

CHAPTER III

AUDIT OF TRANSACTIONS (URBAN LOCAL BODIES)

Audit of transactions in the Municipal Administration and Water Supply Department in the Secretariat, Commissionerate of Municipal Administration, Chennai City Municipal Corporation, Madurai City Municipal Corporation, Salem City Municipal Corporation and Tiruchirappalli City Municipal Corporation and 44 municipalities brought out several 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

3.1 Losses detected in Audit

TIRUCHIRAPPALLI CITY MUNICIPAL CORPORATION AND 41 MUNICIPALITIES

3.1.1 Short-realisation of Surcharge on Stamp Duty

Failure to verify the correctness of Surcharge on Stamp Duty transferred and to take action to claim the surcharge short-transferred, resulted in short-realisation of revenue of Rs 1.06 crore in 42 urban local bodies.

As per Section 116 A of the Tamil Nadu District Municipalities Act, 1920, a duty on transfer of property shall be levied in the form of a surcharge on the duty imposed by the Indian Stamp Act, 1899 on every instrument relating to transfer of immovable property situated within the limits of the municipality. Section 116 C of the Act *ibid* empowers the Government of Tamil Nadu to make rules regulating the collection of the duty, the payment thereof to municipalities and deduction of any expenses incurred by Government in the collection thereof.

For the purpose of transfer of the surcharge to the municipalities, the District Registrar prepares a statement at the end of each quarter, indicating the amount due to each municipality after deducting the collection charges and forwards it to the District Collector. The District Collector issues the proceedings to the Treasury Officer concerned for apportionment of surcharge to the urban local bodies.

As per the recommendations of the Second State Finance Commission, the State Government reduced (August 2002) the rate of collection charges for Surcharge on Stamp Duty from 10 *per cent* to five *per cent* with effect from April 2002.

Audit scrutiny of records of 10 urban local bodies including one city municipal corporation and information collected from 32 municipalities revealed that the collection charges was deducted at 10 *per cent* instead of at five *per cent* during the period April – December 2002. The excess deduction was noticed in one quarter in respect of five urban local bodies, in two quarters in respect of 27 urban local bodies and in three quarters in respect of 10 urban local bodies. The urban local bodies did not take any action to claim the amount transferred short. This had resulted in short-realisation of revenue by these urban local bodies to the extent of Rs 1.06 crore (**Appendix XIII**).

The matter was referred to Government (January 2007); reply has not been received (May 2007).

HOSUR MUNICIPALITY

3.1.2 Non-realisation of revenue

Failure of the Hosur Municipality to levy Property Tax and Education Tax on vacant land owned by Tamil Nadu Housing Board resulted in non-realisation of revenue amounting to Rs 92.43 lakh for the period October 2003-April 2006.

As empowered under Section 78 and 84 of Tamil Nadu District Municipalities Act, 1920, Hosur Municipality (Municipality) resolved (January and June 1993) to levy Property Tax at 4/8 (i.e. 0.5) *per cent* and Education Tax at 1/8 (i.e. 0.125) *per cent* of the value of any vacant land for each half-year from October 1993.

Between 1976 and 1994, Hosur Housing Unit of Tamil Nadu Housing Board (TNHB) took up development of plots and construction of houses. Out of the saleable area of 303.33 acres under these schemes, TNHB sold 280.17 acres of land and 23.16 acres (10.09 lakh sq. ft.) remained unsold as of March 2006. The Hosur Municipality did not levy and collect Property Tax and Education Tax on the vacant land.

Loss of revenue to the Municipality due to non-levy of the tax worked out to Rs 92.43 lakh for the period October 2003-April 2006 (Property Tax: Rs 73.95 lakh and Education Tax: Rs 18.48 lakh-**Appendix XIV**) which worked out to 14 *per cent* of the total Property Tax collected (Rs 6.47 crore) during the three years 2003-06.

The matter was referred to Government (October 2006); reply has not been received (May 2007).

CHENNAI CITY MUNICIPAL CORPORATION

3.1.3 Short-levy of Property Tax

Due to adoption of lower tariff and lower number of rooms than actual for arriving at the gross income of lodging houses the Chennai City Municipal Corporation has foregone a revenue of Rs 92.01 lakh.

