PREFACE

1. This is the fourth report of the Comptroller and Auditor General of India on Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) in Maharashtra. The report for the year ended 31 March 2010 is prepared for submission to the Governor of Maharashtra under Article 151(2) 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 Services) Act, 1971, in respect of financial assistance given to PRIs and ULBs.

3. The Report contains six chapters, Chapter I and Chapter IV relates to the Accounts and Finances of the PRIs and ULBs respectively. Chapter II and Chapter V relates to performance review. The remaining Chapters contain observations arising out of transaction audit of selected PRIs and ULBs.

4. The cases mentioned in the Report are those which came to notice during the course of test audit of financial transactions during the year 2008-10 as well as those which had come to notice in the earlier years.

Overview

The Report comprises six chapters under two sections. Section A includes three chapters containing observations on the Accounts and Finances of Panchayati Raj Institutions, one performance review on 'Jalswarajya Project in Maharashtra' and five transaction audit paragraphs. Section B comprises three chapters containing observations on the Accounts and Finances of Urban Local Bodies, two performance audits on (i) Information Technology Audit of the Property Tax, Water billing and other Citizen Service Modules of Kalyan Dombivli Municipal Corporation (ii) Functioning of Mira Bhayandar Municipal Corporation and 15 transaction audit paragraphs. A summary of major audit findings is presented in this overview.

1 Accounts and Finances of Panchayati Raj Institutions

The allocation from total revenue of the state to Panchayati Raj Institutions showed a declining trend from 18.93 per cent in 2005-06 to 17.38 per cent in 2009-10 as against 40 per cent recommended by the Second Maharashtra State Finance Commission.

All the 33 Zilla Parishads had not finalised (May 2011) their accounts for 2009-10 although the same should have been finalized by 30 June 2010 and the arrears of their accounts and certification by the Chief Auditor, Local Fund Accounts ranged between one and six years. The State Government had so far not implemented the accounting format prescribed by the Comptroller and Auditor General of India.

(Paragraph 1.1. to 1.14)

2 Performance Audit on "Jalswarajya Project in Maharashtra"

Out of 3391 Gram Panchayats selected in the project, 383 Gram Panchayats were deleted from the project for various reasons. The concerned organizations failed to facilitate the formation of inclusive, responsible and skilled, village water supply and sanitation committees and build their capacities so as to empower them to execute the project through participatory process.

The expenditure of ₹ 1.92 crore incurred on community infrastructure became wasteful due to the abandoned works. Unspent grant of ₹ 1.02 crore was not recovered from the 107 Gram Panchayats of two Zilla Parishads though they had completed the projects in all respects. Excess release of grants of ₹ 1.01 crore was not recovered from 91 Gram Panchayats of two Zilla Parishads. Out of 3008 Gram Panchayats in the project, 617 Gram Panchayats have not yet completed the project cycle or were at incomplete stages. Overall delay in completion ranged from 42 to 77 months beyond stipulated period.

(Paragraph 2.1)

3 Transaction Audit Findings - Panchayati Raj Institutions

Improper maintenance of accounts by nine Block Development Officers and lack of control by the Deputy Chief Executive Officers (Village Panchayat) of Bhandara, Chandrapur and Gadchiroli Zilla Parishads resulted in misappropriation of ₹ 33260 and temporary diversion of ₹ 7.84 lakh

(Paragraph 3.1)

Non-recovery of mandatory royalty charges from the contractors by the Zilla Parishad, Solapur resulted in overpayment of ₹ 54.33 lakh.

(Paragraph 3.2)

Failure of Zilla Parishads to monitor and ensure that the fire extinguishers installed in Primary schools were refilled every year resulted in infructuous expenditure of ₹ 3.29 crore.

(Paragraph 3.4)

4 Accounts and Finances of the Urban Local Bodies

The total receipts of all the Municipal Corporations in the State during 2009-10 was ₹ 28860 crore which was higher by 20.38 per cent over previous year. The major contribution in total receipts was from rent, taxes etc (44.04 per cent) and other income (20.93 per cent).

The Government of Maharashtra adopted National Municipal Accounts Manual for implementation from 2005-06. However, seven Municipal Corporations i.e Ahmednagar, Akola, Aurangabad, Amravati, Bhiwandi Nizampur, Dhule and Jalgaon have not implemented double entry accounting system.

In respect of seven Municipal Corporations, finalisation of accounts and audit of annual accounts by Municipal Chief Auditor is in arrear for the period ranging from 2001-02 to 2009-10 and no reports were submitted to the Standing Committee.

(Paragraph 4.1 to 4.10)

5 Performance Reviews on Urban Local Bodies

Information Technology Audit of the "Property Tax, Water Billing and Citizen Service Modules in Kalyan Dombivli Municipal Corporation"

The Kalyan Dombivli Municipal Corporation, initiated e-Governance project for complete computerisation of the activities of the Municipal Corporation in December 1999 with an objective to improve the efficiency of the system and to provide better services to the citizen. It was observed that due to poor design, implementation and monitoring, many deficiencies persisted. Even after 10 years, application modules like Town planning wing etc., could not be put to use. Due to non-availability of *necessary MIS reports in the application modules, generation of bills in respect of all consumers could not be ensured. Weak controls in the system resulted in non-generation of bills, delay in generation of bills, deletion and modification of the data without input documents and proper validation which made the system vulnerable to fraud and manipulation.*

(Paragraph 5.1)

Functioning of Mira Bhayandar Municipal Corporation

Performance Review on the functioning of Mira Bhayandar Municipal Corporation for the period 2005-10 revealed deficiencies in planning and failure to take up new Water Supply Scheme to meet the demand resulting in shortfall of 34 to 44 per cent in Water Supply.

Abandonment of project of production of fertilizer from bio-degraded solid waste after incurring expenditure of ₹82.92 lakh and non-functioning of solid waste management project resulted in improper disposal of solid waste. Delay in appointment of hospital staff resulted in non-functioning of 50 bed hospital constructed at a cost of ₹8.35 crore.

Delay in submission of Detailed Project Reports, non-revision of project cost at current District Schedule Rates, non-inclusion of consultancy and maintenance cost in proposals for underground sewerage project under Jawaharlal Nehru National Urban Renewal Mission for subsequent period resulted in additional financial burden of ₹ 161.15 crore and delayed execution of the project.

Non-levy of tax on larger residential premises, non-raising of demand and irregular deletion of properties resulted in loss of property tax amounting to ₹9.03 crore. Irregular sanction of one Floor Space Index instead of 0.2 Floor Space Index in 15 cases, Transfer of Developments Rights issued against land acquired in No Development Zone area had resulted in granting undue benefit of ₹9.77 crore. Non-utilization of Auto DCR software system and three modules out of seven modules procured for computerization of civic services rendered expenditure of ₹50.83 lakh unfruitful.

(Paragraph 5.2)

6 Transaction Audit Findings - Urban Local Bodies

Akola, Amravati and Aurangabad Municipal Corporations incurred a loss of revenue of ₹9.19 crore due to non-levy of either octroi or cess on entry of goods in corporations areas.

(Paragraph 6.5)

Internal control failure to monitor the erections of mobile towers by Municipal Corporation of Greater Mumbai led to unauthorized construction of these towers and loss of revenue of ₹6.50 crore.

(Paragraph 6.6)

Navi Mumbai Municipal Corporation's failure to acquire land before issue of work order and include standard terms and conditions in the contract resulted in extra expenditure of ₹ 3.43 crore on improvements to Thane Belapur Road.

(Paragraph 6.9)

Transfer of rights to property by Sangli Miraj Kupwad Municipal Corporation instead of development of the property through finance build & transfer basis as was envisaged resulted in loss of asset valuing ₹ 2.57 crore and loss of lease rent of ₹ 4.32 lakh per annum.

(Paragraph 6.10)

Lack of effective internal control and undue favour to the assesses of Ulhasnagar Municipal Corporation in violation of the procedure prescribed under Acts and Rules, resulted in abatement of property tax of ₹ 1.63 crore.

(Paragraph 6.12)

SECTION A

CHAPTER I

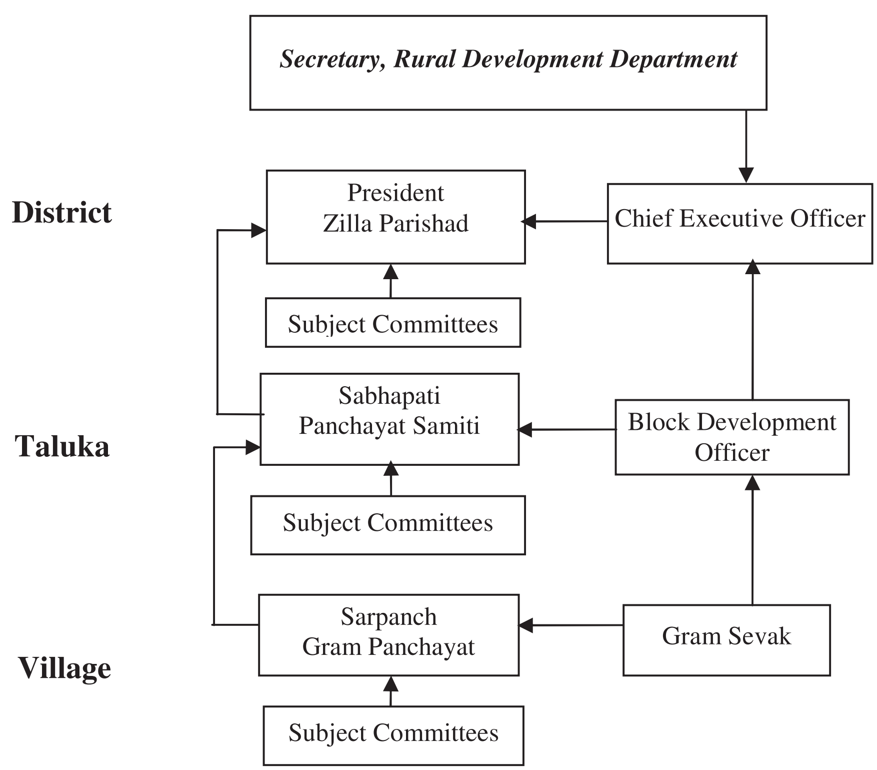
ACCOUNTS AND FINANCES OF PANCHAYATI RAJ INSTITUTIONS

1.1 Introduction

1.1.1 In conformity with the provisions of the 73rd Constitutional Amendment, the Maharashtra Zilla Parishads and Panchayat Samitis Act, 1961 (ZP Act) and the Bombay Village Panchayats Act, 1958 (VP Act) were amended in 1994. A three tier system of Panchayati Raj Institutions (PRIs) comprising Zilla Parishads (ZPs) at the district level, Panchayat Samitis (PSs) at the block level and Gram Panchayats (GPs) at the village level was established in the State. As per the 2001 Census, the total population of the State was 9.69 crore, of which the rural population was 5.58 crore (57.58 *per cent)*. Elections to PRIs were last held in March 2007.

1.2 Organisational Set up

1.2.1 The organisational set up of PRIs in Maharashtra is depicted below:



Chief Executive Officer in ZP, Block Development Officer in PS and Gram Sevak in GP report functionally to respective elected bodies and administratively to their next superior authority in the State Government hierarchy.

There are 29916[1] GPs for 41095 villages in Maharashtra. Gram Sevak, a village level functionary, functions as Secretary to GP and is also responsible for maintenance of accounts and records of GP. However, sanctioned strength of Gram Sevaks is 18431, against which persons-in-position are 17093 only with shortage of 1338. Thus, one Gram Sevak, on an average is working for more than one GP. This by itself poses challenge in discharge of duties particularly in respect of maintenance of accounts.

1.3 Powers and Function

1.3.1 There are 35 districts in Maharashtra. Two districts (Mumbai and Mumbai suburban) do not have rural area; therefore, there are only 33 ZPs in the State. ZPs have departments for Education, Health and Sanitation, Public Works, Social Welfare, Irrigation, Animal Husbandry, Agriculture, Public Lighting and Forests.

1.3.2 ZPs are required to prepare the budget for the planned development of the District and utilisation of the resources. Government of India (GOI) schemes, funded through the District Rural Development Agency (DRDA) and State Government schemes are also implemented by ZP. ZPs are empowered to impose water tax, pilgrim tax and special tax on land and building.

1.3.3 The intermediate tier of Panchayats at the Taluka level in Maharashtra is called PS. There are 351 PSs in the State. PSs do not have their own source of revenue and are totally dependent on the Block Grants received from ZPs. PSs undertake developmental works at the block level.

1.3.4 The VP Act provides for the constitution of Gram Sabha, which is the body consisting of persons registered in the electoral rolls of the villages within GP area. GPs are empowered to levy tax on buildings, betterment charges, pilgrim tax, taxes on fairs/festivals/entertainments, taxes on bicycles, vehicles, shops, hotels *etc*.

1.3.5 Gram Sabhas are required to meet periodically. They select beneficiaries for the State/Central Government schemes, prepare and approve development plans and projects to be implemented by GPs, grant permission for incurring expenditure by GPs on developmental schemes. They also convey their views on proposal for acquisition of land by GPs.

[1] As per information furnished by Government of Maharashtra letter No. PRA 2010/Pra.Kra.-5/Vitta-5 dated 20 August 2010.

1.3.6 The broad accountability structure in PRIs is as follows:

PRIs	Functions Assigned
Zilla Parishad Chief Executive Officer (CEO)	1. Drawal and disbursal of fund 2. Preparation of annual budget and accounts 3. Supervision and control of officers of the ZP 4. Finalisation of contracts 5. Publishing statement of accounts of PSs in the Government Gazette
Chief Accounts and Finance Officer (CAFO), ZP	1. Compilation of the accounts of ZP 2. Providing financial advice
Heads of Departments (HODs) in ZPs	1. According technical sanctions to the works 2. Supervising the work of Class II officers
Panchayat Samiti Block Development Officer (BDO)	1. Drawal and disbursal of funds 2. Acquisition, sale or transfer of property 3. Preparation of statements of accounts
Gram Panchayat Gram Sevak	1. Secretary to the Gram Sabha 2. Execution and monitoring of schemes and maintenance of accounts and records

1.4 Funding of Panchayati Raj Institutions

1.4.1 The District Fund consists of money received from the Central Government, grants for centrally sponsored schemes through state budget, funds from plan and non-plan state schemes, assigned tax and non-tax revenues, receipts of ZPs, interest on investments, *etc*.

1.4.2 In order to tide over the time lag between the approval of the budget and release of grants by the State Government, Ways and Means Advances are released by the Rural Development and Water Conservation Department (RD&WCD) on a monthly basis to ZPs for execution of the schemes/activities/works transferred to them and for payment of pay and allowances to the staff. These advances are finally adjusted out of grants sanctioned by the State Government (Administrative Departments).

1.4.3 Grants released by the State Government to ZP are drawn from the district treasury by ZP. ZP in turn releases the share of funds to PSs and GPs. Reconciliation of fund transfer as per ZP records with treasury is done by CAFO every month.

1.4.4 A fund flow statement depicting the flow of funds to the PRIs is shown in **Appendix I**.

1.5 Devolution of funds

Allocation of funds

The Second Maharashtra State Finance Commission (SFC) recommended (March 2002) allocation of 40 *per cent* of State revenues to Local Bodies (LBs). The State Government while placing the action taken note on SFC's recommendation (March 2006) in the state legislature showed its inability to accept the above recommendation on the ground that they were already giving various grants towards natural calamity, rehabilitation of farmers, assistance for increased electricity bills to farmers. The table below indicates the total revenue of the State (tax and non-tax) *vis-à-vis* allocation to the PRIs as well as to Urban LBs during 2005-06 to 2009-10:

(₹ in crore)

Head	2005-06	2006-07	2007-08	2008-09	2009-10
State[2] total revenue (Tax and Non-tax revenues)	39475.29	47617.49	64476.42	61819.88	67458.95
Amount required to be allocated as per SFC to LBs (40 *per cent)*	15790.12	19047.00	25790.57	24727.95	26983.58
Allocation to PRIs	7472.84	7321.27	8007.34	10501.98	11726.62
Percentage of allocation to State revenue	18.93	15.38	12.42	16.99	17.38
Allocation to Urban Local Bodies (ULBs)	1031.02	2652.27	1351.25	1651.47	1708.89
Percentage of allocation to State revenue	2.61	5.57	2.10	2.67	2.53
Total	8503.86	9973.54	9358.59	12153.45	13435.51
Percentage of allocation to State revenue (Tax and Non-tax revenues)	21.54	20.95	14.51	19.66	19.92

The overall allocation to LBs declined from 21.54 *per cent* in 2005-06 to 19.92 *per cent* in 2009-10. In respect of PRIs, it declined from 18.93 *per cent* in 2005-06 to 17.38 *per cent* in 2009-10.

1.6 Transfer of functions and functionaries

1.6.1 The 73rd Constitutional Amendment envisaged that all 29 functions alongwith funds and functionaries mentioned in the XI Schedule of the Constitution of India would be eventually transferred to the PRIs through suitable legislation of the State Governments.

1.6.2 However, as of March 2010, the State Government had transferred only 15 functions and 3.53 lakh functionaries to PRIs. Non-transfer of functions and functionaries had been commented in the Report of the Comptroller and Auditor General of India (Local Bodies), Government of Maharashtra, for the year ended 31 March 2007, but the State Government has not taken effective action so far in this regard.

1.7 Receipts and expenditure of PRIs

(A) Zilla Parishads

1.7.1 As per the information collected from ZPs, the position of revenue/capital receipts, revenue/capital expenditure in respect of ZPs and PSs for the period from 2005-06 to 2009-10 is as follows. PSs accounts are incorporated in ZP Accounts.

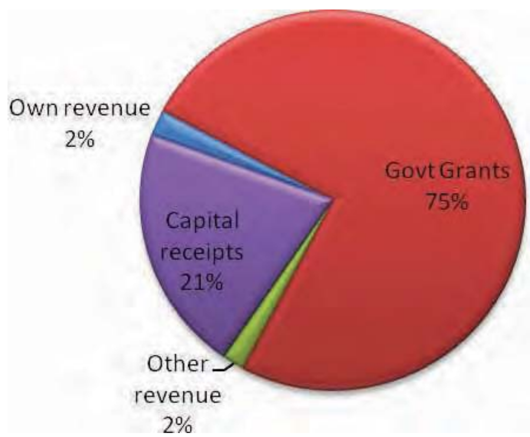
[2] Vide Report of Comptroller & Auditor General of India (Civil), Government of Maharashtra for the year 2009-10

(₹ in crore)

Year	Receipts						Expenditure		
	Own revenue[3]	Government Grants	Other revenue	Total revenue	Capital receipts	Total receipts	Revenue	Capital	Total
2005-06	154	7394	181	7729	2267	9996	7495	1984	9479
2006-07	144	7784	188	8116	2691	10807	8161	2314	10475
2007-08	161	8246	183	8590	2521	11111	8494	1923	10417
2008-09	542	11825	443	12810	3066	15876	11661	3118	14779
2009-10	481	15240	278	15999	3573	19572	15309	3365	18674
Total	1482	50489	1273	53244	14118	67362	51120	12704	63824

Position of receipt from different sources is further described in pie chart below:

ZP Receipts FY 2005-10



Capital Expenditure

Increase in Capital expenditure indicates impetus given to infrastructure development activities in PRIs. However, while revenue expenditure increased from ₹ 7495 crore in 2005-06 to ₹ 15309 crore (104 *per cent*) in 2009-10, capital expenditure increased from ₹ 1984 crore to ₹ 3365 crore (69 *per cent*) only during the same period.

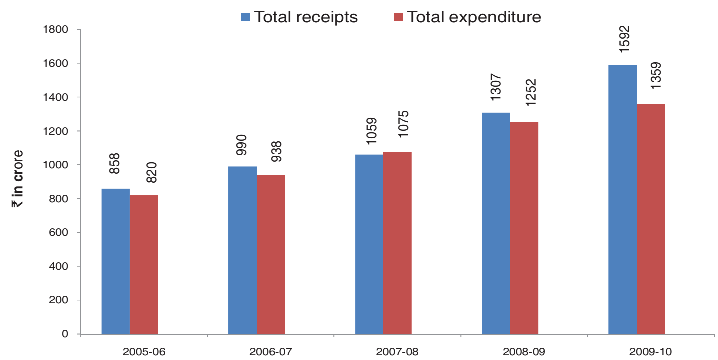
[3] excludes opening balance

(B) Gram Panchayat

(₹ in crore)

Year	Total Receipts					Total Expenditure
	Government grants	Taxes	Contributions	Other receipts	Total receipts	
2005-06	293	381	112	72	858	820
2006-07	376	430	113	71	990	938
2007-08	377	482	131	69	1059	1075
2008-09	524	506	115	162	1307	1252
2009-10[4]	627	525	155	285	1592	1359

(Source : Figures furnished by ZPs)



1.7.2 The following are the component-wise details of the revenue/capital expenditure of GPs and ZPs including PSs during 2007-08 to 2009-10.

(₹ in crore)

Components	GPs expenditure			ZPs & PSs expenditure		
	2007-08	2008-09	2009-10[5]	2007-08	2008-09	2009-10
Education	25	32	29	3917	4768	7280
Health and Sanitation	250	312	297	965	1410	1481
Public Works	423	398	481	692	836	1092
Social Welfare	42	79	66	700	443	523
Irrigation	-	6	9	211	449	429
Animal Husbandry	-	7	6	123	160	213
Agriculture	-	3	2	128	126	180
Public lighting	50	43	34	-	22	56
Forests	-	-	-	6	5	5
Administration	179	235	206	610	907	1166
Other expenditure	106	129	207	1142	2535	2885
Capital expenditure	-	8	22	1923	3118	3365
TOTAL	**1075**	**1252**	**1359**	**10417**	**14779**	**18675**

1.7.3 The works undertaken by the ZPs come under the categories of

[4] Figures furnished by Deputy CEO of Gram Panchayats of all Zilla Parishads (excluding Jalgaon and Raigad) though reminded repeatedly with the latest reminder on 16 May 2011 and to RD&WCD of GOM of 4 April 2011.

[5] Figures furnished by Deputy CEO of Gram Panchayats of all Zilla Parishads (excluding Jalgaon and Raigad) though reminded repeatedly with the latest reminder on 16 May 2011 and to RD&WCD of GOM of 4 April 2011.

(1) ZPs own schemes (2) schemes transferred/funded by the State Government (3) schemes funded by other agencies. From the information received from 29[6] ZPs for the year 2009-10, these ZPs incurred an expenditure of ₹ 15571.24 crore (₹ 13023.88 crore on Transferred schemes, ₹ 1491.19 crore on Agency schemes and ₹ 1056.17 crore on ZPs Own schemes). District wise split up of expenditure incurred on Transferred and Agency schemes and on ZPs own schemes have been given in **Appendix II**.

1.8 Accounting arrangements

1.8.1 Under the provisions of Section 136(2) of ZP Act, the BDOs forward the accounts approved by the PSs to the ZPs and these form part of the ZPs' accounts. Under provisions of Section 62(4) of the VP Act, the Secretaries of the GPs are required to prepare Annual Accounts of GPs. The approved accounts are to be forwarded to the ZPs on the prescribed date. However it has been observed in World Bank Study Report on Public Financial Management and Accountability in PRIs, that there is no uniform accounting practice followed by the GPs and there is no record keeping of assets created. There is no monitoring system adopted for watching the preparation of Accounts and its correctness at PS/ZP level. A performance Audit on quality of maintenance of accounts in PRIs in Maharashtra State was also conducted and commented in Chapter II of the Report of the Comptroller and Auditor General of India (Local Bodies) Government of Maharashtra for the year ended 31 March 2007.

1.8.2 In accordance with the provisions of Section 136 (1) of the ZP Act, CEOs of ZPs are required to prepare every year, statements of accounts of revenue and expenditure of the ZPs along with statements of variations of expenditure from the final modified grants on or before 10 July of the following financial year. These are then required to be placed before the Finance Committee and the accounts are finally to be placed before the ZPs for approval along with the Finance Committee Reports.

1.8.3 The abstracts of the approved accounts of the ZPs/PSs and GPs are prepared by CAFO and forwarded to the Chief Auditor, Local Fund Accounts (CALFA) for audit, certification and publication in the Government Gazette.

Flow Chart of Accounts compilation in PRIs

Annual Accounts of GP prepared by 'Secretaries' of GPs U/s 62 (4) of the Bombay Village Panchayats Act, 1958

Annual Accounts prepared by 'BDOs' of PS and approved by Panchayat Samitis Act, 1958

ZP Statement of Revenue and Expenditure u/s 136(1) of ZPs and PSs Act, 1961

Abstract of approved accounts of ZPs, PSs and GPs prepared by CAFO

Audit and Certification by CALFA and publication in Government Gazette

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[6] Excluding information in respect of Nandurbar, Nashik, Raigad and Sangli though reminded repeatedly with the latest reminder on 16 May 2011 and to RD&WCD of GOM on 4 April 2011

1.8.4 The prescribed date for finalisation of annual accounts of ZPs for a financial year is 30 June of the following year. Accordingly, the accounts for 2009-10 should have been finalised by June 2010. However, it was observed from the information received from 27 ZPs that their accounts for 2009-10 were not finalized. The information has not been received from six[7] ZPs. Arrears in finalisation of accounts by the ZPs and certification thereof by the CALFA ranged from one to six years.

1.8.5 According to Section 136 (9) of ZP Act, the annual accounts of ZPs, duly approved and certified by CALFA for a year, were required to be published in the Government Gazette by 15 November of the subsequent year. However, information regarding the status of publication of the ZPs' accounts made available by the Government indicated arrears of one to two years in publication of annual accounts of ZPs, although procedure for ensuring timely finalisation and publication of the accounts had been prescribed. Arrears in finalisation and publication of accounts is indicative of inefficient internal controls. Absence of a proper management information system and the increasing arrears in finalisation and publication of accounts are fraught with the risk of misappropriations and other irregularities.

1.8.6 Non-adoption of format of accounts

The Eleventh Finance Commission (EFC) had recommended that the Comptroller and Auditor General of India exercise control and supervision over the proper maintenance of accounts of LB. Accordingly, Comptroller and Auditor General of India had prescribed the formats for maintenance of accounts by PRIs in 2002. This was followed by simplified formats in 2007 and 2009. The State Government had issued instructions to the PRIs and instructed ZPs to maintain the annual accounts in the same formats. It is, however, observed that the State Government has not yet amended (August 2010) the Maharashtra Zilla Parishads and Panchayat Samitis Account Code (MZP&PS) and Bombay Village Panchayat (Budget & Accounts) Rules, due to which maintenance of accounts in the prescribed formats were not done by any of the ZPs.

1.8.7 Pending assessment of grants

In order to tide over the time lag between the approval of the budget and release of grants by the State Government, funds were made available to PRIs through ways and means advances for implementation of schemes. The grants were released by the Government to ZPs as the functions had been transferred to them. According to Government orders (May 2000), grants paid to ZPs were required to be assessed by the Heads of the Administrative Departments by July every year. They were to inform Rural Development and Water Conservation Department (RD&WCD) about the amounts recoverable from/payable to ZPs for adjustment while releasing ways and means advances for the succeeding years.

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[7] Chandrapur, Nandurbar, Nashik, Raigad, Sangli and Yavatmal

It was, however, observed that in respect of 10 departments of 22[8] ZPs, there were arrears in assessment of grants as follows:

Sr. No.	Name of department	Period of arrears
1	Education	1998-2010
2	Agriculture	1998-2010
3	Social Welfare	1999-2010
4	Animal Husbandry	2003-2010
5	Public Health	2000-2010
6	Family Welfare	1998-2010
7	Water Supply and Sanitation	2001-2010
8	Women and Child Welfare	1996-2010
9	Minor Irrigation	1998-2010
10	Public works	1998-2010

Government stated (May 2011) that they discontinued (October 2008) the system of releasing grants by ways and means advances to the ZP. The cash grants were released to the ZPs through Budget Distribution System (BDS) by the respective administrative departments[9]. Introduction of distribution of cash grants does not dispense with the system of assessment of grants of different departments in ZPs by the administrative departments.

1.9 Creation of database on finances of PRIs

Twelfth Finance Commission (TFC) had accorded high priority for the creation of database on finances of Panchayati Raj Institutions at the grass root. Accordingly, ₹ 21.84 crore was allocated for the creation of Panchayati Raj Portal. The project of Panchayati Raj Portal had been completed. Government stated (May 2011) that ₹ 20.28 crore from TFC grants was spent for creation of Panchayati Raj Portal. In this project the detailed information of all the VPs in Maharashtra is captured, verified and uploaded on the website of National Panchayati Raj Portal. With this project, general data base regarding information of PRIs and State Schemes has been created. The balance amount of ₹ 1.56 crore has been redistributed to the PRIs (December 2010). It was observed that though the project has been stated to be completed, database pertaining to finance of PRIs has not been created as was provided for in the National Panchayati Raj Portal.

1.10 District Planning Committee

Under Article 243ZD of the Constitution, States are required to form District Planning Committees (DPCs) to consolidate the development plans prepared by PRIs and ULBs. In Maharashtra, District Planning and

[8] Ahmednagar, Akola, Aurangabad, Buldhana, Gadchiroli, Gondia, Hingoli, Jalgaon, Jalna, Kolhapur, Latur, Nagpur, Nanded, Nandurbar, Nashik, Osmanabad, Parbhani, Satara, Sindhudurg, Solapur, Thane and Wardha.
[9] RD&WCD informed (May 2011) the ZPs were to credit the unspent grants as on 31 March 2009. All the ZPs except Nanded credited ₹ 1056.15 crore

Development Councils existing after formation of the State in 1960 were replaced by DPCs constituted under the Maharashtra District Planning Committee (Constitution and Functions) Act, 1998. The Act came into force from 15 March 1999.

Government stated (February 2011) that out of 35 DPCs in the State, 33 DPCs with elected members from PRIs and ULBs were functioning in the state and two DPCs where elections were not held were functioning with nominated and ex-officio members.

1.11 Twelfth Finance Commission Grants

The State Government received ₹ 1983 crore as TFC grants during 2005-06 to 2009-10. Out of this, expenditure of ₹ 1938.80 crore was incurred leaving a balance of ₹ 44.20 crore (September 2010).

TFC grants are to be utilised for purposes specified in the guidelines like repairs and maintenance of water supply schemes, schools, primary health centres *etc.*

Government stated (December 2010) that out of ₹ 1938.80 crore spent so far, ₹ 1260.22 crore (65 *per cent)* has been spent on Water Supply and Sanitation schemes by the PRIs.

1.12 Audit Arrangements

1.12.1 Audit by Chief Auditor, Local Fund Accounts

The Audit of PRIs is conducted by the CALFA in accordance with provisions of the Bombay Local Fund Act, 1930, the Maharashtra Village Panchayat (Audit of Accounts) Rules, 1961 and VP Act. The CALFA prepares an Annual Audit Review Report on the financial working of PRIs for placement before the State Legislature.

It was observed that local fund (transaction) audit of all ZPs and PSs was conducted for the year 2007-08. The Consolidated Audit Review Report for the year 2007-08 prepared by the CALFA was presented to the State Legislature in July 2010. The work of preparation of Consolidated Audit Review Report for the year 2008-09 is under finalization and the same has not yet been submitted to the Legislature.

1.12.2 Audit by Comptroller and Auditor General of India

The Comptroller and Auditor General of India conducts audit of ZPs and PSs under Section 14(1) of the Comptroller and Auditor General's (DPC) Act, 1971. Section 142 of the ZP Act, 1961 also contains an enabling provision for audit by the Comptroller and Auditor General of India.

The Audit of GPs has been entrusted (March 2011) by GOM under Technical Guidance and Supervision (TGS) to the Comptroller and Auditor General of India.

1.12.3 Formation of District Level Audit Committees

The Government directed (March 2001) ZPs to constitute District Level

Audit Committees (DLAC) for discussion and settlement of outstanding audit objections raised by CALFA and Accountant General. The State Government stated (May 2011) that as on 31 March 2010, DLAC had been formed in all the 33 districts. As per performance budget of RD&WCD (2010-11), 20309 Paras (Accountant General: 1806; Local Fund Account: 17358 and Panchayati Raj Committee: 1145) had been cleared during 2008-09.

1.12.4 Outstanding Paras from CALFA Report

As per the report of CALFA for the year 2007-08, 105464 paragraphs in respect of Government funds involving ₹ 4892.93 crore and 42164 paragraphs pertaining to ZPs own funds involving ₹ 935.88 crore were pending for settlement for the period from 1962 to 2008 as detailed in **Appendix III**.

