



सत्यमेव जयते

**Report of the
Comptroller and Auditor General of India
on
Local Bodies
for the year ended 31 March 2013**



**Government of Maharashtra
Report No. 6 of the year 2014**

**Report of the Comptroller and
Auditor General of India**

on

LOCAL BODIES

for the year ended 31 March 2013

GOVERNMENT OF MAHARASHTRA

Report No. 6 of 2014

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PREFACE

1. This Report for the year ended 31 March 2013 has been prepared for submission to the Governor of the State of Maharashtra under Article 151 of the Constitution of India.
2. The Report contains significant results of the Performance Audit and Compliance Audit of the Panchayati Raj Institutions and Urban Local Bodies under the Rural Development Department and the Urban Development Department of the Government of Maharashtra.
3. The instances mentioned in this Report are those, which came to notice in the course of test audit for the period 2012-13 as well as those, which came to notice in earlier years, but could not be reported in the previous Audit Reports; instances relating to the period subsequent to 2012-13 have also been included, wherever necessary.
4. The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

OVERVIEW

OVERVIEW

This Report contains four chapters under two sections. Section A includes one chapter containing observations on the Accounts and Finances of Panchayati Raj Institutions. Section B comprises three chapters containing observations on the Accounts and Finances of Urban Local Bodies, one Performance Audit on Implementation of low cost housing projects under JNNURM sub-missions on Basic Services to the Urban poor and Integrated Housing and Slum Development Programme and nine compliance 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 decrease from 16.99 per cent in 2008-09 to 14.50 per cent in 2012-13 as against 40 per cent recommended by the Second Maharashtra State Finance Commission.

Though annual accounts of all the 33 ZPs for the year 2011-12 and 2012-13 have been finalized, these were yet to be certified by DLFA and published in the Government Gazette.

The State Government had so far not amended (December 2013) the Maharashtra Zilla Parishads and Panchayat Samitis Account Code and Maharashtra Village Panchayat (Budget and Accounts) Rules to maintain annual accounts in the format prescribed by the Comptroller and Auditor General of India.

(Paragraphs 1.5, 1.8.4 and 1.8.5)

2. Accounts and Finances of the Urban Local Bodies

The total receipts of 26 Municipal Corporations in the State during 2012-13 was ₹ 37,046 crore which was higher by 14.92 per cent compared to the previous year. The major contribution in total receipts was from rent and taxes (51.92 per cent) and other income (41.66 per cent).

The Government of Maharashtra published (January 2013) the Maharashtra Municipal Account Code, 2013 prescribing the procedure for maintenance of accounts of receipts and disbursements of all the Municipal Councils. However, the same is not being followed (February 2014).

17 out of 26 Municipal Corporations which have prepared their annual accounts, Audit by Municipal Chief Auditor has been completed up to 2012-13 in four Municipal Corporations and up to 2011-12 in three Municipal Corporations, and reports have been submitted to the respective Standing Committees. In the remaining 10 Municipal Corporations, there were arrears in audit by MCA ranging between two and 10 years.

(Paragraphs 2.4.5, 2.4.6, 2.6.2 and 2.7.3)

3. Performance Audit - Urban Local Bodies

Implementation of low cost housing projects under JNNURM sub-missions on Basic Services to the Urban poor and Integrated Housing and Slum Development Programme

Performance Audit on implementation of low cost housing projects taken up under BSUP-IHSDP sub-missions of JNNURM for the period 2008-09 to 2012-13 revealed significant shortfalls in achievement of construction of sanctioned dwelling units (DUs) for the urban poor. The ULBs/Nodal Agency proposed detailed project reports (DPR) to the Central Government without ensuring availability of land, leading to cancellation/curtailment of large number of projects and non-utilization of Central grants. There was no uniform/transparent criterion for payment of consultancy fee to project consultants. Mobilisation advances were paid to contractors in violation of contract conditions. The beneficiaries were selected and allotted DUs without capturing biometric data which was necessary as per the JNNURM guidelines. Completed DUs remained unallotted due to their unviable locations or due to construction of DUs on plots reserved for other purposes. Delays in award of sanctioned works led to cost overrun. None of the 36 ULBs conducted social audits as stipulated in JNNURM guidelines in any of the 51 test-checked projects through the designated agencies.

(Paragraph 3.1)

4. Transaction Audit Findings - Urban Local Bodies

The implementation of Brihanmumbai Storm Water Drain project by MCGM was beset with delays and cost escalation. The project management and implementation was weak and there were lapses in internal controls. There was delay up to seven years in execution of the works under the project. As of September 2013, the actual expenditure incurred on the project was ₹ 1,764.55 crore against the approved DPR cost of ₹ 1,175.72 crore, but only 27.6 per cent of the works under the project could be implemented. The project is under revision and the revised cost of the project is estimated to be ₹ 3,884.61 crore i.e. a cost overrun of ₹ 2,708.89 crore. Due to delay in implementation of the project, the problem of flooding in Mumbai city and suburban areas remained unresolved.

(Paragraph 4.1)

There were significant time and cost overruns in implementation of three projects taken up by Nanded Waghala City Municipal Corporation under the UIG component of JNNURM. The contract Clauses/Government orders were not followed during implementation of works, resulting in extra expenditure or losses. Of the 44 works sanctioned under Backward Regions Grant Fund between 2010 and 2013, only 25 works were completed and 11 works were not tendered. Of the remaining eight works, three works were under progress, one work was cancelled and four works could not commence due to non-availability of clear sites. The Corporation neither submitted utilization certificates for grants received under Gur-ta-Gaddi project nor did it finalise the accounts and surrender the unspent balances.

(Paragraph 4.2)

Non-implementation of outsourcing contract for collection of escort fee through a private agency for 22 months resulted in loss of revenue of ₹39.62 crore to Mira Bhayandar Municipal Corporation.

(Paragraph 4.3)

Municipal Corporation of Greater Mumbai made irregular payment of consultancy fee amounting to ₹1.19 crore to a consultant on the projected delivery of 4,26,024 Certified Emission Reductions (CER) up to April 2015, instead of 14,477 CERs actually generated by the project.

(Paragraph 4.4)

Failure of Nagpur Improvement Trust to properly plan the development of IT Park through Public Private Partnership rendered an expenditure of ₹1.83 crore infructuous.

(Paragraph 4.5)

Failure of Nagpur Improvement Trust to appropriately plan the construction of a swimming pool not only led to blocking of funds of ₹one crore for more than six years but also increased the project cost by ₹1.72 crore.

(Paragraph 4.6)

Failure of Navi Mumbai Municipal Corporation to enforce the tender condition led to an avoidable increase of ₹ 4.86 crore in implementation of two hospital projects at Airoli and Nerul.

(Paragraph 4.7)

After spending ₹85 lakh on construction of a commercial complex, Pimpri Chinchwad Municipal Corporation stopped the work in January 2008 due to paucity of funds. The work was incomplete as of March 2014 resulting in cost overrun of ₹3.19 crore, besides blocking ₹85 lakh for more than seven years and recurring loss of revenue of ₹1.52 crore per annum on account of lease rent.

(Paragraph 4.8)

Non-observance of provisions of Bombay Provincial Municipal Corporations Act, 1949 while determining the rateable value of properties resulted in short-levy of property tax of ₹43.96 crore and consequential loss of revenue to Pune Municipal Corporation.

(Paragraph 4.9)

CHAPTER I

***ACCOUNTS AND FINANCES
OF PANCHAYATI
RAJ INSTITUTIONS***

SECTION A

CHAPTER I

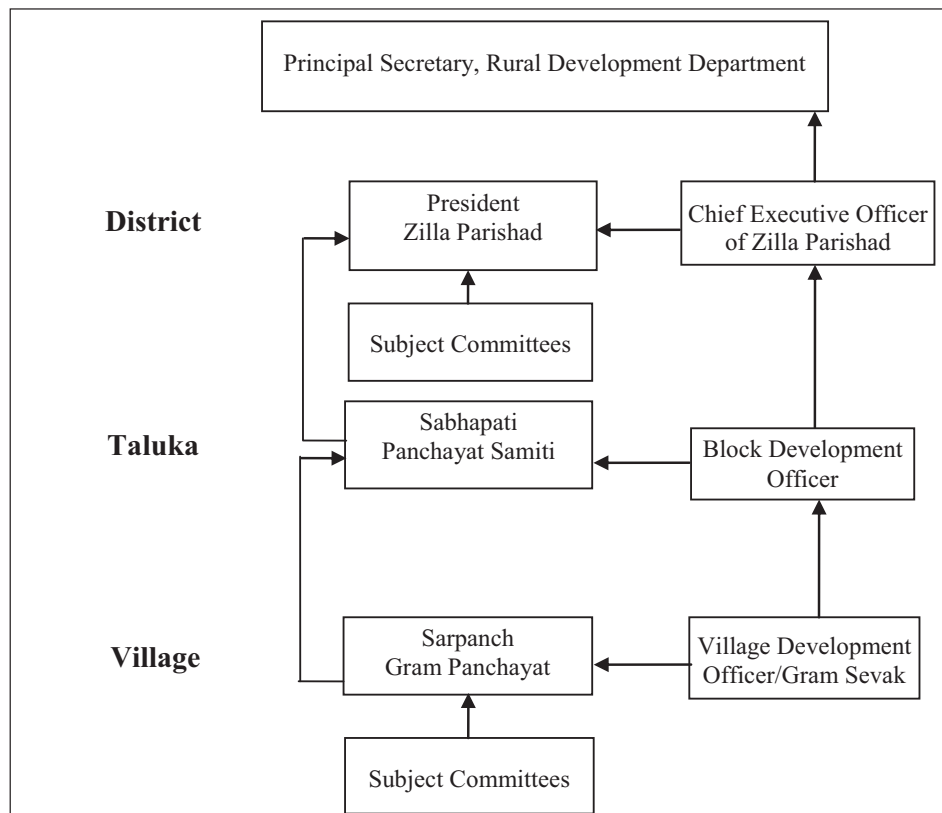
ACCOUNTS AND FINANCES OF PANCHAYATI RAJ INSTITUTIONS

1.1 Introduction

In conformity with the provisions of the 73rd Constitutional Amendment, the Maharashtra Zilla Parishads and Panchayat Samitis Act, 1961 (ZP/PS Act) and the Maharashtra 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 were established in the State. As per 2011 Census, the total population of the State stood at 11.24 crore of which 55 *per cent* was from rural areas.

1.2 Organisational set up

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



The Chief Executive Officer (CEO) in the ZP, the Block Development Officer (BDO) in the PS and the Village Development Officer (VDO)/Gram Sevak in the GP report functionally to the respective elected bodies and administratively to their next superior authority in the State Government

hierarchy.

There were 27,906¹ GPs for 43,663 villages in Maharashtra. The VDO/Gram Sevak, a village level functionary, functions as Secretary to the GP and is also responsible for maintenance of accounts and records at GP level. However, sanctioned strength of VDOs/Gram Sevaks was 22,684 which show that even one VDO/Gram Sevak post was not sanctioned for each GP. The persons-in-position was 21,091 only with a shortage of 1,593 as of December 2013. No reasons were on record for not sanctioning and filling up of the 1,593 posts of VDOs/Gram Sevaks.

1.3 Powers and Functions

1.3.1 There are 35 districts in Maharashtra. Two districts (Mumbai and Mumbai suburban) do not have rural areas and therefore, there are 33 ZPs in the State. ZPs have departments for Education, Public Works, Health, Minor Irrigation, Rural Water Supply, Social Welfare, Animal Husbandry, Agriculture, Women and Child Welfare, Integrated Child Development, Finance, General Administration and Village Panchayat.

1.3.2 ZPs are required to prepare a 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 ZPs. ZPs are empowered to impose water tax, pilgrim tax and special tax on land and buildings.

1.3.3 The intermediate tier of Panchayats at the Taluka level in Maharashtra is called the Panchayat Samitis. 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/entertainment, 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 Source: Desk Diary 2014 of Government of Maharashtra

1.3.6 The broad accountability structure in PRIs is as follows:

PRIs	Functions Assigned
Zilla Parishad , CEO	<ol style="list-style-type: none"> 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 ZPs in the Government Gazette
Chief Accounts and Finance Officer (CAFO), ZP	<ol style="list-style-type: none"> 1. Compilation of the accounts of ZP 2. Providing financial advice
Heads of Departments (HoDs) in ZPs	<ol style="list-style-type: none"> 1. According technical sanctions to the works and implement development Schemes. 2. Supervising the work of Class II officers
Panchayat Samiti, BDO	<ol style="list-style-type: none"> 1. Drawal and disbursal of funds 2. Execution and monitoring of Schemes and maintenance of accounts and records
Gram Panchayat, Gram Sevak	<ol style="list-style-type: none"> 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 State budget funds for plan and non-plan State Schemes, assigned tax and non-tax revenues, receipts of ZPs, interest on investments etc.

1.4.2 The cash grants are released to the ZPs through Budget Distribution System (BDS) by the respective administrative departments in accordance with the Government Resolution dated 15 October 2008.

1.4.3 Introduction of distribution of cash grants however does not dispense with the system of assessment of grants of different departments in ZPs by the administrative departments.

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

Article 243 (I) of the Constitution requires that the State Finance Commission (SFC) be appointed at the expiration of every fifth year.

The Second Maharashtra 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 (March 2006) in the State Legislature on Second SFC's recommendation 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

Local Bodies (ULBs) during 2008-09 to 2012-13.

(₹ in crore)					
Head	2008-09	2009-10	2010-11	2011-12	2012-13
State's total revenue (STR) (Tax and non-tax)	61,819.88	67,458.95	83,252.14	95,776.16	1,13,432.98
Amount required to be allocated as per Second SFC to LBs (40 per cent)	24,727.95	26,983.58	33,300.86	38,310.46	45,373.19
Actual allocation to PRIs	10,501.98	11,726.62	13,260.93	14,294.73	16,444.42
Actual allocation to PRIs as a percentage of States' total revenue	16.99	17.38	15.93	14.93	14.50
Actual allocation to ULBs	1,651.47	1,708.89	4,350.04*	4,871.33	4,401.93
Actual allocation to ULBs as a percentage of States' total revenue	2.67	2.53	5.23	5.08	3.88
Total allocation to PRIs and ULBs	12,153.45	13,435.51	17,610.97	19,166.06	20,846.35
Actual allocation to PRIs and ULBs as a percentage of States' total revenue	19.66	19.92	21.16	20.01	18.38

Source: Figures adopted from CAG's Audit Report on State Finances and Finance Accounts for the year 2012-13, Government of Maharashtra

*Huge variation was due to misclassification in previous year as mentioned in in CAG's Report on State Finances for the year 2010-11, Government of Maharashtra

It would thus, be seen that only 18.38 per cent of the State's total revenue was allocated to the LBs during 2012-13.

The Third SFC was constituted in January 2005 for the period 2006-07 to 2010-11 and submitted its report in June 2006. However, the report has been presented to the State Legislature (December 2013). The Fourth SFC was constituted in February 2011 for the period 2011-12 to 2015-16 and was to submit its report to the State Government by September 2012. However, the date for submission of report was extended by the State Government up to 30 June 2014.

1.6 Transfer of functions and functionaries

1.6.1 The 73rd Constitutional Amendment envisaged that all 29 functions along with 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 The State Government has transferred 11 functions and 15,480 functionaries to PRIs. Non-transfer of functions and functionaries has been commented in earlier Audit Reports also.

1.7 Receipts and expenditure of PRIs

(A) Zilla Parishads

1.7.1 As per information provided by 31 out of 33 ZPs², the position of revenue/capital receipts, revenue/capital expenditure in respect of ZPs and PSs for the period from 2008-09 to 2012-13 was as follows (PSs accounts were incorporated in ZP Accounts).

(₹ in crore)

Year	Receipts						Expenditure		
	Own ³ revenue	Government grants	Other revenue	Total revenue	Total capital	Total receipts	Revenue	Capital	Total
2008-09	542	11,825	443	12,810	3,066	15,876	11,661	3,118	14,779
2009-10	481	15,240	278	15,999	3,573	19,572	15,309	3,365	18,674
2010-11	627	17,721	307	18,655	3,939	22,594	20,847	4,981	25,828
2011-12	703	19,762	376	20,841	5,105	25,946	20,507	4,114	24,621
2012-13	1,014	21,630	692	23,336	10,290	33,626	21,835	8,168	30,003

(Source: figures furnished by ZPs)

(B) Gram Panchayats

The details of receipts and expenditures (revenue and capital) of GPs provided by 29 out of 33 ZPs⁴ during 2008-09 to 2012-13 were as under:

(₹ in crore)

Year	Total Receipts					Total Expenditure
	Government grants	Taxes	Contributions	Other receipts	Total receipts	
2008-09	524	506	115	162	1,307	1,252
2009-10	627	525	155	285	1,592	1,359
2010-11	618	745	158	193	1,714	1,560
2011-12	1,163	1,376	336	331	3,206	3,047
2012-13	1,235	832	189	628	2,884	2,350

(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 from 2010-11 to 2012-13:

² Except Bhandara and Wardha

³ Excludes opening balance

⁴ Except Amaravati, Bhandara, Beed and Yavatmal

(₹ in crore)

Sr. No.	Components	GPs expenditure			ZPs & PSs expenditure		
		2010-11	2011-12	2012-13	2010-11	2011-12	2012-13
1.	Education	64	122	60	8,434	9,705	10,894
2.	Health and Sanitation	399	708	457	1,949	1,627	1,547
3.	Public Works	523	1,180	843	1,626	1,351	1404
4.	Social Welfare	145	223	127	935	954	776
5.	Irrigation	29	65	5	823	451	778
6.	Animal Husbandry	6	9	5	256	286	321
7.	Agriculture	6	12	7	277	193	345
8.	Public lighting	39	70	47	47	36	25
9.	Forest	8	1	1	21	27	0
10.	Administration	262	507	323	1,368	1,649	2,004
11.	Rural Water Supply	*	*	54	*	*	348
12.	Women and Child	*	*	1	*	*	573
13.	Other expenditure	74	146	76	5,111	4,228	2,820
14.	Capital expenditure	5	4	344	4,981	4,114	8,168
TOTAL		1,560	3,047	2,350	25,828	24,621	30,003

(Source: Figures furnished by ZPs)

* Information not furnished separately by GPs, ZPs and PSs.

The expenditure of GPs in 2012-13 had decreased by 22.87 *per cent* in comparison to the previous year whereas, expenditure of ZPs had increased by 21.86 *per cent* during 2012-13 over the previous year.

1.7.3 The works undertaken by the ZPs are categorized as: (i) ZPs own schemes; (ii) Schemes transferred/funded by the State Government; and (iii) Schemes funded by other agencies. From the information received from 31 out of 33 ZPs² for the year 2012-13, these ZPs incurred an expenditure of ₹ 26,523.37 crore (₹ 22,852.84 crore on transferred schemes, ₹ 2,016.27 crore on agency schemes and ₹ 1,654.26 crore on ZPs own schemes). District-wise break up of expenditure incurred on transferred schemes, agency schemes and ZPs own schemes during 2012-13 are indicated in **Appendix II**.

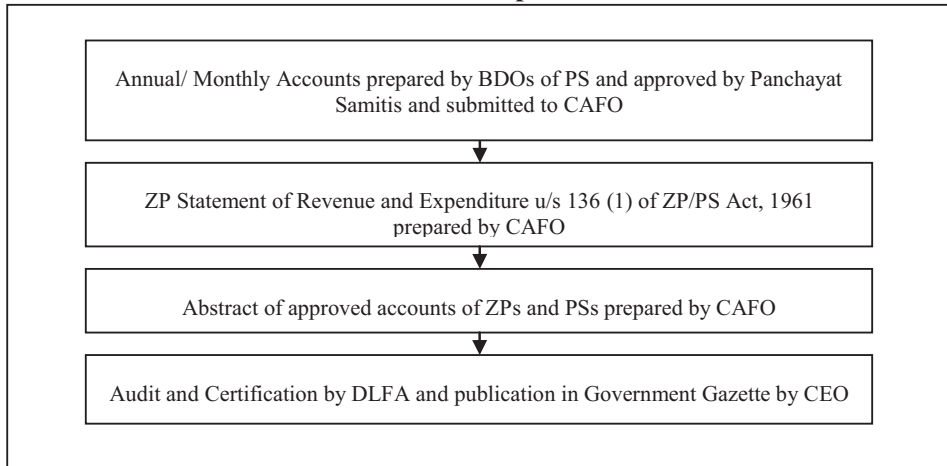
1.8 Accounting arrangements

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. 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 (GoM) for the year ended 31 March 2008.