The Chennai City Municipal Corporation (Corporation) prescribed (June 1974) that the annual value of lodging houses for the purpose of

assessment to Property Tax should be arrived at the following percentage of gross income:

- | | | |
|-----|---|-------------|
| (a) | All starred hotels | 10 per cent |
| (b) | 'A' class hotels and lodging houses ¹ | 20 per cent |
| (c) | 'B' class hotels and lodges (i.e. all others not included in (a) and (b) above) | 25 per cent |

For the above purpose the gross income would be the amount of revenue realised if all rooms were occupied throughout the year and reasonable letting value for other portions like restaurant, shop, etc. The Corporation levies Property Tax, which includes Education Tax and Library Cess, at 12.4 per cent of the annual value.

A comparison of information regarding number of rooms as furnished by the lodges to Health Department of the Corporation for obtaining licence with that furnished for assessment to Property Tax disclosed adoption of

- lesser number of rooms in respect of one lodge,
- lesser number of rooms and lesser tariff in respect of three lodges and
- lesser tariff in respect of five lodges

for assessment to Property Tax. The loss of revenue due to these (short-levy of Property Tax) worked out to Rs 92.01 lakh for the period 2003-06 (Appendices XV and XVI).

The matter was referred to Government (October 2006); reply has not been received (May 2007).

KOMARAPALAYAM AND KATHIVAKKAM MUNICIPALITIES

3.1.4 Loss of Revenue

Construction of shopping complex, shops, godowns and stalls in interior area resulted in non-realisation of anticipated revenue of Rs 54.47 lakh in two municipalities.

Construction of income-generating assets in interior areas resulted in non-realisation of anticipated rental revenue in two municipalities as discussed below.

- (a) Komarapalayam Municipality (Municipality) obtained loans amounting to Rs 16.60 lakh under the centrally sponsored scheme for Integrated Development of Small and Medium Towns (IDSMT) and Rs 30.07 lakh from Tamil Nadu Urban Finance Infrastructure Development Corporation (TUFIDCO) between December 1994 and March 1999 for creation of remunerative assets such as shops and godowns. The loans under IDSMT and from TUFIDCO carried interest at 11.75 per cent and 15 per cent

¹ Hotels/lodges situated in better localities.

per annum respectively. The IDSMT envisaged promoting resource-generating schemes for the urban local bodies to improve their overall financial position and ability to undertake long-term infrastructure development programmes on their own as well as to repay the borrowed capital and usher in necessary municipal reforms. All the works relating to creation of assets were completed between November 1995 and December 1998 (cost: Rs 44.60 lakh). The projected revenue from these assets was to be Rs 5.95 lakh *per annum*.

The Municipality conducted 53 auctions between May 1997 and March 2006 for leasing out the shops/godowns. Out of 28 shops/godowns constructed, six were leased out within two years from completion of construction; four between three and five years; 12 between five and 10 years and six (constructed in November 1995) were not leased out even as of March 2006. Further, as of March 2006, eight shops which were leased out earlier were also vacant for a period ranging from six months to two years. The records of the Municipality did not indicate that any survey had been carried out for assessment of demand before taking up these ventures. As the demand for the shops/godowns was poor, as against the anticipated revenue of Rs 52.36 lakh for the period from the completion of construction up to March 2006, the Municipality could earn only Rs 10.79 lakh, the shortfall in revenue being Rs 41.57 lakh. The Government also turned down (January 2005) a proposal of the Municipality (March 2001) to dispose of eight godowns and nine shops for settling the loans obtained.

The demand, collection and balance position in respect of principal and interest as of March 2006 in respect of the loans availed for creation of these remunerative assets obtained was as below:

(Rupees in lakh)

| Sl. No. | Loan from | Principal | | | Interest | | |
|--------------|-----------|--------------|-------------|--------------|---------------|--------------|--------------|
| | | Demand | Collection | Balance | Demand | Collection | Balance |
| 1. | IDSMT | 6.26 | -- | 6.26 | 23.55 | -- | 23.55 |
| 2. | TUFIDCO | 25.82 | 4.88 | 20.94 | 101.38 | 76.25 | 25.13 |
| Total | | 32.08 | 4.88 | 27.20 | 124.93 | 76.25 | 48.68 |

As may be seen, the overdue amount towards principal and interest was Rs 75.88 lakh.

