The private firm also dumped the wastes emerged from its processing of solid wastes at the same landfill site. The landfill site was thus overflowing and causing pollution to the environment.

The reports of tests conducted (May 2015) by TNPCB to check the quality of ground water near the above landfill site revealed that the ground water was highly contaminated with total suspended solids, total dissolved solids, chlorides and bio chemical oxygen demand exceeding the desirable limit by 400 to 1,600 *per cent*, and, thus, was not potable.

GoTN replied (December 2015) that water was not contaminated due to non-degradable wastes put into compost yard. However, the results of test conducted by TNPCB near the landfill site confirmed the contamination of ground water.

(ii) Poor management of bio-medical wastes

As per the MSW Rules, the municipal wastes should be kept separate from the bio-medical wastes. The quantity of bio-medical wastes generated by the three MCs and two UHPs during the period 2010-15 was about seven metric tonne. From the particulars furnished by the MCs and UHPs, it was noticed that there was no provision for scientific disposal of bio-medical wastes. The bio-medical wastes of MCs and UHPs were mixed with the municipal solid wastes and disposed at the land fill site, thereby causing environmental hazards.

GoTN replied (December 2015) that bio-medical wastes of MCs and UHPs of ECMC and private institutions were collected by an agency. The reply is not acceptable as it did not mention the period from which bio-medical wastes were collected by a private agency. Further, the Medical Officers in-charge of the MCs and UHPs had declared that the bio-medical wastes were handed over to the Sanitary Inspector of the ECMC during 2010-15.

(iii) Solid wastes dumped on the banks of River Cauvery

Audit, with officials of the ECMC, visited the site at Vairampalayam on 17 June 2015. The site had been developed with windrows facility and approach road. The solid wastes were not dumped at this site for composting. Instead, the solid wastes were being dumped at a burial ground adjacent to this site on the banks of River Cauvery, causing an adverse impact on environment. Smoke emanating from the solid wastes dumped is given in **Picture 1**.

Picture 1: Smoke emanating from the solid wastes

The test results conducted in April 2015 by TNPCB near the site revealed abnormal values in respect of conductivity, dissolved oxygen, bio chemical oxygen demand and turbidity and also the presence of fecal coliform, which showed the extent of pollution caused to river water due to indiscriminate dumping of solid wastes along the water body.

GoTN replied (December 2015) that action was being taken to identify alternative site for the compost yard.

5.1.15.2 Privatisation of solid waste composting facility

(i) Entrustment of work to an unauthorised contractor

The ECMC signed (June 2007) a Concession Agreement with M/s. Sivasakthi Environment Improvement Trust (Developer) on Build, Own, Operate and Transfer basis for creation of solid waste composting facility at Vendipalayam. However, it was noticed that the Developer signed a Joint Venture agreement with a firm and formed a new Company by name M/s Integrated Waste Management and Urban Services Tamil Nadu Limited (IWMUST). The IWMUST informed (May 2008) the ECMC that the contract signed by the Developer with the ECMC had been assigned to them and had taken over the plant. The ECMC had neither approved this action of the Developer by amending the Concession Agreement suitably nor conveyed its dissent to the Developer and the IWMUST. However, the ECMC continued to deal with the IWMUST without any valid agreement.

GoTN replied (December 2015) that action was being taken to hand over all the solid wastes to IWMUST. The reply is not relevant to the issue raised above.

(ii) Idle investment of ₹ 3 crore

In anticipation of merger of adjoining local bodies with the ECMC, the IWMUST offered (November 2010) to handle the additional quantity of wastes with the expansion of its compost plant at their own cost and requested the ECMC for its consent. Based on the proposal of the ECMC, the CMA accorded (February 2012) administrative sanction for ₹ 2.80 crore under Integrated Urban Development Mission (IUDM) for provision of windrows facility at Vairampalayam and the work was completed (June 2013) at a cost of ₹ 2.80 crore. The ECMC also provided (June 2013) approach road at a cost of ₹ 20 lakh for the site. The windrows platform was, however, not put to use (August 2015). This resulted in idle investment of ₹ 3 crore in provision of windrows facility for more than two years.

Audit along with officials of the ECMC visited the site on 17 June 2015 and found that there was no activity at the site.

GoTN replied (December 2015) that action would be taken to entrust the windrows to the IWMUST, after placing the subject before the Council.

(iii) Undue benefit to IWMUST - ₹ 32.07 lakh

During the processing of solid wastes, two products *viz*. manure and residual wastes emerged. The IWMUST made payments towards ‘sales levy’ to the ECMC for the quantity of manure produced at ₹ 50 per tonne for the period 2009-15. The IWMUST unauthorisedly converted the residual waste into Residual Dry Fuel (RDF) and sold it in the open market. The RDF produced by IWMUST during 2009-15 was 84,055.57 tonnes and the sale of RDF during 2012-15 was 9,162.43 tonnes for ₹ 32.07 lakh. The IWMUST retained the entire sale proceeds of the RDF which was an undue benefit to the IWMUST.

GoTN replied (December 2015) that the basic purpose of entering an agreement with the company was to dispose the solid waste in a scientific manner. GoTN further stated that there was no provision in the agreement for collecting fees from RDF sold. The reply is not acceptable as IWMUST was not authorised to handle the solid wastes. Further, though the ECMC continued to deal with the IWMUST without any valid agreement, it failed to monitor the activities of IWMUST which constantly reduced the production of manure and increased the production of RDF for its benefit.

5.1.15.3 Delay in establishment of Bio-methanation plant

Based on the administrative sanction accorded (September 2013) for ₹ 160 lakh by the GoTN, the ECMC awarded (January 2014) the work of construction of Methanation-cum-Power Plant at ₹ 159.50 lakh and operation and maintenance for seven years at ₹ 104.96 lakh to a contractor. The contractor had completed works valuing ₹ 1.20 crore as of April 2015. The plant is yet to be commissioned and put into operation (August 2015).

Scrutiny of records revealed that as per the terms of agreement, the plant should have been operational from 06 July 2014. As the contractor delayed operation of plant, 4,220 tonnes (422 days X 10 tonnes) of solid wastes have been dumped in the landfill site during the period from 06 July 2014 to 31 August 2015 thereby increasing the environmental pollution. The ECMC also lost the opportunity of illuminating the street lights with the 3,37,600 units of electricity that could have been produced had the plant been operational from the scheduled date of operation. Though the agreement provided for recovery of liquidated damages at 0.5 *per cent* per day for unfinished work up to the period of completion, subject to a maximum of 10 *per cent* of the contract value, the ECMC had not recovered the liquidated damages amounting to ₹ 15.95 lakh *viz*. at the maximum of 10 *per cent* of contract value.

Commissioner of the ECMC stated (August 2015) that works were in progress and would be completed soon.

5.1.16 Slaughter house

Eleventh Five Year Plan (2007-2012) of the Tamil Nadu State envisaged a target of having one modern slaughter house for one lakh population in the Municipal Corporations.

Scrutiny of records revealed that though the ECMC required five slaughter houses for its five lakh population, there was only one slaughter house for the entire population. In the existing slaughter house, on an average about 50 animals were slaughtered daily and on Sundays about 250 to 300 animals were being slaughtered. Further, the existing slaughter house was not provided with modern facilities like slaughtering machines, stunning machine and the animals were slaughtered manually. There was no veterinary doctor to certify the fitness of the animals to be slaughtered. Audit with the officials of the ECMC visited the slaughter house at Jeevanandam Street. The system for treatment of effluents from animals slaughtered was not operational. The untreated effluents were stagnating in the chambers thus causing environmental pollution.

GoTN replied (December 2015) that additional slaughter houses would be constructed after identifying proper locations.

5.1.17 Provision of public convenience - Poor implementation of programme on eradication of open defecation

With a view to eradicating open defecation by the year 2015, GoTN instructed (October 2011) all the ULBs to take up the survey immediately to identify the places where open defecation took place. The ECMC conducted (November 2011) survey on open defecation in its areas. As per the survey, open defecation took place at 106 locations and the total number of families involved were 41,929. Analysis of implementation of the programme revealed the following:

- As against 107 works proposed under improvement of existing toilets, only 57 works were taken up and completed as of March 2015. This had resulted in shortfall to the extent of 47 *per cent* in renovation of existing toilets and provision of toilet facilities to the public.
- As against 47 works proposed for construction of new toilets, only nine works were completed as of March 2015.
- Though 1,526 individual toilets were proposed, no work was taken up during 2011-15.
- As against the proposal for construction of 62 Namma Toilets, only two works were taken up. However, no work had been completed as of March 2015.

GoTN replied (December 2015) that when all the toilets were finally completed, ECMC could achieve cent *per cent* eradication of open defecation.

5.1.18 Provision of street lights

The CMA instructed (February 2012) the ECMC to provide LED lamps in the street lights, with Public Private Partnership, to cut down electricity charges. Accordingly, the ECMC prepared (December 2012) an estimate for ₹ 18.87 crore and signed (September 2014) Concessionaire Agreement with M/s Schnell Energy Equipments Private Limited (firm) through tender process for its assured energy savings of 41.8 *per cent*. Scheduled date of completion of the project was 04 July 2015. The firm had not completed commissioning of the project till August 2015.

Scrutiny of records revealed the following:

Poor progress in installation of new lights: As against 1,998 new street lights to be provided as per agreement condition, only 256 street lights (13 *per cent*) were provided (August 2015). Due to this, out of 60 wards in the ECMC, 41 wards did not get adequate lighting.

GoTN replied (December 2015) that 700 new street lights had been installed.

Low investment causing delay in commissioning of the project: As per the terms of agreement, the firm was to invest ₹ 25.05 crore during commissioning of the project. However, the firm had invested only ₹ 11.97 crore which formed only 48 *per cent* when compared to the total investments committed. The low investment had affected the commissioning of the project.

GoTN replied (December 2015) that the firm had invested ₹ 15.67 crore and extension of time had been given up to 30 November 2015 to complete the balance works.

Non-forfeiture of Earnest Money Deposit for delay in completion of Investment Grade Audit: Though tender conditions provide for forfeiture of Earnest Money Deposit (EMD) for any delay in excess of 50 *per cent* of the duration of completion, the ECMC failed to forfeit EMD of ₹ 9.50 lakh for delay which exceeded the time limit for completion of Investment Grade Audit (IGA).

GoTN replied (December 2015) that the delay had occurred due to deliberations on various technical issues and third party verification. The reply is not acceptable as no extension of time was granted to cover the period of delay and hence EMD should have been forfeited.

Non-recovery of compensation amount for delay in commissioning: Despite delay in commissioning of the project, the ECMC did not recover ₹ 25 lakh towards compensation for the month of July 2015 as per the agreement.

GoTN replied (December 2015) that extension of time up to 30 November 2015 had been given to the contractor. However, as per the minutes of the meeting held on 22 July 2015, the extension of time was applicable to ULBs where there was delay in remitting charges to Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO) for installation of new poles. In the instant case, there was no delay by the ECMC in remitting the charges to TANGEDCO and the extension of time given up to 30 November 2015 was not applicable to the ECMC and hence, compensation amount for the delay should be recovered from the firm.

Thus, due to delay in commissioning of the project, the ECMC could not derive the benefit of providing lighting to all its areas and could not achieve substantial reduction in electricity charges.

5.1.19 Improper maintenance of Open Space Reserve (OSR) lands

In accordance with The Tamil Nadu Parks, Playfields and Open spaces (Preservation and Regulation) Act, 1959 provision and maintenance of parks are the responsibility of local bodies. As per the instructions issued (June 2010) by the GoTN, OSR lands should be free from any construction/ structure.

The ECMC had 328 OSR lands with a total area of 4,63,102 sq.m. and pattas for these OSR lands were not issued by Revenue Department in the name of the ECMC. Field visits by Audit with the officials of the ECMC revealed that out of 17 sites visited, only five OSR lands were found to be maintained properly and the remaining 12 OSR lands were not maintained properly. In three cases, buildings had been constructed inside the OSR lands for library, temple and over head tank. Thus objective of providing green cover in the earmarked OSR lands could not be achieved.

GoTN replied (December 2015) that action would be taken to develop the OSR lands into parks and playfields.

5.1.20 Provision of amenities in schools

There were 38 Elementary Schools, 18 Middle Schools, three High Schools and four Higher Secondary Schools in the ECMC area. The ECMC was to maintain the infrastructure of the schools and provide all basic amenities such as drinking water, sufficient toilets with water facility for boys and girls separately and incinerators at girls' toilets in Middle, High and Higher Secondary Schools.