1.12.5 Outstanding Inspection Reports and Paras of Accountant General

Audit observations on financial irregularities and defects in initial accounts/ records noticed during local audit by the Accountant General but not settled on the spot were communicated to the heads of offices and departmental authorities through Inspection Reports. More important and serious irregularities were reported to the Government. Statements indicating the number of observations outstanding for over six months were also sent to the Government for expediting their settlement.

For efficient implementation of the schemes transferred to the PRIs, all deficiencies pointed out by the Accountant General's audit were required to be complied with as early as possible and this would ensure establishing accountability structure in PRIs.

At the end of March 2010, 8393 Inspection Reports containing 15954 paras of ZPs, PSs and GPs issued by Audit were pending settlement. The year-wise breakup of the outstanding reports and paras at the end of December 2010 were as follows:

Year	Inspection Reports			Paragraphs		
	Mumbai	Nagpur	Total	Mumbai	Nagpur	Total
Upto 2005-06	667	1372	2039	1603	2219	3822
2006-07	157	318	475	423	324	747
2007-08	220	2322	2542	559	2414	2973
2008-09	272	1884	2156	852	4168	5020
2009-10	306	875	1181	1213	2179	3392
Total	**1622**	**6771**	**8393**	**4650**	**11304**	**15954**

Arrears in outstanding Inspection Reports and paragraphs indicate weak internal control mechanism in PRIs.

1.13 Conclusion

An overview of the functioning of PRIs in the State revealed that:

- allocations out of the State budget to PRIs were much less than the 40 *per cent* recommended by Second Maharashtra State Finance Commission;
- out of 29 functions listed in the XIth Schedule of the Constitution of India, 15 functions were transferred to PRIs;
- increase in capital expenditure did not commensurate with the increase in revenue expenditure.
- due to non-amendment of the MZP&PS Account Code, maintenance of accounts in the formats prescribed by the Comptroller and Auditor General of India was not done in any of the ZPs;
- arrears in finalization of accounts and certification by CALFA ranged between one and six years;
- Instances of pending assessment of grants and outstanding audit paras indicate weak internal controls.

1.14 Recommendations

- Based on recommendations of the State Finance Commission in respect of devolution of funds to PRIs, State Government may consider devolutions to PRIs to augment their resources.
- In view of the substantial expenditure being incurred by PRIs, on revenue and recurring items with relative lower outlays on capital expenditure, effective steps are required to be taken particularly by ZPs so as to increase the outlays in construction of durable community assets.
- In compliance to the recommendation of XIth Finance Commission and adherence to the 73rd amendment to the Constitution of India, effective steps for early transfer of the remaining 14 functions in the XIth Schedule to the PRIs needs to be taken up on priority by the State Government.
- In view of the unspent balance lying with the ZPs towards funds released for implementation of schemes, mechanism for assessment of subsequent release of grants to ZPs, commensurate with the progress in implementation of scheme and unspent grants lying unutilised needs to be introduced on priority by the respective administrative departments responsible for sanctioning and implementation of the schemes.

The matter was referred to Government (January 2011). Reply has not been received (June 2011).

CHAPTER II

WATER SUPPLY AND SANITATION DEPARTMENT

2.1 Performance Review on "Jalswarajya Project in Maharashtra"

Executive Summary

Government of Maharashtra launched (September 2003) community demand driven Maharashtra Rural Water Supply and Sanitation Project ("Jalswarajya") with World Bank funding. The project was implemented by Government of Maharshtra in 3391 Gram Panchayats in 26 Zilla Parishads to provide 40 litres per capita per day potable water to projected village population. For successful implementation and community participation, process of capacity building, women empowerment etc. were also envisaged in the scheme.

Performance Review on "Jalswarajya Project in Maharashtra" covering the period 2003-10 revealed that as of November 2010, out of 3391 Gram Panchayats selected in the project, 383 Gram Panchayats were deleted from the project for various reasons. The concerned organizations failed to facilitate the formation of inclusive, responsible and skilled, village water supply and sanitation committees and build their capacities so as to empower them to execute the project through participatory process.

The expenditure of ₹ 1.92 crore incurred on community infrastructure became wasteful due to the abandoned works. Unspent grant of ₹ 1.02 crore was not recovered from the 107 Gram Panchayats of two Zilla Parishads though they had completed the projects in all respects. Excess release of grants of ₹ 1.01 crore due to less valuation as stated in the Measurement Books than the grants released was not recovered from 91 Gram Panchayats of two Zilla Parishads. Out of 3008 Gram Panchayats in the project, 617 Gram Panchayats have not yet completed the project cycle or were at incomplete stages. The stipulated period of 18 months was not adhered to. Overall delay in completion ranged from 42 to 77 months beyond stipulated period.

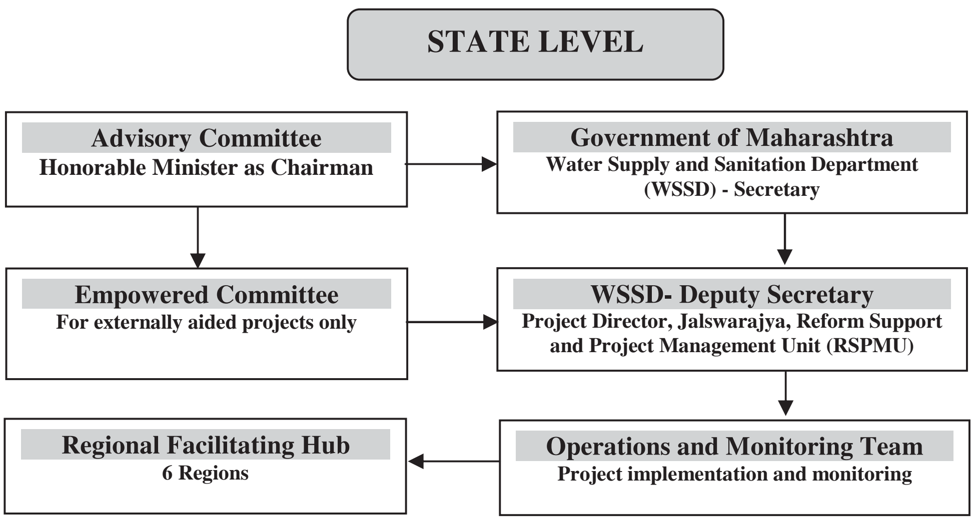
2.1.1 Introduction

Under "National Rural Drinking Water Programme" modified guidelines were issued (April 1999) by Government of India (GOI), to evolve Sector Reform Projects and to involve community in planning, implementation and management of drinking water related scheme. Based on these guidelines, Government of Maharashtra (GOM) launched (September 2003) community demand driven Maharashtra Rural Water Supply and Sanitation Project (MRWSS) (Jalswarajya) with World Bank (WB) funding. The project objective was to improve the access of the rural communities to sustainable drinking water and sanitation services. Out of

33 Zilla Parishads (ZPs) in the State, 26 ZPs[10] were covered under the project excluding those already covered under other drinking water projects funded by GOI and German Development Bank. The project was implemented by GOM from 2003 onwards in 3391 Gram Panchayats (GPs) to provide 40 *Litres Per Capita Per Day* (lpcd) potable water to projected village population. To ensure community participation 10 *per cent* Popular Contribution (PC) (five *per cent* from tribal GPs) was recoverable and balance fund was to be released as per progress of the scheme in installments. For successful implementation and community participation, process of capacity building, women empowerment *etc*. were also envisaged in the scheme.

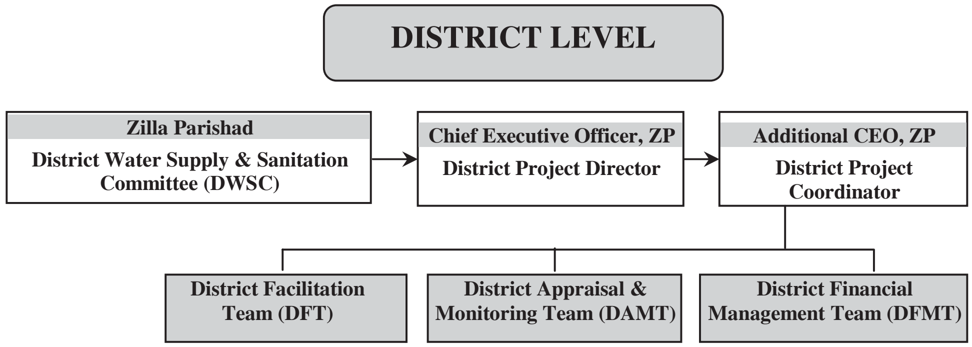
2.1.2 Organisational set up

The organisational set up and the roles and responsibilities at State, District and Village level are depicted as under:

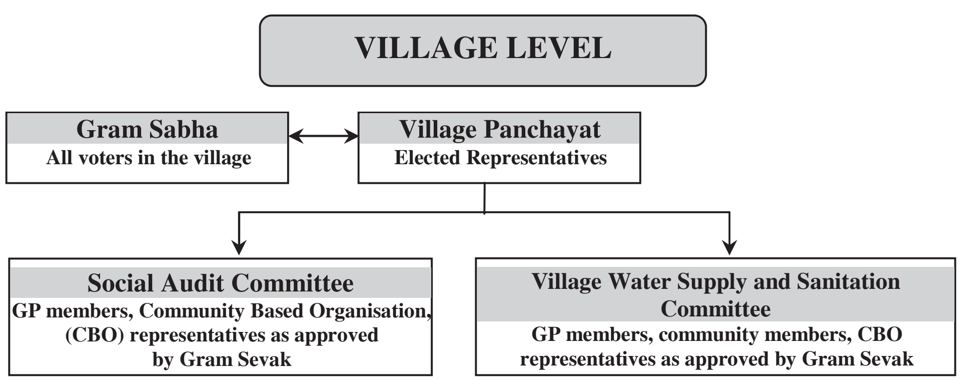


Name of the Functionaries/ Committees/Teams	Roles and responsibilities
Advisory Committee	Advise and recommend measures to the WSSD on strategic and policy issues of the sector
Water Supply and Sanitation Department- Secretary and Deputy Secretary	The Secretary to Government, WSSD, will be in overall charge of the Project. The Deputy Secretary designated as Project Director will manage the day-to-day implementation of the Project
Operations and Monitoring Team	Operationalise the Sector Reforms Policy at the field level and co-ordinate with the district units for smooth Project implementation

[10] Akola, Beed, Bhandara, Buldhana, Chandrapur, Gadchiroli, Gondia, Hingoli, Jalgaon, Jalna, Kolhapur, Latur, Nagpur, Nandurbar, Nashik, Osmanabad, Parbhani, Ratnagiri, Sangli, Satara, Sindhudurg, Solapur, Thane, Wardha, Washim and Yavatmal.



Name of the Functionaries/ Committees/Teams	Roles and responsibilities
District Water Management and Sanitation Committee	DWSC will be the policy making body for the Project at the district level.
District Facilitation Team	Disseminate all relevant information to all Project stakeholders. Plan and implement capacity building programmes for Village Water Supply and Sanitation Committees (VWSCs), GPs, Para-professionals, Supporting Organisations (SOs) *etc*. Monitor the progress as well as the process of Project implementation.
District Appraisal & Monitoring Team	Check the quality of works undertaken, monitor the progress of Village Action Plan (VAP), implementation and conduct of performance audit of VAP, implementation covering technical, social, environmental aspects by engaging an external agency.
District Financial Management Team	Take care of the financial support activities to the district level arrangement and for arranging and co-ordinating the financial audit of Project account of GPs.



Name of the Functionaries/ Committees/Teams	Roles and responsibilities
Village Water Supply and Sanitation Committee	Develop VAP and implement the water supply project as per VAP. Supervise and monitor activities of SOs, consultants and contractors engaged for Project implementation. Prepare documentation on completed water supply and sanitation facilities and hand over the scheme to GP to operate and maintain the water supply and sanitation facilities.
Social Audit Committee	Audit the functioning of the VWSC and its various sub-committees in order to ensure that they carry out their roles and responsibilities in a just and fair manner and not violating the principles of the Project like inclusion, equity, cost-effectiveness, transparency, environmental soundness *etc.*

2.1.3 Audit Objectives

The Audit objectives were to assess whether:

- the planning of implementation of Jalswarajya Project was adequate and effective;
- the system of allocation, release and utilization of fund was done in efficient manner;
- schemes were implemented economically, efficiently and effectively;
- a system for monitoring and internal control was in place.

2.1.4 Audit criteria

The criteria used for the performance audit were:

- State Project Implementation Plan (PIP) prepared (September 2003) in consultation with WB.
- GOM resolutions/orders issued from time to time in accordance with state wide reform policy in Water Supply and Sanitation sector.
- Community Operational Manual consisting of guidelines for villagers to implement project.
- Project Agreement between International Development Association (IDA) and GOM.
- Environmental Assessment Report dated 15 April 2003
- Financial Management Manual for Operations and Monitoring Team (OMT) for GPs and VWSC.

2.1.5 Audit coverage and audit methodology

Out of 26 ZPs, 10 ZPs[11] were selected so as to represent atleast one ZP from each of the six regions[12] in the State where the number of GPs that had completed the project cycle was below 60 *per cent*. Out of 10 ZPs selected, 60 GPs indicated in **Appendix IV**, consisting of one GP which had completed the project cycle, two GPs that had started water supply but had not completed project cycle, two GPs where work was in progress and one GP that was initially selected but dropped from the project were reviewed during August 2010 and February 2011 for the Performance Audit for the period from 2003-04 to 2009-10. The Entry Conference was held with the Deputy Secretary, Project Director and other officers of the RSPMU at Navi Mumbai on 18 November 2010. The Exit Conference was held on 16 May 2011 with the Principal Secretary, WSSD at Mantralaya, Mumbai.

Audit findings

2.1.6 Planning for effective implementation

Before implementation (December 2003) of the project, Osmanabad, Satara and Thane ZPs were selected as pilot ZPs and after obtaining experience it was extended in further six[13] ZPs. Remaining 17[14] ZPs were included (July 2004) only upon successful performance in previously selected nine ZPs. Keeping in line with the demand driven approach of the project, GPs were included in the project adopting self selection process. For effective planning and implementation of the project, VWSCs, Women Development Committee (WDC) and Social Audit Committee (SAC) in all selected GPs and 9708 sub-committees were formed to assist 3391 VWSCs in carrying out procurement, finance and supervision function.

2.1.6.1 Delay in completion of projects

As of November 2010, out of 3391 GPs, project cycle in 617 GPs had not been completed as brought out in Para 2.1.8.2(i). During test check of GPs it was noticed (July 2010 to September 2010) that the work of the project was delayed due to (i) non-availability of freehold land before execution of work (ii) hindrance from farmers leading to change in alignment, (iii) internal disputes among GP and VWSC and (iv) failure of support organizations like Technical Service Provider (TSP). The District Appraisal and Monitoring Team (DAMT) who appraised and cleared the

[11] Chandrapur, Hingoli, Jalgaon, Latur, Nagpur, Osmanabad, Sangli, Thane, Washim and Yavatmal.
[12] Amravati, Aurangabad, Konkan, Nagpur, Nashik and Pune.
[13] Buldhana, Chandrapur, Nagpur, Nashik, Sangli and Yavatmal
[14] Akola, Beed, Bhandara, Gadchiroli, Gondia, Hingoli, Jalgaon, Jalna, Kolhapur, Latur, Nandurbar, Parbhani, Ratnagiri, Sindhudurg, Solapur, Wardha and Washim

VAP failed to monitor the timely acquisition of freehold land and clearance of hurdles leading to delays in project execution.

2.1.6.2 Deletions due to lack of monitoring

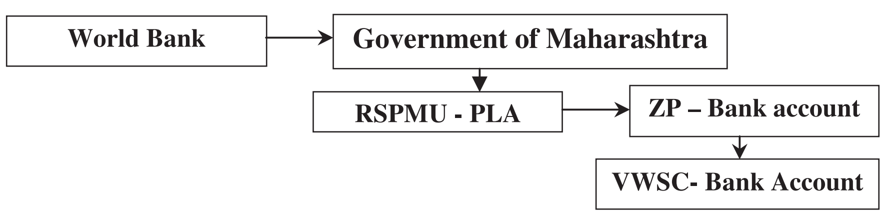
Audit observed that as of November 2010, out of 3391 GPs selected for project, 383 GPs (11.29 *per cent*) were deleted by the District Project Director. In ZP Jalgaon, out of 145 GPs selected, 45 GPs were deleted (31.03 *per cent*). The GPs were deleted due to lack of initiative in the local leadership, unwillingness of community to pay PC, internal disputes, unwillingness of VWSC to work as per terms and conditions of the project, execution of works by VWSC against prescribed norms and slow progress of work. Audit observed (November 2010) that expenditure of ₹ 5.28 crore was incurred in these 383 deleted GPs. The expenditure on capacity building of ₹ 3.36 crore was regularized by GOM. Further, expenditure of ₹ 1.92 crore on community infrastructure such as land, source/tube well, rising main, pump house/machinery and Elevated Service Reservoir (ESR) became wasteful as no water supply facility was provided. The expenditure of ₹ 1.92 crore was not recovered from these deleted GPs (May 2011).

The SOs, Para Professionals, TSPs and ZP level organizations failed in these villages to facilitate the formation of inclusive, responsible and skilled VWSCs and build their capacity so as to empower them to execute the project through participatory process.

2.1.7 Financial Management

2.1.7.1 Funding arrangement

The following chart depicts the flow of funds:



2.1.7.2 The cost of project and reimbursement received from WB upto February 2011 was as under:

(₹ in crore)

Source	Estimated as per Project Implementation Plan	Actual Expenditure	Reimbursement received
World Bank	937.61	845.95	845.95
GOM	377.10	279.32	279.32
Beneficiaries PC	80.82	94.34	94.34
Total	**1395.53**	**1219.61**	**1219.61**

(Source: RSPMU office)

The difference of ₹ 91.66 crore (₹ 937.61 – ₹ 845.95 crore) between estimated WB receipt and actual reimbursement was due to foreign exchange rates.

The Financial profile of 10 test checked ZPs as on February 2011 was as under :

(₹ in crore)

Receipt from WB/GOM	Beneficiaries contribution	Total receipt	Total expenditure
440.16	18.59	458.45	455.45

(Source: RSPMU Office)

2.1.7.3 Non-recovery of Unspent Grants

Unspent grant of ₹ 1.02 crore was lying in Bank account of 107 GPs in two ZPs[15] who had completed the project cycle. VWSCs replied (October 2010) that the unspent balance was due to payments to be made to the contractors, TSPs, suppliers and accounts would be closed and the money would be recovered by November 2010. However, no documentary evidence was produced in support of this claim (May 2011).

2.1.7.4 Non-recovery of excess release of Grants

The valuation of work done as per the Measurement Book was less than the amount of the grants that were released by ₹ 1.01 crore in 91 GPs of two ZPs[16] and hence the excess grants were to be recovered. The recovery was under progress (May 2011).

2.1.7.5 Irregular collection of Popular Contribution

For establishing ownership of the project among the users, 10 *per cent* PC (5 *per cent* PC for tribal GP) was to be collected from the users. GP shall open a separate Bank account in the nearest nationalized Bank or co-operative Bank.

Following discrepancies were noticed (September and October 2010) in test checked GPs.

Name of ZP	Name of GP	Remarks
Chandrapur	Sagara	The contractor had claimed reimbursement of expenditure inclusive of ₹ 1.60 lakh towards PC paid by him
Chandrapur	Chekthanevasna	Out of PC of ₹ 4.63 lakh collected only ₹ 0.70 lakh was accounted for in PC register
Latur	Dhondihipparaga	The VWSC members confirmed in joint survey report regarding payment of PC and advance Operation and Maintenance contribution by some beneficiaries;

[15] Thane (₹ 93.48 lakh) and Yavatmal (₹ 8.78 lakh)
[16] Chandrapur (₹ 36.67 lakh) and Washim (₹ 64.55 lakh)

		however details of sums paid was not disclosed.
Thane	Ambiste	Out of ₹ 6 lakh paid by VWSC to the contractor for work done, the contractor deposited ₹ One lakh on same day by transfer entry in bank account of VWSC which was considered as receipt as PC.
Thane	Junandurkhi	VWSC had deposited ₹ 5 lakh in their nearest branch bank account through Demand Draft drawn on another bank located at taluka place which was indicative of PC being contributed other than by users of the scheme.
Yavatmal	Savargaon	VWSC had withdrawn ₹ 1.55 lakh in cash on 10 March 2008 and deposited ₹ 1.40 lakh and ₹ 0.15 lakh on same date and 18 March 2008 respectively by diversion of the scheme grant.

In the exit conference (May 2011) it was agreed that RSPMU was aware about the payment of PC by contractors and other than by the users and it was explained that other alternatives were being examined. This would not only go against the spirit of public participation but also had a bearing on the quality of the work executed by the contractors who have paid the PC and got the work allotted to them.

2.1.7.6 Certification by Chartered Accountants

As a demonstration of good practice, each of the GPs implementing the project was required to submit audited statements of expenditure and audit reports for the project within six months after the close of the financial year. Scrutiny (February 2011) of RSPMU office records revealed that though the Chartered Accountant's (CA) reports were due for submission (October 2010), as of January 2011, accounts of only 2197 GPs out of 3008 GPs in the project had been audited by CA for the financial year 2009-10, as 811 GPs had not finalized the accounts. Thus, time schedule prescribed was not adhered to.

2.1.8 Implementation of sub-project

2.1.8.1 Community Development

The Jalswarajya Project was a major shift from the earlier supply driven projects to demand driven mode and hence needed investment in community participation, mobilization and strengthening of GP. In order to achieve the set objectives, community development component was the major aspect. It aimed at mobilization and empowerment of the primary stakeholders of the project *i.e.* rural community; to build their capacity for planning, implementing; monitoring the new scheme and to build the institutional capacity of the GP. Community Development component aimed at Community Capacity Building (CCB), Women Empowerment Fund (WEF) and Gram Panchayat Strengthening Fund (GPSF).

Following observations were made during audit :

(i) In GP Chekthanevasna, ZP Chandrapur, out of ₹ 2.89 lakh received (December 2004 and 2005) for CCB, only ₹ 1.68 lakh was spent and saving of ₹ 1.21 lakh was refunded to ZP office. Out of the saving, an amount of ₹ 0.69 lakh was due to non-payment to SO who had not extended proper co-operation and guidance for capacity building. This resulted in non-utilisation of fund of CCB fully for the capacity building. In reply VWSC stated (September 2010) that initial source selected by TSP was having hard strata. Due to non-cooperation from TSP, new TSP was appointed and new source was selected by him after revising estimate. Thus, improper guidance by SO for CCB resulted in change of source, estimate and delay in completion of the project.

(ii) In deleted GP Kurwel, ZP Jalgoan, an amount of ₹ 0.37 lakh was released to SO though effective CCB was not done. The bills and vouchers were blank and payment was released without ascertaining the details of expenditure incurred. Recovery of ₹ 0.37 lakh was not made from SO by Committee/President. In absence of valuation of work done, VWSC had incurred expenditure of ₹ 7.42 lakh against ₹ 7.37 lakh released (September 2007) for digging of tube well, purchase and installation of submersible pump, construction of pump house, purchase of starter and construction of open gutters. However, the works remained incomplete. Inadequate CCB by SO/TSP and irregular implementation by VWSC resulted in idle assets which led to unfruitful expenditure of ₹ 7.42 lakh and deletion of GP Kurwel from the project.

(iii) Under Sanitation and Hygiene Promotion Centre Program, GOM sanctioned (November 2009) additional works of ₹ 1.60 lakh to Government Tribal Ashram School, Belda, ZP Nagpur. These works included drinking water facility (Rain Water Harvesting), bathroom facility and other works. Scrutiny of records (August 2010) revealed that ZP Nagpur released (February 2010) ₹ 1.36 lakh being 85 *per cent* first installment and prepared a cheque for remaining amount of ₹ 0.24 lakh to account 100 *per cent* expenditure. Government Tribal Ashram School could complete the work of Rain Water Harvesting only by incurring an expenditure of ₹ 0.37 lakh which was inclusive of ₹ 0.03 lakh paid to TSP. Remaining works were not started and fund of ₹ 0.99 lakh remained blocked with the school (August 2010). DFT, Nagpur replied (August 2010) that even after follow up, the school had not responded to start the remaining work. Therefore, fund of ₹ 0.99 lakh would be recovered.

(iv) In GP Kasegaon, ZP Sangli, the estimate prepared by TSP (M/s Rajarambapu Institute of Technology) was not proper. Vertical pipes for ESR and distribution system for extended area of GP were not taken into account in original VAP. The VAP was revised to include items such as (i) switch room on the banks of Krishna river, pile foundation proposed for switch room above flood line (ii) rising main D.I. pipes instead of C.I. pipes and (iii) estimate for fencing of ESR and WTP. Proper planning was not made at estimate stage by TSP which resulted in revision of VAP cost from ₹ 1.61 crore to ₹ 1.76 crore and delay in completion by 31 months. Further, works were executed before receipt of sanction of revised VAP. GP stated (August 2010) that through oversight, some sub-works were not included in original estimate. At the time of actual implementation, technical changes were needed resulting in excess expenditure.

(v) In GP Kaudgaon, ZP Osmanabad, 12 borewells were constructed and source of borewells was strengthened by rain water harvesting. However, due to use of sub-standard filter media, the water of borewells got contaminated and hence villagers stopped the rain water harvesting after one year to avoid spreading of water borne diseases. Thus, expenditure of ₹ 1.73 lakh incurred was unfruitful as proper guidance in this regard was not given by SO/TSP. VWSC Kaudgaon stated (September 2010) that VWSC was unaware about technical items.

(vi) As per guidelines of the project, advance O&M charges were to be collected by VWSC before completing the project cycle. It was observed (October 2010) that in GP Hivarapen, ZP Washim, though GP had completed the project cycle, advance O&M charges was not collected by VWSC. In reply VWSC stated (October 2010) that many guidelines were issued by ZP team to GP/VWSC for collection of advance O&M charges, however, non-cooperation of GP strengthened the tendency of beneficiaries towards non-payment of tax.

(vii) Non-execution of components

The project envisaged two complementary pilots comprising of (a) an incentive fund for ZPs for development of market place and (b) an incentive fund for GPs for implementing Village Development Plan (VDP) and Panchayat Development Plan. However, it was observed (November 2010) that the components of ₹ 29.67 crore were not executed as detailed below:

- At the ZP level the pilot incentive fund component was to be implemented in nine ZPs[17] over a period of three years. ZP incentive fund for pilot projects of ₹ 6.92 crore was not utilised due to non-receipt of proposal from ZPs and hence the component was dropped at the midterm review with WB. GOM failed to motivate the ZPs in taking up projects to avail the incentive fund.
- An incentive fund component of ₹ 11.46 crore was estimated to be implemented in 25 selected GPs each in nine initial ZPs (225 GPs) over a period of two years and supported over a period of four years for implementing the component. The GP was to contribute 15 *per cent* of their total cost of the plan as their contribution. GP incentive

[17] Buldhana, Chandrapur, Nagpur, Nashik, Osmanabad, Sangli, Satara, Thane and Yavatmal.

fund was started in nine ZPs (April 2005) and one GP was selected in each block of project ZPs. Orientation workshops were conducted (April to July 2006) and selected GPs were trained at YASHADA, Pune for capacity building (May and June 2006). GOM proposed (2006) to implement the component in 105 GPs in first phase. Audit observed that RSPMU restricted (2008) the implementation to 32 GPs of six[18] ZPs and as of February 2011 fund utilized was ₹ 3.53 crore only. In the exit conference (May 2011) RSPMU clarified that the ZP incentive fund was not implemented as no proposal was received from ZPs and though 105 GPs were selected, finally only 32 GPs implemented the component. Thus, fund of ₹ 7.93 crore remained unspent and the purpose of the component to build the capacity of GPs for effective decentralization and devolution was not achieved in 193 GPs.

- Operation and Maintenance Pilot Fund of ₹ 14.97 crore was estimated to develop an O & M capacity building model for drinking water supply schemes implemented earlier which were outside the purview of project's community infrastructure component and to prepare an action plan for scaling up the model to eventually cover the entire State. Under this component the pilot activities were to be carried out initially in nine ZPs, selecting three to five GPs in each ZP where investment in infrastructure was to be made. Audit observed that the component was not implemented by RSPMU office. Non-implementation of component resulted in depriving funds of ₹ 14.82 crore to 27-45 GPs from initial nine ZPs and 45-75 GPs from 15 ZPs. In the exit conference (May 2011) RSPMU clarified that the component was to be taken up in those GPs where water supply schemes other than Jalswarajya existed and to avoid more burden on RSPMU this component was not implemented.

(viii) Blocking of Women Empowerment Fund

Community Development and Infrastructure Building envisaged the formation of WEF in each participating GP. The WEF activities were implemented through Women Development Committee WDC. The skill development training was to be provided to eligible women members in the community on different vocations so as to enable them to start income generating activities. The fund was to be revolved among the Self Help Groups (SHGs) formed in participating GPs.

Scrutiny of records of 22[19] GPs, revealed that WDC had executed agreements with SHGs regarding seed money provided to start income generating activities. The seed money was to be refunded within specified period along with interest agreed upon. However, seed money of ₹ 14.11

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[18] Chandrapur, Nashik, Sangli, Satara, Thane and Yavatmal

[19] ZP Chandrapur: GP Chandankheda, Mokhala, Padoli and Pimpalkhut,
ZP Nagpur: GP Banpuri, Borda, Dehgaon-Rangari, Panjari and Potachankapur,
ZP Thane : GP Ambiste, Ashele, Shenve and Vangaon,
ZP Yavatmal: GP Jarang, Mandava, Rudha, Sarai and Savargaon,
ZP Washim: GP Bramha, Hivarapen, Poharadevi and Shelgaon-Bagade

lakh was not refunded by SHGs to WDCs and had remained blocked with SHGs for the period ranging from 12 to 54 months. In reply (July 2010 to October 2010) WDCs stated that seed money would be recovered and revolved among the SHGs. In the exit conference (May 2011) RSPMU stated that instructions had been issued to Gramsevak and Local Fund Audit to ensure the recovery of seed money. However, as per GOM circular (May 2008), seed money was fund of GP and hence the responsibility of accounting and recovery was of concerned GPs. Non-refund of seed money resulted in non-revolving of fund among other needy SHGs and they were deprived from the benefit of income generating activities.

2.1.8.2 Community Infrastructure

At GP level, the project was to be implemented within 18 months to carry out various activities of following phases.

Project Cycle Phase	Implementation duration
Community mobilisation	One month
Village Level Planning	Four months
Appraisal and Sanitation	One month
Community implementation	Nine months
Operation and maintenance	Three months

(i) Inordinate delay in exit of GPs from the project

Audit observed (December 2010) that as of 30 November 2010, the batch wise status of the GPs in the project was as under:

Batch	Pilot	Batch I	Batch II	Batch III	Total
Month of GP selection	January 2003	April 2004	April 2005	December 2005	
	----	March-April 2005	September-December 2005	----	
Target Date	July 2004	October 2005	October 2006	June 2007	
	----	October 2006	June 2007	----	
No. of GPs selected	26	224	486	567	3391
		431	1657		
No. of GPs deleted	3	50	259	71	383
No. of GPs under project	23	605	1884	496	3008
No. of GPs completed the project cycle	20	489	1514	368	2391
No. of GPs incomplete/ not completed the project cycle	3	116	370	128	617

The above table showed that 617 GPs had not completed the project cycle or were at incomplete stage and thus, the schedule of 18 months was not adhered to. On success of GPs selected in Pilot Batch and Batch I, GPs in

Batch II and Batch III were selected. However, still three GPs of Pilot Batch and 116 GPs of Batch I had not yet completed the project cycle or works were at incomplete stage. This resulted in inordinate delay and purpose of selection of these GPs well in advance was not achieved. The overall delay in completing the project ranged from 42 to 77 months (December 2010).

In this regard, RSPMU stated (November 2010) that the project process laid down at the GP level was demand driven approach and also involved huge amount of social mobilization to be implemented by community. The processes were time consuming, therefore, none of the GPs of the project had completed the project cycle within 18 months. Since, number of GPs to be exited through multiple processes from the project were substantial, it was not possible to monitor each GP for the exit process. Also each phase of the project cycle was completed in different durations in the GPs and hence only broad parameters of physical and financial completion at GP level was monitored.

The reply is not acceptable as the project cycle of 18 months was extended upto 36 months. Inspite of that, the project cycle was not adhered to and GPs selected in 2003 and 2004 could not complete the project cycle. Also as these factors were known to the RSPMU in the initial stages, proper planning and monitoring should have been ensured for efficient implementation of the projects in time.