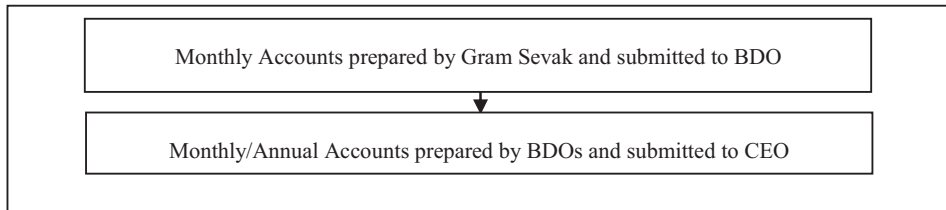
1.8.2 In accordance with the provisions of Section 136 (1) of the ZP/PS Act and Rule 66 A of the Maharashtra Zilla Parishads and Panchayat Samitis (MZP&PS) Account Code, 1968, CEOs of ZPs are required to annually prepare statements of accounts of revenue and expenditure of the ZPs along with statements of variations of expenditure from the final modified grants on or before 10 July of the following financial year to which the statement relates. 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 are prepared by CAFO and forwarded to the Director, Local Fund Audit (DLFA) for audit, certification and publication in the Government Gazette.

Flow Chart of Accounts compilation in ZPs and PSs



Flow Chart of Accounts compilation in GPs



1.8.4 As per Section 136 of ZP Act and Rule 66 of MZP&PS Account Code, 1968, the prescribed date for preparation and approval of annual accounts of ZPs for a financial year is 30 September of the following year and accounts of ZPs are required to be published in the Government Gazette by 15 November of the year. Accordingly, the accounts for 2012-13 should have been finalized by September 2013 and published by November 2013. However, information provided by the Department (December 2013) indicated that only the accounts up to the year 2010-11 have been published in the Government Gazette and submitted to the State Legislature. The annual accounts of all 33 ZPs for the year 2011-12 and 2012-13 have been finalized and submitted to DLFA for certification. After certification by DLFA, accounts would be published in the Government Gazette.

1.8.5 Non-adoption of format of accounts prescribed by Comptroller and Auditor General of India

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 LBs. 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 was required to amend the MZP&PS Account Code, 1968 and Maharashtra Village Panchayat (Budget and Accounts) Rules, 1959 for adoption of the accounts formats prescribed by the Comptroller and Auditor General of India. It was however, observed that the State Government has not yet amended MZP&PS Account Code as of December 2013 due to which, accounts in the prescribed formats were not maintained in any of the ZPs. The Rural Development and Water Conservation Department (Department) stated that the practice of maintaining accounts in Model Accounting System (MAS) was in progress in all the PRIs of Maharashtra (ZPs, PSs and GPs). The proposal for amendments in relevant Rules has been submitted to Law and Judiciary Department for approval.

1.8.6 Pending assessment of grants

The grants released by the Government to ZPs were required to be assessed by the Heads of the Administrative Departments by July every year according to Government orders (May 2000). They were to inform Rural Development and Water Conservation Department about the amounts recoverable from/payable to ZPs for adjustment for release of further grants.

It was however, observed that in 23 out of 33 ZPs⁵, there were arrears in assessment of grants in respect of 10 Departments as shown below:

Sr. No.	Name of department	Period of arrears
1.	Education	2000-2013
2.	Agriculture	1998-2013
3.	Social Welfare	1998-2013
4.	Animal Husbandry	1999-2013
5.	Public Health	2000-2013
6.	Family Welfare	1998-2013
7.	Water Supply and Sanitation	1998-2013
8.	Women and Child Welfare	1993-2013
9.	Minor Irrigation	1998-2013
10.	Public Works	2001-2013

(Source: Figures furnished by ZPs)

The Department stated (December 2013) that the cash grants were released to the ZPs through Budget Distribution System by the respective Administrative Departments and all the Administrative Departments have been directed to clear the arrears in assessment of grants.

⁵ ZPs Aurangabad, Bhandara, Beed, Buldhana, Chandrapur, Jalna, Latur, Parbhani, Washim and Yavatmal did not furnish any information

1.9 Thirteenth Finance Commission Grants

The State Government released an amount of ₹ 2,711.70 crore as per recommendations of the Thirteenth Finance Commission of which, ₹ 1,582.29 crore (58 per cent) has been spent as of March 2013.

1.10 Audit arrangements

1.10.1 Audit by Director, Local Fund Audit

The Audit of PRIs is conducted by the DLFA in accordance with the provisions of the Maharashtra Local Fund Act, 1930, the Maharashtra Village Panchayat (Audit of Accounts) Rules, 1961 and VP Act, 1958. The DLFA 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 2012-13. The Consolidated Audit Review Report for the year 2010-11 was prepared by the DLFA and presented to the State Legislature in July 2013.

1.10.2 Audit by Comptroller and Auditor General of India

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

Audit of GPs was also entrusted (March 2011) to the Comptroller and Auditor General of India under Technical Guidance and Supervision by the GoM under Section 20 (1) of The Comptroller and Auditor General's (DPC) Act, 1971.

1.10.3 Formation of District Level Audit Committees

The Government directed (March 2001) ZPs to constitute District Level Audit Committees (DLACs) for discussion and settlement of outstanding audit objections raised by DLFA and the Principal Accountant General/Accountant General. The Department stated (December 2013) that against 2,24,127 outstanding paragraphs, 12,334⁶ paragraphs had been cleared during 2012-13.

1.10.4 Outstanding Paragraphs from DLFA Reports

As per Annual Audit Review Report of DLFA for the year 2010-11, 1,09,178 paragraphs in respect of Government funds involving ₹ 6,016.04 crore and 27,154 paragraphs pertaining to ZPs own funds involving ₹ 804.02 crore were pending for settlement for the period from 1962 to 2011 as indicated in **Appendix III**.

1.10.5 Outstanding Inspection Reports and Paragraphs of Accountant General

Audit observations on financial irregularities and defects in initial accounts/records noticed during local audit by the Principal Accountant

⁶ Accountant General: 981; Local Fund Audit: 10,492 and Panchayati Raj Committee: 861

General/Accountant General but not settled on the spot are communicated to the heads of offices and departmental authorities through Inspection Reports. More important and serious irregularities are reported to the Government. Statements indicating the number of observations outstanding for over six months are also sent to the Government for expediting their settlement.

For efficient implementation of the schemes transferred to the PRIs and ensuring accountability, all deficiencies pointed out by the Principal Accountant General/Accountant General are required to be complied with promptly.

At the end of March 2013, 3,842 Inspection Reports containing 12,809 paragraphs of ZPs, PSs and GPs issued by audit were pending settlement despite holding of four Audit Committee Meetings during 2012-13.

Year	Inspection Reports	Paragraphs
Up to 2009-10	3030	8,819
2010-11	364	1,490
2011-12	244	1,156
2012-13	204	1,344
Total	3,842	12,809

Arrears in outstanding Inspection Reports and paragraphs indicated weak internal controls in PRIs.

1.11 Conclusion

The functioning of Panchayati Raj Institutions in the State revealed that:

- allocations to Local Bodies were meagre at 18.38 *per cent* (Panchayati Raj Institutions: 14.50 *per cent* and Urban Local Bodies: 3.88 *per cent*) as against 40 *per cent* of the total State's revenue recommended by the Second Maharashtra State Finance Commission;
- out of 29 functions listed in the XI Schedule of the Constitution of India, only 11 functions were transferred to Panchayati Raj Institutions;
- though annual accounts of all the 33 ZPs for the year 2011-12 and 2012-13 have been finalized, these were yet to be certified by DLFA and published in the Government Gazette; and
- the Maharashtra Zilla Parishads and Panchayat Samitis Account Code and Maharashtra Village Panchayat (Budget and Accounts) Rules have not been amended. As a result, accounts in the formats prescribed by the Comptroller and Auditor General of India were not maintained in any of the Zilla Parishads.

The matter was referred to the Government in April 2014; their reply was awaited.

CHAPTER II

*ACCOUNTS AND FINANCES OF
URBAN LOCAL BODIES*

SECTION B

CHAPTER II ACCOUNTS AND FINANCES OF URBAN LOCAL BODIES

2.1 Introduction

2.1.1 In conformity with the 74th Constitutional Amendment (1992), the Government of Maharashtra (GoM) amended (December 1994) the existing Mumbai Municipal Corporation (MMC) Act, 1888; the Bombay Provincial Municipal Corporation (BPMC) Act, 1949; the Nagpur City Municipal Corporation (NCMC) Act, 1948; and the Maharashtra Municipal Councils, Nagar Panchayats and Industrial Townships Act, 1965. All the Municipal Corporations, except Municipal Corporation of Greater Mumbai (MCGM) and NCMC which had their own Acts, are governed by the provisions of amended BPMC Act. There were 26 Municipal Corporations and 233 Municipal Councils including 13 Nagar Panchayats¹ (NP) in Maharashtra. The elections of the Municipal Corporations were held between 2008 and 2013.

2.1.2 Of the 18 functions referred to in the XII 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.

2.2 Organisational set up

2.2.1 As per the Census of 2011, the total population of Maharashtra was 11.24 crore of which, 45 *per cent* were in the urban areas. The state has 45 cities/urban agglomerations having a population of over one lakh.

2.2.2 Twenty Six 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 falls in category A, there are two Municipal Corporations² in category B and four³ and 19⁴ Municipal Corporations in categories C and D respectively.

2.2.3 Similarly, 233 Municipal Councils have been created for smaller urban areas and categorised based on their population. At present, there are 12 'A' class (having population more than one lakh), 61 'B' class (having population more than 40,000 but not more than one lakh) and 160 'C'

¹ Dapoli, Devrukh, Guhagar, Lanja (Ratnagire), Kankawali (Sindhudurga), Shirdi (Ahmadnagar), Malkapur (Satara), Kej (Beed), Ardhapur, Mahur (Nanded), Shindkheda (Dhule), Madhula and Moodha (Nagpur)

² Nagpur and Pune

³ Nashik, Navi Mumbai, Pimpri-Chinchwad and Thane

⁴ Ahmednagar, Akola, Amravati, Aurangabad, Bhiwandi-Nizampur, Dhule, Jalgaon, Kalyan-Dombivli, Kolhapur, Malegaon, Mira-Bhayander, Nanded-Waghala, Sangli-Miraj-Kupwad, Solapur, Ulhasnagar, Vasai-Virar, Parbhani City, Latur and Chandrapur

class (having population of 40,000 or less) Municipal Councils including 13 NPs in the State for towns with population between 15,000 and 25,000.

2.3 Organisational structure

2.3.1 The organisational structure of ULBs is depicted in **Appendix IV**.

2.3.2 The accountability structure of a Municipal Corporation is as follows:

Sr. No.	Name of the Authority	Accountable for
1.	General Body	Policy decisions related to expenditure from the Corporation's Municipal Fund, implementation of various projects, schemes <i>etc.</i>
2.	Standing Committee	All functions related to approval of budget and sanction for expenditure as per the delegation. (It can delegate powers to Sub-Committee/Sub-committees).
3.	Municipal Commissioner	Administration and execution of all schemes and projects subject to conditions imposed by the General Body.
4.	Municipal Chief Accountant	Preparation of the annual budget and finalisation of accounts and to conduct internal audit.
5.	Municipal Chief Auditor	Audit of municipal accounts, preparation and submission of Audit Reports to the Standing Committee.

2.4 Financial profile

2.4.1 Municipal Funds are constituted under the provisions contained in the MMC Act, 1888, NCMC Act, 1948, BPMC Act, 1949 and Maharashtra Municipal Councils, Nagar Panchayats and Industrial Townships Act, 1965. All the money received by or on behalf of the Municipal Corporations and Municipal Councils under the provisions of the respective Acts, all money raised by way of taxes, fees, fines and penalties, all money received by or on behalf of Municipal Corporation and Municipal Councils 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.

2.4.2 The State Government and Central Government release grants to the Municipal Corporations and Municipal Councils 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 development works.

2.4.3 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.

2.4.4 Under the BPMC Act, the MMC Act and the NCMC 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.

2.4.5 The consolidated position of receipts and expenditure of ULBs are not maintained at the State level. As per the information furnished by Municipal Corporations, the overall receipts and expenditure of the Municipal Corporations in the State from 2008-09 to 2012-13 was as under:

(₹ in crore)

Items	2008-09	2009-10	2010-11	2011-12	2012-13
Receipts	23,973	28,860	30,137	32,235	37,046
Expenditure	24,278	28,308	27,558	28,647	34,568

The total receipts and expenditure of all the 26 Municipal Corporations during 2012-13 was ₹ 37,046 crore and ₹ 34,568 crore respectively which includes the total receipts (₹ 22,461 crore) and expenditure (₹ 21,275 crore) of MCGM, as indicated in **Appendix V**.

2.4.6 Receipts

The total receipts of the Municipal Corporations from various sources during the last five years ending 31 March 2013 were as follows:

(₹ in crore)

Item	2008-09	Percentage to total receipts	2009-10	Percentage to total receipts	2010-11	Percentage to total receipts	2011-12	Percentage to total receipts	2012-13	Percentage to total receipts
Rents, taxes etc. including octroi, property tax and water charges	12,253	51.11	12,712	44.04	15,989	53.05	17,800	55.22	19,233	51.92
Government grants	1,084	4.52	1,217	4.22	972	3.23	1,198	3.72	1,867	5.04
Commercial enterprises	2,387	9.96	2,650	9.18	13	0.04	82	0.25	17	0.05
Deposits, Loans, etc.	4,111	17.15	6,242	21.63	1,280	4.25	1,853	5.75	496	1.33
Other Income	4,138	17.26	6,039	20.93	11,883	39.43	11,302	35.06	15,433	41.66
Total receipts	23,973	100	28,860	100	30,137	100	32,235	100	37,046	100

Overall, the total receipts of the Municipal Corporations showed an increasing trend over the five year period from ₹ 23,973 crore in 2008-09 to ₹ 37,046 crore in 2012-13. The share of Government grants in the total receipts of the Municipal Corporations ranged between 3.23 per cent and 5.04 per cent during the period 2008-13.

The tax revenue increased by ₹ 1,433 crore during 2012-13 which was 8.05 per cent more than the previous year (2011-12) whereas, the total receipts increased by ₹ 4,811 crore which was 14.92 per cent more than the previous year (2011-12).

Arrears in tax collection

Property Tax: Information furnished by all the Municipal Corporations revealed that during the year 2012-13, Municipal Corporations recovered 25.12 per cent of property taxes amounting to ₹ 4,259 crore against total demand of ₹ 16,956 crore (**Appendix VI**).

Water charges: Information furnished by 23 out of 26 Municipal Corporations revealed that during the year 2012-13, Municipal Corporations recovered 41.87 *per cent* of water charges amounting to ₹ 1,183 crore against total demand of ₹ 2,826 crore (**Appendix VII**).

2.4.7 Expenditure

As per information furnished by the Municipal Corporations, the total item-wise expenditure of all the Municipal Corporations in the State during last five years (2008-13) was as indicated in **Appendix VIII**.

The expenditure on administration increased to ₹ 10,487 crore during 2012-13 as compared to ₹ 7,929 crore in 2011-12. In the case of MCGM, out of total expenditure of ₹ 21,275 crore incurred during 2012-13, the share of expenditure on administration was ₹ 7,392 crore and constituted 34.75 *per cent* of the total expenditure. In respect of five⁵ other Municipal Corporations, the share of expenditure on administration to total expenditure exceeded 35 *per cent* and ranged between 35.88 and 55.81 *per cent*. High establishment cost restricted availability of funds for other services to be provided by the Municipal Corporations.

2.4.8 Receipt and expenditure of Municipal Councils

During 2012-13, 217 out of 233 Municipal Councils incurred an expenditure of ₹ 3,297 crore against total receipts of ₹ 3,702 crore. Further, 215 out of 233 Municipal Councils had arrears of property taxes of ₹ 157 crore against total demands of ₹ 411 crore. Similarly, 209 out of 233 Municipal Councils had arrears of water charges of ₹ 92 crore against total demands of ₹ 216 crore (**Appendix IX**).

2.5 Thirteenth Finance Commission grants

On the recommendation of the Thirteenth Finance Commission, Basic Grant of ₹ 421.29 crore and Performance Grant of ₹ 248.42 crore was released to various Municipal Corporations, Municipal Councils and Nagar Panchayats of which ₹ 144.59 crore (34.32 *per cent*) and ₹ 41.78 crore (16.82 *per cent*) respectively were utilized (November 2013).

2.6 Accounting arrangements

2.6.1 Section 93 of the BPMC Act, 1949 and Section 123 of the 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 recommendations, the Ministry of Urban Development, GOI in consultation with the Comptroller and Auditor General of India had finalised the National Municipal Accounts Manual (NMAM) for implementation of accrual based accounting system by ULBs in November 2004.

2.6.2 The GoM adopted (July 2005) the NMAM for implementation from the year 2005-06. The State Accounting Manual in conformity with the NMAM was under preparation. Till finalisation of the Manual, all Municipal

⁵ Ahmednagar (35.94 *per cent*) Amravati (55.81 *per cent*), Aurangabad (35.88 *per cent*), Bhiwandi Nizampur (38.28 *per cent*) and Sangli-Miraj-Kupwad (41.65 *per cent*)

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 GoM also recommended (January 2007) the implementation of the accrual system of accounting in the ULBs. The draft State Account Code for ULBs prepared by the Project Management Consultant appointed by the Director, Municipal Administration (DMA) was submitted to the Steering Committee in February 2008. The GoM published (January 2013) the Maharashtra Municipal Account Code, 2013 prescribing the procedure for maintenance of accounts of receipts and disbursements of all the Municipal Councils. However, the same is not being followed (February 2014).

2.7 Audit Arrangements

2.7.1 A Municipal Chief Auditor (MCA) is appointed by each Corporation under Section 78 (a) of the MMC Act, 1888 and Section 45 (i) of the BPMC Act, 1949 except for NCMC where audit is entrusted to the DLFA. The GoM, as per the recommendation of the 13th Finance Commission, entrusted (March 2011) the audit of all ULBs to the DLFA. The certification of accounts of all Local Self Institutions was also to be conducted by the DLFA. The DLFA stated (March 2014) that audit of 23 Municipal Corporations for the year 2011-12 has been completed and certification of annual accounts would be done after submission of accounts by the Corporations. In respect of Municipal Councils, DLFA stated that no separate certification is done by it.

2.7.2 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.

2.7.3 As per information furnished by 17 out of 26 Municipal Corporations which have prepared their annual accounts, audit by MCA has been completed up to 2012-13 in four⁶ Municipal Corporations and up to 2011-12 in three⁷ Municipal Corporations and reports submitted to the respective Standing Committees. In the remaining 10⁸ Municipal Corporations, there were arrears in audit by MCA ranging between two and 10 years.

The arrears in audit by MCA indicated weak internal controls existing in the Municipal Corporations.

2.7.4 The GoM issued orders in October 2002 entrusting the audit of Municipal Corporations to the Comptroller and Auditor General of India under Section 14 (2) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Services) Act, 1971. The audit of Municipal Councils and NPs

⁶ Kolhapur, Malegaon, Mira Bhayander and Ulhasnagar

⁷ Ahmednagar, Bhiwandi-Nizampur, and Vasai-Virar

⁸ Dhule, Jalgaon, Kalyan Dombivali, MCGM, Nasik, Navi Mumbai, Pimpri Chinchwad, Pune, Sangli Miraj Kupwad and Solapur.

was entrusted (March 2011) to the Comptroller and Auditor General of India by GoM under Technical Guidance and Supervision.

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.

2.8 Lack of response to audit observations

The Municipal Commissioners, Chief Officers and the elected bodies/Standing Committees are mainly responsible for the system of internal controls in the Municipal Corporations. For efficient implementation of the functions transferred to the ULBs, all deficiencies pointed out in audit by the Principal Accountant General/Accountant General are required to be complied with as early as possible as this would ultimately be helpful in efficient service delivery to the urban population. However, as of March 2013, there were large pendency in Inspection Reports and Paragraphs issued by the Principal Accountant General/Accountant General, Maharashtra to the Corporations, which was a reflection of inadequate internal controls.

Year	Inspection Reports	Paragraphs
Up to 2009-10	355	1396
2010-11	128	598
2011-12	152	1052
2012-13	98	613
Total	733	3659

2.9 Conclusion

The functioning of ULB in the State revealed the following:

- Utilisation of Basic Grants and Performance Grants released by the Thirteenth Finance Commission to the Municipal Corporations, Municipal Councils and Nagar Panchayats was only to the extent of 34.32 *per cent* and 16.82 *per cent* respectively.
- The GoM published (January 2013) the Maharashtra Municipal Account Code, 2013 prescribing the procedure for maintenance of accounts of receipts and disbursements of all the Municipal Councils. However, the same is not being followed.
- There were arrears in preparation of accounts of Municipal Corporations and their audit by Municipal Chief Auditor.
- Response to Inspection Reports and Paragraphs issued by Principal Accountant General/Accountant General, Maharashtra was not adequate.

The matter was referred to the Government in April 2014; their reply was awaited.

CHAPTER III

PERFORMANCE AUDITS

Chapter III
PERFORMANCE AUDITS

Urban Development Department

3.1 Implementation of low cost housing projects under JNNURM sub-missions on Basic Services to the Urban Poor and Integrated Housing and Slum Development Programme

Basic Services to the Urban Poor (BSUP) and Integrated Housing and Slum Development Programme (IHSDP) are two sub-missions of Jawaharlal Nehru National Urban Renewal Mission (JNNURM) to provide affordable and low cost housing, basic services and other related civic amenities to the urban poor in select cities through ULBs and statutory agencies. The nodal agency in the state for these two sub-missions was Maharashtra Housing and Area Development Authority.