Scrutiny of records of the ECMC and Joint inspection of 30 selected schools by the Audit team along with the officials of ECMC revealed the following:

Sanitation: In nine schools, unhygienic toilets were noticed. Besides, two schools *viz*. Elementary Schools at Chinnasemur and Samathuvapuram did not have toilet facilities. Further, in 22 schools, adequate toilet seats were not provided as per norms. The shortfall ranged between 17 and 83 *per cent*. Six Middle Schools did not have incinerator facility and in one Middle School, the available incinerator was not functioning.

Drinking water: In six schools, there was no Reverse Osmosis (RO) system installed and in other six schools, the installed RO system was not functioning.

Playgrounds: In 11 out of 30 schools, there were no play grounds.

Safety and security measures: All the schools visited by Audit team did not obtain certificate from the Tahsildar about safety of the building. There was no fire extinguisher in a school at Kasipalayam. Validity period of chemical filled in the fire extinguisher provided to 12 other schools had expired. In five schools, kitchen shed was not adequate thereby forcing the organisers to cook in open.

Inadequate class room space: In Corporation Higher Secondary School at Railway Colony, 16 class rooms were used to store the materials of the Education Department of GoTN and one class room in each of the Middle School at SKC Road and Teachers' Colony was used for dumping the materials intended for distribution to public which forced the teachers to conduct the classes in open area due to want of class room spaces.

GoTN replied (December 2015) that since sufficient funds were available, works would be taken up at the earliest.

5.1.21 Assistance to weaker section

5.1.21.1 Implementation of Integrated Housing and Slum Development Programme

The GoI took up (2005) Integrated Housing and Slum Development Programme (IHSDP) with the basic objective of holistic slum development, with a healthy and enabling environment, by providing adequate shelter and basic infrastructure facilities to the slum dwellers of the identified urban areas. The ceiling cost of each dwelling unit was ₹ 80,000 which was shared in the ratio of 80:20 by the GoI and GoTN. The GoTN share was inclusive of contribution by the beneficiaries at the rate of 10 *per cent* for SC/ST/BC/OBC/PH and 12 *per cent* for others. The GoI sanctioned (February 2007) ₹ 5.03 crore for the IHSDP in Erode town with a Central share of

₹ 4.03 crore being 80 *per cent* of the total project cost. The project comprised of construction of 454 new houses and 31 infrastructure works at a cost of ₹ 3.63 crore and ₹ 1.40 crore respectively. The works were completed in all respects during 2013-14 at a total cost of ₹ 5.03 crore (Housing: ₹ 3.63 crore and Infrastructure: ₹ 1.40 crore).

Scrutiny of records revealed the following:

(i) Irregular expenditure of ₹ 23.76 lakh on housing component executed in areas not in the slum lists

Since 86 of the originally identified beneficiaries backed out of the scheme, the ECMC identified 86 alternate beneficiaries in 2012 in 23 other locations, including the merged areas of the ECMC. Scrutiny of notified and unapproved lists of slums available at the time of initial selection of beneficiaries and the latest list (2014) of slums as per slum survey conducted by Tamil Nadu Slum Clearance Board (TNSCB) under Rajiv Awas Yojana (RAY) for the ECMC revealed that 33 beneficiaries were identified in areas which were not in the lists of slum areas and paid subsidy for construction of houses. The subsidy of ₹ 23.76 lakh (33 x ₹ 0.72 lakh) paid to the above 33 beneficiaries was, therefore, irregular.

GoTN replied (December 2015) that the 33 beneficiaries identified were in extended area of the ECMC and were in the Below Poverty Line (BPL) list living in slum areas. The reply is not acceptable as the selected areas were not in the latest slum list prepared by the TNSCB for the ECMC in the year 2014 under RAY.

(ii) Deviations from the norms of IHSDP and selection of ineligible beneficiaries

Out of 454 beneficiaries of the project, records related to 40 beneficiaries were test checked and the findings are discussed below:

Title of the land not in the name of wife: As per the IHSDP guidelines, the beneficiary should hold the title of land in the name of wife or in the joint name of wife and husband and, in exceptional cases, in the name of husband. Audit scrutiny of test checked beneficiaries indicated that the title of land was in the name of husband in 26 cases and the exceptional reasons for these cases were not available on records.

GoTN replied (December 2015) that beneficiaries were selected from the BPL list; title of the land was mostly found in the name of male head of the family and in exceptional cases, male head had been selected with an assurance that women folk should have control over the property. The reply is not acceptable as scrutiny of records related to the beneficiaries did not have any written assurances mentioning that the women folk would have control over the property.

Community of the beneficiaries not verified: Beneficiaries' contribution should be at a minimum of 10 and 12 *per cent* for SC/ST/BC/OBC/PH and other communities respectively. However, certificate confirming these categories of the beneficiaries was obtained only in two cases and the same was not obtained in 38 other test checked cases.

GoTN replied (December 2015) that there was no specific instruction to allot houses on communal basis. The reply is not acceptable as the determination of subsidy is on communal basis (i.e. the beneficiaries of other communities have to contribute 12 per *cent* of the housing cost as against 10 *per cent* by the beneficiaries of SC/ST/BC/OBC communities).

Construction of house in less than minimum floor area: The dwelling unit should be constructed with a minimum floor area of 25 sq. m. In four of the 40 test checked cases, the area of construction was less than 25 sq. m.

GoTN replied (December 2015) that the Assistant Engineers/Junior Engineers have measured each and every house and certified that the houses constructed were of more than 25 sq.m. The reply is not acceptable as Audit observation, based on the detailed measurements furnished at various stages along with claim for subsidy, showed that area of construction was less than 25 sq.m. in four cases.

Less payment of subsidy: In four cases, beneficiaries had completed the construction of houses in all respects. As such, they were entitled for a subsidy of ₹ 72,000 (90 *per cent* of ₹ 80,000). However, they were paid ₹ 56,871 in three cases and ₹ 56,800 in one case.

GoTN replied (December 2015) that (i) availability of funds depends upon the financial position of the beneficiary, (ii) four beneficiaries constructed their houses proportionately to the amount of nearly ₹ 56,800 and during subsequent inspection it was found that the houses were completed and occupied. The reply is not acceptable as it did not mention the amount of subsidy released to the four beneficiaries. Further, the Commissioner of ECMC stated (August 2015) that as the beneficiaries could not complete their houses due to funding problems, new beneficiaries were selected in their places and less subsidies were paid to them so as to restrict the overall payments to ₹ 72,000 payable to a single beneficiary.

Payment of subsidies for those who were affordable to purchase house site: In four cases, subsidies were paid for those who could afford to purchase house site of an area ranged between 625 sq ft and 4,860 sq ft (one case in Kolathupalayam - plot size 4,860 sq ft; two cases in Villarasampatti - plot sizes 1,030 sq ft and 1,670 sq ft and one case in Eraniyan Street - plot size 625 sq. ft) and were also living in places other than the slum areas. Hence, the payment of subsidy amounting to ₹ 2.88 lakh (4 x ₹ 72,000) was not in order.

GoTN replied (December 2015) that (i) the persons selected were having higher extent of land due to joint family which might not be partitioned, (ii) further, when compared to Erode Municipal limit, the cost of land was much cheaper in villages and, hence, higher extent of land could be easily purchased in villages and (iii) they were in need of shelter and living in huts and they have been selected based on the slum resemblance. The reply is not acceptable as the IHSDP was meant for holistic development of slums and the selected beneficiaries were able to purchase plots in layouts which defeated the purpose of subsidy.

(iii) Non-achievement of the objective of the scheme

The houses were selected in a scattered manner. The slum survey conducted under RAY indicated that 23 slums selected under IHSDP remained as slums with 3,931 slum houses. Thus the scheme objectives of holistic development and denotification of slums were not achieved.

GoTN replied (December 2015) that under IHSDP (i) all the beneficiaries including the extended area were out of BPL list only, (ii) residing in both notified and un-notified slums and (iii) action was being taken to get approval of slums in the added areas to make it as notified slums. It was further stated that (i) since the slums were scattered in various locations and only a part of slum population are coming forward to participate in the IHSDP, the remaining dwellings in the slum are huts and tiled buildings only, (ii) due to their financial position, they did not come forward to participate in the IHSDP and (iii) the achievement of development and denotification of slums can be achieved only in a phased manner. The reply is not acceptable as the holistic development of slums as contemplated in the IHSDP was not achieved due to selection of slums in scattered manner instead of selecting slums in a comprehensive manner so as to achieve the desired results and more participation should have been encouraged with proper education and making financial arrangements for the people who were not affordable.

5.1.21.2 Unfruitful expenditure of ₹ 28.39 lakh on provision of night shelters

Honourable Supreme Court of India directed (May 2010) all the State Governments to build night shelters for urban homeless with appropriate facilities to enable them to enjoy their fundamental right to life with dignity. Based on this, the CMA issued series of instructions from June 2010 to March 2011 on the identification of homeless people and provision of night shelters in important places *viz*. bus stand, railway station, market, commercial places, educational institutions, etc. and the places where the homeless people were found. However, the ECMC constructed (June 2011) a night shelter at Lakkapuram, about nine km away from the ECMC area, at a cost of ₹ 28.39 lakh and handed over (June 2011) the same to a Non-Governmental Organisation (NGO), for maintenance of the shelter as per the conditions laid down by the ECMC.

Initially there were only 36 occupants as against the capacity of 82 which further came down to 'Nil' occupancy from August 2012. The NGO informed the ECMC on 28 August 2012 that there was no reporting of poor labourers at the shelter from 15 August 2012 due to the reasons that the shelter was situated far off. The shelter was not occupied and remained closed (August 2015).

GoTN replied (December 2015) that due to long distance, the utilisation of the night shelter became 'Nil' and a new night shelter at Bhavani Road would be completed before 31 December 2015.

5.1.22 Registration of birth and death

5.1.22.1 Delay in entering the birth and death data

It was noticed that the events of birth and death registered by the public with the ECMC was belatedly captured in electronic format by the ECMC as shown in **Table 5.3.**

Table 5.3: Delay in capturing birth and death data in electronic format

Year	Total number of cases		1-30 days		31-90 days		91-180 days		Above 180 days		Total Delays		Percentage (Total delays to Total cases)	
	Birth	Death	Birth	Death	Birth	Death	Birth	Death	Birth	Death	Birth	Death	Birth	Death
2010	13,613	4,111	13,118	3,343	37	126	16	48	125	95	13,296	3,612	98	88
2011	14,439	4,235	13,882	3,407	28	139	12	48	126	94	14,048	3,688	97	87
2012	14,496	4,673	13,405	3,626	61	191	59	50	183	123	13,708	3,990	95	85
2013	14,270	3,985	13,367	3,284	75	115	24	39	238	104	13,704	3,542	96	89
2014	14,053	4,553	13,231	3,591	32	175	6	49	213	124	13,482	3,939	96	87

Source: Details furnished by ECMC

GoTN replied (December 2015) that registration of birth and death was made based on Registration of Births and Deaths Act, 1969 and there was no delay in registration of birth and death. The reply is not acceptable as audit observation related to delay in capturing of birth and death in electronic format for which no specific reply was furnished.

5.1.22.2 Non-issue of birth/death certificate

As per the Tamil Nadu Registration of Births and Deaths Rules, 2000 if the extract of birth or death is not collected by the person concerned within the stipulated period of 45 days, the Registrar or the officer or person in-charge of the institution concerned should transmit the same to the concerned family by post within fifteen days of the expiry of the aforesaid period. It was, however, noticed that 8,893 and 5,486 birth and death certificates respectively were pending for issue as of February 2015.

GoTN replied (December 2015) that issue of birth and death certificate was not pending in ECMC. The reply is not acceptable since as per the records of the ECMC, there were cases of birth and death certificates not issued even after the stipulated period as pointed out by Audit.

5.1.23 Monitoring

As Head of the Department, the CMA was responsible for monitoring the implementation of various schemes by the ECMC. Scrutiny of records at field level indicated lack of monitoring by the CMA as discussed below:

The Engineering Manual for ULBs (Chapter IX) published (April 2000) by MAWS Department required formation of a Technical Audit Cell at the CMA's office to ensure quality of works execution, accountability, avoid fraud and irregularities, timely and effective rendering of services by examination of work orders and contracts for major works, bills for works above ₹ 1 lakh and muster rolls. The CMA, however, did not form the Cell (August 2015) as envisaged. Thus works which were executed by the ECMC during 2010-15 were not subjected to the technical audit.

