

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 Organizational 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 modules³⁷ 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 CAATs³⁸. 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 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 ESR⁴⁰ 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

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) In spite of existence of rateable 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)