Performance Audit on implementation of low cost housing projects taken up under these two sub-missions for the period 2008-09 to 2012-13 revealed significant shortfalls in achievement of construction of sanctioned dwelling units (DUs) for the urban poor. The ULBs/Nodal Agency proposed detailed project reports (DPR) to the Central Government without ensuring availability of land leading to cancellation/curtailment of large number of projects and non-utilization of Central grants. There was no uniform/transparent criterion for payment of consultancy fee to project consultants. Mobilisation advances were paid to contractors in violation of contract conditions. The beneficiaries were selected and allotted DUs without capturing biometric data which was necessary as per the JNNURM guidelines. Completed DUs remained unallotted due to their unviable locations or due to construction of DUs on plots reserved for other purposes. Delays in award of sanctioned works led to cost overrun. None of the 36 ULBs conducted social audits as stipulated in JNNURM guidelines in any of the 51 test-checked projects through the designated agencies. The key findings are highlighted below.

Highlights

Of the 3.36 lakh DUs sanctioned under BSUP-IHSDP between 2006-07 and 2012-13, the ULBs took up construction of only 2.51 lakh DUs of which, 0.78 lakh DUs were completed, construction of 0.44 lakh DUs was under progress (March 2013) and construction of the remaining 1.29 lakh DUs were not taken up due to non-availability of land, encroachments of sites, delay in tendering, late receipt of grants, reluctance of beneficiaries to cluster approach of housing etc.

(Paragraph 3.1.7)

Despite creating assets valuing ₹ 3,166.96 crore by construction of 0.56 lakh DUs under BSUP, the GoM did not establish a revolving fund to be used for meeting the operation and maintenance expenses of the assets so created, in contravention of JNNURM guidelines. Similarly, no policy

was evolved or any guidelines issued for operation and maintenance of 0.22 lakh DUs constructed at a cost of ₹ 584.08 crore under IHSDP.

(Paragraph 3.2.3)

Twenty eight BSUP-IHSDP projects involving construction of 73,149 DUs at an estimated cost of ₹ 1,839.56 crore were either cancelled or curtailed by the Central Government, as the ULBs prepared the detailed project reports without ensuring the availability of land. As a result, GoI grants amounting to ₹ 865.10 crore could not be utilized by the ULBs. In 46 out of 51 test-checked projects, construction of 40,329 DUs sanctioned at a cost of ₹ 1,432.06 crore did not commence even after two to seven years due to encroachments of land, cost escalations, court cases, non-receipt of beneficiaries' contribution etc.

(Paragraphs 3.3.1 and 3.3.2)

The ULBs took up construction of DUs on unviable locations or on land the titles of which did not vest with them or on plots reserved for other purposes, leading to blocking of ₹ 55.81 crore in 1,960 completed DUs and 720 ongoing DUs.

(Paragraph 3.3.5)

The ULBs did not adopt a uniform/transparent criterion for payment of consultancy fee to project consultants and mobilization advances paid to the contractors and their recoveries were not regulated as per contract conditions. Selection of beneficiaries was deficient given that a large number of beneficiaries were selected and allotted DUs without capturing biometric data in violation of JNNURM guidelines. None of the 36 ULBs conducted social audits in any of the 51 test-checked projects through the designated agencies.

(Paragraphs 3.3.3, 3.4.3, 3.3.4.1 and 3.5.1)

3.1.1 Introduction

JNNURM was launched by GoI in December 2005 for fast track, planned development of identified cities with focus on efficiency in urban infrastructure/services delivery mechanism, community participation and accountability of ULBs towards citizens. The Mission was initially launched for a period of seven years beginning from 2005-06, which was extended up to 2014-15.

JNNURM among other components consists of a sub-mission named BSUP, administered by the Ministry of Housing and Urban Poverty Alleviation, GoI (MoHUPA), for providing affordable and low cost housing, basic services and other related civic amenities to the urban poor in select cities. In Maharashtra, BSUP is implemented by 14 ULBs (11 Municipal Corporations and three Municipal Councils). Another sub-mission of JNNURM i.e. IHSDP envisaged similar objectives and is applicable to all cities/towns, excepting those covered under BSUP sub-mission. IHSDP is implemented in the State by 93 ULBs (11 Municipal Corporations and 82 Municipal Councils). While there is no ceiling on the unit cost of Dwelling Unit (DU) under BSUP, the ceiling per DU initially fixed at ₹ 80,000 under IHSDP was increased to ₹ 1,00,000 in February 2009.

3.1.2 Organisational Set up

GoI constituted (January 2006) a Central Sanctioning and Monitoring Committee (CSMC) headed by the Secretary, MoHUPA for approval of projects under BSUP and IHSDP. A State Level Steering Committee (SLSC) headed by the Chief Minister was constituted in Maharashtra (January 2006) for approval of projects at the state level. The GoM appointed (September 2006) Maharashtra Housing and Area Development Authority (MHADA) as the State Level Nodal Agency (SLNA) which assisted the SLSC. The SLNA invites proposals from various ULBs for processing and approval by the CSMC. The SLNA also oversees the execution and monitoring of projects taken up under these two sub-missions.

3.1.3 Audit objectives

The Performance Audit was conducted with a view to assessing whether:

- planning for selection of projects was effective;
- funding was adequate and prompt;
- projects were taken up as per Detailed Project Reports (DPRs) and executed economically, efficiently and effectively; and
- monitoring mechanism to oversee the implementation of projects was effective.

3.1.4 Audit criteria

The audit criteria were derived from the following documents:

- Guidelines/modified guidelines for BSUP and IHSDP issued in December 2005 and February 2009 under JNNURM and related instructions/orders issued by the GoI and the GoM;
- DPRs and Memorandum of Agreement (MoA) between GoI, GoM and ULBs;
- Minutes of meetings of CSMC/ SLSC;
- Instructions issued by SLNA; and
- Maharashtra Public Works Account Code, 1967, Slum Rehabilitation Act, 1971 and Rules thereunder.

3.1.5 Audit scope and methodology

The Performance Audit was conducted between March 2013 and June 2013 covering the period from 2008-09 to 2012-13. For this purpose, records in the office of the SLNA (MHADA), 19 out of 71 projects under BSUP and 32 out of 130 projects under IHSDP approved by CSMC between September 2006 and March 2012 were test-checked in 14 Municipal Corporations¹, three statutory agencies² and 19 Municipal Councils³. An entry conference was held with the Principal Secretary, Housing (GoM) and the Vice President, MHADA in May 2013 wherein the audit objectives, audit criteria and scope of audit

¹ Thane, Kalyan Dombivali, Mira-Bhayandar, Nashik, Pimpri Chinchwad, Pune, Nanded, Kolhapur, Sangli, Malegaon, Dhule, Amravati, Aurangabad and Latur

² Mumbai Board of MHADA; Slum Rehabilitation Authority, Nagpur; and Nagpur Improvement Trust

³ Wai, Ashta, Dondaicha, Jamner, Amalner, Naldurg, Anjangaon surji, Chandur Railway, Murtijapur, Buldhana, Khamgaon, Lonar, Katol, Narkhed, Bhandara, Wardha, Pulgaon, Sawantwadi and Kulgaon Badlapur

were discussed. An exit conference was held in November 2013. Indian Audit and Accounts Department acknowledges the cooperation extended to Audit by the officials of the Urban Development Department, MHADA and the ULBs in conduct of the performance audit.

3.1.6 Funding pattern

The funding pattern of BSUP and IHSDP components is shown in **Table 1**.

Table1: Category of cities and funding pattern

Name of scheme	Category of cities ⁴	Fund sharing pattern in percentage			
		GoI	GoM	ULBs	Average beneficiary ⁵ share
BSUP	A and B category cities	50	30	9	11
	C category cities	80	9	0	11
IHSDP	All cities (other than those covered in BSUP sub-mission)	80	9	0	11

Source: BSUP-IHSDP guidelines (December 2005)

Central Assistance is released in four installments to ULBs for eligible components under BSUP and in two installments under IHSDP projects. The State Government and ULBs are required to release their share of grants simultaneously.

In addition, few special projects were also sanctioned by the CSMC for cities like Mumbai and Pune wherein a fixed amount of Central Assistance, on the basis of unit cost of house, was granted. These were houses for textile mill workers of Mumbai, economically weaker section (EWS), low income group (LIG), transit shelters (TS) etc.

3.1.7 Physical and financial progress

The position of receipt and release of grants through the SLNA for projects taken up under BSUP and IHSDP sub-missions during 2006-07 to 2012-13 is shown in **Table 2**.

Table 2: Receipt and release of grants (₹ in crore)

Year	BSUP						IHSDP						
	Grant received by SLNA			Grant released			Total release	Grant received by SLNA			Grant released		Total release
	GoM	GoI	Total	GoM	GoI	GoM		GoI	Total	GoM	GoI		
2006-07	78.00	0	78.00	55.49	00	55.49	50.00	0	50.00	16.59	0	16.59	
2007-08	95.44	473.17	568.61	00	230.21	230.21	0	53.76	53.76	33.11	45.31	78.42	
2008-09	0	186.91	186.91	46.36	332.90	379.26	0	242.93	242.93	0	7.94	7.94	
2009-10	0	484.45	484.45	107.92	205.18	313.10	0	293.30	293.30	23.96	297.56	321.52	
2010-11	193.27	277.28	470.55	243.97	315.68	559.65	12.24	11.30	23.54	10.91	35.70	46.61	
2011-12	209.60	329.98	539.58	227.04	229.14	456.18	107.96	89.49	197.45	84.22	383.82	468.04	
2012-13	30.53	90.09	120.62	10.84	296.17	307.01	4.38	287.79	292.17	75.79	172.39	248.18	
Total	606.84	1841.88	2448.72	691.62	1609.28	2300.90	174.58	978.57	1153.15 ⁶	244.58	942.72	1187.30 ⁶	

Source: Information furnished by SLNA

⁴ A category: Cities with 40 lakh plus population as per 2001 census; B category: Cities with 10 lakh plus but less than 40 lakh population; C category: Selected cities of religious/historic and tourist importance

⁵ 12 per cent from general category beneficiaries and 10 per cent from SC/ST/BC/OBC/PH and other weaker section beneficiaries

⁶ State Government released additional funds to the ULBs @ ₹ 25,000 per DU under IHSDP from February 2009 onwards

The physical and financial progress of the projects taken up under BSUP and IHSDP sub-missions during 2006-07 to 2012-13 as reported by the SLNA to GoI are indicated in **Table 3** and **Table 4**.

Table 3: Physical progress of DUs as of March 2013

Number of Projects	No. of DUs sanctioned	No. of DUs taken up for execution	No. of DUs completed	DUs in progress	DUs not commenced	Percentage of DUs completed	Percentage of DUs in progress
BSUP- 71	216690	143287	55738	23384	64165	38.90	16.32
IHSDP-130	119719	108167	22541	20897	64729	20.84	19.32
Total	336409⁷	251454	78279	44281	128894		

Source: CSMC minutes and monthly progress reports

Table 4: Financial progress of DUs as of March 2013

(₹ in crore)

Number of Projects sanctioned	Approved DPR cost	Grants released to ULBs (GoI and GoM)	ULB and Beneficiary contribution	Total grants available with ULBs	Grants utilized by ULBs	Percentage utilization against approved DPR cost	Percentage utilization against available grants
BSUP- 71	7245.58	2300.90	866.41	3167.38	3166.96	43.71	99.99
IHSDP-130	2717.36	1187.30	541.68	1728.97	584.08	21.49	33.78
Total	9962.94	3488.20	1408.09	4896.35	3751.04		

Source: CSMC minutes and information furnished by SLNA

Table 3 and **Table 4** show that:

- Against the sanctioned cost of ₹ 7,245.58 crore for construction of 2.17 lakh DUs under BSUP, 55,738 DUs were completed and 23,384 DUs were under construction as of March 2013 at a cost of ₹ 3,166.96 crore. Work on 64,165 DUs (44.78 per cent) had not commenced as of March 2013, due to non-availability of land, reluctance of beneficiaries to cluster⁸ approach of housing *etc.*
- Against the sanctioned cost of ₹ 2,717.36 crore for construction of 1.20 lakh DUs under IHSDP, 22,541 DUs were completed and 20,897 DUs were under construction as of March 2013 at a cost of ₹ 584.08 crore. Work on 64,729 DUs (59.84 per cent) had not commenced as of March 2013, due to non-transfer of Government land to the ULBs, encroachment of sites, non-availability of land, delay in tendering, late receipt of grants *etc.*

The physical and financial status of construction and allotment of DUs in 51 test-checked projects (19 projects under BSUP and 32 projects under IHSDP) as of February 2014 is as shown in **Table 5**.

⁷ 3,36,409 DUs are inclusive of 10,750 Transit Shelters; 10,265 Rehabilitation Units for street vendors; and 6,160 Dormitory Units

⁸ Group of residential properties situated at one place considered for development

Table 5: Physical and financial status of construction and allotment of DUs in test-checked projects

(₹ in crore)

Sub- mission	Original sanctioned DUs	DUs cancelled/ curtailed	DUs taken up for execution	DUs completed (percentage with reference to Col 4)	DUs in progress (percentage with reference to Col 4)	DUs not started (percenta- ge with reference to Col 4)	DUs allotted (percenta- ge with reference to Col 5)	Expenditure as per Monthly Progress Report of Feb 2014
1	2	3	4	5	6	7	8	9
BSUP	110787	25141	85646	41289 (48.21)	16333 (19.07)	28024 (33.72)	25851 (62.61)	2490.34
IHSDP	32591	2197	30394	12678 (41.71)	5411 (17.80)	12305 (40.48)	5559 (43.85)	327.42
Total	143378	27338	116040	53967 (46.52)	21744 (18.74)	40329 (34.74)	31410 (58.20)	

Source: CSMC minutes, monthly progress reports and replies received from ULBs/Statutory agencies

As may be seen from **Table 5** above, even after lapse of over seven years (2006-07 to February 2014), only 62.61 per cent and 43.85 per cent beneficiaries were allotted DUs under BSUP and IHSDP respectively.

3.2 Financial management

3.2.1 Non-release of State share

The CSMC sanctioned (December 2006) three special projects involving construction of 23,011 DUs⁹ under BSUP at Mumbai at a total cost of ₹ 1,146.47 crore. The projects were to be implemented by the Mumbai Board of MHADA. As per the DPRs, the approved cost of 12,832 TS (6,000 + 6,832) was ₹ 614.43 crore to be shared by GoI (₹ 237.93 crore) and GoM (₹ 376.50 crore). In September 2008, GoM on the recommendation of SLNA, reduced the number of TS from 12,832 to 10,750 which was approved by the CSMC on the condition that the total number of DUs to be constructed would remain 23,011 (the number of DUs under LIG housing for textile mill workers was increased from 6,000 to 8,082).

Audit scrutiny revealed that in view of reduction in number of TS to be constructed, the share of GoM reduced from ₹ 376.50 crore to ₹ 291.43 crore of which, the GoM released only ₹ 58.44 crore between 2006-08. The GoM did not release the remaining funds amounting to ₹ 232.99 crore (February 2014) and the deficit was borne by Mumbai Board of MHADA. Of the 10,750 TS to be constructed, the Mumbai Board of MHADA constructed 9,753 TS and construction of 72 TS was in progress. The construction of remaining 925 TS had not been taken up (February 2014).

3.2.2 Interest on grants

With a view to ensure that unspent funds continue to earn interest, the same should be kept in interest bearing account. The CSMC, while reviewing the projects proposed for cancellation/curtailment, had been advising the States that the unutilized Central Assistance due to cancellation/curtailment be refunded with applicable interest as per provisions of General Financial Rules, 2005. The SLNA in May 2012 had fixed the rate of interest at the Prime

⁹ LIG housing for textile mill workers and transit shelters (6,000 DUs + 6,000 TS); Transit shelters for urban poor (6,832 TS); LIG housing for EWS/LIG scheme (4,179 DUs)

Lending Rate (12.50 *per cent*) to be paid by the ULBs to GoI/GoM, in the event of curtailment/cancellation of the projects. Further, based on the GoI directive of January 2013, the SLNA directed (March 2013) all the ULBs to refund the interest earned on grants received for the ongoing projects sanctioned under JNNURM to GoI/GoM as per their share contribution.

Audit observed that the ULBs did not follow the above directions leading to loss of interest, non-refund of interest, short-payment of interest *etc.* as discussed below.

3.2.2.1 Interest accrued not returned

Five Municipal Corporations and one statutory agency did not return interest amounting to ₹ 41.01 crore in respect of 11 cancelled and six curtailed projects as shown in **Appendix X**. 14 ULBs did not return accrued interest of ₹ 39.12 crore on grants received (June 2013) as detailed in **Appendix XI**. Further action taken in this regard was awaited (February 2014).

3.2.2.2 Loss of interest on funds kept in current account

The Municipal Corporation, Pune and Nanded Waghala City Municipal Corporation (NWCMC) did not keep the BSUP grants¹⁰ in interest bearing account but in current account leading to loss of interest of ₹ 11.58 crore.

3.2.2.3 Irregular diversion of interest earned

CSMC sanctioned seven DPRs in January 2009 valuing ₹ 170.36 crore for Municipal Corporation, Malegaon under IHSDP, which included an element of ₹ 6.20 crore for land leveling to be borne by GoM from its share. Audit observed that GoM/SLNA issued instructions (February and July 2012) to the Corporation to deposit the interest earned on the grants released and on mobilization advance paid to the contractor, so that the same could be released back to the Corporation against the State share towards land leveling charges. Malegaon MC deposited interest amounting to ₹ 5.71 crore (₹ 1.20 crore on mobilization advance and ₹ 4.51 crore on grants received) to the SLNA between August 2011 and August 2012 and SLNA then released ₹ 5.43 crore (out of ₹ 5.71 crore) to the Corporation between August 2011 and May 2013 towards land leveling charges. The action of SLNA was irregular as interest earned by the Corporation from the released grants was required to be refunded to the GoI and GoM (in proportion of their share of release) and the cost towards land leveling should have been met by the GoM entirely.

3.2.3 Revolving fund not set up

As per JNNURM guidelines of December 2005 and February 2009, proper maintenance of assets and upkeep of cleanliness and hygiene in housing complexes/colonies developed under BSUP and IHSDP should be given utmost importance. Under sub-mission on BSUP, whenever the SLNA releases Central and State funds to the implementing agencies, it should ensure that at least 10 *per cent* of the funds released are recovered and ploughed into a revolving fund to be utilized for meeting the operation and maintenance expenses of the assets created under BSUP. For assets created under IHSDP, it

¹⁰ (i) MC, Pune: Grant of ₹ 33.22 crore kept in current account for five BSUP projects from April 2007 to February 2012
(ii) NWCMC: Grants ranging from ₹ 10 lakh to ₹ 24.45 crore kept in current account for 11 BSUP projects from April 2007 to June 2011

was the responsibility of ULBs/implementing agencies to keep an inventory of assets created and also to maintain and operate the assets and facilities so created.

Audit observed that though the GoM has created assets valuing ₹ 3,166.96 crore by construction of 55,738 DUs under BSUP during the period 2006-07 to 2012-13, it has not created the revolving fund as of March 2014 for meeting the operation and maintenance expenses of the assets so created. Further, while 22,541 DUs have been constructed at a total cost of ₹ 584.08 crore under IHSDP during the same period, the GoM had not evolved any policy or issued any guidelines for operation and maintenance of the assets so created.

In the exit conference Principal Secretary accepted the fact and stated that since the mission is extended up to March 2015, revolving fund would be created after looking into the modalities of its usage with respect to the GoI guidelines. The SLNA stated that the responsibility for maintenance of common assets rests with the ULBs.

3.3 Planning

Under BSUP and IHSDP, DPRs were proposed by the ULBs/SLNA to CSMC without ensuring availability of land leading to cancellation/curtailment of large number of projects. Consequently, as of March 2013, the GoM could construct only 78,279 DUs under BSUP and IHSDP (23.27 per cent) as against 3,36,409 DUs sanctioned. The deficiencies observed are discussed in succeeding paragraphs.

3.3.1 Cancellation/curtailment of projects resulting in non-utilization of Central grants

Scrutiny of the monthly progress reports available with the SLNA as well as in seven ULBs¹¹ (which also included Navi Mumbai) and one statutory agency¹², revealed that 23 BSUP projects sanctioned at a cost of ₹ 1,733.25 crore and five IHSDP projects sanctioned at a cost of ₹ 106.31 crore were either cancelled or curtailed by CSMC on the recommendations of the GoM (**Appendix XII**), as the DPRs were prepared without ensuring the availability of land. As a result, grants amounting to ₹ 865.10 crore sanctioned by GoI could not be utilized by the ULBs.

