PREFACE

1. This Report has been prepared for submission to the Governor under Article 151 of the Constitution.

2. The Report sets out the results of audit under various sections of the Comptroller and Auditor General of India's (Duties, Powers and Conditions of Service) Act, 1971 in respect of financial assistance given to Urban Local Bodies and Panchayat Raj Institutions.

3. Matters arising from the Finance and Appropriation Accounts for the year 2009-10 together with other points arising out of audit of transactions of the Government of Tamil Nadu are included in separate volumes of the Report (Civil) of 2009-10.

4. The Report containing the observations arising out of audit of Statutory Corporations, Boards and Government Companies and the Report containing such observations on revenue receipts are presented separately.

5. The cases mentioned in this Report are among those which came to notice in the course of test check of accounts of Urban Local Bodies and Panchayat Raj Institutions during the year 2009-10 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports on the Government of Tamil Nadu. Matters relating to the period subsequent to March 2010 have also been included wherever considered necessary.

OVERVIEW

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

I Accounts and finances of Urban Local Bodies

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

(Paragraphs 1.1 to 1.12)

II Performance reviews - Urban Local Bodies

1 Running of Educational Institutions by Chennai City Municipal Corporation

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

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

(Paragraph 2.1)

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

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

(Paragraph 2.2)

III Audit of transactions in Urban Local Bodies

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

(Paragraph 3.1.1)

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

(Paragraph 3.1.2)

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

(Paragraph 3.1.3)

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

(Paragraph 3.1.4)

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

(Paragraph 3.1.5)

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

(Paragraph 3.1.6)

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

(Paragraph 3.2.1)

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

(Paragraph 3.2.2)

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

(Paragraph 3.2.3)

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

(Paragraph 3.2.4)

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

(Paragraph 3.3.1)

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

(Paragraph 3.4.1)

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

(Paragraph 3.5.1)

IV Accounts and finances of Panchayat Raj Institutions

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

(Paragraphs 4.1 to 4.12)

V Performance reviews - Panchayat Raj Institutions

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

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

(Paragraph 5.1)

VI Audit of transactions in Panchayat Raj Institutions

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

(Paragraph 6.1.1)

CHAPTER I

SECTION 'A'
AN OVERVIEW OF URBAN LOCAL BODIES

1.1 Background

The 74th constitutional amendment 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 such powers, functions and responsibilities so as to enable them to function as institutions of self-government.

Consequent to the 74th amendment of the Constitution, the Government of Tamil Nadu 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.

1.2 State profile

The comparative demographic and developmental picture of the State is given in **Table 1.1** below. Tamil Nadu is the second most urbanised state in India. The urban population of the State as per the 2001 census was 2.59 crore constituting 42 *per cent* of the total State population (6.24 crore).

Table 1.1: Important statistics of the State

Indicator	Unit	State value	National value	Rank amongst all States
Population	Million	62.4	1028.61	6
Population density	Sq.Km	480	313	6
Urban population (p*er cent*)	Million	2.59	286.12	3
Number of ULBS	Numbers	719	3842	1
Number of Corporations	Numbers	10	139	5
Number of Municipalities	Numbers	148	1595	4
Number of Town Panchayats	Numbers	561	2108	1
Gender ratio	1,000 males	987	933	3
Literacy	Percentage	73.45	65	6

(Source : Thirteenth Finance Commission and Census 2001)

1.2.1 Classification of Urban Local Bodies

The Municipalities and Town Panchayats are classified into different grades by the Government of Tamil Nadu based on their own revenue and State Finance Commission Grants, as given in **Table 1.2**.

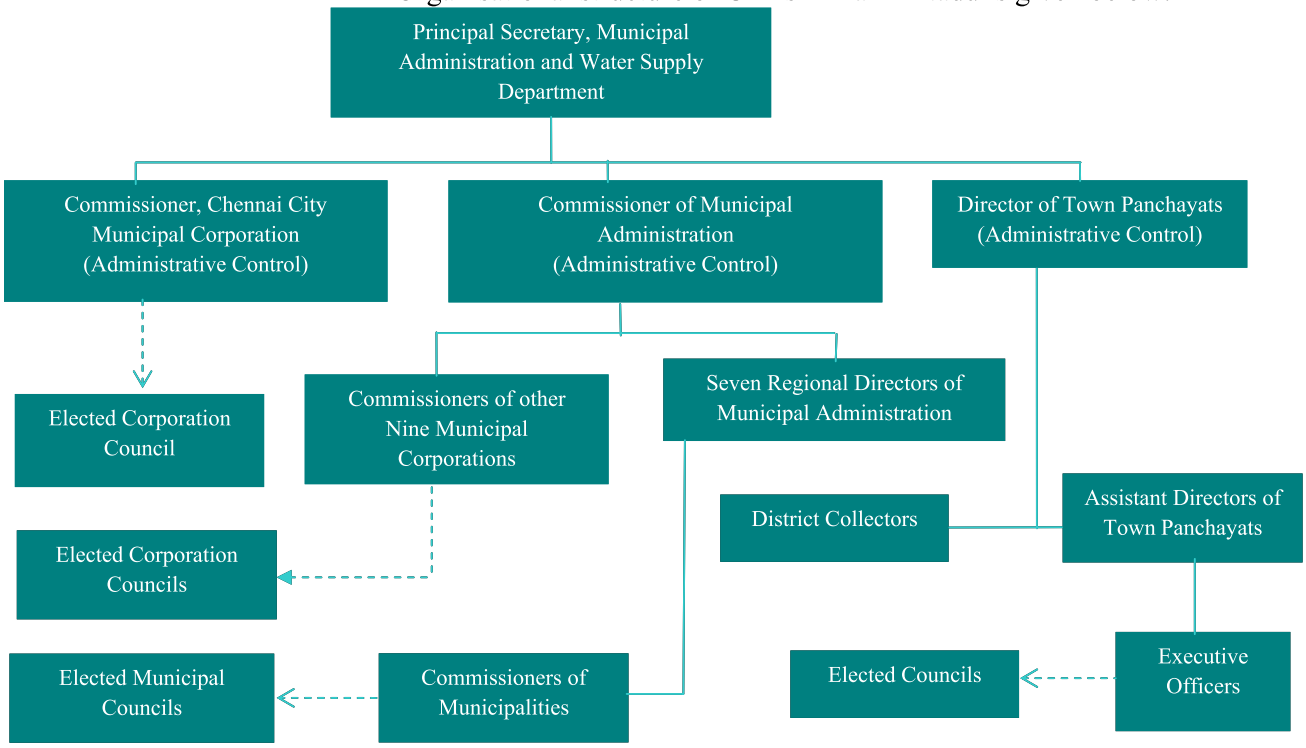
Table 1.2: Income wise classification of ULBs

Category of ULB	Grade	Annual income	Number
Municipalities	Special grade	Above ₹ 10 crore	20
	Selection grade	₹ 6 crore and above but below ₹ 10 crore	29
	First grade	₹ 4 crore and above but below ₹ 6 crore	29
	Second grade	Below ₹ 4 crore	21
	Third grade	(Population above 30,000)	49
Total			**148**
Town Panchayats	Special grade	Above ₹ 20 lakh	13
	Selection grade	Above ₹ 16 lakh but below ₹ 20 lakh	245
	Grade I	Above ₹ 8 lakh but below ₹ 16 lakh	221
	Grade II	Above ₹ 4 lakh but below ₹ 8 lakh	82
Total			**561**

(Source : Policy Note 2009-10 of Municipal Administration and Water Supply Department)

1.3 Organisational structure of ULBs

An Organisational structure of ULBs in Tamil Nadu is given below:



(Source : Directorate of Municipal Administration)

1.4 Devolution of functions, functionaries and funds

Twelve out of 18 functions enlisted in the Twelfth Schedule of the Constitution have been devolved to the Town Panchayats. Commissioner of Municipal Administration (CMA) stated (June 2010) that 17 functions (except Fire Service) have been devolved to municipalities and municipal corporations. In Chennai City Municipal Corporation, only 13 functions have so far been devolved and the function of water supply is handled by Chennai Metropolitan Water Supply and Sewerage Board. As of March 2010, functionaries are however yet to be transferred to the ULBs to carry out the devolved functions. This is bound to have a negative impact on the performance of ULBs in these areas.

Government reported that plan and non-plan discretionary grants were being transferred to ULBs in addition to successive State Finance Commission grants. These earmarked grants were intended for specific functions such as water supply, roads, public health, street lighting, sanitation, etc., entrusted to ULBs. The ULBs were also empowered to revise and levy local taxes such as Property/House Tax, Profession Tax based on the recommendations of the State Finance Commissions (SFCs), as accepted by the Government and as per the Local Bodies Acts.

Based on the recommendations of the High Power Committee, State Government enhanced (February 2009) the powers of CMA in respect of Municipal Corporations other than Chennai to sanction estimates exceeding ₹ One Crore but not exceeding ₹ Five Crore.

1.5 Decentralised planning

1.5.1 Standing Committees

ULBs shall constitute standing committees to perform the assigned functions. The political constitution of the committees is given in **Table 1.3** below:

Table 1.3: Political constitution of the Standing Committees

Category of ULBs	Chief Political Executive	Standing Committees	Political executives
Corporations	Mayor	Public Health, Town Planning, Works, Taxation and Finance, Education and Accounts	Chairman (elected among the members)
Municipalities	Chairman	Contract Committee, Town Planning Committee and Taxation Appeal Committee	
Town Panchayats	Chairman		

As per Section 241(1) of Tamil Nadu Panchayats Act, 1994 State Government constituted a District Planning Committee (DPC) in 28 districts in November 1997. The DPC consists of the following members:

- The Chairman of the District Panchayat;
- The Mayor of the City Municipal Corporation in the district;
- The Collector of the District and

- such number of persons, not less than four-fifth of the total number of members of the Committee, as may be specified by the Government, elected in the prescribed manner from amongst the members of the District Panchayats/Town Panchayats and Councillors of the Municipal Corporations and Municipal Councils in the district, in proportion to the ratio between the population of the rural areas and of the urban areas in the district.

The role and responsibility of the DPC is to consolidate the plans prepared by the District Panchayats, Panchayat Union Councils, Village Panchayats, Town Panchayats, Municipal Councils and the Municipal Corporations in the district and prepare a draft development plan for the district as a whole.

At present, the Annual Plans prepared at the apex level are only consolidated and adopted as District plans. No separate inputs are received from the ULBs. Requirements at the grass root level were thus not completely reflected in the District plans.

1.6 Financial profile

1.6.1 Funds flow to ULBs

The major resource base of ULBs consists of State Finance Commission (SFC) grants, Central Finance Commission (CFC) grants, Centrally Sponsored Schemes (CSS) Grants, Own Revenue and Assigned Revenue and Loans.

Table 1.4: Funds flow mechanism in ULBs

Nature of Funds	Corporations		Municipalities		Town Panchayats	
	Source of fund	Custody of fund	Source of fund	Custody of fund	Source of fund	Custody of fund
Own Revenue	Assessees and users	Bank	Assessees and users	Bank	Assessees and users	Bank
Assigned Revenue	State Government	Bank	State Government	Bank	State Government	Bank
SFC						
CFC/CSS	GOI	Bank	GOI	Bank	GOI	Bank
State Plan Grant	State Government	Bank	State Government	Bank	State Government	Bank
Loans	GOI/SG/ Financial Institution	Bank	GOI/SG/ Financial Institution	Bank	GOI/SG/ Financial Institution	Bank

1.6.2 Funds Flow Arrangements in flag ship schemes

The funds flow arrangements in flag ship schemes relating to ULBs are given in **Table 1.5.**

Table 1.5: Fund flow arrangements in flagship schemes

Sl.No.	Scheme	Fund flow
1	Jawaharlal Nehru National Urban Renewal Mission (JNNURM)	On receipt of GOI release order, Head of the Department (CMA) send proposals to the State Government for releasing both the GOI and State share. On receipt of cheque, sanction proceedings are issued to ULBs and the amount released through ECS to the concerned ULBs and the Bank transfers the amount on the same day through ECS.

Sl.No.	Scheme	Fund flow
2	Swarna Jayanti Shahari Rozgar Yojana (SJSRY)	GOI releases its share directly to the Department through Demand Draft. Government of Tamil Nadu releases its share headwise after deducting administrative and other expenditure charges and Information, Education and Communication charges and the amount released to ULBs.

Table 1.6 below shows the details of receipts and expenditure of ULBs for the period 2005-06 to 2009-10.

Table 1.6 : Details of receipts and expenditure of ULBs

(₹ in crore)

	2005-06	2006-07	2007-08	2008-09	2009-10
Own Revenue	1,235	2,834	1,511	1,742	1,992
Assigned Revenue	368	298	453	451	370
Grants	1,026	1,709	2,000	1,944	2,658
Loans	121	151	114	353	428
Total Receipts	**2,750**	**4,992**	**4,078**	**4,490**	**5,448**
Revenue Expenditure	1,690	1,709	1,806	2,186	2,558
Capital Expenditure	940	876	1,395	1,767	1,878
Total Expenditure	**2,630**	**2,585**	**3,201**	**3,953**	**4,436**

(Source: Details furnished by the Commissioner of Chennai City Municipal Corporation in October 2010, March 2011 and May 2011; Commissioner of Municipal Administration in December 2010 and Director of Town Panchayats in March 2011)

The percentage of expenditure/savings compared to Total Receipts for the period 2005-06 to 2009-10 is as given in **Table 1.7:**

Table 1.7 : Percentage of expenditure/savings

	2005-06	2006-07	2007-08	2008-09	2009-10
Revenue Expenditure	61	34	44	49	47
Capital Expenditure	34	18	34	39	34
Savings	5	48	22	12	19

While the Capital Expenditure over the years ranged from 18 to 39 *per cent* of the Total Receipts, Revenue Expenditure ranged from 34 to 61 *per cent*. The savings was 5 to 48 *per cent* of the Total Receipts. ULBs failed to utilize these savings towards Capital Expenditure for creating additional infrastructure.

1.7 Accounting framework

Accrual-based system of accounting is being followed in all Municipal Corporations and Municipalities as per the orders of the Government of Tamil Nadu with effect from 2000-01 and in all Town Panchayats with effect from 2002-03.

1.8 Audit arrangements

As per the Government Order issued in August 1992, audit of ULBs had been entrusted to Director of Local Fund Audit (DLFA). He is to certify the correctness of accounts, assess internal control system and report cases of loss, theft and fraud to auditees and to the State Government. Further, Principal Accountant General (PAG) provides technical guidance to DLFA on a

continuing basis regarding audit of accounts of the ULBs in terms of Government of Tamil Nadu's order of March 2003.

The PAG audits the ULBs under Section 14 (2) of the Comptroller and Auditor General of India's (Duties, Powers and Conditions of Service) Act, 1971.

Audit Reports upto the year 1995-96 were discussed by the Committee on Public Accounts (PAC) and recommendations were issued. As of June 2011, there were 106 recommendations relating to 1985-86 to 1995-96 of the Municipal Administration and Water Supply Department pending final settlement, which *inter-alia* consisted of paragraphs relating to ULBs. CAG's Audit Report on ULBs presented in State Legislature for the years 2003-04 to 2008-09 have not been taken up for discussion by PAC.

1.8.1 Audit of ULBs by Principal Accountant General (Civil Audit)

Audit of ULBs through test check of records are followed-up through Inspection Reports issued to the Commissioner of Municipal Administration with copies to ULBs concerned. Government had issued general orders in April 1967 fixing a time limit of four weeks for prompt response by the authorities for all such paragraphs included in the Inspection Reports issued by Audit.

As of December 2010, 4,278 paragraphs relating to 681 Inspection Reports were not settled for want of satisfactory replies.

SECTION 'B' – FINANCIAL REPORTING

1.9 Introduction

Financial reporting in the ULBs is a key element of accountability. The matters relating to drawal of funds, form of bills, incurring of expenditure, maintenance of accounts, rendering of accounts by the ULBs are governed by respective ULB Acts. A chart depicting various sources of revenues of ULBs is given in **Appendix 1.1**.

1.10 Accounts maintained by Urban Local Bodies

The following accounts are prepared on accrual basis by adopting Double Entry Accounting System (DEAS) as prescribed under Tamil Nadu Accounting Manual for ULBs in Tamil Nadu by all the Municipalities, nine Municipal Corporations (excluding Chennai) and all Town Panchayats:

- Revenue Fund and Capital Fund
- Water Supply and Drainage Fund (except Town Panchayats)
- Elementary Education Fund (except Town Panchayats)

The Chennai City Municipal Corporation maintains (i) a General Fund comprising both Revenue and Capital Funds and (ii) an Elementary Education Fund. The cash balance of each of the above funds is maintained in a separate bank account.

The figures in this Chapter are compiled from the details furnished by the ULBs. However in the absence of data compiled from the audited account of the ULBs by the Department/Government, the accuracy of these figures could not be authenticated and the data are provisional subject to audit by DLFA.

1.11 Financial Reporting Issues

1.11.1 Budget

Budget is the most important tool for financial planning, accountability and control. As per the respective Acts of the ULBs, budget proposals containing detailed estimates of income and expenditure expected during the ensuing year were to be prepared by the respective standing committees of ULBs after considering the estimates and proposals submitted by the executive authorities of ULBs every year. After considering the proposals, the Finance, Audit and Planning Committee was to prepare the budget showing the income and expenditure of the respective ULBs for the ensuing year and to place it before the governing body every year.

1.11.2 Position of outstanding loans

The position of outstanding loans as of March 2010, is given in **Table 1.8**.

Table 1.8: Position of outstanding loans in ULBs as of March 2010

(₹ in crore)

Sl. No.	Category of ULB	Position of consolidated loan			
		Opening balance as on 1 April 2009	Fresh loans availed during 2009-10	Repayment made during 2009-10	Closing balance as on 31 March 2010
1.	Chennai City Municipal Corporation	107.45	57.14	11.05	153.54
2.	Other Municipal Corporations	301.69	175.55	27.10	450.13
3.	Municipalities	411.16*	146.66	40.38	517.44
4.	Town Panchayats	250.36**	49.06	24.65	274.77

(Source: Details furnished by Commissioner of Chennai City Municipal Corporation (April 2011), CMA (December 2010) and Director of Town Panchayats (March 2011))

* The variation between the closing balance for the year ended 31 March 2009 and the opening balance for the year 2009-10 is due to reconciliation of dues with the accounts of financial institutions as reported by CMA in December 2010.

** The variation between closing balance for 2008-09 and opening balance for 2009-10 is due to non finalization of audit by DLFA as reported by DTP in March 2011.