In the exit conference (May 2011) RSPMU stated that 384 GPs had been deleted and only 222 GPs remained incomplete as of April 2011.

(ii) Water Recharge and Source Strengthening

Based on the information generated during the participatory appraisal and community mobilization process, the community was to search for alternate sources and technical options to solve water supply and sanitation problems. In order to do so, the existing assets and sources were to be evaluated for assessing the feasibility of rehabilitating, rejuvenating or augmenting. While scouting for the initial available menu of solutions, sufficient consideration was to be given to traditional water sources, water conservation and recharge measures *etc*. The source was to be certified by the Geologist being member of DFT and VAP submitted by VWSC was to be approved by DAMT. Audit observed that the failure of the district authorities in planning and monitoring resulted in failure of source sustainability as indicated below:

(iii) Source sustainability

In GP Sumthana, ZP Latur, the original source well constructed failed after incurring expenditure of ₹ 1.51 lakh resulting in construction of another well at different source and revision of VAP cost from ₹ 18.89 lakh to ₹ 20.68 lakh. Thus, the selection of source initially was not proper. GP stated (September 2010) that due to non-availability of source of water, excess expenditure was incurred and project was delayed.

(iv) Water Recharge Sustainability

To meet the water quality demand, rain water harvesting was done for source strengthening. This was to be executed as support facility in addition to main water supply scheme. The project has to run for next 20 years, thus all these facilities need to be protected by the implementing agencies. The deficiencies in maintenance of water recharge are discussed subsequently.

- In GP Phalegaon, ZP Hingoli, the rain water harvesting work was undertaken at a cost of ₹ 2.28 lakh. Site visit by audit team and VWSC (October 2010) revealed that caps and joints of PVC pipe lines were removed, thus defeating the purpose for which the work was executed. GP stated (October 2010) that the said work was destroyed by animals and would be got repaired. The reply is not acceptable as the work should have been regularly monitored by GP for proper use of the facility.
- In GP Bhingi, ZP Hingoli, nine rain water harvesting works executed were broken and the borewells to whom they were connected were also not in use. GP stated (October 2010) that the destruction was by animals and would be got repaired.
- In GP Banpuri and Panjari of ZP Nagpur, rain water harvesting work proposed for ₹ 0.75 lakh were not executed. GP stated (August 2010) that the works would be executed later on.
- In GP Adgaon of ZP Jalgaon, work of roof top harvesting of ₹ 0.57 lakh incorporated in original VAP cost was deleted in revised VAP cost. GP stated (August 2010) that for executing additional works as per demand of villagers, the water recharge work was deleted.

Thus, in all these GPs, the purpose of water recharge work was not served.

(v) Watershed Recharge

VWSC, Nitur, ZP Latur had selected two sources at different places. Water supply was started from source well in downstream of Tajpur storage tank which was washed away (September 2010) due to heavy rain. The villagers would not get sufficient water supply as the source would run dry since watershed recharge facility from the storage tank was not available. Though another source well on bank of Manjara river was constructed, water supply was not started due to incomplete rising main. The GP had received ₹ 87.15 lakh upto May 2010 and was having balance of ₹ 17 lakh in Bank account (September 2010). In reply (October 2010) VWSC Nitur confirmed the facts and stated that efforts would be made to complete the work. The reply is not tenable as the GP was having sufficient fund and could have built another sustainable source well. However, due to dispute on rates of material procured, which were much more than the Jalswarajya rates fixed, the fund was not used. The ZP office also failed to timely resolve the issue. In reply ZP stated (October 2010) that decision on dispute of rates would be taken shortly.

(vi) Water Supply Sustainability

In GP Sarai, ZP Yavatmal, the need of daily demand after completion of project was 53628 litres on the basis of 40 lpcd norms and for projected population for the year 2021 was 73129 litres. However, VWSC Sarai had constructed ESR of 40000 litres only which was not even sufficient to cater to the needs of the current demand.

GP stated (October 2010) that water supply was done twice a day but there would be problems in future.

(vii) Delay in completion of works

As per PIP, the project at GP level was to be implemented within 18 months to carry out various activities. Scrutiny of records relating to implementation in 20 GPs (**Appendix V**) of 10 selected ZPs revealed that most of the VWSCs were able to complete the works such as source well, rising main and distribution system. Sub-works which required skill and technical knowhow such as ESR, GSR, WTP, filter media and obtaining of permission from various departments remained incomplete and resulted in inordinate delay of five to six years beyond the stipulated period of 18 months. The reasons for inordinate delay were improper planning, lack of skilled labour, delay in obtaining electric connection, escalation in estimated rates, non-availability of land for ESR/WTP, internal dispute, opposition to install the pumping machinery, labour problem, delay in getting sanction to ESR/WTP as per revised design. As of November 2010, work remained incomplete in case of 478 GPs out of 3008 GPs in the project. It resulted in delay in providing benefit of drinking water in time to the targeted population of 13.79 lakh and compelled them to fetch water from existing source or to depend on tanker water supply. In reply VWSCs confirmed (August 2010 to October 2010) the facts and assured to complete the project work at the earliest.

Incomplete ESR at GP Umadi, ZP Sangli

Incomplete WTP at GP Umadi, ZP Sangli

(viii) Failure in selected GPs

As per exit procedure, the VWSC has to recover O&M fund six months in advance and handover the scheme to the GP. In GP Mokhala, ZP Chandrapur, though project was completed (August 2008), water tax of

₹ 2.48 lakh was outstanding beside O&M funds (August 2010). Thus, after two years of exit of the GP, it could not recover the O&M fund and arrears of water tax amounting to ₹ 2.48 lakh.

(ix) Community, School and Environmental Sanitation Infrastructure

The component of Community, School and Environmental Sanitation Infrastructure was to assist in providing the infrastructure to support the GOM's strategy for providing total sanitation. The GOM's strategy recognized that total sanitation should go beyond the installation and use of latrines by adopting suitable measures like drainage/soak pits, safe garbage, compost pits and school sanitation. Community rewards was to be instituted to encourage achievement of 100 *per cent* participation and sanitation by the community as the project fund of 11.42 *per cent* was envisaged for this component.

- During initial phase of the project as per PIP, sanitation work such as drainage (gutters), soak pits, compost pits, women sanitary complex, lane improvement and some other works were proposed for providing sanitary facilities in villages. As of November 2010, out of 2126 sanitation works proposed, 2097 were completed, 14 were in progress and 11 were not started.
- In GP Hivarapen, ZP Washim, the sanitation work such as underground gutter, soak pits and individual soak pits amounting to ₹ 2.12 lakh were included in original VAP sanctioned (February 2007). However, these works were deleted at the time of revision (March 2010) of VAP due to increase in the cost of the project.
- Promotion of Open Defecation Free (ODF) villages and to increase community awareness towards use of toilets was one of the major objectives of the project. All project villages were to achieve atleast 50 *per cent* ODF status before exit of villages. As of December 2010, out of 3008 GPs under project implementation, 2880 GPs became ODF (96 *per cent*). In 2003, out of 11.57 lakh households, 9.11 lakh (79 *per cent*) households and schools were having Individual House Hold Latrines (IHHL). Ministry of Rural Development, GOI, is promoting environment sanitation in rural community through incentive based prestigious award "Nirmal Gram Puraskar" (NGP). State level status report (September 2009) revealed that out of 3008 GPs in the project, 1159 GPs received NGP which was 38 *per cent* of GPs in the project. GP Marsul, ZP Hingoli, had received NGP during 2008-09. However, on site visit to GP (October 2010), it was observed that open defecation on roads still continued. VWSC stated (October 2010) that some villagers had negative tendency for use of toilets and efforts were being made to encourage them to use toilets.
- In GP Koregaonwadi, ZP Osmanabad, ODF status was only 10 *per cent* which was far below the minimum requirement of 50 *per cent*.

Out of 90 households only 10 were having IHHL. GP was having one 10 seater toilet complex. In reply VWSC stated (September 2010) that as the topography of village land was of hard strata, soak pits could not be executed. Therefore, it was decided to construct public toilet complex from other schemes. Reply is not tenable as the stratum of the village land was known earlier and accordingly plans should have been finalised.

2.1.9 Monitoring and evaluation

The project envisaged process, progress and performance monitoring at various levels and evaluations to assess the performance, outcome and impact of entities in delivering the project objectives.

2.1.9.1 Water Quality Monitoring

The objectives of the component was to institute an effective water quality monitoring system so as to ensure safe water to the communities. An amount of ₹ 17.40 crore was utilised for activities such as (i) providing user-friendly water quality testing kits and training to schools, women groups and VWSC members at the village level to check the residual chlorine in water samples on a daily basis. (ii) supported a State-wide orthotolidine[20] testing of all drinking water sources and subsequent follow up measures and (iii) Public Health Laboratories at the district level were equipped for testing physical, chemical and biological parameters of water quality.

(i) In GP Mokhala, ZP Chandrapur, the villagers were not getting water supply at full pressure and hence the distribution system above ground level and taps connected thereto were removed. They dug and constructed pits below ground level to collect and fetch the water by small utensils. It led to poor water quality and contamination. In reply (September 2010) while confirming the facts, GP stated that some area of the village is at high altitude. Therefore, valves would be installed for uniform, sufficient and adequate distribution.

GP Mokhala, ZP Chandrapur

(ii) Water Quality

To address the issue of water quality in State, chemical testing of water quality was completed under Jalswarajya project in 2005-06 under which 2,78,939 samples of drinking water sources from 35049 villages were collected and analysed. Major five parameters *viz.* Nitrate, Fluoride, Chlorine, Iron and Total Dissolved Solids were considered for chemical testing. Out of total villages, the water quality in 9845 villages was found

[20] Formation of yellow colour on addition of 0.1 ml of orthotolidine solution to 10 ml of chlorinated water indicates the presence of chlorine.

to be affected in the State. In Jalswarajya project out of total 4392 villages, 1075 villages were affected in terms of the five parameters being above the permissible limit. New water sources were selected wherever necessary. All districts were instructed to conduct water quality analysis twice in a year to analyse the chemical contamination of water.

(a) From analytical reports of tests conducted by District Laboratory, parameter wise chemical testing revealed that content of parameters was above the permissible limit in the following villages:

Name of GP and District	Alkalinity		Total Hardness		Permanent Hardness		Total solids		Nitrate		Turbidity		Chlorine	
	L	A	L	A	L	A	L	A	L	A	L	A	L	A
GP Rudha/ Yavatmal	200 ppm	322 ppm												
GP Mandva/ Yavatmal	200 ppm	460 ppm	300 ppm	326 ppm							10	460		
GP Sarai/ Yavatmal									100 ppm	Excess				
GP Padoli/ Chandrapur			300p ppm	388 ppm	100	148	500	1228					250 ppm	800 ppm
GP Chekthane-vasna/ Chandrapur			300 ppm	410 ppm			500	845.24						
GP Dehgaon Rangari/ Nagpur	200 ppm	370 ppm	300 ppm	410 ppm										

L= Limit, A= Actual, (Source – GP Water testing reports), ppm – part per million

District Laboratories suggested to the GPs to use drinking water after treatment and disinfection and GPs replied (August and September 2010) that needful would be done.

(b) In GP Koregaonwadi, ZP Osmanabad source well was in back water of a percolation tank. The sugarcane field was nearby (100 mtrs) the source well. There was possibility of chemical contamination due to use of inorganic fertilizers in sugarcane field as indicated in the Environmental Assessment Report (April 2003) by Ground Water and Survey Development Agency (GSDA). In reply VWSC stated (September 2010) that farmers would be encouraged to have different cropping pattern without using fertilizer for crops.

Sugarcane field near source well at GP Koregaonwadi, ZP Osmanabad

Excess irrigation and use of chemical fertilizers for sugarcane had led to decline of ground water table and contamination with the Nitrates.

2.1.9.2 Evaluation of sub-projects by external agency

According to the implementation programme envisaged in project agreement (September 2003) between International Development Agency and GOM, GOM was to ensure: (i) an evaluation of the first batch of sub-project to be carried out in tribal settlements not later than 31 December 2005, (ii) at the beginning but not later than 31 March 2004, RSPMU should have regular technical, social, environmental and process Audits of the project undertaken at six monthly intervals by external independent agencies and (iii) the land requirements needs to be assessed and the availability of freehold land ensured.

Against the schedule date of evaluation in December 2005, the first round of evaluation of tribal development component was conducted only in October 2006 and second round between November and December 2009. Technical audit was conducted in May and June 2010, instead of prescribed date of 31 March 2004 and the reports from external agencies (M/s Samarth Engineers, Pune and Government Engineering College, Aurangabad) were awaited (May 2011). Process audit was conducted in October 2007 and December 2008 as against March 2004. Environmental Assessment Report was prepared (April 2003) by RSPMU and GSDA. However, separate environmental Audit was not conducted. RSPMU had undertaken (August and December 2009) an inter-village community monitoring exercise. These audits were not conducted at intervals of six months as envisaged in the project agreement between IDA and GOM.

2.1.10 Conclusion

Total 383 GPs were deleted due to failure of concerned organisations in capacity building to execute project through participatory process. Freehold land was not acquired by some GPs before commencement of work. Fund was not utilised or short utilised due to non-execution of some components. Community infrastructure fund became wasteful in respect of deleted GPs. Unspent grant was not recovered from exited GPs. Payment of PC by contractor and other than the end users in some GPs defeated the spirit of public participation and affected the quality of work executed by the contractor. Time schedule prescribed for CA’s final audit was not adhered to. Seed money disbursed to SHGs was not refunded and hence not revolved among needy SHGs. Total 617 GPs had not yet completed the project cycle or at incomplete stage. The stipulated period of 18 months was not adhered to and overall delay in completion ranged from 42 to 77 months beyond stipulated period. Equitable distribution network in terms of supply of water with required hydraulic pressure to end user was not ensured. Water quality was affected due to digging of pits below ground level. Evaluation of project by external agencies was not conducted as per stipulated date and at six monthly intervals.

2.1.11 Recommendations

- Expeditious action to recover the balance fund lying with the Gram Panchayats should be taken in cases of the villages which have been deleted from the list of the villages.
- Appropriate support with the system of periodical monitoring and follow up should be introduced so as to ensure early implementation and completion of water supply schemes in view

of substantial number of cases with delays in execution leading to time and cost overrun.

- In order to ensure that the assets that have been constructed are available for long term and on a sustained basis, Gram Panchayat should be instructed and periodically monitored for collection of appropriate Operation and Maintenance charges.
- Government of Maharashtra may educate farming community about use of drip irrigation, sprinklers and use of organic fertilizer through Information, Education, Communication with the help of Irrigation and Agriculture Department.

The matter was referred to Government (April 2011). Reply has not been received (June 2011).

CHAPTER III

RURAL DEVELOPMENT AND WATER CONSERVATION DEPARTMENT

3.1 Misappropriation

Improper maintenance of accounts by nine Block Development Officers and lack of control by the Deputy Chief Executive Officers (Village Panchayat) of Bhandara, Chandrapur and Gadchiroli Zilla Parishads resulted in misappropriation of ₹ 33260 and temporary diversion of ₹ 7.85 lakh

The District Village Development Fund (DVDF) with the contribution of each Gram Panchayat (GP) was constituted under Section 133 of Bombay Village Panchayat Act, 1958 in each district of the State of Maharashtra. According to Rule 3 of Bombay District Village Development Fund Rules, 1960 (DVDF Rules) the fund shall be vested with the Standing Committee of the Zilla Parishad (ZP) and shall be administered through District Village Panchayat Officer *i.e* Deputy Chief Executive Officer (DCEO), Village Panchayat. According to Rule 15 of the DVDF Rules, each Panchayat Samiti (PS) is required to collect contribution from GPs and maintain Register of Collection (ROC) in Form 'O' and amount so collected shall be deposited to the credit of the fund in the treasury, bank or co-operative society by preparing challan in triplicate. A daily extract of the ROC together with the challan and a copy of receipt are to be sent daily to the DCEO. Thus amount on account of DVDF is to be credited daily in the accounts of the DVDF.

Scrutiny of records (January 2009 and March 2010) of PS Rajura in ZP Chandrapur and PS Lakhni in ZP Bhandara revealed (February 2009) that contribution of ₹ 24921 collected from 15 GPs by the officials of PS Rajura and ₹ 8339 collected from five GPs by the officials of PS Lakhni on account of DVDF between November 2007 and March 2008 respectively were not accounted for in ROC. Abstract of ROC was also not forwarded by both the PSs to the DCEOs. Subsequent verification (February 2010) of records of PS Rajura indicated that recovery of ₹ 24902 was made at the instance of audit. The details of recovery of remaining amount of ₹ 19 are awaited (April 2010).

Further scrutiny of records (March 2010) of 12[21] PSs (including Rajura) revealed that an amount of ₹ 7.85 lakh collected by the officials of these PSs between April 2006 and March 2009 were not credited on the day of receipt and delay ranged from one to 730 days[22]. The DCEO Chandrapur

[21] Bhadravati, Bramhapuri, Dhanora, Gondpipri, Lakhandur, Mul, Mohadi, Pauni, Pobhurna, Rajura, Sakoli and Sironcha

[22] Bhadravati one to six days, Bramhapuri one to 38 days, Dhanora 58 to 178 days, Gondpipri 48 to 83 days, Lakhandur 76 to 113 days, Mul one to 26 days, Mohadi 730 days, Pauni 53 to 188 days, Pobhurna one to 237 days, Rajura one to 351 days, Sakoli 56 days and Sironcha 176 days

and Bhandara had accepted the fact that no watch over receipt of abstract of ROC was kept during 2006-07 to 2008-09. Comments of DCEO, Gadchiroli was not received (October 2010) though called for in May 2010.

On this being pointed out, PS, Rajura accepted (January 2009) the facts and agreed to exercise proper control in future. PS, Lakhni had reported (February 2009) recovery of ₹ 8339. Replies from the other PSs are awaited (May 2011).

Thus, improper maintenance of accounts, non-observance of prescribed procedure and failure by Block Development Officers/DCEO to exercise proper control on collection and deposition led to temporary diversion of ₹ 7.85 lakh. The Government may investigate the position in respect of all the PSs throughout the State.

The matter was referred to Government (May 2010). Reply has not been received (June 2011).

3.2 Over Payment to Contractors

The Zilla Parishad did not recover mandatory royalty charges from the contractors resulting in over payment of ₹ 54.33 lakh

The Pradhan Mantri Gram Sadak Yojana (PMGSY) a 100 *per cent* centrally sponsored scheme for construction of rural roads providing all weather connectivity to habitats with 500 population is implemented in the State through Zilla Parishads (ZP) as per Government of India (GOI) guidelines. The funds required for this scheme are released to ZPs through state level agency Maharashtra Rural Road Development Association (MRRDA) created (June 2003) as per GOI directives. At district level, Project Implementation Unit (PIU) is headed by Executive Engineer, ZP and the payment for the works is made by the PIU.

Tenders were invited (January 2008) by PMGSY, Pune Region (Pune, Kolhapur, Sangli, Satara and Solapur Districts) for packages of road construction works including maintenance for five years after construction. Estimates were prepared on the basis of PMGSY Schedule of Rates (SOR) 2006-07 in which royalty charges at ₹ 17.67 *per cum*[23] was included. If proof of payment of royalty charges by the contractors was not produced, the royalty charges included in the estimates should be recovered and remitted to Government of Maharashtra (GOM). The royalty charges were increased to ₹ 35.34 *per cum* by GOM (December 2006). The SOR of PMGSY included a clause that the royalty charges of ₹ 17.67 *per cum* which had been increased by GOM shall be included while preparing the estimate in the Detailed Project Report (DPR).

[23] Royalty charges payable on material treated as minor mineral by GOM brought by the contractor and used in execution of item included in SOR of PMGSY

Scrutiny of final bills of 12 works of PMGSY executed in ZP, Solapur revealed (February 2010) that the ZP did not recover royalty charges included in the SOR from the contractors against the item of work 'construction of embankment with materials obtained from borrow pits' amounting to ₹ 54.33 lakh. It was also observed that additional royalty charges of ₹ 17.67 *per cum* was not included in the estimates for the work.

In reply (February 2010), ZP accepted that inclusion of royalty charges for the particular item of work in SOR was brought to notice of ZP by audit and the additional royalty charges of ₹ 17.67 *per cum* was not included in the estimates. ZP agreed to recover the royalty charges in future.

The matter was referred to Government (June 2010). Reply has not been received (June 2011).

SOCIAL JUSTICE AND SPECIAL ASSISTANCE DEPARTMENT

3.3 Poor implementation of Dalit Vasti Sudhar Yojana

Failure of the Zilla Parishad, Nagpur to identify Dalit Vastis, preparation of Master Plan before sanction of works for the year 2008-09, poor monitoring and implementation of the scheme resulted in non-utilization of ₹ 2.48 crore

Dalit Vasti Sudhar Yojana (DVSY) is implemented to provide sanitary facilities, tap water, approach roads and electrification in Dalit Vastis of rural areas. The Government of Maharashtra (GOM) issued (November 2008) detailed guidelines regarding execution of the scheme which were applicable for the works relating to 2008-09 onwards. As per these guidelines, a Dalit Vasti would be identified on the basis of Dalit population in the village as per census of 2001. Master Plan (MP) on the basis of local situation and incorporating needs of each Gram Panchayat (GP) is to be approved by Directorate of Social Welfare. Periodical inspections and monitoring are required to be done at Zilla Parishad (ZP), Panchayat Samiti (PS), Directorate and the GOM level.

Scrutiny of records (November-December 2010) of the District Social Welfare Office, (DSWO), ZP Nagpur revealed that grant of ₹ 9.26 crore was earmarked for the year 2008-09 under the scheme. Out of this, the DSWO retained ₹ 2.48 crore in the ZP's District Fund (DF) and released (March 2009) ₹ 6.78 crore to all the 13 PSs for execution of 1102 works which included 81 works costing ₹ 1.63 crore pertaining to the year 2008-09 remaining unutilized (January 2011). Further, scrutiny revealed that even identification of Dalit Vasti was not done by all the GPs till January-February 2010. MP incorporating local needs and works to be executed was neither prepared by all the GPs/PSs nor approved by the Directorate of Social Welfare. The DSWO was also not having the information on utilization of ₹ 6.78 crore released to all 13 PSs.

The information collected (May 2011) by audit from six PSs revealed that ₹ 3.24 crore was spent during April 2009 to March 2011 by these PSs out of fund of ₹ 3.44 crore released to them. No evidence was found on the records that monitoring and inspection of the works were conducted by any of the authority.

Thus, failure of the ZP/PSs/GPs in Nagpur district in identifying Dalit Vasti, preparation of MP from 2008-09, conducting periodical monitoring and inspections led to non-utilization of ₹ 2.48 crore and poor implementation of the scheme during 2008-09.

The DSWO accepted the fact of delay in preparation of MP and stated (December 2010) that ₹ 2.48 crore was retained in DF for want of assessment of grant of ₹ 9.26 crore. He further added that the latest position of all the works was being called for from all the PSs (January 2011). However, neither the assessment of grant was completed nor the balance amount refunded (January 2011).

The reply was indicative of improper planning and poor monitoring of the scheme at ZP/PSs level. Contention of the department to retain an amount of ₹ 2.48 crore in DF was also not correct as the GOM did not even permit (June 2009) the DSWO to spend money for the works of 2009-10 and directed to refund the unspent balance immediately.

The matter was referred to Government (February 2011). Reply has not been received (June 2011).

SCHOOL EDUCATION DEPARTMENT

3.4 Infructuous expenditure in procurement of Fire Extinguishers

Failure of the Zilla Parishads to monitor and ensure that the fire extinguishers installed in primary schools were refilled every year resulted in infructuous expenditure of ₹ 3.29 crore

Government of Maharashtra (GOM) directed (March 2006) the Zilla Parishads (ZPs) to procure Fire Extinguishers (FEs) for primary schools as per Mumbai High Court order based on the public interest litigation filed on the death of school children in Kumbakonam fire mishap. ZPs had to procure the FEs through Maharashtra Small Scale Industries Development Corporation Ltd. (MSSIDC) @ ₹ 4516 per FE for which funds were provided by GOM. Directorate of Primary Education, Pune released ₹ eight crore to 33 ZPs for procurement of FEs to 17697 schools per FE per school. As per the terms and conditions of the Government Resolution the suppliers were to refill the FEs free of charge for three years and MSSIDC was to withhold 15 *per cent* of the cost and release 5 *per cent* every year on refilling the equipments.

On test check of records and information called for, it was observed that in respect of five ZPs *viz*. Kolhapur, Nashik, Raigad, Sindhudurg and Dhule, 2895 FEs were procured and installed (June 2006 to February 2007) at ₹ 1.31 crore, however no annual refilling was done by the suppliers. In ZP Ahmednagar and Pune, though 1809 FEs were procured at ₹ 86 lakh, the refilling was done only once. In ZP Satara, the refilling was done through local suppliers from ZP funds for 1126 FEs procured at ₹ 51 lakh. ZP Thane refunded ₹ 31 lakh to GOM, as MSSIDC did not respond to the supply orders.

It was also ascertained from MSSIDC that out of ₹ 1.98 crore received from nine[24] ZPs for 4394 FEs, MSSIDC released (between March 2006 and June 2007) ₹ 1.69 crore to the suppliers and balance of ₹ 29 lakh (April 2010) has not been paid towards refilling which indicated that the FEs were not refilled by the suppliers.

The ZPs Ahmednagar, Nashik and Raigad (September 2009/March, April 2010) confirmed the facts, which indicated the failure of the ZPs to monitor and ensure that these equipments were refilled to maintain them in working condition.

The failure of the ZPs to maintain the FEs in satisfactory condition thereby resulted in violation of the directive of the honorable High Court as the risk of loss due to fire in the schools was not mitigated. This also resulted in infructuous expenditure of ₹ 3.29 crore in respect of 14[25] ZPs.

The matter was referred to Government (May 2010). Reply has not been received (June 2011).

3.5 Non-maintenance of Water Purifiers

Non-execution of Annual Maintenance Contract with the supplier led to non-achievement of objective of supplying potable water to the students

In order to supply potable and clean water to Primary School students, Zilla Parishad (ZP) Ratnagiri placed (April 2004 to March 2005) orders for supply of 2227 Water Purifier(WP) of 75 litre storage capacity[26]costing ₹ 2.56 crore with M/s Concept Marketing (Supplier) based on the Rate Contract (RC) agreement with Government of Maharashtra (GOM).

The terms and conditions of the RC provided for Annual Maintenance Contract (AMC) at the rate of 10 *per cent* of the equipment value and AMC was applicable after the expiry of warranty/guarantee period of 12 months. It was observed that the ZP did not enter into AMC with the

[24] Amravati, Aurangabad, Buldhana, Hingoli, Jalgaon, Nanded, Washim, Wardha and Yavatmal
[25] Amravati, Aurangabad, Buldhana, Dhule, Hingoli, Kolhapur, Nashik, Nanded, Raigad, Sindhudurg, Jalgaon, Washim, Yavatmal and Wardha
[26] 1553 purifier @ of ₹ 11319 and 674 purifier @ of ₹ 11885

supplier and in four[27] Panchayat Samitis (PSs) out of 1047 WPs, 687 WPs were not functioning. On further verification (March 2011) it was observed that out of 2227 WPs installed in nine[28] PSs, 1396 WPs were not functioning due to non-maintenance of candle and ultra violet systems. The percentage of non-functioning WPs ranged between 21 and 98 in nine PSs. Almost 98 *per cent* and 96 *per cent* of WPs were found to be not functioning in PS Ratnagiri and PS Lanja respectively.

ZP replied (July 2010) that as funds were not provided by GOM for AMC, contracts were not concluded for AMC.

The reply is not acceptable as the essential component of AMC which was required for ensuring trouble free and sustained availability of an asset was not taken into consideration before placement of the orders. Ensuring maintenance of the assets created out of the funds received being the responsibility of the ZP, adequate funds should have been identified and earmarked for entering into AMC at the stage of placement of orders for WP itself.

Non-maintenance of WP resulted in idle assets and failure to supply potable and clean water to the students thereby defeated the objective of the scheme.

The matter was referred to Government (April 2011). Reply has not been received (June 2011).

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[27] Chiplun, Guhaghar, Khed, Rajapur

[28] Block-(WP non-functional-percentage to total supply) Chiplun (125 - 42 %) Dapoli (179 - 66%), Deorukh (144 - 50%), Guhaghar (87 - 41 %), Khed (197 - 76 %), Lanja (189 - 96%), Mandangad (27 - 21%) Rajapur (160 - 59 %), Ratnagiri (288 - 98 %)

SECTION B

CHAPTER IV

ACCOUNTS AND FINANCES OF URBAN LOCAL BODIES

4.1 Introduction

4.1.1 In conformity with the 74th Constitutional Amendment, the Government of Maharashtra (GOM) amended (December 1994) the existing Mumbai Municipal Corporation (MMC) Act, 1888, the Bombay Provincial Municipal Corporations (BPMC) Act, 1949, the City of Nagpur Corporation (CNC) Act, 1948 and the Maharashtra Municipal Councils (MMC) Act, 1965. All the Municipal Corporations except Municipal Corporation of Greater Mumbai (MCGM) and CNC which had their own Acts are governed by the provisions of amended BPMC Act. There were 22 Municipal Corporations, 222 Municipal Councils and five[29] Nagar Panchayats in Maharashtra. The elections of the various Municipal Corporations had been held from 2007 to 2010.

4.1.2 Out of the 18 functions referred to in the Twelfth Schedule of the Constitution, 12 functions were assigned to the Urban Local Bodies (ULBs) under Sections 61 and 63 of the MMC Act and Section 63 of the BPMC Act, prior to the 74th amendment. The remaining six functions were also transferred/assigned to the ULBs after 1994.

4.2 Organisational set up

4.2.1 As per the Census of 2001, the total population of Maharashtra was 9.69 crore, of which 42.42 *per cent* was from urban areas. The state has 40 cities/urban agglomerations having a population of over one lakh.

4.2.2 Twenty two Municipal Corporations in the state have been created for urban agglomerations having a population of more than three lakh. These Municipal Corporations have been classified into four categories *i.e.* A, B, C and D, based on the criteria of population, *per capita* income and *per capita* area. At present, apart from MCGM which is in category A, there are two Municipal Corporations[30] in category 'B' and four[31] and 15[32] Municipal Corporations in categories C and D respectively.

4.2.3 Similarly, 222 Municipal Councils have been created for

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[29] Dapoli (Ratnagiri), Kankavali (Sindhudurg), Shirdi (Ahmednagar), Malkapur(Satara) and Kej (Beed)
[30] Nagpur and Pune
[31] Nashik, Navi Mumbai, Pimpri-Chinchwad and Thane
[32] Ahmednagar, Akola, Aurangabad, Amravati, Bhiwandi-Nizampur, Dhule, Jalgaon, Kalyan-Dombivli, Kolhapur, Malegaon, Mira-Bhayandar, Nanded-Waghala, Sangli-Miraj-Kupwad, Solapur and Ulhasnagar.

smaller urban areas and categorised based on their population. At present, there are 18 'A' class (having population more than one lakh), 62 'B' class (having population more than 40,000 but not more than one lakh) and 142 'C' class (having population of 40,000 or less) Municipal Councils. There are five Nagar Panchayats in the state for towns with population between 15000 and 25000.

4.3 Organisational Structure

4.3.1 The organisational set up of ULBs is depicted in **Appendix VI**. The accountability structure of a Municipal Corporation is as follows:

Name of the Authority	Accountable for
General Body	Policy decisions related to expenditure from the Corporation's Municipal Fund, implementation of various projects, schemes, *etc*.
Standing Committee	All functions related to approval of budget and sanction for expenditure as per the delegation. (Can delegate its powers to sub Committee/s).
Municipal Commissioner	Administration and execution of all schemes and projects subject to conditions imposed by the General Body.
Municipal Chief Accountant	Preparation of the annual budget and finalisation of accounts and internal audit.
Municipal Chief Auditor	Audit of municipal accounts, preparation and submission of Audit Reports to the Standing Committee.

4.4 Financial profile

4.4.1 Municipal Funds are constituted under the provisions contained in the MMC Act, 1888, CNC Act, 1948 and BPMC Act, 1949. All the moneys received by or on behalf of the Municipal Corporations under the provisions of the respective Acts, all moneys raised by way of taxes, fees, fines and penalties, all moneys received by or on behalf of Municipal Corporation from the Government, public or private bodies, from private individuals by way of grants or gifts or deposits and all interest and profits are credited to the Municipal Funds.