3.3.2 Non-commencement of works

Audit observed that in 51 test-checked projects sanctioned between September 2006 and March 2012, the ULBs undertook construction of 1,16,040 DUs at a total cost of ₹ 3,980.38 crore. However, construction of 40,329 DUs (34.75 per cent) in 46 projects with sanctioned cost of ₹ 1,432.06 crore did not commence even after lapse of two to seven years (February 2014) as detailed in **Appendix-XIII**. The ULBs attributed the non-commencement of works to non-availability of clear site, non-transfer of Government land, non-receipt of beneficiaries' contribution, court cases *etc.* In some cases, the contractors did not agree to execute the works at fixed rates. As such, the benefits of low cost housing could not accrue to the targeted beneficiaries.

¹¹ Municipal Corporations: Navi Mumbai, Pune, Pimpri Chinchwad, Nashik and Amravati
Municipal Councils: Katol and Narkhed

¹² Statutory agency: Slum Rehabilitation Authority, Nagpur

3.3.3 Engagement of consultants for preparation of DPRs

In its meeting held on 13 September 2007, the CSMC fixed the fees for reimbursement of consultancy charges for preparation of DPRs at two *per cent* and one *per cent* of the sanctioned project cost subject to maximum of ₹ 75 lakh and ₹ 40 lakh for projects taken up under BSUP and IHSDP respectively. Where DPRs are prepared without competitive bidding or in-house by Departmental authorities, fees of two *per cent* and one *per cent* of the sanctioned project cost subject to a maximum of ₹ 10 lakh and ₹ five lakh was to be reimbursed to ULBs for BSUP and IHSDP projects respectively. Besides, CSMC also issued detailed guidelines (January 2010) for engagement of Project Management Consultants (PMC) at a fee of 2.5 *per cent* of the tendered cost of work. However, GoM did not formulate any guidelines or a model agreement for engagement of consultants/PMCs and thus, the ULBs did not adopt a uniform/transparent criteria for payment of consultancy fee. It was noticed in audit that payment made to consultants between 2008 and 2013 ranged between one *per cent* and 4.90 *per cent* in 17 of 51 test-checked projects in nine ULBs. In the exit conference Principal Secretary accepted the fact and stated that procedures for identification of consultants would be looked into so as to ensure transparency and uniformity.

Audit scrutiny revealed the following issues in payment to PMCs:

- Four¹³ ULBs appointed consultants between November 2006 and May 2008 for preparation and appraisal of 29 DPRs under BSUP at a fee of ₹ 60.04 crore, without inviting bids. Of the four ULBs, NWCMC submitted a claim of ₹ 6.70 crore to CSMC for reimbursement on account of preparation of 10 DPRs. As the consultant was engaged without competitive bidding, the CSMC restricted the claim at the rate applicable for departmentally prepared DPRs and reimbursed only ₹ 0.80 crore for eight DPRs whereas, the remaining claim for the two DPRs was not settled (February 2014). Audit observed that the other three ULBs submitted claims for reimbursement of ₹ 12.95 crore for preparation of 19 DPRs though the consultants were appointed without competitive bidding process and thus, eligible for reimbursement of only ₹ 1.90 crore (19 DPRs x ₹ 10 lakh). The claims were pending with CSMC as of February 2014.
- Three ULBs and one statutory agency cancelled 40,892 DUs¹⁴ between May 2011 and December 2013 as land was not available for construction. As availability of land was not ascertained by ULBs/consultants before preparation of DPRs, an expenditure of ₹ 5.79¹⁵ crore incurred on consultancy fees towards preparation of 13 DPRs proved to be infructuous. The benefit of affordable housing also did not accrue to the urban poor.

¹³ Nanded Waghela City Municipal Corporation (NWCMC), Pune Municipal Corporation (PMC), Pimpri Chinchwad Municipal Corporation (PCMC) and Kalyan Dombivali Municipal Corporation (KDMC)

¹⁴ Municipal Corporation: Pune (26,650 DUs), Pimpri Chichwad (6,530 DUs) and Amravati (4,251 DUs); Statutory agency: Slum Rehabilitation Authority, Nagpur (3,461 DUs)

¹⁵ PMC ₹1.23 crore (seven DPRs), PCMC ₹ 3.88 crore (one DPR), Nagpur SRA ₹ 0.56 crore, (two DPRs) and Amravati ₹ 0.12 crore (three DPRs)

- Mira Bhayander Municipal Corporation (MBMC) undertook (November 2009) an *in-situ*¹⁶ project for construction of 4,136 DUs (sanctioned DPR cost ₹ 279.55 crore) for slum dwellers on Government land at Janta Nagar and Kashi Church. Work orders were given to four contractors in December 2010 and January 2011 at a total cost of ₹ 330.55 crore with stipulation for completion by December 2012 (Kashi Church) and January 2013 (Janta Nagar). The sanctioned DPR cost included a rent component of ₹ 29.78 crore¹⁷ to accommodate all the 4,136 beneficiaries, displaced by *in-situ* construction of DUs, in other localities. The sanctioned DPR cost also envisaged construction of 2,068 TS on the assumption that the rest of the 2,068 beneficiaries may opt for rent compensation. MBMC appointed (February 2009) a consultant for the project at a cost of ₹ 5.17 crore (1.85 *per cent* of ₹ 279.55 crore) for survey, preparation of DPR, layouts, estimates *etc.*

Audit observed that the work of 2,067 out of 2,068 TS was awarded (December 2010 and January 2011), along with construction of 4,136 DUs, to the same contractors (cost of TS component was ₹ 29 crore) for completion by December 2012/January 2013. However, during execution of work, the site of TS was not found fit and MBMC had to shift the site to another location. Due to change of site, only 781 out of 2,067 TS could be constructed (February 2014). Further, of the 4,136 DUs to be completed by January 2013, construction of 1,082 commenced only in November 2013. This clearly indicated that the survey, layout and the DPR initially prepared by the consultant for the TS component of the project was deficient and payment of ₹ 45.86 lakh¹⁸ made to the consultant up to October 2013 was wasteful, besides delaying the project significantly.

3.3.4 Deficiencies in selection of beneficiaries

The GoI issued various guidelines from time to time regarding identification of beneficiaries and the contribution they are required to make for low cost DUs under BSUP and IHSDP. These are as follows:

- Contribution of 12 *per cent* of project cost by general category beneficiaries (JNNURM guidelines of December 2005).
- Contribution of 10 *per cent* of project cost by SCs/STs/BC/OBC/PH and other weaker section beneficiaries (JNNURM guidelines of December 2005).
- A token contribution of five *per cent* of the project cost to be recovered from the beneficiaries belonging to the poorest among the poor people (6th CSMC meeting held on 28 November 2006).

¹⁶ *In-situ* development/redevelopment of slums means construction of DUs at the same place after demolition of the existing structures

¹⁷ ₹ 3,000 rent compensation per month x 24 months x 4,136 beneficiaries = ₹ 29.78 crore

¹⁸ ₹ 29.78 crore x 1.85 *per cent* consultancy fee for preparations of DPR for TS component only = ₹ 55.09 lakh of which, ₹ 45.86 lakh was paid up to October 2013

- Beneficiary contribution including loan to be restricted to an upper limit of ₹ 40,000 per DU. Further, the concerned State should provide a subsidy in keeping with the intent and spirit of BSUP/IHSDP so that the loan burden on a poor EWS or LIG household does not exceed between 12 to 25 *per cent* of the total cost of the EWS or LIG DU (26th CSMC meeting held on 20 December 2007).
- Each DU should have minimum carpet area of 25 sqm with provisions of one multiple purpose room and a bedroom plus kitchen and toilet (6th CSMC meeting held on 28 November 2006).
- Biometric details of the beneficiaries to be uploaded on the website within one month of the date of approval of the projects (26th CSMC meeting held on 20 December 2007).

Audit scrutiny revealed the following:

3.3.4.1 Delay and lack of transparency in finalization of list of beneficiaries

25 ULBs and one statutory agency (out of 33 ULBs and three statutory agencies test-checked) proposed construction of 1,07,421 DUs for rehabilitation of same number of beneficiaries in respect of 31 projects sanctioned by the CSMC between 2006-07 and 2012-13. However, the ULBs and the statutory agency finalized the names of only 82,505 out of 1,07,421 beneficiaries as of February 2014.

Audit further observed that:

- Biometric data was captured only in respect of only 27,688 out of 82,505 beneficiaries. Of the 27,688 beneficiaries, biometric data was captured in respect of 6,074 beneficiaries within one month from the date of sanction of projects and for the remaining 21,614 beneficiaries, biometric data was captured after a lapse of more than one month.
- Of the 27,688 beneficiaries whose biometric data was captured, only 10,927 beneficiaries were allotted DUs (39.46 *per cent*) as of February 2014.
- Biometric data in respect of 54,817 beneficiaries has not been captured (February 2014). However, 14 out of 25 ULBs finalized the names of 19,334 out of 54,817 beneficiaries and allotted 7,358 DUs (38 *per cent*) in contravention of GoI guidelines.
- None of the 25 ULBs and the statutory agency uploaded the list of beneficiaries giving their biometric details on their official websites or State Government's website, as envisaged in the guidelines.

3.3.4.2 Application of wrong criteria for selection of beneficiaries

In Municipal Corporation, Pune, 4,000 DUs were sanctioned (February 2009) under BSUP as *in-situ* project involving eight slums. The redevelopment of these slums was prioritized as they existed on Government land in a residential belt. The DUs proposed for construction were individual DUs with ground or ground plus one storied structures with carpet area of 25 sqm. The work orders for all the DUs were issued in June 2009.

Audit observed that:

- Of the 4,000 sanctioned DUs, 1,677 DUs were targeted for the beneficiaries residing in kachha huts that existed in the eight slums and the remaining 2,323 units were meant for other slum dwellers not residing in kachha huts. The Corporation passed a resolution for providing DUs to those slum dwellers having an existing carpet area of more than 10 sqm. As a result, of the 1,677 units (kachha huts), 568 huts were not selected for redevelopment as the area of these huts was less than 10 sqm. The criterion adopted by the Corporation for identification of beneficiaries was arbitrary as it eliminated the poorest of the poor.
- All the eight slums could not be de-notified as 568 huts remained undeveloped.

3.3.4.3 Selection of beneficiaries among mill workers

The GoM under BSUP authorized (October 2006) Mumbai Board of MHADA to construct 6,000 LIG housing units for the mill workers affected by closure of 58 textile mills on the vacant mill land that was transferred to the Board. The number of housing units to be constructed was increased from 6,000 to 8,082 in August 2009. In response to an advertisement issued by the Board between September 2010 and December 2011, 1.49 lakh applications were received from the mill workers. As land from only 18 out of 58 textile mill were transferred to the Board, only 46,099 out of total 1.49 lakh applications were short-listed by the Board. As of January 2014, the Board had constructed 6,948 out of 8,082 housing units of which, 2,683 units were allotted to the mill workers through lottery. The remaining 4,265 units have not been allotted. Audit observed that:

- Each beneficiary had to pay ₹ 7.50 lakh for the house (against the construction cost of ₹ 10.34 lakh), which was significantly higher than the maximum threshold limit of 25 per cent (₹ 2.59 lakh)¹⁹ prescribed by GoI.
- The exemption orders of GoM of October 2007 to execute the sale deed on payment of stamp duty of ₹ 100 per housing unit were not adhered to. Instead, stamp duty of ₹ 37,500 per housing unit (the full rate) was insisted upon by MHADA.
- Considering the criterion fixed by GoI for LIG housing and the stamp duty exemption available, each mill worker to whom housing unit was allotted in this project, had to bear an additional financial burden of ₹ 5.28 lakh²⁰.

3.3.4.4 Deletion of names from selected list of beneficiaries

In Municipal Corporation, Dhule, 966 beneficiaries were identified at the time of approval of DPR in February 2009. Of these, 670 beneficiaries were not able to deposit their share contribution and therefore, their names were deleted in March 2011.

Audit observed that the Corporation did not make any efforts either to place

¹⁹ 25 per cent of the construction cost (₹ 10.34 lakh)

²⁰ Excess contribution charged from each mill worker of ₹ 4.91 lakh (₹ 7.50 lakh – ₹ 2.59 lakh) plus excess stamp duty charged per housing unit of ₹ 37,400 (₹ 37500 - ₹ 100)

these beneficiaries in the poorest among the poor category by allowing them to make a token contribution of five *per cent* or arrange for low cost loans for them from Housing and Urban Development Corporation Limited (HUDCO), in order to retain them.

3.3.5 Non-allotment of dwellings units leading to blocking of funds

The ULBs did not ensure construction of DUs on unencumbered land and compliance to Development Regulations resulting in non-allotment of DUs and blocking of funds, as discussed below.

3.3.5.1 Blocking of funds due to non-obtaining of No Objection Certificate

The CSMC sanctioned (September 2006) three DPRs at a total cost of ₹ 225.17 crore for construction of 11,760 *in-situ* DUs to be implemented by Pimpri Chinchwad Municipal Corporation (PCMC) for rehabilitation of beneficiaries living in slums at dangerous locations²¹. The work of 4,160 out of 11,760 DUs commenced in December 2007. Of the 4,160 DUs, 2,800 DUs were allotted as of April 2013, 640 DUs though ready for allotment in January 2012 were not allotted as of February 2014 and work on 720 DUs was in progress (February 2014).

Audit observed that the land for the project was given to PCMC by the Pimpri Chinchwad New Town Development Authority (PCNTDA) in 1976 for rehabilitation of slum dwellers and the entire land was under Red Zone *i.e.* restricted area of Defence. As the title of land did not vest with PCMC, the Bombay High Court while admitting a Writ Petition filed by an individual, granted a Stay Order in April 2012 on the construction work as No Objection Certificate (NOC) from Defence Authorities was not obtained. The Stay Order prevailed as of February 2014 and the Defence Authorities refused (February 2014) to issue the NOC. As a result, expenditure of ₹ 23.23 crore incurred on 640 completed DUs and 720 ongoing DUs remained blocked.

3.3.5.2 Blocking of funds due to construction of dwelling units on plots reserved for other purposes

A DPR for construction of 672 DUs at Link Road, Patra Shed to be implemented by PCMC was approved by CSMC (February 2009) at a total cost of ₹ 28.37 crore under BSUP. The Building Plan for execution of work was sanctioned (May 2010) by the PCMC on two plots reserved for Sewerage Treatment Plant and Vegetable Market, without de-reserving the same as required under Maharashtra Regional Town Planning Act, 1966. As of April 2013, 560 out of 672 DUs were completed at a cost of ₹ 25.27 crore. Meanwhile, a Writ Petition was filed before the Bombay High Court (October 2012) against issue of commencement certificate by PCMC without changing the nature of reservation.

As a result, occupation certificate could not be issued by the Town Planning Department of PCMC till February 2014 and 560 DUs completed at a cost of ₹ 25.27 crore could not be allotted to the beneficiaries.

²¹ Slums located beside the river belts, nallas, railway tracks, hill slopes *etc.*

3.3.5.3 Construction of dwelling units at unviable locations leading to blocking of funds

The CSMC sanctioned a project (February 2008) under IHSDP involving construction of 1,430 *in-situ* DUs in five slums in Khamgaon Municipal Council at a total cost of ₹ 27.37 crore. The work orders were issued between January 2009 and January 2010 with completion period of 15 months.

However, in two out of the five designated slums, the council faced resistance from other beneficiaries who had already been accommodated in pucca houses through other schemes. As a result, the Council had to construct (April 2013) 922 out of 1,430 DUs at other distant locations.

Audit observed that of the 922 completed DUs, 162 DUs were allotted to the beneficiaries and the remaining 760 DUs constructed at a cost ₹ 7.31 crore could not be allotted till February 2014 due to reluctance of the identified beneficiaries to leave their present settlements and accept the DUs constructed at distant locations. The construction of remaining 508 DUs (1,430 DUs – 922 DUs) was in progress.

The Council stated (March 2014) that though consent of the beneficiaries had been taken at the time of preparation of DPR but, they were not willing to move into the completed DUs. Now the Council was considering beneficiaries from other slums who were willing to move into the completed DUs.

The reply is not acceptable because in the changed scenario, the Council did not take the consent of the identified beneficiaries before constructing 922 DUs at distant locations. If prior consent of the beneficiaries had been obtained, the number of DUs constructed in the changed locations could have been rationalized.

3.3.6 Transit tenements built under BSUP sold in open market

The CSMC sanctioned (December 2006) construction of 6,832 permanent transit tenements (PTT) in Mumbai to be implemented by Mumbai Board of MHADA at a cost of ₹ 245.53 crore to accommodate the beneficiaries staying in dilapidated cessed buildings²² in Mumbai. After renovation of the cessed buildings, they were to be shifted back from PTT to their renovated houses. Of the 6,832 PTT, Mumbai Board of MHADA constructed 682 PTT in Malwani at a cost of ₹ 25.01 crore.

Audit observed that instead of accommodating the beneficiaries affected by renovation of cessed buildings, the Mumbai Board of MHADA sold 423 of the 682 PTT in the open market during 2010-11 at a total cost of ₹ 23.09 crore, on the ground that there was no requirement of PTT at Malwani. The sale process of the remaining 259 PTT was in progress as of March 2014. In October 2011 and October 2012, the SLNA approved another proposal of Mumbai Board of MHADA for construction of 739 PTT at three locations.

This clearly showed that construction of 682 PTT at Malwani at a cost of ₹ 25.01 crore was not justified as proper assessment of requirements was not carried out. It was also not clear if the further proposal for construction of 739 PTT was justified as even the 682 PTT constructed were sold/being sold in the open market.

²² A cessed building in Mumbai is one that was built before 1 September 1940 and up to 30 September 1969. A cess known as the Mumbai Repair and Reconstruction cess, is contributed by tenants of these buildings for maintenance of these buildings

3.4 Implementation of Projects

Audit observed various deficiencies in execution of 51 test-checked projects under BSUP-IHSDP such as, time and cost overruns, non-availability of clear sites, irregularities in granting of mobilization advances, infructuous expenditure on inferior quality of work *etc.* as discussed in succeeding paragraphs.

3.4.1 Cost overrun due to delay in award of sanctioned works

The CSMC had fixed a timeline of 12 to 18 months for completion of work sanctioned under BSUP and IHSDP. Audit however, observed that there was delay of six to 17 months in award of 31,592 works in six²³ out of 33 test-checked ULBs leading to cost overrun of ₹ 460.95 crore as detailed in **Appendix XIV**. The ULBs attributed the delays in awarding of works to delays in finalization of work sites, unsuitability of land for construction due to uneven landscape, re-tendering *etc.*

3.4.2 Cost overrun due to non-availability of clear site

The CSMC sanctioned (December 2007) DPR involving 8,142 DUs under BSUP in Kalyan Dombivali Municipal Corporation (KDMC) at a total cost of ₹ 322.74 crore scheduled for completion by December 2009. The work was divided into 12 parts and work orders were issued in June 2008 at the tendered cost of ₹ 400.60 crore. In the DPR, KDMC had committed that it possessed clear sites for construction of all the 8,142 DUs. The contractors completed 307 DUs by February 2013, work for 3,650 DUs were under progress and construction of 4,185 DUs had not commenced (February 2014) due to encroachments and non-availability of clear sites which led to demand for price escalation from the contractors for ongoing and held up works. KDMC recalculated (July 2012) the cost of 8,142 DUs at ₹ 514.02 crore due to price escalation and submitted (July 2012) a revised proposal to the SLNA and the MoHUPA, GoI for additional fund of ₹ 113.42 crore²⁴, which was not sanctioned. KDMC forwarded (February 2014) a proposal to the GoM for cancellation of 3,551 DUs on account of time and cost overruns and site problems.

Thus, due to time and cost overruns and site problems the Corporation not only had to scale down the number of DUs for construction from 8,142 to 4,591²⁵ but could take up construction of only 3,957 DUs (48.60 *per cent*)²⁶ after a delay of four years²⁷ at a cost of ₹ 146.66 crore²⁸ (February 2014). Further, if construction of the remaining 634 DUs²⁹ is taken up in 2014, the

²³ Municipal Corporations: Kalyan-Dombivali; Mira-Bhayander; Pimpri-Chinchwad; Nashik and Latur

Municipal Council: Kulgaon-Badlapur

²⁴ ₹ 514.02 crore - ₹ 400.60 crore

²⁵ 8,142 DUs - 3,551 DUs

²⁶ 307 completed DUs + 3,650 DUs in progress = 3,957 DUs
(3,957 DUs ÷ 8,142 DUs) x 100 = 48.60%

²⁷ From January 2010 to December 2013

²⁸ Expenditure incurred on 307 completed DUs = ₹ 11.26 crore

Expenditure incurred on in-progress 3,650 DUs as of February 2014 = ₹ 135.40 crore

²⁹ 4,591 DUs - 3,957 DUs

estimated cost would work out to ₹ 35.76 crore³⁰ against their base price of ₹ 21.30 crore³⁰ in 2008 (considering a price escalation of nine *per cent per annum*).