1.11.3 Arrears in Accounts

While accepting the Third State Finance Commission (TSFC) recommendation, the State Government stated that the accounts will be finalised within three months after the end of the financial year. Though due date of submission of accounts to DLFA by Municipal Corporations is 30th June; Municipalities is 15th May and for Town Panchayats is 30th April, the position of non-submission of accounts by ULBs to DLFA from 2008-09 as of January 2011 is given in **Table 1.9.**

Table 1.9 : Position of non-submission of accounts of ULBs

Category of ULB	Number of ULBs not submitted accounts relating to	
	2008-09	2009-10
Corporations	Nil	10
Municipalities	3	56
Town Panchayats	Nil	121

(Source: Details furnished by DLFA in March 2011)

The pendency in preparation of accounts of ULBs and the eventual delay in the audit of their accounts would result in continued existence of deficiencies in the accounts and the respective council could not analyse the true and correct picture of the financial position of the ULBs in time.

1.11.4 Arrears in Audit

Audit of accounts of all ULBs was completed by DLFA up to 2006-07. Position of arrears in completion of audit of ULBs, as of January 2011, as reported by DLFA in March 2011 is given in **Table 1.10**.

Table 1.10 : Position of non-completion of audit of ULBs

Category of ULB	Total number	2007-08 Number of units			2008-09 Number of units			2009-10 Number of units		
		Completed accounts (A)	Audit completed (B)	Audit pending (C)	(A)	(B)	(C)	(A)	(B)	(C)
Corporations	8 (2007-08) 10 (2008-09) 10 (2009-10)	8	8	Nil	10	7	3	-	-	10
Municipalities	150 (2007-08) 148 (2008-09) 148 (2009-10)	150	148	2	148	72	76	92	7	141
Town Panchayats	561	561	559	2	561	290	271	440	48	513

(Source: Details furnished by DLFA in March 2011)

Although the due date of submission of accounts for Municipal Corporations is 30th June, for Municipalities 15th May and for Town Panchayats is 30th April, audit of only seven Municipalities and 48 Town Panchayats for the year 2009-10 was completed as of January 2011. The main reason attributed (March 2011) by DLFA for the arrears was due to non-submission of annual accounts returned by the DLFA to the ULBs for rectification of accounts.

DLFA reported (April 2011) that the number of paragraphs relating to Municipal Corporations, Municipalities and Town Panchayats included in their Inspection Reports (IRs) issued upto 2007-08 that were pending settlement as of March 2010 aggregated to 3,17,099 paragraphs. The year-wise break-up details are given in **Appendix 1.2**. The details of inspection paragraphs issued during 2008-09 are yet to be compiled by DLFA and made available to Audit.Based on the recommendations of TSFC, a District High Level Committee (DHLC) for settling the pending paragraphs of DLFA relating to Municipal Corporations and a State High Level Committee for monitoring the functions of DHLC was formed in 2007. A district committee for settling pending paragraphs was already in existence.

The CMA stated (April 2011) that 3,554 paragraphs relating to six Municipal Corporations (Coimbatore, Madurai, Salem, Tirunelveli, Tiruppur and Thoothukudi) and 2,327 paragraphs relating to Municipalities were settled during 2010-11 in the DHLC meetings.

The DTP stated (April 2011) that 51 DHLC meetings and three State High Level Committee meetings were conducted between January 2008 and February 2011 and 2,480 audit objections relating to Town Panchayats were settled in those meetings.

1.12 Conclusion

Transfer of functionaries to ULBs to carry out devolved functions have not been made by the Government. Due to non-preparation of accounts in time by ULBs, true and correct picture of their financial position could not be analysed in time. DLFA could not complete the audit due to non-submission of annual accounts returned by him to ULBs for rectification of accounts. As of January 2011, Audit has been completed only in seven municipalities and 48 town panchayats for the year 2009-10 while Audit of 141 Municipalities and 513 Town Panchayats are yet to be completed for the year 2009-10.

CHAPTER II

PERFORMANCE REVIEWS (URBAN LOCAL BODIES)

This Chapter presents two performance reviews dealing with (i) Running of Educational Institutions by Chennai City Municipal Corporation and (ii) Implementation of accepted recommendations of Third State Finance Commission in Urban Local Bodies.

MUNICIPAL ADMINISTRATION AND WATER SUPPLY DEPARTMENT

2.1 Running of Educational Institutions by Chennai City Municipal Corporation

Executive Summary

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

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

2.1.1 Introduction

Chennai City Municipal Corporation (Corporation) maintains 281 schools (119 Primary, 95 Middle, 37 High and 30 Higher Secondary schools) besides 30 Kinder Garten schools attached with primary and middle schools. Apart from this, it also runs four Community Colleges, one Industrial Training Institute (ITI) for vocational courses and one special school for children with

Muscular Dystrophy. Corporation apportions 2.5 *per cent* of the annual value of the property, collected as education tax and credits the amount to Elementary Education Fund (EEF) for utilization towards capital and maintenance works of the schools maintained by the Corporation.

2.1.2 Organisational Setup

The role and responsibilities of officials in respect of schools run by Corporation is given below:

Principal Secretary, Municipal Administration and Water Supply Department	Overall control of Chennai City Municipal Corporation
Commissioner, Chennai City Municipal Corporation	Administrative head of the Corporation and the appointing authority for teaching staff of Corporation schools
Deputy Commissioner (Education), Chennai City Municipal Corporation	Head of the Education Department and responsible for posting of teachers in schools, deployment of staff, overall monitoring and supervision of Education Department
Educational Officer	Discharges the functions of Chief Educational Officer of the District, who directly supervises the functions of all Assistant Educational Officers
Assistant Educational Officers	Responsible for control and monitoring all High/Higher Secondary, Middle and Primary schools and noon-meal activities
Zonal Supervisors	Responsible for coordinating the activities of all the Primary/Middle schools in their respective Zones with that of Education Department

2.1.3 Audit Objectives

The objectives of the performance audit were to assess whether

- Budgeting and planning were proper and funds utilized judiciously,
- civil works were executed according to the proposals/needs,
- basic amenities have been provided in schools and statutory safety norms were adhered,
- man power for imparting quality education is adequate and effectively utilized,
- implementation of welfare schemes had the desired impact and
- performance and activities of institutions were effectively monitored.

2.1.4 Audit Criteria

Audit findings were bench marked against the following criteria:

- The Tamil Nadu Elementary Education Act, 1920.

- The Tamil Nadu Educational Rules.
- The Tamil Nadu Educational code.
- Orders, guidelines/circulars etc., issued by Government/Corporation.

2.1.5 Scope and methodology of Audit

The performance audit was conducted between October 2010 and February 2011 covering the period from 2005-06 to 2009-10 based on stratified sampling. Details of schools selected are given in **Appendix 2.1**. Records of 79 schools (35 primary, 29 middle, 10 high and 5 higher secondary), one community college and one ITI were test checked. Details were also collected from 159 primary/middle/high/higher secondary schools through survey questionnaires/Audit Slips. Entry conference with Commissioner, Chennai City Municipal Corporation was held on 1 December 2010. The findings were discussed with Commissioner, Chennai City Municipal Corporation in an exit conference on 2 February 2011. Exit conference was held with Commissioner, Chennai City Municipal Corporation on behalf of Government on 28 April 2011.

Audit Objective 1: To assess whether budgeting and planning were proper and funds utilized judiciously

2.1.6 Finance

2.1.6.1 Poor planning of expenditure

Corporation apportions 2.5 *per cent* of the annual value of the property collected as education tax along with property tax and credits the amount to EEF for utilization towards capital and maintenance works of educational institutions. The receipt and utilization out of the EEF for the years 2005-10 were as given in **Appendix 2.2**.

The percentage of expenditure out of the EEF during 2005-09 ranged between 47 and 53 only, which was mainly due to non-execution of 618[1] works of the priority building works[2] proposed by the Education Department for the needy schools. Further, in violation of Government guidelines (November 2005), Corporation diverted ₹ 35.05 crore during 2008-09 for roads/street lights. Government stated (April 2011) that the amount was utilized to lay roads leading to the schools. The reply was not tenable as EEF should be utilized only for capital and maintenance works of schools and Corporation provides funds separately in the budget every year for laying and maintenance of roads.

Poor utilization of EEF for capital and maintenance works and diversion of EEF to other works

[1] Includes priority works not taken up during previous years.
[2] Construction of new class rooms/toilets/dining halls/labs etc.

2.1.6.2 Shortfall in maintenance expenditure

As per the guidelines issued by the State Government (March 1999), an amount not exceeding 25 *per cent* of EEF collected was to be spent for maintenance of school buildings every year. Education tax collected and utilized for maintenance during 2005-06 to 2009-10 were as given in the **Table: 2.1** below:

Table 2.1 : Education Tax collected and utilized for maintenance of school buildings

(₹ in crore)

Year	Budget Estimate for collection of Education tax	Amount to be provided for maintenance (25 *per cent* of col.2)	Amount actually spent	Percentage of utilisation
(1)	(2)	(3)	(4)	(5)
2005-06	57.58	14.40	3.23	6
2006-07	60.91	15.23	4.50	7
2007-08	62.01	15.50	4.51	7
2008-09	66.44	16.61	5.58	8
2009-10	77.51	19.38	3.89	5
Total		**81.12**	**21.71**	

(Source : Details furnished by Chennai City Municipal Corporation)

It was seen from the above table that the annual expenditure incurred by Corporation for maintenance of school buildings every year ranged between five to eight *per cent* only against the permitted percentage of 25 during the years 2005-10, though there was need for civil works in number of schools as discussed in the succeeding paragraphs.

Recommendation 1: **Corporation should prepare a realistic budget for EEF and utilize it only for capital/maintenance works of schools without any diversion.**

Audit Objective 2: To assess whether civil works were executed according to the proposals/needs

2.1.7 Construction and Maintenance of school buildings

Non-execution of priority works due to lack of co-ordination

Corporation schools every year forward their requirements of additional classrooms/new buildings/Nutritious Noon Meal Programme (NNMP) sheds/ toilets to the Education Department. The Education Department consolidates these requests and prepares a priority list of works for that particular year and forwards the same to the Buildings Department for execution. However, Buildings Department took up the work only on case to case basis, as they had to cater to the needs of all other departments of Corporation also.

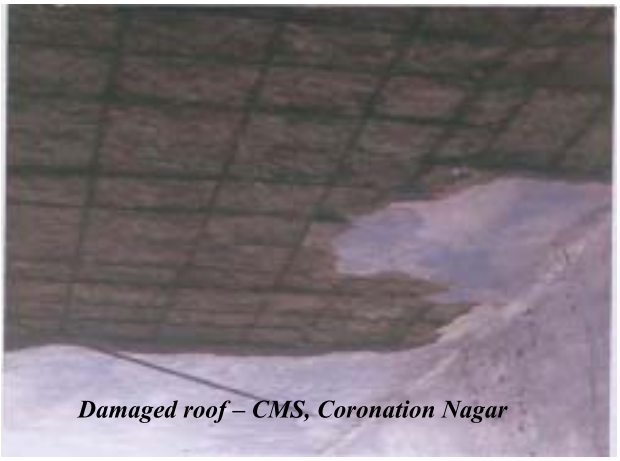
During 2005-10, Education Department forwarded 697 priority works to the Buildings Department for execution. Out of this, the Buildings Department took up only 79 works during 2005-10 and left 618 works unattended for more than two to five years. Education Department, neither had any record of the number of works taken up for construction and number of buildings handed

over to schools after completion nor did it follow-up/coordinate with the Buildings Department for early completion of the works. The Corporation also did not explore the possibilities of taking up the works through other agencies as funds were available for taking up the works.

2.1.7.1 Non-execution of deserving works

Non-execution of priority works leading to functioning of schools in dilapidated buildings

Corporation did not execute civil works in seven[3] test checked schools which deserved utmost attention as these schools were functioning in dilapidated buildings with 1,505 students for period ranging from two to five years, despite being included in the priority list for construction prepared by Education Department. Assistant Commissioner/Buildings Department/ Assistant Elementary Educational Officer instructed three[4] of these schools to shift to a safe building (September 2005 and August 2007). During this period, there were instances of roof collapse, electric shocks due to damaged wiring, school operating in a single room with no toilets, lack of water facility, roof leakage, overcrowding of class rooms as other class rooms were unusable, etc.



Damaged roof – CMS, Coronation Nagar

Out of these seven schools, two[5] schools were shifted (September 2008) to another school (CPS, VOC play ground), thereby forcing all the three schools to operate in single premises and one[6] school was shifted (August 2010) to the nearby Higher Secondary school. The remaining four schools continued to operate in the old buildings, despite availability of sufficient fund in EEF and land for construction as Buildings Department did not include these buildings for execution as stated in Paragraph 2.1.7. Government stated (April 2011) that necessary action has been initiated to take up construction/maintenance works in respect of the above schools and would be completed on war footing basis.

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3 CPS-Alwarpet, CMS-Coronation Nagar, CPS-Strahans Road (Tamil), CPS-Strahans Road (Telugu), CPS-Moore Market, CPS-Chinna Kodungaiyur and CPS-Chinna Babu Street.

4 CPS-Alwarpet , CPS-Strahans Road (Tamil) and CPS-Strahans Road (Telugu).

5 CPS-Strahans Road (Tamil) and CPS-Strahans Road (Telugu).

6 CPS-Alwarpet.

2.1.7.2 *Non-execution of maintenance works*



Unhygienic/poorly maintained NNMP Shed CPS, Cooks road

The school buildings are to be structurally sound and fulfill requisite safety norms. They should be provided with necessary amenities, impervious ceiling, good lighting and ventilation arrangement. Corporation has been divided into 10 Zones for better administration and Zonal Officers of the respective Zones were responsible for maintenance of Corporation schools. The maintenance works were to be taken up based on the requests received from the schools and field inspection reports submitted by various field level officers. Though sufficient funds under EEF were available for maintenance of schools and repeated requests were made by the schools, the Zonal Officers did not take up the work for reasons not on record. The Superintending Engineer, Buildings Department also did not exercise any control in this regard. In nine test checked schools **(Appendix 2.3),** works such as roof leaking, rewiring of electrical lines, relaying of flooring, reconstruction of NNMP sheds and replacement of thatched and AC roof were not executed.

Recommendation 2: **Periodical maintenance of school buildings should be taken up and necessary steps should be taken for construction of new buildings for schools operating in old/dilapidated buildings based on the periodical field inspection reports.**

Audit Objective 3: To assess whether basic amenities have been provided in schools and statutory safety norms were adhered

2.1.8 Basic amenities

Short comings in providing basic amenities in Corporation schools

The Manual for Secondary and Higher Secondary schools provides that schools should be pedagogic and meet the sanitary/hygienic requirements with suitable and adequate latrines/urinals for students and staff separately for men and women with a playground. Further school building should be structurally sound, suitable and admit sufficient air/light. Provision of pure drinking water, play ground and required number of toilets and urinals are some of the basic amenities to be provided for running a school. Shortcomings noticed in this regard in the Corporation schools were as discussed below:

2.1.8.1 Non-provision of purified drinking water

The Commissioner of Municipal Administration had issued (November 2005) guidelines for utilization of EEF to provide drinking water facilities preferably with Reverse Osmosis (RO) System to the schools. Audit noticed that in 29

out of 79 sample schools (37 *per cent*), provision for purified drinking water was not made and students were consuming water from open sources such as water pumps, well and water supplied through lorries etc. Government stated (April 2011) that RO plants were installed so far in 27 high/higher secondary schools and in respect of another 24 schools, RO plant installation would be installed in the coming academic year. The fact remained that since November 2005 only 27 schools out of 281 had been provided with purified drinking water facilities.

2.1.8.2 Non-availability of play grounds and non-maintenance of available play grounds

The Manual for High/Higher Secondary schools stipulates that provision of land should be made for play ground besides the school building. Audit noticed that 34 *per cent*[7] of high/higher secondary schools from which details were obtained, did not have play grounds.

Play grounds of three other schools[8] were not maintained or used by private parties for parking and washing their vehicles, thereby depriving the students of these schools the opportunities for recreational and sports activities. Government stated (April 2011) that Education Department of Corporation is taking earnest effort to identify adjoining unused lands to be used as play grounds for schools.





Play ground used by private parties CHSS, Nesapakkam

[7] 14 out of 41 high/higher secondary schools.

[8] CMS-Kamaraj Colony, CHSS-Nesapakkam and CMS-MK Amman Koil Street.

2.1.8.3 Sanitation

Education Department of Government of Tamil Nadu has prescribed norms for provision of flush out latrine in schools at one per 25 girls and one per 50 boys and urinals at six per 100 boys. However, out of 79 sample schools, seven schools did not have required number of toilet facilities and in 18 schools no urinals were provided. Further, in respect of eight schools toilets and urinals were not maintained properly for want of water facilities, damaged and unusable toilets and non-execution of repair works resulting in non-adherence of Government norms and depriving the basic amenities to the students of these schools. During Exit Conference (February 2011), Commissioner stated that these issues would be solved in a phased manner. The fact remains that inspite of availability of sufficient fund, the Corporation has not been able to provide basic amenities in schools.



Unhygienic Toilet – CPS, MGR Nagar

2.1.9 Safety and Security measures

Corporation failed to ensure the safety of students by not following statutory safety norms

The Tamil Nadu Public Buildings (Licensing) Act, 1965 provides for inspection and licensing to ensure the structural stability of the buildings. Further, as fire hazard in public buildings is one of the most common occurrence which is life threatening, fire extinguishers were installed and maintained in these buildings. A test check of schools revealed the following:

2.1.9.1 Building licences

The Tamil Nadu Public Buildings (Licensing) Act, 1965 stipulates that public buildings like schools shall be used only under a valid license obtained from competent authority. However, none of the Corporation schools had obtained license from competent authority. On this being pointed out, Superintending Engineer, Buildings Department stated (December 2010) that the practice of obtaining such a license was not followed as far as Corporation schools are concerned. Government stated (April 2011) that school buildings were Government buildings and were exempted from obtaining such licence. The reply is not tenable as the Act clearly stipulates that schools had to be certified by competent authority as they were frequented by public.

2.1.9.2 Fire extinguishers

The fire extinguishers installed in Corporation schools were to be refilled periodically and kept in working condition. Audit noticed that 26 out of 79 (33 *per cent*) sample schools, the fire extinguishers were not refilled for a

period ranging from two to three years. In two schools[9] no fire extinguishers were installed. As fire and collapse of old building could be life threatening accidents, the above statutory norms have to be strictly adhered to. By flouting the above norms, Corporation failed to ensure the safety of the school children. Government stated (April 2011) that fire extinguishers were filled periodically. The reply suppresses the facts stated by Headmasters of respective sample schools that fire extinguishers were not filled up periodically.