4.4.2 The State Government and Central Government release grants to the Municipal Corporations for implementation of schemes of the State sector and for centrally sponsored schemes respectively. In addition, grants under the State Finance Commission and the Central Finance Commission recommendations are released for developmental works.

4.4.3 The accounts of each scheme/project are required to be kept separately. Utilisation Certificates are required to be sent to Central Government for centrally sponsored schemes and to State Government for State schemes.

4.4.4 Under the BPMC Act, the MMC Act and the CNC Act, Municipal Corporations are required to constitute special purpose funds *e.*g. Water and Sewerage Fund, Depreciation Fund, Sinking Fund, *etc*. The capital works of water supply schemes and sewerage projects are to be executed out of the Water and Sewerage Fund. The Depreciation Fund is to be created for replacement of capital assets. The Sinking Fund is to be created for redemption of long term loans.

4.4.5 The consolidated position of receipts and expenditure of ULBs are not maintained at the State level. This information although called for (February 2010) from the State Government is yet to be received (June 2011)**.** The information regarding the finances of Local Self Government Institutions for the years 2008-09 and 2009-10 was not published in the Economic Survey of Maharashtra 2009-10 and 2010-11 as was done in the previous years as the information was not furnished by the ULBs to the Directorate of Economics and Statistics, Government of Maharashtra. As per the information furnished by the Municipal Corporations for 2008-09 and 2009-10 and the figures adopted from Budget Estimates 2010-11 of MCGM the overall receipts and expenditure of the Municipal Corporations in the State from 2005-06 to 2009-10 is as follows:

(₹ in crore)

Item	2005-06	2006-07	2007-08	2008-09	2009-10
Receipts	12927	16217	18348	23973	28860
Expenditure	12335	14820	16728	24278	28308

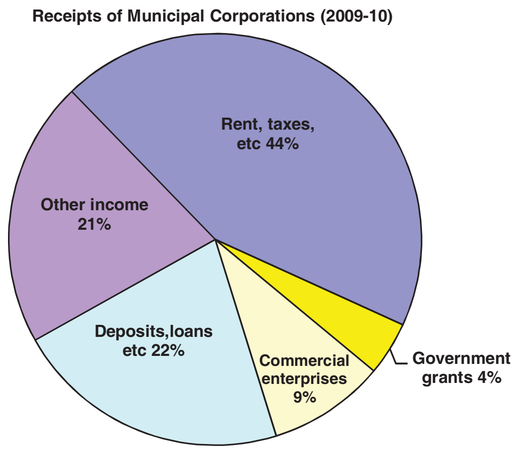
As per the information received from all the Municipal Corporations for the year 2009-10, the total receipt and expenditure worked out to ₹ 28860 crore and ₹ 28308 crore respectively, as detailed in the **Appendix VII**. The total receipts and expenditure of MCGM for 2009-10 amounting to ₹ 19035 and ₹ 18973 crore respectively was as stated in the MCGM Budget Estimates for the year 2010-11 (unreconciled figures).

4.4.6 Receipts

The total receipts of Municipal Corporations from various sources during the last five years ending 31 March 2010 were as follows:

(₹ in crore)

Item	2005-06	Percentage to total receipts	2006-07	Percentage to total receipts	2007-08	Percentage to total receipts	2008-09	Percentage to total receipts	2009-10	Percentage to total receipts
Rents, taxes *etc.* including octroi, property tax and water charges	8867	68.59	11147	68.74	12094	65.91	12253	51.11	12712	44.04
Government grants	552	4.27	636	3.92	990	5.40	1084	4.52	1217	4.22
Commercial enterprises	95	0.73	199	1.22	198	1.08	2387	9.96	2650	9.18
Deposits, Loans, *etc.*	578	4.47	640	3.95	2525	13.76	4111	17.15	6242	21.63
Other Income	2835	21.94	3595	22.17	2541	13.85	4138	17.26	6039	20.93
Total	**12927**	**100**	**16217**	**100**	**18348**	**100**	**23973**[33]	**100**	**28860**[34]	**100**



Overall, the total receipts of the Municipal Corporations showed an increasing trend over the five year period from 2005-06 to 2009-10. The share of Government grants in the total receipts of the Municipal Corporations ranged between 3.92 to 5.40 *per cent* upto 2008-09 and declined to 4.22 *per cent* during 2009-10. The total receipt of all Municipal Corporations in the State during 2009-10 was ₹ 28860 crore which was higher by 20.38 *per cent* over the previous year.

The receipts of the Municipal Corporations by way of tax revenue did not vary much in the previous three years but as compared to the total receipts declined to 44.04 *per cent* during 2009-10. While the income from Commercial enterprises increased by 11.02 *per cent* over the previous year 2008-09, the Deposit and Loans *etc.,* and other income increased by 51.84 *per cent* and 45.94 *per cent* respectively over the previous year 2008-09.

Arrears in Tax Collection : Information furnished by the Municipal

[33] Includes MCGM total receipts ₹ 15658 crore (Rent, taxes ₹ 6845 crore, Government grants ₹ 115 crore, Commercial enterprises ₹ 2287 crore, Deposits & Loans ₹ 3385 crore and Other income ₹ 3026 crore) as unreconciled figures appearing in Budget Estimates for the year 2010-11.

[34] Includes MCGM total receipts ₹ 19035 crore (Rent, Rates & taxes ₹ 7250 crore, Government grants ₹ 124 crore, Commercial enterprises ₹ 2576 crore, Deposits & Loans ₹ 5156 crore and other income ₹ 3929 crore) as unreconciled figures appearing in Budget Estimates for the year 2011-12

Corporations revealed that during the year 2009-10 Municipal Corporations recovered property taxes amounting to ₹ 2158.01 crore against total demand of ₹ 7123.11 crore and water tax to the tune of ₹ 2099.49 crore against total demand of ₹ 5453.89 crore. Thus as at the end of March 2010, water tax aggregating to ₹ 3354.40 crore **(Appendix VIII)** and property tax aggregating to ₹ 4965.10 crore **(Appendix IX)** had been outstanding for recovery, resultantly the funds available for providing various services stood curtailed.

4.4.7 Expenditure

As per the information furnished by the Municipal Corporations for the year 2008-09 and 2009-10, the total item-wise expenditure of all Municipal Corporations put together in the state for the last five years is given in **Appendix X**.

The expenditure on administration increased to ₹ 5585 crore and ₹ 6366 crore during 2008-09 and 2009-10 respectively as compared to ₹ 4937 crore in 2007-08. However, percentage of expenditure on administration to the total expenditure declined by 7.25 *per cent and* 7.76 *per cent* in 2008-09 and 2009-10 respectively as compared to the year 2007-08 due to appointment of agencies for collection of octroi by Municipal Corporations. In the case of MCGM, out of their total expenditure of ₹ 18973 crore for 2009-10, the share of expenditure on administration was ₹ 4826.32 crore[35] which constituted 25.44 *per cent*. Sizable portion of expenditure of Municipal Corporations thus, is committed towards meeting firm liabilities and to that extent, money for providing various services is restricted.

4.5 Twelfth Finance Commission grants

The Twelfth Finance Commission (TFC) recommended grant of ₹ 791 crore to the ULBs in Maharashtra State for the years 2005-06 to 2009-10, payable at the rate of ₹ 158.20 crore every year which was required to be utilised for development of civic services and basic amenities in the urban areas. The delay in utilisation and diversion *etc* of TFC grants received upto 2007-08 were commented in the Para 6.11 of the Report of the Comptroller and Auditor General of India (Local Bodies) Government of Maharashtra for the year ended 31 March 2007. The State received TFC grants of ₹ 772.20 crore for ULBs upto March 2010. The position of receipt and utilisation of TFC grant by ULBs (September 2010) is as follows:

Subject	Amount (₹ in crore)
1. Grants released by GOM to ULBs	772.20
2. Utilisation of grants by ULBs	453.20 (59 *per cent*)

[35] as per MCGM budget 2011-12 (Administration and Establishment expenses)

Though ₹ 772.20 crore under TFC grants have been allocated to ULBs (May 2010) for utilisation within next six months, ₹ 319 crore is still remaining to be utilised by various ULBs (September 2010). However, information regarding final utilisation is awaited from Government (June 2011). Thus, Government failed to ensure the utilisation of TFC grants for the purpose of development of civic services and basic amenities in the urban areas as envisaged in the guidelines of TFC.

4.6 Accounting arrangements

4.6.1 Section 93 of the BPMC Act, 1949 and Section 123 of MMC Act, 1888 provide that the accounts of the Municipal Corporations should be maintained in the formats prescribed by the Standing Committees. In pursuance of the Eleventh Finance Commission (EFC) recommendations, the Task Force constituted by the Comptroller and Auditor General of India had prescribed an accrual based accounting system for ULBs. In accordance with the Task Force recommendations (2002), the Ministry of Urban Development, Government of India in consultation with Comptroller and Auditor General of India had finalised the National Municipal Accounts Manual (NMAM) for implementation of accrual based accounting system by ULBs.

4.6.2 The GOM adopted (July 2005) the NMAM for implementation from 2005-06. The State Accounting Manual in conformity with the NMAM was under preparation. Till finalisation of the Manual, all Municipal Corporations were directed to maintain their accounts on accrual basis from the year 2005-06, as per the NMAM guidelines. The Steering Committee constituted by the State Government also recommended (January 2007) the implementation of accrual system of accounting in the ULBs. The draft State Account Code for ULBs prepared by Project Management Consultant appointed by Director Municipal Administration (DMA) was submitted to Steering Committee in February 2008. The revised Account Code has not been adopted so far (March 2011). Seven Municipal Corporations *viz* Ahmednagar, Akola, Aurangabad, Amravati, Bhiwandi-Nizampur, Dhule and Jalgaon were yet to maintain their accounts on accrual basis and these Municipal Corporations stated (September/December 2010) that the work was in progress. DMA intimated (March 2011) that all Municipal Councils have adopted accrual based accounting system. However, the non-adoption of State Account Code through State Legislation resulted in non-implementation of recommendation of EFC.

4.7 Audit Arrangements

4.7.1 Municipal Chief Auditor (MCA) is appointed by the respective Corporation under Section 78(a) of the MMC Act, 1888 and Section 45(i) of the BPMC Act, 1949 except CNC where audit is entrusted to Chief Auditor, Local Fund Account. The pay and allowances of the MCA is borne on the establishment expenditure of the respective

Corporation, as such independence of audit could not be ensured.

4.7.2 Section 105 of the BPMC Act, 1949 and Section 135 of the MMC Act, 1888 provide that the MCA should audit the Municipal accounts and submit a report thereon to the Standing Committee. This report should comment on the instances of material impropriety or irregularities which the MCA may, at any time, observe in the expenditure or in the recovery of the money due to the Municipal Corporation. Section 136 of the MMC Act, 1888 further provides that the MCA shall examine and audit the statement of accounts and shall certify and report upon these accounts.

4.7.3 Based on the information furnished by the Municipal Corporations, only in eight Municipal Corporations, audit of annual accounts by MCA has been completed upto 2009-10 and reports submitted to Standing Committee. Seven[36] Municipal Corporations have not furnished information. In the balance seven Municipal Corporations the arrears in finalisation of accounts and audit by MCA ranged from years 2001-02 to 2009-10.

4.7.4 The State Government entrusted (October 2002) the audit of Municipal Corporations to the Comptroller and Auditor General of India under Section 14(2) of the Comptroller and Auditor General of India (Duties, Powers and Conditions of Services) (DPC) Act, 1971. The audit of Municipal Councils and Nagar Panchayats has been entrusted (March 2011) by GOM under Technical Guidance and Supervision (TGS).

The audit observations on financial irregularities and defects in initial accounts/records noticed during local audits but not settled on the spot are communicated to the heads of offices and departmental authorities through Inspection Reports. Statements indicating the number of observations outstanding for over six months are also sent to the Government for action.

4.8 Internal Control

4.8.1 The Commissioners, Officers and the elected bodies/standing committees are mainly responsible for the internal control. For efficient implementation of the functions transferred to the ULBs, all deficiencies pointed out by the Accountant General's audit were required to be complied with as early as possible and this would ultimately be helpful in achieving the objective of service to the urban population. However, the position of outstanding 382 Inspection Reports and 1995 Paras issued by Accountant General, Maharashtra to the Corporations, as detailed in the following statement, is a reflection of inadequate internal control.

[36] Ahmednagar, Akola, Dhule, Jalgaon, Nashik, Pimpri-Chinchwad and Thane

Year	Inspection Reports			Paragraphs		
	Mumbai	Nagpur	Total	Mumbai	Nagpur	Total
Upto 2005-06	99	13	112	241	322	563
2006-07	65	5	70	158	129	287
2007-08	45	5	50	152	138	290
2008-09	80	4	84	387	111	498
2009-10	64	2	66	301	56	357
Total	**353**	**29**	**382**	**1239**	**756**	**1995**

The arrears in audit of the Municipal Corporations by MCA as already pointed out in Para 4.7.3 also indicate weaknesses in the internal control of the Municipal Corporations.

4.9 Conclusion

- Mounting arrears in collection of taxes indicate lack of internal control and improper monitoring which ultimately can affect the financial position of the Municipal Corporation and hamper the development activities ;
- TFC grants were utilised only to the extent of 59 *per cent* which affects adversely the development of civic services and basic amenities ;
- although the GOM adopted (July 2005) the NMAM for implementation from 2005-06, all the ULBs had not implemented the same so far ;
- arrears in audit of Municipal Corporations by MCAs and outstanding audit paragraphs of Accountant General's audit indicate weak internal control ;
- the entrustment of audit of accounts of the Municipal Corporations to MCA, who is under the administrative control of the respective Municipal Corporations, dilutes the principle of independence of the auditors.

4.10 Recommendations

- In order to ensure maintenance of accounts by the ULBs in accrual based accounting system, the State Government should finalise the State Accounting Manual.
- The system for monitoring of compliance to the audit observations issued by MCA and Accountant General needs to be streamlined on urgent basis, so that cases of recurring and persistent deficiencies which have been highlighted get rectified in a timely manner.
- In view of the mounting arrears in collection of the main revenues

of ULBs *i.e*. property tax and water charges, comprehensive system for their timely recovery including liquidation of arrears with effective arrangements for regular cycle of billing, needs to be introduced on a priority basis.

The matter was referred to Government (January 2011). Reply has not been received (June 2011).

CHAPTER V

KALYAN DOMBIVLI MUNICIPAL CORPORATION

5.1 Information Technology Audit of the "Property tax, Water billing and other Citizen Service modules"

Executive summary

The Kalyan Dombivli Municipal Corporation, initiated e-Governance project for complete computerisation of the activities of the Municipal Corporation in December 1999 with an objective to improve the efficiency of the system and to provide better services to the citizen. The Information Technology (IT) Audit of the e-Governance project was conducted between May and November 2009. It was observed that due to poor design, implementation and monitoring, many deficiencies persisted. Even after 10 years, application modules like Town Planning wing etc., could not be put to use. Due to non-availability of necessary MIS reports in the application modules, generation of bills in respect of all consumers could not be ensured. Weak controls in the system resulted in non-generation of bills, delay in generation of bills, deletion and modification of the data without input documents and proper validation which made the system vulnerable to fraud and manipulation.

5.1.1 Introduction

The Kalyan Dombivli Municipal Corporation (MC), which came into existence in October 1983 has seven wards. For greater efficiency, Kalyan Dombivli MC initiated e-Governance project for complete computerisation of the activities of the MC in December 1999 with the following objectives:

- utilise information technology for their various departmental functions
- improve efficiency and avoid repetition
- utilise computerised systems for providing services to the citizens

Under this project, 12 application modules were developed for computerization of various functions such as collection of property tax, water billing, birth and death registration, market & trade license, food license, complaint & redressal system, accounts *etc*. All these modules had a common user interface *i.e.* KDNET, facilitated through the Citizen Facilitation Centre (CFC) in Headquarters and in the Ward offices. The application software was developed and maintained by M/s Advent Business Machines Ltd. (ABM). The software was developed with Oracle 9i as RDBMS and Oracle Form as the front end tool. The operating system for the Database Server was Sun Solaris and the clients were on Windows XP platform. The application modules developed at a cost of ₹ 1.20 crore was implemented in 2002-03. In November 2005, Government of Maharashtra (GOM) decided to implement the applications software in all other Municipal Corporations/Councils.

5.1.2 Organisational set-up

The Commissioner is the administrative head of Kalyan Dombivli MC. The Computer wing of Kalyan Dombivli MC is headed by a Systems Manager and supported by a Systems Analyst, a Programmer and other supporting staff.

5.1.3 Scope of audit

The Information Technology (IT) Audit of all the 12 application modules[37] of the e-Governance project was conducted between May and November 2009, covering the data for the period from April 2003 to March 2009.

5.1.4 Audit objectives

The audit objectives were to assess the following:

- Adequacy of incorporation of business rules in the application modules
- Completeness and correctness of the data
- Effectiveness of input and validation of output controls
- Adequacy of security controls to ensure the integrity of data

5.1.5 Audit methodology

Audit commenced with an entry conference held with the Municipal Commissioner and Heads of Departments (HODs) of Kalyan Dombivli MC on 12 June 2009. The application and database was reviewed with respect to the relevant rules and procedures. The data in Oracle database was analyzed using CAATs[38]. The audit findings were discussed with the Commissioner and HODs in an exit conference held on 27 January 2010.

Audit findings

Audit observations relating to the planning of IT systems in Kalyan Dombivli MC were already included in the Report of Comptroller and Auditor General of India (Local Bodies) Government of Maharashtra for the year ended 31 March 2007 under "Information Technology Audit of the Accounts module of e-Governance project of Kalyan Dombivli Municipal Corporation".

Important points noticed in current audit are summarized in the succeeding paragraphs:

[37] (1) Property Tax (2) Water Billing (3) Birth & Death (4) Legal (5) Market & Trade License (6) Food License (7) Health Scheme Monitoring (8) User Workflow (9) Complaint and Redressal System (CARE) (10) Web Services-Enterprise Information Portal (EIP) (11) Citizen Facilitation Centre (CFC) and (12) Town Planning

[38] Computer Assisted Audit Technique

5.1.6 General controls

5.1.6.1 Monitoring of implementation of application modules

To ensure that the projects achieve the desired results, the senior management should have a more proactive involvement during the key project stages including implementation and post implementation review. It was, however, noticed that such a review was not conducted. The Town Planning module was not in use; the Health Scheme Monitoring module was also not put to use since 2005 and various modules continued to be used with lacunae which had not been rectified.

Further, as per the agreement with the Turnkey Solution Provider (TSP), ABM, the TSP had to provide guarantee of the software developed for a period of ten years from the date of acceptance and such acceptance would be given only after successful implementation and verification of the expected results. The amount of such performance guarantee was ₹ 15.10 lakh (equivalent to 10 *per cent* of total payments of ₹ 1.51 crore made to the TSP). Though the application modules were implemented and accepted in 2002-03, the performance Bank Guarantee of ₹ 15.20 lakh was taken only for five years up to 2008 instead of 10 years as per the conditions of the contract agreement.

Kalyan Dombivli MC stated (February 2010) that the respective departments had not officially intimated the non-utilisation of modules. It also stated that the Bank Guarantee was further extended up to May 2010 and the steering committee would be reconstituted to review the modules to ensure the fulfillment of the needs of the corporation.

The reply confirmed that the implementation of the developed modules was not properly monitored and also Kalyan Dombivli MC had not followed the terms of agreement. As the application modules were implemented and accepted in the year 2002-03, the performance guarantee should have got extended till 2012.

5.1.6.2 Documentation for development of application modules

ABM had to provide documentation in respect of system requirement study, software design and user manuals for the developed application modules. Audit observed that the documents were incomplete as per the good practices of system management.

It was also observed that the user and system manuals wherever made available were not updated to incorporate the subsequent changes made in the application modules.

Kalyan Dombivli MC stated (February 2010) that the documents were not readily available and would be obtained from the developer.

5.1.6.3 Onsite technical support

As per the agreement, ABM would hand over the 'source code' of the latest version of the application implemented to Kalyan Dombivli MC at no additional cost and the Intellectual Property Rights (IPR) for the custom application software developed shall vest with Kalyan Dombivli MC. It was, however, noticed that the 'source code' of the application software was with ABM. Further, Kalyan Dombivli MC finalised a contract with ABM and hired two programmers for five years for onsite technical support for computerization project from July 2008 at ₹ 95.58 lakh without calling for any quotations.

Kalyan Dombivli MC stated (February 2010) that the 'source code' of the application software was with ABM who has proprietary rights over the software and hence they could not adopt competitive bidding process.

The reply is not acceptable since as per the agreement, the IPR for the custom application software developed shall vest with Kalyan Dombivli MC and 'source code' should be obtained from ABM.

5.1.7 System design

5.1.7.1 User management

The risk of unauthorised transaction processing could be reduced by the presence of controls which positively identify individual users and log their actions. Test check of data relating to 'Birth and Death Registration' and Water module showed that the user ID of the previous Commissioner created in 2002 and at present not active in the system was recorded in the system as one of the users for data entry even in January 2009. Further test checks showed that data continued to be entered using user-IDs of higher level managers such as Commissioner, Assistant Director of Town Planning, Assessor & Collector and Medical Officer.

Kalyan Dombivli MC accepted (January 2010) the facts and stated that the user-ID of then Commissioner or Head of Department was not removed and that necessary rectification action would be taken through ABM.

5.1.7.2 Generation of property tax bills and levy of notice fee

Rule 30 of taxation rules under the Bombay Provincial Municipal Corporations (BPMC) Act 1949, stipulates that property taxes are payable in advance in half yearly installments on first day of April and October respectively. Further, rule 41 of the said Act stipulates that if the tax for any bill has not been paid within 15 days in the municipal office, a notice of demand is served with a fee of ₹ 0.50 for every hundred rupees.

Audit observed that Kalyan Dombivli MC issues property tax bills once in a year and payments are to be made twice *i.e.,* in half yearly installments since there was no facility in the system to issue bill in two installments and monitor their payments.

Audit also observed delay of more than one month in generating bills from the system for the years from 2003-04 to 2008-09 which resulted in subsequent delay in realization of property tax.

Further, the notice fee, for delayed payments of ₹ 58.96 lakh was not levied in respect of 277759 bills during the period 2003-04 to 2008-09.

While accepting the facts, Kalyan Dombivli MC stated (January 2010) that the delay in issue of bills was due to technical problems and henceforth care would be taken for timely issue of bills. Kalyan Dombivli MC also stated that the system did not have provision to issue two demand notices in a year and necessary action would be taken to rectify the same.

5.1.7.3 Refund of property tax on account of vacancy

The BPMC Act, 1949 provides for refund of property tax in respect of properties which has been vacant for the number of days such vacancy lasted. It also stipulates that refund is not claimable unless notice of vacancy is given by the person liable for the tax.

Audit observed that adjustment transactions for vacancy refunds are entered in the application module without input documents and property tax amounting to ₹ 49.71 lakh was reduced in 108 cases. The applications for vacancy refund from the property holders were not routed through the Complaint and Redressal System (CARE) which was implemented for such complaints. This procedure of vacancy refund has not been mapped into the system nor supportive documents of refunds maintained which would have avoided fraudulent transaction and manipulation.

Kalyan Dombivli MC accepted (February 2010) the observation and stated that separate files/documents were not maintained for vacancy refund and as actual payments were not made, these files were not routed through proper procedure for refunds. It was also informed that Kalyan Dombivli MC has stopped such adjustments and henceforth proper procedure would be followed.

5.1.8 Information System (IS) Security

Computers use and store information in electronic form and require less human involvement in processing than the manual systems. Being in electronic form, changes to computer application and data are not readily detectible. This increases the potential for individuals to gain unauthorised access to sensitive information and to alter data without any visible evidence. Audit observed that no designated officer was assigned for IS Security and proper procedure was not followed in modification of application module and data through Oracle backend. The issues noticed in this regard are detailed below:

- The modifications done in the application software and data through the backend by the service providers were not reviewed by the Kalyan Dombivli MC as the column in the call log register for authorised signatory was left blank
- Approval of the authorities concerned was not obtained while assigning privileges to the users including critical activities such as deletion and modification of water bills

- Test check of tax bills for 2008-09 showed that out of the 7179 deleted bills (property tax) and 546 deleted bills (water tax), audit trail was not available in case of 5981 bills and 21 bills respectively
- Audit trails are yet to be configured even though such facility is available in Oracle to store the information regarding deletion/ modification of data through backend though pointed out in the earlier audit report.

Kalyan Dombivli MC admitted the facts and stated (January 2010) that audit trail in Oracle was not activated and usually call was logged for any of the problems in the system and after analyzing, the data was modified after taking permission from System Manager. Regarding assignment of privileges to users, Kalyan Dombivli MC stated (January 2010) that the same would be reviewed and action taken.

5.1.9 Audit trails

Audit trails depict the flow of transactions necessary in the system in order to track the history of transactions, system failure, erroneous transactions, changes/modifications in data, *etc.*

5.1.9.1 Property tax bills deleted, adjusted and reduced without documents

Each organization should have procedures and controls in place to ensure that all transactions are authorized before being entered in the computer system. This reduces the risk of irregular and fraudulent transactions. Analysis of data for the period from 2003 to 2009 showed the following:

- 5725 property tax bills amounting to ₹ 10.35 crore were deleted without input documents and only 424 bills for ₹ 1.44 crore were deleted with reasons for deletion in the system during the period from 2003-04 to 2008-09
- in respect of 2801 properties, adjustment transactions of ₹ 3.06 crore were entered against the property tax bills without availability of input records
- in respect of 12192 properties rateable value was reduced by ₹ 28.88 crore and in the case of 10024 properties, rateable value of ₹ 19.95 crore was reduced to “zero”

Thus, absence of input records made the data unreliable and the system prone to fraud and manipulations.

Kalyan Dombivli MC stated (February 2010) that no records were maintained in respect of deletion of bills and records were maintained only in some cases in respect of adjustment entries and changes in rateable value. Kalyan Dombivli MC also replied that the reasons for modification in the rateable value were due to changes in usage of property, clerical mistakes in data entry, *etc*. The feature for entering reasons for deletion of bills in the system have been started. Kalyan Dombivli MC further stated that powers for deletion of bills, making adjustment entries and modifying the rateable value vested with the Assessor and Collector.

The reply is not acceptable as the modification of data without valid input records increases the risk of irregular transactions.

5.1.9.2 Audit trail in respect of birth and death registration

Test check of data for the year 2008 showed that there were 68 missing birth registration numbers and 1344 missing serial numbers in the birth registration data and there were 18 missing death registration numbers and 425 missing serial numbers in the death registration data. These discrepancies indicated lack of controls over modification/deletion and lack of audit trails in the system.

Kalyan Dombivli MC stated (January 2010) that the missing registration numbers were due to software problem and the lacuna would be rectified through ABM.

5.1.10 Application controls

IT application controls are fully-automated (*i.e*. performed automatically by the systems) and designed to ensure complete and accurate processing of data from input through output. The deficiencies noticed are as follows:

PROPERTY TAX MODULE

5.1.10.1 Bills not found to have been generated while querying property tax module

Rule 39 of the Taxation Rules under the BMPC Act, 1949 stipulates that the Commissioner shall serve a bill for the sum due as property tax to the person liable for payment. Property tax bills for a financial year were generated from the application module at the beginning of each financial year and issued to the property owners. In the application module, status of the properties is categorized as new, objection, normal *etc*. *viz.* the properties assessed for the first time are marked as “New”, properties having objection are marked as “Objection” and properties for which regular bills are to be issued are marked as “Normal”.

During analysis of data (Oracle dump) made available to Audit, cases of non-levy of property tax were noticed. As per the Property Tax module, the bills for property tax were not found to have been generated in the following cases as detailed below. It was also noticed that no reports were available in the system to monitor and ensure that the bills were generated against all the properties.

- Audit observed that bills against 545 properties assessed for the period from 2003 to 2009 amounting to ₹ 8.47 crore were not generated for properties categorised as ‘New.

Kalyan Dombivli MC replied (January 2010) that in case of new properties, bills amounting to ₹ 7.14 crore against 460 properties would be issued and in case of balance 85 properties amounting to ₹ 1.34 crore, the properties were either wrongly fed or properties were out of jurisdiction.

- Audit observed that bills amounting to ₹ 4.97 crore for 478 properties assessed before December 2008 were not generated for the period from 2003 to 2008 for properties categorized under 'Objection'.

Kalyan Dombivli MC stated (January 2010) that bills amounting to ₹ 4.89 crore would be issued against 435 properties and in the case of balance 43 properties (amounting to ₹ 7.98 lakh), the properties did not exist, and details in this regard were not updated in the system.

- Audit observed that bills amounting to ₹ 16.27 lakh for 461 properties categorized as 'Normal' were not generated during the period from 2003 to 2008.

Kalyan Dombivli MC accepted (January 2010) the observation and stated that the bills would be issued.

Reply indicated absence of supervisory controls and Management Information System (MIS) reports in the system to ensure that bills were generated against all the properties which were assessed.

WATER BILLING MODULE

5.1.10.2 Bills generated with minus amount

Water charges are levied on the consumers either on meter reading for the quantity of water consumed or at a fixed monthly rate. Water consumption cannot be negative quantity for any particular month.

Audit observed that during the period 1 April 2003 to 31 March 2009, water consumption was shown as negative quantity due to incorrect data entry and 387 minus bills amounting to ₹ 58.12 lakh were generated. It was also noticed that the application permitted erroneous data entry such as meter reading less than the previous reading and end date of billing prior to the from date of billing period which also led to minus reading and minus days.

Kalyan Dombivli MC accepted (January 2010) the audit observations and stated that checks have been suggested to the System Manager to rectify the generation of minus bills.

5.1.10.3 Water bills deleted from the system without documents

Every department should have procedures and controls in place to ensure that all transactions are authorized before being entered into the computer system. This reduces the risk of irregular or fraudulent transactions. Analysis of data for the period from 2003 to 2009 showed that bills amounting to ₹ 21.04 crore were deleted from the system in 23908 cases pertaining to 5428 consumers without input records and were not regenerated. Further analysis showed that bills were deleted for the earlier years and meter reading cards to test check the data entry were not available in the department.

No such MIS reports were available in the system to monitor the modification and deletion of bills *etc*. The absence of input records made the data unreliable and system prone to fraud and manipulations.

Kalyan Dombivli MC stated (January 2010) that after implementation of software, erroneous meter reading entries were noticed and in order to correct the bills, wrong bills were deleted and bills were generated subsequently, however, separate records were not maintained. Further, it was stated that meter cards were printed for specific entry and for certain duration only and once the cards got exhausted they were replaced. The old cards were not preserved as the readings were already transferred in the system.

The reply is not acceptable as lack of input records would result in failure to check fraud or manipulation of data in the system and there was no guarantee that only wrongly assessed bills were deleted.

5.1.10.4 Changes in data relating to consumers without any supporting documents

Information stored in master data files is critical to the processing and reporting of operational data. Audit observed that data relating to the consumers were changed without any document as detailed below:

- size of the water connection was changed for 124 consumers
- the number of families using the connection in respect of 1985 flat rate consumers which was vital to levy the water tax were changed.

Kalyan Dombivli MC stated (January 2010) that changes were made to rectify the errors made during the initial data entry and no records were maintained for the same.

5.1.10.5 Delay in generation of bills

The water bills for metered category consumers were generated four times in a financial year and bills for fixed rate category consumers were generated twice in a financial year. Bills are needed to be generated in time so that the water charges could be collected on time.

It was observed that 18 *per cent* of bills were issued with a delay of 30 to 60 days and 22 *per cent* of bills issued with a delay of 60 to 180 days.

Kalyan Dombivli MC stated (January 2010) that the delay in generation of bills would be minimized to a justifiable period by improving the system of generation and data entry frequency.

5.1.10.6 Non-generation of bills

Audit observed that during the period 2003-08 bills amounting to ₹ 28.24 lakh in respect of 1694 cases were not generated against fixed rate consumers and bills amounting to ₹ 69.66 lakh in respect of 3608 cases were not generated against metered consumers.

Kalyan Dombivli MC stated (January 2010) that the reasons for non-generation of bills would be analyzed individually and bills would be generated. Further it was stated that reports on non-generation of bills were not available in the system.

BIRTH AND DEATH MODULE

5.1.10.7 Duplicate data

IT applications should have in-built controls which automatically check the accuracy and validity of input data. Validation may also be achieved by manual procedure such as double checking the input documents or review by a supervisor. The total birth and death registration records available were 272052 and 61832 respectively. In this regard, audit observed that:

- duplicate entries in case of 294 birth registrations with the same child's name, father's name, mother's name were made in the system.
- duplicate entries in case of 437 death registrations with same name of the deceased and date of death were made in the system
- there was no validation check available in the system to alert the user for duplicate registration/duplicate entries.
- features were not available in the system to authenticate the data entered in the computer by a supervisory level officer.

