

CHAPTER VI
COMPLIANCE AUDIT
(URBAN LOCAL BODIES)

CHAPTER VI

COMPLIANCE AUDIT

Compliance Audit on Setting up and operation of Amma canteens in Corporation of Chennai, Coimbatore, Tiruchirappalli and Tirunelveli City Municipal Corporations, Madurai City Municipal Corporation and Bodinaickkanur, Colachel, Gudiyatham, Nellikuppam, Palladam, Karaikudi, Sivakasi, Vandavasi and Vellakoil Municipalities brought out instances of lapses in management of resources and failures in the observance of the norms of regularity, propriety and economy. These have been presented in the succeeding paragraphs.

MUNICIPAL ADMINISTRATION AND WATER SUPPLY DEPARTMENT

6.1 Setting up and operation of Amma canteens in Municipal Corporations

6.1.1 Introduction

The Corporation of Chennai (CoC) initially proposed (February 2012) to open 200 cost price tiffin centres on experimental basis in its area with a view to provide hygienic food to the daily wage workers/downtrodden people at subsidised rates. Government of Tamil Nadu (GoTN) approved (January 2013) the proposal. The tiffin centres were rechristened (March 2013) as “Amma Canteens”. Further, GoTN ordered (November 2013) to extend the scheme to seven Government hospitals within the territory of CoC. The canteen facilities were extended to nine¹ other Corporations in the State (May 2013) and 160 centres in Municipal areas (September 2014).

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

Audit findings

6.1.2 Good Practices

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

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

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

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

6.1.3 Planning

6.1.3.1 Lack of adequate planning

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

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

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

6.1.3.2 Setting up of Canteens without assessing the manpower requirement

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

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

6.1.4 Financial Management

6.1.4.1 Financial performance

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

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

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

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

(Source : Details furnished by the respective Municipal Corporations)

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

6.1.4.2 Financial Sustainability

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

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

(₹ in crore)

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

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

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

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

6.1.4.3 Lack of uniformity in accounting

Neither the GoTN nor the CMA had issued guidelines or instructions with regard to recording of financial transactions such as purchases, sales etc. in the books of accounts of Municipal Corporations. As such, Municipal Corporations could not adopt a uniform accounting procedure in recording the

transactions pertaining to Amma Canteens and each test checked Municipal Corporation adopted a method convenient to it. For example, in the Budget of the CoC for 2014-15 and the other test checked Municipal Corporations for 2015-16, the receipts and expenditure pertaining to Amma Canteens were accounted for in the budget as given in **Table 6.3**.

Table 6.3: Heads of Receipts and Expenditure

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

Source: Budget books of the Corporations

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

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

6.1.5 Subsidy to all people instead of downtrodden people

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

6.1.6 Extra expenditure on purchase of wheat

GoTN approved (July 2013) the proposal of CoC to sell chappaty and dhall in Amma Canteens during evening hours and directed the Tamil Nadu Civil Supplies Corporation (TNCSC) to supply 350 Metric Tonnes (MTs) of wheat per month to CoC at subsidised rate. However, GoTN did not fix price for the wheat to be supplied at subsidised rate. Meanwhile, CoC requested (February 2014) the TNCSC to supply 500 MTs of wheat per month at subsidised

price (i.e. ₹ 7.50 per kg). The TNCSC agreed (February 2014) to supply the required quantity of wheat to CoC and to collect the cost after receipt of orders from Government.

However, it was noticed that in the test checked Zones of CoC, during February 2014 to March 2015, 1,81,450 kgs of wheat was purchased from TNCSC at ₹ 17.25 per kg (the price at which wheat was sold in the open market by TNCSC) instead of ₹ 7.50 per kg. This resulted in extra expenditure of ₹ 17.69² lakh.

6.1.7 Excess expenditure due to purchase of wheat flour

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

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

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

Source: Details furnished by concerned Zonal Health Officers

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

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

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

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

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

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

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

6.1.9 Purchase of Chappati making machines

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

The CoC decided (May 2013) to provide Chappaties in all Amma Canteens during evening time from 6 pm to 9 pm. It required four lakh Chappaties on each day at the rate of 2,000 Chappaties per canteen to meet the demand of the beneficiaries. Hence, the CoC proposed (May 2013) to purchase 15 numbers of fully automatic Chappati making machines for 15 zones so as to make easy the preparation of four lakh Chappaties for 200 canteens. Purchase order for supply of 15 fully automatic Chappati making machines at the cost of ₹ 12.90 lakh per machine plus VAT at the rate of 14.50 per cent was placed (August 2013) with a firm by following the tender procedures. The firm

supplied 14 machines between 18 October 2013 and 19 November 2013 and CoC paid (October and November 2013) ₹ 1.33 crore for nine machines. Technical Analysis Committee found during the trial run conducted in November and December 2013 that the output and the required quality were not as per the specification prescribed/mentioned in the Agreement condition. In response to the show cause notice issued (February 2014) to the firm to rectify the defects, the firm assured (February 2014) to refund the amount of ₹ 1.33 crore if it would not rectify the flaws/problems within 90 days. As the firm did not rectify the defects as per its assurance, the CoC demanded (May 2014) refund of ₹ 1.33 crore paid for nine machines. The firm had neither rectified the defects/replaced with new one nor refunded the amount as per the assurance given. In this connection, the following observations are made:

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

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

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

6.1.9.3 *Additional expenditure incurred due to appointment of additional staff*

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

Table 6.5 : Details about excess SHG members employed

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

Source: Details furnished by the respective Zonal Health Officers

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

6.1.10 Temporary advances pending adjustment – ₹ 6.04 crore

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

6.1.11 Ineffective implementation of social security scheme

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

more than 20 employees and the Municipal Corporations were the employers as per the EPF and MP Act, 1952.

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

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

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

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

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

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

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

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

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

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

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

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

GoTN permitted (November 2013) CoC to open Amma Canteens in the seven³ Government Hospitals in Chennai. Rajiv Gandhi Government General Hospital, Government R.S.R.M. Hospital, Institute of Child Health and Research Institute, Egmore and Government Stanley Hospital fell in the area of Zone - V. On scrutiny of records at Zone - V, it was observed that items listed in **Appendix 6.3** required for Amma Canteens for these four hospitals were procured for each hospital by calling for separate limited quotations from suppliers. There were variations in the rates quoted by successful bidders (L1) for supply of identical items. As all the four hospitals were located in Zone - V, all the required items could have been grouped and purchased through a single tender at a uniform lowest price. The lowest tender in each

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

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

6.1.14 Restriction in preparation of food items

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

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

6.1.15 Conclusion

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

**MUNICIPAL ADMINISTRATION AND WATER SUPPLY
DEPARTMENT**

6.2 Loss of interest

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

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

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

Government of Tamil Nadu (GoTN) directed (May 1983) all the Municipalities and Municipal Townships to keep their funds in interest bearing Savings Bank accounts. Scrutiny of records revealed (February 2014) that seven⁴ Municipalities had kept their funds (April 2011 to March 2015) received from various sources like own revenue, assigned revenue, grants from Government of India, GoTN, State Finance Commission, Central Finance Commission, Centrally Sponsored schemes etc. in Current account with branches of State Bank of India instead of keeping the funds in interest bearing Savings Bank account. Out of these, Vellakoil Municipality had closed its Current account in April 2014 and the remaining six Municipalities had kept their funds in Current accounts till date (March 2015). Had the funds been kept in Savings Bank account, these Municipalities could have earned interest to the tune of ₹ 96.48 lakh⁵ for the period from April 2011 to March 2015 as detailed in the **Appendix 6.4**.

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

6.3 Avoidable expenditure

MADURAI CITY MUNICIPAL CORPORATION

6.3.1 Avoidable payment of interest

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

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

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

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

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

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

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

6.4 Idle investment

NELLIKUPPAM MUNICIPALITY

6.4.1 Idle investment on construction of bus stand and shopping complex

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

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

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

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

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

PALLADAM MUNICIPALITY

6.4.2 Idle investment on creation of new infrastructure

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

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

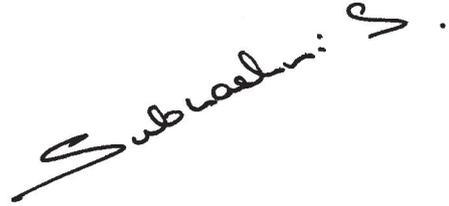
Memorandum of Understanding (MoU) was signed (May 2007) between the Municipality and the TWAD Board for creating infrastructure such as construction of Overhead Tank (OHT) at West Palladam and laying of pipelines for distribution system at a cost of ₹ 23.50 lakh. The TWAD Board awarded (May 2007) the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

Scrutiny of records revealed that the Municipal Council resolved (June 2007) that since water could be pumped to the OHT only after completion of the combined water supply scheme with Pillur dam as source, these two works could be commenced at the stage when water could be pumped to the OHT. Despite non-completion of the above water supply scheme, Commissioner of Municipal Administration (CMA) advised (December 2007) the Municipality to pass a resolution in the Municipal Council for immediate implementation of

drinking water supply scheme. Accordingly, the Municipal Council resolved (December 2007) to permit TWAD Board to construct the two lakh litres capacity OHT and to lay new water supply pipelines within the Municipality for a length of five kilometres. Meanwhile, the work which was commenced in January 2008 (after getting the approval of Municipal Council in December 2007) was completed in February 2009 at a cost of ₹ 23.49 lakh. The TWAD Board handed over (March 2009) the infrastructure created to the Municipality.

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

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



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The 28 March 2016

Countersigned



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Comptroller and Auditor General of India

New Delhi
The 29 March 2016