3.4.3 Regulation of mobilization advance

As per GR issued (February 1996) by the GoM, mobilization advance (MA) is to be restricted to five *per cent* of tendered cost and recovered within a stipulated period along with interest at prevailing lending rate of banks. Audit observed that there was no transparency and uniformity in tender conditions to regulate payment of MA as indicated below.

- In Municipal Corporation, Nashik a contractor was granted MA of ₹ 15.60 crore for construction of 6,000 DUs under BSUP. The contractor completed only 1,280 DUs, construction of 2,480 was in progress and the construction of remaining 2,240 DUs had not commenced (February 2014). The excess MA paid to the contractor was ₹ 5.82 crore³¹ as construction of 2,240 DU had not commenced. As of March 2014, against the MA of ₹ 15.60 crore, the Corporation had recovered MA of ₹ 10.25 crore from the contractor.
- Municipal Corporation, Malegaon awarded the work of construction of 15,840 DUs to a contractor in August 2009/March 2012 under IHSDP at a total cost of ₹ 443.85 crore and paid MA aggregating ₹ 36.94 crore between November 2009 and March 2012, as against the admissible advance of ₹ 22.19 crore at five *per cent* of total cost as stipulated in the contract. This resulted in excess grant of MA of ₹ 12.69 crore to the contractor (after adjustment of ₹ 2.06 crore). Grant of excess MA beyond the conditions of contract was irregular.
- Three ULBs³² under IHSDP paid MA of ₹ 8.96 crore to three contractors between August 2008 and August 2010 for execution of 3,806 DUs, though there were no such provision in the contracts. The ULBs also short-recovered interest amounting to ₹ 64.01 lakh³³ from the contractors.
- Mira Bhayander Municipal Corporation (MBMC) granted MA of ₹ 5.73 crore to three contractors in May 2011 for construction of 4,136 DUs under BSUP. The MA was to be recovered from the first four running account bills of the contractors. The work orders were issued in December 2010 and January 2011 with due date of completion being December 2012 and January 2013. Audit observed that the contractors commenced the work of 1,082 DUs only in November 2013 against the target date of completion of all the 4,136 DUs by

³⁰ As thumb rule, the Corporation considers an escalation at nine *per cent per annum* to arrive at the current cost of construction for any particular year. The base price of one DU in 2008 was ₹ 3.36 lakh and considering an annual price escalation of 9%, the price of one DU in 2014 (after six years) will be ₹ 5.64 lakh. Thus, while the cost of 634 DUs in 2008 was ₹ 21.30 crore (₹ 3.36 lakh x 634), their cost after 9% price escalation in 2014 will be ₹ 35.76 crore (₹ 5.64 lakh x 634)

³¹ (₹ 15.60 crore ÷ 6,000 DUs) x 2,240 DUs

³² Municipal Corporation, Dhule; Municipal Councils, Kulgaon Badlapur and Naldurg

³³ Municipal Corporation, Dhule: ₹ 33.38 lakh; Municipal Council, Kulgaon Badlapur: ₹ 17.33 lakh; Municipal Council, Naldurg: ₹ 13.30 lakh

January 2013. As a result, MA amounting to ₹ 5.73 crore remained blocked and the purpose for which MA was given *i.e.* to expedite the work was also not achieved.

In all the above cases financial benefits were granted to contractors which was irregular.

3.4.4 Implementation of a project through Public Private Partnership

The CSMC sanctioned (February 2009) construction of 6,357 DUs at a cost of ₹ 402.29 crore through Public Private Partnership (PPP) for slum relocation and rehabilitation in Nagpur City under BSUP. Under the PPP model, private partners were required to submit proposals along with title of land available with them for the project. In turn, the private partners were to be compensated with incentives in the form of Transfer of Development Rights (TDR). However, Slum Rehabilitation Authority (SRA), Nagpur could not implement the project due to lack of response from private entrepreneurs and the target was downsized by the CSMC in July 2012 to 1,694 DUs (revised cost ₹ 116.72 crore).

Audit observed that four entrepreneurs were short-listed for the revised work of 1,694 DUs after calling for expression of interest and they were given one third of admissible TDR after transfer of land in the name of the SRA, Nagpur. However, work order was issued (June 2012) for construction of only 544 out of 1,694 DUs to an entrepreneur for completion by June 2014. Of the 544 DUs, work on 160 DUs was in progress (February 2014). The work order for the remaining 1,150 DUs was not issued due to lack of response from other entrepreneurs and failure of SRA to obtain environment clearance from Maharashtra Pollution Control Board (MPCB) and approval of layout plan from Nagpur Municipal Corporation (NMC). However, TDRs granted to other entrepreneurs were not cancelled.

During joint site visit (April 2013) by Audit with officials of SRA, Nagpur, it was observed that the site was far away from the city and was not connected by road. It also lacked infrastructure facilities such as, education, health, water supply, sewerage and electricity. The possibility of cancellation of work of the remaining 1,150 DUs, due to abnormal delay in getting approvals from MPCB and NMC and remote site location, cannot be ruled out. Further, in the absence of basic infrastructure facilities, it is not clear whether the beneficiaries would move to the new remote location once the construction of 544 DUs is completed.

3.4.5 Infructuous expenditure on inferior quality of works

Anjangaon Surji Municipal Council undertook construction of 816 DUs under IHSDP (₹ 19.92 crore) at two locations. The work was awarded (December 2009) to M/s Krishna Buildcon (contractor) with stipulated period of completion of 15 months (March 2011).



Dilapidated condition of DUs

The contractor was paid ₹ 71.76 lakh up to July 2010 for constructing 124 out of 816 DUs. Upon receipt of complaints (August 2010) from the local leaders on the quality of the work executed by the contractor, the Council stopped the work in September 2010. The poor quality of work was also confirmed by MHADA (September 2010), Sub-Divisional Officer, Daryapur (October 2010) and TPIMA³⁴ (November 2010). The contractor was asked (November 2010) by the Council to remove the deficiencies.

Audit observed that despite the poor quality of work executed by the contractor, the Bank Guarantee of ₹ 19.93 lakh which was valid up to November 2010 was neither en-cashed nor renewed by the Council. On joint field visit by Audit with Council officials (May 2013), the DUs were found to be in a dilapidated condition.

Thus, expenditure of ₹ 71.76 lakh incurred by the Council on construction of 124 DUs proved to be infructuous. The PMC who was appointed in February 2009 for supervision of the project also failed to monitor the project effectively.

The Council stated (April 2014) that an FIR had been lodged against the contractor and the PMC for poor quality of work.

3.4.6 Avoidable expenditure on construction of ramps

Under Kalyan Dombivali Municipal Corporation (KDMC), 33 'A' type buildings were sanctioned (December 2007) by the CSMC at a total cost of ₹ 338.88 crore which included lifts and staircases up to seventh floor. Audit observed that in 11 out of 33 buildings, in addition to lifts and staircases, ramps admeasuring 3,321 sqm up to seventh floor were also constructed, though no provisions were included in the standard building design under BSUP for the same.



Photograph showing ramp in addition to lift and staircase

KDMC stated (June 2013) that provision of ramps were not initially submitted with the DPR. However, during discussion in CSMC meeting it was suggested

³⁴ Third Party Inspection and Monitoring Agency

to provide ramp to the buildings and accordingly, the plans were submitted and sanctioned by the CSMC.

The construction of ramps was not justified as lifts and staircases had been constructed. The expenditure of ₹ 4.09 crore incurred on construction of ramps in 11 buildings was avoidable.

3.5 Monitoring

3.5.1 Social audit of projects

The BSUP-IHSDP sub-missions provided for social audit with a view to ensure transparency and accountability in implementation of the projects, participation of all stakeholders including community participation to help them realize their rights and entitlements and identify and resolve gaps with a view towards curbing mismanagement. The GoM issued instructions (June 2007) for getting social audits done by ULBs through Tata Institute of Social Sciences (TISS), Yashwantrao Chavan Academy of Development Administration (YASHDA)³⁵ or any other Non Government Organisation (NGO).

Audit observed that none of the 36 ULBs conducted social audits in any of the 51 test-checked projects through the designated agencies (TISS and YASHDA) or any NGO.

3.5.2 Structural stability of buildings

The design and scope of estimates of any building specify the intended life of the buildings under normal use and maintenance with an appropriate degree of safety. The National Building Code of India, 2005 prescribed the mean probable design life of general buildings and structures at 50 years.

Audit observed that only Mumbai Board of MHADA had mentioned the intended life of the buildings at 50 years in respect of DUs constructed for textile mill workers and TS for which RCC designs were duly verified from Engineering Institutes. Of the 36 test-checked ULBs, 15 ULBs procured Structural Stability Certificates (SSC) either from engineering colleges, structural engineers, consulting firms *etc.* indicating life expectancy of the buildings up to 75 years. Twelve ULBs did not procure SSC and the remaining nine ULBs did not furnish any information to Audit.

3.6 Conclusion

Of the 3.36 lakh DUs sanctioned under BSUP-IHSDP between 2006-07 and 2012-13, only 2.51 lakh DUs were taken up for construction of which, 0.78 lakh DUs were completed, construction of 0.44 lakh DUs was under progress as of March 2013 and construction of remaining 1.29 lakh DUs were not taken up due to non-availability of land, encroachments of sites, delay in tendering, late receipt of grants, reluctance of beneficiaries to cluster approach of housing *etc.* Interest accrued on the grants received by the ULBs were not refunded to GoI/GoM. A revolving fund envisaged for meeting the operation and maintenance expenses of the assets created under BSUP was not established by the GoM. The ULBs did not adopt a uniform/transparent criterion for payment of consultancy fee to project consultants and

³⁵ A state training institute at Pune, Maharashtra

mobilization advances paid to the contractors and their recoveries were not regulated as per contract conditions. Selection of beneficiaries was deficient given that a large number of beneficiaries were selected and allotted DUs without capturing biometric data. Construction of DUs was taken up on unviable locations or on land the title of which did not vest with the ULBs or on plots reserved for other purposes, leading to blocking of funds. There were cost overruns due to delay in award of works and non-availability of clear sites. None of the 36 ULBs conducted social audits in any of the 51 test-checked projects through the designated agencies.

3.7 Recommendations

- ULBs should initiate detailed project reports only after ascertaining availability of clear sites for implementation of projects effectively and efficiently;
- The Government should frame guidelines regulating engagement of project consultants;
- The ULBs should ensure adherence to the Government directives on survey/identification of beneficiaries and payment of mobilisation advance;
- The Government should establish the revolving fund for meeting the operation and maintenance expenses of the assets created under BSUP;
- Timeline for award of sanctioned works should be fixed to avoid cost overruns and their possible cancellation/curtailment at later stage;
- ULBs should conduct social audits with a view to ensuring transparency and accountability in implementation of the projects; and
- An action plan may be drawn up to complete the construction of the 3.36 lakh DUs sanctioned up to 31 March 2013 so that the targeted poor beneficiaries avail of the benefits under these two sub-missions.

The matter was referred to the Government in September 2013; their reply was awaited as of March 2014.

CHAPTER IV

AUDIT OF TRANSACTIONS

Chapter IV
AUDIT OF TRANSACTIONS

URBAN DEVELOPMENT DEPARTMENT

MUNICIPAL CORPORATION OF GREATER MUMBAI

4.1 Implementation of Brihanmumbai Storm Water Drain Project by Municipal Corporation of Greater Mumbai

4.1.1 Introduction

The Municipal Corporation of Greater Mumbai (MCGM) is governed by Mumbai Municipal Corporation Act, 1888. The city of Mumbai is surrounded by the Arabian Sea. The area receives an average rainfall of 2,400 mm. The Storm Water Drain (SWD) system in Mumbai is more than 100 years old and designed for rain intensity of 25 mm per hour with run-off co-efficient¹ of 0.50.

After heavy rains in June 1985, which caused extensive damage to property and loss of human lives, MCGM decided to carry out the study of SWD system in the city and appointed (1989) M/s Watson Hawksley International as consultant for this purpose. The consultant submitted a report in 1993 named Brihanmumbai Storm Water Drain (Brimstowad) and recommended revision of design criteria of rainfall intensity to 50 mm per hour with run-off coefficient of 1.00 and suggested various SWD improvement works amounting to ₹ 616.30 crore, as per prices prevailing in 1992.

Greater Mumbai area received unprecedented rains in July 2005 which flooded many parts of Mumbai city and suburbs. The rail and road traffic came to halt as shown in the photographs below.



Mahim Railway Station



LBS road in Kurla

GoM appointed (August 2005) a Fact Finding Committee (FFC) to analyse the factors responsible for flooding and suggest remedial measures to avoid such incidents in future. MCGM also appointed (July 2006) M/s Montgomery Watson Hazra (MWH) India Private Limited, Mumbai as consultant to update

¹ Run-off is that part of the rainfall which flows over the ground into the stream channels and rivers. The percentage of rainfall that appears as storm water run-off from a surface is called the run-off coefficient

the original Brimstowad Report prepared in 1993 and prepare a Master Plan² for the City and Eastern and Western suburbs. Based on the recommendations of the FFC (March 2006), the Brimstowad works for improving the SWD system were undertaken (March 2007) by MCGM at a cost of ₹ 1,200 crore, as per Detailed Project Report (DPR) prepared by the MWH in February 2007. The DPR was approved by the GoI in July 2007. Being an important project, GoI sanctioned 100 per cent project cost of ₹ 1,200 crore and released ₹ 1,000 crore to MCGM during the period August 2007 to March 2013. The details of works proposed and completed under the project are given in Table 1.

Table 1- Category of works proposed and completed (Phase-I and II)

(Length in meters; ₹ in crore)

Category of Works	No. of Works	Total length as per DPR	Length as per Tender	Actual length executed	DPR Cost	Actual expenditure up to September 2013
Rehabilitation of old SWD system	7	24380	25157	14785	191.61	262.51
Widening, training and remodeling of nallas	47	85986	85776	58078.50	700.11	1322.31
Storm water pumping stations	4 ³	--	--	--	284.00	179.73
TOTAL	58	110366	110933	72863.50	1175.72	1764.55

Source: Table prepared on the basis of Monthly Progress Report for the month of September 2013

As per approved DPR (July 2007), the entire Brimstowad Project comprising of 58 works was divided into two phases. Phase-I included 20 immediate priority works valuing ₹ 356.55 crore and Phase-II contained 38 remaining works valuing ₹ 819.17 crore. The works under Brimstowad Project commenced in December 2006 and was to be completed by November 2014. MCGM has incurred an expenditure of ₹ 1,764.55 crore⁴ as of September 2013 but completed only 16 out of 58 works (27.6 per cent).

4.1.2 Project implementation

As of September 2013, of the 20 priority works under Phase-I, MCGM completed 14 works and six works were under progress. The delays beyond the stipulated date of completion under Phase-I ranged between three months to seven years. Further, of the 38 works under Phase-II, only two works were completed, 32 works were under progress and tenders for the remaining four works had not been invited (September 2013). The delay in implementation of works under Phase-II was up to three years. Audit observed significant shortfalls in implementation of the project, as indicated below.

- Against seven works of Rehabilitation of old SWD system admeasuring 24,380 meters, only one work admeasuring 1,912 meters was completed (September 2013) by incurring an expenditure of ₹ 48.74 crore against sanctioned DPR cost of ₹ 20.54 crore. The

² Master Plan is the detailed planning for a project with proper alignments and contour maps

³ Eight Storm Water Pumping Stations were clubbed into four works

⁴ Expenditure under Phase-I: ₹663.81 crore; Phase-II: ₹1,100.74 crore

remaining six works were incomplete after executing works admeasuring 12,873 meters and incurring an expenditure of ₹ 213.77 crore, against DPR cost of ₹ 171.07 crore.

- Of the 47 works of Widening, training and remodeling of nalla length of 85,986 meters (estimated DPR cost: ₹ 700.11 crore), MCGM has completed only 15 works in nalla length of 15,508 meters at an expenditure of ₹ 201.49 crore against sanctioned DPR cost of ₹ 83.42 crore. Further, of the remaining 32 nalla works, 29 works admeasuring 42,570.50 meters was executed at an expenditure of ₹ 1,120.82 crore as of September 2013 against sanctioned DPR cost of ₹ 570.17 crore, due to non-removal of encroachments. Tender was not invited in one case whereas, two works were not started.
- Of the eight Storm water pumping stations (these were clubbed into four works), works of setting up two pumping stations were completed in March 2010 and April 2010 (expenditure incurred ₹ 140.42 crore). Works of two pumping stations were in progress as of September 2013 and expenditure incurred was ₹ 39.31 crore. Setting up of the remaining four pumping stations was not undertaken due to non-selection of sites.

Significant delays in implementation of the project led to cost escalations and shortfalls in achievement of targets. As a result, MCGM in March 2012 submitted a revised DPR to GoI for implementation of Phases-I and II at a revised capital cost of ₹ 3,884.61 crore, which has not been approved by GoI as of September 2013. MCGM also revised the timeline for the project from November 2014 to May 2015. As per the revised DPR, the project cost stands escalated to ₹ 2,708.89 crore⁵; i.e. an increase of 230.40 per cent over the initial estimates. The reasons for increase in project cost were (i) original DPR was prepared based on Schedule of Rates (SoR) of 2004-05 whereas, the tenders were invited at SoR for the years 2007-08 and 2008-09; (ii) change in scope of works due to site conditions during actual execution; (iii) detailed engineering surveys were conducted after approval of original DPR; (iv) delay in acquisition of lands, non-clearance of encroachments and rehabilitation of Project Affected Persons (PAP); (v) change of methodology from pile foundation to meter panelling due to marshy land and tidal zone; and (vi) use of splitter machines⁶ instead of rock chiselling for rock breaking etc.

Due to delay in implementation of Brimstowad Project, the problem of flooding in Mumbai city and suburban areas continues and flooding of low-lying areas, even when rainfall is less than 50 mm per hour, continues to be a regular feature.

4.1.3 Project management

4.1.3.1 Appointment of consultant

MCGM appointed (July 2006) MWH India Private Limited, Mumbai as consultant at a consideration of ₹ 15.66 crore to update the original Brimstowad Report prepared in 1993 and to include updated hydraulic

⁵ ₹ 3,884.61 crore - ₹ 1,175.72 crore

⁶ Machine used for rock breaking

modelling, flooding solutions and preliminary design, engineering design and preparation of Master Plan and tender documents for taking up works to implement the recommendations of the FFC. The report was to be completed within 21 months (April 2008). The scope of work was further enhanced in February 2008 to include Project Management Consultancy Services for four storm water pumping stations with preparation of basemap⁷ at a revised cost of ₹ 38.97 crore and this was to be completed in 41 months *i.e.* December 2009 (counting from July 2006).

As of November 2013, the physical progress of consultancy services for updating the original Brimstowad Report and PMC services for storm water pumping stations at four locations was 92 *per cent* and 65 *per cent* respectively. The Master Plan was to be prepared by the consultant by December 2009 but till July 2013 only the draft Master Plan of the city and Eastern suburb has been submitted and not of the Western suburb. The consultant has been paid ₹ 27.29 crore till November 2013.

4.1.3.2 Non-removal of encroachments

The cost of Phase-I work for Rehabilitation of hutment dwellers by training, construction and widening of Shastri Nagar nalla system from Link Road to Creek in catchment area No. 216 in P-South Ward of Goregaon (West) as per the DPR was ₹ 3.47 crore. The scope of the work included widening (15 meters), deepening (3.5 to 4.5 meters) and construction of 840 meters of retaining walls (420 meters on either side) of Shashtri Nagar nalla. The work was awarded (March 2007) to M/s Raj Engineers at a cost of ₹ 6.52 crore to be completed by March 2008.



Encroached Shastri Nagar Nalla, Goregaon (W)

Audit scrutiny revealed that the work was not started till February 2010 due to non-removal of encroachments from the nalla site. Thereafter, the contractor executed work on 140 meters of retaining wall on the upstream of the nalla on the Link Road against the tender quantity of 840 meters and incurred an expenditure of ₹ 5.24 crore. The work was stopped (November 2011) due to non-removal of encroachments. The cost of balance work was ₹ 19.37 crore as per revised DPR prepared in March 2012. As the work was awarded without removal of encroachments, the widening and training work of Shastri Nagar nalla system remained incomplete as of October 2013.

⁷ Topographical aerial survey map of Mumbai City and Suburban areas with contour of 0.2 meter interval

MCGM stated that due to resistance from the hutment dwellers, encroachments could not be removed and therefore, the work remained incomplete.

The non-clearance of site before award of work resulted in stoppage of work, non-achievement of objective of increased rain water discharge capacity by widening of nalla and increase in cost of the work by over 200 *per cent* of the awarded cost.

4.1.3.3 Irregular diversion of funds

As per FFC recommendations (March 2006), the work of widening, training and constructing of major nallas and rivers with width above 1.5 meters were to be included for execution under Brimstowad Project so as to discharge storm water into sea, creeks *etc.* with enhanced capacity.