Kalyan Dombivli MC agreed (January 2010) that checks required for checking duplicate entries were not available in the system, which would be installed.

5.1.10.8 Delayed registration of birth without reasons

Delayed registration of birth and death made after 30 days but within a year must be on a written permission of the Health Officer and all registrations made after one year requires permission of the Magistrate of the respective area. However, it was observed that:

- 1718 cases of birth were registered after one month and no remarks were mentioned against 1635 cases.
- 195 cases of birth were registered after one year and no reasons or authority for making changes were mentioned against 103 cases.

Kalyan Dombivli MC stated (January 2010) that the delay was due to system failure, late information, holidays and manpower shortage.

5.1.11 Non-utilisation/under utilisation of other Modules

5.1.11.1 Town planning module

Audit observed that the application module developed for Town Planning wing was not in use even after six years of its development. Thus the objective of the corporation to improve the efficiency by computerising the Town Planning wing could not be achieved and the corporation is still depending on manual procedures.

Further, the expenditure of ₹ 4.80 lakh incurred on development and ₹ 2.32 lakh spent for maintenance up to 2007-08 of the Town Planning module remained unfruitful.

5.1.11.2 Health scheme monitoring module

Health scheme monitoring system was developed with an objective to create database on health schemes being implemented under the supervision of Kalyan Dombivli MC. It also aims to track all the details relating to the schemes regarding progress of implementation and its effectiveness. It was observed that since 2005, the application module of health scheme monitoring system was not in use. Thus the amount of ₹ 9.09 lakh spent on development and ₹ 4.27 lakh (up to 2007-08) on maintenance could not be made use of.

Kalyan Dombivli MC stated (January 2010) that the formats of reports were changed by the GOM from time to time and thus the module remained unutilised.

The reply is not acceptable as suitable reports including amendments as and when required in keeping with GOM instructions should have been formulated with the help of service provider.

5.1.11.3 Food License and Market & Trade License Modules

Food License and Market & Trade License Modules are in use in Kalyan Dombivli MC since May 2002. An Inspection sub module was also developed to capture information relating to inspections conducted by the Food and Market License Inspectors. It was noticed that the module permits only data entry relating to inspection of license holders and not of non-license holders. Further it was noticed that data relating to inspections conducted has not been entered in the system. Documents relating to system requirement and user manual were not available.

Kalyan Dombivli MC stated (January 2010) that feature for capturing data of persons not holding license was not available in the system and inspection data was not entered in the system due to shortage of staff.

5.1.11.4 Legal module

The legal module is developed for maintaining the legal case history, tracking related cases, advocate performance, helping department staff to know the status of the case related to their department and next hearing details. The module was implemented in December 2002.

Audit observed that that the legal module was only partially used from 2007 and 39 *per cent* of cases were entered in the system and in 2008 no data was entered. The expenditure of ₹ 3.76 lakh incurred for development and ₹ 1.60 lakh spent for maintenance up to 2007-08 remained unfruitful.

Kalyan Dombivli MC stated (January 2010) that this was due to shortage of staff and action would be initiated shortly.

5.1.11.5 User Work flow Management System

User Work flow Management System (UWMS) was developed for a centralized registry and monitoring of letters/files movement. The UWMS module would handle accepting the document at the registry, electronic acknowledgment at the department and within the desk and movement of cases across Kalyan Dombivli MC. It was observed that the module was not fully developed and put in use as detailed below:

- Module for entering the details of outward letters was not available.
- Module for entering inward letters was utilised in Commissioner's office alone.
- Around 34 to 42 *per cent* of letters received were not monitored through the system

The Kalyan Dombivli MC continued to depend on manual records and thus, the very objective of computerisation to improve the efficiency of work flow and avoid repetition of work could not be achieved.

Kalyan Dombivli MC accepted (January 2010) the facts.

5.1.11.6 Citizen Facilitation Centre module

Citizen Facilitation Centre (CFC) Module is designed as an interface for citizens who visit Municipal Corporation for availing services such as birth certificates, death certificates, licenses, water bill payment, property tax payment and for other services provided through the system. In CFC, citizens would apply for services and avail the same within the specified time.

Audit observed that reports generated in respect of pendency from CFC module revealed that out of the 293352 applications received, 51613 applications were pending *i.e.* 18 *per cent* for want of action from the concerned departments after stipulated period. The stipulated period varies from case to case and the MIS report does not indicate the period since when the applications remain pending, thus defeating the objective of the reporting system.

Further it was observed that MIS reports were not generated regularly and monitored by the higher authorities to ensure the timely disposal.

Kalyan Dombivli MC stated (January 2010) that reports were available in the CFC module and this issue was usually discussed with the Commissioner.

5.1.12 Internal Audit

The BPMC Act stipulates that the Municipal Chief Auditor (MCA) shall audit the accounts of the Municipal Corporation with the assistance of assistant auditors and clerical staff.

Management also gets assurance that the controls are in place which adequately reduce identified risks by relying on the review work carried out by the internal auditors.

Audit observed that internal audit was not involved in the development of the application modules and audit query module to enable the audit of accounts by MCA was not available in the application system developed.

MCA of Kalyan Dombivli MC accepted (January 2010) the facts.

5.1.13 Conclusion

The e-Governance project was initiated in 1999 with an objective to improve the efficiency of the system and to provide better services to the citizen. However, many deficiencies persisted primarily due to poor design, implementation and monitoring. Even after 10 years, application modules like Town planning wing *etc.* could not be put to use. Lacunae in the application modules continued as post implementation review was not conducted. Due to non-availability of necessary MIS reports in the application modules, generation of bills in respect of all consumers was not ensured and MCA could not audit the transactions entered in the system. The weak controls in the system resulted in non-generation of bills, delay in generation of bills, deletion and modification of the data without input documents and proper validation which made the system vulnerable to fraud and manipulation.

5.1.14 Recommendations

Kalyan Dombivli MC should:

- review the application modules with reference to the user requirements/ business rules and accordingly modify the application modules;
- use appropriate and structured input documents to facilitate correct data inputs for bill adjustment transactions and deletion of bills, enhance validation processes for such transactions;
- incorporate sufficient input and validation controls to ensure reliability of data;
- analyse the requirement of MIS reports and design appropriate MIS to make effective use of computerized system;
- build audit trails to track missing bills and data records in the system;
- obtain the source codes and other data necessary for it so as to run the system in case of any contingency; and

- consider the needs of internal audit so as to conduct internal audit through the system.

The matter was referred to Government (March 2010). Reply has not been received (June 2011)

MIRA BHAYANDAR MUNICIPAL CORPORATION

5.2 Performance Review on "Functioning of Mira Bhayandar Municipal Corporation

Executive summary

Mira Bhayandar Municipal Corporation was formed in February 2002 as civil body to govern the city. Mira Bhayandar Municipal Corporation functions under the provisions of Bombay Provincial Municipal Corporation Act 1949, which lays down obligatory and discretionary functions to be performed by the Municipal Corporation.

Performance Review on the functioning of Mira Bhayandar Municipal Corporation for the period 2005-10 revealed deficiencies in planning and failure to take up new Water Supply Scheme to meet the demand resulting in shortfall of 34 to 44 per cent in Water Supply.

Abandonment of project of production of fertilizer from bio-degraded solid waste after incurring expenditure of ₹82.92 lakh and non-functioning of solid waste management project resulted in improper disposal of solid waste. Delay in appointment of hospital staff resulted in non-functioning of 50 beds hospital constructed at a cost of ₹8.35 crore.

Delay in submission of Detailed Project Reports, non-revision of project cost at current District Schedule Rates, non-inclusion of consultancy and maintenance cost in proposals for underground sewerage project under JNNURM for subsequent period resulted in additional financial burden of ₹ 161.15 crore and delayed execution of the project.

Non-levy of tax on larger residential premises, non-raising of demand and irregular deletion of properties resulted in loss of property tax amounting to ₹9.03 crore. Irregular sanction of one Floor Space Index instead of 0.2 Floor Space Index in 15 cases, Transfer of Developments Rights issued against land acquired in No Development Zone area had resulted in granting undue benefit of ₹9.77 crore. Non-utilization of Auto-DCR software system and three modules out of seven modules procured for computerization of civic services rendered expenditure of ₹50.83 lakh unfruitful.

5.2.1 Introduction

Mira Bhayandar is a fast growing city in the western suburbs of Mumbai and Mira Bhayandar Municipal Corporation (MC) is the civic body that governs the city. The erstwhile Mira Bhayandar Municipal Council formed in 1985 by merging nine Gram Panchayats was converted as Municipal Corporation on 28 February 2002.

Mira Bhayandar MC is a 'D'[39] class MC which covers area of 79.40 sq. km and population base of 5.20 lakh as per 2001 census, which is expected to grow to 13.04 lakh by 2011. It functions under Bombay Provincial Municipal Corporations Act (BPMC Act), 1949 which lays down the obligatory and discretionary functions to be performed by the Municipal Corporations. Mira Bhayandar MC is having 79 elected and five nominated Corporators.

5.2.2 Organisational set up

Mira Bhayandar MC is under the administrative control of Urban Development Department, Government of Maharashtra (GOM). The organizational set up of Mira Bhayandar MC is as depicted in **Appendix XI.**

5.2.3 Audit Objectives

The audit objectives were to assess the:

- Adequacy of services provided and implementation of various schemes by the Municipal Corporation
- Examining implementation of schemes/plans, execution of capital/ repairs and maintenance works undertaken
- Financing mechanism of the Municipal Corporation compared to their needs
- Execution of the development plan along with deviations, if any, and regularisation of building constructions proposals
- Internal administrative and audit control.

5.2.4 Audit Criteria

The criteria used for Performance Audit on functioning of the Municipal Corporation were in compliance with provisions of and best practices derived from these:-

- Bombay Provincial Municipal Corporation Act, 1949
- Maharashtra Regional Town Planning Act, 1966
- Municipal Solid Waste (Management and Handling) Rules 2000
- Development Control Regulation for Mira Bhayandar MC
- Maharashtra Public Works Manual and Accounts Code
- Municipal Account Code, 1971

[39] Municipal Corporations are classified in four categories i.e. A, B, C, D on the basis of population, per capita income and per capita area.

5.2.5 Audit coverage and methodology

Performance audit on functioning of Mira Bhayandar MC covering the period 2004-09 was conducted during October 2009 to April 2010. Out of 25 obligatory services under BPMC Act as shown in **Appendix XII**, the core services rendered by Mira Bhayandar MC *viz.* water supply, management of solid waste, bio-medical waste, medical health, roads and public works, transport, generation of revenue through various taxes and implementation of the development plan were selected by judgmental sampling for audit including the records maintained in all the four wards.

Audit was conducted by review of rules, regulations, analysis of computer data through CAATs, discussions with the head of departments, *etc*. The objective, scope of audit and methodology was discussed with the Commissioner of Mira Bhayandar MC in the entry conference held on 12 March 2010. The exit conference was held on 9 November 2010.

5.2.6 Financial status of Mira Bhayandar MC

The major part of the corporation's revenue comes from its own rates and taxes including non-tax revenue such as license fees, building proposals fees, advertisement charges *etc*. Apart from taxes it also receives various grants, loans and advances from Government and other authorities such as Mumbai Metropolitan Regional Development Authority (MMRDA), Finance Commission *etc.* The expenditure mainly consists of pay and allowances, administrative expenses, capital expenditure, operation and maintenance expenses, interests on loans *etc.*

The revenue and capital receipt and expenditure of Mira Bhayandar MC (excluding Transport Division) for the year 2004-05 to 2008-09 were as under.

(₹ in crore)

Year	Revenue Receipt	Capital Receipt	Total Receipt	Revenue Expenditure	Capital Expenditure	Total Expenditure
2004-05	119.03	21.51	140.54	84.45	62.58	147.03
2005-06	153.41	0.10	153.51	108.54	49.43	157.97
2006-07	178.11	1.12	179.23	126.34	51.21	177.55
2007-08	214.02	0.30	214.32	145.15	56.03	201.18
2008-09	212.61	55.39	268.00	152.69	96.25	248.94

The difference in receipt and expenditure was due to the non-inclusion of opening and closing balance of each year. Figures are actual receipts and expenditures of respective years.

Audit Findings

5.2.7 Water supply

As per BPMC Act, the Commissioner should take all such measures to provide sufficient drinking water to the public regularly. As per norms fixed by Government, Metropolitan and Mega Cities provided with piped water supply where Sewerage System is existing/contemplated are required to supply water at 135 *liter per capita per day* (lpcd) excluding permissible 15 *per cent* unaccounted for water *i.e.* leakages, pilferage *etc.*

Mira Bhayandar MC does not have own water supply scheme and present requirement is met from Shahad Temghar Authority (STEM) and Maharashtra Industrial Development Corporation (MIDC) to the extent of 86 MLD and 14 MLD per day respectively and supplies 74 lpcd against the norm of 135 lpcd.

5.2.7.1 Deficiencies in planning

The Mira Bhayandar MC receives water from STEM authority at 86 MLD and contributes ₹ 110.62 crore as share contribution. To meet the additional demand of water supply due to increase in population, GOM sanctioned (April 2007) 35 MLD water from Ulhas river by MIDC to be supplied at Kapurbavadi pumping station of STEM Authority. Mira Bhayandar MC incurred expenditure of ₹ 4.17 crore on providing and commissioning of Vertical Turbine pumps at Kapurbavadi, Thane for pumping of water supplied by MIDC through existing STEM pipelines. However, due to distance of 46 kms from source and damaged condition of gravity pipeline, MIDC could supply only 14 MLD water against 35 MLD sanctioned. Thus shortage in water supply still remained to be solved.

The range in shortfall against requirement increased from 37 MLD to 68 MLD from 2001 to 2009 as follows:

Year	Population (In lakh)	Water Requirement (In MLD)	Actual supply (In MLD)	Shortfall (In MLD)	Percentage of Supply
2001	5.21	90	53	37	59
2006	7.28	126	83	43	66
2009	9.00	155	87	68	56

The shortfall in supply ranged from 34 to 44 *per cent* and water was supplied once in every 36 hours. Though MIDC assured to supply 30 MLD, till replacement/repairs of pipelines, the actual supply was only 14 MLD.

Mira Bhayandar MC stated (April 2010) that proposal for additional Water Supply Scheme of 200 MLD was submitted to Government of India (GOI) (February 2010) under Jawaharlal Nehru National Urban Renewal Mission (JNNRUM).

Reply is indicative of the failure of Mira Bhayandar MC in addressing the issue and delay in proper planning to supply adequate water as the proposal to meet the shortage has been taken up after almost eight years of formation of Mira Bhayandar MC. Mira Bhayandar MC did not clarify what steps it was taking to repair the pipelines and reduce leakage.

5.2.7.2 Losses in water supply

Government of Maharashtra instructed (September 2000) all MCs to undertake energy/water audit and inspection of leakages as a time bound programme with incentive grant from GOM as per financial action plan (November 2001). GOM extended (August 2005) the time limit up to March 2008 to undertake rehabilitation works as suggested in energy/water audit.

The year-wise details of water received from STEM, MIDC was furnished to audit. However, the actual water supplied and billed by Mira-Bhayandar MC to its citizens were not made available. In the absence of such data, the quantum of transmission losses against the norms of 15 *per cent* could not be ascertained.

Mira Bhayandar MC had undertaken water and energy audit during 2004-05. According to the audit, against the supply of 74.65 MLD water per day, distribution of water was billed only for 57.36 MLD per day (76.84 *per cent*) resulting in loss in distribution for 17.29 MLD (23.16 *per cent*). This transmission loss above the permissible limit of 15 *per cent* resulted in financial loss of approximately ₹ one crore at ₹ 4500 per MLD during 2004-05.

5.2.7.3 Incomplete Water Supply Work

As per technical report of Maharashtra Jeevan Pradhikaran (MJP) the existing ESR[40] at Ghodbunder constructed in 1979 was unserviceable and water to Ghodbunder village could not be supplied by gravity pipeline with required pressure and quantity.

The work of "Designing, Providing, Construction, Testing, Commissioning RCC, ESR of seven lakh litre Sump with Pump house at Ghodbunder Village by demolishing existing ESR was administratively approved (November 2004) for ₹ 70.30 lakh. The work was awarded (July 2005) for ₹ 67.12 lakh with stipulated period of completion within 12 calendar months. The work was incomplete even after incurring expenditure of ₹ 39.21 lakh (April 2010) as the title of the site was not cleared. This had not only resulted in blocking of funds of ₹ 39.21 lakh but also Mira Bhayandar MC failed to augment drinking water facilities to the public. In reply Mira Bhayandar MC stated (April 2010) that the dispute has been settled and the work was being completed.

5.2.7.4 Solid and bio-medical waste management

The Municipal Solid Waste (Management and Handling) Rules 2000 [MSW (M&H)] makes it mandatory on part of all municipal authorities to create proper infrastructure for collection, storage, segregation, transportation, processing and disposal of solid wastes in their jurisdictions. The Collector, Thane made available 31.46 hectares of land at Uttan–Pali (December 2002) free of cost to Mira Bhayandar MC for

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[40] Elevated Storage Reservoir

management of solid wastes generated in their limits with the condition that land should be used only for the specific purpose. Mira Bhayandar MC was dumping generated solid wastes in scattered manner in Navghar area which was objected by Maharashtra Pollution Control Board (December 2003). Though Mira Bhayandar MC came into existence in 2002, proper mechanism as per requirement of MSW (M& H) Rules was not developed till May 2008.

5.2.7.5 Abandoned work of solid waste management

As per estimation of Mira Bhayandar MC, 265 MT per day solid wastes were generated in corporation area out of which approximately 60 *per cent* wastes were of bio-degradable nature thereby leaving approximately 100 MT per day solid wastes which required treatment through proper disposal mechanism. The Solid Waste Management Cell of GOM (March 2005) had instructed Mira Bhayandar MC to negotiate with the contractor for establishment of 240 MT processing plant. Mira Bhayandar MC awarded (June 2005) the contract for fertilizer project from bio-degraded solid waste of 50 MT per day at ₹ 1.85 crore. The work actually started in October 2006 due to non-availability of approach road though advance of ₹ 37 lakh was paid (July 2005). Mira Bhayandar MC withdrew (March 2009) the work from the contractor after incurring expenditure of ₹ 82.92 lakh and the work remained incomplete as of March 2011.

Solid waste management old project

Solid waste management new project

Mira Bhayandar MC simultaneously awarded (October 2006) another contract for processing 400 MT per day on Build, Operate and Transfer (BOT) basis. The site of the new BOT project was adjacent to the abandoned 50 MT project. Mira Bhayandar MC neither withdrew the work of old project immediately after awarding the work of BOT project nor negotiated with the contractor for higher capacity as instructed by GOM resulting in infructuous expenditure of ₹ 82.92 lakh incurred on the abandoned work (June 2010) thus indicating improper planning and internal control failure. The BOT project which started functioning in May 2008 with stipulated time period of 30 years was closed forcibly by surrounding population (November 2008/September 2009), which was restarted in March 2010. In reply it was stated (April 2010) that the infrastructure created by Mira Bhayandar MC in respect of 50 MT processing plant was not taken by BOT contractor. Mira Bhayandar MC proposed to shift the BOT project to another site in view of complaints by Public. The development of land fill site would be taken after shifting of solid waste project to another site. During the closure periods, the solid wastes were dumped on private lands resulting in air and water pollution in surrounding areas and also non-observance of MSW (M&H) Rules. The reason for not using the old dumping ground was also not on record.

Thus Mira Bhayandar MC does not have any proper disposal mechanism of solid wastes generated. Mira Bhayandar MC proposes to shift the plant site resulting in loss of ₹ 1.24 crore on approach roads constructed to the BOT project in addition to loss of ₹ 82.92 lakh on abandoned 50 MT project.

The Executive Engineer stated (November 2010) that they were planning to develop a new plant on BOT basis in addition to the existing plant.

5.2.7.6 Lack of control over management of bio-medical waste

Mira Bhayandar MC executed an agreement with M/s Enviro-vigil (agency) for disposal of medical wastes generated in 10 dispensaries. There were 616 units of Private Health Institutions of various nature and capacities functioning within corporation area of which only 248 Institutions were registered under Bombay Nursing Homes (NHs) Registration (Amendment Act) 2005 (BNHR) wherein a pre-condition for proper treatment of Bio-medical waste (BMW) was incorporated. Accordingly the registered private health institutions submit a certificate issued by the agency for proper disposal of BMW generated by them. But out of 248 registered private units, 130 units have not renewed their registration ranging for the period from one to six years as of March 2009 and Mira Bhayandar MC failed to monitor the disposal of BMW by private institutions. Apart from the above Mira Bhayandar MC has no control over BMW generated by the unregistered 368 private institutions.

In reply it was stated (April 2010) that the units voluntarily applying for registration were only registered, however it was decided by Mira Bhayandar MC to register and renew all the clinics and dispensaries hereafter. Mira Bhayandar MC did not take any action to penalise the unregistered NHs under BNHR Act. Thus, Mira Bhayandar MC failed to keep proper watch on BMW generated in private health institutions due to non-registration and renewal of registration thereof.

During exit conference (November 2010), the Chief Auditor of Mira Bhayandar MC stated that the survey is being carried out for the same.

5.2.8 Medical Health

Mira Bhayandar MC has ten dispensaries (including one mobile unit) and no functioning hospital as against requirement of 21 dispensaries for present population of 10.78 lakh.

5.2.8.1 Improper planning of hospitals

(i) Mira Bhayandar MC awarded (December 2006) contract for construction of a hospital (50 beds) cum blood bank cum library building at Mira Road. The building was completed (December 2008) at ₹ 5.53 crore on land acquired at a cost of ₹ 2.82 crore. The hospital has not started functioning due to non- appointment of staff for hospital and blood bank and non-procurement of equipment/instrument though budget provision of ₹ 1.25 crore was made in the year 2008-09. Thus the hospital facilities created at a cost of ₹ 8.35 crore remained idle.

Mira Bhayandar MC stated (April 2010) that the electrical and furniture work with estimated cost of ₹ 66.64 lakh of the 50 beds hospital was in final stage. Staff for commissioning of hospital at Mira Road was sanctioned and appointment of staff by interview was in process. Orders for hospital machinery and equipment were placed by inviting tenders.

(ii) The work of construction of hospital (200 beds) at Tembha (Bhayandar West), was approved (April 2007) for ₹ 8.91 crore. The work of morgue and post mortem room costing ₹ 41.45 lakh in the same hospital was awarded (November 2008) (even before starting the work of hospital) with due date of completion by November 2009 to cope up with exceptional circumstances, though the facilities available in hospital in Mira Road were not put to use. The work of hospital building was awarded (February 2009) at an estimated cost of ₹ 12.57 crore. The total expenditure incurred on hospital building at Tembha was ₹ 6.14 crore {(₹ 5.81 crore on hospital building (October 2010) and ₹ 33.22 lakh on morgue and post mortem work (October 2010)}.

Mira Bhayandar MC (February 2011) stated the work in respect of 200 beds hospital was in progress. Mira Bhayandar MC further added that the created infrastructure would be used as and when hospital building started functioning.

Thus, due to improper planning, the expenditure incurred on both hospitals at ₹ 14.49 crore remained idle resulting in delay in providing medical facilities and causing inconvenience to the general public as no other public hospital was available.

5.2.8.2 Failure to open dispensaries under RCH programme

Mira Bhayandar MC (September 2006) accorded approval for opening of five new dispensaries under centrally sponsored "Reproductive and Child Health-2 Programme" (RCH). The required staff (4 medical officers and 32 other staffs) were appointed (April 2008), however, the dispensaries were not opened and the staff appointed were utilized at existing dispensaries and Health department in excess of sanctioned strength.

Mira Bhayandar MC stated (April 2010) that due to non-availability of space, additional five dispensaries sanctioned could not be started in last four years.

The reply clearly indicates the lack of planning by Mira Bhayandar MC by appointing staff before acquiring the space needed for dispensaries.

5.2.9 Public works

The public works department of Mira Bhayandar MC has to execute various capital works such as construction and maintenance of municipal buildings, roads, sewerage projects *etc***.**

5.2.9.1 Works under Jawaharlal Nehru National Urban Renewal Mission

Jawaharlal Nehru National Urban Renewal Mission (JNNURM) is being implemented by GOI for development of urban infrastructure such as water supply system, sanitation, sewerage, solid waste management, road network, urban transport and redevelopment of inner city/old areas with a view to upgrade infrastructure with sustainable growth. The mission commenced since 2005-06 with primary phase of seven years period on cost sharing ratio 35:15:50 between Central Government, State Government and Urban Local Bodies. As per procedural requirements of the mission, Mira Bhayandar MC was required to prepare 12 Detailed Project Report (DPRs). However, only eight DPRs were prepared as of March 2010.

Out of these, three DPRs were approved by Central Steering and Monitoring Committee (CSMC) of GOI *viz.* Underground sewerage system of ₹ 331.42 crore (December 2007), Urban transport system of ₹ 11 crore (June 2009) and Basic Services to Urban Poor (BSUP) of ₹ 279.55 crore (November 2009) whereas Mira Bhayandar MC delayed submission of the balance five DPRs ranging from two to three years.

Mira Bhayandar MC had substantially delayed preparation of all DPRs, progress of work of the project *i.e.* underground sewerage project is very slow and Mira Bhayandar MC (November 2009) has not finalized the financing parameter in respect of remaining five DPRs costing ₹ 1576.19 crore which was still to be sanctioned. Besides, two sanctioned DPRs of transport and BSUP were to be financed from private public partnership and fully by Government grants respectively. Mira Bhayandar MC has not taken into account the future increase in project costs in respect of any of the JNNURM project as the DPRs were prepared on the basis of DSR of 2005-06.

In reply it was stated (April 2010) that as per JNNURM guidelines only after sanction of City Development Plan (CDP) and signing of Memorandum of Agreement (MOA) (July 2008), DPR could be submitted and hence the delay. Reply is not tenable as there was delay in preparation of CDP (June 2007) by Mira Bhayandar MC which resulted in delay in signing of MOA as well in submission of DPR.

5.2.9.2 Implementation of underground sewerage system

i) Abnormal increase in cost of project

The actual awarded cost of the project was ₹ 552.86 crore (including Operation, Maintenance and Consultancy) as against sanctioned project cost of ₹ 331.42 crore. The reasons for increase in project cost was delayed execution, inclusion of technical consultancy of ₹ 27.06 crore at 5.5 *per cent* of the cost of the project and maintenance cost of ₹ 33.84 crore for five subsequent years after completion of the project. In view of the above, Mira Bhayandar MC has to bear extra financial burden of ₹ 161.15 crore as against ₹ 16.15 crore planned, as Government share was limited to the project cost sanctioned. Mira Bhayandar MC's share of ₹ 387.15 crore of the project cost was proposed to be met by loan of ₹ 226 crore from MMRDA and ₹ 161.15 crore from own fund. Mira Bhayandar MC concluded the loan agreement (February 2010) with MMRDA with a condition that Mira Bhayandar MC has to set aside ₹ three crore per month on Escrow Bank account for repayment of loan.

Mira Bhayandar MC stated (April 2010) that additional cost of project would be met by proposed increase in water supply rates, property and education tax, newly introduced sewerage benefit tax and special sanitary tax. However, none of the steps have been implemented to mobilize resources and Mira Bhayandar MC had not fulfilled the condition of keeping aside ₹ three crore for repayment of loan as per agreement.

ii) Slow progress of work

The work of underground Sewerage System was awarded (February 2009) to M/s. Suhas Projects & Manufacturing Ltd. at ₹ 491.96 crore (91.61 *per cent* above estimated cost of ₹ 256.75 crore) to be completed within 30 months (August 2011). However, the contractor has executed the work of 1.29 *per cent* only (March 2010) as against the targeted 20 *per cent* (approx). The progress of work was very slow due to which Mira Bhayandar MC could not submit the progress report to GOM/GOI. As a result GOI has not released the 2nd installment of grants as of March 2011 though the 1st installment of ₹ 14.43 crore was released to Mira Bhayandar MC (September 2008). Mira Bhayandar MC paid (March 2009) ₹ 49.27 crore as mobilization advance as per tender condition which was to be recovered within six months, however only ₹ 6.35 crore was adjusted (February 2010) without recovering interest of ₹ 1.97 crore as per condition No.14.2 of accepted tender.

Mira Bhayandar MC agreed (April 2010) to recover the interest from subsequent bills, but was silent on slow progress of work.

5.2.10 Transport services

It is one of the discretionary duties of Municipal Corporation to provide transport system to the general public. In Mira Bhayandar MC transport services were provided through outsourcing since 2005-06 by hiring 50 buses which were operated with Mira Bhayandar MC's manpower. It was decided (June 2009) to procure 250 buses at ₹ 62.50 crore under JNNURM. However under JNNURM, proposal for augmentation of the urban transport system was approved (June 2009) at ₹ 11 crore for purchase of 50 buses on Public Private Partnership (PPP) basis. Government share of ₹ 1.37 crore was released (February 2010) to Mira Bhayandar MC.

Undue subsidy due to non-revision of bus fare

Mira Bhayandar MC started its own transport service (September 2005).

The Transport service was to be run on no profit no loss basis. It was, however seen that there was loss of ₹ 4.37 crore during the years 2005-06 to 2008-09 which was met by payment of subsidy by Mira Bhayandar MC to transport undertaking. The loss was to be met by increasing ticket rates but the same was not done.

While accepting the fact, Mira Bhayandar MC stated (May 2010) that the proposal for revision of rates for minimizing the loss was approved (January 2010), however sanction from Regional Transport Authority was awaited.

5.2.11 Property Tax

5.2.11.1 Arrears of property tax

Position of cumulative demand (including arrears), collection and balance of property tax during the years 2004-09 was as shown in **Appendix XIII**. There was difference between the closing and opening balance for the subsequent year which was not reconciled. In cases where arrears exceeds ₹ five lakh, action to recover the property tax by attachment and sale of defaulter's property was required to be taken as per Taxation rules. However, the same was not done in 23 cases involving an amount of ₹ 3.31 crore. In reply, Mira Bhayandar MC stated (April 2010) that the recovery of outstanding dues was in progress and also stated that it had recovered ₹ 9.27 crore from total arrears of ₹ 15.18 crore during the year 2009-10.

5.2.11.2 Non-levy of tax on buildings with larger residential premises

As per Maharashtra Tax on Buildings (with larger Residential Premises) Act, 1970, tax shall be levied and collected from all buildings or parts thereof situated in corporation areas, containing any residential premises if the floorage of such premises is more than 150 sq. mtrs and rateable value thereof is more than ₹ 1500, at 10 *per cent* of the rateable value and paid to GOM. Scrutiny of database revealed that there were 445 properties which were not taxed during the period from 2002-03 to 2008-09 resulting in loss of revenue of ₹ 51 lakh to GOM.

Mira Bhayandar MC agreed (April 2010) to levy and recover the tax in due course.

5.2.11.3 Short assessment of property tax for commercial properties

Mira Bhayandar MC has approved revised (August 2006) rental rates for calculation of rateable value of property tax. Audit scrutiny of computerized database (March 2010) revealed that the revised rates were not considered in respect of 175 commercial properties for the years 2007-08 and 2008-09 while assessing property tax, resulting in short levy of ₹ 6.32 lakh.

Mira Bhayandar MC (April 2010) stated that the properties were old and revised rates were not made applicable for calculation of annual rateable value.

Reply is not acceptable as there was change in use of the property; hence rate for commercial use was to be made applicable.

5.2.11.4 Incorrect data in respect of assessment of property tax

Scrutiny of computerized data from Property tax module for the period 2004-05 to 2008-09 made available to Audit revealed that:

i) Mira Bhayandar MC has not issued bills in respect of 4610 properties involving property tax of ₹ 2.75 crore.

ii) Inspite of existence of rateble value (RV), bills were not generated in respect of 3334 properties out of which 1410 properties were marked with exemption flag in the computerized data leaving 1924 cases unmarked whose bills were not issued.

iii) Bills were not generated in respect of 2429 properties in which RV was 'Zero' or 'One'. Out of this, 400 properties were marked with exemption flag in the computerized data and remaining 2029 cases were unmarked but no bills were issued to these property holders

iv) 7492 bills amounting to ₹ 3.51 crore were deleted from the computerized system. As such, bills were not generated for these property holders. No control was provided in the system to ensure proper documentation before allowing any deletion/exemption of property tax bills.