There was no documentation or evidence of monitoring by CMA in respect of implementation of Solid Waste Management, supply of hygienic meat to the public through its slaughter house, development of OSR sites, provision of basic amenities in schools and implementation of scheme on 'Eradication of open defecation'.

5.1.24 Evaluation

Ministry of Urban Development, GoI provided Service Level Benchmarks (SLB) in ULBs for four urban services *viz.*, water supply, sewage, solid waste management and storm water drainage.

Analysis of performance of the ECMC against SLB prescribed by GoI for ULBs led to the observations given in **Table 5.4.**

Table 5.4: ECMC's performance against benchmarks

Subject	Target	Achievement
Water supply	135 lpcd for all households	55 *per cent* of the households have been covered with supply of 108 lpcd; however, the supply of water was for less than two hours only in a day.
Sewage	Coverage of all toilets and network services	Establishment of Under Ground Sewage System for only a part of the ECMC was in progress.
Solid Waste Management *	Household coverage: 100	95
	Collection efficiency: 100	85
	Segregation: 100	20
	Scientific disposal: 100	Nil
	Solid waste recovery: 80	The operation and maintenance costs are met from the revenue income and from user fee collected from non-domestic sources and royalty of compost
Storm Water Drainage (SWD)*	Coverage of SWD network: 100	79
	Incidence of water logging/ flooding: 0	Not available

* figures in percentage

Source: City Development Plan for expanded Corporation prepared by Consultant during December 2013

5.1.25 Conclusion

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.

5.1.26 Recommendations

Erode City Municipal Corporation may

- augment the revenue generation through coordination between Town Planning and Revenue sections for correct assessment and collection of Property Tax, preparation of master list for vacant lands after conducting survey of vacant lands, preparation of list of persons liable to pay Profession Tax and receipt of advertisement tax collected by the District Collector
- address vulnerabilities leading to unjustified fixation and short collection of revenues by incorporating controls/validations in the application software so as to avoid loss of revenue
- ensure delivery of better health care facilities at Maternity Centres, Urban Health Posts and Ayurvedic Centres
- ensure scientific disposal of solid wastes and prevent environmental degradation
- provide basic amenities to all its educational institutions
- ensure supply of water at 135 lpcd to all households by implementing the Dedicated Water Supply Scheme.

CHAPTER VI

COMPLIANCE AUDIT
(URBAN LOCAL BODIES)

CHAPTER VI

COMPLIANCE AUDIT

Compliance Audit on Setting up and operation of Amma canteens in Corporation of Chennai, Coimbatore, Tiruchirappalli and Tirunelveli City Municipal Corporations, Madurai City Municipal Corporation and Bodinaickkanur, Colachel, Gudiyatham, Nellikuppam, Palladam, Karaikudi, Sivakasi, Vandavasi and Vellakoil Municipalities brought out 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

6.1 Setting up and operation of Amma canteens in Municipal Corporations

6.1.1 Introduction

The Corporation of Chennai (CoC) initially proposed (February 2012) to open 200 cost price tiffin centres on experimental basis in its area with a view to provide hygienic food to the daily wage workers/downtrodden people at subsidised rates. Government of Tamil Nadu (GoTN) approved (January 2013) the proposal. The tiffin centres were rechristened (March 2013) as "Amma Canteens". Further, GoTN ordered (November 2013) to extend the scheme to seven Government hospitals within the territory of CoC. The canteen facilities were extended to nine[1] other Corporations in the State (May 2013) and 160 centres in Municipal areas (September 2014).

Audit was conducted between February 2015 and June 2015 covering the period 2013-14 and 2014-15 to assess whether the Canteens were set up and operated as per Government orders in force and whether the Canteens were operated efficiently in a sustainable manner. Records were test checked in the offices of Commissioner of Municipal Administration (CMA), CoC, (including four zones *viz.* V, VIII, IX and X), City Municipal Corporations of Coimbatore, Tiruchirappalli and Tirunelveli. Audit findings are discussed in succeeding paragraphs.

Audit findings

6.1.2 Good Practices

During the course of audit, the following good practices in the operation of Amma Canteens were noticed.

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[1] Coimbatore, Erode, Madurai, Salem, Tiruchirappalli, Tirunelveli, Tiruppur, Thoothukudi and Vellore

Amma Canteens have shown the way to mitigate the problems faced by the financially challenged people and helped women Self Help Groups (SHGs) earn a living. All canteens were certified under Food Safety and Standards Authority of India. In one of the test checked zones in CoC (Zone - V), vegetable and food waste were converted into Bio-Gas on experimental basis. During joint inspection of the Canteens with the officials of the CoC, it was seen that the canteens provided hygienic food at subsidised rates and enjoyed high patronage and other noteworthy aspects were the supply of purified drinking water, hygienic preparation of foodstuff, clean maintenance of dining hall and design for light and ventilation.

Though Amma Canteens had the good practices mentioned above, deficiencies noticed during the course of audit of Amma Canteens are discussed below:

6.1.3 Planning

6.1.3.1 Lack of adequate planning

The concept behind opening of Amma Canteens was to provide hygienic food to slum dwellers, daily wage labourers, unemployed youth and downtrodden people at subsidised prices.

All test checked Corporations including CoC did not conduct any survey to ascertain such areas or locations within their area dominated by targeted people. In CoC, 200 canteens were opened between February and April 2013 at the rate of one in each ward without ascertaining the requirement. Further, all the canteens were set up in the existing buildings of the Municipal Corporation area and no additional funds were sought from GoTN in this regard.

GoTN replied (November 2015) that the Municipal Corporations had adequate data on urban poor surveyed for different purpose; the areas were chosen based on the data already available and on the instructions issued by the Director of Municipal Administration. GoTN further stated that ₹ 25 lakh was allocated per canteen from Infrastructure Gap Filling Fund (IGFF) for construction of canteens. The reply is not acceptable as no documentary evidence in support of the survey already conducted was furnished to Audit. Further, the City Health Officer of CoC stated (July 2015) to an Audit query that no specific survey was conducted for this purpose. Documentary evidence for construction of canteens utilising the IGFF was also not made available to Audit.

6.1.3.2 Setting up of Canteens without assessing the manpower requirement

Amma Canteens were being managed from the beginning with the existing staff from Health/Revenue/Engineering Departments of test checked Municipal Corporations including CoC. As this arrangement affected the normal daily work allotted to the staff, CoC sent (July 2013) a proposal to GoTN to form a separate department with 111 employees in various cadres.

GoTN had not approved the proposal till date (May 2015) and CoC continued with the existing arrangement. It was, therefore, evident that CoC had failed to assess or plan for the manpower required before establishing the canteens.

6.1.4 Financial Management

6.1.4.1 Financial performance

Revenues from sale and operating expenses in respect of Amma Canteens for the years 2013-14 and 2014-15 are given in **Table 6.1.**

Table 6.1: Revenues from sale and operating expenses for 2013-14 and 2014-15

Year	Receipt*	Expenditure*	Deficit	Deficit (in percentage)	Total Revenue of the Corporation (Revenue Account**)	Deficit as percentage of total revenue
	(₹ in crore)					
Corporation of Chennai						
2013-14	30.53	55.58	25.05	-	2,066.13	1.21
2014-15	37.56	100.96	63.40	153	2,215.91	2.86
Tirunelveli Corporation						
2013-14	0.98	3.28	2.30	-	106.54	2.16
2014-15	1.31	3.32	2.01	(-) 12	130.67	1.54
Coimbatore Corporation						
2013-14	1.37	2.15	0.78	-	430.84	0.18
2014-15	1.67	3.62	1.95	150	481.64	0.28
Tiruchirappalli Corporation						
2013-14	1.00	2.10	1.10	-	153.15	0.72
2014-15	1.17	2.72	1.55	41	166.38	0.93

* The receipts and expenditure were furnished by the respective Corporations.
** RE figures of Revenue Accounts of the Municipal Corporations (Actuals of Revenue Account for 2014-15 were not available).
(Source : Details furnished by the respective Municipal Corporations)

Though GoTN decided to provide food items at subsidised rates, no budgetary support was being provided by GoTN except supply of rice at ₹ 1 per kg. As a result, the Municipal Corporations had to bear the differential amount from their own funds.

6.1.4.2 Financial Sustainability

Revised Estimate (RE) figures of test checked Municipal Corporations for the years 2013-14 and 2014-15 are give in **Table 6.2.**

Table 6.2: Revised Estimate figures of test checked Municipal Corporations for the years 2013-14 and 2014-15

(₹ in crore)

	Corporation of Chennai		Coimbatore Corporation		Tiruchirappalli Corporation		Tirunelveli Corporation	
	R. E. 2013-14	R. E. 2014-15	R. E. 2013-14	R. E. 2014-15	R. E. 2013-14	R. E. 2014-15	R. E. 2013-14	R. E. 2014-15
Receipts	3,637.94	4,093.79	817.06	969.02	289.19	314.43	131.55	172.79
Expenditure	3,941.04	4,565.39	766.12	985.97	288.73	315.40	143.92	179.66
Surplus / Deficit	**(-) 303.10**	**(-) 471.60**	**50.94**	**(-) 16.95**	**0.46**	**(-) 0.97**	**(-) 12.37**	**(-) 6.87**
Income from Amma Unavagam	30.53	37.56	1.37	1.67	1.00	1.17	0.98	1.31
Expenditure	55.58	100.96	2.15	3.62	2.10	2.72	3.28	3.32
Surplus / Deficit	**(-) 25.05**	**(-) 63.40**	**(-) 0.78**	**(-) 1.95**	**(-) 1.10**	**(-) 1.55**	**(-) 2.30**	**(-) 2.01**
Percentage of Amma Unavagam Deficit in overall deficit of Corporations	**8.26**	**13.44**		**11.50**	**(-) 239.13**	**159.79**	**18.59**	**29.26**

Note: As the actuals for 2014-15 were not available, RE figures for 2013-14 and 2014-15 are taken.

The above table indicates that the excess of expenditure over receipts from sale of food items had reflected in the total deficit of the test checked Municipal Corporations and increase in expenditure for Amma Canteens in the subsequent year had its consequential effect of increase on deficit/surplus of the test checked Municipal Corporations. It was also noticed from the actuals of Chennai, Coimbatore, Tiruchirappalli and Tirunelveli Municipal Corporations for 2013-14 that excess of expenditure incurred to run Amma canteens had an impact on the total deficit/surplus of these Municipal Corporations to the extent of 5.78 *per cent*, (-) 1.14 *per cent*, (-) 5.17 *per cent* and 18.60 *per cent* respectively as detailed in **Appendix 6.1.**

GoTN replied (November 2015) that as the scheme was a social welfare scheme for maintaining community public health and not a commercial venture, the amount spent on the scheme should not be termed as deficit in respect of Coimbatore, Tiruchirappalli and Tirunelveli Corporations. The reply is not acceptable as the expenditure was incurred for implementing this scheme by the Municipal Corporations without providing funds for such a scheme in the budget passed by the Municipal Corporations. While the scheme's objective may be laudable, financial discipline demands that outlay on schemes is to be provided in the budget which is passed by the Council. Any unbudgeted expenditure would result in negative impact on the implementation of other schemes.

6.1.4.3 Lack of uniformity in accounting

Neither the GoTN nor the CMA had issued guidelines or instructions with regard to recording of financial transactions such as purchases, sales etc. in the books of accounts of Municipal Corporations. As such, Municipal Corporations could not adopt a uniform accounting procedure in recording the transactions pertaining to Amma Canteens and each test checked Municipal Corporation adopted a method convenient to it. For example, in the Budget of the CoC for 2014-15 and the other test checked Municipal Corporations for 2015-16, the receipts and expenditure pertaining to Amma Canteens were accounted for in the budget as given in **Table 6.3**.

Table 6.3: Heads of Receipts and Expenditure

Name of the Municipal Corporation	Receipt Head		Payment Head	
Coimbatore	1045	Other Income	2020	Transfer of fund to Amma Unavagam
Tiruchirappalli	1013	Amma Unavagam	2045	Amma Unavagam
Tirunelveli	1093	Amma Unavagam Income	2093	Amma Unavagam
Chennai	180-80-14-00	Income from Amma Unavagam		Accounted for separately under each sub-head, zone- wise and not shown in a consolidated form.

Source: Budget books of the Corporations

In the absence of uniform accounting procedure, Audit could not obtain the required financial data both from the budgets and other books of accounts and also could not ensure correctness of the entries in the available accounts records through a process of verification.

GoTN replied (November 2015) that appropriate instructions would be issued to the ULBs to maintain uniformity in accounts.