Recommendation 3: **Basic amenities should be provided in all schools by the Corporation on priority basis.**

Audit Objective 4: To assess whether man power for imparting quality education is adequate and effectively utilized

2.1.10 Man power management

The Tamil Nadu Education rules stipulate that there should be a teacher for every standard and every section of a standard irrespective of student strength in addition to the Headmaster. School Education department in December 1997 fixed the teacher pupil ratio as 1:40 for all primary, middle and high schools. In respect of primary and middle schools one of the teachers shall be in the grade of Headmaster. In respect of high/higher secondary school, one Headmaster shall be in addition to teachers. Non-adherence to the above instructions were as discussed below:

2.1.10.1 Surplus/Shortage of Teachers

Excess teachers were not redeployed leading to engagement of unqualified teachers

Government recommended (June 2000) merger of low strength schools with nearby schools for optimum utilisation of man power due to poor student strength in some of the Corporation schools. Further, as the Corporation did not have an overall database of the teachers, it was suggested to assess the excess/shortage of teachers with respect to student strength and redeploy them to needy schools. However, Corporation did not take effective steps and allowed the Headmasters of schools with shortage of teachers to employ 799 teachers during 2005-2010 on consolidated pay based on their requirement without the concurrence/approval of Commissioner/Educational Officer of Corporation. The expenditure of ₹ 1.81 crore on this account was initially met out from Parent Teacher Association (PTA) funds and later recouped by Corporation. A scrutiny of such employments revealed the following.

(i) An analysis of the teacher pupil ratio in Corporation schools revealed that while 44 schools had 265 Secondary Grade teachers in excess, 23 schools had a shortage of 45 Secondary Grade teachers for over a period ranging from two to five years. In absence of redeployment of teachers, Headmasters of five[10] schools employed 21 Secondary Grade teachers and Corporation

[9] CPS-RV Nagar and CMS-Sanjevarayan Koil Street.

[10] CHSS-Koyambedu, CHSS-MGR Nagar, CHSS Bunder Garden, CHS-Ganesapuram and CHS-Jafferkhanpet.

incurred an avoidable expenditure of ₹ 2.35 lakh in this regard during 2005-10. It was further noticed that seven out of the 21 teachers employed did not possess the requisite qualification[11] for Secondary Grade teacher.

(ii) Similarly, 45 Graduate/Post Graduate teachers appointed in eight[12] high/higher secondary schools during 2005-10 did not possess a degree in teaching and a Bachelor/Masters degree in the respective subject as prescribed. As the Headmasters were given a free hand to employ teachers without the approval/concurrence of the Commissioner/Educational Officer of Corporation, this situation was allowed to continue year after year compromising the quality of education imparted and ₹ 5.28 lakh was incurred towards the pay of unqualified teachers. Government stated (April 2011) that appointment of casual teachers on *ad-hoc* basis would be dispensed with from the ensuing year.

2.1.10.2 Schools with low student strength coupled with shortage in manpower

Poor management of manpower resulted in operation of schools with single teacher

Corporation did not merge schools with low student strength with nearby schools for effective utilization of manpower as recommended by the Government. An analysis of schools based on teacher student ratio revealed that seven[13] sample schools were functioning with low strength of students ranging from 42 to 100[14]. Non-merger of schools coupled with shortage of manpower as discussed in Paragraph 2.1.10.1 above, resulted in a peculiar situation wherein a single teacher handled students of different classes by accommodating them in the same class rooms in eight of the sample schools. One particular school (CPS, Anjaneya Nagar), which conducts classes from I to V (students strength of 67) in both Tamil and Telugu Medium with a sanctioned strength of eight teachers, was being operated by a single teacher (Telugu) during 2009-10. During Exit conference (February 2011), Commissioner assured that they would analyse such situations and take remedial action.

2.1.10.3 Non-appointment of clerks

Though Chennai City Municipal Corporation has a sanctioned strength of 47 posts for secretarial assistance in high/higher secondary schools, only 19 posts were filled up. Out of this, only 14 posts were utlised for schools. In absence of clerks, these additional works were being taken care of by the teaching staff/Headmasters in addition to periodical election and survey duties thrusted upon them which would have an adverse impact in discharging their academic duties. Government stated (April 2011) that filling up of vacancies is being closely followed.

Recommendation 4: **Redeployment of excess teachers and merger of schools with low strength should be done effectively as ordered by Government in June 2000 for optimum utilization of available manpower and to avoid employment of unqualified teachers.**

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11 Certificate/Diploma in Teacher Education.

12 CHSS-Virugambakkam, CGHSS-Nungambakkam, CHSS-Maduvinkarai, CHS-Somaiyya Raja Street, CHSS-MGR Nagar, CHS-Jafferkhanpet, CHSS-Koyambedu and CHSS-Patel Nagar.

13 CUGMS-Angappa Street, CMS-Gokulam, CMS-KK Lane, Choolai, CMS-Vasantha Garden, CMS-Narasingapuram, CMS-Tana Street and CMS-Damodarapuram.

14 Schools with five classes with less than 40 students in each class.

Audit Objective 5: To assess whether implementation of welfare schemes had the desired impact

2.1.11 Implementation of welfare schemes

2.1.11.1 Free supply of Uniform

Government provides free supply of one set of uniform[15] to the Class I to VIII students of Corporation schools every year. Scrutiny of records revealed the following:

Failure of the Corporation to co-ordinate with Government resulted in non-achievement of objectives of welfare schemes

(i) As Corporation follows different type of uniform[16] from the one supplied by the Government, the students of Corporation schools could not utilize uniforms supplied by Government and had to purchase uniforms at their own cost during 2005-10. Corporation did not take up this issue with Government till 2008-09 and Corporation school students continued to receive the free uniform supplied by Government, which were not used by them depriving the benefit of free uniform. During 2009-10 alone, 50,641 students in Class I to VIII were forced to spend on new uniform as they could not use the free uniform supplied by Government.

(ii) Corporation introduced (September 2009) its own scheme of free supply of one set of school uniforms to all the 1.05 lakh Corporation school students belonging to Class I to XII from 2009-10 at a cost of ₹ 2.12 crore. Order for the supply of uniform was issued in October 2009 and supply was made only between January 2010 and April 2010, almost at the end of academic year. Corporation did not co-ordinate with Government for free supply of uniform to its 50,641 students of Class I to VIII during 2009-10 to limit its expenditure under its own scheme to Class IX to XII students alone. Failure of the Corporation in this regard and belated supply of free uniform under its own scheme, defeated the very objective of providing free uniform.

Government endorsed (April 2011) the reply of the Corporation that in the year 2009-10 the Government changed the colour of the school uniform as blue shirt with white stripes/navy blue pant for boys and blue tops with white stripes/navy blue chudidhars for girls. The reply was not tenable as the uniform material ordered by Government for the same year was white shirt/khaki pants for boys and white shirts/blue half skirts for girls.

2.1.11.2 Nutritious Noon Meal Programme

Government provides nutritious meal under NNMP to school children in the age group of five to 15 years studying in Government/Government aided/local body schools from Classes I to X. The scrutiny of records relating to implementation of the scheme in Corporation schools revealed the following deficiencies:

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15 Boys-white shirt/khaki pants and Girls-while shirt/blue skirt.

16 Boys-blue shirt with white stripes/navy blue pant and Girls-blue tops with white stripes/navy blue chudidhar.

(a) Non-extension of NNMP to Class IX and X students

Eight[17] High/Higher secondary schools were wrongly categorized as middle schools by the Corporation for allotting the noon meal provided by the Government. As a result, during the audit period of 2005-10, noon meal in these schools were provided only up to Class VIII students and though eligible, 1,952 Class IX and X students were deprived of the benefits of the scheme. Government stated (April 2011) that in respect of seven schools there was no additional requirements and in respect of one school which was recently upgraded, proposal has been sent for revision of strength. This reply is not tenable as in the proposals for NNMP, all the eight schools were still classified only as middle schools thereby restricting the benefits up to Class VIII students only.

(b) Delay in providing gas connection to noon meal kitchens

Government released (December 2008) an amount of ₹ 10 lakh to the Corporation towards purchase of gas stoves, construction of kitchen platform etc., to cover 50 Corporation schools in order to modernize noon meal kitchens and to avoid environmental pollution caused by usage of fire wood. Though all the 50 schools were supplied (January 2010) gas stoves at a cost of ₹ 5.55 lakh, they were put to use only in 10 schools as the work of providing kitchen platforms were not yet completed (January 2011) in the remaining 40 schools. Non-provision of kitchen platform by Corporation inspite of availability of fund defeated the objective of providing pollution free kitchen. Government stated (April 2011) that kitchen shed renovation/modification works were under progress and would be completed soon.

Recommendation 5: **Corporation should co-ordinate with Government to ensure 100 *per cent* achievement of benefits for its school students under welfare schemes implemented by Government.**

Audit Objective 6: To assess whether performance and activities of institutions were effectively monitored

2.1.12 Performance of Schools and decline in student strength

During 2005-10, the academic performances of Corporation schools were on par/better than the Government schools in Chennai. The pass percentage were as shown in **Table 2.2**.

[17] CHS-Rangarajapuram, CHS-Kilpauk, CHSS-Koyambedu, CHSS-Virugambakkam, CHS-Jafferkhanpet, CHSS-Velacherry, CHSS-Kolathur and CHS-TV Samy Street.

Table 2.2 : Comparison of pass percentage

Year	2005-06		2006-07		2007-08		2008-09		2009-10	
	Class X	Class XII	Class X	Class XII	Class X	Class XII	Class X	Class XII	Class X	Class XII
Corporation schools	75.85	70.66	79.34	81.71	78.97	81.05	82.60	79.00	85.26	85.00
Government schools	72.14	68.60	74.94	77.06	78.09	81.45	82.82	81.00	82.45	83.00

(Source : Details furnished by the Chief Educational Officer, Chennai)

The above table reveals that the students of Corporation schools have done better than Government school except Class XII in 2007-08 and 2008-09 and Class X in 2008-09, where the results were marginally lower. This clearly indicated that the performances of the students of Corporation schools would further improve, if they were provided with better facilities as discussed in the preceding paragraphs. However failure of the Corporation to overcome these shortcomings had resulted in decline of student strength ranging from 17 to 46 *per cent* in 140 primary, middle, high and higher secondary schools over the period of five years (2005-10).

Instead of improving schools to bring down drop out ratio, Corporation refused to issue TCs to outgoing students

In order to show that there was no drop out in Corporation area, Deputy Commissioner instructed (January 2010) the Headmasters not to issue Transfer Certificates (TC) to the respective parents of students belonging to Class V and Class VIII for the academic year 2009-10. Based on this instruction, all the primary and middle schools handed over the TCs of Class V and Class VIII students to nearby middle, high or higher secondary schools run by Corporation. As a result, the students were forced to continue their studies in the Corporation schools itself, even if their parents desired to switch over to other schools with different education stream. On this being pointed out, Government stated (April 2011) that Headmasters were instructed to issue TC, if applied for, without any delay.

2.1.13 Functioning of Community Colleges

Short term vocational courses were not recognised by DGET/ NCVT

The Corporation runs four community colleges which conducts 17 short term (three months) vocational courses such as Computer Software, Nursing Assistant, Information Technology and Enabled Services, Hospitality etc. During 2005-10, 1,763 students were trained in these colleges at an expenditure of ₹ 28.77 lakh. Despite orders (February 2001) of Secretary, Higher Education to get approval from National Council for Vocational Training (NCVT)/Director General of Employment and Training (DGET) for courses offered by the Corporation, it continued to conduct the courses without recognition. Further, as the courses offered by ITI run by Corporation were duly recognized by DGET/NCVT, courses offered by Community Colleges should also be approved by them. During exit conference (February 2011), Commissioner stated that action would be taken to get necessary approvals.

2.1.14 Internal Audit

The Local Fund Audit being the statutory auditors of Corporation, was yet to take up the audit of Education Department for the years 2008-10 and audit of the elementary education portion for the years 2005-08 was not completed.

2.1.15 Inspection

The inspection of the schools was carried out by the Assistant Educational Officers and Educational Officers by visiting the schools. They in turn submit their inspection report to the Educational Officer of the Corporation. However, it was seen that no data base exists with Education Department regarding their visits, reports thereon and remedial measures taken if any. Further it was evident that Educational Officer of the Corporation did not take suitable action on the report of the inspecting officials which led to shortfall in the maintenance of buildings as discussed in the preceding paragraphs. Apart from this, in respect of 17 sample schools (22 *per cent*), the post of Headmaster was not filled up over a period of one to five years indicating lack of overall supervision and control.

Recommendation 6: **Corporation should take necessary action to get the approval of DGET/NCVT for courses offered in community colleges and should act upon the field inspection reports and fill up the vacancies in the post of Headmasters for better administration of schools.**

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

Executive summary

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

2.2.1 Introduction

Government of Tamil Nadu (GTN) constituted Third State Finance Commission (TSFC) in December 2004 to analyse the financial position of local bodies and to make recommendations on (a) distribution and determination of taxes, duties, tolls, fees and grants-in-aid to local bodies, (b) possible new avenues for tapping resources in local bodies considering the tax structure, (c) present system of accountability of local bodies in utilization of the resources raised/received from Government and the adequacy of audit and (d) parallel control/functions of line departments/parastatal agencies over local bodies for the award period 2007-2012.

TSFC submitted its report to the State Government in September 2006 with 306 recommendations. The State Government accepted 90 in full, 72 in part/in principle and negated 89. The remaining were pending with Government/ High Level Committee.

Government released funds in two way packages viz., Pool A and Pool B. Under Pool A, the departments concerned assigned the revenue to ULBs through the District Collector/District level officers. Under Pool B, devolution grant was shared between Panchayat Raj Institutions (PRIs) and ULBs in the ratio of 58:42 for the years from 2007-08 to 2009-10.

TSFC recommended (i) the procedure to be followed for the release of assigned/shared revenue to ULBs, (ii) the modalities to be followed for the collection of property tax, user charges, profession tax, cable TV tax etc, (iii) the device for allocating the State's own tax revenue and the time frame for release of devolution grants to ULBs, (iv) the time frame for finalization and submission of annual accounts to Local Fund Audit and settlement of long pending paragraphs and (v) monitoring mechanism to watch the implementation of the recommendations.

Action Taken Report was placed on the floor of the Legislative Assembly in May 2007. Administrative departments concerned were to issue orders and monitor implementation of the recommendations of TSFC.

2.2.2 Organisational Setup

The role and responsibilities of officials in respect of implementation of the recommendations of the TSFC were as given below:

Committee of Secretaries of Finance Department, Municipal Administration and Water Supply Department and Rural Development and Panchayat Raj Department	Responsible for preparation of draft Action Taken Report for approval of Cabinet Committee.
Cabinet Committee consisting of Minister for Finance, Minister for Rural Development and Local Administration, Minister for Public Works and Minister for Higher Education	Responsible for approving the Action Taken Report to be placed on the floor of the Assembly
Finance Department and Administrative departments of Municipal Administration and Water Supply, Rural Development and Panchayat Raj, Commercial Taxes, Registration and Industries (Geology and Mining)	Responsible for issue of Government orders and monitoring the implementation of accepted recommendations of the TSFC.
High Level Committee under the Chairmanship of Chief Secretary with Secretaries of Finance, Municipal Administration and Water Supply and Rural Development and Panchayat Raj Departments as members of the Committee	Monitoring the implementation of the accepted recommendations of the TSFC.

2.2.3 Audit Objectives

The audit objectives were to ascertain whether

- funds transfer based on accepted TSFC recommendations was effective,
- efficiency and effectiveness in strengthening the resource base and controlling erosion were as recommended by TSFC,

- the tax reforms recommended by the TSFC were implemented and
- the monitoring mechanism in implementing the accepted recommendations of TSFC was effective.

2.2.4 Audit Criteria

Audit findings were benchmarked against the following criteria:

- Accepted recommendations of TSFC.
- Explanatory memorandum on the action taken on the recommendations of TSFC and
- Government Orders and Department Circulars/instructions on implementation of recommendation of TSFC.

2.2.5 Scope and Methodology of Audit

The Performance Audit was conducted between July 2010 and November 2010 covering SFC grants including assigned revenue for the years from 2007-08 to 2009-10. The records in the offices of Finance, Municipal Administration and Water Supply (MAWS), Commercial Taxes, Registration and Industries (Geology and Mining), and their district/regional level offices were test-checked during the course of audit. Records of 122 out of 719 ULBs selected on the basis of stratified sampling **(Appendix 2.4)** were test checked. The findings were discussed with Commissioner of Municipal Administration (CMA) on 21 February 2011 and with Director of Town Panchayats (DTP) on 24 January 2011. Exit conference was held with CMA and DTP on behalf of Government on 28 April 2011 and points were discussed.

Audit Objective 1: To assess whether funds transfer based on accepted TSFC recommendations were effective

2.2.6 Resource base

Assigned/Shared Revenue

Accepted recommendations on assigned/shared revenue were as follows:

- Arrears of devolution grants due to ULBs shall be released in three annual instalments and the excess devolution made to PRIs shall also be deducted in three instalments with 1 April 2007 as the date for arriving at cumulative arrears or surplus.
- Cable TV tax proceeds realized from 2003-2006 shall be passed on to the respective ULBs till the Act was amended.
- Three *per cent* of the Surcharge on Stamp Duty (SSD) collected shall be retained by the Government instead of five *per cent.*
- SSD should be adjusted by 15th of the next month by District Registrar in respect of ULBs.

- The sharable income from mines and minerals shall be adjusted on a quarterly basis in the same financial year to avoid obtaining Government orders for lapsed appropriation.

It was noticed during the review that there were cases of non release, short release and delayed release of assigned revenue even though Government accepted the recommendations of TSFC on assigned/shared revenue as given below:

2.2.6.1 Non-release of arrears of devolution

Audit noticed that there was arrears of devolution due to ULBs during 1997-2006 amounting to ₹ 285.30 crore and the MAWS Department did not take effective steps to release the arrears till November 2010. Inspite of Government's acceptance to release the arrears in three annual instalments, ULBs could not get the devolution arrears as recommended by the TSFC.

During Exit conference (April 2011), CMA stated that the Government released devolution arrears of ₹ 194 crore by way of funding for Special Roads Programme 2010-11. The reply is not tenable as the devolution grant is the amount which is legitimately due to the ULBs and State Government cannot insist ULBs to utilize the devolution grant for the Government's programme.