The Municipality attributed the lack of demand for the shops/godowns to their remote location. Thus, the Municipality could not earn the anticipated revenue of Rs 41.57 lakh due to its failure to assess the demand for such income-generating assets before taking up construction (**Appendix XVII**). Though the IDSMT had contemplated development of infrastructure out of the income-generated by these assets, the Municipality could not even repay the loan, resulting in accumulation of overdue principal and interest amounting to Rs 75.88 lakh (March 2006).

The matter was referred to Government (October 2006); reply has not been received (May 2007).

(b) Kathivakkam Municipality (Municipality) constructed (March 2001) a shopping complex comprising 41 shops (20 shops on the ground floor and 21 shops on the first floor) at a cost of Rs 37.34 lakh. The Municipality fixed (December 2000) Rs 1,000 and Rs 900 as monthly rent per shop on the ground and first floors respectively. In auctions conducted from December 2000, 23 shops were leased out, of which only five shops were occupied (April 2006) while 18 shops were leased out for periods ranging from nine to 40 months between April 2001 and June 2006. There were no bidders for the remaining 18 shops in 51 auctions conducted between December 2000 and January 2006, even after the Municipality reduced (May 2005) the rent to Rs 500 and Rs 400 per shop on the ground and first floors respectively.

In reply to an audit enquiry, the Municipality stated that the shopping complex was constructed keeping in view the proposed expansion of the highway from Kathivakkam to Minjur, which was still in process. The Municipality, however, did not state whether any assessment of demand for the complex was conducted before taking up construction. Further, the shopping complex was also constructed in the interior.

Thus, due to the location of the shopping complex in a locality in the interior, there was no demand for 18 shops (proportionate cost of construction: Rs 16.39 lakh) for the past five years and 18 other shops were also unoccupied for periods ranging from 23 to 54 months resulting in loss of expected revenue of Rs 12.90 lakh as of June 2006 (**Appendix XVIII**).

The matter was referred to Government in July 2006; reply has not been received (May 2007).

CHENNAI CITY MUNICIPAL CORPORATION

3.1.5 Non-collection of lease rent for land

Irregular handing over of land to a club without authorisation by the Council, failure to take remedial action to resume the land and revise and collect the lease rent periodically for the period of occupation resulted in loss of revenue of Rs 34.26 lakh.

Chennai City Municipal Corporation (Corporation) resolved (August 1989) to lease out an auditorium situated in Anna Nagar (plinth area: 5,872 sq. ft.) to Anna Nagar Tower Club (Club), a registered body, for three years on payment of lease rent as fixed by the Corporation. However, the Assistant Executive Engineer of the Corporation, while handing over (September 1989) the building to the Club, also handed over land appurtenant to the Club. The area of land thus handed over was found to be 33,255 sq. ft. in subsequent measurement in September 1993. The Club also undertook some construction activities on the land. The Council of the Corporation approved (May 1991) a monthly lease rent of Rs 7,769 at seven *per cent* of the market value for the building for initial period of three years as the organisation was meant to promote healthy life.

At the end of the lease period, the Club asked for extension of the lease for a further period of three years from September 1992. As per resolution of the Council (October 1992), the Corporation revised the lease rent for the building to Rs 8,546 per month and resolved to resume the land occupied by the Club without authorisation. The Club continues to pay the lease rent till date. The Club asked (June 1993 and September 1995) for the land to be leased to them at concessional rate and also to lease the land and building for 99 years.

The Corporation had addressed (October 1996) the Government for (i) permission to renew the lease for the building, (ii) lease out the land at Rs 2,000 per ground per year and (iii) to grant lease for 99 years. Government called for (April 2000) a detailed report on the above matter but an order is yet to be issued by the Government in this regard (August 2006). To an audit enquiry the Corporation stated (July 2006) that action is being taken to propose a resolution to resume the land along with the building constructed on the land.

Under sub section 3 of Section 75 of the Madras City Municipal Corporation Act, 1919 the Commissioner of the Corporation may lease any immovable property, the value of which exceeds twenty five thousand rupees with the sanction of the Council. With reference to rates of lease rent as approved by the Council through various resolutions, the lease rent payable by the Club for the land works out to Rs 34.26 lakh (**Appendix XIX**) for the period from September 1989 to March 2006.