6.1.5 Subsidy to all people instead of downtrodden people

In Policy Notes of Municipal Administration and Water Supply Department for the years 2013-14 and 2014-15, it was stated that when inflation was causing hardship to the general public, provision of hygienic food at affordable prices to downtrodden people ensures food security. While according (January 2013) administrative sanction, GoTN ordered CoC to identify places in each ward to supply hygienic food to the daily workers/downtrodden people at subsidised rates. However, no survey was conducted to identify the targeted people which led to provision of food items to all people at subsidised rates. Supply of subsidised food items to all people instead of daily wage workers/downtrodden people alone resulted in extra financial burden to Scheme implementing units.

6.1.6 Extra expenditure on purchase of wheat

GoTN approved (July 2013) the proposal of CoC to sell chappaty and dhall in Amma Canteens during evening hours and directed the Tamil Nadu Civil Supplies Corporation (TNCSC) to supply 350 Metric Tonnes (MTs) of wheat per month to CoC at subsidised rate. However, GoTN did not fix price for the wheat to be supplied at subsidised rate. Meanwhile, CoC requested (February 2014) the TNCSC to supply 500 MTs of wheat per month at subsidised price (i.e. ₹ 7.50 per kg). The TNCSC agreed (February 2014) to supply the required quantity of wheat to CoC and to collect the cost after receipt of orders from Government.

However, it was noticed that in the test checked Zones of CoC, during February 2014 to March 2015, 1,81,450 kgs of wheat was purchased from TNCSC at ₹ 17.25 per kg (the price at which wheat was sold in the open market by TNCSC) instead of ₹ 7.50 per kg. This resulted in extra expenditure of ₹ 17.69[2] lakh.

6.1.7 Excess expenditure due to purchase of wheat flour

As per instructions issued (July 2013) by GoTN and CoC, all the Zonal Officers in CoC were required to purchase wheat from TNCSC as per their requirement, but GoTN did not fix the rate for supply of wheat. The wheat purchased should then be ground into flour by the Contractor to whom the work was awarded and the flour supplied to the Chappati making Centres. The work of grinding the wheat into flour was awarded to a Contractor. In CoC, each zone had one centralised Chappati making centre. In the test checked Zones, the above prescribed procedure was not followed. Instead wheat flour was directly purchased from Triplicane Urban Co-operative Society (TUCS). During the years 2013-14 and 2014-15, a total quantity of 2,59,800 kg. of wheat flour was purchased at the rate of ₹ 38 per kg as detailed in **Table 6.4.**

Table 6.4: Details of wheat flour purchased during 2013-15

Zone No. (1)	Quantity of wheat flour purchased (in kg.) (2)			Cost (3) (Total of Col. (2) x ₹ 38) (in ₹)
	2013-14	2014-15	Total	
Zone-V	NIL	91,600	91,600	34,80,800
Zone-VIII	NIL	15,000	15,000	5,70,000
Zone-IX	8,450	1,34,750	1,43,200	54,41,600
Zone-X	NIL	10,000	10,000	3,80,000
Total	**8,450**	**2,51,350**	**2,59,800**	**98,72,400**

Source: Details furnished by concerned Zonal Health Officers

As per calculations given by CoC in its Circular dated 04 March 2014, 890 grams of wheat flour was obtained after grinding one kg (1,000 grams) of wheat (after giving allowance for wastage).

2 1,81,450 x ₹ 17.25 = ₹ 31,30,013 (A); 1,81,450 x ₹ 7.50 = ₹ 13,60,875 (B); A-B = ₹ 17,69,138

For 2,59,800 kg of wheat flour (2,59,800 X 1,000 gm / 890)	2,91,910 kg wheat
Cost of 2,91,910 kg of wheat at ₹ 17.25 / kg	₹ 50,35,447
(Add) Grinding Charges at ₹ 6.00 / kg	₹ 17,51,460
Total	**₹ 67,86,907**
Cost of wheat flour (Total of Col.3 in Table 6.4)	₹ 98,72,400
Excess expenditure (₹ 98,72,400 - ₹ 67,86,907)	**₹ 30,85,493**

Thus, purchase of wheat flour from TUCS at ₹ 38 per kg resulted in excess expenditure of ₹ 30.85 lakh.

6.1.8 Avoidable expenditure in purchase of Toor Dhall, Urad Dhall and Cooking Oil – ₹ 2.78 crore

GoTN ordered (September 2014) Cooperation, Food and Consumer Protection Department to supply Rice, Wheat, Urad Dhall, Toor Dhall and Cooking Oil required for Amma Canteens at subsidised price. In the test checked zones of CoC and other test checked Corporations, it was observed that Toor Dhall, Urad Dhall and Cooking Oil were purchased from Amudham Departmental Stores/TUCS/other Co-operative Societies at the open market price, contrary to Government orders. This resulted in avoidable expenditure of ₹ 2.78 crore during the period from October 2014 to March 2015 as detailed in the **Appendix 6.2.**

GoTN replied (November 2015) that ULBs were permitted (May 2013) to purchase Toor Dhall, Urad Dhall and Cooking Oil from Amudham Departmental Stores/TUCS/other Co-operative Societies. The reply is not relevant to the point raised since GoTN ordered (September 2014) Cooperation, Food and Consumer Protection Department to supply these items at subsidised rates only and the avoidable expenditure of ₹ 2.78 crore pertained only to the period after the issue of Government order in September 2014.

6.1.9 Purchase of Chappati making machines

6.1.9.1 Irregular payment of ₹ 1.33 crore in purchase of Chappati making machines

The CoC decided (May 2013) to provide Chappaties in all Amma Canteens during evening time from 6 pm to 9 pm. It required four lakh Chappaties on each day at the rate of 2,000 Chappaties per canteen to meet the demand of the beneficiaries. Hence, the CoC proposed (May 2013) to purchase 15 numbers of fully automatic Chappati making machines for 15 zones so as to make easy the preparation of four lakh Chappaties for 200 canteens. Purchase order for supply of 15 fully automatic Chappati making machines at the cost of ₹ 12.90 lakh per machine plus VAT at the rate of 14.50 *per cent* was placed (August 2013) with a firm by following the tender procedures. The firm supplied 14 machines between 18 October 2013 and 19 November 2013 and CoC paid (October and November 2013) ₹ 1.33 crore for nine machines. Technical Analysis Committee found during the trial run conducted in November and December 2013 that the output and the required quality were not as per the specification prescribed/mentioned in the Agreement condition. In response to the show cause notice issued (February 2014) to the firm to rectify the defects, the firm assured (February 2014) to refund the amount of ₹ 1.33 crore if it would not rectify the flaws/problems within 90 days. As the firm did not rectify the defects as per its assurance, the CoC demanded (May 2014) refund of ₹ 1.33 crore paid for nine machines. The firm had neither rectified the defects/replaced with new one nor refunded the amount as per the assurance given. In this connection, the following observations are made:

- Before resorting to purchase the fully automatic Chappaty machines, CoC did not study the performance and real production capacity of the machine prior to placing of order by conducting trials or observing at the premises of other user.
- CoC did not include warranty clause in the agreement which had put the CoC in disadvantageous position.
- Payments for supply of machines were made (October 2013 / November 2013) before satisfactory completion of trial runs (November 2013 / December 2013).
- The contract was not terminated in spite of breach of agreement conditions.
- Despite failure of the firm to rectify the faults / replace the new one or refund the amount, no legal action was initiated against the firm except issue of a show cause notice till date (May 2015).

6.1.9.2 Additional expenditure incurred due to non-functioning of fully automated Chappati making machines

The fully automatic Chappati making machines installed in the 14 Zones were found to be not functioning as per specifications. CoC realised (March 2014) that it was not possible to cater to the demand for Chappaties by manual operation with the existing SHG members. Hence, the CoC incurred an additional expenditure of ₹ 22.20 lakh to procure stand alone machines like Ball Cutter machines, Chappati pressing machines and Compressor for Zones V, VIII and IX.

6.1.9.3 Additional expenditure incurred due to appointment of additional staff

In the test checked Zone - X in CoC, 52 additional SHG members were employed for making Chappaties in the Canteens due to non-functioning of fully automated Chappati making machine as given in **Table 6.5.**

Table 6.5 : Details about excess SHG members employed

1.	Total number of Centres in Zone - X	16
2.	Total Number of SHG members employed for making Chappaties (16 centres)	130
3.	Deduct : SHG members normally allowed for Chappati sale - 4 members x 16 centres	64
4.	Deduct: SHG members employed in Chappati centres for making Chappaties. (7 employees x 2 shifts)	14
	Excess SHG members	**52**

Source: Details furnished by the respective Zonal Health Officers

It is seen from the **Table 6.5** that an additional expenditure of ₹ 56.94 lakh (52 members X ₹ 300 per day x 365 days) was incurred on payment of salary to the additional staff employed for the period from April 2014 to March 2015 due to non functioning of the fully automatic machine.

6.1.10 Temporary advances pending adjustment – ₹ 6.04 crore

It was noticed that temporary advances are paid by Zonal / Central Office for meeting expenditure relating to purchase of Commodities, Gas Cylinders and other Canteen activities. As per Article 99 of TNFC Volume-I, any temporary advance has to be got adjusted within a period of three months from the date of disbursement. In the test checked Zones of CoC, an advance of ₹ 6.04 crore drawn during 2012-13 (₹ 99,94,000), 2013-14 (₹ 2,64,85,700) and 2014-15 (upto December 2014) (₹ 2,39,29,250) was not adjusted till March 2015. The unadjusted advance included a sum of ₹ 99.94 lakh pending adjustment for more than two years.

6.1.11 Ineffective implementation of social security scheme

As per Section 1(3) of the Employees Provident Fund and Miscellaneous Provisions (EPF and MP) Act, 1952, provisions of this Act apply to any establishment employing 20 or more persons. Canteens are covered under the Employees Provident Fund (EPF) Scheme, 1952 vide sub-paragraph 3 (b) (xxxiii) of Paragraph 1 of EPF Scheme, 1952. Section 6 of the EPF and MP Act, 1952 stipulates that the employer should pay 12 *per cent* of the basic wages, dearness allowance and retaining allowance, if any, for the time being payable to each of the employees whether employed by him directly or by or through a contractor, and the employee's contribution should be equal to the contribution payable by the employer. Section 2 (e) (ii) of the EPF and MP Act, 1952 defines the employer as the person who, or the authority which, has the ultimate control over the affairs of the establishment and Section 2 (f) of the Act *ibid* defines the employees as any person who is employed for wages in any kind of work, manual or otherwise, in or in connection with the work of an establishment and who gets his wages directly or indirectly from the employer. Amma Canteens in all the test checked Municipal Corporations had more than 20 employees and the Municipal Corporations were the employers as per the EPF and MP Act, 1952.

Tiruchirappalli City Municipal Corporation (TCMC) implemented the EPF Scheme, 1952 for the employees worked in Amma Canteen. However, TCMC deducted both the employer's and the employees' share of contribution payable to EPF Scheme from the wages of the employees instead of deducting the employees' share of contribution alone. Thereby TCMC failed to remit its own share of contribution to EPF from its own funds.

Details of the contributions collected and remitted by TCMC at the rate of 24 *per cent* of wages for the period from June 2013 to March 2015 are given in **Table 6.6.**

Table 6.6 : Details of EPF contribution recovered from the employees of Amma Canteens in TCMC

Name of the Zone	EPF contribution recovered at the rate of 24 *per cent* of wages (in ₹)
Ponmalai	8,19,289
Srirangam	8,21,194
K. Abishekapuram	13,13,459
Ariyamangalam	12,47,213
Total	**42,01,155**

It is seen from the **Table 6.6** that TCMC had not paid its due share of contribution amounting to ₹ 21.06 lakh from its own funds for the period from June 2013 to March 2015 but had deducted the same from the employees and remitted to Employees Provident Fund Organisation. Such action of the TCMC had added an additional financial burden to the employees of Amma canteens.

In other test checked Municipal Corporations, the EPF Scheme had not been implemented which amounted to deprival of the benefit of the scheme to the employees of Amma canteens.

GoTN replied (November 2015) that only 12 members from SHGs were engaged in a canteen and hence the provisions of EPF and MP Act, 1952 were not applicable. GoTN further stated that TCMC had outsourced the functions of the canteen through SHGs and these SHGs engaged employees on their own; as such the employer and the employee were one and the same and paid the EPF contribution of both the employer and the employee on their own. The reply is not acceptable as the TCMC was an employer since it had employed more than 20 persons for operating the canteens in TCMC; members of the SHGs engaged for operation of the canteens were employees of TCMC as per the EPF and MP Act, 1952 and hence, deduction of employer's contribution from the wages of employees is contrary to provisions of the EPF and MP Act, 1952.