2.2.6.2 Non-assignment of Cable TV Tax

Cable TV tax amounting to ₹ 8.31 crore was not assigned to 475 ULBs

Even though Government accepted the recommendation that whatever Cable TV tax collected shall be passed on to the ULBs till the Act was amended, Audit noticed that Cable TV tax amounting to ₹ 8.31 crore for the period from 2003-04 to 2007-08 was remitted to Government account by Commercial Taxes Department instead of assigning to 475 ULBs in 17 test checked districts as of November 2010 due to non-receipt of orders from the Government. Thus, non-issue of Government Order for releasing the amount resulted in deprival of legitimate share of revenue to the respective ULBs.

During Exit conference (April 2011), CMA stated that the matter is under consideration of the Government.

2.2.6.3 Short assignment of Surcharge on Stamp Duty

Surcharge on Stamp Duty amounting to ₹ 2.96 crore was short assigned to 89 municipalities

It was noticed that ₹ 2.96 crore out of ₹ 143.46 crore collected towards SSD was short assigned to 89 municipalities as of November 2010 (including 18 test checked municipalities) in 17 out of 24 test checked districts for the period between April 2007 and December 2008 by the District Registrars due to retention of collection charges at five *per cent* instead of at three *per cent* as instructed by the Government on TSFC recommendations**.** District Registrars of Registration Department replied that due to belated receipt of orders from Government (September 2008) there was short assignment. The reply is not tenable as the District Registrars could have got the matter clarified from their administrative department i.e., Registration Department for payment of the balance amount to the local bodies. The administrative department also did not instruct the district officers to release the balance amount as ordered by

Finance Department in September 2008. This resulted in non receipt of the legitimate revenue to the local bodies even after the issue of orders by the Finance Department.

2.2.6.4 Delayed assignment of Surcharge on Stamp Duty

Surcharge on Stamp Duty amounting to ₹ 668.40 crore was assigned belatedly to 642 ULBs

Surcharge on Stamp Duty of ₹ 668.40 crore for the period between April 2007 and March 2010 was assigned to 642 ULBs belatedly with delay ranging between one to 19 months. District Registrars of Registration Department replied (July 2010 - November 2010) that delay was due to shortage of man power and heavy workload.

During Exit conference (April 2011), CMA stated that the procedure for release of SSD was simplified and the funds have been pooled at state level. 50 *per cent* of the pooled amount has been placed at the disposal of CMA/DTP and the balance amount will be released as contribution to Tamil Nadu Urban Road Infrastructure Fund. The reply is not tenable as State Government cannot insist the ULBs to utilize the devolution grant for the Government's programme.

2.2.6.5 Delay in assignment of mines and mineral fees

Audit noticed that mines and mineral fees of ₹ 7.37 crore due to ULBs for the years 2007-08 to 2009-10 were adjusted after a delay of one to 10 months. The Assistant Directors/Deputy Directors of Geology and Mining replied that delay was due to shortage of manpower and heavy workload.

Reply is not tenable as the administrative department i.e., Industries (Geology and Mining) did not initiate any action to implement the accepted recommendations of the TSFC to adjust the sharable income from mines and minerals on quarterly basis.

During Exit conference (April 2011), CMA stated that the matter is under consideration of the Government.

Recommendation 1: **Administrative Departments should issue orders for implementing the accepted recommendations of TSFC.**

Audit Objective 2: To assess whether the efficiency and effectiveness in strengthening the resource base and controlling erosion were as recommended by the TSFC

2.2.7 Tax Revenue

Accepted Recommendations of TSFC on Tax revenue were as follows**:**

- Collection of property tax on Central Public Sector Undertakings other than Central Government properties.
- Levy minimum property tax at the rate of ₹ 25, ₹ 40 and ₹ 50 per half year for Town Panchayats, Municipalities and Municipal Corporations respectively from the year 2007-08.
- Collection of track rent from the cable operators.

2.2.7.1 Non-levy of property tax

Non-issue of order by the Government resulted in non-levy of property tax on Central Public Sector Undertakings, including Bharat Sanchar Nigam Limited as of November 2010. Hence ULBs could not tap the revenue even after recommendation of the TSFC.

During Exit conference (April 2011), CMA stated that action is being taken to collect property tax on Central Public Sector Undertakings.

2.2.7.2 Non-levy of minimum property tax

Minimum property tax was not levied resulting in loss of revenue of ₹ 86.94 lakh

MAWS Department did not issue Government Order for implementing levy of minimum property tax in Town Panchayats, Municipalities and Municipal Corporations from the year 2007-08. Hence, ULBs did not levy the minimum property tax for the years 2007-08, 2008-09 and 2009-10 resulting in loss of revenue of ₹ 86.94 lakh in 79 test checked ULBs.

During Exit conference (April 2011), CMA stated that the matter is under consideration of the Government.

2.2.7.3 Non-collection of track rent on television cables

Government had withdrawn only the Cable TV tax from April 2008. However, Audit scrutiny revealed that 76 test checked ULBs did not collect track rent also from the Cable TV operators till November 2010 resulting in loss of revenue of ₹ 1.95 crore.

During Exit conference (April 2011), CMA/DTP stated that some Municipalities/Town Panchayats are collecting track rent on Cable TV and optic fibre cables. They also stated that circulars were issued to all the Municipalities/Town Panchayats to collect track rent.

Recommendation 2: **ULBs should tap the resource to improve its resource base based on the accepted recommendations of TSFC.**

Audit Objective 3: To assess whether the tax reforms recommended by the TSFC for strengthening the resource base were implemented

2.2.8 Reforms

Accepted recommendations of TSFC on tax reforms were as follows:

- Collection of tax dues through computer fitted mobile vans and mobile phones, roping in Nationalised Banks for collection of tax and payment of tax through credit/debit card system.
- To introduce e-governance in all Municipal Corporations, Municipalities and Town Panchayats in tax administration in a phased manner to make the programme a citizen friendly.
- To link Planning/Building permission wing and Revenue wing through computerization for levy of tax automatically on expiry of building licence period.

2.2.8.1 Collection of tax through modern system

Audit scrutiny in test checked ULBs revealed that collection of tax through computer fitted van and cell phones or through credit/debit card system was not implemented. Nationalised banks were not roped in for collection of tax in Municipalities. During Exit conference (April 2011), CMA stated that online payment facilities had been created in Municipal Corporations. Further Chennai City Municipal Corporation is making an attempt to collect property tax through mobile phone and Automated Teller Machine (ATM). Action was also being taken to tie up with State Bank of India to collect Property Tax in Municipalities.

2.2.8.2 E-governance and computer linkage

Audit scrutiny revealed that e-governance was not introduced in the test checked Municipal Corporations, Municipalities and Town Panchayats in tax administration to make the programme a citizen friendly. There was no linkage of Planning/Building permission wing and Revenue wing through computerization for levy of tax automatically on expiry of building licence period.

CMA replied (April 2011) that linkage through computerization has not been made between Planning/Building permission wing with the revenue wing. The CMA further stated that various standalone application modules need to be augmented to align themselves with objectives of National e-governance plan for which a web based application software was under preparation. The technology proposed to be used is centralized architecture of data storage and integrated applications including Planning/Building permission wing and the Revenue wing. The fact remains that the reform recommended by the TSFC is yet to be implemented by the Government.

Recommendation 3: **Reforms for resource base recommended by the TSFC should be implemented as early as possible to achieve the desired objective.**

Audit Objective 4: To ascertain whether the monitoring mechanism in implementing the accepted recommendations of TSFC was effective

2.2.9 Monitoring Mechanism

Accepted recommendations for monitoring mechanism were**:**

- Decision on all recommendations made by TSFC shall be taken at the earliest without undue delay.

2.2.9.1 Monitoring by High Level Committee

Government empowered (December 2005) the High Level Committee[18] already in existence in the State to approve the projects undertaken under

[18] Headed by the Chief Secretary , Secretaries of Finance, Rural Development and Panchayat Raj and Municipal Administration and Water Supply Departments as members.

Twelfth Central Finance Commission devolutions. Government further gave detailed guidelines regarding approval of projects, quantification of targets, monitoring both physical and financial targets, etc.

High Level Committee formed in May 2007 did not meet even once to monitor the implementation of accepted recommendations of TSFC

Government empowered (May 2007) the same High Level Committee to oversee the implementation of the decisions taken by the Government on the recommendations of the TSFC and the follow up action thereon. However, Government while empowering the High Level Committee did not give any detailed guidelines listing out the functions to be undertaken by the Committee as given for overseeing implementation of Twelfth Central Finance Commission recommendations. Due to absence of such guidelines, the High Level Committee did not monitor the implementation of the accepted TSFC recommendations at all as detailed below:

On seeking information relating to meetings of High Level Committee, Finance Department stated (May 2011) that the Action Taken Report on the recommendations of TSFC has been communicated to the departments concerned for implementation and the same are being implemented by the departments after issue of orders in consultation with Finance Department. Hence, convening of High Level Committee meetings may not arise at this juncture. The reply is not tenable as Government in May 2007 stated that the implementation of the decisions taken by the Government on the recommendations of the TSFC and the follow up action taken shall be monitored by the High Level Committee headed by the Chief Secretary on half yearly basis. However, it did not meet even on a single occasion to monitor the implementation of the accepted recommendations of TSFC resulting in deficiencies as pointed out in the preceding paragraphs.

Recommendation 4: **High Level Committee should meet every six months as ordered by Government and monitor the implementation of the accepted recommendations of the TSFC.**

CHAPTER III

AUDIT OF TRANSACTIONS (URBAN LOCAL BODIES)

Audit of transactions in the Municipal Administration and Water Supply Department in the Secretariat, two Municipal Corporations, nine Municipalities and two Town Panchayats brought out several instances of lapses in management of resources and failures in the observance of 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

CHENNAI CITY MUNICIPAL CORPORATION

3.1.1 Loss of revenue due to wrong assessment of Property Tax

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

The Property Tax for the Lemon Tree Hotel, a Class 'A' Hotel, within Chennai City Municipal Corporation (Corporation) limits was levied at 12.40 *per cent* of Annual Value[1] under Section 100 of the Chennai City Municipal Corporation Act 1919 (Act). The Hotel started its commercial operation from January 2009. Scrutiny of the property tax assessment records pertaining to the hotel revealed that the hotel had obtained (August 2008) planning permit from Corporation to construct ground plus nine floors comprising 44 rooms for lodging purposes. However, the building was completed with ground plus 10 floors comprising 108 rooms and the hotel requested (January 2009) the Corporation to consider 44 rooms only for assessment of property tax. The Chennai Metropolitan Development Authority is yet to issue the Completion Certificate for the building.

The Assistant Revenue Officer, who assessed (January 2009) the hotel for property tax, though noticed that the hotel had an additional floor deviating from the approved building plan, did not ensure the availability of completion certificate with the hotel. He also did not verify the number of rooms actually constructed. The form prescribed for assessment of property tax did not provide the provision for filling up the number of rooms constructed by hotel

[1] Annual value = (Number of rooms x Room tariff x 365 days x 20 *per cent*) + estimated income per year from commercial operations (restaurant/bar/conference hall) x 91 *per cent.*

and there is no provision in the Act for periodical inspection to verify the additions made subsequent to the initial assessment made by the Corporation. The number of rooms actually constructed should have been verified as the property tax was to be assessed based on the number of rooms let out by the hotel. However, the property tax was assessed considering only 44 rooms at a flat tariff rate of ₹ 4,500 as declared by the Hotel, even though 108 rooms were let out at different tariff rates (₹ 2,900 to ₹ 10,000). This had resulted in short collection of ₹ 1.37 crore being the difference between the actual property tax to be collected and tax collected by the Corporation during the period 2008-09 to 2010-11.

The matter was referred to Government in November 2010; Government stated (December 2010) that Chennai City Municipal Corporation is taking all the actions as per the Act against the unauthorised construction and that property tax was levied based on the rent collected from number of rooms actually available at the time of assessment and the hotel would have increased the number of rooms at a later stage with different tariff rates. It further stated, a provisional notice indicating revised property tax has been served (November 2010) to the hotel for the period from 2008-09 onwards and hence there was no revenue loss. The reply is not tenable, as the return filed by the hotel with the Commercial Taxes Department for the year 2009-10 clearly indicates that it had 108 rooms at the time of commencement of its commercial operations.

Thus non-verification of rooms constructed by the hotel for commercial operations by the Corporation at the time of assessment led to short collection of Property Tax to the tune of ₹ 1.37 crore.

DEVAKOTTAI MUNICIPALITY

3.1.2 Loss of revenue due to incorrect computation of Property Tax

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

Under Section 81 of the Tamil Nadu District Municipalities Act, 1920 Devakottai Municipality (Municipality) fixed (October 1990) the rate of Property Tax as 16 *per cent* on the annual value of the property. In addition, under Section 12(1) of the Madras Public Libraries Act, 1948, Library Cess at the rate of 10 *per cent* was also levied by the Municipality in the form of surcharge on Property Tax. Scrutiny of the records relating to collection of property tax by the Municipality revealed the following:

The Municipality computerized the collection of Property Tax during 2002-03 and adopted Property Tax as 14.6 *per cent* on annual value of the property plus Library Cess at 10 *per cent* on the Property Tax instead of 16 *per cent* as Property Tax plus 10 *per cent* as Library Cess on the Property Tax while feeding the data in the system. The Revenue Inspector of Municipality incharge of tax collection did not validate the correctness of the data fed into the system before implementing computerisation of Property Tax. Director of Local Fund Audit (DLFA) also did not point out the short collection of revenue due to incorrect percentage fed into the computer for collection of Property Tax. This led to short collection of Property Tax of ₹ 60.74 lakh

during 2002-10. Further, this also led to short collection of Library Cess by ₹ 6.07 lakh during the same period, as Library Cess was levied as a percentage on Property Tax actually collected.

The matter was referred to Government in October 2010; Government stated (February 2011) that necessary corrections were effected in the system from July 2010 and assured to take action against the officials[2] responsible for short collection during 2002-10. It further stated that the Municipality had adopted a resolution not to collect the short levy of Library Cess from the public. However, the fact remains that due to absence of proper internal control mechanism, there is a loss of revenue of ₹ 60.74 lakh to the Municipality.

TIRUVANNAMALAI MUNICIPALITY

3.1.3 Loss of revenue due to imprudent award of lease

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

Tiruvannamalai Municipality (Municipality) awarded the lease for bus entry fee collection to the highest bidder through public auction every year, based on the previous three years' average. The lease period was increased from one year to three years from 2009-10 and during the three year period, lease rate would be hiked by five *per cent* over the previous year's lease rate.

Scrutiny of the records relating to the award of lease revealed that the Municipality did not follow the best practice in fixing the reserve price for auction by either assessing the number of buses entering the bus stand per day on its own or to get these details from the Tamil Nadu State Transport Corporation, Tiruvannamalai Region (TNSTC). Without following this best practice, the Municipality simply fixed the reserve price by calculating the average of three years' lease amount. Thus the actual amount of revenue realised by the Municipality per annum through the lease fell short by 39 to 43 *per cent* during the years 2007-11, when compared to the number of buses entering the bus stand[3] resulting in a revenue loss of ₹ 55.21 lakh[4].

The matter was referred to Government in January 2011; Government stated (April 2011) that the number of buses entering the bus stand per day were only 300 as per the details furnished by the District Bus Owners Association during April 2004. Further, it was stated that every year the lease was higher than the previous year's lease and as the same was approved by the Municipal Council, there was no revenue loss. The reply is not tenable as TNSTC had stated that during 2007-11 an average of 612 buses plied through the bus stand. Further, the number (300 buses per day) furnished in the reply related to

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2 Commissioner, Revenue Inspector and Assistants concerned.

3 2,446 buses for the period 2007-11 as furnished by TNSTC.

4 Amount to be collected = 2,446 buses x ₹ 15 x 365 days = ₹ 133.92 lakh
(2007-08 - 576;2008-09 - 617;2009-10 - 621;2010-11 - 632)
Less : Amount collected through auction = ₹ 78.71 lakh
Revenue Loss = ₹ 55.21 lakh

old period (April 2004). Thus, the imprudent award of lease by the Municipality, without adopting any scientific method for fixing reserve price resulted in a revenue loss of ₹ 55.21 lakh during 2007-11.

KANCHEEPURAM MUNICIPALITY

3.1.4 Loss due to non-renewal of Bank Guarantee

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

Based on the administrative sanction accorded by the Government in August 2004 and technical sanction given (May 2005) by the Superintending Engineer of the Office of the Director of Municipal Administration, Kancheepuram Municipality (Municipality) awarded (November 2005) the work of 'Extension and rehabilitation of underground sewerage system' at a cost of ₹ 10.06 crore and entered into an agreement with a contractor in December 2005. The work was to be completed by May 2007. As per the agreement conditions, the contractor provided two bank guarantees for ₹ 50.28 lakh each, one towards performance guarantee valid till June 2008 covering the defects liability period of one year and another towards mobilization advance valid till January 2007. However, the guarantee towards mobilization advance was to remain effective until the advance payment was fully recovered.

In February 2006, the Municipality provided ₹ 50.25 lakh as mobilization advance to the contractor. As of January 2007, ₹ 10.10 lakh towards mobilization advance and ₹ 6.33 lakh towards Security Deposit were recovered from two interim payments in June 2006 and January 2007. However, while making the second interim payment in January 2007, the Municipality failed to get the bank guarantee towards mobilization advance renewed and allowed the same to expire in January 2007. In the meantime, the contractor had stopped the work in January 2007, demanding cost escalation on account of men and material. As this was not acceptable to the Municipality, the contract was terminated in February 2008 without recovering the balance mobilization advance of ₹ 40.15 lakh, as no other bill was due to him and the bank guarantee had also expired. The Commissioner of the Municipality should have adjusted the balance mobilization advance by invoking the performance bank guarantee for ₹ 50.28 lakh which was valid till June 2008. However, he failed to do so and the same was also allowed to expire in June 2008. Further by allowing the performance bank guarantee to expire, the Municipality also lost the opportunity to make good the loss in case of any defects that might have cropped up with respect to the works completed until the foreclosure of contract. Thus, the failure to renew and invoke the bank guarantees resulted in a loss of ₹ 33.82 lakh (₹ 40.15 lakh – ₹ 6.33 lakh withheld as Security Deposit) to the Municipality.

The matter was referred to Government in January 2011; Government stated (May 2011) that bank had been addressed twice in June 2007 and March 2008 not to release both the bank guarantees until consent was given by the

Commissioner. Government also claimed that the bank guarantee for mobilisation advance was kept outstanding by the bank until December 2007 on the request of the Municipality and the fault of the bank in allowing the bank guarantees to expire despite such request had put the Municipality in this precarious situation. The reply is not tenable, as the Municipality failed to recover the mobilization advance before June 2008 upto which the guarantee was in force resulting in a loss of ₹ 33.82 lakh to the Municipality.