MCGM awarded (May 2006 and March 2007) two nalla improvement works⁸ at a tendered cost of ₹ 9.57 crore and ₹ 6.52 crore to two contractors under Phase I. Scrutiny of records revealed that MCGM irregularly diverted ₹ 5.81 crore (₹ 2.34 crore from first work and ₹ 3.47 crore from second work) to another minor nalla improvement work not covered under the Brimstowad Project. Besides, undue benefit was also afforded to the contractors as these works of minor nallas was awarded to them without inviting tenders.

MCGM stated that during execution of work no other agency was available and there was an urgent need to carry out the work as the persistent problem of water logging existed in surrounding areas. Also, local Councillors and MLA were pressing hard to carry out these works. Hence, the works of minor nallas were executed from the savings available under Brimstowad Project.

The reply is not acceptable as funds received under the Brimstowad Project for priority works were irregularly diverted.

4.1.4 Contract management

4.1.4.1 Unfruitful expenditure due to change of site

The work of Love Grove storm water pumping station (SWPS) including construction of administrative and workshop buildings at Worli was awarded (November 2007) to M/s Unity-M&P-WPK consortium (contractor) at a total cost of ₹ 89.63 crore, to be completed in 12 months. The site for SWPS was adjacent to Dr. Annie Besant Road and the overhead bridge. The contractor started the work by conducting topographic survey and geotechnical investigation, hydraulic model study of the pumping station and discharge channel, as per scope of work. On approval of the drawings for the administrative and workshop buildings, the piling work for these buildings was commenced and a payment of ₹ 57.30 lakh was made to the contractor.

The work was however, stopped in August 2008 as the existing location of SWPS was found unsuitable because (i) the hydraulic model study had recommended raising of the existing bridge height on Dr. Annie Besant Road,

⁸ (i) Improving/widening/deepening/remodeling of Saphed Pool nalla system in catchment area No. 405 (Kurla-West) and (ii) Rehabilitation of hutment dwellers by training, construction and widening of Shastri Nagar nalla system from Link Road to Creek in catchment area No. 216 in P-South Ward of Goregaon (West)

which was not technically feasible, (ii) shifting of the existing main sewer, which was not considered advisable and (iii) imminent widening of Dr. Annie Besant Road by Roads and Bridges Department of the MCGM. Consequently, the site of SWPS was shifted to another location within the Love Grove complex. However, due to space constraints at the relocated site, MCGM deleted the construction of administrative and workshop buildings from the scope of work. As a result, payment of ₹ 57.30 lakh made to the contractor for survey/investigation/piling work was rendered unfruitful.

MCGM stated (June 2013) that the pile foundation would be utilised for construction of retaining wall/structure in future, whenever possible.

While the reply furnished by MCGM does not render a firm assurance as to how the redundant pile foundation would be utilized in the near future, the fact remained that the SWPS site being adjacent to Dr. Annie Besant road/bridge, adequate surveys/investigations should have been carried out before tendering for the work. Besides, there was lack of planning and coordination between the Departments of MCGM (Storm Water Drain Department and Roads and Bridges Department) in the implementation of this project.

4.1.4.2 Irregular payment of transportation charges

As per Special Condition No. 30 of the contract, the rate of excavation is deemed to have been included in the cost of transportation and disposal of surplus excavated material.

Audit scrutiny revealed that in two works⁹ of the Eastern suburb, quantity of hard rock excavated to the extent of 25,000 cum and 27,750 cum was paid to the contractors at the tendered rates. In addition, transportation charges amounting to ₹ 1.27 crore¹⁰ for the excavated material were also paid to the contractors as an extra item, in violation of contract condition.

MCGM stated (June 2013) that as the material excavated was hard rock, it was sanctioned as an extra item and therefore, it was treated as a different material compared to the usual excavated material.

The reply is not acceptable as Special Condition No. 30 of the contract did not permit extra payment for cost of transportation.

4.1.4.3 Non-renewal of bank guarantees

Bank guarantees are taken from the contractors as a security which, in the event of default by the contractors, is encashed by the Department to recover the losses. Scrutiny of bank guarantee register revealed that 78 bank guarantees valuing ₹ 54.30 crore were not renewed by MCGM even after their expiry ranging from two to 65 months.

MCGM stated (July 2013) that letters have been issued to the contractors for renewal of bank guarantees. Non-renewal of bank guarantees in time indicated weak control mechanism in the Corporation to safeguard its financial interests.

⁹ (i) Training, widening and deepening of Usha Nagar nalla system upstream of railway line in Bhandup S-Ward and (ii) Improvement of Crompton Kanjurnalla system in catchment No. 306, Vikroli S-Ward

¹⁰ ₹ 0.76 crore for 3,700 cum in respect of first work and ₹ 0.51 crore for 13,350 cum for the second work

4.1.4.4 Non-adjustment of advances paid to railway authorities

Work of augmentation and de-silting of railway culverts under Brimstowad Project were to be executed by the railway authorities as deposit works. MCGM paid advance of ₹ 32.33 crore to the railway authorities during the period 1996-97 to 2012-13. However, the advance remained unadjusted as of September 2013.

MCGM stated (July 2013) that outstanding advances would be recouped/adjusted at the earliest. Non-recovery/adjustment of advances that date back to 1996-97 indicated lack of internal controls in the Corporation.

4.1.4.5 Non-recovery of mobilization advances

As per General Conditions of Contract No. 84, recovery of mobilization advance(MA) is required to be made from the running account bills of the contractors in suitable percentage based on the progress of work done and is to be fully recovered by the time 80 *per cent* work is completed.

The work of construction of SWPS at Love Grove was awarded in November 2007 and a MA of ₹ 8.96 crore was granted to the contractor. Audit scrutiny revealed that the liability of the contractor towards MA along with accumulated interest till November 2011 was ₹ 12.60 crore. However, instead of effecting recovery from the contractor, MCGM treated the liability of the contractor (₹ 12.60 crore) as fresh MA from November 2011 onwards. Despite non-commencement of work, MCGM did not recover MA amounting to ₹ 15.42 crore from the contractor (principal amount: ₹ 12.60 crore plus interest: ₹ 2.82 crore), resulting in blocking of funds and irregular financial benefit to the contractor.

MCGM stated (November 2013) that MA along with interest would be recovered from the contractor.

4.1.5 Conclusion

The implementation of Brihanmumbai Storm Water Drain project by MCGM was beset with delays and cost escalation. The project management and implementation was weak and there were lapses in internal controls. As of September 2013, the actual expenditure incurred on the project was ₹ 1,764.55 crore against the approved DPR cost of ₹ 1,175.72 crore but only 27.6 *per cent* of the works under the project could be implemented. The project is under revision and the revised cost of the project is estimated to be ₹ 3,884.61 crore *i.e.* a cost overrun of ₹ 2,708.89 crore. Due to delay in implementation of the project, flooding in Mumbai city and suburban areas continues.

4.1.6 Recommendations

- MCGM may ensure that the project is implemented economically, with minimum delays;
- Contracts may be awarded after ensuring availability of sites clear of encroachments and encumbrances; and
- All requisite surveys, investigations and studies of the work sites may be conducted before tendering for the works.

The matter was referred to the Government in August 2013; their reply was awaited as of March 2014.

NANDED WAGHALA CITY MUNICIPAL CORPORATION

4.2 Implementation of developmental projects and schemes by Nanded Waghala City Municipal Corporation

4.2.1 Introduction

Nanded Waghala City Municipal Corporation (NWCMC) was established on 26 March 1997 under the Bombay Provincial Municipal Corporation Act (BPMC), 1949. Nanded city with a population of 4.3 lakh (2001 census) and having total area of 61.44 sq km is the second largest city in the Marathwada region of Maharashtra. The functions of the Corporation include implementation of various Central/State schemes/programmes, management and maintenance of all municipal water works, assets valuation and imposition of property tax, land and building surveys etc. NWCMC is implementing 11 projects under Urban Infrastructure Governance (UIG) component of JNNURM and 12 other developmental projects/schemes (other than JNNURM).

4.2.2 Selection of projects/schemes

Of the 11 projects being implemented by NWCMC under JNNURM (UIG), three projects implemented since 2006-07 were selected for audit (**Table 1**) and of the 12 developmental projects/schemes (other than JNNURM), one project (Gur-ta-Gaddi)¹¹ being implemented since 2006-07 and one scheme (Backward Regions Grant Fund) being implemented since 2010-11 was also selected for audit (**Table 2**).

Table 1: Projects selected under JNNURM (UIG) scheme

Sl. No.	Name of the project	Project name
1	NAD ¹² -008	Improvement to water supply system in North Nanded
2	NAD-010	Improvement to sewerage system in North Nanded – Zone-II
3	NAD-014	Improvement to movement network in Nanded (Package II, IIIA, IIIB) – Roads

Table 2: Projects/schemes selected (other than JNNURM)

Sl. No.	Name of the project/scheme
1	Gur-ta-Gaddi (GTG)
2	Backward Regions Grant Fund (BRGF)

4.2.3 Grants received and expenditure incurred

Grants received by NWCMC between 2006-07 and 2012-13 and expenditure incurred up to March 2013 in respect of the selected projects under JNNURM (UIG) was as shown in **Table 3** below.

¹¹ The importance of holy city of Nanded is due to presence of Sachkhand Gurudwara, housing Guru Granth Sahib and resting place of last Sikh Guru Shri Gobind Singhji. For providing basic amenities to the devotees attending the GTG tercentenary (October 2008), various developmental works were approved by GoM in Nanded city since 2006-07

¹² Project code denoting project sanctioned for NWCMC under JNNURM

Table 3: Grants received and expenditure incurred on selected projects under JNNURM
(₹ in crore)

Project	Approved cost of project	Grant received from start of project till 31-3-2013	Expenditure incurred from start of project till 31-3-2013
NAD-008	90.87	98.82	79.52
NAD-010	42.93	45.91	57.12
NAD-014	214.97	212.17	230.41
Total	348.77	356.90	367.05

(Source: Information furnished by NWCMC)

Note: Excess expenditure met from savings of remaining eight NAD projects

Grants received by NWCMC between 2006-07 and 2012-13 and expenditure incurred up to March 2013 in respect of the selected developmental projects/schemes was as shown in **Table 4** below.

Table 4: Grants received and expenditure incurred on selected projects/schemes (other than JNNURM)

(₹ in crore)

Projects/scheme	Opening Balance as on 1-4-2006	Grants/funds received during 2006-13	Expenditure incurred during 2006-13	Closing balance as on 31-3-2013
BRGF	0	6.90	3.81	3.09
GTG	0	121.98	111.03	2.26*
Total	0	128.88	114.84	5.35

*₹ 8.69 crore surrendered to Collector and ₹ 2.26 crore was actual closing balance

(Source: Information furnished by NWCMC)

4.2.4 Implementation of projects/schemes

4.2.4.1 Implementation of projects selected under JNNURM

Three projects selected under JNNURM (UIG) scheme comprised 49 developmental works relating to water supply, sewerage collection and improvement of road network. Two projects (NAD-008 and NAD-010) comprising 26 works and one project (NAD-014) comprising 23 works were sanctioned by the Central Sanctioning and Monitoring Committee (CSMC) of Ministry of Urban Development, GoI between July and October 2006 at a total cost of ₹ 348.77 crore. All the 49 works were to be completed between May 2008 and December 2012.

Audit observed that of the 49 works, only four works were completed within the stipulated period between October 2008 and September 2009 at a cost of ₹ 3.56 crore. Of the remaining 45 works, 37 works costing ₹ 280.46 crore were completed after a delay ranging from two months to 45 months and seven works valuing ₹ 114.98 crore (expenditure incurred: ₹ 68.36 crore) were in progress as of June 2013. One work valuing ₹ 0.35 crore was not executed. Of the 41 completed works (delayed as well as those completed on time), there was an overall cost escalation of ₹ 14.57 crore in 16 works.

Audit also observed the following inadequacies in implementation of the selected projects (NAD-008, NAD-010 and NAD-014):

Extra expenditure due to non-invocation of risk and cost Clause

The work of Providing sewerage collection system for N-II Zone of North Nanded under NAD-010 was awarded (April 2007) to a contractor at a tendered cost of ₹ 31.55 crore for completion by October 2008.

Audit scrutiny revealed that despite several written instructions and meetings, the contractor failed to achieve the stipulated milestones indicated in Clause 2 of the contract. As a result, liquidated damages (LD) amounting to ₹ 1.21 crore was recovered from the contractor from 5th, 7th, 9th and 16th running account bills. In September 2008 and June 2009, NWCMC issued two notices under Clause 3(c) of the contract for withdrawal of unexecuted portion of work at the contractor's risk and cost. However, Clause 3 (c) was not invoked and the contractor was granted extension of time up to December 2009. In July 2010, the work was withdrawn under Clause 15¹³ of the contract by which time, the contractor had already been paid ₹ 10.73 crore (up to 23rd running account bill). The cost of balance work as per accepted tender was ₹ 20.82 crore.

The revised cost estimates of the balance works was ₹ 22.78 crore which was awarded (December 2010) to another contractor for ₹ 25.03 crore, resulting in an avoidable expenditure of ₹ 4.21 crore¹⁴. The invocation of Clause 15 instead of Clause 3(c) despite lapses on the part of the first contractor were not available on record but led to an undue financial benefit of ₹ 4.21 crore to the first contractor. The reasons for invoking Clause 15 were also called for (February 2013) from the Corporation but, no reply was furnished.

Loss to Corporation on utility shifting

The Public Works Department (PWD), GoM issued a Circular in March 1998 stipulating that expenditure incurred on utility shifting during road widening works is to be shared equally between Maharashtra State Electricity Distribution Company (MSEDCL) and the agency implementing the road works.

Audit however, observed (March 2013) that the entire expenditure of ₹ 10.89 crore on utility shifting under NAD-14 project was incurred by the NWCMC from JNNURM funds without raising a demand on MSEDCL, thereby resulting in loss of ₹ 5.45 crore to NWCMC.

The audit observation was issued in March and July 2013. The Corporation did not furnish any reply.

Short-recovery of liquidated damages

In works under two projects (NAD-008 and NAD-010), NWCMC did not recover full LD from the contractors in contravention of contract conditions, as discussed below:

- Under NAD-008, the work of Rehabilitation of water supply system for North Nanded (water treatment plant and pumping station) was awarded (February 2008) to contractor at a tendered cost of ₹ 8.57 crore to be completed by December 2008. The work was

¹³ The Corporation under Clause 15 may rescind whole or any part of the work specified in the tender without assigning any reasons, other than default on the part of the contractor

¹⁴ ₹ 25.03 crore - ₹ 20.82 crore

however, completed in February 2011 after a delay of 25 months, for which LD of ₹ 2.75 lakh was levied instead of ₹ 85.70 lakh, resulting in short-recovery of ₹ 82.95 lakh and an undue financial benefit of this same amount to the contractor.

The Corporation stated (March 2013) that scope of work included repair/replacement of various components of water treatment plant and pumping machinery which required shutdowns. As a result, the work got extended beyond the stipulated time.

The reply is not acceptable as the relevant LD clause included in the contract did not provide for any concession in respect of levy of LD under any circumstances.

- Under NAD-010, the work of Providing sewerage collection system for North Nanded – Zone N-II was awarded (December 2010) to a contractor at a tendered cost of ₹ 25.03 crore to be completed by December 2011. Though the contractor failed to complete the work within the stipulated period (the work was in progress till May 2013), LD of only ₹ 0.13 crore was levied as against ₹ 2.28 crore recoverable, leading to short-recovery of ₹ 2.15 crore.

The Corporation stated (May 2013) that due to genuine difficulties such as, work in black cotton soil and urban area having continuous traffic, extension with meagre penalty was granted.

The reply is not acceptable as the work in question was the leftover work not completed by the original contractor and therefore, the present contractor was expected to be aware of the site conditions. Under these circumstances, the levy of LD of only ₹ 0.13 crore on the contractor was not in order. This action rendered an undue financial benefit of ₹ 2.15 crore to the second contractor.

Loss on account of non-recovery of exempt excise duty

As per GoI notification of 01 March 2007, pipes of outer diameter exceeding 200 mm was be exempt from payment of excise duty when such pipes are an integral part of the water supply projects.

Under project NAD-008, the work of Providing water supply transmission and distribution system for North Nanded was awarded (December 2006) to a contractor at a tendered cost of ₹ 35.17 crore for completion by June 2008. The estimates of the tender were based on the Schedule of Rates of Maharashtra Jeevan Pradhikaran for the year 2005-06 which included an excise duty element of 16.32 *per cent* for the pipes to be used for distribution network. Tenders for the work were invited in September 2006. In the pre-bid meeting held with the bidders in October 2006, NWCMC clarified that it reserved the rights to recover from the successful bidder the amount equivalent to the excise duty which is exempt based on GoI notification on excise duty exemption from time to time.

Audit observed that the contractor had purchased DI pipes between July and August 2009. However, no excise duty exemption was availed of by the contractor in the light of GoI notification of 01 March 2007. NWCMC paid ₹ 12.32 crore to the contractor for supply of DI pipes of diameter exceeding

200 mm including an excise duty element of ₹ 1.73 crore, which was not recovered from the contractor as per the decision taken in pre-bid meeting.

NWCMC accepted (March 2013) that it did not recover the amount of excise duty from the bills of the contractor stating that had this been done, the amount of exempt excise duty would have to be paid back to the Central Government.

The payment of excise duty back to the Central Government does not arise as duty was exempt for this item for this work. Thus, non-recovery of exempt excise duty from the contractor resulted in loss of ₹ 1.73 crore to the Corporation.

4.2.4.2 Other developmental projects/schemes

Gur-ta-Gaddi

The GoM approved (June 2006) an action plan of ₹ 817 crore for execution of various developmental works in Nanded city for GTG tercentenary. The plan was revised (July 2007) to ₹ 733.11 crore. NWCMC was one of the executing agencies and received a grant of ₹ 121.98 crore from the Collector, Nanded between 2006-07 and 2010-11 and incurred an expenditure of ₹ 111.03 crore up to May 2013 for execution of 14 sanctioned components and surrendered ₹ 8.69 crore to Collector, as detailed in **Appendix XV**.

Non-submission of utilisation certificates and non-closure of accounts

As per sanction orders issued by the Divisional Commissioner/Collector for various works proposed under different components, the implementing agencies were required to submit Utilization Certificates (UC) to the Collector after completion of works within the stipulated period. Scrutiny of records (May 2013) revealed that though NWCMC received a grant of ₹ 121.98 crore during 2006-07 and 2010-11, no UCs were furnished to the Collector as of May 2013.

The GoM in November 2011 directed the Collector, Nanded to surrender all the unspent balances of Personal Ledger Account (PLA) maintained for GTG, to the Consolidated Fund of State and close the PLA by 31 March 2012. Accordingly, the Collector instructed (July 2011, November 2011 and March 2012) NWCMC to finalize the GTG accounts, submit the UCs and surrender the unspent balances. However, NWCMC did not finalise the GTG accounts nor surrendered an unspent balance of ₹ 2.26 crore (**Appendix XV**) lying in the accounts as of May 2013.

The Chief Accounts Officer, NWCMC stated (May 2013) that the GTG accounts would be finalized, UCs would be submitted and unspent balances would be surrendered to the Government in due course.

Poor implementation of a contract

The work of Development of infrastructure at Rehabilitation and Resettlement site at Govindbag, Nanded was awarded (April 2007) to a contractor at a cost of ₹ 7.49 crore for completion by six months (October 2007). Scrutiny of records (June 2013) revealed that the contractor completed only 35 per cent of the work up to the stipulated date of completion, for which NWCMC recovered LD of ₹ 24.55 lakh. Despite several extensions and levy of LD, the

contractor failed to execute the work within the extended period and NWCMC issued (March 2008) a notice under Clause 3(c) of the contract for withdrawal of the balance work at his risk and cost. But the contractor requested for extension up to 31 May 2008 which was accepted by the Municipal Commissioner.

Audit observed that the contractor could not complete the work even by the extended date (May 2008). NWCMC paid (October 2009) the 17th running account bill of the contractor amounting to ₹ 5.99 crore relating to civil and electrical works. After a long gap of almost three years, the Executive Engineer, JNNURM (Roads) submitted (August 2012) a proposal to the Municipal Commissioner to treat the 17th running account bill of the contractor as 'final' enclosing therewith a 'No Due Certificate' and a 'Completion Certificate of Original Work' indicating that the work had been completed by the contractor on 17 March 2009. The Municipal Commissioner did not approve the proposal as of June 2013. A part of the balance work estimated at ₹ 5.50 lakh was clubbed with another work and awarded to a different contractor in January 2010 at a total financial consideration of ₹ 69.39 lakh. The estimates for the remaining balance work were not prepared by NWCMC as of June 2013.

The action of the Corporation to grant extension of time to the contractor after issue of notice Clause 3 (c) followed by releasing his dues amounting to ₹ 5.99 crore was highly irregular. In fact, when the contractor failed to complete the work even by May 2008, the Corporation should have invoked Clause 3 (c) and awarded the balance incomplete works to another contractor at the risk and cost of the original contractor. The 17th running account bill of the original contractor should have been held in abeyance and settled after following due procedure¹⁵ envisaged under Clause 3 (c).