6.1.12 Avoidable expenditure incurred on using butter sheets – ₹ 27.99 lakh

It was noticed that butter sheet was used in Amma Canteens operating in the Corporations of Tirunelveli and Tiruchirappalli. The foodstuff was served on the butter sheet (i.e. a very thin polythene sheet cut for the purpose) which was placed over the Stainless Steel Plate. The Amma Canteens in Tirunelveli City Municipal Corporation were using the butter sheet from August 2013 to June 2014. An expenditure of ₹ 9.28 lakh was incurred on the purchase of butter sheet during this period. The usage of the sheet was discontinued following public complaints that it was causing stomach problems. Similarly, the Amma Canteens in Tiruchirappalli City Municipal Corporation were also using the butter sheet and it had incurred an expenditure of ₹ 18.71 lakh from June 2013 to March 2015 for purchase of butter sheets.

There was no provision in the order of GoTN to provide butter sheet or anything to provide over Stainless Steel Plate for serving food items and it was also noticed that butter sheet was not used in any other test checked Municipal Corporations.

GoTN replied (November 2015) that the butter sheets initially used to serve food were withdrawn based on the complaint of stomach pain from public even though there was no proof to establish the complaint. The reply is not acceptable as the City Health Officer of Tirunelveli City Municipal Corporation stated (April 2015) to an Audit query that the butter sheets used for serving food items caused stomach pain. Further, there was no provision for use of butter sheets in the guidelines/orders issued for operation of Amma canteens.

6.1.13 Excess expenditure due to procurement of identical items in multiple tender calls

GoTN permitted (November 2013) CoC to open Amma Canteens in the seven[3] Government Hospitals in Chennai. Rajiv Gandhi Government General Hospital, Government R.S.R.M. Hospital, Institute of Child Health and Research Institute, Egmore and Government Stanley Hospital fell in the area of Zone - V. On scrutiny of records at Zone - V, it was observed that items listed in **Appendix 6.3** required for Amma Canteens for these four hospitals were procured for each hospital by calling for separate limited quotations from suppliers. There were variations in the rates quoted by successful bidders (L1) for supply of identical items. As all the four hospitals were located in Zone - V, all the required items could have been grouped and purchased through a single tender at a uniform lowest price. The lowest tender in each

[3] (i) Rajiv Gandhi Government General Hospital; (ii) Government R.S.R.M. Hospital; (iii) Institute of Child Health and Research Institute, Egmore; (iv) Government Stanley Hospital; (v) Government Royapettah Hospital; (vi) Government Kilpauk Medical College and Hospital and (vii) Kasturba Gandhi Government Hospital

case for the same item happened to be different due to multiple tender calls / quotations. As a result, there was excess expenditure of ₹ 2.89 lakh as detailed in the **Appendix 6.3.**

6.1.14 Restriction in preparation of food items

At the time of establishing Amma Canteens in CoC, neither GoTN nor CoC fixed any limit for preparation of food items. However, GoTN approved (May 2013) the proposal of the CMA for preparation of 300 numbers of each food item while ordering the establishment of Amma Canteens in other Municipal Corporations. It was observed that in CoC, requirement for preparation of food items for a day was assessed based on the previous day's demand and it was restricted to 300 numbers of each food item in other test checked Municipal Corporations. Restriction of preparation of food items to a fixed number in lieu of need based preparation was not on any realistic basis which would result in wastage or shortage of food items prepared.

GoTN replied (November 2015) that Amma Canteens were not the establishment to serve food for all the citizens of the town; preparation of food items was restricted to 300 plates of food per canteen taking into account the need of the area and funds available with the Corporation. The reply is not acceptable since the preparation of food items was not on need basis as pointed out in the above paragraph.

6.1.15 Conclusion

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 / downtrodden 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.

MUNICIPAL ADMINISTRATION AND WATER SUPPLY DEPARTMENT

6.2 Loss of interest

BODINAICKKANUR, COLACHEL, GUDIYATHAM, KARAIKUDI, SIVAKASI, VANDAVASI AND VELLAKOIL MUNICIPALITIES

6.2.1 Loss of interest due to parking of funds in Current Account

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

Government of Tamil Nadu (GoTN) directed (May 1983) all the Municipalities and Municipal Townships to keep their funds in interest bearing Savings Bank accounts. Scrutiny of records revealed (February 2014) that seven[4] Municipalities had kept their funds (April 2011 to March 2015) received from various sources like own revenue, assigned revenue, grants from Government of India, GoTN, State Finance Commission, Central Finance Commission, Centrally Sponsored schemes etc. in Current account with branches of State Bank of India instead of keeping the funds in interest bearing Savings Bank account. Out of these, Vellakoil Municipality had closed its Current account in April 2014 and the remaining six Municipalities had kept their funds in Current accounts till date (March 2015). Had the funds been kept in Savings Bank account, these Municipalities could have earned interest to the tune of ₹ 96.48 lakh[5] for the period from April 2011 to March 2015 as detailed in the **Appendix 6.4.**

The matter was referred to Government in October 2015; reply has not been received (December 2015).

6.3 Avoidable expenditure

MADURAI CITY MUNICIPAL CORPORATION

6.3.1 Avoidable payment of interest

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.

Madurai City Municipal Corporation (Corporation) proposed (March 1997) to form an Inner Ring Road (IRR) for a length of 27.20 kilometres to decongest

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4 Bodinaickkanur, Colachel, Gudiyatham, Karaikudi, Sivakasi, Vandavasi and Vellakoil

5 The interest was calculated on daily minimum balance basis for the Savings Bank account adopting the rate at which prescribed by Reserve Bank of India

the traffic in Madurai city and to service this capital expenditure from amounts collected as toll from the users of the IRR. Government of Tamil Nadu (GoTN) accorded (May 1997) administrative sanction for the above work at an estimated cost of ₹ 36.35 crore and the same was subsequently revised (September 1999) to ₹ 47.35 crore. The expenditure of ₹ 47.35 crore was to be met by Grant (₹ 14 crore) from Government and loan (₹ 33.35 crore) from Tamil Nadu Urban Development Fund (TNUDF) to be repaid in 15 years with interest at 15.50 *per cent* per annum. The State Highways and Rural Works Department executed (October 2000) the work as deposit work on behalf of the Corporation at a cost of ₹ 43 crore. As the interest rate for the loan obtained from TNUDF was on the higher side, the Corporation raised ₹ 29 crore in March 2001 (which was later ratified by GoTN in May 2001) through issue of 2,900 number of 12.25 *per cent* non-convertible redeemable bonds of ₹ 1 lakh each with annuities payable on 1st April and 1st October of each year in 30 instalments. The first annuity commenced on 01 October 2001 and the last annuity would fall due on 01 April 2016. An Escrow Account was maintained with the IDBI Bank Limited, Madurai for depositing the toll collections which should be utilised for servicing the bonds. As per the Trustee Agreement entered into between Madurai Corporation and Trustees to the bondholders, all withdrawal from the said Escrow Account should be only for payment of principal and or interest to the bondholders or for making investments as decided by the Corporation. The road was opened to traffic from November 2000 and toll was collected from 01 November 2000 to 22 January 2015.

As per the Condition No.12 of the Terms, Conditions and Instructions of the Bond Certificate, the Corporation had the option to redeem the bonds at par on the expiry of 10th year from the deemed date of allotment and should announce its intention to do so to the bondholders. Audit scrutiny revealed (March 2014) that the Corporation had a balance of ₹ 20.85 crore as on 01 October 2011 (after the 10th year and 21st annuity payment). As against this, the total principal amount to be repaid to the bondholders for settling the loan at that time was ₹ 14.44 crore. However, the Corporation did not exercise the option of redeeming the bonds despite availability of funds. Thus, failure of the Corporation to settle the loan liability of ₹ 14.44 crore in October 2011 resulted in avoidable interest payment of ₹ 58.87 lakh, as detailed in the **Appendix 6.5,** to the bondholders during the period from October 2011 to March 2015. The above amount is likely to increase further as the loan liability will be settled in April 2016.

The matter was referred to Government in November 2015; reply has not been received (December 2015).

6.4 Idle investment

NELLIKUPPAM MUNICIPALITY

6.4.1 Idle investment on construction of bus stand and shopping complex

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.

Nellikuppam Municipality (Municipality) proposed (April 2004) to construct a bus stand with shopping complex abutting Cuddalore - Chittoor State Highways under Integrated Development of Small and Medium Towns (IDSMT) programme 2004-05 at a cost of ₹ 90 lakh. Commissioner of Municipal Administration accorded (August 2004) administrative sanction and Superintending Engineer in the Commissionerate of Municipal Administration accorded (August 2005) technical sanction for carrying out the work. The Consultant appointed (April 2005) for preparation of Detailed Project Report (DPR) pointed out that a private residential building at the junction with Cuddalore - Chittoor road was a major bottleneck. This was further compounded by the road width of the State Highways being constricted near the site. The Consultant suggested initiation of the process of acquisition to ease vehicular ingress and egress and to minimise possible accidents. The Regional Transport Officer (RTO), Cuddalore issued (July 2005) No Objection Certificate for construction of the bus stand subject to fulfilment of the assurance given by the Municipality to (i) acquire the encroached buildings occupied by the private persons near the entry/exit points of access roads and (ii) to widen the State Highways Road at the junction point by removing the encroachments for free flow of vehicles along the road. The work was awarded (December 2006) to a contractor for a value of ₹ 91.20 lakh. The work was to be completed within nine months from the date of issue of work order. However, the work was completed in October 2008 at a total cost of ₹ 76.41 lakh.

Audit scrutiny revealed (December 2014) that the bus stand was inaugurated on 7 November 2008. The RTO, Cuddalore granted (September 2008) license for the bus stand for a period of three years and the same was renewed for a further period of three years (i.e. up to 17 September 2014). However, the bus stand was not put to use so far (December 2014) due to non-removal of the encroachments at the entry/exit points of access roads to the bus stand which led to crumbled traffic along the Cuddalore - Chittoor State Highways. It was further noticed that the RTO refused (October 2014) to renew the license beyond 17 September 2014 stating that buses could not conveniently enter and leave the bus stand since entry/exit points of access roads were narrow and there would be a possibility for accidents. Lease holders of the commercial shops had also surrendered the shops due to non-operation of the bus stand.

Even though the Bus Stand Action Committee took a decision in November 2009 to remove the encroachments under compulsory land acquisition rules, no effective action was taken by the Municipality to remove the encroachments and widen the entry and exit points of access roads to the bus stand for free flow of vehicle movements into the bus stand. This resulted in idle investment of ₹ 76.41 lakh for more than six years besides non-realisation of revenue to be generated by leasing out the commercial shops built in the bus stand.

The matter was referred to Government in July 2015; reply has not been received (December 2015).

PALLADAM MUNICIPALITY

6.4.2 Idle investment on creation of new infrastructure

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.

Tamil Nadu Water Supply and Drainage (TWAD) Board supplied 1.863 million litres (MLD) of potable water per day to Palladam Municipality (Municipality) under Pillur Combined Water Supply Scheme-I at 47 litres per capita per day (lpcd). To enhance the supply of water to 135 lpcd to the Municipality, a combined water supply scheme with Pillur dam as source, covering the Municipality, 23 Town Panchayats and 965 rural habitations in Coimbatore and Tiruppur Districts was formulated by TWAD Board. The same was approved (July 2006) by the State Level Steering Committee for implementation under Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT). Based on the detailed estimate prepared by TWAD Board for the scheme, the total cost and share of the Municipality were revised to ₹ 224.92 crore from ₹ 172.80 crore and to ₹ 9.45 crore from ₹ 8.91 crore respectively. TWAD Board released ₹ 188.58 crore as of August 2015.

Memorandum of Understanding (MoU) was signed (May 2007) between the Municipality and the TWAD Board for creating infrastructure such as construction of Overhead Tank (OHT) at West Palladam and laying of pipelines for distribution system at a cost of ₹ 23.50 lakh. The TWAD Board awarded (May 2007) the work to a firm through tender for ₹ 21.36 lakh.