MANNACHANALLUR TOWN PANCHAYAT

3.1.5 Loss of revenue due to non-collection of maintenance charges

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

Under Section 132A of the Tamil Nadu District Municipalities Act, 1920, the Mannachanallur Town Panchayat (Town Panchayat) amended its by-law relating to water supply charges and the same was published in the District Gazette (April 2001). According to the amended by-law, the owner or occupier of the premises shall pay along with metered charges for water supplied, meter rent and maintenance charges at ₹ 10 per month in case meter is supplied by the Town Panchayat or at ₹ 5 per month in case meter is purchased by the owner, as the case may be from July 2001.

Scrutiny of the records relating to collection of water charges by Town Panchayat revealed that water meters were fixed at owner's cost and maintained by the Town Panchayat. However, it was noticed that the Town Panchayat collected only the water usage charges as per the meter readings and did not collect the meter maintenance charges at ₹ 5 per month per connection since July 2001. As of March 2010, the Town Panchayat had 3,208 domestic water supply connections and its failure to collect meter maintenance charges resulted in a revenue loss of ₹ 16.04 lakh during July 2001 - October 2010. The Director of Local Fund Audit also did not point out this lapse in its audit reports.

The matter was referred to Government in January 2011; Government stated (April 2011) that necessary instructions were issued to the Executive Officer of the Town Panchayat to collect the water meter maintenance charges for the period 2001-11 at the earliest under the supervision of Assistant Director of Town Panchayats.

TIRUNELVELI CITY MUNICIPAL CORPORATION

3.1.6 Non-realisation of revenue due to non-collection of monthly charges

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

Tirunelveli City Municipal Corporation (Corporation) implemented two underground drainage schemes during the years 1989 and 2007 at a cost of ₹ 1.13 crore and ₹ 52.01 crore respectively covering different wards of the Corporation.

For meeting the operational and maintenance expenditure for the new scheme implemented in 2007, the Corporation council resolved in January 2008 to collect monthly charges at the rate of ₹ 40 for residential connections. The by-law was amended by the Corporation in June 2009 to collect the monthly charges at the rate of ₹ 40 for the existing residential connections taken under the 1989 scheme also. The amended by-law came into force from September 2009. The Corporation had given 1,498 residential connections under the 1989 scheme as of February 2011.

On scrutiny of records, it was noticed that the Corporation had collected monthly charges of ₹ 40 per residential connection only for the connections given under the new scheme inspite of the amended by-law providing levy and collection of monthly charges for both old and new connections.

Thus, failure of the Corporation to implement the provisions of the amended by-law resulted in non-realisation of revenue of ₹ 10.79 lakh[5] for the period from September 2009 to February 2011.

The matter was referred to the Government in March 2011; Government stated (March 2011) that demands were issued from the date of effect of the by-law for all the connections under the old scheme and action is being taken to collect the arrear amount and the same would be watched through Demand Register.

3.2 Unfruitful/Wasteful expenditure

MANAVALAKURICHI TOWN PANCHAYAT

3.2.1 Unfruitful expenditure on construction of new bus stand

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

As per provisions of the Environment (Protection) Act, 1986 Government of India notified (February 1991) areas falling under Coastal Regulation Zone (CRZ) for regulating developmental activities in the Coastal stretches within 500 meters of high tide line on the landward side. According to the notification, no new construction shall be permitted in the Coastal Regulation Zone-I[6] (CRZ-I) except projects relating to Department of Atomic Energy, exploration and extraction of oil and natural gas and facilities that are essential for activities permissible under CRZ-I.

Manavalakurichi Town Panchayat (Town Panchayat) acquired land (August 2006) on lease from M/s Indian Rare Earths Limited for a period of 30 years on

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5 1,498 connections x ₹ 40 per month x 18 months = ₹ 10.79 lakh.

6 Areas that are ecologically sensitive and important, such as national parks/marine parks, sanctuaries, reserve forests, wildlife habitats, mangroves, corals/coral reefs, areas close to breeding and spawning grounds of fish and other marine life, areas of outstanding natural beauty/historic/heritage areas, areas rich in genetic diversity, areas likely to be inundated due to rise in sea level consequent upon global warming and such other areas as may be declared by the Central Government or the authorities concerned at the State/Union Territory level from time to time and Area between Low Tide Line and the High Tide Line.

a yearly rent of ₹ 1,000/- for construction of a bus stand. Based on the administrative sanction given by the District Collector and Zonal Assistant Director of Town Panchayat and technical sanction given by the Assistant Executive Engineer (AEE) of Zonal Office, the Town Panchayat commenced (January 2007) construction of bus stand with facilities such as cement concrete pavement, public toilets, waiting shed etc., The Town Panchayat, after commencement of the work requested (March 2008) the Town and Country Planning Department (TCPD) to accord approval for the plan for constructing the bus stand. TCPD did not accord (April 2008) approval stating that the proposed land was in the prohibited CRZ-I area. The TCPD also referred (September 2009) the matter to Tamil Nadu Pollution Control Board for ratification. Approval was not received so far (August 2010). Audit observed that District Collector, Zonal Assistant Director of Town Panchayats and AEE have given Administrative sanction/Technical sanction as a routine manner without verifying the fact whether land in question can be approved for the work undertaken without any legal hurdle. Thus, the bus stand constructed at a cost of ₹ 47 lakh was not put to use.

The matter was referred to the Government in January 2011; Government stated (April 2011) that the civil works were executed only as a temporary arrangement and the work regarding pucca bus stand would be taken up only after getting the approval from State Coastal Management Authority, which was being pursued. The reply is not tenable as the bus stand already constructed meets all the requirements of a Class 'D' bus stand such as passenger waiting shed, lighting and drinking water facilities, toilets etc. according to Tamil Nadu Motor Vehicles Rules. Thus, failure of the Town Panchayat to obtain environment clearance before commencing the construction of bus stand resulted in unfruitful expenditure of ₹ 47 lakh.

KRISHANAGIRI AND MAYILADUTHURAI MUNICIPALITIES

3.2.2 Unfruitful expenditure on construction of modernized slaughter houses

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

Based on Supreme Court of India's orders issued in 2000 to avoid slaughtering of animals in public places, Government of Tamil Nadu sanctioned ₹ 10 lakh each to Krishnagiri Municipality (September 2006) and Mayiladuthurai Municipality (May 2007) for construction of modern slaughter house and for modernizing the existing slaughter house respectively and instructed to meet the balance expenditure from their own fund. As of April 2011, both the slaughter houses constructed were not put to use. Scrutiny of the records revealed the following:

(a) Krishnagiri Municipality

Based on the Administrative sanction of the Commissioner of Municipal Administration (March 2007), the work order for construction was awarded in July 2007. Due to public protest, the site for construction of the slaughter house was changed (August 2007) to another location and the work was completed (March 2009) at a cost of ₹ 17.24 lakh. Audit observed that though

the Municipality experienced public protest at the first site, it did not take any steps to get the public opinion in the second site before construction of slaughter house. Thus, when slaughter house was opened in December 2009, it functioned only for few days and thereafter remained closed due to public agitation and was not put to use. Government stated (May 2011) that appropriate action would be taken to open the slaughter house after convincing the public as no other site was available. The reply of the Government is not tenable, as the Municipality should have taken public into confidence before commencing the construction of slaughter house at the second site as it had experienced public protest for constructing slaughter house at the site initially selected.

(b) Mayiladuthurai Municipality

Based on the technical sanction for the work accorded by the Regional Executive Engineer (September 2007), construction of modernized slaughter house was awarded in October 2007. The work was completed in February 2009 at a cost of ₹ 20.11 lakh. However, it was not put into use as of April 2011 and the municipality continued to lease out the old existing slaughter house. Further, the reasons for constructing new modernized slaughter house instead of modernizing the existing slaughter house was not on records. When the matter was referred to Government in February 2011, it replied (April 2011) that auction for new slaughter house was not conducted as Tamil Nadu Pollution Control Board (TNPCB) gave its consent only in March 2010. Government further stated as the old slaughtering house was in dilapidated condition, it would not be leased out in the next financial year and from April 2011 the new slaughter house would be put to use. This reply is not tenable, as the Municipality on obtaining consent from TNPCB in March 2010 could have shifted the operation from the old slaughter house to the new slaughter house without waiting for the expiry of lease period of old slaughter house. Further, the TNPCB consent was also expired in September 2010 itself as it was valid for six months only and no further action was taken to renew the consent.

Thus, the failure of Krishnagiri Municipality to take public into confidence before commencement of construction of slaughter house and non-shifting of old slaughter house to the newly constructed one by Mayiladuthurai Municipality as soon as consent of the TNPCB was received resulted in non-implementation of Supreme Court of India's orders even after spending ₹ 37.35 lakh on construction of these two modernized slaughter houses.

NAGAPATTINAM MUNICIPALITY

3.2.3 Wasteful expenditure in installation of Solar Street Lights

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

Government of Tamil Nadu accorded (November 2005) sanction for installation of 68 Solar Street Lights (SSLs) at a cost of ₹ 20.40 lakh under Rashtriya Sam Vikas Yojana (RSVY) in Nagapattinam municipal area.

The Municipal Council, Nagapattinam resolved (June 2006) to install 68 SSLs at an estimated cost of ₹ 20.40 lakh. The work order was issued in September 2007 for ₹ 18.67 lakh. Six more SSLs were installed out of the savings amount of ₹ 1.73 lakh. The work was completed in June 2008 at a cost of ₹ 20.40 lakh.

On scrutiny of records, it was noticed that the SSLs functioned only for a period of two months and the municipality replaced the SSLs with tube lights, as SSLs were affected by salinity of sea breeze, lack of trained man power to maintain the solar lamps of special nature which required constant maintenance of batteries, lights, photovoltaic cells and heavy maintenance expenditure. Audit observed that the viability of maintaining the special nature SSLs in the long run should have been explored before their installation. Failure to do so resulted in wasteful expenditure of ₹ 20.40 lakh.

The matter was referred to Government in March 2011; Government which endorsed the reply of Commissioner of Municipal Administration stated (May 2011) that the SSLs were not working after one year due to theft of batteries and other spare parts. The reply is not tenable as test check by Audit revealed that most of the SSLs were intact but were not in working condition due to non-maintenance which was also confirmed by the Commissioner of the Nagapattinam Municipality and the fact remains that ₹ 20.40 lakh spent on installation of SSLs became wasteful.

NAGAPATTINAM MUNICIPALITY

3.2.4 Unfruitful expenditure on installation of Bio-mass Gasifiers

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

Based on the approval by the State Level Steering Committee and administrative sanction accorded by the District Collector in August 2005, the Nagapattinam Municipality (Municipality) resolved (November 2005) to install bio-mass gasifiers at three locations[7] of its water supply system, with an aim to reduce electricity consumption charges, utilizing ₹ 31.80 lakh released (September 2005) by the Government. The Municipality invited (September 2005) tenders for construction of the sheds to install gasifiers and for supply/commission of three bio-mass gasifiers (two 11 KWe and one 40 KWe gasifier). The Municipality placed orders (October 2005) with a firm only for two 11 KWe gasifiers (₹ 4.01 lakh each). The firm had stipulated that all the necessary civil/foundation works should be kept ready by the Municipality for erection and commission of the gasifiers by the firm.

The Municipality awarded (October 2005) the work of construction of sheds in three locations at a cost of ₹ 5.85 lakh to another contractor, with a condition to complete the work within 30 days. The Municipality, though awarded the contract for construction of sheds, failed to follow up the work and the

[7] Karuppur (11 KWe gasifier), Eravancheri (11 KWe gasifier) and Solomon Park (40 KWe gasifier).

contractor did not complete the work until January 2007. Meanwhile, the firm supplied the gasifiers in April 2006 and a payment of ₹ 7.22 lakh being 90 *per cent* cost was made (May 2006) by the Municipality. As the civil works were not completed, the firm did not erect the gasifiers. Even after completion of the civil works in March 2007, the Municipality neither made arrangements[8] to facilitate the installation of gasifiers nor contacted the firm for the same. The guarantee period of 15 months for the gasifiers expired in June 2007. It was further noticed that without installing the gasifiers, the Municipality had furnished (August 2008) utilization certificate and completion report to the District Collector and refunded (December 2007) ₹ 17.57 lakh released for 40 KWe gasifier, as the rates quoted by the tenderers were higher and not competitive. As of March 2011, the expenditure of ₹ 13.07 lakh incurred on the purchase of two gasifiers and construction of three sheds remained unfruitful as they were kept idle for four years.

The matter was referred to Government in March 2011; Government stated (May 2011) that bio-mass gasifers were not put to use due to lack of qualified technical staff to handle them. It further stated that sheds constructed for housing the bio-mass gasifiers were being utilised as store rooms and hence the infrastructure created could not be stated as unfruitful. The reply of the Government is not tenable, as the decision to install bio-mass gasifiers without qualified technical staff to handle them reflects poor planning and bio-mass gasifiers were not installed due to delayed execution of civil works. Moreover, the reply was silent about further action to install and utilize the bio-mass gasifiers. Thus, the failure of the Municipality to install the gasifiers defeated the very objective of reducing electricity charges during 2006-11 besides unfruitful expenditure of ₹ 13.07 lakh. Further, the worthiness of the gasifiers was also doubtful as they were kept idle for a long time with expired warranty.

3.3 Avoidable expenditure

NAMAKKAL MUNICIPALITY

3.3.1 Avoidable expenditure on payment of Service Tax

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

Under Section 65 of Finance Act, 1994 'renting of immovable property' such as renting, letting, leasing, licensing or other similar arrangements of immovable property for use in the course or furtherance of business or commerce was brought into Service Tax net with effect from 1 June 2007. The existing service provider must register with Central Excise Department (CED) within a period of 30 days from the date of new levy and pay Service Tax, after collecting Service Tax from the service recipient.

[8] Electrical field cabling and power connections, fabrication of suitable ladder and platform for the gasifier, chain pulley block/jib cranes for operational convenience and maintenance of gasifier etc.

Namakkal Municipality (Municipality) issues licenses through public auction for collection of fees from immovable properties such as daily/weekly markets, public toilets, slaughter house, parking lots (bus/car/two-wheeler/cycle). Apart from this, it also rents out shops to private parties. The Municipality, however, did not register itself as a service provider with CED for Service Tax on or before 30 June 2007 as required. Only at the instance of CED, the Municipality got registered (February 2009) and paid ₹ 17.73 lakh (March 2009) as Service Tax against ₹ 1.56 crore collected by way of license fees/rent from June 2007 to March 2009 which clearly indicates that the Municipality was not aware of service tax until being informed by CED. However, no Service Tax was actually collected from lease holders/tenants during this period, even though the orders for issue of license were bound by Central/State Government rules issued from time to time.

The matter was referred to Government in February 2011; Government stated (April 2011) that the auction for the period 2007-08 has been finalised during 2006-07 itself and hence no condition for Service Tax collection was added as the letter from CED was received only in February 2009. It further stated that steps have been taken to collect the Service Tax from the old lease holders. This reply is not tenable as the lease holders for the period 2007-09 were bound by Central/State Government rules issued from time to time and the Municipality could have collected Service Tax from them had it been aware of service tax then. Audit also observes that it was the duty of the Administrative Department to issue a circular to the local bodies whenever such Act/Rule affecting the functioning of local bodies is introduced. Thus, the failure of the Municipality to make itself familiar with the Acts introduced by GOI and to collect Service Tax from the lease holders/tenants resulted in avoidable expenditure of ₹ 17.73 lakh towards payment of Service Tax**.**

3.4 Unintended benefit to contractor

DINDIGUL MUNICIPALITY

3.4.1 Non-adherence of contract agreement

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

Government of Tamil Nadu sanctioned (September 2005) Under Ground Sewerage Scheme to Dindigul Municipality (Municipality) at an estimated cost of ₹ 23.76 crore. Technical sanction for executing the above work under two packages[9] was given by the Superintending Engineer of Office of the Commissioner of Municipal Administration in January 2006.

The work for Package I was awarded (August 2007) for ₹ 10.90 crore which was more than 30.08 *per cent* over the estimated cost and included 1.5 *per cent* for insurance coverage and agreement was entered in October 2007. Ninety nine *per cent* of the work was completed and ₹ 10.74 crore was paid for the work as of February 2011.

[9] Package I : ₹ 8.40 crore and Package II : ₹ 12.80 crore.

Clause 13 of General Conditions of Agreement stipulates that the contractor should provide insurance cover from the commencement of the work to the end of defects liability period[10] to cover contractor's risk such as loss or damage to the works, plant and machinery, loss of damage to equipment and personal injury or death. The clause also provides that policies and certificate for insurance should be delivered by the contractor to the Municipal Engineer for his approval before the commencement of the work and if the contractor did not provide policies and certificates required, the municipality may effect the insurance which the contractor should have provided and recover the premium paid from the payments due to the contractor.

Audit noticed that the contractor did not provide insurance cover for the works as per the conditions of the agreement. The Municipality should have insisted on the insurance or should have taken insurance and recovered the premium paid from the contractor before commencement of the work as per the agreement. The Municipality neither insisted for insurance nor recovered the premium from the contractor resulting in unintended benefit to the contractor to the tune of ₹ 12.90 lakh.

The matter was referred to Government in March 2011; Government stated (April 2011) that the contractor had now provided risk insurance as per the agreement. However, it was noticed from the copy of contractor's policy schedule furnished by the Commissioner of Municipal Administration in March 2011 that the period of insurance was from 24.3.2011 to 30.9.2011 for ₹ 1.14 lakh. The reply is not tenable as the conditions of the agreement stipulates that the contractor should provide insurance from the commencement of the work to the end of the defects liability period i.e. 365 days from the date of certification of completion of work, which was not followed. As the amount of insurance has been taken only for ₹ 1.14 lakh, the Municipality should have recovered the balance amount of ₹ 11.76 lakh from the contractor as the amount has been included in the tender cost. Non-recovery of ₹ 11.76 lakh resulted in unintended benefit to the contractor.

3.5 Idle investment

COLACHEL MUNICIPALITY

3.5.1 Idle investment due to non-leasing out of shops

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

Based on the recommendations of State Level Sanctioning Committee, Government of India sanctioned (December 2004) projects to Colachel Municipality (Municipality) under Integrated Development of Small and Medium Towns Scheme for the year 2004-05 for construction of two shopping complexes with the objective of improving the financial position of the municipality. The Municipality constructed (November 2007) two shopping complexes comprising 64 shops at daily market and 32 shops at market site near bus stand at a cost of ₹ 57.70 lakh and ₹ 22 lakh respectively.

[10] 365 days from the date of certification of completion of work.