Though the Corporation was aware of unauthorised occupation of the land, it failed either to resume the land immediately or to collect the prescribed lease rent for the period of occupation until resumption. The land remains occupied without authorisation of the Corporation for the past 17 years. The failure of the Corporation to collect lease rent for the land resulted in loss of revenue of Rs 34.26 lakh.

The matter was referred to Government in September 2006; reply has not been received (May 2007).

3.2 Unfruitful expenditure

CHENNAI CITY MUNICIPAL CORPORATION

3.2.1 Unfruitful expenditure on construction of two maternity and child welfare centres and a health post

Two maternity and child welfare centres and a health post constructed at a cost of Rs 44.98 lakh was not made use of by public as health care activities were provided by various Government and Corporation agencies in the area.

The Chennai City Municipal Corporation constructed buildings for housing two maternity and child welfare centres and a health post in areas already covered by various Government and Corporation agencies as discussed in the succeeding paragraphs.

(a) Chennai City Municipal Corporation (Corporation) constructed two maternity and child welfare centres at a cost of Rs 23.08 lakh between April 1999 and September 1999 under Member of Parliament Local Area Development Scheme at Sardarjung Road (Rs 11.85 lakh) and Stringers Street (Rs 11.23 lakh).

District Family Welfare Bureau (Bureau) had opposed (December 1998) the construction of the centre at Stringers Street on the ground that the population of the proposed centre was being covered by three centres² functioning in the vicinity. However, based on the instruction of the Deputy Commissioner of the Corporation, the Bureau endorsed the proposal and suggested creation of posts including the post of Medical Officer, Staff Nurses and Pharmacist. Though the centres at Sardarjung Road and Stringers Street were opened for out patients in February 1999 and January 2003, the activities were suspended from November 2002 and June 2005 respectively due to poor response from the public.

The Bureau, in reply to Audit, stated (May 2006) that the number of persons attending the out patient's clinic was thin in Stringers Street since the population in and around the centre was well covered by three centres. The building was handed over to Zone VII in June 2005 as per the orders of the Commissioner of the Corporation for accommodating two nutritious noon meal programme sheds which were in a dilapidated condition after providing kitchen facility in the centre. The Government stated (October 2006) that the noon meal centres would be accommodated in the building.

In respect of the centre at Sardarjung Road, the out patient clinic was suspended due to poor response. Hence, the building was handed over to Zone VII in July 2005. Anti social elements had reportedly entered the building and removed certain items. The Government stated (October 2006) that the building would be used as a gymnasium for the public.

Thus, construction of the centres at places where the population was well covered already by nearby centres resulted in non-utilisation of the centres constructed at cost of Rs 23.08 lakh during 1999-2000 for the intended purpose.

(b) Chennai City Municipal Corporation (Corporation) proposed (January 2003) construction of a building at Annai Sandhya Nagar at a cost of Rs 24 lakh for accommodating Radhakrishna Nagar (North) health post functioning at Nehru Nagar Main Road, Chennai - 81, which lacked facilities like waiting room and examination room. The Corporation also proposed to shift the maternity ward from Triplicane health post to the proposed building. The Family Welfare Department stated (April 2002) that there was no need to construct a hospital in Annai Sandhya Nagar, as health services were being rendered by various Government and corporation agencies in that area and that the area in which the building was proposed to be constructed was also not accessible to public. However, the above department later agreed (January 2003) to the construction. The construction of the building was completed in June 2004 at a cost of Rs 21.90 lakh.

² Choolai Health Post, 24 Hours Hospital at Perumalpet and Periyar Thidal Urban Family Welfare Centre.

In the meantime, the Corporation constructed (January 2004) an additional block to the health post at Radhakrishna Nagar with facilities such as doctor's room, examination room, store room, pharmacy, etc., at a cost of Rs 10.73 lakh. The building in which the health post was housed alongwith the additional block constructed was proposed to be used for housing a Corporation hospital, after shifting of the health post to the new building at Annai Sandhya Nagar.

However, the Corporation, did not shift Radhakrishna Nagar (North) health post to the new building and utilised the additional block constructed for the functioning of the health post. Further, the maternity ward at Triplicane was also not shifted to the new building as proposed earlier, but was merged with another child welfare centre at Mirsahibpet falling under Zone VI of the Corporation.