Backward Regions Grant Fund

BRGF, a Centrally Sponsored Scheme, was introduced in Nanded district in 2010-11. The District Collector, Nanded, being the funding and sanctioning authority for BRGF, granted Administrative Approvals(AA) to 44 works at a cost of ₹ 690.54 lakh and released ₹ 690.36 lakh to NWCMC during 2010-13 as shown in **Table 5** below.

Table 5: Details of AA granted, funds released, works completed and expenditure incurred (Status as on March 2013)
(₹ in lakh)

Sl. No.	Year	AA accorded by Collector, Nanded		Number of works completed	Fund released	Expenditure incurred on completed and ongoing works	Remarks
		No. of works	Date of AA				
1.	2010-11 (I st spell)	13	21.3.2011	11	214.00	204.91	One work was cancelled due to opposition from the local residents and one work is in progress.
2.	2010-11 (II nd spell)	9	3.3.2012	8	100.00	89.78	Due to an ongoing work under another scheme, one work could not be started.

¹⁵ Recovery of excess cost due to re-tendering of the balance incomplete works from the original contractor

3.	2011-12 (I st spell)	11	31.3.2012	6	175.68	85.98	Three works could not commence due to non-availability of clear sites and two works were in progress.
4.	2011-12 (II nd spell)	11	6.2.2013	0	200.68	0.01	Tendering process was in progress in respect of all the 11 works.
5.	2012-13	0	0	0	0.00	0	No funds were released during 2012-13.
Total		44		25	690.36	380.68	

Audit observed that work orders for 33¹⁶ out of 44 works valuing ₹ 489.68 lakh were issued between 2010-11 and 2012-13 to be completed within the same financial years. Of the 33 work orders issued, 23 works were completed within the same financial years (expenditure incurred: ₹ 152.13 lakh); two works were completed after delay ranging from two to three months (expenditure incurred: ₹ 33.95 lakh); three works were in progress (expenditure incurred: ₹ 32.45 lakh); one work valuing ₹ four lakh was cancelled due to opposition by local residents; and of the remaining four works (estimated cost: ₹ 87.56 lakh), three works could not commence due to non-availability of clear sites and one work could not commence due to an ongoing work under another scheme.

Issue of work orders without ensuring availability of clear sites in four cases and cancellation of one work resulted in blocking of funds of ₹ 91.56 lakh, as these funds were retained by NWCMC.

4.2.5 Conclusion

There were significant time and cost overruns in implementation of projects under the UIG component of JNNURM. The contract Clauses/Government orders were not followed during implementation of works, resulting in extra expenditure or losses. Of the 44 works sanctioned under BRGF, only 25 works were completed and 11 works were not tendered. Of the remaining eight works, three works were under progress, one work was cancelled and four works could not commence due to non-availability of clear sites. The Corporation neither submitted utilization certificates for grants received under Gur-ta-Gaddi nor did it finalise the accounts and surrender the unspent balances.

4.2.6 Recommendation

- Implementation of projects and schemes should be carried out in a time bound manner to avoid cost overrun;
- The contract Clauses should be followed diligently during implementation of works; and
- Work orders should be issued only after ensuring availability of clear sites.

The matter was referred to the Government in August 2013; their reply was awaited as of March 2014.

¹⁶ 44 sanctioned works minus 11 works for which tendering process was in progress as of March 2013

Mira Bhayandar Municipal Corporation

4.3 Loss of revenue

Non-implementation of outsourcing contract for collection of escort fee through a private agency for 22 months resulted in loss of revenue of ₹ 39.62 crore to Mira Bhayandar Municipal Corporation.

Section 147 read with Section 466 (1) (A) (f) of The Maharashtra Municipal Corporations Act, 1949 (MMCA Act, 1949) authorises Municipal Corporations, through its Commissioner, to impose transit fee (escort Fee) from vehicles passing through the Corporation area. Mira Bhayandar Municipal Corporation (MBMC) levied¹⁷ escort fee on vehicles passing through the Corporation area and collected ₹ 80.93 lakh¹⁸ during the period October 2007 to August 2008 (11 months) by deploying their own resources¹⁹. Thereafter, the operation was discontinued as a municipal employee sustained serious injuries while stopping a vehicle.

In November 2010, MBMC invited tenders for outsourcing the collection of escort fee. Accordingly, a work order was issued (May 2011) to the highest bidder M/s Konark Infrastructure Limited (contractor) for collection of escort fee for a period of seven years. As per the escort fee payment schedule, the contractor was liable to pay to MBMC two instalments in advance *i.e.* ₹ 83.42 lakh at the time of issue of order and ₹ 41.71 lakh per week thereafter for 50 weeks for the first year of operations. The schedules for subsequent years were to be issued one month prior to commencement of the next contract year. Before commencement of the work by the contractor, MBMC was required to obtain no objection certificates (NOC)²⁰ from Maharashtra State Road Development Corporation (MSRDC), National Highway Authority of India (NHAI) and Traffic Police.

Scrutiny of records (January 2013) maintained by the Chief Accounts Officer (CAO), MBMC revealed that though the work order was issued in May 2011, it took five to 12 months to get NOCs from the respective authorities. Even after obtaining NOCs from NHAI (October 2011), MSRDC (January 2012) and Traffic Police (May 2012), MBMC did not issue instructions to the contractor to commence operations for collection of escort fee from June 2012 onwards. Consequently, there was loss of revenue of ₹ 39.62 crore²¹ to MBMC due to non-collection of escort fee for the period from June 2012 to March 2014 (22 months or 95 weeks).

The Municipal Commissioner, MBMC stated (May 2013) that the levy and collection of escort fee through appointment of an agent (outsourcing agency)

¹⁷ *Vide* Standing Committee Resolution No. 220 and General Body Resolution No. 97 of March 2006

¹⁸ Net collection was ₹ 45.45 lakh after deduction for salaries, expenditure incurred on Police protection, Home Guard deployment *etc.*

¹⁹ Municipal employees were deployed for collection of escort fee

²⁰ NOC is required from different authorities for construction of collection booths, proper regulation of traffic, other safety measures *etc.*

²¹ June 2012 to March 2013 = 43 weeks

April 2013 to March 2014 = 52 weeks

Loss of revenue = ₹ 41.71 lakh per week × 95 weeks = ₹ 39.62 crore

was authorized by the Municipal Commissioner by issue of Standing Order on 04 November 2010 and approved by the Standing Committee in December 2010. These decisions of the Corporation were forwarded to the Urban Development Department, GoM but, no approval was conveyed. The Commissioner added that in the Corporation area, octroi has been abolished and local body tax (LBT) was introduced from 01 April 2010 and there is no specific provision in the MMCA Act, 1949 for levy and collection of escort fee where LBT is applicable.

The reply is not acceptable for the following reasons:

- Under Section 466(1)(A)(f) of the MMCA Act, 1949, the Commissioner is empowered to issue Standing Orders to impose escort fee on vehicles passing through the Corporation area. As such, the approval of the State Government was not required.
- Information available with Audit revealed that Kalyan Dombivili Municipal Corporation collected escort fee (₹ 11.24 crore) along with LBT (₹ 86.10 crore) during 2012-13; Nashik Municipal Corporation collected escort fee (₹ 12.57 crore) along with LBT (₹ 444.51 crore) between 22 May 2013 and 31 March 2014; and Thane Municipal Corporation collected escort fee (₹ 46.61 crore) along with LBT (₹ 370.01 crore) during 2013-14. Thus, there were no valid reason(s) for MBMC for not levying escort fee along with LBT.

The matter was referred to the Government in June 2013; their reply was awaited as of March 2014.

Municipal Corporation of Greater Mumbai

4.4 Irregular payment of consultancy fee

Municipal Corporation of Greater Mumbai made irregular payment of consultancy fee amounting to ₹1.19 crore to a consultant on the projected delivery of 4,26,024 Certified Emission Reductions (CER) up to April 2015, instead of 14,477 CERs actually generated by the project.

For scientific closure of the dumping ground at Gorai, Municipal Corporation of Greater Mumbai (MCGM) appointed (March 2008) M/s Infrastructure Leasing and Financial Services Limited (IL&FS) as consultant for providing environmental consultancy and project development and advisory services for developing an Integrated Solid Waste Management Plan for the metropolitan city under Clean Development Mechanism (CDM²²). The capture and combustion of methane gas was expected to result in substantial reduction of greenhouse emissions and it was envisaged that the Gorai Project had the potential to earn carbon credits under CDM. MCGM signed (September 2008) a concession agreement with IL&FS and as per terms of payment, IL&FS was to be paid consultancy fee of five *per cent* of the total revenue received by MCGM from the sale of Certified Emission Reductions (CERs). IL&FS

²² The CDM allows emission-reduction projects in developing countries to earn certified emission reduction (CER) credits, each equivalent to one tonne of carbon dioxide. The CERs can be traded and sold and used by industrialized countries to meet part of their emission reduction targets under Kyoto Protocol

estimated generation of 12,40,289 CERs during the 10 year period from 2009-10 to 2018-19, after scientific closure of the dumping ground.

IL&FS prepared the Project Design Document (PDD) and submitted it to United Nations Framework Convention on Climate Change (UNFCCC) for CDM registration. During the process of registration, MCGM entered into an Emission Reductions Purchase Agreement (ERPA) with Asian Development Bank (ADB) in February 2009 for forward sale of carbon credits to be generated from the project. MCGM received an advance payment of US\$ 5.16 million equivalent to ₹ 24.51 crore from ADB in October 2009 for delivery of 4,26,024 CERs between June 2011 and April 2015.

Audit scrutiny revealed (December 2012) that the project failed to generate CERs as per the agreement with ADB and the estimates prepared by IL&FS. As per Schedule I of ERPA, of the 4,26,024 CERs, MCGM was required to deliver 2,74,500 CERs by June 2012 and 3,00,235 CERs (cumulative) by June 2013. However, due to lack of sufficient gas generation from the dumping ground, the project could generate only 14,477 CERs till December 2011. On the other hand, IL&FS in the PDD had estimated generation of 4,44,775 CERs till the end of December 2011. One of the major reasons for significant shortfall in delivery of contracted CERs was the huge difference between the quantity of Municipal Solid Waste (MSW) estimated before closure (10.03 million tonnes) and the actual quantity of MSW scientifically closed (2.34 million tonnes). Despite inadequacies in implementation of the agreement, MCGM paid (October 2009) the entire consultancy fee of ₹ 1.23²³ crore upfront to IL&FS on the projected delivery of 4,26,024 CERs up to April 2015, instead of ₹ 4.16 lakh²⁴ payable on 14,477 CERs actually generated. This resulted in irregular payment of consultancy fee of ₹ 1.19 crore²⁵ to IL&FS.

MCGM accepted the facts and stated (May 2013) that due to failure to deliver CERs to ADB as per Schedule of ERPA, it opted to deliver replacement CERs from international market. Accordingly, the total contracted CERs were purchased from international market at a total cost of ₹ 11.23 crore and delivered to ADB and the contract with ADB was closed. By delivering replacement CERs to ADB, MCGM earned a net revenue of ₹ 13.28 crore²⁶. MCGM added that show-cause notices were issued to IL&FS in July 2012, August 2012 and February 2013 for recovery of consultancy fee but, no response was forthcoming. Further, if IL&FS does not show any response and refund the consultancy fee, legal action as per concession agreement, including blacklisting of the firm, would be initiated.

Reply furnished by MCGM is not relevant as the issue here relates to irregular payment of consultancy fee upfront to the consultant even before fulfilment of contractual obligations. Further, the consultant has not responded to the show-cause notices till December 2013.

The matter was referred to the Government in June 2013; their reply was awaited as of March 2014.

²³ 5% of ₹24.51 crore = ₹ 1,22,55,000

²⁴ ₹ 24.51 crore ÷ 426024 CERs = ₹ 575.32 per CER × 14477 CERs = ₹ 83.29 lakh × 5%

²⁵ ₹ 1.23 crore – ₹ 0.0416 crore

²⁶ Advance received from ADB (₹ 24.51 crore) – ₹ 11.23 crore

Nagpur Improvement Trust

4.5 Infructuous expenditure

Failure of Nagpur Improvement Trust to properly plan the development of IT Park through Public Private Partnership rendered an expenditure of ₹ 1.83 crore infructuous.

Nagpur Improvement Trust (NIT) proposed (November 2005) construction of an Information Technology (IT) complex at Gayatri Nagar, Nagpur in a phased manner at an estimated cost of ₹ 2.77 crore. A consulting architect was appointed (May 2006) for preparation of drawings, designs and estimates at a remuneration of three *per cent* of the total cost of the work. Under Phase I, tenders for the work of basement, ground floor and first floor were invited in July 2006. The work was awarded (November 2006) to a contractor at a cost of ₹ 2.88 crore to be completed in 15 months (February 2008).

Scrutiny of records (September 2010) revealed that the contractor executed the work of basement excavation and reinforced cement concrete (RCC) columns by June 2008 at a cost of ₹ 1.78 crore. An amount of ₹ 4.86 lakh was also paid to the consulting architect towards architectural fees. During the progress of work, NIT observed that the buildings constructed by other private operators in the adjoining area of the IT zone had beautiful elevations. The private operators had employed modern techniques of construction and used latest construction material. The buildings had all the modern facilities as per requirements of the IT sector. The NIT further observed that the Nagpur city, being one of the cities included under JNNURM²⁷, was committed to implement the mandatory reforms, one of which was to encourage the Public Private Partnership (PPP). On the above considerations, the NIT decided (August 2009) to terminate the ongoing contract and implement the project through PPP on Design, Build, Own, Operate and Transfer (DBOOT) basis.

Tender notice inviting Request for Proposal (RFP) for development of IT Park on DBOOT basis was issued in October 2011 and the work was awarded to a concessionaire in February 2012 at a financial consideration of ₹ 15.05 crore²⁸ plus an annual ground rent of ₹ 30.10 lakh for a concession period of 30 years, extendable up to 90 years. Audit observed that NIT did not work out any mechanism to secure its financial interest caused by termination of first contract. The RFP document prepared by NIT for the DBOOT project only mentioned that the site possessed a partially built foundation structure of RCC covering approximately 1,400 sqm, without indicating any financial details. As a result, an expenditure of ₹ 1.83 crore²⁹ initially incurred by NIT on partial structures was rendered infructuous.

The Superintending Engineer (SE), NIT while accepting the fact that the cost of work done by the first contractor was not included in the RFP document, stated (March 2013) that the land was allotted to the successful bidder on 'as is where is basis' and there was no compulsion for the successful bidder to develop the IT Park using the existing RCC construction. The SE added that

²⁷Jawaharlal Nehru National Urban Renewal Mission

²⁸ The reserve price fixed by NIT was ₹ 14.70 crore

²⁹ Including ₹ 4.86 lakh paid to the consulting architect

the successful bidder was to carry out the construction as per drawings, designs and specifications approved by NIT.

The NIT was aware of the presence of a large number of IT-ITES establishments³⁰ with beautiful elevations and modern facilities before it took up the construction of the IT complex through the first contractor and clearly showed that the planning for development of the IT Park was *ab initio* faulty leading to infructuous expenditure of ₹ 1.83 crore.

The matter was referred to the Government in June 2013; their reply was awaited as of March 2014.

4.6 Blocking of funds and avoidable cost escalation

Failure of Nagpur Improvement Trust to appropriately plan the construction of a swimming pool not only led to blocking of funds of ₹ one crore for more than six years but also increased the project cost by ₹ 1.72 crore.

In order to extend recreational facilities to the residents of North Nagpur, Nagpur Improvement Trust (NIT) resolved (July 2004) to construct a swimming pool at Vaishali Nagar at an estimated cost of ₹ 175 lakh. For this purpose, the Urban Development Department (UDD), GoM earmarked ₹ one crore under Special Government Grant subject to condition that the GoM and the NIT would contribute ₹ 50 lakh each for the project. The GoM released its share of ₹ 50 lakh to NIT in August 2004.

Scrutiny of records (September 2010) and information furnished (October 2013) by NIT revealed the following inadequacies in implementation of project:

- NIT did not contribute its share of ₹ 50 lakh due to financial crunch.
- NIT awarded four contracts between December 2004 and September 2007 for construction of four components³¹ of swimming pool at a total cost of ₹ 107.10 lakh to be completed between June 2005 and January 2008 (two to six months). Of the four components, only two components were completed in January 2007 (within the extended period) and July 2009 (one year after the expiry of extended period). Of the remaining two components, one was partially completed in April 2006 and the other was stopped due to change in design. As of October 2013, a payment of ₹ 100.10 lakh was made to the contractors (**Appendix XVI**).
- The construction of swimming pool tank was initially estimated at ₹ 76.63 lakh and the accepted tender cost was ₹ 76.54 lakh. However, work order was issued to the contractor with the condition that the expenditure would be restricted to ₹ 50 lakh only. As a result, the contractor executed only 20 out of 95 items of work included in the

³⁰ Infospectrum, Infocepts, Arcon, Lighthouse Systems, Persistent Systems, Zeta Softech, Trust Systems *etc.*

³¹ (i) Construction of swimming pool tank, (ii) cement concrete pavement, (iii) bath houses and other civil works and (iv) installation and commissioning of a filtration plant

tender and his final bill was settled for ₹ 49.95 lakh *i.e.* within the limit of the ₹ 50 lakh contributed by GoM in August 2004. The rest of the expenditure of ₹ 50.15 lakh (₹ 100.10 lakh - ₹ 49.95 lakh) was met from the grants released by the GoM under Dalit Vasti Sudhar Yojana (DVSU) between 2005-06 and 2007-08.

- No water supply connection was established for the swimming pool as of October 2013. Though NIT had laid pipeline up to a well located approximately 500 meters from the pool, no water could be drawn from the well as the land adjacent to the well was under unauthorized possession of a temple trust.
- While the work of swimming pool remained incomplete, the Board of Trustees of NIT resolved (September 2011) to construct a club house within the pool premises under Public Private Partnership (PPP). The consulting architect estimated the cost of project including completion of swimming pool at ₹ 11 crore. The UDD, GoM released Special Government Grant of ₹ 1.35 crore to NIT which remained unutilized as of October 2013, as the elevation and design prepared by the consulting architect for the club house, by demolishing the already constructed bath houses, was not approved by NIT.

NIT stated (October 2013) that the proposal for club house has been cancelled. The work of incomplete swimming pool would be taken up shortly and accordingly, revised estimates of ₹ 246.57 lakh has been prepared for approval of GoM. A provision of ₹ 100 lakh has also been made under DVSU 2011-12. NIT added that arrangements for water for the pool would be made through two bore wells at different locations in the same premises, after verification by the Ground Water Survey and Development Agency.

The sequence of events clearly showed that planning for implementation of swimming pool project was seriously flawed. The project was undertaken without any feasibility study/survey or ensuring availability of funds, leading to blocking of funds of ₹ one crore for more than six years (up to October 2013) besides increasing the project cost by ₹ 1.72crore³².

The matter was referred to the Government in July 2013; their reply was awaited as of March 2014.

Navi Mumbai Municipal Corporation

4.7 Avoidable increase in project cost due to non-enforcement of tender condition

Failure of Navi Mumbai Municipal Corporation to enforce the tender condition led to an avoidable increase of ₹ 4.86 crore in implementation of two hospital projects at Airoli and Nerul.

Navi Mumbai Municipal Corporation (NMMC) awarded (August 2009) two works of construction of 100 bedded General Hospitals at Airoli (work-I) and at Nerul (work-II) to M/s Supreme Infrastructure India Limited (first

³² (Expenditure already incurred ₹ one crore + revised estimates of ₹ 2.47 crore) minus original estimates of ₹ 1.75 crore

contractor) at a cost of ₹ 34.69 crore and ₹ 33.75 crore respectively. The stipulated date of completion of work-I was 12 April 2011 while work-II was to be completed by 12 February 2011. Extension was granted up to 30 November 2012 for both the works.

As per condition 101 of the tender document, the variation/deviation in carrying out the items of work was not to exceed plus or minus 25 per cent of the contract sum. The deviation/variation in the quantity of individual items was not to be taken as deviation/variation in the contract. For increase up to 25 per cent over the quantities shown in the Bill of Quantities (BOQ), the contractor was to be paid at the rates mentioned in the BOQ. However, if quantities increased beyond 25 per cent of the quantities shown in BOQ, the excess quantities beyond 25 per cent were to be priced based on schedule rates with the contractor's quoted percentage or as per current District Schedule of Rates (DSR) without contractor's quoted percentage, whichever was less.

Audit scrutiny revealed that the estimates of both the works were based on sample bore data³³. However, during actual execution, drastic changes were observed in the strata of the plot. The Project Management Consultant (PMC) subsequently suggested changes in foundation methods of both the works due to poor load bearing capacity of the strata which not only resulted in an increase in tendered quantities and extra items but also led to an upward revision (September 2010) in the project cost (₹ 53.33 crore for work-I) and (₹ 56.07 crore for work-II). However, citing condition 101 of the tender, the contractor expressed his unwillingness (December 2011) to execute the works beyond 125 per cent of the contract sum i.e. ₹ 43.36 crore for work-I and ₹ 42.18 crore for work-II due to increase in cost of labour and material. NMMC, on advice of the PMC, relieved (February 2012) the contractor of his liabilities in terms of condition 101 of the tender, after execution of works up to 125 per cent of contract sum. NMMC awarded (November 2012) the balance quantities beyond 125 per cent of the contract sum (in respect of both the works) to M/s Amit Constructions (second contractor) at a total cost of ₹ 23.79³⁴ crore to be completed by May 2013.