The municipal council fixed (August 2007) deposit amount of ₹ 20,000 and ₹ 10,000 and monthly rent of ₹ 650 and ₹ 450 per shop for the shops in ground floor and first floor respectively. However, the Municipality could not lease out 14 out of 64 shops at daily market and eight out of 32 shops at the market site near bus stand even after conducting several auctions as nobody came forward to participate in the auction. Further, six shops leased out at daily market and 10 shops leased out at market site near bus stand between November 2007 and July 2008 were not occupied by the lessees and rent was also not received by the Municipality so far (August 2010).

Thus, the failure of the Municipality to conduct demand survey before construction of shops resulted in unproductive investment of ₹ 30.41 lakh[11] being the proportionate cost of construction of 22 shops not leased out and 16 shops leased out but rent not received, besides non-achievement of the objective of improving the financial position of the Municipality.

The matter was referred to Government in January 2011; Government stated (April 2011) that as it is proposed to provide yard in Colachel seashore, a number of business activities would take place in the town when this port is opened and at that time the shops would be leased out for higher rate. This reply is not tenable as proposal of a port at Colachel is at very nascent stage and the Government is expecting the feasibility report from the consultant as stated by it in the Policy Note 2010-11 for Highways and Minor Ports Department. Thus, construction of shops in anticipation of a port which is yet to take shape and failure to assess the actual requirement had resulted in idle investment of ₹ 30.41 lakh**.**

[11] Proportionate cost of shops not leased out: Daily Market – ₹ 57.70 lakh/64 x 14 = ₹ 12.62 lakh; Market site near Bus Stand – ₹ 22 lakh/32 x 8 = ₹ 5.50 lakh; Shops leased out but rent not collected: Daily Market – ₹ 57.70 lakh/64 x 6 = ₹ 5.41 lakh; Market site near Bus Stand – ₹ 22 lakh/32 x 10 = ₹ 6.88 lakh; **Total: ₹ 30.41 lakh.**

CHAPTER IV

SECTION 'A'
AN OVERVIEW OF PANCHAYAT RAJ INSTITUTIONS

4.1 Background

The 73rd constitutional amendment gave constitutional status to Panchayat Raj Institutions (PRIs) 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 PRIs with such powers, functions and responsibilities so as to enable them to function as institutions of self-government.

Consequent to the 73rd amendment of the Constitution, the Government of Tamil Nadu enacted the Tamil Nadu Panchayats Act, 1994. Under this Act a three tier system of PRIs *viz*., Village Panchayats at the village level, Panchayat Unions or Block Panchayats at the intermediary level and District Panchayats at the apex level were established.

4.2 State profile

The comparative demographic and developmental picture of the State is given in **Table 4.1** below:

Table 4.1: Important statistics of the State

Indicator	Unit	State value	National value	Rank amongst all States
Population	Millions	62.4	1028.61	6
Population density	Sq.Km	480	313	6
Rural population (p*er cent*)	Millions	34.9	742.49	7
Number of PRIs	Numbers	13035	240540	6
Number of District Panchayats	Numbers	29	540	6
Number of Panchayat Unions	Numbers	385	6000	3
Number of Village Panchayats	Numbers	12620	234000	5
Gender ratio	1,000 males	987	933	3
Literacy	Percentage	73.45	65	6

4.2.1 Classification of Panchayat Raj Institutions

The classification of Village Panchayats based on their own income during 2009-10 are given in **Table 4.2.**

Table 4.2: Income-wise classification of Village Panchayats

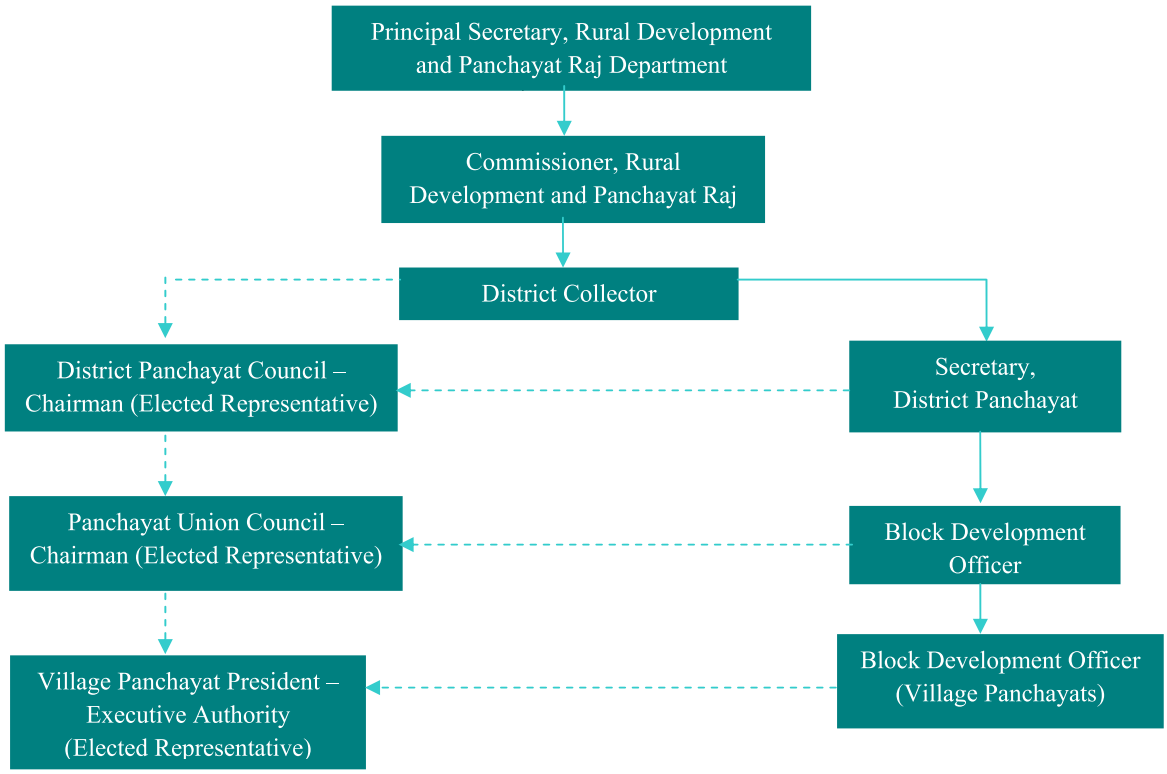
Sl. No.	Income range per annum	Number of Village Panchayats	
		Based on average income of three years from 2003-04 to 2005-06	Based on the income of 2009-10
1	Upto ₹ 50,000	10	Nil
2	Between ₹ 50,000 and ₹ one lakh	178	Nil
3	Between ₹ one lakh and ₹ five lakh	7,422	1,021
4	Between ₹ five lakh and ₹ 10 lakh	3,181	7,146
5	Between ₹ 10 lakh and ₹ 25 lakh	1,489	3,902
6	Between ₹ 25 lakh and ₹ 50 lakh	252	393
7	Between ₹ 50 lakh and ₹ one crore	60	121
8	Between ₹ one crore and ₹ 3 crore	24	32
9	Above ₹ 3 crore	2	3
	Total	**12,618***	**12,618***

(Source: Policy Note of Rural Development and Panchayat Raj Department for 2010-11)

* Two new Village Panchayats, Indira Nagar and Perumathur in Kurinjipadi Panchayat Union of Cuddalore District formed in August 2008 are yet to be classified under the income range.

4.3 Organisational structure of PRIs

An organogram of PRIs is as given below:



4.4 Status of devolution of functions, functionaries and funds

Tamil Nadu Panchayats Act, 1994 prescribes various powers and functions to Village Panchayats and Panchayat Unions under Sections 110, 111 and 112.

Pursuant to its commitment to devolve greater powers and responsibilities to PRIs and Urban Local Bodies (ULBs) and based on the announcement made in the Legislative Assembly on 11 August 2006, State Government ordered (January 2007) the constitution of the Third High Level Committee with the Minister for Rural Development as the Chairman along with select District Panchayat Chairpersons, Panchayat Union Chairpersons and Village Panchayat Presidents besides certain subject experts as members. The Committee was required to study the duties, functions and powers already entrusted to the PRIs and ULBs and make recommendations for further devolution of the same in order to make them more effective.

The Committee presented its report to Government in December 2007 and submitted a total of 99 recommendations, categorised under 39 subjects. Government stated (November 2010) that several new initiatives have been undertaken to strengthen the functioning of PRIs such as provision of separate vehicles for Panchayat Union Chairpersons, making the implementation of Mahatma Gandhi National Rural Employment Guarantee Scheme (MNREGS) works a mandatory duty for the Village Panchayat Presidents and devolution of powers in respect of Social Welfare Education and Revenue Departments and amendments made in the Town Panchayats Act, 1994 reconstituting the appointment committee of Panchayat Union, increased devolution of SFC grant to PRIs.

4.5 Decentralised planning

4.5.1 Standing Committees

PRIs shall constitute Standing Committees to perform the assigned functions. The political constitution of the committees is given in **Table 4.3** below:

Table 4.3: Political constitution of the Standing Committees

Category of PRIs	Chief Political Executive	Committees	Political Executives
District Panchayats	Chairman	Food and Agriculture, Education, Health and Welfare, Industries and Labour, Public Works Committee	Chairman and Members of the Council
Panchayat Unions	Chairman	Agricultural Production, Education, General Purpose Committee	
Village Panchayats	President	-	-

As per Section 241 (1) of Tamil Nadu Panchayats Act, 1994, State Government constituted a DPC in 28 districts in November 1997. The role and responsibility of DPCs are already mentioned in Paragraph 1.5.1 of this report. As stated in Paragraph 1.5.1 of this report, the Annual Plans prepared at the apex level are only consolidated and adopted as District plans. No separate inputs are received from the PRIs. Requirements at the grass root level were thus not completely reflected in the District plans.

4.6 Financial profile

4.6.1 Fund flow to PRIs

The major resource base of PRIs consists of State Finance Commission (SFC) grants, Central Finance Commission (CFC) grants, Centrally Sponsored Schemes (CSS) Grants, Own Revenue and Assigned Revenue and Loans.

Table 4.4: Fund flow mechanism in PRIs

Nature of Fund	District Panchayats		Panchayat Union		Village Panchayats	
	Source of fund	Custody of fund	Source of fund	Custody of fund	Source of fund	Custody of fund
Own Revenue	-	-	Lessees/ users	Bank	Assesses/ users	Bank
Assigned Revenue	State Government	Bank	State Government	Bank	State Government	Bank
SFC						
CFC/CSS	GOI	Bank	GOI	Bank	GOI	Bank
State Plan Grant	State Government	Bank	State Government	Bank	State Government	Bank
Loans	Financial Institution	Bank	Financial Institution	Bank	Financial Institution	Bank

4.6.2 Source of receipts

Among the three tiers, Village Panchayats alone have the power to levy taxes. The other source of receipts for Village Panchayats and Panchayat Unions are non-tax revenue, assigned revenue from State Government and grants given by State Government for various purposes and State and Central Finance Commissions grants.

Details of Receipts and Expenditure of PRIs during 2005-10 as furnished by the Director of Rural Development and Panchayat Raj (DRDPR) are shown in **Table 4.5**. However, the accuracy of these figures could not be authenticated in the absence of data compiled from the audited accounts of PRIs by the department/Government.

Table 4.5: Details of Receipts and expenditure of PRIs

(₹ in crore)

	2005-06	2006-07	2007-08	2008-09	2009-10
Own Revenue	240.14	269.79	307.80	277.77	309.83
Assigned Revenue	207.52	227.91	217.44	459.85	220.73
Grants	2,081.42	2,422.30	1,586.27	1,718.50	1,926.57
Total Receipts	**2,529.08**	**2,920.00**	**2,111.51**	**2,456.12**	**2,457.13**
Revenue Expenditure	1,716.92	1,944.12	2,231.60	2,579.24	3,044.41
Capital Expenditure	620.01	616.53	500.69	505.21	471.61
Total Expenditure	**2,337.02**	**2,560.65**	**2,732.29**	**3,084.45**	**3,516.02**

The expenditure is more than the receipt for the year 2007-08 to 2009-10 as the details of grants of SFC and CFC only were made available by DRDPR. The details of other scheme grants routed through DRDA were not available.

4.7 Accounting framework

4.7.1 Accounts and database formats

State Government issued orders (April 2004) to adopt the accounts format prescribed by the Comptroller and Auditor General of India with effect from 1 April 2004 in all PRIs. The Commissioner of Rural Development and Panchayat Raj (CRDPR) was also directed by the State Government to create the database in PRIs in consultation with National Informatics Centre (NIC) which would develop software for adoption of the formats.

Government of India released ₹ 60.73 crore[1] during 2003-06 for maintenance of accounts and database. Government of Tamil Nadu also allocated ₹ 9.08 crore as a matching grant. Of this, the State Government released ₹ 60.32 crore and 13,074 computers costing ₹ 51.64 crore were purchased during the period between March 2004 and February 2006 and distributed to PRIs to maintain accounts and database of finances.

The Government stated (May 2009) that though a software for accounts maintenance in the Village Panchayats called Panchayat Raj Institutions Accounts Software (PRIA Soft) was developed by NIC, it could not be used due to the change of accounting system of Village Panchayats as per Government order issued in August 2007 wherein the method of accounting and the four[2] types of accounts to be maintained in each Village Panchayat was stipulated.

CRDPR stated (March 2011) that PRIA Soft was complicated and could be handled only by qualified accounting personnel with enough knowledge in commerce or computer applications. Further, the CRDPR stated that the present accounting system of cash based single entry system was sufficient and migration to double entry system would involve enormous difficulties and risks which would put the accounting system of PRIs in total disarray apart from causing considerable delay in preparation and finalisation of Village Panchayat Account.

Procurement of computers without ensuring its utility was injudicious. The computers purchased and distributed to PRIs at a cost of ₹ 51.64 crore for maintenance of accounts and data base had not been utilized for the intended purpose.

4.8 Audit arrangements

In accordance with Section 193 of Tamil Nadu Panchayats Act, 1994, Government of Tamil Nadu appointed the following officers as Auditors for PRIs as given in **Table 4.6.**

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1 ₹ 36.34 crore and ₹ 24.39 crore as per the recommendations of Eleventh and Twelfth Finance Commission respectively.

2 (1) Village Panchayat Fund Account, (2) Village Panchayat payments of TNEB/TWAD Board Account, (3) Village Panchayat Scheme Fund Account and (4) Village Panchayat NREGS Account.

Table 4.6: Audit arrangements for PRIs

Tier of PRI	Auditors appointed	Periodicity
District Panchayats	Director of Local Fund Audit (DLFA)	Annually
Panchayat Unions	DLFA	Quarterly
Village Panchayats	(i) Deputy Block Development Officer (DBDO) except audit of scheme accounts	Quarterly
	(ii) Assistant Director of Rural Development (Audit) except audit of scheme accounts	Quarterly
	(iii) DLFA for audit of scheme accounts	Annually (test check)

DLFA is the statutory Auditor for Panchayat Unions and District Panchayats. Based on the recommendation of Second State Finance Commission (SSFC), DLFA is conducting only test audit of Village Panchayats including scheme accounts. The Deputy Block Development Officer audits all the General Fund accounts of all the Village Panchayats (cent *per cent* audit) and certifies them except audit of scheme accounts.

Accounts of District Panchayats and Panchayat Unions are also audited by Principal Accountant General (Civil Audit) under Section 14 (1) of the Comptroller and Auditor General of India's (Duties, Powers and Conditions of Service) Act, 1971. Further technical guidance is also provided by the Principal Accountant General to DLFA regarding audit of District Panchayats and Panchayat Unions in terms of order of Government of Tamil Nadu issued in March 2003.

Audit Reports upto the year 1996-97 were discussed by the Committee on Public Accounts (PAC) and recommendations were issued. As of June 2011, there were 225 recommendations relating to 1982-83 to 1993-94 of the Rural Development and Panchayat Raj (RDPR) Department pending final settlement which *inter-alia* consisted of paragraphs relating to PRIs. CAG's Audit Report on PRIs presented in State Legislature for the year 2000-2001 and for the years 2005-06 to 2008-09 have not been taken up for discussion by PAC.

4.8.1 Audit of PRIs by Principal Accountant General (Civil Audit)

Audit of PRIs was conducted under Section 14 (1) of the Comptroller and Auditor General of India's (Duties, Powers and Conditions of Service) Act, 1971 in respect of financial assistance given to Panchayat Raj Institutions. Important irregularities detected by Audit during local audit of PRIs through test check of records are followed up through Inspection Reports issued to the CRDPR with copies to the audited PRIs.

Government had issued general orders in April 1967 fixing a time limit of four weeks for prompt response by the authorities for all such paragraphs included in the inspection reports issued by Audit. However, as of December 2010, 2,305 paragraphs relating to 474 Inspection Reports were not settled for want of satisfactory replies.

SECTION 'B' – FINANCIAL REPORTING

4.9 Introduction

Financial reporting in the PRIs is a key element of accountability. The resource base of PRIs in addition to their own tax/non tax revenue consists of devolution of funds by State Government, assigned/shared revenue and funds provided based on the recommendations of Central Finance Commission. A chart showing the funds flow to PRIs is given in **Appendix 4.1**.

4.10 Accounts maintained by Panchayat Raj Institutions

According to Tamil Nadu Panchayats Act, 1994 PRIs are required to maintain various types of accounts as detailed in **Appendix 4.2**.

4.11 Arrears in Audit and Accounts

4.11.1 Audit of PRIs by DLFA

(a) The position of arrears of audit of PRIs as of December 2010 is given in **Table 4.7.**

Table 4.7: Position of audit of Panchayat Unions and District Panchayats by DLFA

Category of PRI	Year	Total number	Accounts yet to be submitted	Audit completed	Audit in arrears as of December 2010 (Percentage)
Panchayat Unions	2008-09	385	9	49	336 (87)
	2009-10	385	385	-	385 (100)
District Panchayats	2008-09	29	14	15	14 (48)
	2009-10	29	29	-	29 (100)

(Source: Details furnished by DLFA in January 2011)
(Figures in brackets indicate the percentage of audit in arrears)

As seen from the table, out of 385 Panchayat Unions and 29 District Panchayats, DLFA has completed audit only in 49 Panchayat Unions and 15 District Panchayats for the year 2008-09 and for the year 2009-10 audit is yet to be completed by DLFA in all the Panchayat Unions and District Panchayats as the accounts are yet to be submitted by Panchayat Unions and District Panchayats to DLFA.