Mira Bhayandar MC agreed (April 2010) to scrutinize all the properties and to effect recovery, if necessary.

5.2.11.5 Non-auction of seized property for recovery of property tax

A total of 692 properties involving property tax of ₹ 2.20 crore were seized by Mira Bhayandar MC during the period 2004-05 and 2008-09 for recovery of property tax by sale through auction. The Government approved valuer (August 2009) valued these properties at ₹ 55.02 crore. However, no further action for recovery of property tax by auction of seized properties was taken.

Mira Bhayandar MC stated (April 2010) that these properties were closed and sealed and action would be initiated for auction as per the provisions of BPMC Act. However the time frames for completion of these activities were not specified.

5.2.12 Water charges

As on 31 March 2009, water charges of ₹ 2.07 crore were outstanding. The position of demand, recovery and outstanding water charges for the year 2004-05 to 2008-09 was as shown in **Appendix XIV**. There was difference of ₹ 1.04 crore in the closing balance as on 31 March 2009 and opening balance as on 01 April 2009 due to cheque returns (₹ 0.29 crore) and non-inclusion of demand (₹ 0.75 crore) raised after December 2008 which shows lack of internal controls.

5.2.12.1 Issue of water bills

Mira Bhayandar MC issues the water bills to the consumers on quarterly basis on actual meter reading taken from the water meter installed. Scrutiny of computerized data base revealed that there were cases of water bills not issued, issued on average consumption, issued on residential rates for commercial use as indicated below:

i) Out of 29015 consumers, in 5056 cases, the water reading was shown as zero for more than three quarters and Mira Bhayandar MC issued the bills on average meter reading. The report regarding non-functioning of the meter was neither prepared nor action initiated to change the defective meters or disconnect the supply.

Mira Bhayandar MC stated (April 2010) that notices were issued to the consumers and also added that additional 20 to 25 per *cent* charges were levied and collected from the consumers whose meters were not functioning.

ii) In respect of 1128 active consumers, water bills were not generated. Mira Bhayandar MC stated (April 2010) that due to shortage of staff having sufficient computer knowledge, there was delay in issue of water bills and these bills were issued manually, which remained to be computerized. The reply is not tenable as bills issued manually were not produced to audit for verification.

5.2.13 Development charges

Development and other fees were collected in order to process the building construction proposals and Transfer of Development Rights (TDR). Mira Bhayandar MC collected development and allied fees of ₹ 51.84 crore during the years 2004-05 to 2008-09. In this regard, following is noticed:

5.2.13.1 Deficient policy of charging leveling and compound wall fee

Mira Bhayandar MC decided (January 2006) to collect fee *in lieu* of leveling of land and construction of compound walls based on the applicable Development Control Regulation (DCR) in respect of lands acquired for reservations in Development Plans (DPs) by way of TDRs sanctioned. Scrutiny (March 2010) revealed that Mira Bhayandar MC did not follow any uniform policy of either taking fees or getting the work done from the respective land owners. This resulted in non-levy of leveling and compound wall fee of ₹ 38.96 lakh in eight cases and loss of ₹ 22.57 lakh in 29 cases due to non-revision of the said rates in timely manner, non-issue of subsidiary bills, application of wrong rates and levy of rates on partial plots transferred during the year 2005-06 to 2008-09. However, latest position of recovery was not available.

Mira Bhayandar MC (May 2010) stated that the said fees were being recovered as per rates fixed and agreed to take action after verification.

5.2.14 Implementation of Development Plan

Maharashtra Regional Town Planning (MRTP) Act 1966 makes it mandatory for every planning authority to prepare a draft DP for the area under its jurisdiction. Mira Bhayandar MC implements the DP sanctioned by GOM (1997/2000) which should be reviewed after 20 years as per provisions of their DCR.

5.2.14.1 Acquisition of lands reserved in Development Plan

MRTP Act extends liability of acquisition of public sites reserved in DP with the Municipal Corporations irrespective of authority for development of the same. GOM decided (February 1983) to transfer all earmarked lands in the DP to Municipal corporations free of cost. GOM (May 2006) further instructed all planning authorities to submit yearly acquisition proposals to the district collector as per their phased programme of DP implementation and provide at least 20 *per cent* of their total budgetary expenditure for acquisition of reserved lands. However Mira Bhayandar MC has not allocated any fund in the budget for land acquisition. The position of acquisition of lands as per Development Plan is given in **Appendix XV**.

It can be seen that partial acquisitions were made in respect of 61 reservations *in lieu* of TDR till May 2010. Besides no acquisitions were made against TDR between 2002-03 and 2004-05 and in 2009-10. Out of total 350.75 hectares of reserved lands free from Coastal Regulatory Zone (CRZ)/No Development Zone (NDZ), Mira Bhayandar MC acquired/got transferred only 79.59 hectares of (*i.e.* 40.09 hectares against TDR comprising 3.28 hectares CRZ lands and 39.50 hectares Government lands comprising 38.62 hectares CRZ lands) private and Government lands (10.75 *per cent* of reserved lands free from CRZ). The non-acquisition of DP reservations through TDR resulted in delay in implementation of approved DP of the Mira Bhayandar MC.

5.2.14.2 Development of reservation sites in DP as per DCR of Mira Bhayandar MC

Audit scrutiny revealed the development of reserved sites by Mira Bhayandar MC as shown in **Appendix XVI**.

It is evident that out of free sites from CRZ/NDZ, Mira Bhayandar MC has developed 4.80 *per cent* reserved area fully, 6.75 *per cent* partially and 9.29 *per cent* was under scrutiny after lapse of more than 10 years since sanction of DP. Besides, out of 415 km of DP roads Mira Bhayandar MC stated (May 2010) that 173.40 km of roads were developed.

5.2.14.3 Poor utilization of sites acquired

Mira Bhayandar MC invited two tenders (May 2007/June 2007) for development of Town Park on BOT basis and letting out 10 reserved sites (5.51 hectare) on lease and on BOT basis. Mira Bhayandar MC received offers in June 2007 for BOT project of Town Park and four reserved sites. The work order for development of Town Park was given in June 2007 with due date of completion as June 2009 for tenure of 30 years for rent of ₹ 45.45 lakh per annum to be increased by 10 *per cent* every five years. Four sites were awarded (June 2007) for consideration of ₹ 44.33 lakh per annum, however, only two projects were taken up for development by contractors.

i) Site No. 96 reserved for Play Ground was awarded for development in June 2007 with due date of completion as one year. Contractor has made yearly payments of rent of ₹ 10 lakh but breached the condition of utilizing the plot for fun and fair purposes for not more than 30 days during the year 2009.

ii) Site no. 191 reserved for Primary School and Play Ground was handed over for development on 20 June 2007 on BOT basis for 30 years on rental value of ₹ 10 lakh *per annum*. Although the developer has paid rent for the year 2007-08, he had not developed the site and sought permission to develop the site as College (since September 2005 *i.e*. before awarding of the contract) by changing the nature of reservation.

Thus Mira Bhayandar MC could utilize only 4.88 hectare of land out of total available 20.65 hectares of land acquired substantially till date. No further action was taken by Mira Bhayandar MC to utilize the balance substantially acquired land.

Mira Bhayandar MC accepted (May 2010) the delay in completion of Town Park on BOT and non-execution of two contracts out of other four initiated under BOT/Rental based allotment of contracts.

Thus non-utilization of substantially acquired lands shows the lackadaisical approach of Mira Bhayandar MC in development and utilization of transferred lands which resulted in non-accrual of annual revenue of ₹ 89.78 lakh per annum and not providing benefits as envisaged as per Development Reservation.

5.2.14.4 Irregular issue of Transfer of Development Rights

As per section 22 of MRTP Act *i.e.* in DP, the owner will be eligible for Development Right (DR) to the extent stipulated in the DCR, had the land been not so reserved and that built-up area for the purpose of Floor Space Index (FSI) credit in the form of Development Right Certificate (DRC) shall be equal to the gross area of the reserved plot to be surrendered and will proportionately increase or decrease according to the permissible FSI of the Zone wherefrom the TDR has originated. As per DCR for certain construction activity in NDZ, maximum 0.2 FSI may be allowed in independent plots of area up to one hectare each and for any additional bigger plots of more than one hectare 0.05 FSI may be allowed in addition to 0.2 FSI for the first hectare.

Mira Bhayandar MC had sanctioned credit of one FSI ignoring the provisions of DCR, wherein 28,483.24 Sq. meter excess FSI credit was given to 15 land owners giving undue benefit to the owners/developers to the extent ₹ 9.77 crore as per rates mentioned in respective property registration documents in 13 cases and details of two cases were not furnished.

Mira Bhayandar MC stated (May 2010) that the TDRs issued were as per provisions.

The reply is not acceptable as these TDRs were issued for NDZ reservations under approved DP and hence should be restricted to 0.2 FSI as per DCR of Mira Bhayandar MC.

5.2.15 Implementation of e-Governance

5.2.15.1 Non-utilization of modules

The computerization of various departments of the Mira Bhayandar MC was initiated (June 2004) with an objective to improve the civic services, integration of functions, improve the efficiency of the available manpower and reduction in expenditure. Accordingly, software modules for various functions such as Water Billing, Property Tax, Birth and Death Registration, Food and Market Licenses, Accounts, Complaints, Acceptance and Redressal (CARE) and Citizen Facilitation Center (CFC) were procured (January 2005) from Kalyan Dombivli Municipal Corporation at the cost of ₹ 22 lakh. Post Implementation Support Services at ₹ 1.86 lakh per month was also availed (December 2005) for the implementation of the above modules. The services were extended up to October 2007 and ₹ 44.64 lakh was paid to Kalyan Dombivli MC.

Audit scrutiny (April 2010) revealed that the documents such as user requirements, system design and user manual relating to application modules were not available and source code of the programme was not procured along with software. Three modules *viz.* Property Tax, Birth and Death Registration and CFC out of seven modules procured were functioning in Mira Bhayandar MC. The water billing module was implemented only for the year 2009-10 and due to incomplete data capturing, the services for issue of water bills through computer system was discontinued from January 2010 and water bills were issued manually. Despite incurring expenditure of ₹ 66.64 lakh for implementation of seven modules, Mira Bhayandar MC could implement only four modules rendering expenditure of ₹ 28.24 lakh incurred on remaining three modules unfruitful.

Mira Bhayandar MC stated (May 2010) that account module procured was of single entry system against the requirement of double entry system, hence was not in use. Food and Market module, CARE could not be put to use and CFC module was also partially in use.

Thus, the purpose of introduction of e-Governance to improve efficiency and reduce the expenditure was defeated.

5.2.15.2 Idle installation of Auto-DCR software system

Mira Bhayandar MC decided (September 2006) to computerize scrutiny of all Building Proposals with the help of Auto-DCR *i.e.* software which enables automatic scrutiny of building plans by reading Auto CAD drawing submitted by various developers. Mira Bhayandar MC awarded two contracts for supply of server and related software of ₹ 7.41 lakh (September 2006) and supply of six units of computers, one printer and LAN connectivity system for ₹ 3.82 lakh (November 2006). The equipment, servers and allied software (₹ 11.23 lakh) were installed (October/November 2006) with warranty of one year for hardware. Mira Bhayandar MC also intimated GOM (January 2007) regarding introduction of Auto-DCR software system. However it was not effectively used and was discontinued (October 2007) on complaints from architects rendering total expenditure of ₹ 22.59 lakh incurred on the system infructuous.

Mira Bhayandar MC stated (May 2010) that it was in the process of starting the functions of software again.

5.2.16 Internal Controls

Internal Controls consists of rules, orders and procedures designed to provide management with a reasonable assurance that the entity is functioning in the manner intended to achieve its objective and a good internal control system ensures optimum utilization of resources.

The following lapses of internal controls were noticed;

For effective functioning and to achieve the objectives of good local self governance in providing civic services, the corporation/standing committee should frame its own rules and bye-laws not inconsistent with the provisions of BPMC Act, with the approval of GOM which should be published in official gazette. Mira Bhayandar MC had not framed its own rules and bye-laws for submission to GOM for approval.

GOM instructed (October 2002) Mira Bhayandar MC to frame its own service rules and regulations. The rules prepared by Mira Bhayandar MC (December 2005) has not been approved by GOM (May 2010). However Mira Bhayandar MC continued to promote/give additional charge of important posts to unqualified officials in violation of GOM rules and regulations.

No system existed to monitor/watch the implementation of decisions taken by Standing Committee and General Body. The details of implementation were not available in respect of 442 policy decisions of General Body and 912 decisions of Standing Committee taken during the years 2004-05 to 2008-09.

No uniform Property number/code was allotted to properties and different numbers were adopted by property Tax, Encroachment and Water Supply Department to the same property which lead to lack of coordination and monitoring of illegal construction, unauthorized water connections *etc*.

To monitor illegal construction activities and obtain details of Government grants receivable towards stamp duty realized in corporation area, Commissioner was required to obtain details of transactions of immovable properties from the Registrars/Sub Registrars. No system has been evolved to obtain these reports so as to ensure timely levy of property tax and monitor illegal constructions.

Thus the lapses in internal control system resulted in non-coordination between different Departments and ineffective management of services.

5.2.17 Conclusion

There was delay in planning to augment the shortfall in supply of adequate water. Mira Bhayandar MC has not developed proper mechanism for disposal of solid waste as per the requirement of MSW(M & H) Rules 2000. There was laxity in control over bio-medical waste. Though 50 beds hospital has been constructed and construction of another 200 beds hospital had been taken up the medical needs of the public is not met due to delay in action for appointment of staff. Arrears of property tax as well as water charges remained to be collected and seized properties were not auctioned for recovery of tax. TDR was issued against transfer of reserved land in NDZ irregularly. The internal controls were weak.

5.2.18 Recommendations

- Mira Bhayandar MC should plan for supply of water as per norms.
- Provisions of MSW(M & H) Rules 2000 for proper disposal of solid waste and bio-medical waste should be strictly adhered to.
- Mira Bhayandar MC should take immediate steps for running of hospitals to use the available infrastructure and provide medical facilities.
- Proper planning for financing of the projects under Jawaharlal Nehru National Urban Renewal Mission to reduce the financial burden on Mira Bhayandar MC and recovery of outstanding as well as current dues of taxes is needed.
- Mira Bhayandar MC should be vigilant and maintain co-ordination between the various departments by allotting unique property number/code to avoid unauthorized constructions.
- Monitoring system should be strengthened.

The matter was referred to Government (August 2010). Reply has not been received (June 2011)

CHAPTER VI

URBAN DEVELOPMENT DEPARTMENT

AKOLA MUNICIPAL CORPORATION

6.1 Non-levy of development charges

Non-levy of development charges of ₹ 64.29 lakh on the residential/ commercial plots by Akola Municipal Corporation

According to Section 124A of the Maharashtra Regional and Town Planning Act, 1966 (Act) the development authority shall levy development charges on the institution for use or change in use of any land or building or develop any land or building at the rate specified in second schedule of the Act. The Akola Municipal Corporation (MC) had decided (February 2002) to levy development charges for land at the rate of ₹ 40 *per* sq.m for residential use. The rate of development charges shall be doubled for commercial use of land.

Scrutiny of records (December 2009) of the Akola MC revealed that the Town Planning Department of Akola MC had received copies of orders for Non-Agricultural Assessment (NAA) passed by the Collectorate, Akola allowing land for residential/commercial use. These NAA orders were issued on the basis of temporary approval given by the town planner of Akola MC payable under Section 124A of the Act. However, the Akola MC did not raise demand for recovery of development charges from the owners of the land on the basis of such orders received from Collectorate. Further, information collected (December 2009/February 2010) from the Collectorate, Akola revealed that the Collectorate, Akola during the last three years from 2006-07 to 2008-09 had sanctioned NAA between September 2007 and November 2008 in nine cases. Cross verification of position of these nine cases with the records of Akola MC revealed that demand ranging from ₹ 0.77 lakh to ₹ 23.56 lakh towards development charges aggregating to ₹ 64.29 lakh was not raised by the Akola MC.

On this being pointed out in audit, the Municipal Commissioner, Akola MC accepted (March 2010) the facts and agreed to recover development charges.

The matter was referred to Government (March 2010). Reply has not been received (June 2011).

6.2 Loss to Municipal Corporation

Deposit of ₹ One crore as Short Term Deposit in a Co-operative bank with deteriorating financial position by the Municipal Commissioner, Akola Municipal Corporation, led to loss of deposit apart from accrued interest of ₹ 3.19 lakh

According to Section 92 of the Bombay Provincial Municipal Corporation Act, 1949, surplus moneys at the credit of the Municipal fund from time to time, be deposited in the Imperial Bank of India (now State Bank of India) or any other scheduled bank or an approved co-operative bank or with the Government of Maharashtra (GOM) or with any statutory corporation approved by the GOM or be invested in public securities. All such deposits and investments shall be made by the Commissioner on behalf of the Municipal Corporation with the sanction of the Standing Committee of the Municipal Corporation. Section 85 of the Act permits the Commissioner to invest any portion of the Municipal Fund with the bank or other agency at any place beyond the city with the previous approval of the Standing Committee.

Scrutiny of records (December 2009) of Akola Municipal Corporation (MC) revealed that the Akola MC had deposited ₹ one crore (9 March 2009) in Fixed Deposit (FD) in Vidarbha Urban Co-operative Bank, Akola at the interest rate of 9.5 *per cent* per annum for a period of 31 days without approval of the Standing Committee of Akola MC. The amount matured on 9 April 2009 along with interest of ₹ 80685. However, instead of withdrawing the amount, the Municipal Commissioner on 29 April 2009 requested the Bank to reinvest the amount along with interest accrued for a further period of 91 days at the interest rate of 9.5 *per cent* per annum. On maturity of the FD on 9 July 2009 the bank did not refund the amount of ₹ 1.03 crore to the Akola MC though requested on 31 July 2009. The amount is yet to be refunded (July 2010) due to financial distress in the bank. Meanwhile, the Reserve Bank of India, Mumbai cancelled (10 May 2010) the license of the bank and prohibited the bank to carry out any business on the ground of negative net worth and deteriorated financial position of the bank as on March 2009.

The Municipal Commissioner stated (July 2010) that no approval from Standing Committee was obtained before investment/reinvestment of the amount in the said bank by the then Municipal Commissioner and the matter was taken up with the Co-operative bank and Reserve Bank of India, Nagpur. The then Municipal Commissioner, Deputy Municipal Commissioner and Auditor of the Akola MC were suspended. No amount of the matured FD was received so far (September 2010).

Thus, the incorrect financial decision of the Municipal Commissioner to invest/reinvest funds in a bank which had a deteriorating financial condition resulted in loss of ₹ one crore apart from interest of ₹ 3.19 lakh accrued thereon to the Akola MC.

The matter was referred to Government (October 2010). Reply has not been received (June 2011).

6.3 Loss of revenue

Awarding of work of collection of octroi to an Agency at lesser rate by the Akola Municipal Corporation, had resulted in loss of revenue of ₹ 2.60 crore to the Corporation

With a view to make the work of octroi collection easy by the Municipal Councils/Corporations, the Government of Maharashtra (GOM) had introduced (February 1994) a system of octroi collection by appointing agencies through competitive bidding. As per additional terms and conditions issued (March 1995) by GOM in this regard there should be a minimum increase of 10 *per cent* in the rate over the preceding year for fixing next year's rate. Looking into local conditions and experience, the Municipal Commissioners in their own discretion are free to fix any amount higher but not lesser than the amount to be calculated as above. The Municipal Commissioners can extend the period of contract for the existing agent by one month if the agent is agreeing to collect the octroi during that month. Proposal for acceptance of any offer for any amount with less than 10 *per cent* increase, be referred to the GOM for its approval.

Scrutiny of records (November 2009) of the Akola MC revealed that the work of collection of octroi for the period from 26 June 2007 to 26 June 2008 was awarded to an agency for ₹ 31.25 crore for 365 days (₹ 856184 per day). Meanwhile the GOM decided (June 2008) to levy cess on goods *in lieu* of octroi from 1 November 2008 in respect of 11[41] 'D' class Municipal Corporations in the state including Akola MC and accordingly, instructed all the Municipal Corporations to extend the period of earlier agency up to the date of levy of cess with the mutual understanding with the agency, if required. However, on the plea of mutual understanding, Akola MC agreed to the demand of the agency for drastic reduction of 25 *per cent* in the existing rate from 26 June 2008 to 31 July 2008 and a further reduction of 13.33 *per cent* from 31 July 2008 to 31 October 2008. This has resulted in loss of ₹ 2.60 crore as compared to the existing rate.

The matter was referred to Government (June 2008) by the Akola MC and the Government reiterated (July 2008) that the period should be extended with the mutual understanding. However, no specific instructions in this regard were issued by the GOM in the light of Resolution dated 3 March 1995. It was further noticed that the Akola MC had not made any attempt either to demand 10 *per cent* increase from the existing rate as stipulated by the Government in March 1995, or atleast to retain the existing rate. Akola MC accepted the argument of the agency for reduction of the rate

[41] Ahmednagar, Akola, Amravati, Aurangabad, Jalgaon, Kalyan Dombivli, Kolhapur, Malegaon, Mira Bhayandar, Nanded Waghela and Solapur

that the traders might reduce the quantity of goods to be brought into the city due to the decision of the Government to levy cess *in lieu* of octroi.

The Municipal Commissioner, Akola MC stated (November 2009) that the agency was reluctant to continue the octroi collection work even on the existing rate due to the imposition of cess *in lieu* of octroi by the Government and, therefore, as per mutual understanding, the rates were reduced.

The reply was not tenable as the GOM had categorically stated in letter dated 11 July 2008 that the period could be extended with mutual understanding and had not ordered for any reduction in existing rate. Further, in Amravati MC where also the cess *in lieu* of octroi was to be levied, the same agency had extended the period of collection at the existing rate. Thus, Akola MC's failure to negotiate the matter properly with reference to Government instructions resulted in loss of revenue of ₹ 2.60 crore.

The matter was referred to Government (December 2010). Reply has not been received (June 2011).

AMRAVATI MUNICIPAL CORPORATION

6.4 Short levy of property tax

Failure to assess and levy property tax of ₹ 63.64 lakh by Amravati Municipal Corporation

According to the provisions of the Bombay Provincial Municipal Corporations (BPMC) Act, 1949, all lands and buildings within the limits of Municipal Corporation area are subject to levy of Property Tax (PT) unless exempted for specified use. The General Body (GB) of the Amravati Municipal Corporation (MC) had resolved in their meeting held on 20 March 2003 not to levy PT on open plots. The Government of Maharashtra (GOM) had set aside (November 2003) the said resolution exercising powers available under Section 451 of BPMC Act on the ground that it was not in the interest of Amravati MC. However, Amravati MC instead of levying PT on open plots further resolved (August 2007) that PT should be levied on open plots only for one year at the time of granting permission for construction. This resolution was also set aside (November 2008) by the GOM.

Scrutiny of records (September 2009) of the Amravati MC revealed that 171 layouts were sanctioned by the Amravati MC for residential/commercial/ industrial use during 2003-09 and records of 90 layouts were made available to Audit. Verification of these records indicated that PT of ₹ 77.34 lakh was leviable for the period upto 31 March 2009. The Amravati MC, however, recovered PT of ₹ 13.70 lakh at the time of granting permission for construction. This resulted in short levy of PT of ₹ 63.64 lakh.

On this being pointed out (September and December 2009) the Deputy Commissioner (Administration) Amravati MC, while accepting the objection, (October and December 2009) stated that necessary action for recovery of ₹ 63.64 lakh would be taken.

The matter was referred to Government (January 2010). Reply has not been received (June 2011).

6.5 Non-levy of either octroi or cess on entry of goods

Loss of revenue of ₹ 9.19 crore due to non-levy of octroi/cess on entry of goods by Akola, Amravati and Aurangabad Municipal Corporations

Section 127(2) of the Bombay Provincial Municipal Corporation (BPMC) Act, 1949 authorises Municipal Corporations (MCs) to impose octroi. Section 127 (2) (aa) of BPMC Act, provide that the State Government may, by notification in the Official Gazette, direct the MC to levy cess on entry of goods into the limits of City for consumption, use or sale therein, *in lieu* of octroi.

Government of Maharashtra (GOM) decided (June 2008) to levy cess on entry of goods *in lieu* of octroi by 'D' Category MCs in the State. Accordingly, GOM notified on 3 October 2008 amendment to BPMC Act, together with schedule containing list of goods and rate of cess on entry of goods. The GOM notified on 21 October 2008 to levy cess on entry of goods by seven[42] MCs from 1 November 2008.

Scrutiny of records of Akola, Amravati and Aurangabad MCs (September/ December 2009 and January 2010) revealed that collection of octroi/transit fees was outsourced till 31 October 2008 to different agencies. These MCs were required to collect cess between 1 November 2008 to 15/18 November 2008. From 16/19 November 2008 these MCs had again started collection of octroi. Had collection of octroi continued from 1 November 2008 these MCs[43] could have earned revenue of ₹ 9.19 crore.

Taking into account the fact that the MCs did not levy cess on entry of goods *in lieu* of octroi, the Urban Development Department on 15 November 2008 notified decision of the GOM to empower the MCs to decide the date from which cess would be levied by them.

These MCs stated (September 2009 and January 2010) that implementation of levy of cess was under process. The reply was not acceptable as no timely action was taken for levy of cess.

Thus, failure of the MCs to levy cess on entry of goods resulted in loss of revenue of ₹ 9.19 crore.

[42] Akola, Amravati , Aurangabad, Jalgaon, Kolhapur, Malegaon and Solapur

[43] Akola - ₹ 1.11 crore (1 to 15 November 2008) ; Amravati - ₹ 2.01 crore (1 to 15 November 2008) and Aurangabad - ₹ 6.07 crore (1 to 18 November 2008).

The matter was referred to Government (April 2010). Reply has not been received (June 2011).

MUNICIPAL CORPORATION OF GREATER MUMBAI

6.6 Non-regularisation of Mobile Towers

The internal control failure to monitor the erections of Mobile Towers led to unauthorised construction of these towers and also loss of revenue estimated at ₹ 6.50 crore

Municipal Corporation of Greater Mumbai (MCGM) issued instructions (October 1995/June 2002) regarding the procedure for granting permission/ regularisation to structures for installation of cellular telecommunication equipment (Mobile Towers) and the approval was subject to payment of annual fee of ₹ 600, deposits for demolition ₹ 5000, penalty for regularization of already constructed Mobile Towers ₹ 5000. In addition premium is computed on the basis of space utilised multiplied by land rate[44] prevailing in the area and to be paid in five installments. MCGM has the right to revoke the permission and summarily remove the installation after seven days notice in case of non-payment of premium or breach of condition. Over and above these charges, property tax was leviable for the structures of Mobile Towers (MTs) also.

Audit scrutiny (March 2010) of the data relating to the approvals for MTs by MCGM from the four regional offices[45] revealed that out of 3836 proposals for permission/revalidation for construction of cabins erected by telecom companies received since 1997, MCGM had scrutinised and regularised only 1134 proposals (February 2010). It was observed that invariably prior permission was not taken for erection of MTs and after installation, proposals were received for their regularization. The balance 2702 MTs have neither been regularised by collecting stipulated premium and regularization charges nor action been taken for survey of all these unauthorised MTs and for removal till March/June 2010 although these MTs have been installed and were functioning for more than one year. The loss of premium at the lowest land rates worked out to ₹ 3.64 crore[46] and the loss in respect of the charges for regularization and recurring yearly fees amounted to ₹ 2.86 crore[47].

Further detailed scrutiny of 1601 proposals received by two regional offices[48] which were not regularised, showed that 257 proposals (16 *per cent*) were pending for more than 5 years, 346 proposals (21 *per cent*) were pending for 3 to 5 years, 721 proposals (45 *per cent*) were pending for 1 to 3 years and 227 proposals (18 *per cent)* were pending for less than 1 year as of March 2010.

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[44] Rates as depicted in the Stamp duty ready reckoner published yearly by the Government of Maharashtra
[45] City, Western Suburbs (I&II), Eastern suburbs
[46] Average area of cabin 7.20 Sq. M x ₹ 1875 x 2702 MTs = ₹ 3.64 crore
[47] Security deposit ₹ 5000, penalty ₹ 5000, yearly fee ₹ 600 = ₹ 10600 x 2702 MTs= ₹ 2.86 crore
[48] City, Western Suburb (I)

It was also observed (March/July 2010) on test check of four ward offices[49] that MCGM collected property tax pursuant to Section 143 of the Mumbai Municipal Corporation Act 1888, even on MTs which had not been regularised. This proves that MTs were erected even without permission/knowledge of MCGM which is illegal and MCGM also failed to monitor the erection of MTs and to coordinate the regularization and tax collection. The lack of effective internal controls and coordination between Building Proposal Department and Property Tax Department of MCGM resulted in collection of property tax on 628 MTs with no action taken for regularization.

MCGM assured (March 2010) to take necessary action under due process of law. The reply is not acceptable as MCGM had issued instructions (February/June 2002) detailing procedure for grant of license/approval and for exercise of proper control which has not been implemented. Further, MCGM was aware that the applicants had erected MTs but still failed to take action on the proposals received in time. Though the matter was again referred to MCGM (November 2010) to ascertain the action taken, no further progress has been reported so far (March 2011).

Thus the failure to monitor the erection of the MTs resulted in unauthorised construction and loss of revenue of ₹ 6.50 crore.

The matter was referred to Government (April 2011). Reply had not been received (June 2011).

NAGPUR MUNICIPAL CORPORATION

6.7 Loss of revenue due to non-enforcement of surrender of Transit Passes

Failure to collect transit passes at exit post between April 2006 and March 2009 resulted in loss of revenue of ₹ 13.05 lakh and non-levy of fine up to ₹ 9.33 crore in 186558 cases

According to Rule 16(a) of Nagpur Municipal Corporation Octroi Rules, 1966, (NMCOR) goods imported and intended for immediate export shall not be subject to duty on their entry at an entrance post in the octroi limit of Nagpur Municipal Corporation (MC) and the office-in-charge[50] shall issue 'Transit Pass' (TP) in Form-D based on declaration made by importer under Rule 9 of NMCOR in these cases. The goods shall reach at exit post within a period not exceeding twelve hours from issue of TP and the TP is required to be surrendered to the official-in-charge at the exit post. He shall verify such goods with the details given in the TP and if found correct, allow to pass the goods on collecting administrative charges at the rate of ₹ 5 (₹ 10 with effect from September 2007) *per* TP. In case of failure to surrender the TP the importer is required to give intimation of

[49] 'A' ward of city region, 'F' North of city region, 'M' West of eastern region , 'K' West of western region
[50] Additional Deputy Commissioner

such failure within 36 hours from issue of TP and prove to the satisfaction of Octroi Superintendent within a week's time that such goods were actually exported. The Nagpur MC had decided (March 1997) to recover fine of ₹ 500 from the importer in case of failure to surrender the TP.

Scrutiny of records (June 2008) and subsequent information collected (January 2009 and January 2010) from Nagpur MC revealed that 186558 TPs were not surrendered by the importers during 2006-07 and from 21 June 2007 to 31 March 2009. Although the Nagpur MC was required to initiate action immediately after a week's time in each case in order to check leakage of revenue, no action was taken. The administrative charges of ₹ 13.05 lakh as well as fine of ₹ 9.33 crore was not recovered in respect of these cases.

On this being pointed out, the Assistant Commissioner (Octroi) of Nagpur MC, while accepting the facts, stated (April 2009) that due to non-availability of sufficient manpower, the work of reconciliation, ascertaining correct number of non-collection of TPs and initiating action to issue notices to defaulting importers could not be taken. Nagpur MC further intimated (May 2010) that the notices were issued in 84777 cases.

Thus, no effective mechanism was evolved by the Nagpur MC to take action against importers who failed to surrender TPs and to arrest possible evasion of octroi duty. There was no significant progress in enforcement of surrender of TPs even after computerization of records (21 June 2007).

The matter was referred to Government (January 2010). Reply has not been received (June 2011).

6.8 Pollution of reservoir water due to release of untreated water in the river

Release of 265 Million liters untreated water per day in Nag River by the Nagpur Municipal Corporation which is joining Vainganga River had polluted the water of Gosi Khurd reservoir on Vainganga River. Further, no action to treat this water was initiated from years together.

The Water (Prevention and Control of Pollution) Act, 1974 prohibits the use of stream or well for disposal of polluting matter. As per section 24 of the said Act no person shall knowingly cause or permit any polluting matter to enter into any stream or well.