The District Family Welfare Medical Officer of the Corporation stated (November 2006) that as no posts were created, one Medical Officer and two Multi Purpose Health Workers were being diverted from Radhakrishna Nagar Zone to render outreach services three days in a week in the new building at Annai Sandhya Nagar. The arrangement is superfluous as Radhakrishna Nagar (South) and (North) health posts, a maternity ward at Sanjeevirayanpettai and Government RSRM Lying-in Hospital, all within a radius of about three kilometers, serve the area already. Hence, the lack of proper planning on the part of the Corporation rendered the expenditure of Rs 21.90 lakh on construction of the building at Annai Sandhya Nagar unfruitful as the building was not put to the intended use.

The matter was referred to Government in July 2006; reply has not been received (May 2007).

CHENGALPATTU MUNICIPALITY

3.2.2 Non-utilisation of community hall

A community hall remained unutilised for more than six years due to non-provision of basic amenities and expenditure of Rs 16.39 lakh on the construction of the community hall was also unfruitful.

District Rural Development Agency, Kancheepuram sanctioned (April 1999) Rs 10 lakh from the Member of Parliament Local Area Development (MPLAD) Scheme funds for construction of a community hall in Chengalpattu municipal area. Construction of the community hall with ground floor was completed in March 2000 at a cost of Rs 10.03 lakh. Provision of compound wall, construction of two rooms and A.C. Sheets roofing on the first floor of the hall was completed in November 2003 at a cost of Rs 6.36 lakh. The expenditure of Rs 6.39 lakh over and above Rs 10 lakh sanctioned under MPLAD Scheme was met from the General Fund of the Municipality.

The Municipality fixed (October 2003) the rent at Rs 3,000 per day and later decided (October 2003) to lease out the community hall and fixed (March 2005) the lease rent as Rs 23,650 per month. The Municipality conducted 13 auctions between December 2003 and March 2005 for leasing out the community hall. As there were no basic amenities such as electrical fittings, kitchen utensils, water supply, etc., there was no response for these

auctions. Works for providing water supply, electrical fittings, electricity connection, utensils for kitchen, etc., were taken up at cost of Rs 3.65 lakh in November 2005 and were in progress (May 2006).

Construction without basic amenities led to non-utilisation of community hall for more than six years and the expenditure of Rs 16.39 lakh also remained unfruitful.

The matter was referred to Government in June 2006; reply had not been received (May 2007).

3.3 Avoidable expenditure

SALEM CITY MUNICIPAL CORPORATION

3.3.1 Avoidable interest liability

Failure of the Corporation to discharge high cost loans with loan assistance from Tamil Nadu Urban Finance Infrastructure Development Corporation Limited resulted in avoidable interest liability of Rs 4.31 crore.

Salem City Municipal Corporation (Corporation) had a total loan liability of Rs 57.19 crore³ as of March 2003 with rate of interest ranging from 12 to 16.5 *per cent per annum*. Tamil Nadu Urban Finance Infrastructure Development Corporation Limited (TUFIDCO) expressed its willingness (March 2003) to take over the high cost loans of the Corporation at a lesser rate of interest. The Municipal Council also approved (May 2003) the proposal of taking over these high cost loans by TUFIDCO.

TUFIDCO took over (September 2003) a loan of Rs 6.75 crore from Tamil Nadu Urban Development Fund (TNUDF) at 9.5 *per cent* and reduced the interest rate to 8.75 *per cent* with effect from 1 January 2005 and further reduced to 8.5 *per cent* with effect from 1 July 2005. TUFIDCO took over (October 2003) two more loans for the total value of Rs 6.23 crore (Rs 2.23 crore from Municipal Urban Development Fund at 10 *per cent* and Rs 4 crore from TNUDF at 10.25 *per cent*) at 10 *per cent per annum*. TUFIDCO reduced the rate of interest to 9.25 and 9 *per cent* respectively with

3

| Funding Agency | Rate of Interest (<i>per cent</i>) | Amount (Rupees in lakh) |
|---|---|----------------------------|
| Municipal Urban Development Fund and Integrated Urban Development Fund | 12 | 223.39 |
| Tamil Nadu Urban Development Fund | 16.5 | 399.98 |
| | 14.5 | 927.50 |
| | 15.3 | 675.00 |
| Government of Tamil Nadu | 13.5 | 3493.58 |
| Total | | 5719.45 |

(or) **Rs 57.19 crore**

effect from April 2004 and further reduced to 8.75 and 8 *per cent* respectively with effect from January 2005.