(b) The regular audit of Village Panchayats was conducted by the Deputy Block Development Officers and 22 *per cent*[3] of the total number of Village Panchayats has to be test checked by the DLFA annually as per Government

[3] Including two *per cent* of Village Panchayats based on receipts, value of works and on specific complaints forwarded by Director of Rural Development and Panchayat Raj.

orders of November 2002. The position of audit of Village Panchayats, as of December 2010, is given in **Table 4.8.**

Table 4.8: Position of audit of Village Panchayats

Category of PRI	Total number to be Audited by DLFA	Number of Village Panchayats wherein Audit not completed	
		2008-09	2009-10
Village Panchayats	2,776	853	2,523

(Source: Details furnished by DLFA in January 2011)

The number of paragraphs included in the Inspection Reports of DLFA issued up to 2008-09, pending settlement as of December 2010 in respect of Panchayat Unions and District Panchayats, aggregated to 24,138 and 308 respectively. Year-wise pendency position reported by DLFA as of January 2011 was as given in **Table 4.9.**

Table 4.9 : Year-wise pendency details of paragraphs in the IRs of DLFA

Year of IR	Number of paragraphs pending in respect of	
	Panchayat Unions	District Panchayats
Upto 2002-2003	4,143	71
2003-2004	515	6
2004-2005	613	14
2005-2006	966	22
2006-2007	1,978	31
2007-2008	5,767	40
2008-2009	10,156	124
Total	**24,138**	**308**

(Source: Details furnished by DLFA in February 2011)

State Government appointed State High Level Committee in November 1997 with the Commissioner, RDPR Department as Chairman and DLFA as Deputy Chairman assisted by three[4] members and District High Level Committee (DHLC) headed by District Collector as Chairman and Project Officer, District Rural Development Agency (DRDA) as Deputy Chairman assisted by three[5] members and one Secretary for settlement of outstanding paragraphs.

As reported by DLFA (April 2011), the DHLC conducted 176 meetings during the years 2009-10 and 2010-11 (upto December 2010) and settled 4,772 paragraphs relating to Panchayat Unions and District Panchayats.

[4] Financial Advisor and Chief Accounts Officer, RDPR Department; Chief Engineer/Superintending Engineer, Tamil Nadu Water Supply and Drainage Board and Chief Engineer (Highways and Rural Works) as members.

[5] Deputy Director, DLFA; Executive Engineer, DRDA; Deputy Director, RDPR Department as members and PA to District Collector (Audit) as Secretary.

4.12 Conclusion

There was steady increase in receipt from ₹ 2,111.51 crore in 2007-08 to ₹ 2,457.13 crore in 2009-10. Computers provided to PRIs at a cost of ₹ 51.64 crore for maintenance of accounts and data base had not been utilised for the intended purpose. Nine Panchayat Unions and 14 District Panchayats were yet to finalise their accounts for the year 2008-09 and all the 385 Panchayat Unions and 29 District Panchayats were yet to finalise their accounts for the year 2009-10 though they were to finalise their accounts by 30th June.

CHAPTER V

PERFORMANCE REVIEW (PANCHAYAT RAJ INSTITUTIONS)

This Chapter presents one performance review dealing with Implementation of accepted recommendations of Third State Finance Commission in Panchayat Raj Institutions.

RURAL DEVELOPMENT AND PANCHAYAT RAJ DEPARTMENT

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

Executive summary

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

5.1.1 Introduction

Government of Tamil Nadu (GTN) constituted Third State Finance Commission (TSFC) in December 2004 to analyse the financial position of local bodies and to make recommendations on (a) distribution and determination of taxes, duties, tolls, fees and grants-in-aid to local bodies, (b) possible new avenues for tapping resources in local bodies considering the tax structure, (c) present system of accountability of local bodies in utilization of the resources raised/received from Government and the adequacy of audit and (d) parallel control/functions of line departments/parastatal agencies over local bodies for the award period 2007-2012.

TSFC submitted its report to the State Government in September 2006 with 306 recommendations. The State Government accepted 90 in full, 72 in

part/in principle and negated 89. The remaining was pending with Government/ High Level Committee.

Government released the funds in two way packages viz., Pool A and Pool B. Under Pool A, the departments concerned assigned the revenue to PRIs through the District Collector/District level officers. Under Pool B, devolution grant was shared between PRIs and Urban Local Bodies (ULBs) in the ratio of 58:42 for the years from 2007-08 to 2009-10.

TSFC recommended (i) the procedure to be followed for the release of assigned/shared revenue to PRIs, (ii) the modalities to be followed for the collection of property tax, user charges, profession tax, cable TV tax etc., (iii) the device for allocating the State's own tax revenue and the time frame for release of devolution grants to PRIs, (iv) the time frame for finalization and submission of annual accounts to Local Fund Audit and settlement of long pending paragraphs and (v) monitoring mechanism to watch the implementation of the recommendations.

Action Taken Report was placed on the floor of the Legislative Assembly in May 2007. Administrative departments concerned were to issue orders and monitor implementation of the recommendations of TSFC.

5.1.2 Organisational Setup

The role and responsibilities of officials in respect of implementation of the recommendations of the TSFC were as given below:

Committee of Secretaries of Finance Department, Municipal Administration and Water Supply Department and Rural Development and Panchayat Raj Department	Responsible for preparation of draft Action Taken Report for approval of Cabinet Committee.
Cabinet Committee consisting of Minister for Finance, Minister for Rural Development and Local Administration, Minister for Public Works and Minister for Higher Education	Responsible for approving the Action Taken Report to be placed on the floor of the Assembly
Finance Department and Administrative departments of Municipal Administration and Water Supply, Rural Development and Panchayat Raj, Commercial Taxes, Registration and Industries (Geology and Mining)	Responsible for issue of Government orders and monitoring the implementation of accepted recommendations of the TSFC.
High Level Committee under the Chairmanship of Chief Secretary with Secretaries of Finance, Municipal Administration and Water Supply and Rural Development and Panchayat Raj Departments as members of the Committee	Monitoring the implementation of the accepted recommendations of the TSFC.

5.1.3 Audit Objectives

The audit objectives were to ascertain whether

- Funds transfer based on accepted TSFC recommendations was effective,

- Grama Sabha and Self Help Groups were functioning effectively in the Village Panchayats and
- The monitoring mechanism in implementing the accepted recommendations of TSFC was effective.

5.1.4 Audit Criteria

Audit findings were benchmarked against the following criteria:

- Accepted recommendations of TSFC;
- Explanatory memorandum on the action taken on the recommendations of TSFC and
- Government orders and Department Circulars/instructions on implementation of recommendation of TSFC.

5.1.5 Scope and Methodology of Audit

The Performance Audit was conducted between July 2010 and November 2010 covering SFC grants including assigned revenue for the years from 2007-08 to 2009-10. The records in the offices of Finance, Rural Development and Panchayat Raj (RDPR), Commercial Taxes, Registration, Industries (Geology and Mining), Environment and Forest and Fisheries Departments and its district/regional level offices were test-checked during the course of audit. Records of 58 Panchayat Unions out of 385 Panchayat Unions selected on the basis of stratified sampling were test checked **(Appendix 5.1).** The findings were discussed with the Commissioner of Rural Development and Panchayat Raj on 7 February 2011. Exit conference was held with Commissioner, Rural Development and Panchayat Raj on 12 May 2011 on behalf of Government.

Audit Objective 1: To assess whether funds transfer based on accepted TSFC recommendations was effective

5.1.6 Resource base

Assigned/Shared Revenue

Accepted recommendations on assigned/shared revenue were as follows:

- The vertical sharing ratio of devolution between PRIs and ULBs shall be 58:42. The horizontal sharing ratio among the PRIs (i.e Village Panchayats, Panchayat Unions and District Panchayats) shall be 60:32:8.
- The entire tax proceeds realized from the Cable TV from 2003-2006 shall be passed on to the respective PRIs in 2007-08.
- The sharable income from mines and minerals to be adjusted on a quarterly basis in the same financial year.
- At least 25 *per cent* of proceeds from fishery rental of Public Works Department (PWD) tanks to be given to the Village Panchayats.

It was noticed during the review that there were non assignment and delayed assignment revenue in spite of the recommendations of TSFC on assigned/shared revenue as given below:

5.1.6.1 Excess allocation to Infrastructure Gap Filling Fund (IGFF)

Five *per cent* out of entire share of PRIs was deducted from the Village Panchayats share instead of five *per cent of* Village Panchayats share of 60 *per cent* towards Infrastructure Gap Filling Fund

State Government while accepting the recommendation in respect of vertical sharing and horizontal sharing stated that it shall reserve five per cent out of 60 per cent share of the village panchayats from the State Finance Commission devolution towards Infrastructure Gap Filling Fund (IGFF). Audit scrutiny revealed that five *per cent* out of entire share of PRIs was deducted by the Government from the Village Panchayats share instead of five *per cent* of Village Panchayats share of 60 *per cent* and credited to IGFF as indicated in **Table 5.1.**

Table 5.1: Excess allocation to Infrastructure Gap Filling Fund

(₹ in Crore)

Year (1)	PRIs Share (2)	60 *per cent* share of PRIs (3)	Amount allocated to IGFF (4) 5 *per cent* of col. (2)	Amount to be allocated to IGFF (5) 5 *per cent* of col. (3)	Excess allocation (6) col. (4) – col. (5)
2007-08	1,583.59	950.15	79.18	47.51	31.67
2008-09	1,716.44	1,029.86	85.82	51.49	34.33
2009-10	1,926.57	1,155.94	103.26*	57.80	45.46
Total	**5,226.60**	**3,135.95**	**268.26**	**156.80**	**111.46**

* Amount allocated at 5.36 *per cent* of the total PRIs share.

From the above table, it can be seen that there was excess deduction from the State Finance Commission devolution grant to Village Panchayats to the extent of ₹ 111.46 crore for the period from 2007-08 to 2009-10.

3,709 Village Panchayats had ₹ 75.41 crore as outstanding water charges payable to Tamil Nadu Water Supply and Drainage Board while 4,201 Village Panchayats had ₹ 47.93 crore as outstanding electricity charges payable to Tamil Nadu Electricity Board. Release of entitled devolution grant would have helped the Village Panchayats in paying their outstanding dues.

During Exit conference (May 2011), Commissioner of Rural Development and Panchayat Raj (CRDPR) stated that necessary action will be taken to release the correct amount for the year 2011-2012.

5.1.6.2 Non-assignment of Cable TV Tax

Cable TV tax amounting to ₹ 76 lakh for the period from 2003-04 to 2008-09 was not assigned to Village Panchayats in six districts

Even though Government accepted the recommendation that whatever Cable TV tax collected shall be passed on to the PRIs till the Act was amended no orders were issued in this regard. As a result, amount of ₹ 76 lakh collected as Cable TV tax for the period from 2003-04 to 2008-09 (upto June 2008) was not assigned to the Village Panchayats in six districts[1] as of November 2010. Deputy Commissioners of Commercial Taxes Department of the six districts replied (August 2010 - November 2010) that orders were not received from the

[1] Coimbatore : ₹ 36.97 lakh; Krishnagiri : ₹ 2.99 lakh; Pudukkottai : ₹ 17.19 lakh; Thoothukudi : ₹ 1.08 lakh; Tirunelveli : ₹ 15.55 lakh and Virudhunagar : ₹ 2.22 lakh; **Total : ₹ 76 lakh**.

Commissioner of Commercial Taxes to release the amount. This resulted in deprival of legitimate share of revenue from Cable TV tax to PRIs.

During Exit conference (May 2011), CRDPR stated that Commissioner of Commercial Taxes Department had been addressed to release the tax on Cable TV to the PRIs.

5.1.6.3 Delay in assignment of mines and mineral fees

Audit noticed that mines and mineral fees of ₹ 89.97 crore due to the Village Panchayats in 21 districts for the period from April 2007 to March 2010 were adjusted after a delay of one to 26 months. The Assistant Directors/Deputy Directors of Geology and Mining of the 21 districts replied (July 2010 – November 2010) that due to administrative reasons, shortage of manpower and heavy workload the delay had occured. Reply is not tenable as the administrative department i.e. Industries (Geology and Mining) did not initiate any action to implement the accepted recommendations of the TSFC to adjust the sharable income from mines and minerals on quarterly basis and the PRIs did not get their due share in time.

5.1.6.4 Non-allocation of Fishery rental receipts

Fishery rentals were not allocated to Village Panchayats for the period 2007-10

Even though Government accepted the recommendation to share the proceeds of fishery rentals from PWD tanks with local bodies in the ratio of area of submergence, no orders were issued to share the revenue. As a result, fishery rental receipts were not credited to the Village Panchayat accounts for the period 2007-10. Non-issue of Government order to share the revenue of fishery rentals even after accepting the recommendations of TSFC resulted in denial of revenue to Village Panchayats.

During Exit conference (May 2011), CRDPR stated that the matter will be brought to the notice of the Government and action will be taken for allocation of fishery rentals by the Fisheries Department to the PRIs.

Recommendation 1: Administrative Department should issue Orders for implementing the accepted recommendations of TSFC.

Audit Objective 2: To ascertain whether the Grama Sabha and Self Help Groups were functioning effectively in the Village Panchayats

5.1.7 Grama Sabha and Self Help Groups role in Village Panchayats

Accepted recommendations on Grama Sabha and Self Help Groups were as follows:

- The documents of Village Panchayats including the details of contracts awarded and the list of approved contractors etc., to be submitted in Grama Sabha meetings.
- To involve Self Help Groups in social aspects to improve the living conditions of rural women folk and highlight the problems of rural people.

5.1.7.1 Non-creation of Social Audit system

Government while accepting the recommendation stated that PRIs shall be advised suitably. Audit scrutiny revealed that orders/instructions have not been issued by the Government and the recommendations of TSFC were not implemented.

During Exit conference (May 2011), CRDPR stated that Social Audit under National Rural Employment Guarantee Scheme is being undertaken and records relating to financial matters, expenditure, public distribution system etc., are placed before the Grama Sabha for discussion and approval. He further stated that audit remarks will be considered for taking further necessary action. There was no documentary proof showing conduct of Social Audit.

5.1.7.2 Non-involvement of Self Help Groups

Audit noticed that PRIs did not conduct mass awareness programmes by involving Non Government Organisations in creating awareness among the public regarding powers, functions and responsibilities of Grama Sabha and to allow them as watch dogs of the local body administration. RDPR Department did not initiate action to implement the recommendation of TSFC which was accepted by the Government. Non-involvement of Self Help Groups in implementation of the development programmes in Village Panchayats defeated the objective of the recommendations of TSFC.

During Exit conference (May 2011),CRDPR stated that Self Help Groups are informed well in advance about the conduct of Grama Sabha by the Village Panchayats and they are participating in the debate during the Grama Sabha meetings.

Recommendation 2: The Administrative Department i.e Rural Development and Panchayat Raj Department should issue necessary orders for implementing the recommendations of TSFC.

Audit Objective 3: To ascertain whether the monitoring mechanism in implementing the accepted recommendations of TSFC was effective

5.1.8 Monitoring Mechanism

Accepted recommendations for monitoring mechanism were:

- Decision on all recommendations made by TSFC shall be taken at the earliest without undue delay.

5.1.8.1 Monitoring by High Level Committee

Government empowered (December 2005) the High Level Committee[2] already in existence in the State to approve the projects undertaken under Twelfth Central Finance Commission devolutions. Government further gave detailed

[2] Headed by the Chief Secretary, Secretaries of Finance, Rural Development and Panchayat Raj and Municipal Administration and Water Supply Departments as members.

guidelines regarding approval of projects, quantification of targets, monitoring both physical and financial targets, etc.

High Level Committee formed in May 2007 did not meet even once to monitor the implementation of accepted recommendations of TSFC

Government empowered (May 2007) the same High Level Committee to oversee the implementation of the decisions taken by the Government on the recommendations of the TSFC and the follow up action thereon. However, Government while empowering the High Level Committee did not give any detailed guidelines listing out the functions to be undertaken by the Committee as given for overseeing implementation of Twelfth Central Finance Commission recommendations. Due to absence of such guidelines, the High Level Committee did not monitor the implementation of the accepted TSFC recommendations at all as detailed below:

On seeking information relating to meetings of High Level Committee, Finance Department stated (May 2011) that the Action Taken Report on the recommendations of TSFC has been communicated to the departments concerned for implementation and the same are being implemented by the departments after issue of orders in consultation with Finance Department. Hence, convening of High Level Committee meetings may not arise at this juncture. The reply is not tenable as Government in May 2007 stated that the implementation of the decisions taken by the Government on the recommendations of the TSFC and the follow up action taken shall be monitored by the High Level Committee headed by the Chief Secretary on half yearly basis. However, it did not meet even on a single occasion to monitor the implementation of the accepted recommendations of TSFC resulting in deficiencies as pointed out in the preceding paragraphs.

Recommendation 3: High Level Committee should meet every six months as ordered by Government and monitor the implementation of the recommendations of TSFC.

CHAPTER VI

AUDIT OF TRANSACTIONS (PANCHAYAT RAJ INSTITUTIONS)

Audit of transactions in Madurai West Panchayat Union brought an instance of unfruitful expenditure towards construction of a training centre for Self Help Groups.

RURAL DEVELOPMENT AND PANCHAYAT RAJ DEPARTMENT

6.1 Unfruitful expenditure

MADURAI WEST PANCHAYAT UNION

6.1.1 Unfruitful expenditure on Training Centre for Self Help Groups

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

Under Infrastructure component of Swarnajayanti Grama Swarojgar Yojana (SGSY), a Government of India scheme, the District Rural Development Agency (DRDA), Madurai proposed (November 2003) construction of a Training Centre at a cost of ₹ 1.22 crore for imparting training to Self Help Groups. Based on the administrative approval of the District Collector, Madurai, the work was entrusted (February 2004) to District Building Centre (DBC), Madurai and an amount of ₹ 34 lakh was released by DRDA in March 2004. As of December 2004, the DBC had incurred an expenditure of ₹ 18.98 lakh towards construction of Training Centre.

In December 2004, the District Collector cancelled the work order to DBC due to slow progress of work as it was not capable of executing works involving higher technicalities. The District Collector entrusted (December 2004) the work to Block Development Officer, Madurai West Panchayat Union (PU) and released a sum of ₹ 73.57[1] lakh to PU during 2004-07 towards construction of Training Centre. As of November 2008, the PU had completed the civil works at a cost of ₹ 45.16 lakh except conference hall, restaurant, provision of generator set etc. Thereafter, the PU stopped the work citing cost escalation as the work was entrusted to it based on 2004-05 rates, even though it had a balance of ₹ 31.71 lakh as of May 2010 including interest earned.

Scrutiny of the records revealed the following:

(i) Director of Rural Development (DRD) had instructed in January 2003 itself not to entrust works involving higher technicalities to DBC. The District Collector while awarding the work to DBC in February 2004 failed to take

[1] ₹ 12.09 lakh (September 2004), ₹ 8.72 lakh (December 2004), ₹ 39 lakh (February 2005) and ₹ 13.76 lakh (October 2006).

notice of it. Further, the District Collector also failed to fix a specific time frame to complete the work, as provided in the guidelines of SGSY, while awarding the work to the DBC and PU.