Scrutiny of records revealed that the Municipal Council resolved (June 2007) that since water could be pumped to the OHT only after completion of the combined water supply scheme with Pillur dam as source, these two works could be commenced at the stage when water could be pumped to the OHT. Despite non-completion of the above water supply scheme, Commissioner of Municipal Administration (CMA) advised (December 2007) the Municipality to pass a resolution in the Municipal Council for immediate implementation of drinking water supply scheme. Accordingly, the Municipal Council resolved (December 2007) to permit TWAD Board to construct the two lakh litres capacity OHT and to lay new water supply pipelines within the Municipality for a length of five kilometres. Meanwhile, the work which was commenced in January 2008 (after getting the approval of Municipal Council in December 2007) was completed in February 2009 at a cost of ₹ 23.49 lakh. The TWAD Board handed over (March 2009) the infrastructure created to the Municipality.

However, the new infrastructure created at a cost of ₹ 23.49 lakh was not put to use for the past six years as the works relating to the main scheme was not finalised. On this being pointed out, the Municipality stated (April 2015) that a two lakh litres capacity sump at an estimated cost of ₹ 9.5 lakh would be constructed within Anna Nagar OHT campus; water would be stored and pumped from the sump to the new OHT. The reply furnished by the Municipality is not relevant to the point raised by Audit. Thus, creation of new infrastructure before finalisation of the main components of the scheme resulted in idling of assets created at a cost of ₹ 23.49 lakh besides non-supply of 135 lpcd of water to the public as envisaged under the scheme.

The matter was referred to Government in July 2015; reply has not been received (December 2015).

(SUBHASHINI SRINIVASAN)
Principal Accountant General
(General and Social Sector Audit),
Tamil Nadu and Puducherry

Chennai
The 28 March 2016

Countersigned

(SHASHI KANT SHARMA)
Comptroller and Auditor General of India

New Delhi
The 29 March 2016

APPENDICES

Appendix 2.1

(Reference: Paragraph 2.1.7.8; Page 16)

Entering of fake vouchers in PRIA Soft

Name of the Block Panchayat	Voucher No.	Head of Account	Mode of transaction	Amount (in ₹)
Sembanarkoil	MLACDS/2012-13/P/74 Dated 29-03-2013	2403-106-23 Major works	Cheque No.657055 dated 29-03-2013	42,90,547
	SFCG/2013-14/R-63 Dated 04-08-2013	1601-102-IT Grants	Receipt by bank transfer	57,78,48,492
	SFC/2012-13/P-165 Dated 29-03-2015	2515-102-01 Salary	Cash	1,30,54,946
Kaveripakkam	MPLAD/2013-14/P/25 Dated.01-04-2013	2059-101-50 Other expenditure	Cheque No.019099 dated 01-04-2013	11,59,569
	RIS/2013-14/P/74 Dated 01-04-2013	2515-101-08 Other expenditure	Advice (Adjustment)	18,49,457
	SFCG/2013-14/P/74 Dated.01-04-2013	5054-800-23 Major works	Advice (Adjustment)	8,37,900
	MGNREGA/2013-14/P/14 Dated 03-06-2013	2402-104-02 Wages	Advice/Letter	55,40,000
Tirupathur	MPLAD/2012-13/P/22 Dated 28-02-2013	2215-101-Minor works MLACDS	Cheque No.000004 Dated 28-02-2013	5,16,592
	MPLAD/2012-13/P/22 Dated 11-01-2013	2215-101-Minor works MLACDS	Cheque No.000001 Dated 30-05-2012	1,22,644
Thanthoni	IAY/2012-13/P/31	2435-800-09 Agriculture	Letter/Advice No.3132013 dated 31-03-2013	99,43,293
Tiruporur	MGNREGA/2013-14/P/626 Dated 28-03-2014	2402-101-23 Major works	Paid by cash	9,45,35,565
			Total	**70,96,99,005**

Appendix 2.2

(Reference: Paragraph 2.1.7.12; Page 20)

Non-reconciliation of accounts

(in ₹)

Bank Account No.	Details	Audit Observations in PRIA Soft
Tirupathur Block Panchayat		
620802010001192	Balance as per cash Book : 40,28,883 Add: Unencashed cheques : 4,07,994 Balance as per pass book : 44,36,877	Balance as per pass book was wrongly depicted as ₹ 40,28,883 instead of ₹ 44,36,877. Unencashed cheque was not posted.
1669101015135	Balance as per cash Book : 4,71,376 Balance as per pass book : 4,71,376	Balance of cash / pass book was shown as ₹ 45,65,896 instead of ₹ 4,71,376.
1669101011375	Balance as per cash Book : 5,791 Deduct: Inadvertent debit given by bank : 1,000 Balance as per pass book : 4,791	Balance of cash / bank pass book was wrongly shown as ₹ 15,252 instead of ₹ 4,791.
20531450000176	Balance as per cash Book : 13,56,401 Add: Unencashed cheques : 46,890 Balance as per pass book : 14,03,291	Balance as per pass book was wrongly shown as ₹ 13,56,401 instead of ₹ 14,03,291. Unencashed cheque was not posted.
620802010003062	Balance as per cash Book : 37,29,396 Add: Unencashed cheques : 84,140 Balance as per pass book : 38,13,536	Balance as per pass book was shown as ₹ 38,31,551 instead of ₹ 38,13,536.
6107523381	Balance as per cash Book : 2,43,187 Add: Unencashed cheques : 6,797 Balance as per pass book : 2,49,984	Balance as per cash book was wrongly shown as ₹ 58,06,000.
10300	Balance as per cash Book : 2,43,187 Add: Unencashed cheques : 6,797 Balance as per pass book : 2,49,984	Balance as per cash book and pass book was wrongly shown as ₹ 2,30,497.

Appendix 2.3

(Reference: Paragraph 2.1.8.13; Page 31)

Non-monitoring of unutilised bank balances of inoperative schemes

SL. No.	Name of the District	Name of the Scheme	Account No.	Amount (In ₹)
1	Vellore	Periyar Ninaivu Samathuvapuram	11901	1,35,64,762
2		KVVT	76091	3,76,48,893
3	Theni	Raising Jatropha Nurseries	64209	3,88,827
4		Western Ghats Development Programme	2529	10,52,403
5		Twelfth Finance commission	7710	26,31,496
6		Solar energy	27822	6,67,468
7		SGRY	58092	15,77,268
8		Green Village	3791	4,30,734
9		MPLADS – Shri N Balaganga	72899	1,59,151
10		MPLADS – Shri J.M. Aaroon Rashid	67517	39,06,173
11		MPLADS – Shri A. William Rabi Bernard	51981	4,55,715
12		MPLADS – Shri Thanga Tamil Selvan	68837	36,24,833
13		MPLADS – Shri T.T.V. Dhinakaran	64301	48,94,741
			Total	**7,10,02,464**

Appendix 2.4

(Reference: Paragraph 2.1.8.14; Page 31)

Details of incomplete houses shown as completed in OSMS

(in numbers)

Sl. No	Name of the Block Panchayat	Indira Awaas Yojana			Chief Minister's Solar Powered Green House Scheme	
		2012-13	2013-14	2014-15	2013-14	2014-15
1.	Kaveripakkam	-	10	-	-	13
2.	Tirupathur	-	2	13	-	11
3.	Thanthoni	-	-	12	4	12
4.	Bodinaickkanur	-	-	5	-	-
5.	Nagapattinam	-	49	-	130	-
6.	Katpadi	1	2	-	-	-
7.	Sembanarkoil	-	-	149	-	165
8.	Bogalur	8	11	-	37	87
9.	Periyakulam	-		8	-	13
10.	Alangayam	-	4	11	-	-
11.	Kaveripattinam	-	-	-	21	7
12.	Karur	-	-	-	-	29
	Total	**9**	**78**	**198**	**192**	**337**

Appendix 3.1

(Reference: Paragraph 3.1.5.1; Page 38)

Avoidable expenditure due to adoption of higher cement mortar mix

SI No.	Name of the Block Panchayat	No. of houses for which brick work completed (upto Lintel level)	Quantity of Brick work adopted in the model estimate (in m^3)	Cement content in 1:5 mix (in MT)	Cement content in 1:6 mix (in MT)	Difference in cement content (in MT) (Col.5 - Col.6)	Difference in cement content in brick work of 1 m^3 (Col. 7 x 0.708/ 2.83168) (in MT)	Cost of cement per bag per MT to be adopted as per CRDPR instructions (in ₹)	Avoidable expenditure per m^3 of brick work (Col.8 x Col.9) (in ₹)	Avoidable expenditure per house (Col .4 x Col.10) (in ₹)	Avoidable expenditure (Col.11 x Col.3) (in ₹)
1	2	3	4	5	6	7	8	9	10	11	12
Cuddalore District											
1	Cuddalore	7,448	15.43	0.288	0.24	0.048	0.012	4,450	53.40	823.96	61,36,854
2	Kurinchipadi	10,156	17.53	0.288	0.24	0.048	0.012	4,450	53.40	936.10	95,07,031
Villupuram District											
3	Kandamangalam	1,567	13.67	0.288	0.24	0.048	0.012	4,450	53.40	729.98	11,43,879
4	Koliyanur	1,315	15.12	0.288	0.24	0.048	0.012	4,450	53.40	807.41	10,61,744
										Total	**1,78,49,508**

MT : Metric Tonne
CRDPR : Commissioner of Rural Development and Panchayat Raj

Appendix 3.2

(Reference: Paragraph 3.1.5.2; Page 39)

Avoidable expenditure due to non-adoption of Fly Ash Bricks

Sl. No.	Name of the Block Panchayat	No. of houses completed*	Quantity provided in the model estimate for plastering the outer walls (in Sq.Mtr.)	Rate adopted per Sq.Mtr. for plastering (in ₹)	Total expenditure incurred for plastering outer walls (in ₹)	Cost of country bricks per 1,000 Nos. as adopted in the model estimate (in ₹)	Cost of Fly Ash Bricks per 1,000 Nos. as per SOR 2012-13 (in ₹)	Difference in cost of bricks (per 1,000 numbers) (Col.7 – Col.8) (in ₹)	No. of bricks required per m^3 (1,300 bricks for 100 cubic feet or 2.83168 cu.m)	Quantity of Brick work adopted in the model estimate per m^3	No. of bricks required for constructing a house (Col.10 x Col.11)	Total avoidable expenditure on Brick work (Col.12 x Col.9/1,000) (in ₹)	Avoidable expenditure per house (Col.6 + Col.13) (in ₹)	Total Avoidable expenditure (Col.14 x Col.3) (in ₹)
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Cuddalore District														
1	Cuddalore	2,558	64.22	88.82	5,704	4,310	3,875	435	459.09	15.43	7,084	3,081	8,785	2,24,72,030
2	Kurinchipadi	2,120	52.37	82.40	4,315	3,625	3,875	-250	459.09	17.53	8,048	-2,012	2,303	48,82,360
3	Panruti	3,569	70.34	65.00	4,572	4,310	3,875	435	459.09	11.76	5,399	2,349	6,921	2,47,01,049
Villupuram District														
4	Kandamangalam	852	76.88	82.40	6,335	3,625	3,875	-250	459.09	13.67	6,276	-1,569	4,766	40,60,632
5	Koliyanur	757	60.66	81.21	4,926	3,625	3,875	-250	459.09	15.12	6,941	-1,735	3,191	24,15,587
													Total	**5,85,31,658**

* Number of houses for which payments were made fully

SOR : Schedule of Rates

Appendix 3.3

(Reference: Paragraph 3.1.6.1; Page 41)

Short release of grant

Sl. No.	Name of the Block Panchayat	Year	Private companies cement in bags of 50 kg each issued (in numbers)	TANCEM cement in bags of 50 kg each issued (in numbers)	Total cement supplied (in numbers)	Recovery rate / Issue rate per Bag adopted (in ₹)	Recovery rate to be adopted as per CRDPR instructions (in ₹)	Excess recovery (in ₹)	Short release of grant to beneficiaries (Col.4+Col.5) x Col.9 (in ₹)
1	2	3	4	5	6	7	8	9	10
1	Cuddalore	2012-13	0	42,460		235	222.50	12.5	5,30,750
		2013-14	1,51,092	1,09,840		245		22.5	58,70,970
		2014-15	22,340	88,648		245		22.5	24,97,230
			1,73,432	**2,40,948**	**4,14,380**				**88,98,950**
2	Kurinchipadi	2012-13	0	4,600		235	222.50	12.5	57,500
		2013-14	1,37,320	2,15,240		240		17.5	61,69,800
				23,908		250		27.5	6,57,470
		2014-15	7,120	1,29,975		250		27.5	37,70,113
			1,44,440	**3,73,723**	**5,18,163**				**1,06,54,883**
3	Panruti	2012-13	7,520	16,940		223	222.50	0	0
				16,664		235		12.5	2,08,300
		2013-14	20,660	5,736		235		12.5	3,29,950
				2,57,359		236		13.5	34,74,347
				25,777		245		22.5	5,79,983
		2014-15	14,720	1,33,992		245		22.5	33,46,020
				2,184		257		34.5	75,348
			42,900	**4,58,652**	**5,01,552**				**80,13,948**
4	Koliyanur	2012-13	6,000	23,823		245	222.50	22.5	6,71,018
		2013-14	28,879	11,010		245		22.5	8,97,503
		2014-15	2,361	1,592		245		22.5	88,943
			37,240	**36,425**	**73,665**				**16,57,464**
5.	Kandamangalam	2012-13	16,340	24,009		225	222.50	2.50	1,00,873
		2013-14	33,400	11,708		225		2.50	1,12,770
		2014-15	640	5,267		225		2.50	14,768
			50,380	**40,984**	**91,364**				**2,28,411**
Grand Total			**4,48,392**	**11,50,732**	**15,99,124**				**2,94,53,656**