Though the Municipal Council approved the proposal to discharge the entire loan of Rs 57.19 crore and TUFIDCO also agreed to take over these loans at a lower rate of interest, the Corporation failed to pursue the matter with TUFIDCO and to discharge two high cost loans amounting to Rs 44.21 crore⁴. This resulted in avoidable interest liability to the extent of Rs 4.31 crore (**Appendix XX**) for the period from November 2003 to December 2005.

The Corporation agreed (September 2006) that action was omitted to be taken earlier and action had been initiated now to discharge the high cost loans at lower rate of interest.

The matter was referred to Government in June 2006; reply had not been received (May 2007).

MADURAI CITY MUNICIPAL CORPORATION

3.3.2 *Avoidable expenditure on employment of temporary Junior Assistants*

Irregular utilisation of services of temporary Junior Assistants meant for deployment in field offices of Government departments resulted in an avoidable expenditure of Rs 87.14 lakh.

Government of Tamil Nadu created (July 2003) 500 posts of temporary Junior Assistants (JA) for each district for deployment in various field offices of Government departments to overcome the situation arising out of the strike by various Government employees' unions. Government also fixed the gross remuneration for these posts as Rs 4,000 per month and entrusted the assessment of requirement and allotment of the posts with the District Collector.

Based on the request of the Commissioner of Madurai City Municipal Corporation (Corporation), the District Collector, Madurai allotted (July 2003) 98 temporary JAs, of which 96 joined duty during July 2003. The striking staff resumed duty with effect from 11 August 2003. Hence, the Corporation requested (August 2003) the District Collector, Madurai to take back the 96 temporary JAs as they were rendered surplus. The Collector did not take them back quoting the orders of Government (July 2003) to retain the temporary staff until further orders. One of the temporary JAs died on 17 June 2004.

The Corporation approached the Government for reimbursement of expenditure towards payment of remuneration to the temporary JAs. Government, while stating (June 2005) that the Collector should not have allotted the temporary JAs to the Corporation, rejected the claim for reimbursement of the expenditure as the JAs rendered services only in the Corporation and directed that the temporary staff be surrendered to the

⁴ TNUDF: Rs 927.50 lakh at 14.5 *per cent* and Government of Tamil Nadu: Rs 3493.58 lakh at 13.5 *per cent* -- Total Rs 44.21 crore.

Collector. The Corporation surrendered the 95 temporary JAs on 11 July 2005. The expenditure on remuneration of the temporary JAs from 11 August 2003 to 10 July 2005 worked out to Rs 87.14 lakh.

Audit examination revealed that the Commissioner could have resorted to short-term appointment not exceeding six months under Rule 8 read with Rule 4 under Part II of Madurai City Municipal Corporation Service Rules, 1975 instead of approaching the District Collector for temporary posts, which was irregular. The Corporation also failed to approach the Government for surrendering the temporary JAs in August 2003 itself, when the striking employees resumed duty.

In view of the above, the expenditure of Rs 87.14 lakh towards payment of remuneration to the temporary JAs for the period from 11 August 2003 to 10 July 2005 was avoidable.

The matter was referred to Government in September 2006; reply has not been received (May 2007).

USILAMPATTI MUNICIPALITY

3.3.3 Avoidable liability

Failure of Usilampatti Municipality to collect the increased deposit of Rs 69.14 lakh and remit the money towards Government loan resulted in avoidable liability of Rs 28 lakh.

Usilampatti Municipality (Municipality) resolved (January 2000) to increase the deposit for water supply connections with effect from April 2001 in order to repay the loans obtained from Government. The rates of increased deposit for domestic, non-domestic and industrial connections were Rs 3,000, Rs 6,000 and Rs 7,500 respectively. The Municipality also permitted the consumers (as in April 2001) to pay the increased deposits, after deducting the deposit of Rs 250 already made, in four quarterly instalments, the first instalment being due in April 2001. However, the Municipality did not collect (June 2006) the increased deposit in respect of any of the 2,425 domestic connections, 35 non-domestic connections and six industrial connections which existed prior to April 2001 resulting in non-realisation of Rs 69.14 lakh.