(ii) The SGSY guidelines provided for monitoring the progress of work on quarterly basis. The District Collector as a monitoring authority should have instructed the PU to continue the work to the extent of funds available and co-ordinated with DRDA, the implementing agency, to get necessary funds to complete the work. Audit observed that monitoring authority had failed in this regard which was evident from the fact that the work remained incomplete for more than two years after incurring an expenditure of ₹ 64.14 lakh.

(iii) The Training Centre at Madurai was a new infrastructure constructed utilising SGSY funds, while the SGSY guidelines clearly stipulates that responsibility of providing such an infrastructure lies with the State Government and SGSY funds should be primarily utilized only to bridge small gaps in infrastructure and not for creation of an altogether non-existent infrastructure in the area.

Thus, the failure of the District Collector to follow SGSY guidelines/instructions of DRD scrupulously and lapses in monitoring the progress of work resulted in unfruitful expenditure of ₹ 64.14 lakh and blocking up of ₹ 31.71 lakh for more than two years. Further, the objective of imparting training to the Self Help Groups in a conducive environment proposed as early as November 2003 was not achieved. When the matter was referred (December 2010), Government stated (February 2011) that revised estimate has been prepared to complete the balance works.

Chennai
The

(K. VIJAYAKUMARAN)
Accountant General
Local Bodies (Audit and Accounts)
Tamil Nadu

Countersigned

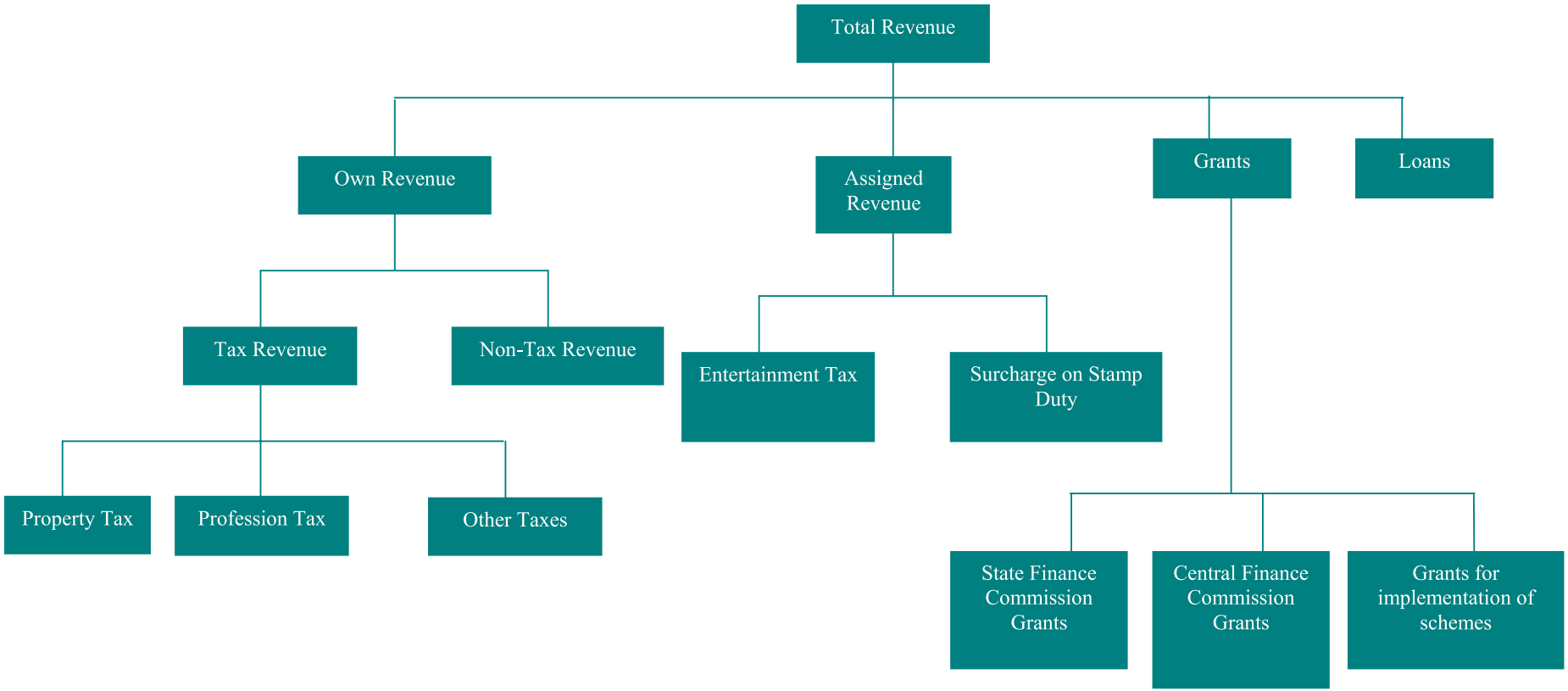
New Delhi
The

(VINOD RAI)
Comptroller and Auditor General of India

Appendix 1.1

(Reference: Paragraph 1.9; Page 7)

Source of revenue of Urban Local Bodies



Appendix 1.2

(Reference: Paragraph 1.11.4; Page 9)

Number of audit paragraphs relating to Urban Local Bodies pending settlement as on 31 March 2010

Year	All Municipalities	Town Panchayats	Municipal Corporations										Total
			Chennai	Coimbatore	Madurai	Salem	Tiruchi-rappalli	Tirunel-veli	Tiruppur	Erode	Vellore	Thoothu-kudi	
Upto 2004-05	28,767	48,516	36,764	11,056	21,259	6,792	5,513	3,979	1,979	2,193	1,087	2,029	92,651
2005-06	14,914	6,614	1,360	417	979	648	485	331	80	159	175	188	4,822
2006-07	83,339	9,059	2,173	476	692	208	582	417	88	157	111	220	5,124
2007-08	14,924	5,970	*	300	*	431	606	462	163	122	116	199	2,399
Total	**1,41,944**	**70,159**	**40,297**	**12,249**	**22,930**	**8,079**	**7,186**	**5,189**	**2,310**	**2,631**	**1,489**	**2,636**	**1,04,996**

Appendix 2.1

(Reference: Paragraph 2.1.5; Page 13)

List of test checked schools

Primary Schools (35)	**Middle Schools (29)**	**High Schools (10)**
CPS, INDRA NAGAR	CMS, 3, AP ROAD	CHS, SOMAIARAJA STREET
CPS, STRAHANS ROAD (TELUGU)	CMS, DAMODARAPURAM	CHS, IRUSAPPA STREET
CPS, ERUKKENCHERRY	CMS, RANGANATHAPURAM	CHS, KAMARAJ AVENUE
CPS, SANKARAPURAM	CUGPS, CHERIAN NAGAR	CHS, CHINTHADRIPET
CPS, VARATHARAJAPET	CMS, PUDUMANAIKKUPAM	CHS, WALTAX ROAD
CPS, SLATERPURAM	CMS, SEVEN WELLS	CHS, GANESAPURAM
CPS, WASHERMENPET (URUDU)	CMS, MGR NAGAR II	CHS, SP SANATHI (RANGARAJAPURAM)
CPS, NOCHIKUPPAM	CMS, DURAI STREET	CHS, MPT COLONY
CPS, NESAPPAKAM	CMS, 72, AP ROAD	CHS, VP KOIL STREET
CPS, ALWARPET	CMS, KAMARAJ COLONY	CHS, MGR NAGAR
CPS, NADUVAKKARAI	CMS, PRAKASAM ROAD	
CPS, CHINNABABU STREET	CMS, MK AMMAN KOIL STREET	**Higher Secondary Schools (5)**
CPS, SRINIVASA NAGAR	CMS, GPW COLONY	
CPS, THARAMANI	CMS, MH ROAD (GIRLS)	CHSS, MH ROAD
CPS, BAZAAR ROAD	CMS, GOKULAM	CHSS, ROTLER STREET
CPS, CB ROAD	CMS, BUDDHA STREET	CHSS, NUNGAMBAKKAM (GIRLS)
CPS, STRAHANS ROAD (TAMIL)	CMS, CORNATION NAGAR	CHSS, NESAPAKKAM
CPS, NEW MARKET FARM	CMS, NARASINGAPURAM	CHSS, LLOYDS ROAD
CPS, PALAVOYAL	CMS, GANDHI GRAMAM	
CPS, SEMBIAM (TELUGU)	CMS, ANGAPPA STREET (URUDU)	
CPS, MM STREET, 6TH LANE	CMS, KK LANE	
CPS, ANJANEYAR NAGAR	CMS, 130, AMMAN KOIL STREET	
CPS, NSK NAGAR	CMS, MADUMA NAGAR	
CPS, PATEL NAGAR	CMS, MCNICHOLS ROAD	
CPS, ESWARANKOIL STREET	CMS, RANGASAYEE	
CPS, UTHAYASURIYAN NAGAR	CMS, 1A, MODEL SCHOOL ROAD	
CPS, MOOR MARKET	CMS, TANA STREET	
CPS, CHINNAKODUNGIYUR	CMS, VELACHERRY	
CPS, UTHAYAM NAGAR	CMS, VASANTHA GARDEN	
CPS, PULIUR I (NSK SALAI)		
CPS, GIRIAPPA ROAD		
CPS, CHELLAPPA STREET		
CPS, RANGARAJAPURAM		
CPS, KAPPALPOLUR		
CPS, THIRUVALLUVAR NAGAR		

Appendix 2.2

(Reference: Paragraph 2.1.6.1; Page 13)

Receipts and expenditure out of Elementary Education Fund during 2005-10

(₹ in crore)

Year	Budget Estimates of Receipts	Expenditure	Percentage of utilisation
2005-06	58.08	27.27	47
2006-07	61.41	32.27	53
2007-08	62.52	31.73	51
2008-09	66.75	35.00	52
2009-10	77.52	64.11	83

(Source : Details furnished by Chennai City Municipal Corporation)

Appendix 2.3

(Reference: Paragraph 2.1.7.2; Page 16)

Details of schools where maintenance works were not taken up

Sl. No.	Name of the School	Nature of repairs/renovations to be done
1	CMS, GPW Colony	Roof leaking
2	CMS, Gokulam	i) Building not maintained and white washed for years; ii) electrical wiring not safe; iii) No water connection for toilets; iv) flooring damaged and v) unhygienic drinking water
3	CPS, Cooks Road	Noon meals kitchen and store rooms are damaged and no light facilities
4	CHS, Chinthadripet	i) Roof thatched; ii) wall of Nutritious Noon Meal Programme shed dilapidated; iii) roof of ground and first floor dilapidated and iv) sunshades of all windows dilapidated
5	CPS, Cochin House	Roof AC sheet
6	CMS, Santhome	Noon meal shed damaged and beyond use
7	CMS, M.K. Amman Koil Street	i) Ceiling leaking and ii) borewell unusable and to be repaired
8	CBHSS, Gangadeeshwarar Koil Street	Ceiling/Walls of VI, VII & VIII Standard rooms are very much damaged.
9	CPS, T.V. Koil Street	2 Class rooms with Asbestos sheet

Appendix 2.4

(Paragraph 2.2.5; Page 27)

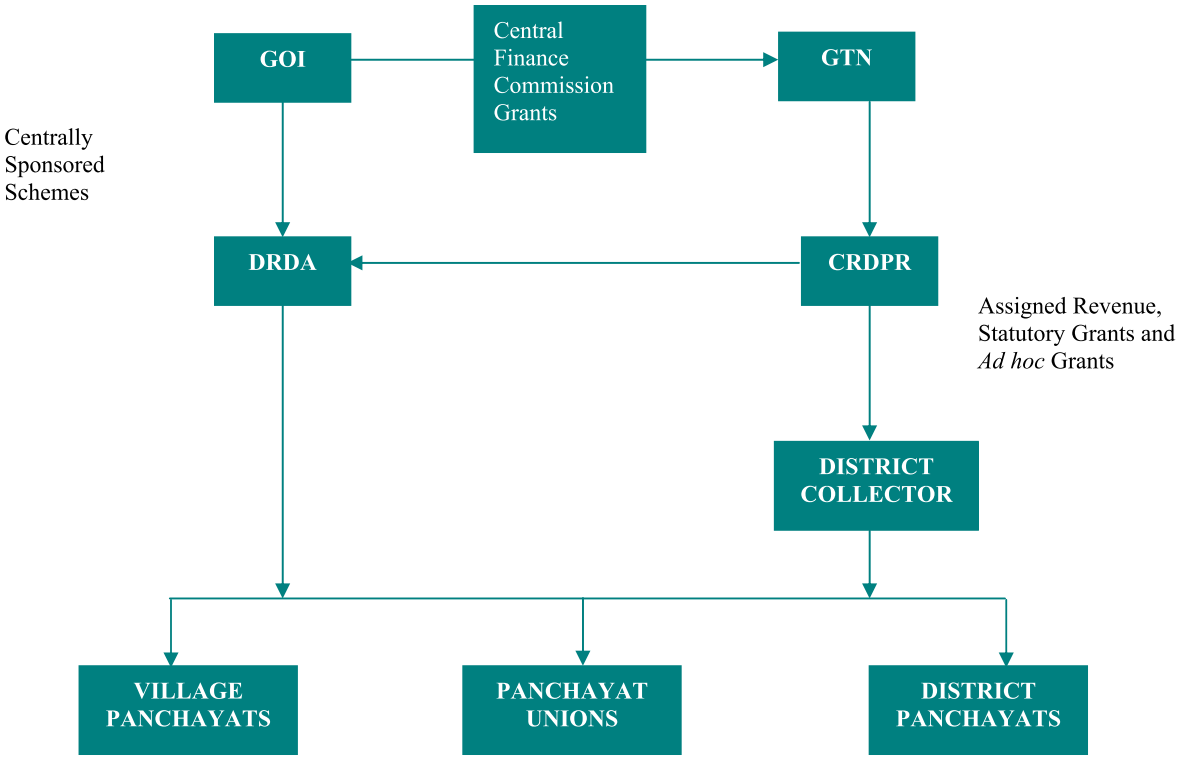
List of test checked Urban Local Bodies

Corporations (3)			
Chennai	Coimbatore	Thiruchirappalli	
Municipalities (28)			
Kurichi	Nallur	Pollachi	Palani
Kasipalayam	Periasemur	Surampatty	Veerappanchatram
Anakaputhur	Madurantagam	Inam Karur	Thanthoni
Hosur	Krishnagiri	Anaiyur	Pallipalayam
Ariyalur	Narasingapuram	Udagamandalam	Coonoor
Thiruvannamalai	Puliyangudi	Kadayanallur	Poonamallee
Vandavasi	Villupuram	Aruppukkottai	Srivilliputhur
Town Panchayats (91)			
Dhali	Karumathampatti	Pallapalayam	Veerakeralam
Vellakinar	Zamin Uthukuli	Ammainaickanur	Batlagundu
Neikkarapatti	Oddanchatram	Sithayankottai	Anthiyur
Appakudal	Avalpoondurai	Bhavanisagar	B P Agraharam
Chennasamudram	Chennimalai	Chithode	Jambai
Kanchikoil	Kangayam	Kembanaickenpalayam	Kodumudi
Kolathupalayam	Lakkampatti	Modakkurichi	Mulanur
Nallampatti	Nerinjipettai	Pasur	Sivagiri
Suriyampalayam	Vadugapatti	Thiruporur	Alur
Anjugramam	Kilkulam	Killiyur	Kadayal
Kulasekarapuram	Mandaikadu	Mulagumudu	Thiruparappu
Aravakurichi	Krishnarayapuram	Marudur	Nangavaram
Palayajayamkonda-Cholapuram	Pallapatti	Puliyur	Punjai Pugalur
Punjai Thottakurichi	TNPL (Karur)	Uppidamangalam	Bargur
Denkanikottai	Kaveripattinam	Kelamangalam	Mathagiri
Nagojanahalli	Uthangarai	A Vellalapatti	Paravai
Kilvelur	Kurumbalur	Udayarpalayam	Gangavalli
Papanasam	Thiruppanandal	Thevaram	Vadugapatti
Veerapandi	Adikaratti	Chengam	Athur
Perungulam	Vilathikulam	Lalgudi	Pullambadi
Courtallam	Nanguneri	Thirukarungudi	Veeravanallur
Naravarikuppam	Thirumazhisai	Kaveripakkam	Thimiri
Vilapakkam	Chettiarpatti	Mamsapuram	

Appendix 4.1

(Reference: Paragraph 4.9; Page 53)

Funds flow chart to Panchayat Raj Institutions



Appendix 4.2

(Reference: Paragraph 4.10; Page 53)

Types of Accounts maintained by Panchayat Raj Institutions

(a) Village Panchayats

(i) Village Panchayat Fund Account

(ii) Village Panchayat payments to TNEB and/or TWAD Board Account

(iii) Village Panchayat Scheme Fund Account

(iv) Village Panchayat National Rural Employment Guarantee Scheme (NREGS) Account

(b) Panchayat Unions

(i) General Fund Account – LF - I

(ii) Education Fund Account – LF - III

(iii) Nutritious Meal Fund Account

(iv) Scheme Account

(v) Provident Fund 'T' Deposit Account

Besides the above, two more accounts are also maintained according to necessity *viz*.,

- Village Panchayat Consolidated Fund Account
- NABARD (10 *per cent*) Account

(c) District Panchayats

(i) General Fund Account

(ii) Scheme Fund Account

Appendix 5.1

(Reference: Paragraph 5.1.5; Page 59)

List of test checked Panchayat Unions

Name of Panchayat Unions (58)		
Thondamuthur	Munchirai	Kodumudi
Kammapuram	Thuckalay	Thiruporur
Keerapalayam	Thally	Usilampatti
Vriddhachalam	Uthangarai	Thirumarugal
Nilakottai	Kallikudi	Vedaranyam
Vedasandur	Madurai (West)	Erumapatty
Puduchatram	Viralimalai	Mallasamudram
Veppanthattai	Mudukalathur	Namagiripettai
Manamelkudi	Attur	Vilathikulam
Thirumayam	Mac. Choultry	Manikandam
Tiruppanandal	Kannangudi	Musiri
Thiruvaiyyaru	Thanjavur	Pullampadi
Periakulam	Karungulam	Uppiliyapuram
Cheyyar	Kayathar	Alankulam
Keelapavoor	Pappakudi	K V Kuppam
Puzhal	Radhapuram	Nemili
Sholavaram	Mulanur	Thimiri
Katpadi	Uthukuli	Thiruppathur
Vallam	Vanur	Kanai
Srivilliputhur		