Appendix 5.1

(Reference: Paragraph 5.1.9.2; Page 61)

Details of area-wise rates of VLT

Area	Upto 2009-10 First Half Year	With effect from 2009 Second Half Year (based on location) (per sq.ft.)*	
			(in ₹)
ECMC (before merger of Local Bodies)	0.78 *per cent* of the guideline value (includes 10 *per cent* Library Cess)	Streets in residential area	0.40
		Main roads and bus roads other than those which lead to arterial road	0.50
		Arterial roads and bus route roads which lead to arterial road	0.60
Urban Local Bodies added in January 2011	0.50 *per cent* of the guideline value plus 10 *per cent* Library Cess	Streets in residential area	0.15
		Main roads and bus roads other than those which lead to arterial road	0.30
		Arterial roads and bus route roads which lead to arterial road	0.40

(*) plus 10 *per cent* Library Cess has to be levied on the basic tax.

Appendix 5.2
(Reference: Paragraph 5.1.13.1; Page 66)

Details of Entrustment and progress of UGSS packages

Package No.	Agreement			Due date for comple-tion	Progress as on 18 July 2015					
	Date	Value (₹ in crore)	Period (in months)		Description of items	Quantity as per Agreement	Execution	Physical (Percent-age)	Financial (₹ in crore)	Financial (Percent-age)
I	20-01-2010	59.59	36	19-01-2013	Sewer lines (km)	201.56	87.81	43.6	25.47	42.8
					Pumping and Lift Stations (Nos.)	6	0	0		
					Pumping Main (km)	10.15	4.45	43.8		
II	07-05-2012	52.00	36	06-05-2015	Sewer lines (km)	109.54	44.65	40.8	13.07	25.1
					Pumping and Lift Stations (Nos.)	9	3 in progress; 6 yet to be taken up	-		
					Pumping Main (km)	9.93	0	0		
III	21-01-2010	35.68	36	20-01-2013	Sewer lines (km)	106.51	99.52	93.4	32.42	90.9
					Pumping and Lift Stations (Nos.)	4	All in progress; Civil work completed - 2 Nos.	-		
					Pumping Main (km)	104.85	71.86	68.5		
IV	25-09-2012	26.08	36	24-09-2015	Sewer lines (km)	89.23	70.12	78.6	20.95	80.3
					Pumping and Lift Stations (Nos.)	3	All in progress; Civil work completed – 1 No.	-		
					Pumping Main (km)	6.17	4.10	66.45		
I (Balance work)	03-07-2014	58.67	30	02-01-2017	Sewer lines (km)	113.75	30.09	26.45	11.58	19.7
					Pumping and Lift Stations (Nos.)	6	Work yet to be started	0		
					Pumping Main (km)	57.05	0	0		

Package No.	Agreement			Due date for completion	Progress as on 18 July 2015					
	Date	Value (₹ in crore)	Period (in months)		Description of items	Quantity as per Agreement	Execution	Physical (Percentage)	Financial (₹ in crore)	Financial (Percentage)
V	07-05-2012	23.82	18	06-11-2013	Chlorine contact tank (No.)	1	In progress	-	5.17	21.7
					Sec. Clarifiers (Nos.)	2	In progress	-		
					MBBR	1	In progress	-		
					Chlorination and Toner room (No.)	1	In progress	-		
					Workshop etc.	1	In progress	-		
					Compound wall	Around Sewerage Treatment Plant	In progress	-		
					Administration Building	1	In progress	-		
					Blower room	1	In progress	-		
					Sludge sump	1	In progress	-		
					Sludge pump house	1	In progress	-		
					Centrifuge House	1	In progress	-		
					HT Sub station	1	In progress	-		
					Grid Chamber and Screen	1	In progress	-		
Establishment and Administration expenses									17.31	-
				Total					**125.97**	

Appendix 5.3

(Reference: Paragraph 5.1.14.1; Page 68)

Statement showing posts sanctioned, men-in-position and vacancies in the Maternity Centres/Urban Health Posts/dispensaries

Name of the institution	Year	Medical Officer			Pharmacist			Urban Health Nurse/ Maternity Assistant			Other support staff		
		Sanctioned	Men-in-Position	Vacancy	Sanctioned	Men-in-Position	Vacancy	Sanctioned	Men-in-Position	Vacancy	Sanctioned	Men-in-Position	Vacancy
Gandhiji Road Maternity Centre	2010-11	1	1	0	0	0	0	13	8	5	6	5	1
	2011-12	1	1	0	0	0	0	13	8	5	6	6	0
	2012-13	1	1	0	0	0	0	13	8	5	6	5	1
	2013-14	1	1	0	0	0	0	13	8	5	6	5	1
	2014-15	1	1	0	0	0	0	13	6	7	6	5	1
Karungalpalayam Maternity Centre	2010-11	1	1	0	0	0	0	4	4	0	5	5	0
	2011-12	1	1	0	0	0	0	4	4	0	5	5	0
	2012-13	1	1	0	0	0	0	4	0	4	5	0	5
	2013-14	1	0	1	0	0	0	4	0	4	5	0	5
	2014-15	1	0	1	0	0	0	4	0	4	5	0	5
Nethaji Road Maternity Centre	2010-11	1	1	0	0	0	0	4	2	2	4	1	3
	2011-12	1	1	0	0	0	0	4	0	4	4	1	3
	2012-13	1	1	0	0	0	0	4	0	4	4	1	3
	2013-14	1	1	0	0	0	0	4	0	4	4	1	3
	2014-15	1	1	0	0	0	0	4	0	4	4	1	3
Agathiar Urban Health Post	2010-11	1	1	0	0	0	0	8	6	2	1	1	0
	2011-12	1	1	0	0	0	0	8	6	2	1	1	0
	2012-13	1	1	0	0	0	0	8	6	2	1	1	0
	2013-14	1	1	0	0	0	0	8	6	2	1	1	0
	2014-15	1	1	0	0	0	0	8	7	1	1	0	1

Name of the institution	Year	Medical Officer			Pharmacist			Urban Health Nurse/ Maternity Assistant			Other support staff		
		Sanctioned	Men-in-Position	Vacancy	Sanctioned	Men-in-Position	Vacancy	Sanctioned	Men-in-Position	Vacancy	Sanctioned	Men-in-Position	Vacancy
Rajajipuram Urban Health Post	2010-11	1	1	0	0	0	0	7	4	3	1	1	0
	2011-12	1	1	0	0	0	0	7	5	2	1	0	1
	2012-13	1	1	0	0	0	0	7	5	2	1	0	1
	2013-14	1	1	0	0	0	0	7	5	2	1	0	1
	2014-15	1	1	0	0	0	0	7	6	1	1	0	1
Karungalpalayam Ayurvedic Centre	2010-11	1	1	0	1	0	1	1	0	1	1	0	1
	2011-12	1	1	0	1	0	1	1	0	1	1	0	1
	2012-13	1	1	0	1	0	1	1	0	1	1	0	1
	2013-14	1	1	0	1	0	1	1	0	1	1	0	1
	2014-15	1	1	0	1	0	1	1	0	1	1	0	1
Nethaji Road Ayurvedic Centre	2010-11	1	1	0	1	0	1	1	0	1	1	0	1
	2011-12	1	1	0	1	0	1	1	0	1	1	0	1
	2012-13	1	1	0	1	0	1	1	0	1	1	0	1
	2013-14	1	1	0	1	0	1	1	0	1	1	0	1
	2014-15	1	1	0	1	0	1	1	0	1	1	0	1

Appendix 6.1

(Reference: Paragraph 6.1.4.2; Page 86)

Impact of excess expenditure incurred to run Amma canteens in total deficit/surplus

	Corporation of Chennai 2013-14 Actuals (₹ in crore)			Coimbatore Corporation 2013-14 Actuals (₹ in crore)			Tiruchirappalli Corporation 2013-14 Actuals (₹ in crore)			Tirunelveli Corporation 2013-14 Actuals (₹ in crore)		
	Receipts	**Exp.**	**Diff.**	**Receipts**	**Exp.**	**Diff.**	**Receipts**	**Exp.**	**Diff.**	**Receipts**	**Exp.**	**Diff.**
Revenue Account	1,714.25	1,973.15	(-) 258.9	387.92	422.32	(-) 34.40	135.01	120.87	14.14	106.54	121.89	(-) 15.35
Capital Account	1,213.25	1,392.63	(-) 179.38	183.09	133.21	49.88	#	#	#	#	#	#
Elementary Education Fund	103.94	98.85	5.09	23.73	8.47	15.26	7.10	0.36	6.74	5.13	3.20	1.93
Water Supply Fund	*	*	*	171.18	133.30	37.88	33.55	33.15	0.40	19.89	18.83	1.06
Total	**3,031.44**	**3,464.63**	**(-) 433.19**	**765.92**	**697.30**	**68.62**	**175.66**	**154.38**	**21.28**	**131.56**	**143.92**	**(-) 12.36**
Amma Unavagam	30.53	55.58	(-) 25.05	1.37	2.15	(-) 0.78	1.00	2.10	(-) 1.10	0.98	3.28	(-) 2.30
Percentage of Amma canteens' deficit in overall actual deficit of Municipal Corporations			**5.78**			**(-) 1.14**			**(-) 5.17**			**18.60**

Exp. : Expenditure Diff. : Difference

Figures for Capital Account were not furnished by these Municipal Corporations

* Corporation of Chennai has no Water Supply Fund Account in its Budget as the function of water supply is being handled by Chennai Metropolitan Water Supply and Sewerage Board

Appendix 6.2

(Reference: Paragraph 6.1.8; Page 89)

Avoidable expenditure on purchase of Toor Dhall, Urad Dhall and Cooking Oil

Name of the Corporation/ Zone	Toor Dhall				Urad Dhall				Cooking Oil				Excess expenditure incurred (Col.5 + Col.9 + Col.13) (in ₹)
	Total Quantity procured (in Kgs.)	Expenditure incurred (in ₹)	Expenditure at the PDS subsidised rate of ₹ 30/Kg. (in ₹)	Difference (excess expenditure incurred) (Col.3 – Col.4) (in ₹)	Total Quantity procured (in Kgs.)	Expenditure incurred (in ₹)	Expenditure at the PDS subsidised rate of ₹ 30/Kg. (in ₹)	Difference (excess expenditure incurred) (Col.7 – Col.8) (in ₹)	Total Quantity procured (in Kgs.)	Expenditure incurred (in ₹)	Expenditure at the PDS subsidised rate of ₹ 25/Kg (in ₹)	Difference (excess expenditure incurred) (Col.11 – Col.12) (in ₹)	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Tirunelveli	27,600	24,48,750	8,28,000	16,20,750	11,040	10,35,600	3,31,200	7,04,400	7,360	6,09,600	1,84,000	4,25,600	27,50,750
Tiruchirappalli	19,736	16,85,944	5,92,080	10,93,864	9,778	8,79,318	2,93,340	5,85,978	2,262	1,30,797	56,550	74,247	17,54,089
Coimbatore	17,780	16,04,540	5,33,400	10,71,140	7,656	8,06,196	2,29,680	5,76,516	3,859	3,05,276	96,475	2,08,801	18,56,457
Corporation of Chennai													
Zone - V	28,500	27,96,750	8,55,000	19,41,750	13,800	14,67,750	4,14,000	10,53,750	10,775	8,93,300	2,69,375	6,23,925	36,19,425
Zone - VIII	35,020	34,20,870	10,50,600	23,70,270	21,615	23,00,825	6,48,450	16,52,375	15,410	12,94,850	3,87,050	9,07,800	49,30,445
Zone - X	53,900	52,91,400	16,17,000	36,74,400	31,653	33,75,065	9,49,590	24,25,475	22,255	19,38,050	5,56,375	13,81,675	74,81,550
Zone - X	40,150	39,18,570	12,04,500	27,14,070	23,660	25,15,550	7,09,800	18,05,750	14,315	12,85,650	3,57,875	9,27,775	54,47,595
Grand Total	**2,22,686**	**2,11,66,824**	**66,80,580**	**1,44,86,244**	**1,19,202**	**1,23,80,304**	**35,76,060**	**88,04,244**	**76,236**	**64,57,523**	**19,07,700**	**45,49,823**	**2,78,40,311**