Scrutiny of records (June 2010) of Nagpur MC revealed that only 80 Million liters per day (Mld) water was treated at the Sewerage Treatment Plant (STP) installed at Bhandevadi in Nagpur city out of 345 Mld untreated water generated per day and 265 Mld untreated water is being released daily in Nag river. Nag River joins Kanhan River and thereafter to Vainganga River at Ambhora. On Vainganga river there is a reservoir at Gosikhurd where the water is being impounded. Thus, due to release of 265 Mld untreated water daily by the Nagpur MC, the water stored in Gosikhurd dam is being polluted creating hazard to the life of human, animals and marine. No action was taken by the Nagpur MC to treat remaining 265 Mld untreated water. Section 33 and 33A of the Act authorised State Pollution Control Board to take action against the person who causes such pollution to the stream. However, other than issuing notices to Nagpur MC between 4 June 2006 and 10 February 2010, Maharashtra Pollution Control Board has not taken any action to restrict the pollution and Gosikhurd dam is still being polluted daily.

On this being pointed out (June 2010) Municipal Commissioner accepted the fact (October 2010) and stated that the Nagpur MC was about to launch water treatment project at Koradi and at various sewerage zones. However, work relating to this project was to be started (November 2010).

The matter was referred to Government (November 2010). Reply has not been received (June 2011).

NAVI MUMBAI MUNICIPAL CORPORATION

6.9 Extra expenditure on improvements made to Thane Belapur Road

Failure of Navi Mumbai Municipal Corporation to acquire land before issue of work order and include standard terms and conditions in the contract resulted in extra expenditure of ₹ 3.43 crore

Navi Mumbai Municipal Corporation (MC) invited tenders (September 2005) for the work of improvement to Thane Belapur road at an estimated cost of ₹ 111 crore under Centrally Assisted Scheme of Assistance to States for Infrastructure Development for Exports (ASIDE). The work was to be executed in three packages from Vitawa to Mhape Junction from Ch 1.2 Km to 9.90 Km (Package I), from Mhape to Turbhe Junction from Ch 9.90 Km to 15 Km (Package II) and construction of fly over and slip roads along with cross drainage (Package III). The work was awarded as lumpsum contract (January 2006/March 2008) to M/s PBA Infrastructure Ltd (PBA) at ₹ 55.28 crore, ₹ 23.40 crore and ₹ 42.30 crore respectively for the three packages. The Packages I and II included Resettlement and Rehabilitation (R & R) of project affected people (PAP). As per clause 3.2 of the contract, in respect of items, where scope of work was reduced as deletion, the contractor would be paid 30 *per cent* of the rates in respect of quantities of work, not executed, against the payment envisaged to be made in respect of such works.

Under package I, though the work order was issued in January 2006, the Navi Mumbai MC acquired the land required for R&R work from Maharashtra Industrial Development Corporation (MIDC) in March 2007. After ascertaining (June 2007) that the land was not with clear title, the work was finalised, by deleting the R & R work with modifications to the plan. For this deleted portion of the work, (costing ₹ 5.43 crore) M/s PBA was paid an amount of ₹ 0.92 crore invoking clause 3.2 of the contract.

Under Package II also, the R & R work for 68 numbers of commercial units was cancelled due to the non-availability of land with clear title. M/s PBA was paid ₹ 1.44 crore towards the cost of R &R work of ₹ 2.34 crore in terms of clause 3.2 of the contract.

Failure of Navi Mumbai MC to take possession of the land with clear title before issue of work order resulted in extra expenditure of ₹ 2.36 crore.

In lieu of cancellation of construction of fly over work near Turbhe Railway Station, under package III due to resistance from the residents, work of 3+3 lane was awarded to the contractor M/s PBA for ₹ 1.35 crore. Further, an amount of ₹ 1.07 crore was also paid for deleted portion of the work of construction of flyover. Since Navi Mumbai MC adopted the contract terms followed by State Public Works Department (PWD), they should have incorporated a similar condition of 100 *per cent* rebate, if any work was given *in lieu* of deleted work. Failure of Navi Mumbai MC to incorporate the condition of 100 *per cent* rebate, if any work was given *in lieu* of deleted work resulting in extra expenditure of ₹ 1.07 crore.

Navi Mumbai MC replied (June 2010) that the conditions of contract were based on PWD as well as Fidic [51]Conditions of contract, 1992 edition (Fidic). Government concurred (August 2010) with the reply of Navi Mumbai MC that the payment to contractor was made as per terms and conditions of lumpsum contract.

The reply is not tenable as the terms of PWD contract allows for rebate of 100 *per cent* for the item deleted partially/fully in case of replacement/substitute. Also clause 51.1(a) and (b) of Fidic permits the increase/decrease in quantity of works and omission of any work and clause 52.1 specifies that payment for varied work under clause 51 shall be regulated as per price set out in the contract. Hence it was at the discretion of Navi Mumbai MC to insert suitable terms and conditions in the contract to protect the interests of Navi Mumbai MC. Further, had Navi Mumbai MC ensured the availability of land required for R&R work before inviting tenders with 'Fidic' conditions, Navi Mumbai MC would have avoided extra expenditure of ₹ 3.43 crore.

SANGLI MIRAJ KUPWAD MUNICIPAL CORPORATION

6.10 Loss of asset due to imprudent decision

Transfer of rights to property instead of development through FBT basis as envisaged, resulted in loss of asset of ₹ 2.57 crore and loss of lease rent of ₹ 4.32 lakh per annum

Sangli Miraj Kupwad Municipal Corporation (MC) issued work order (February 2004) for construction of Library, Art Gallery and Shopping Plaza on land admeasuring 2784 sq. mtr. at Ram Mandir Chowk Sangli on

[51] Fidic-"Federation Inter National des Ingenieurs – Councils"(FIDIC) where in Lump sum rates are quoted for every stage of work including planning designing as per schedules for Billing.

Finance, Build and Transfer (FBT) basis to M/s Kotibhaskar Builders, Sangli (Developer) who had offered highest amount of premium at ₹ 42.67 lakh. The work was to be completed within 24 months and the concession period allowed to the developer was 3 years including construction period.

As per the terms and conditions of the contract documents (i) the successful bidder was to lease out the commercial space in the shopping plaza and collect non-refundable upfront payment from prospective occupants of the shopping plaza, (ii) Art Gallery, Library, Amphitheater and parking area were to be handed over to Sangli Miraj Kupwad MC free of cost, (iii) the ownership right of the site and project facilities would always rest with Sangli Miraj Kupwad MC, (iv) the developer was not to be compensated for any loss sustained in the contract, (v) the developer should carry out his market feasibility study independently and prepare his own cost for formulating the proposal and (vi) Sangli Miraj Kupwad MC was not to accept any responsibility on account of loss suffered by the developer due to market scenario as a result of the development in the city, and (vii) the lease rent for the commercial space in the shopping plaza was to be remitted to Sangli Miraj Kupwad MC's account which was estimated to be ₹ 4.32 lakh *per annum*.

The developer requested (May 2005) that as there was no demand for the property under construction on lease basis, the property be transferred on ownership basis. Sangli Miraj Kupwad MC transferred (June 2006) the right to the developer to sell/allot the buildings/structures to be constructed on the property on recovery of additional premium of ₹ 8.86 lakh by evaluating the land at ₹ 1.53 crore as against the market rate of the land at ₹ 2.57 crore (at market value of 2006).

The imprudent decision of Sangli Miraj Kupwad MC (March 2006) at the instance of developer to transfer the shopping plaza on ownership basis, by reversing its earlier decision (February 2003) of taking over the entire developed property from the developer at the end of concession period so as to generate income for Sangli Miraj Kupwad MC, resulted in loss of land valued at ₹ 2.57 crore and revenue income of ₹ 4.32 lakh per annum towards lease rent.

Sangli Miraj Kupwad MC replied (November 2009) that the agreement was changed from lease to ownership as there was no demand for shops on lease basis.

Reply is not acceptable as the feasibility report (May 2003) of the consultant for the project (M/s. Fortress Financial Services Ltd, Mumbai), indicated that the project site was strategically located in the most influential central business district of the city. Also the consultant while evaluating the bids indicated (December 2003) that Sangli Miraj Kupwad MC would receive ₹ 57 lakh as annual lease rent for 30 years at discounted rate. Further, the contract documents also specified that the developer was to carry out the feasibility study independently and Sangli

Miraj Kupwad MC would not accept any responsibility for any loss suffered by the developer due to change in the market scenario.

Thus the imprudent decision of transferring property valued at ₹ 2.57 crore for consideration of only ₹ 52 lakh, resulted in a loss of over of ₹ two crore on the asset and loss of revenue of ₹ 4.32 lakh *per annum*.

The matter was referred to Government (May 2010). Reply has not been received (June 2010).

6.11 Loss due to failure to retender

Tendering the development of property under litigation and failure to retender after settlement of the court case resulted in loss of property of ₹ 3.32 crore and revenue income of ₹ 0.11 crore per annum apart from undue benefit to the contractor to the extent of ₹ 4.45 crore

Sangli Miraj Kupwad MC planned to develop its own land and road through privatisation on Finance, Build and Transfer (FBT) basis to become self reliant through income generated without blocking up of corporation funds in capital expenditure on development of properties. Sangli Miraj Kupwad MC invited (January 2002) tenders for construction of commercial complex and shopping centre to rehabilitate 500 road side vendors at City Survey No. 341 (part) at Station Road, Vakharbhag, Sangli on FBT basis. The property was under litigation since 1994 due to civil suit filed by Shri Ganpati Panchayatan Sansthan Trust, Sangli (SGPST). As per the terms and the conditions of tender (i) Bid was valid for 180 days, (ii) The contractor would transfer the shopping centre (net area 3287.316 sq.m) to Sangli Miraj Kupwad MC free of cost, (iii) The contractor would be allowed to collect upfront payment from the prospective occupants of commercial complex (4449.39 sq.m) to be constructed by him, (iv) At the end of the concession period, the contractor shall transfer the commercial complex to Sangli Miraj Kupwad MC without any liability, (v) Sangli Miraj Kupwad MC shall always own the premises. The ownership right of the site and project facilities was not transferable to the contractor or the occupants at any point of time, and (vi) The commercial complex would be leased for a period of 75 years and lease rent would be paid directly to Sangli Miraj Kupwad MC.

M/s S.F. Chougule (contractor) quoted (February 2002) the highest premium of ₹ 0.16 crore. However due to the pending civil suit, the tender could not be finalised. The Civil Suit was settled by compromise settlement (June 2005).

Subsequently the contractor (July 2005) informed Sangli Miraj Kupwad MC that he was ready to execute the work at the same premium, provided he was allowed to sell the commercial complex instead of leasing and allowed to utilise the additional FSI. Sangli Miraj Kupwad MC accepted

(July 2006) the conditions of the contractor justifying that the construction cost had increased over the years and the work order was issued (August 2006).

Entrustment of the work after four years of tendering the work, allowing the contractor to sell the commercial complex instead of leasing, resulted in loss of asset of ₹ 3.32 crore[52], lease rent of ₹ 0.11 crore per annum and also undue benefit to the contractor of ₹ 4.45 crore[53] due to grant of additional FSI.

Sangli Miraj Kupwad MC replied (April 2010) that the conditions of the contractor to sell the commercial complex and grant of additional FSI was agreed, as the work order was delayed due to the civil suit and the delay resulted in increase in construction cost.

The reply is not acceptable since increased cost of construction was recoverable from lessees of the premises. Also Sangli Miraj Kupwad MC should have retendered the work instead of accepting the conditions put forth by the contractor.

Thus, developing property under litigation and failure to retender after the settlement of the court case resulted in loss of property of ₹ 3.32 crore and revenue income of ₹ 0.11 crore per annum and undue benefit to the contractor to the extent of ₹ 4.45 crore.

The matter was referred to Government (May 2010). Reply has not been received (June 2011).

ULHASNAGAR MUNICIPAL CORPORATION

6.12 Loss of property tax due to incorrect revision of Rateable Value

Lack of effective internal control and undue favour to the assesses in violation of the procedure prescribed under Acts and Rules resulted in abatement of property tax of ₹ 1.63 crore resulting in loss of revenue of ₹ 1.28 crore to Ulhasnagar Municipal Corporation and ₹ 35.23 lakh to Government of Maharashtra

Tax on properties is a major source of revenue of Municipal Corporations. Property tax (PT) is levied at a percentage on Rateable Value (RV) of building or land assessable for PT in Municipal Area after deducting 10 *per cent* from the annual rent of such land or building *in lieu* of allowances for repairs as per provisions of Bombay Provincial Municipal Corporations (BPMC) Act, 1949. Property tax consists of general tax, tax on conservancy, special conservancy, street, water benefit, sewerage benefit, tax on larger residential premises, Education Cess and Employment Guarantee Cess.

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[52] (4427.50 sq.m x ₹ 7490 sq.m)
[53] (10394.925 sq.m - 4449.39 sq.m x ₹ 7490 sq.m)

Ulhasnagar MC revised the RV of properties (July 2003) and as it was not approved by General Body (May 2004), the matter was referred (December 2004) to Government of Maharashtra (GOM). GOM approved (February 2005) the revision in RV. After the notification of the revised RV which was applicable from 2003-04, in 2005-06, Ulhasnagar MC received several requests from the property owners to apply the old RV in respect of the assessment orders issued subsequent to 2003-04 which were turned down as BPMC Act did not allow application of old rates.

Audit (September to December 2009) of records of assessment of PT revealed that Ulhasnagar MC commenced (March 2006) the issue of revised assessment orders applying old RV *in lieu* of revised RV effective from 2003-04 thus unduly favoring the assesses. In respect of 311 properties, revised assessment orders were issued during 2006-07 to 2008-09 reducing the RV, consequently Ulhasnagar MC lost revenue of ₹ 1.28 crore. This also resulted in non-realization of Government revenue on account of taxes on larger residential premises, State Education Cess and Employment Guarantee Cess of ₹ 35.23 lakh.

Though similar revised assessment orders were issued in respect of 436 properties in 2007-08, due to complaints/protests, these orders were subsequently cancelled (August 2009).

It was observed that these revised assessment orders reducing RV were issued by the then Deputy Commissioners(City) without the knowledge of Municipal Commissioner and even though copies of each revised assessment order were endorsed to Municipal Chief Auditor(MCA) and Municipal Commissioner, they were not received. However, MCA confirmed (November 2009) that the PT department neither delivered any assessment order nor made available the records for conducting audit since 2003-04.

Thus, lack of effective internal control and undue favour to assesses in violation of the procedure prescribed under Acts & Rules resulted in abatement of PT of ₹ 1.63 crore resulting in loss of revenue of ₹ 1.28 crore to Ulhasnagar MC and ₹ 35.23 lakh to GOM.

Ulhasnagar MC stated (May 2010) that PT in respect of 298 properties had been recovered partly (₹ 81.52 lakh including PT upto 2009-10) between November 2009 and March 2010 and 15 property holders had filed court case. However the information on whether the loss of revenue pointed out by audit had been recovered though called for (September 2010) has not been furnished as of May 2011.

The matter was referred to Government (June 2010). Reply has not been received (June 2011).

SCHOOL EDUCATION AND SPORTS DEPARTMENT

6.13 Role of Municipal Corporations in Primary Education

6.13.1 Introduction

In keeping with the 74th Constitutional Amendment, the Government of Maharashtra (GOM) transferred/assigned all 18 functions to Urban Local Bodies (ULBs), which include Education. Municipal Corporations (MCs) are responsible to make reasonable and adequate arrangement for maintaining, aiding and suitably accommodating schools for primary education in MC's area.

6.13.2 Organisational Set up

The Principal Secretary, School Education and Sports Department decides policy on education with the help of Directors of Education, Pune. The Principal Secretary, Urban Development Department (UDD) is overall in-charge of the MCs. Municipal Commissioner is the administrative head of the MC appointed by the GOM. Education Officer/Administrative Officer, Municipal School Board is responsible for primary education in MC schools.

6.13.3 Audit coverage

The audit of the effectiveness of MCs in primary education was conducted in selected six[54] MCs for the period during 2004-09 between July 2009 and February 2010. The audit findings are discussed below:

6.13.4 The total expenditure incurred by MCs and the expenditure incurred on education in respect of selected MCs during 2004-09 was as follows:

Name of the MC	Total expenditure	Expenditure on Education	Percentage of expenditure on education
	(₹ in crore)		
Amravati	312.22	42.85	14
Aurangabad	991.43	72.65	7
Municipal Corporation of Greater Mumbai (MCGM)	35747.56	3330.62	9
Nagpur	2020.80	194.92	10
Nashik	2195.90	113.82	5
Solapur	669.61	72.65	11
Total	**41937.52**	**3827.51**	**9**

Though the GOM provided Grant-in-aid to primary education in MC's schools, no Management Information System is introduced to have an effective control over functions, other than yearly assessment report for grant.

[54] Amravati, Aurangabad, MCGM, Nagpur, Nashik and Solapur

6.13.5 Reduction of Primary Schools in MC area

In order to achieve the target of providing better primary education by maintaining good schools, it was necessary on the part of Education Department to have an action plan regarding requirement of Primary Schools in the state (district wise/MC-wise). However, no action plan was prepared by the Education Department so far.

Test check of records of six MCs revealed that only 13 to 51 *per cent* schools were run by the MCs and remaining 49 to 87 *per cent* schools were run by private institutions in MC's area. This indicates that maximum liability of MCs to run primary education is borne by private institutions except MCGM.

In Nagpur MC, 86 schools were closed due to reduction in the enrolment of the students, out of which 15 school buildings closed during 2003-09 were not put to any use as of March 2011.

6.13.6 Reduction in the strength of the students

It was noticed that there was reduction in strength of students during 2008-09 ranging from nine to 34 *per cent* as compared to 2004-05 in six test checked MCs. It was also observed that in four MCs there was increase in the strength of students ranging from 10 to 18 *per cent* during 2008-09 as compared to 2004-05 run in primary schools run by private institutions.

Joint Director Primary Education, Pune accepted (October 2010) above facts regarding reduction in the strength of the students in MC area and added further that attraction towards English medium schools mainly run by private institutions, availability of more facilities in private schools and less number of teachers in some of the schools were the reasons for reduction of the students in Primary Schools of MCs.

6.13.7 Lack of infrastructure and facilities/amenities

The MCs are responsible to create and maintain infrastructure in its Primary Schools as per the instructions issued by the GOM from time to time. The following deficiencies were noticed.

- In four[55] MCs 77 works of commode toilets to be used by physically handicapped students were executed without observing the specifications laid down by the GOM. This defeated the purpose as these toilets could not be used by the physically handicapped students
- Rain Water Harvesting system was not installed in any of the school buildings of all the six selected MCs.
- No solar lamp systems were installed in any of the selected schools run by MC except MCGM.

[55] Amravati, Aurangabad, Nagpur and Nashik

- Green Board reduces stress on eyes of the students. In all the 45 selected schools of five[56] MCs except three schools in Aurangabad MC, green boards were not used whereas in 28 selected schools of MCGM, green boards were used.

- Out of 73 selected schools in six MCs there was no arrangement of toilet in 11 schools of three[57] MCs and in eight schools of five[58] MCs, there was no separate arrangement of toilet for boys and girls.

- Out of 73 selected schools run by six MCs desks/benches were available in 48 schools, partly desk/bench and pharis[59] were available in 10 schools and the remaining 15 schools were having only Pharis in all classes.

Nagpur MC- Mominpura Girls Urdu High School

Nagpur MC- Sanjay Nagar Primary School

- GOM issued (November 1994) guidelines to provide for musical instruments, first aid boxes, fire extinguishers, etc. in every school. The position of availability of these facilities in the test checked schools of selected MCs was as follows :

		Number of school not having					
Name of MC	**Test checked schools**	**Musical Instrument**	**First Aid Box**	**Updated First Aid Box**	**Fire Extinguisher**	**Refilled Fire extinguisher**	**Electrification**
Amravati	5	0	0	0	0	0	0
Aurangabad	7	4	1	6	0	6	2
MCGM	28	6	0	3	1	14	2
Nagpur	15	7	3	0	7	8	2
Nashik	12	3	3	5	3	12	0
Solapur	6	6	4	0	6	0	2
Total	**73**	**26**	**11**	**14**	**17**	**40**	**8**

This was indicative of inadequate attention of the MCs towards welfare of the students.

6.13.8 Supply of free text books/work books

Under Sarva Shiksha Abhiyan (SSA), free text books were to be supplied to girls and SC/ST boys studying in Standard I to VIII of the schools of MCs up to 2007-08 and to all students from 2008-09. In addition to free

[56] Amravati, Aurangabad, Nagpur, Nashik and Solapur
[57] Aurangabad, Nagpur and Nashik
[58] Amravati, Aurangabad, MCGM, Nashik and Solapur
[59] Phari is a mat made from jute which has been used as arrangement for sitting of the students on floor.

text books, work books were also to be supplied from the year 2007-08. It was observed that:

- Maharashtra Prathamik Shikshan Parishad placed orders for supply of books for the respective academic sessions with Balbharti with instructions to supply books in advance so as to enable the schools to distribute books to the students on opening day of academic session. Information made available by selected MCs indicated that during 2004-09 there were delays ranging from one to five months in supply of 40.32 lakh books (33 *per cent*) out of 1.28 crore books by Balbharti.

- 7200 sets of text books were distributed to 7200 ineligible students in 27 schools in five[60] MCs during 2004-08.

- 2159 sets of work books were distributed to 2159 ineligible students in 16 schools of four[61] MCs during 2007-08.

- 1004 sets of text books in nine schools of three[62] MCs and 449 sets of work books in six schools of three[63] MCs were lying undistributed with the schools.

6.13.9 Physical education in MC schools

Sports development is an essential component of Human Resource Development and helps to inculcate comradeship and competitive spirit. Physical education in schools has a direct bearing on achievement in sports too.

- It was noticed in selected MCs that no grants were released by GOM during 2004-09 for physical education. The MCs also did not provide sufficient funds towards physical education as compared to the total expenditure incurred on education. The percentage of funds provided for sports activities compared to the total expenditure ranged from 'Nil' to 0.56 *per cent*.

- Sports Board which was to be constituted in each school was not constituted in any of the schools in selected MCs. As such these MCs were deprived of eligible grant of ₹ 1.24 crore from 2006-07 to 2008-09 for total 1653 schools at the rate of ₹ 2500 per school per annum.

- Twenty schools of five[64] MCs did not have playground.

6.13.10 Conclusion

There was a gradual reduction in strength of students in schools run by MCs as compared to increase in the strength of the students in private Primary Schools. GOM also did not take appropriate measures to improve the functioning of these schools with timely supply of books to the

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[60] Amravati, Aurangabad, Nagpur, Nashik and Solapur
[61] Aurangabad, Nagpur, Nashik and Solapur
[62] Amravati, Nagpur & Nashik
[63] Amravati, Nagpur & Nashik
[64] Amravati, Aurangabad, MCGM, Nagpur and Nashik

students, providing basic infrastructure like adequate number of urinals, toilet for boys, girls and physically handicapped students, playground *etc.*

The matter was referred to Government (May 2010). Reply has not been received (June 2011).

MUNICIPAL COUNCILS

6.14 Unfruitful expenditure on Solid Waste Management

Despite spending ₹ 2.34 crore out of Twelfth Finance Commission grant, Solid Waste Management was not being done in four Municipal Councils due to non-completion of infrastructure

As per Municipal Solid Waste (Management and Handling) Rules, 2000 (Rules), littering of Municipal Solid Waste (MSW) is prohibited in the cities. To prohibit littering and to facilitate compliance of the Rules, every Municipal Authority within its area is responsible for development of infrastructure for collection, storage, segregation, transportation, processing and disposal of MSW. As per Twelfth Finance Commission's (TFC) guidelines the urban local bodies should earmark at least 50 *per cent* of the TFC's grant for the scheme of Solid Waste Management (SWM) which includes collection, storage, segregation, transportation, processing and disposal of MSW. Accordingly, to improve health of the citizens and also to comply with the provisions of the Rules of TFC guidelines, the Director of Municipal Administration had issued (September 2007) detailed instructions to all the Municipal Councils in the state for collection, segregation, transportation and processing of MSW.

Scrutiny of records (October to December 2010) of four[65] Municipal Councils revealed that these Municipal Councils had approved (between October and December 2007) Detailed Project Reports (DPRs) for SWM. According to these DPRs, all the works till the establishment of processing plant should be completed between March and December 2008. All the four Municipal Councils received a grant of ₹ 4.17 crore (between April 2005 and November 2010). Out of this, an amount of ₹ 2.34 crore was spent upto October/November 2010 on the following components of SWM:

[65] Chandur Rly, Mul, Pandharkawada and Tiroda

₹ in lakh

Infrastructure developed	MC Chandur Railway	MC Mul	MC Pandharkawada	MC Tiroda	Total
	Expenditure incurred on each item				
Preparation of SWM project Report	--	--	00.10	--	0.10
Land	--	--	--	3.51	3.51
Development of land	--	---	--	26.20	26.20
Segregation Plant	--	--	--	--	--
Servant Quarters	00.78	3.76	-	--	4.54
Recycle Zone		3.47	--	--	3.47
Maniyar twin Dumper placer System TATA 709 CLB Chassis Mount	--	--	10.44	--	10.44
Approach road	--	--	12.26	--	12.26
Manure manufacturing shed	-	--	6.88	--	6.88
WBM work along with earth work	04.51	15.61	00	5.85	25.97
Construction of shed No 1	06.42	8.44	00	00.00	14.86
Construction of shed no 2	0	11.62	00	00.00	11.62
Electrification	09.15	00.00	00	2.44	11.59
Compound wall/ wire Fencing	07.86	4.10	24.42	11.89	48.27
Miscellaneous work	--	--	--	2.50	2.50
Tractor Trolley	--	6.91	6.77	4.60	18.28
Purchase of containers	16.33	--	8.40	--	24.73
Purchase of Ghanta Gadi	02.53	1.25	4.72	--	8.50
Total	**47.58**	**55.16**	**73.99**	**56.99**	**233.72**

The above position indicated that despite availability of funds and lapse of three years, none of the Municipal Councils could complete the project (December 2010) even though it was proposed to be completed between March and December 2008. None of the Municipal Councils could implement any of the components of the scheme successfully due to non-completion of the infrastructure and meager collection of waste. Hence, solid waste was being dumped at the road side in Mul and Tiroda Municipal Councils and in yards already possessed by other Municipal Councils. No systematic collection, storage, segregation, processing and disposal of solid waste were carried out by any of the Municipal Councils. Thus, not only ₹ 2.34 crore spent on the project remained unfruitful but also none of the objectives laid down in the Rules and TFC guidelines regarding effective management and disposal of solid waste was achieved. Dumping of waste on roadsides and open yards without processing would create health hazards.

The Chief Officers (CO) of Municipal Councils Mul and Tiraoda stated (October–November 2010), that the solid waste was dumped at road side as the daily collection was very meager. CO, Municipal Councils Chandur Railway and Pandharkawada stated (December 2010 and January 2011) that solid waste was being dumped at dumping ground but processing could not be carried out for want of processing plant. Joint physical verification by Audit and Municipal Council's officials also revealed that infrastructure created by spending ₹ 2.34 crore was lying unused and there was no SWM in all the Municipal Councils.

The matter was referred to Government (February 2011). Reply has not been received (June 2011).

6.15 Wasteful expenditure on construction of a shopping complex

Construction of shopping complex in October 2008 on the land belonging to forest department and reserved for civic centre in City Development Plan by the Municipal Council-Mul without approval of the Government of Maharashtra resulted in wasteful expenditure of ₹ 20.33 lakh

As per section 266 of Maharashtra Municipal Councils, Nagar Panchayats and Industrial Township Act, 1965 Municipal Councils can acquire land and construct a building for the purpose of establishing a municipal market. Further, in terms of the Forest (Conservation) Act, 1980 (FCA) prior approval of the Government of India (GOI) is necessary for use of forest land for purposes other than afforestation. The GOI further clarified (March 1982) that any diversion of forest land for non-forestry activities even in anticipation of approval was not permitted.

Scrutiny of records (October 2010) of Municipal Council, Mul district Chandrapur revealed that Mul Municipal Council had started (June 2007) construction of shopping complex containing 14 shops out of the Twelfth Finance Commission (TFC) grant and completed (October 2008) at a cost of ₹ 20.33 lakh on a land belonging to Forest Department as 'Zudpi Jungle'. In the City Development Plan (CDP) of the Municipal Council, the said land was reserved for 'Civic Centre'. Further, as per Section 37 of the Maharashtra Regional Town Planning Act, 1966 (MRTP), Final Development Plan of the city or part thereof can only be modified with the approval of the Government of Maharashtra (GOM). GOM may, after consulting the Director of Town Planning, sanction the modification or refuse to accord sanction by notification in the *Official Gazette*. However, Municipal Council completed the construction without obtaining any approval for use of forest land for non-forest purpose from GOI or for deviation in CDP from GOM resulting in un-authorised construction of shopping complex costing ₹ 20.33 lakh and also depriving civic amenities to city inhabitants. Besides, Municipal Council had sustained a loss of revenue of ₹ 15.12 lakh for two years (for 2009 and 2010) due to non-allotment of these shops.

The Chief Officer of Municipal Council accepted (October 2010) the fact and stated that the maps of the shopping complex were sent (April 2009) to the Deputy Director of Town Planning, Nagpur (DDTP) for sanction.

The reply was not tenable as the DDTP refused (January 2011) to sanction the maps due to construction of shopping complex on the land reserved for 'Civic Centre' for which prior approval of the GOM was not obtained.

The matter was referred to Government (February 2011). Reply has not been received (June 2011).