The Municipality has not taken any distraint action as contemplated in Section 124 of Tamil Nadu District Municipalities Act, 1920 for collection of the dues.

The Municipality also had an outstanding loan of Rs 96.89 lakh as of April 1998 repayable in 40 half yearly instalments with interest at 13.5 *per cent*. Had the Municipality collected the entire increased deposit amount of Rs 69.14 lakh and paid the same towards the loan due as envisaged, the actual amount that would be due for payment as of March 2006 would only be Rs 29.47 lakh (**Appendix XXI**). The non-collection of increased deposit and

paying the same towards Government loan also resulted in avoidable liability of Rs 28 lakh towards interest.

The matter was referred to Government (November 2006); reply has not been received (May 2007).

SALEM CITY MUNICIPAL CORPORATION

3.3.4 Avoidable expenditure

By not deleting the provision for steel in the estimate for reinforced cement concrete work in lining the riverbed while changing the work to plain cement concrete, the Superintending Engineer caused an avoidable expenditure of Rs 21.40 lakh.

Government in April 2000 accorded administrative approval to take up work on improvements to Thirumanimutharu River in Salem City Municipal Corporation at an estimated cost of Rs 5.40 crore from Eleventh Finance Commission grants.

The estimates prepared by the consultants provided reinforced cement concrete (RCC) 1:2:4 (1 cement : 2 sand : 4 aggregate) for lining the riverbed and the requirement of steel was 96.576 tonnes at 64 kgs of steel per metre length of the canal. Superintending Engineer (SE), office of the Commissioner of Municipal Administration, while sanctioning the estimates, substituted plain cement concrete (PCC) for RCC since the standard for lining of canal (IS 3873:1993) did not provide for lining with RCC. The SE, however, failed to delete the provision of steel included in the estimate and tender schedule.

Salem City Municipal Corporation finalised the tender, entered into agreement with the contractors and also approved a deviation statement including the RCC work, as the provision for steel was not deleted in the approved estimate without seeking any clarification from the SE, who had sanctioned the original estimate deleting the RCC work. The work was completed in July 2002 and the total payment made to the contractor included cost of steel of Rs 21.40 lakh.

Non-deletion of provision of steel in the estimate by the SE and the approval of the deviation by the Salem Corporation, which included the RCC work for lining the canal, resulted in avoidable expenditure of Rs 21.40 lakh towards provision of steel.

The matter was referred to Government in June 2006; reply has not been received (May 2007).

3.4 Others

CHENNAI CITY MUNICIPAL CORPORATION

3.4.1 Non-realisation of cost of land

Due to lack of concerted efforts, the Chennai City Municipal Corporation is yet to realise Rs 1.98 crore being the value of land transferred to Chennai Metropolitan Water Supply and Sewerage Board more than 10 years back.

To relocate water filling points of the Chennai Metropolitan Water Supply and Sewerage Board (Board), Government permitted (February 1995) the Board to enter upon a small portion of land in Chennai City Municipal Corporation (Corporation) located on Kodambakkam High Road abutting Vidhyodhaya School and instructed the Corporation to send proposals for the transfer of land to Government. The Corporation permitted the Board (March 1995) to occupy the land. The Corporation's Council approved (August 1996) the transfer of 1,675.50 sq. m. (18,035 sq.ft.) of land and also resolved to collect the cost of land at prevailing market price as ascertained from the Collector. Though the Corporation took up (November 1996) the matter with the Government for approval, it did not take any action to ascertain the cost of land from the Collector.

In February 1997, the Government issued a general order directing the municipalities and corporations to collect the cost of land at the prevailing market value whenever the land was transferred to Government departments/undertakings.

The request of the Board to transfer the land free of cost was turned down (October 2000) by the Corporation. The cost of land transferred worked out to Rs 1.98 crore with reference to the market value of land in 1995 (Rs 1,100 per sq. ft.) as per the records of Sub-registrar, Saidapet, Chennai. The Corporation is yet to realise the cost of land (May 2006).

Due to lack of concerted efforts on the part of the Corporation, the value of land transferred to the Board more than 10 years back has not yet been realised. Further, the interest at nine *per cent per annum* on the value of land up to March 2006 worked out to Rs 1.96 crore.

The matter was referred to Government in July 2006. In reply the Government stated (August 2006) that action was under progress to collect the cost of land from the Board.