



ABSTRACT

Second State Finance Commission – Certain recommendations in “Chapter XII – Issues Germane to Terms of Reference” of the report of the Second State Finance Commission relating to Urban Local Bodies permitting the Chennai Metropolitan Water Supply and Sewerage Board to continue its present auditing system - Orders – Issued.

MUNICIPAL ADMINISTRATION AND WATER SUPPLY (MW2) DEPARTMENT

G.O. (Ms) No: 231

Dated :01.12.2009

Read :

- 1) G.O. (Ms) No.518, Finance (Resources) Department, dated 1.12.1999.
- 2) G.O. (Ms) No.103, Finance (Resources) Department, dated 3.03.2000.

Read also:

- 3) G.O.(Ms) No.76, Municipal Administration and Water Supply (Election) Department, dated 2.6.2005.
- 4) From the Managing Director, Chennai Metropolitan Water Supply and Sewerage Board Letter No.CMWSSB/P&A/RA3/24218/2005, dated 20.10.2005.

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ORDER:

The Managing Director, Chennai Metropolitan Water Supply and Sewerage Board has reported that the Government in G.O. third read above, have accepted certain recommendations of the Second State Finance Commission relating to Urban Local Bodies and directed the Board to send necessary proposals to the Government on the items relating to the Board. Among others, the Second State Finance Commission recommends that the Director of Local Fund Audit be made the Statutory Auditor of Chennai Metropolitan Water Supply and Sewerage Board. The Government have accepted this and directed the Board to send necessary proposals to Government.

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2. The Managing Director, Chennai Metropolitan Water Supply and Sewerage Board has further reported that, as per the provisions contained in Section 39(1) of Chennai Metropolitan Water Supply and Sewerage Act 1978 “the accounts of the Board shall be audited by an auditor duly qualified to act as an Auditor under sub section (i) of Section 226 of the Companies Act, 1956 (Central Act 1 of 1956) who shall be appointed by the Board with the approval of the Government and who shall receive such remuneration as the Board may fix”. Section 226 of Companies Act stipulates that Chartered Accountants or firm of Chartered Accountants shall be appointed to audit the financial transactions of the company. Further, as per Section 39(5) of Chennai Metropolitan Water Supply and Sewerage Act, 1978, the Government may at any time appoint an auditor to examine and report upon the accounts of the Board without prejudice to anything contained in sub section (1) to (4) of Section 39 of Chennai Metropolitan Water Supply and Sewerage Act, 1978. In view of the above two provisions in Chennai Metropolitan Water Supply and Sewerage Act, 1978, it may not be possible to appoint the Director of Local Fund Audit as Statutory Auditor of the Board as recommended by the Second State Finance Commission, unless the existing provisions of Chennai Metropolitan Water Supply and Sewerage Act 1978, which is enacted by the Government of Tamil Nadu, is amended suitably.

3. The Board in its Res.No.37/2006, dt.3.1.2006 has accorded approval to appoint the Statutory Auditors as per Chennai Metropolitan Water Supply and Sewerage Act to exempt the Chennai Metropolitan Water Supply and Sewerage Board from appointing the Director of Local Fund Audit as Statutory Auditors of the Board. Hence he has requested the Government to permit the Board to continue the present auditing system and to exempt the Board from appointing the Director of Local Fund Audit as Statutory Auditor of the Board as recommended by the Second State Finance Commission and to issue necessary revised orders in this regard as the existing auditing system is being implemented in the Board very effectively and efficiently.

4. The matter was placed before the High Level Committee in the Meeting held on 22.9.2009 under the chairmanship of Chief Secretary to Government which was empowered to approve projects, targets and their monitoring, under Twelfth Finance Commission grants. It has been observed by the Committee that the accounts of Chennai Metropolitan Water Supply and Sewerage Board are audited and certified by a firm of Chartered Accountants based on the recommendations of Comptroller and Auditor General and are also subjected to Accountant General’s audit and that therefore there is no compelling justification for auditing the accounts of Chennai Metropolitan Water Supply and Sewerage Board by Local Fund Audit. The High Level Committee after detailed deliberations accepted the proposal to permit the Chennai Metropolitan Water Supply and Sewerage Board to continue its present auditing system.

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5. Accordingly, the Government direct that the Chennai Metropolitan Water Supply and Sewerage Broad continue its present auditing system, as agreed to by the High Level Committee.

6. This order issues with the concurrence of Finance Department vide its U.O. No.354/SS(PK)/2009, dated 26.01.2009.

// By order of the Governor//

DR. NIRANJAN MARDI
Secretary to Government

To

The Managing Director, Chennai Metropolitan Water Supply and Sewerage Broad, Chennai-2

The Commissioner, Corporation of Chennai, Chennai-3.

The Director of Local Fund Audit, Chennai-108.

The Accountant General, Chennai-18

The Accountant General, Chennai-35

Copy to:

The Director of Municipal Administration, Chennai-5

The Managing Director, Tamil Nadu Water Supply and Drainage Board, Chennai-5

The Senior Personal Assistant to Hon'ble Deputy Chief Minister, Chennai-9.

The Private Secretary to Secretary, Municipal Administration and Water Supply Department, Chennai-9.

The Finance (FC-IV) Department, Chennai-9

All Sections in Municipal Administration and Water Supply Department, Chennai-9

G.O.Ms.No.76, Municipal Administration and Water Supply Department, dated 2.6.2005

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// Forwarded by Order//

Section Officer