Appendix 6.3
(Reference: Paragraph 6.1.13; Pages 93 and 94)
Excess expenditure due to procurement of identical items in multiple tender calls

Sl. No.	Name of the item	Institute of Child Health and Research Institute, Egmore		Government Stanley Hospital		Government R.S.R.M. Hospital		Rajiv Gandhi Government General Hospital		Total excess of L1 over the lowest	
		Rate per quantity (₹)	Quantity Procured (in nos.)	Rate per quantity (₹)	Quantity Procured (in nos.)	Rate per quantity (₹)	Quantity Procured (in nos.)	Rate per quantity (₹)	Quantity Procured (in nos.)	Difference (in ₹)	Excess (in ₹)
		M/s Idli and Idli Associates		M/s Idli and Idli Associates		M/s Raghavendra Agencies		M/s Idli and Idli Associates			
1.	Work Table	10,500	33	10,500	3	10,800	3	--	--	300 x 3	900
2.	Blending Machine	24,750	1	24,750	1	26,500	1	--	--	1,750 x 1	1,750
3.	Steam pipeline	32,000	1	32,000	1	38,500	1	32,000	1	6,500 x 1	6,500
4.	Idli Steam Box	53,500	2	53,500	2	76,500	2	49,900	2	3,600x4 26,600 x2	67,600
5.	Idli Plates	2,250	32	2,250	32	2,700	16	2,050	48	200x64 650x16	23,200
6.	Sambar Vessels	39,500	2	39,500	2	44,350	2	37,650	2	1,850 x 4 6,700 x 2	20,800
7.	Rice Vessels	29,800	1	29,800	1	36,500	1	--	--	6,700 x 1	6,700
8.	Sambar Storage Container	4,050	10	4,050	10	4,050	10	3,850	10	200x30	6,000
9.	Tumbler	31	500	31	500	29	500	24.50	1,000	6.50x1,000 4.50x500	8,750
10.	Water Drum with tap	4,250	4	4,250	4	4,050	4	3,900	8	350 x 8 150 x 4	3,400
11.	Steam Boiler (Big)	1,29,000	1	1,29,000	1	1,29,500	1	1,18,000	1	11,000 x2 11,500 x1	33,500
12.	Vegetable Cutter	36,500	1	36,500	1	39,055	1	--	--	2,555 x 1	2,555
13.	Hot case 50 Ltr.	6,550	10	6,550	10	7,150	10	6,350	12	200 x 20 800 x 10	12,000
14.	Idli Batter Vessel 60 ltr	4,050	10	4,050	10	4,050	10	3,650	20	400 x 30	12,000
15.	Curd Rice Container	3,750	5	3,750	5	4,050	5	3,650	10	100 x10 400 x 5	3,000
16.	Dining Table Round	10,100	24	10,100	24	9,800	24	8,890	45	1,210 x 48 910 x 24	79,920
	Total										**2,88,575**

Appendix 6.4

(Reference : Paragraph 6.2.1; Page 95)

Loss of interest due to keeping of funds in Current account

(in ₹)

Sl. No	Name of the Municipality	Name of the Bank	Current account Number	Period		Loss of interest
				From	To	
1	Bodinaickkanur	State Bank of India	0791804063	April 2011	March 2015	26,14,981
2	Colachel		11221655025			3,28,803
3	Gudiyatham		10995851546			9,79,706
4	Karaikudi		10968326268			28,10,744
5	Sivakasi		10398518106			2,74,684
6	Vandavasi		11206025158			16,20,877
7	Vellakoil		11396641102	April 2011	April 2014	10,17,816
					Total	96,47,611

Appendix 6.5

(Reference : Paragraph 6.3.1; Page 96)

Avoidable payment of interest due to non-redemption of bonds

(in ₹)

Instalment Date	Opening Balance	Interest to be earned in the Escrow Account during the semi-annuity payment period*	Total (Col.2 + Col.3)	Principal paid from 22nd to 28th instalment	Closing Balance (Col.4 - Col.5)	Interest rate (in *per cent*)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1-10-2011					14,44,34,415**	
1-04-2012	14,44,34,415	66,80,092	15,11,14,507	1,25,04,134	13,86,10,373	9.25
1-10-2012	13,86,10,373	64,10,730	14,50,21,103	1,32,70,012	13,17,51,091	9.25
1-04-2013	13,17,51,091	59,28,799	13,76,79,890	1,40,82,802	12,35,97,088	9
1-10-2013	12,35,97,088	54,07,373	12,90,04,461	1,49,45,372	11,40,59,089	8.75
1-04-2014	11,40,59,089	49,90,085	11,90,49,174	1,58,60,778	10,31,88,396	8.75
1-10-2014	10,31,88,396	46,95,072	10,78,83,468	1,68,32,250	9,10,51,218	9.1
1-04-2015	9,10,51,218	40,97,305	9,51,48,523	1,78,63,228	7,72,85,295	9
Total		**3,82,09,456**				
Half yearly interest to be earned in the Escrow Account			₹ 3,82,09,456			
Interest paid from 22nd instalment to 28th instalment			₹ 4,40,96,621			
Avoidable payment of interest (₹ 4,40,96,621 - ₹ 3,82,09,456)			₹ 58,87,165			

* Half yearly interest at the rate mentioned at Col.7 on the amount at Col.2.

** Total amount to be repaid to the bondholders for settling the loan as on 01-10-2011.

Glossary of abbreviations

Abbreviation	Full Form
AGAMT	Anaithu Grama Anna Marumalarchi Thittam
ARPA	Annual Receipt and Payment Accounts
BDO	Block Development Officer
BE	Budget Estimate
BM	Bituminous Macadam
BPL	Below Poverty Line
BPs	Block Panchayats
BRGF	Backward Region Grant Fund
BSNL	Bharat Sanchar Nigam Limited
BT	Black Topped
CAG	Comptroller and Auditor General of India
CC	Cement Concrete
CCMC Act	Coimbatore City Municipal Corporation Act, 1981
CDP	City Development Plan
CFC	Central Finance Commission
CMA	Commissioner of Municipal Administration
CM	Cement Mortar Mix
CMSPGHS	Chief Minister's Solar Powered Green House Scheme
CoC	Corporation of Chennai
CRDPR	Commissioner of Rural Development and Panchayat Raj
DBDO	Deputy Block Development Officer
DDHS	Deputy Director of Health Services
DEO	Data Entry Operator
DLFA	Director of Local Fund Audit
DPC	District Planning Committee
DPMUs	District Project Management Units
DPs	District Panchayats
DPR	Detailed Project Report
DRDAs	District Rural Development Agencies
DRDPR	Director of Rural Development and Panchayat Raj
DTCP	Director of Town and Country Planning
DTP	Director of Town Panchayats
DWSS	Dedicated Water Supply Scheme
ECMC	Erode City Municipal Corporation
e-FMS	Electronic Fund Management System

Abbreviation	Full Form
ELCOT	Electronics Corporation of Tamil Nadu Limited
EMD	Earnest Money Deposit
EPF	Employees Provident Fund
EPF and MP	Employees Provident Fund and Miscellaneous Provisions
GoI	Government of India
GoTN	Government of Tamil Nadu
HSCs	House Service Connections
HY	Half Year
I&A	Infrastructure and Amenities
IAY	Indira Awaas Yojana
IDSMT	Integrated Development of Small and Medium Towns
IDSP	Integrated Disease Surveillance Project
IFSC	Indian Financial System Code
IGA	Investment Grade Audit
IGFF	Infrastructure Gap Filling Fund
IHHL	Individual Household Latrines
IHSDP	Integrated Housing and Slum Development Programme
IPHS	Indian Public Health Standards
IRC	Indian Road Congress
IRR	Inner Ring Road
IRs	Inspection Reports
IUDM	Integrated Urban Development Mission
IWMUST	Integrated Waste Management and Urban Services Tamil Nadu Limited
JNNURM	Jawaharlal Nehru National Urban Renewal Mission
KfW	Kreditanstalt fur Wiederaufbau
KVVT	Kalaignar Veettu Vasathi Thittam
lpcd	litres per capita per day
LWF	Labour Welfare Fund
MAS	Model Accounting System
MAWS	Municipal Administration and Water Supply
MC	Maternity Centre
MGNREGS	Mahatma Gandhi National Rural Employment Guarantee Scheme
MLACDS	Member of Legislative Assembly Constituency Development Scheme
MLD	Million litres per day
MO	Medical Officer

Abbreviation	Full Form
MoPR	Ministry of Panchayati Raj
MoU	Memorandum of Understanding
MPLADS	Member of Parliament Local Area Development Scheme
MSW Rules	Municipal Solid Wastes (Management and Handling) Rules, 2000
MT	Metric Tonne
NABARD	National Bank for Agriculture and Rural Development
NGO	Non-Governmental organisation
NIC	National Informatics Centre
NICSI	National Informatics Centre Services Incorporated
NLC	Neyveli Lignite Corporation Limited
NRLM	National Rural Livelihood Mission
OHT	Overhead Tank
OSMS	Online Scheme Monitoring System
OSR	Open Space Reserve
PAC	Public Accounts Committee
PMGSY	Prime Minister Gram Sadak Yojana
PRIs	Panchayat Raj Institutions
PRIA Soft	Panchayat Raj Institutions Accounting Software
PT	Property Tax
RAY	Rajiv Awas Yojana
RDF	Residual Dry Fuel
RDPR	Rural Development and Panchayat Raj
RE	Revised Estimate
RGPSA	Rajiv Gandhi Panchayat Sashaktikaran Abhiyan
RHS	Rural Housing Scheme
RO	Reverse Osmosis
RTO	Regional Transport Officer
RWH	Rain Water Harvesting
SASTA	Social Audit Society of Tamil Nadu
SDBC	Semi Dense Bituminous Concrete
SFC	State Finance Commission
SGRY	Sampoorna Grameen Rozgar Yojana
SHG	Self Help Group
SLB	Service Level Benchmarks
SMIF-TN	Sustainable Municipal Infrastructure Funding - Tamil Nadu
SQL	Structured Query Language
SR	Service Reservoir

Abbreviation	Full Form
TANCEM	Tamil Nadu Cements Corporation Limited
TANGEDCO	Tamil Nadu Generation and Distribution Corporation Limited
TCMC	Tiruchirappalli City Municipal Corporation
TEXCO	Tamil Nadu Ex-servicemen's Corporation Limited
TFC	Thirteenth Finance Commission
TGS	Technical Guidance and Support
THAI	Tamil Nadu Village Habitation Improvement Scheme
THS	Thane Housing Scheme
TNCSC	Tamil Nadu Civil Supplies Corporation
TNPB	Tamil Nadu Panchayat Building
TNPCB	Tamil Nadu Pollution Control Board
TNSCB	Tamil Nadu Slum Clearance Board
TNSUDP	Tamil Nadu Sustainable Urban Development Project
TNTCP	Tamil Nadu Town and Country Planning
TNUDF	Tamil Nadu Urban Development Fund
TNUIFSL	Tamil Nadu Urban Infrastructure Financial Services Limited
TSC	Total Sanitation Campaign
TUCS	Triplicane Urban Co-operative Society
TUFIDCO	Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited
TWAD	Tamil Nadu Water Supply and Drainage
UCs	Utilisation Certificates
UGSS	Under Ground Sewerage Scheme
UHN	Urban Health Nurse
UHP	Urban Health Post
UIDSSMT	Urban Infrastructure Development Scheme for Small and Medium Towns
ULBs	Urban Local Bodies
VPs	Village Panchayats
VLT	Vacant Land Tax
WBM	Water Bound Macadam
WMM	Wet Mix Macadam
WSIS	Water Supply Improvement Scheme

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