(DHIREN MATHUR)
Accountant General
(Local Bodies Audit and Accounts)
Maharashtra

Mumbai,
The

Countersigned

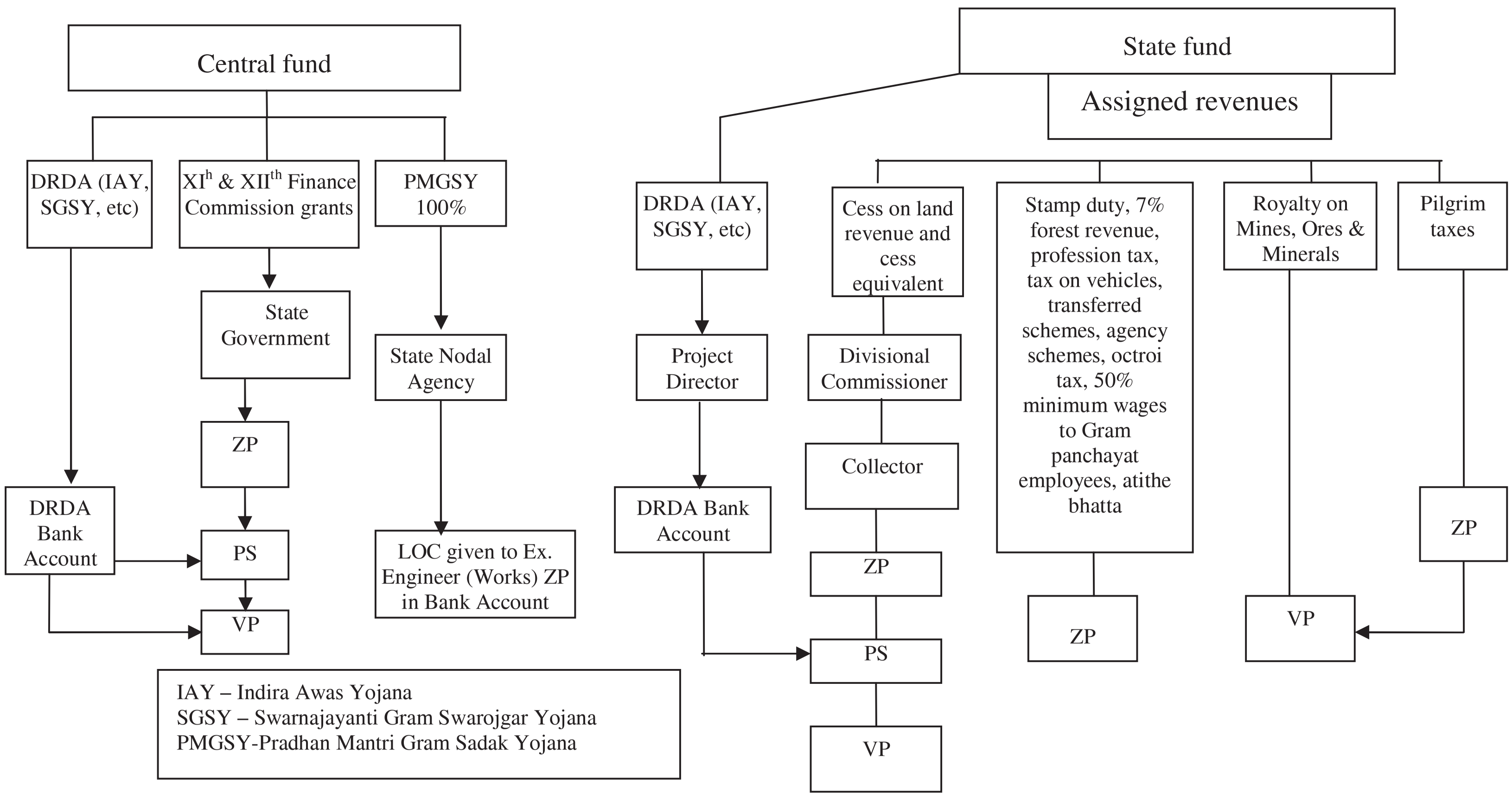
(VINOD RAI)
Comptroller and Auditor General of India

New Delhi,
The

APPENDIX I

(Reference: Paragraph 1.4.4 ; Page 3)

FUND FLOW STATEMENT



APPENDIX II

(Reference: Paragraph 1.7.3; Page 6)

Details of expenditure on transferred schemes, agency schemes and Zilla Parishad's Own Schemes for the year 2009-10

(₹ in crore)

Sr. No.	Name of Zilla Parishad	Expenditure on Transferred Schemes	Expenditure on Agency Schemes	Expenditure on ZPs Own Schemes	Total Expenditure
1	Ahmednagar	669.00	50.00	26.00	745.00
2	Akola	556.44	85.07	31.39	672.90
3	Amravati	437.42	109.06	53.58	600.06
4	Aurangabad	429.29	51.04	16.62	496.95
5	Bhandara	208.11	26.33	19.63	254.07
6	Beed	902.00	111.00	28.00	1041.00
7	Buldhana	453.00	40.00	427.00	920.00
8	Chandrapur	390.04	46.40	70.93	507.37
9	Dhule	286.88	34.47	6.33	327.68
10	Gadchiroli	260.61	30.60	2.24	293.45
11	Gondia	471.45	74.39	64.79	610.63
12	Hingoli	350.37	37.26	2.80	390.43
13	Jalgaon	509.47	75.59	13.33	598.39
14	Jalna	254.96	30.90	3.14	289.00
15	Kolhapur	565.90	41.79	15.39	623.08
16	Latur	437.23	32.30	8.22	477.75
17	Nagpur	679.02	122.61	36.82	838.45
18	Nanded	528.12	57.17	3.33	588.62
19	Nandurbar	-	-	-	-
20	Nashik	-	-	-	-
21	Osmanabad	301.73	21.61	3.66	327.00
22	Parbhani	284.08	23.56	4.12	311.76
23	Pune	680.57	74.29	75.45	830.31
24	Ratnagiri	408.24	46.33	6.96	461.53
25	Raigad	-	-	-	-
26	Sangli	-	-	-	-
27	Satara	564.02	54.10	17.34	635.46
28	Sindhudurg	293.31	33.17	12.15	338.63
29	Solapur	605.02	56.34	32.97	694.33
30	Thane	597.46	28.34	40.84	666.64
31	Wardha	211.36	32.50	12.08	255.94
32	Washim	171.95	12.87	3.01	187.83
33	Yavatmal	516.83	52.10	18.05	586.98
	Total	**13023.88**	**1491.19**	**1056.17**	**15571.24**

(Source: As per information received from CAFOs of respective ZPs)

Appendix III

(Reference: Paragraph 1.12.4; Page 11)

Outstanding Inspection Reports and Paras from Chief Auditor, Local Fund Accounts Report

Year of the Report	Number of outstanding Paras		Objected amount (₹ in crore)	
	Government Funds	ZPs Own Funds	Government Funds	ZPs own Funds
1962-63 to 1998-99	40995	17673	1082.19	281.75
1999-00	4035	2537	223.18	55.20
2000-01	4233	1909	132.13	35.19
2001-02	3231	2064	103.87	21.87
2002-03	5265	2932	395.17	74.27
2003-04	4292	3210	421.81	53.45
2004-05	8587	4088	223.48	74.14
2005-06	11521	3894	448.36	108.98
2006-07	10157	2864	887.34	113.72
2007-08	13148	993	975.40	117.31
2008-09	Report not yet finalised			
Total	**105464**	**42164**	**4892.93**	**935.88**

(Source: As per CALFA report 2007-08)

Appendix IV

(Reference : Paragraph 2.1.5 ; Page 17)

List of selected Gram Panchayats

Gram Panchayat					Zilla Parishad	Region
Exited	**Completed but not exited**	**Incomplete**	**Deleted**	**Total**		
Hivarapen	Poharadevi Shelgaon-Bagade	Bramha Pimpalgaon Kh	Khirda	6	Washim	Amravati
Rudha	Sarai Savargaon	Jurang Mandva	Gourala	6	Yavatmal	
Marsoolwadi	Bhingi Tondapur	Garkheda Phalegaon	Mhatargaon	6	Hingoli	Aurangabad
Banshelki	Dhondi-Hipparaga Parchanda	Nitur Sumthana	----	5	Latur	
Kasti	Kaudgaon Terkheda	Koregaonwadi Rosa	Pachpimpla (Khairevasti)	6	Osmanabad	
Wangaon	Ashele Shenave	Ambiste Moj	----	5	Thane	Konkan
Mokhala	Chandankheda Padoli	Chekthanevasna Pimpalkhut	Sagra	6	Chandrapur	Nagpur
Dehgaon-Rangari	Borda-Sarakha Pota-Chankapur	Banpuri Panjari Bk	Alagondi Chimnazari	6	Nagpur	
Savkheda Bk	Pahur-Peth Wasre	Adgaon Loni Kh	Javkhede Kh Kurvel Mondhale	8	Jalgaon	Nashik
Lingnoor	Bagni Kasegaon	Kadegaon Umdi	Alsand	6	Sangli	Pune
10	**20**	**20**	**10**	**60**	**10**	**6**

Appendix V

(Reference : Paragraph 2.1.8.2(vii); Page 27)

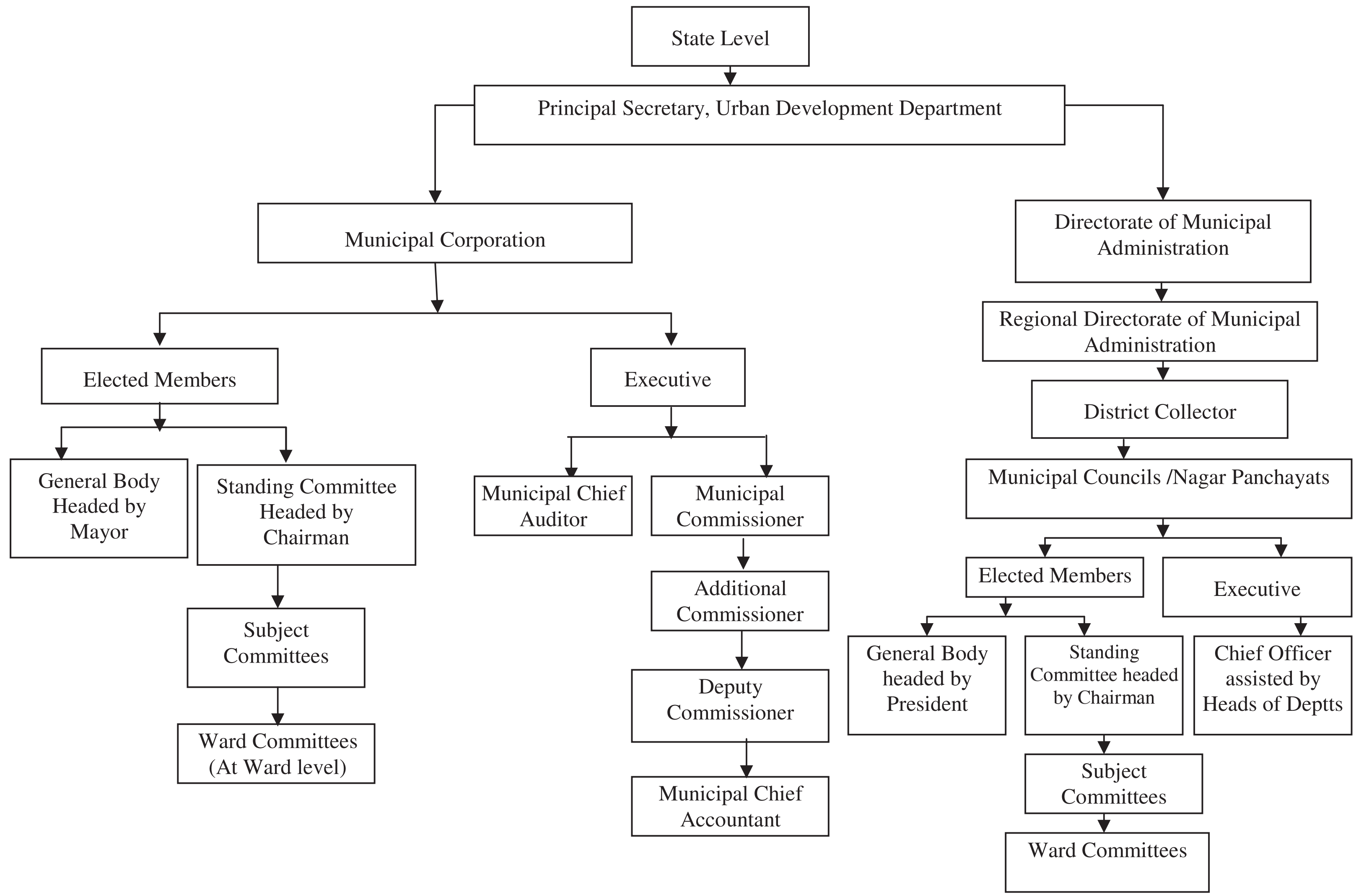
List of GPs with incomplete works

Gram Panchayat Incomplete	Total	Zilla Parishad	Region
Bramha Pimpalgaon Kh	2	Washim	Amravati
Jurang Mandva	2	Yavatmal	
Garkheda Phalegaon	2	Hingoli	Aurangabad
Nitur Sumthana	2	Latur	
Koregaonwadi Rosa	2	Osmanabad	
Ambiste Moj	2	Thane	Konkan
Chekthanevasna Pimpalkhut	2	Chandrapur	Nagpur
Banpuri Panjari Bk	2	Nagpur	
Adgaon Loni Kh	2	Jalgaon	Nashik
Kadegaon Umdi	2	Sangli	Pune
Total	**20**	**10**	**6**

Appendix VI

(Reference: Paragraph 4.3.1; Page 40)

Organisational Structure



Appendix VII

(Reference: Paragraph 4.4.5; Page 41)

Financial position of Municipal Corporations

(₹ in crore)

Sr. No.	Name of the Corporations	2007-08		2008-09		2009-10	
		Receipts	Expenditure	Receipts	Expenditure	Receipts	Expenditure
1	Ahmednagar	97	95	106.40	121.90	115.50	100.80
2	Akola	138	136	117.40	118.89	245.85	192.16
3	Amravati	86	87	93.22	96.78	156.80	138.87
4	Aurangabad	221	224	244.47	251.72	242.82	248.11
5	Bhiwandi-Nizampur	197	196	242.03	236.77	409.21	187.03
6	MCGM	10075	7528	15658.44	15709.16	19035.16	18972.82
7	Dhule	77	84	69.82	76.21	109.93	100.32
8	Jalgaon	107	105	104.46	104.53	111.21	111.15
9	Kalyan-Dombivli	270	278	439.46	565.64	569.46	598.97
10	Kolhapur	201	197	124.38	120.30	139.04	155.80
11	Malegaon	94	69	63.84	61.44	151.39	123.35
12	Mira-Bhayandar	214	201	267.99	248.94	332.90	267.52
13	Nagpur	471	424	508.96	507.98	654.71	652.89
14	Nanded-Waghala	146	227	427.20	425.00	385.39	311.05
15	Nashik	577	541	516.80	519.64	509.75	570.57
16	Navi Mumbai	578	530	735.32	650.54	823.63	916.26
17	Pimpri-Chinchwad	1304	1275	1575.31	1786.02	1281.34	996.58
18	Pune	3573	3506	1455.28	1469.83	2031.64	2190.85
19	Sangli	111	180	107.54	101.23	86.70	82.01
20	Solapur	151	151	144.45	144.45	162.52	196.43
21	Thane	754	612	793.06	806.36	1074.62	1003.15
22	Ulhasnagar	139	133	177.00	155.00	230.51	191.32
	Total	**19581**	**16779**	**23972.83**	**24278.33**	**28860.08**	**28308.01**

(Source: Information received from all corporations)

Appendix VIII

(Reference: Paragraph 4.4.6; Page 41)

Arrears in Water Tax Collection 2009-10

(₹ in crore)

Name of the Corporation	Opening Balance	Current Demand	Total Demand	Recovery		Closing Balance
				Current	Old outstanding	
Ahmednagar	18.14	7.03	25.17	2.98	3.98	18.21
Akola	0.00	0.00	0.00	0.00	0.00	0.00
Amravati	0.00	0.00	0.00	0.00	0.00	0.00
Aurangabad	36.96	17.43	54.39	8.20	9.08	37.11
Bhiwandi-Nizampur	13.02	7.20	20.22	3.69	2.09	14.44
MCGM	2199.38	2361.88	4561.26	1381.57	385.51	2794.18
Dhule	3.23	3.55	6.78	1.33	1.82	3.63
Jalgaon	0.00	0.00	0.00	0.00	0.00	0.00
Kalyan-Dombivli	20.14	40.99	61.13	32.42	4.59	24.12
Kolhapur	8.36	21.36	29.72	15.90	0.00	13.82
Malegaon	5.26	4.62	9.88	2.04	2.33	5.51
Mira-Bhayandar	3.02	25.83	28.85	11.34	1.95	15.56
Nagpur	0.00	0.00	0.00	0.00	0.00	0.00
Nanded-Waghala	5.81	4.75	10.56	2.88	1.60	6.08
Nashik	10.37	23.29	33.66	7.76	22.90	3.00
Navi Mumbai	19.40	54.99	74.39	48.07	5.19	21.13
Pune	261.38	60.03	321.41	48.36	0.00	273.05
Pimpri-Chinchwad	0.00	0.00	0.00	0.00	0.00	0.00
Sangli Miraj Kupwad	9.79	13.57	23.36	9.32	4.12	9.92
Solapur	23.30	13.14	36.44	8.45	4.07	23.92
Thane	41.00	61.00	102.00	12.00	44.00	46.00
Ulhasnagar	40.17	14.50	54.67	4.00	5.95	44.72
Total	**2718.73**	**2735.16**	**5453.89**	**1600.31**	**499.18**	**3354.40**

(**Source:** Information received from respective Corporations)

Appendix IX

(Reference: Paragraph 4.4.6; Page 41)

Arrears in Property Tax Collection 2009-10

(₹ in crore)

Name of the Corporation	Opening Balance	Current Demand	Total Demand	Recovery		Closing Balance
				Current	Old outstanding	
Ahmednagar	69.00	17.75	86.75	5.29	24.25	57.21
Akola	0.00	0.00	0.00	0.00	0.00	0.00
Amravati	26.82	19.52	46.34	14.21	5.32	26.81
Aurangabad	24.88	23.33	48.21	15.47	14.92	17.82
Bhiwandi-Nizampur	11.58	13.88	25.46	11.34	5.89	8.23
MCGM	3392.98	1550.31	4943.29	835.74	82.63	4024.92
Dhule	6.16	5.88	12.04	2.38	3.13	6.53
Jalgaon	0.00	0.00	0.00	0.00	0.00	0.00
Kalyan-Dombivli	53.45	110.71	164.16	73.85	17.14	73.17
Kolhapur	7.62	19.02	26.64	7.05	12.35	7.24
Malegaon	7.32	5.65	12.97	2.18	3.37	7.42
Mira-Bhayandar	20.19	53.51	73.70	48.56	9.58	15.56
Nagpur	111.82	85.28	197.10	63.11	45.77	88.22
Nanded-Waghala	10.57	10.15	20.72	0.00	10.55	10.17
Nashik	30.10	45.15	75.25	36.69	18.05	20.51
Navi Mumbai	32.17	201.39	233.56	169.78	30.08	33.70
Pune	329.38	396.51	725.89	269.98	87.45	368.46
Pimpri-Chinchwad	0.00	0.00	0.00	0.00	0.00	0.00
Sangli-Miraj-Kupwad	12.03	22.36	34.39	11.58	3.52	19.29
Solapur	27.56	19.38	46.94	13.55	5.07	28.32
Thane	88.30	160.74	249.04	30.94	144.13	73.97
Ulhasnagar	69.02	31.64	100.66	10.90	12.21	77.55
TOTAL	**4330.95**	**2792.16**	**7123.11**	**1622.60**	**535.41**	**4965.10**

(**Source:** Information received from respective Corporations)

Appendix X

(Reference: Paragraph 4.4.7; Page 43)

Statement of expenditure of all Municipal Corporations during the period 2005-06 to 2009-10

Municipal Corporation	2005-06		2006-07		2007-08		2008-09		2009-10	
	Total Expen-diture	Percen-tage to total	Total Expen-diture	Percen-tage to total	Total Expen-diture	Percen-tage to total	Total Expen-diture	Percen-tage to total	Total Expen-diture	Percen-tage to total
1. Administration (a) Establishment	4677	37.92	4265	28.78	4741	29.05	4735	19.50	4674	16.51
(b) Others	235	1.91	209	1.41	196	1.20	850	3.50	1692	5.98
2. Recovery of taxes	37	0.30	45	0.30	20	0.12	131	0.54	0	0
3. Street lighting	205	1.66	274	1.85	235	1.44	368	1.52	321	1.13
4. Water Supply	1232	9.99	1410	9.51	1362	8.35	1857	7.65	1154	4.08
5. Public Security	29	0.24	42	0.28	190	1.16	164	0.68	74	0.26
6. Public Health	503	4.08	651	4.39	1383	8.48	1736	7.15	572	2.02
7. Drainage and sewerage	465	3.77	1047	7.07	1207	7.40	1121	4.62	506	1.79
8. Construction works	932	7.56	1462	9.87	3540	21.69	5048	20.79	7082	25.02
9. Transport	247	2.00	439	2.96	30	0.18	69	0.28	104	0.37
10. Education	183	1.48	289	1.95	793	4.86	1182	4.87	477	1.68
11. Expenditure on weaker sections	26	0.21	58	0.39	402	2.46	541	2.23	237	0.84
12. Extraordinary expenditure and loans extended	590	4.78	871	5.88	547	3.35	687	2.83	266	0.94
13. Other expenditure	2974	24.10	3758	25.36	1674	10.26	5789	23.84	11149	39.38
Total Col 2 to 13	7423	60.17	10346	69.81	11383	69.75	18693	77.00	21942	77.51
Total expenditure	**12335**	**100**	**14820**	**100**	**16320***	**100**	**24278**	**100**	**28308**	**100**

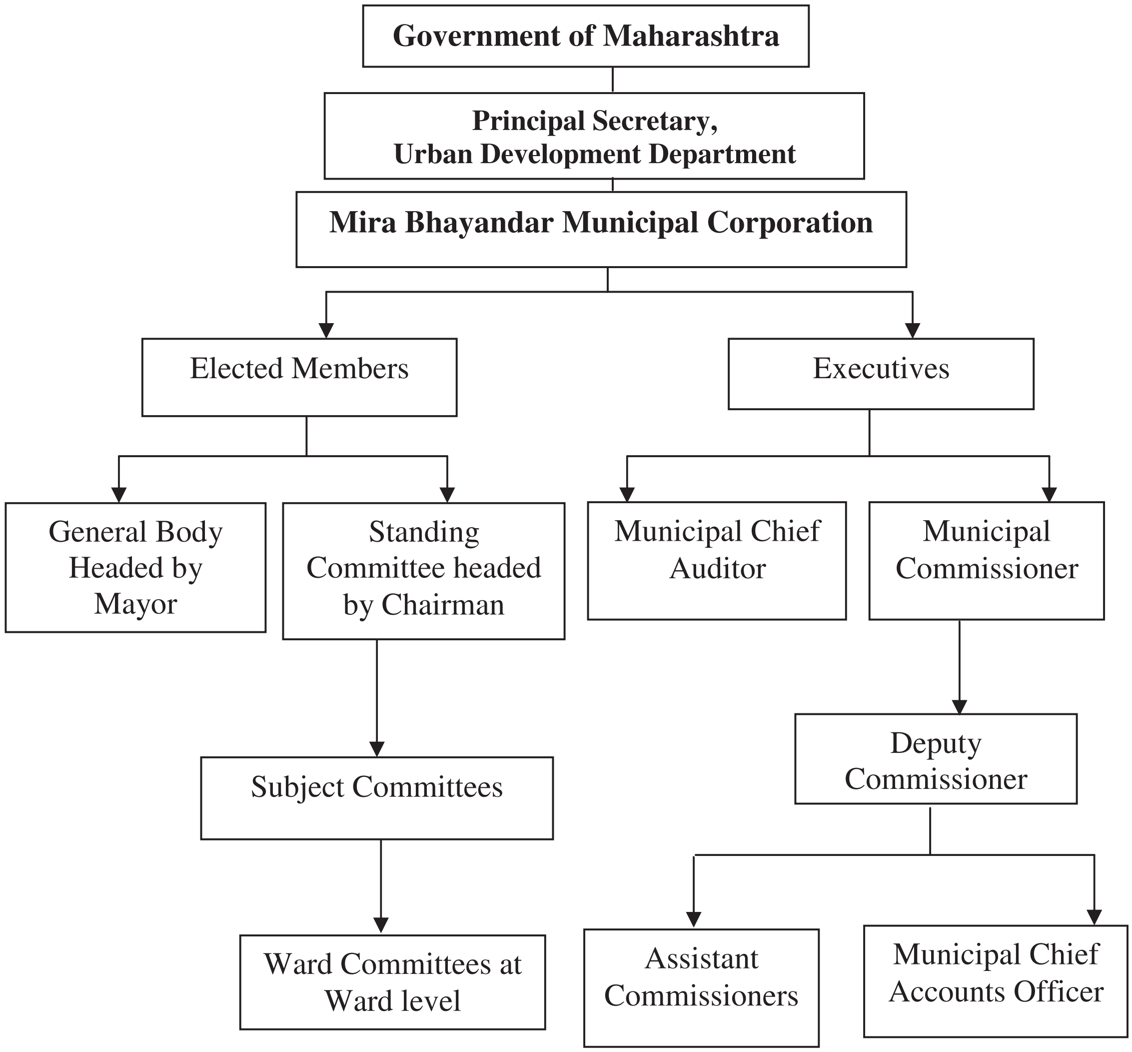
(Source : Information received from all Corporations)

*Includes unreconciled expenditure of MCGM for the year 2007-08 as ₹ 9100 crore as per budget estimate 2009-10 of MCGM and it differs from figures shown in the Audit Report 2007-08 as ₹ 9508 crore (as furnished by the MCGM).

Appendix XI

(Reference : Paragraph 5.2.2: Page 63)

Organisational set up of Mira Bhayandar Municipal Corporation



Appendix XII

(*Reference: Paragraph 5.2.5; Page 64*)

Services and Duties of Municipal Corporation
(Obligatory Services) (Section 63 of BPMC Act)

1) Erection of substantial boundary marks for defining the limits or any alteration in the limits of the city.

2) Water scavenging and cleaning of all public streets and the places in the City and the removal of all garbage there from.

3) The collection, removal, treatment and disposal of sewage, preparations of compost manure from such sewage, offensive matter and rubbish.

4) The construction, maintenance and cleansing of drains and drainage works and of public latrines, water-closets, urinals and similar conveniences.

5) The entertainment of a fire-brigade equipped with suitable appliances for the extinguishment of fires and the protection of life and property against fire.

6) The construction or acquisition and maintenance of public hospitals and dispensaries including hospitals for the isolation and treatment of persons suffering or suspected to be infected with a contagious or infectious disease and carry out other measures necessary for public medical relief.

7) The lighting of public streets, municipal markets and public buildings vested in the Corporation.

8) The maintenance of a municipal office and of all public monuments and open spaces and other property vesting in the Corporation.

9) The naming or numbering of streets and of public places vesting in the Corporation and the numbering of premises.

10) The regulation and abatement of offensive and dangerous trades or practices.

11) The maintenance, change and regulation of places for the disposal of the dead and the provision of new places for the said purpose and disposing of unclaimed dead bodies.

12) The construction or acquisition and maintenance of public markets and slaughter-houses and the regulation of all markets and slaughter-houses.

13) The construction or acquisition and maintenance of cattle ponds.

14) Public vaccination in accordance with the provisions of the District Vaccination Act, 1892.

Appendix XII (contd..)

Services and Duties of Municipal Corporation (Obligatory Services) (Section 63 of BPMC Act)

15) Maintaining, aiding and suitably accommodating stocks for primary education.

16) The reclamation of unhealthy localities, the removal of noxious vegetation and generally the abatement of all nuisances.

17) The registration of births and deaths.

18) The construction, maintenance, alteration and improvement of public streets, bridges, sub ways, culverts, cause-ways and the like.

19) The removal of obstructions and projections in or upon streets, bridges and the other public places.

20) The management of maintenance of all municipal water works and the construction or acquisition of new works necessary for a sufficient supply of water for public and private purposes.

21) Preventing and checking the spread of dangerous diseases.

22) The securing or removal of dangerous buildings and places.

23) The construction and maintenance of residential quarters for the municipal conservancy staff.

24) Fulfillment of any obligation imposed by or under this Act or any other law for the time being in force.

25) Subject to adequate provision being made for the matters specified above the provisions of relief to destitute persons in the City in times of famine and scarcity and the establishment and maintenance of relief works in such times.

Appendix XIII

(*Reference : Paragraph 5.2.11.1; Page 72*)

Arrears of Property Tax of Mira Bhayandar Municipal Corporation

Year	Nature of demand	Demand	Collection	Balance	Percentage of recovery
		(₹ in crore)			
2004-05	Arrears	15.78	6.75	9.03	
	Current	23.90	20.10	3.80	
	Total	**39.68**	**26.85**	**12.83**	**68**
2005-06	Arrears	17.64	6.47	11.17	
	Current	34.90	27.91	6.99	
	Total	**52.54**	**34.38**	**18.16**	**65**
2006-07	Arrears	19.23	8.52	10.71	
	Current	36.02	33.21	2.81	
	Total	**55.25**	**41.73**	**13.52**	**76**
2007-08	Arrears	23.03	12.19	10.84	
	Current	46.92	40.60	6.32	
	Total	**69.95**	**52.79**	**17.16**	**75**
2008-09	Arrears	19.48	8.43	11.05	
	Current	47.87	43.74	4.13	
	Total	**67.35**	**52.17**	**15.18**	**77**

Appendix XIV

(*Reference : Paragraph 5.2.12; Page 73*)

Arrears of Water Charges of Mira Bhayandar Municipal Corporation

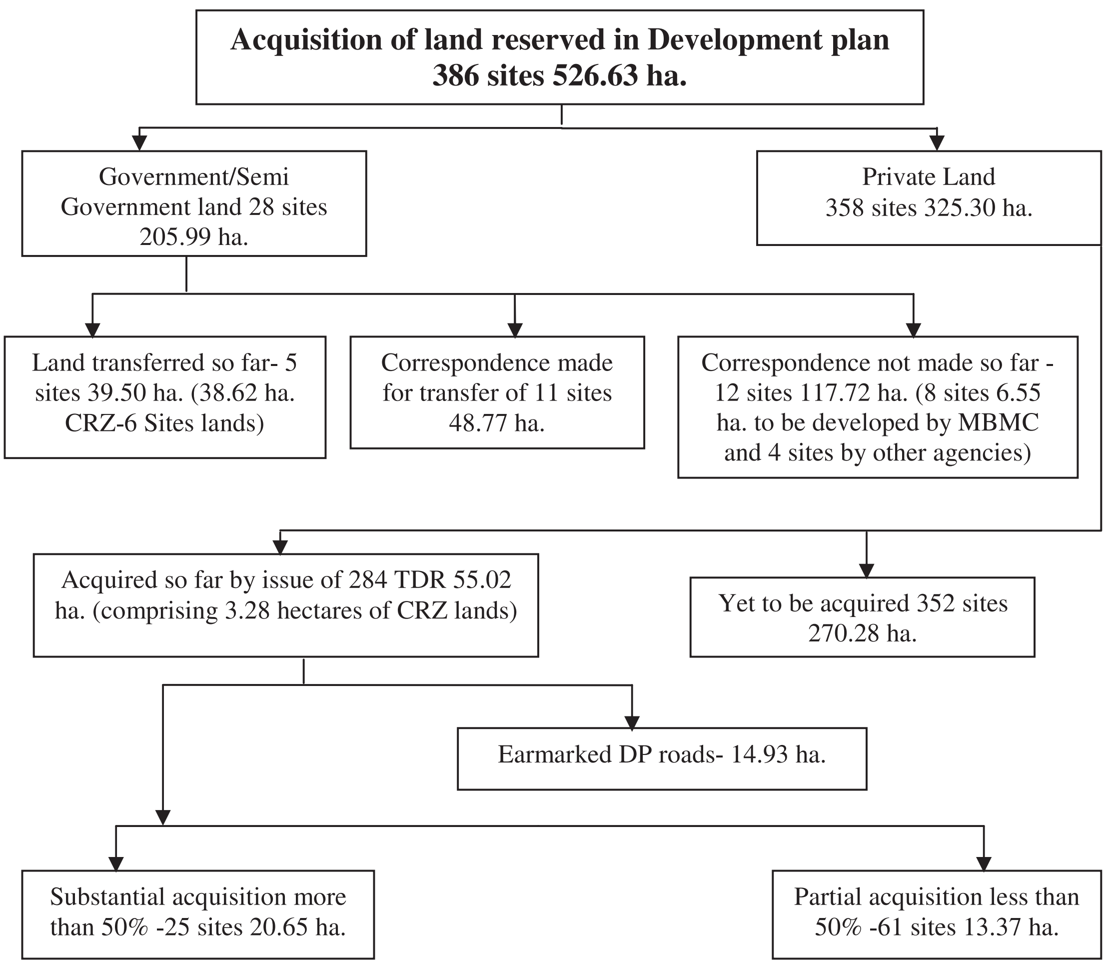
Year	Nature	Demand	Collection	Balance	Percentage
		(₹ in crore)			
2004-05	Arrears	1.00	0.44	0.56	
	Current	14.93	13.96	0.97	
	Total	**15.93**	**14.40**	**1.53**	**90**
2005-06	Arrears	1.86	1.06	0.80	
	Current	17.88	17.27	0.61	
	Total	**19.74**	**18.33**	**1.41**	**93**
2006-07	Arrears	1.97	1.06	0.91	
	Current	20.77	18.59	2.18	
	Total	**22.74**	**19.65**	**3.09**	**86**
2007-08	Arrears	3.03	2.08	0.95	
	Current	21.29	20.64	0.65	
	Total	**24.32**	**22.72**	**1.60**	**93**
2008-09	Arrears	2.41	1.40	1.01	
	Current	23.22	22.16	1.06	
	Total	**25.63**	**23.56**	**2.07**	**92**

Appendix XV

(*Reference : Paragraph 5.2.14.1; Page 75*)

Acquisition of lands reserved in Development Plan

Development Plan of Mira Bhayandar Municipal Corporation (MBMC) have 386 sites (526.63 hectare) to be developed for various purposes alongwith 415 kms of DP roads of various widths. Of this 128 sites comprising 175.88 hectare (ha) comes under CRZ/NDZ which could not be developed due to pending writ petition (PIL No. 87 of 2006) filed by Bombay Environmental Action Group V/s. GOM/BMC/MBMC/Coastal Zone Management Authority *etc*. for transfer of all mangroves areas owned by Government to Forest Department and not to allow any new construction within prescribed limits. Thus MBMC was to develop 258 sites comprising 350.75 ha of lands in its DP which was free from CRZ/NDZ.



NOTE: MBMC received its CRZ demarcation on 30.06.2005. Acquisition made earlier also includes CRZ/NDZ lands. Private land acquired for development- 55.02 ha. less DP Roads 14.93 ha.= 40.09 ha.

Appendix XVI

(Reference: Paragraph 5.2.14.2; Page 75)

Development of reservation sites in Development Plan as per DCR of Mira Bhayandar Municipal Corporation (MBMC)