Audit observed that the then current DSR (2011-12) for the quantities beyond 125 per cent of the contract sum/BOQ were less than the first contractor's quoted rates. Therefore, the balance quantities awarded to the second contractor for ₹ 23.79 crore could have been executed by the first contractor at a cost of ₹ 18.93 crore³⁵, as indicated in the table below.

(₹ in crore)

Particulars of balance work	Accepted tender cost of contractor-II	Cost as per current DSR (2011-12)	Difference	Accepted tender cost of contractor-II	Cost as per current DSR (2011-12)	Difference
	Work-I			Work-II		
Civil works ³⁶	5.31	4.09	1.22	6.50	5.17	1.33
Electrification works	4.17	3.48	0.69	4.51	3.91	0.60
Elevator	1.27	0.88	0.39	2.03	1.40	0.63
Total	10.75	8.45	2.30	13.04	10.48	2.56

³³ Details of earth strata obtained by drilling into the earth

³⁴ Work-I: ₹ 10.75 crore; Work-II : ₹ 13.04 crore (refer table)

³⁵ Work-I: ₹ 8.45 crore, Work-II : ₹ 10.48 crore

³⁶ Excavation; RCC work; paving, flooring and dado; water proofing; fire-fighting; painting (internal and external); water supply and drainage; doors and windows etc.

Thus, failure of NMMC to enforce the tender condition led to an avoidable increase in project cost by ₹ 4.86 crore³⁷. NMMC also did not invoke the risk and cost clause and provided an easy escape route to the first contractor by restricting the contract to plus 25 *per cent* of the contract sum. As of March 2014, the second contractor has completed only 90 *per cent* of the balance works, against the target date of May 2013.

The Commissioner, NMMC stated (September 2013) that condition 101 is a general condition of contract of NMMC tenders and action was taken as per the provisions contained therein.

Reply is not acceptable as tender condition 101 was not enforced leading to increase in project cost by ₹ 4.86 crore.

The matter was referred to the Government in August 2013; their reply was awaited as of March 2014.

Pimpri Chinchwad Municipal Corporation

4.8 Cost and time overrun and loss of revenue

After spending ₹ 85 lakh on construction of a commercial complex, Pimpri Chinchwad Municipal Corporation stopped the work in January 2008 due to paucity of funds. The work was incomplete as of March 2014 resulting in cost overrun of ₹ 3.19 crore, besides blocking ₹ 85 lakh for more than seven years and recurring loss of revenue of ₹ 1.52 crore *per annum* on account of lease rent.

Pimpri Chinchwad Municipal Corporation (PCMC) accorded administrative approval (June 2003) for construction of a commercial complex on a reserved plot at Chinchwad for relocating the shop owners affected by road widening. The work was awarded (October 2005) to a contractor at a tendered cost of ₹ 1.42 crore for completion by April 2007. Extension was granted to the contractor up to November 2007. However, after completion of 70 *per cent* of the work and incurring an expenditure of ₹ 0.85 crore, the work was stopped (January 2008) by PCMC citing shortage of funds.

Subsequently, PCMC took a decision to complete the balance work on Built Operate and Transfer (BOT) basis, which was approved by the BOT Committee in July 2009. As M/s International Conveyers Limited, Kolkata (developer) was the highest bidder at ₹ 5.95 crore to the tenders, Letter of Allotment (LoA) was issued to the developer in October 2010 and a development agreement was to be signed between PCMC and the developer within 15 days of receipt of LoA by the developer. The BOT project was awarded to the developer for a lease period of 70 years.

Audit scrutiny revealed that the BOT project could not progress due to strong opposition from the local residents, legislators and an ex-Councillor. The Urban Development Department (UDD), GoM advised (November 2010 and January 2011) PCMC to work out the comparative benefits of the project if

³⁷ ₹ 23.79 crore - ₹ 18.93 crore

developed using Corporation's own funds or through BOT and take a decision accordingly. PCMC informed (February 2011) UDD that the development of complex on BOT basis was more beneficial (as the contractor was to pay the quoted premium upfront) and requested for further guidance. Audit observed that instead of communicating its decision, the UDD, after a time lapse of nearly 19 months, raised more queries in September 2012 which were addressed by PCMC in January 2013.

In March 2013, PCMC noted that (a) there had been delay on the part of UDD in decision making, (b) a period of two years and five months had elapsed since the issue of LoA in October 2010 but, no development agreement was signed with the developer, (c) in view of new regulations framed under The Maharashtra Municipal Corporations Act, 1949, all Municipal properties given on lease was to be restricted to a maximum period of 30 years whereas, the BOT project was awarded for a lease period of 70 years, and (d) there had been increase in the cost of land in the intervening period. In view of the above disabling factors, PCMC proposed cancellation of LoA which was ratified by the BOT Committee in July 2013. It was also decided to rehabilitate the shop owners affected by road widening work at the earliest by taking up the remaining construction work from the Corporation's own funds.

The cost of balance work, as estimated by PCMC in January 2013, was pegged at ₹ 3.76 crore and the work has not been tendered as of March 2014. This cost is likely to increase further once revised plans and estimates are drawn up and tenders invited. As of March 2014, the project has already registered a cost overrun of ₹ 3.19³⁸ crore, besides blocking ₹ 0.85 crore for more than seven years (January 2008 to March 2014) and recurring loss of revenue of at least ₹ 1.52 crore *per annum* from lease rent, as per Corporation's own estimation.

The Commissioner, PCMC accepted the facts and stated (July 2013) that appropriate directions from GoM were not received and therefore, it could not take a final decision in the matter.

The matter was referred to the Government in July 2013; their reply was awaited as of March 2014.

Pune Municipal Corporation

4.9 Short-levy of property tax

Non-observance of provisions of Bombay Provincial Municipal Corporations Act, 1949 while determining the rateable value of properties resulted in short-levy of property tax of ₹ 43.96 crore and consequential loss of revenue to Pune Municipal Corporation.

Rule 7(1) of Chapter VIII (Taxation Rules) under Schedule 'D' of Bombay Provincial Municipal Corporations (BPMC) Act, 1949 provides that in order to fix the rateable value (RV) of any building or land assessable to a property tax, there shall be deducted from the amount of the annual rent for which such land or building might reasonably be expected to be let out from year to year a

³⁸ (₹ 0.85 crore + ₹ 3.76 crore) - ₹ 1.42 crore = ₹ 3.19 crore

sum equal to 10 *per cent* of the said annual rent and the said deduction shall be *in lieu* of all allowances for repairs or on any other account whatever. Rule 9(b) of the said Schedule of BPMC Act further provides that the RV of each building and land shall be determined in accordance with the provisions of the Act.

Scrutiny of records of Property Tax Department for the period 2010-11 to 2012-13 revealed that Pune Municipal Corporation (PMC), while determining the RV of the properties, allowed 15 *per cent* deduction for repairs instead of 10 *per cent* permissible under the Act, resulting in short-levy of property tax of ₹ 43.96 crore and consequential loss of revenue to PMC to that extent. The details are as under:

Year	RV fixed @ 85 per cent of annual rent (₹ in crore)	RV to be fixed @ 90 per cent of annual rent (₹ in crore)	Short-fixation of RV (₹ in crore)	Rate of property tax (in per cent)	Short-levy of property tax (₹ in crore)
2010-11	443.60	469.69	26.09	39.75	10.37
2011-12	508.42	538.33	29.91	50.75	15.18
2012-13	560.01	592.95	32.94	55.90	18.41
Total					43.96


On being pointed out in audit, PMC stated (June 2013) that 15 *per cent* deduction was allowed as per resolution (No. 5) passed by the General Body of the PMC in its meeting held on 03 April 1970.

The reply is not acceptable as the rate of RV cannot be changed without an appropriate amendment to the Act

Thus, non-observance of the existing provisions of the BPMC Act, 1949 resulted in short-levy of property tax of ₹ 43.96 crore.

The matter was referred to the Government in July 2013; their reply was awaited as of March 2014.

Mumbai,
The 18 August, 2014


(MALA SINHA)
Principal Accountant General (Audit)-I,
Maharashtra

Countersigned

New Delhi,
The 20 August, 2014

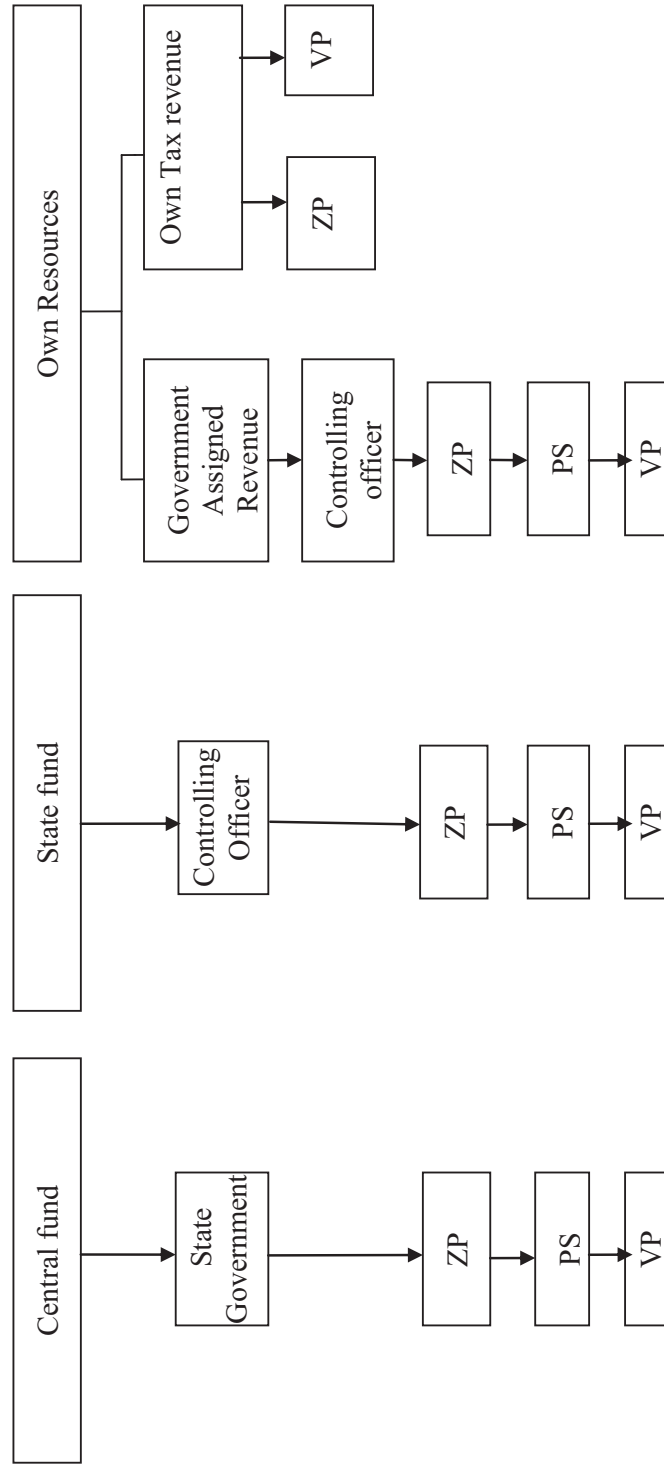

(SHASHI KANT SHARMA)
Comptroller and Auditor General of India

APPENDICES

Appendix I

(Reference: Paragraph 1.4.4; Page No.3)

FUND FLOW STATEMENT



Appendix II (Reference: Paragraph 1.7.3; Page No.6) Details of expenditure incurred on transferred schemes, agency schemes and ZPs own schemes during 2012-13					
(₹ in crore)					
Sr. No.	Name of ZP	Expenditure on transferred schemes	Expenditure on agency schemes	Expenditure on ZPs own schemes	Total expenditure
1.	Ahmednagar	1027.03	68.71	32.95	1128.69
2.	Akola	851.50	67.06	63.47	982.03
3.	Amravati	632.62	36.66	15.80	685.08
4.	Aurangabad	672.50	88.61	18.22	779.33
5.	Beed	701.90	73.37	16.22	791.49
6.	Buldhana	636.00	68.00	538.00	1242.00
7.	Chandrapur	1170.91	63.54	81.96	1316.41
8.	Dhule	395.08	88.39	28.77	512.24
9.	Gadchiroli	776.97	60.64	66.13	903.74
10.	Gondia	416.75	33.11	54.14	504.00
11.	Hingoli	279.22	00.00	8.70	287.92
12.	Jalgaon	761.98	52.53	34.31	848.82
13.	Jalna	427.90	50.80	11.05	489.75
14.	Kolhapur	1449.74	88.69	61.20	1599.63
15.	Latur	622.73	32.29	6.02	661.04
16.	Nagpur	1246.52	0.00	0.00	1246.52
17.	Nanded	766.47	71.62	6.82	844.91
18.	Nandurbar	355.74	31.98	90.37	478.09
19.	Nashik	1055.81	124.43	29.84	1210.08
20.	Osmanabad	490.11	35.74	9.81	535.66
21.	Parbhani	404.88	34.21	6.36	445.45
22.	Pune	1029.47	104.49	115.71	1249.67
23.	Ratnagiri	568.59	44.98	8.20	621.77
24.	Raigad	613.50	35.20	59.39	708.09
25.	Sangli	603.38	104.70	19.99	728.07
26.	Satara	813.36	61.57	27.87	902.80
27.	Sindhudurg	382.45	34.40	43.22	460.07
28.	Solapur	1743.99	213.94	73.84	2031.77
29.	Thane	902.54	89.49	83.38	1075.41
30.	Washim	283.26	18.14	26.65	328.05
31.	Yavatmal	769.94	138.98	15.87	924.79
	Total	22852.84	2016.27	1654.26	26523.37

(Source: Information received from CAFOs of 31 ZPs excluding Bhandara and Wardha)

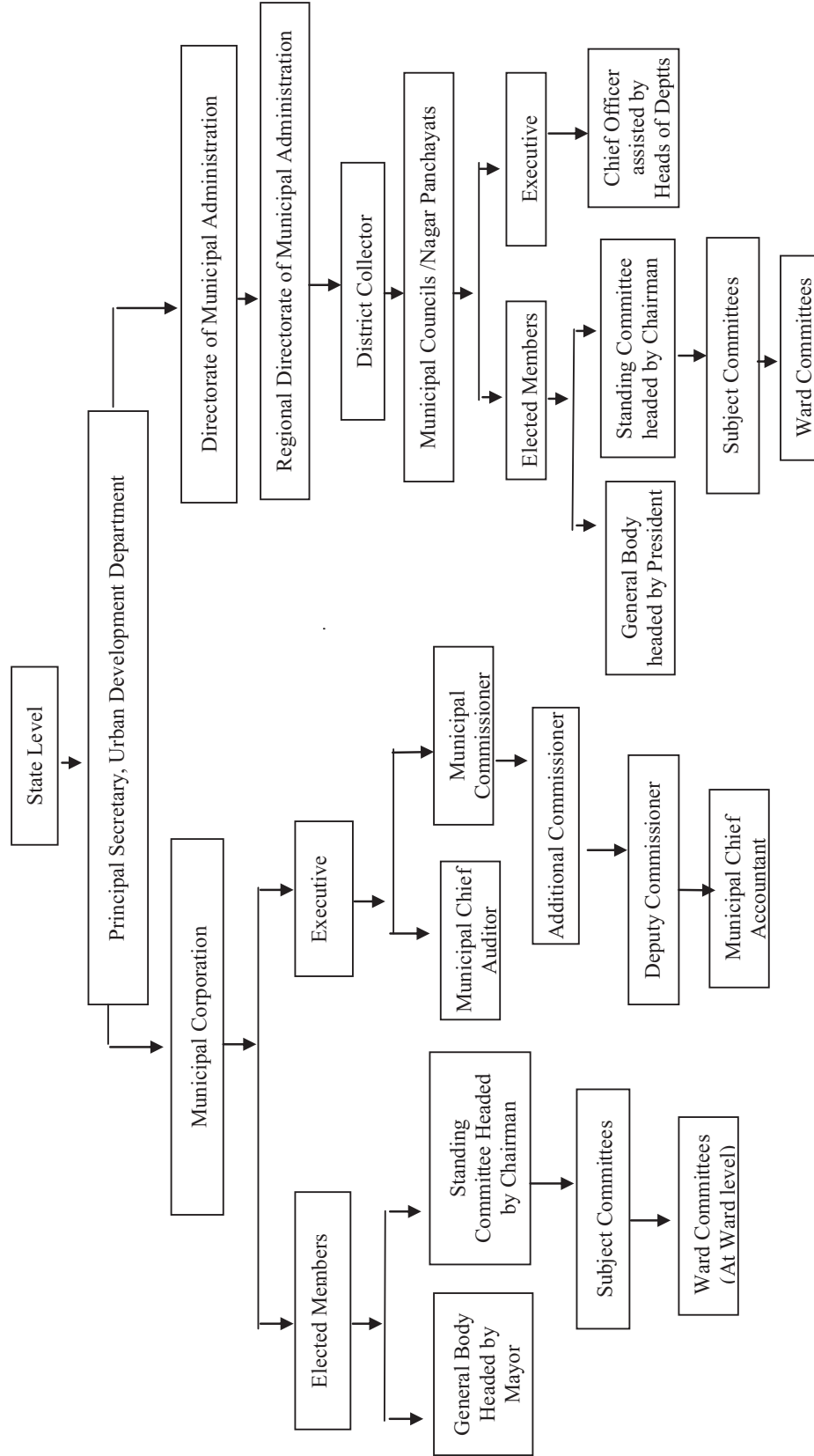
Appendix III				
<i>(Reference: Paragraph 1.10.4; Page No. 9)</i>				
Outstanding paragraphs from the Reports of Director, Local Fund Audit				
Year	Number of outstanding paragraphs		Objected amount (₹ in crore)	
	Government funds	ZPs own funds	Government funds	ZPs own funds
1962-63 to 2001-02	46065	8147	1651.11	185.35
2002-03	4690	1349	139.20	30.82
2003-04	4035	1352	175.35	28.16
2004-05	600	2575	159.62	48.88
2005-06	7640	3245	348.36	64.61
2006-07	8737	2269	661.04	66.53
2007-08	6358	944	557.70	31.48
2008-09	8143	1579	424.16	63.36
2009-10	8903	2851	905.88	109.59
2010-11	8606	3037	993.62	175.24
Total	109178	27154	6016.04	804.02

(Source: As per Annual Audit Review Report of DLFA for the year 2010-11)

Appendix IV

(Reference: Paragraph 2.3.1; Page No. 12)

Organisational structure



Appendix V							
<i>(Reference: Paragraph 2.4.5; Page No.13)</i>							
Financial position of Municipal Corporations							
(₹ in crore)							
Sr. No.	Name of the Corporations	2010-11		2011-12		2012-13	
		Receipts	Expenditure	Receipts	Expenditure	Receipts	Expenditure
1.	Ahmednagar	140.58	118.54	162.05	158.67	175.63	152.11
2.	Akola	137.55	182.24	299.72	273.36	227.62	254.21
3.	Amravati	124.55	113.43	141.75	146.94	257.00	129.00
4.	Aurangabad	263.51	264.42	295.58	287.85	371.22	376.51
5.	Bhiwandi-Nizampur	227.08	265.93	511.93	503.63	266.84	285.00
6.	Chandrapur [■]	00.00	00.00	00.00	00.00	102.58	77.91
7.	Dhule	106.73	96.30	117.67	113.80	136.97	132.54
8.	Jalgaon	128.24	128.14	144.31	184.11	141.15	157.17
9.	Kalyan-Dombivli	749.79	704.39	827.38	771.78	809.90	669.42
10.	Kolhapur	184.33	182.85	151.34	261.79	336.75	323.17
11.	Latur [■]	00.00	00.00	00.00	00.00	62.78	89.73
12.	Malegaon	129.01	134.08	179.74	174.39	274.62	224.57
13.	MCGM	19053.07	17683.94	18268.65	16870.76	22460.80	21275.46
14.	Mira-Bhayander	413.65	361.05	469.92	375.90	534.04	456.05
15.	Nagpur	807.79	833.07	807.08	746.89	939.83	880.76
16.	Nanded-Waghala	348.78	367.11	177.52	95.07	302.51	323.42
17.	Nashik	665.53	647.47	785.86	788.48	956.53	898.19
18.	Navi Mumbai	1011.38	727.18	993.03	854.92	1229.78	1197.58
19.	Parbhani [■]	00.00	00.00	00.00	00.00	68.51	63.55
20.	Pimpri-Chinchwad	1576.10	1013.10	2624.22	1304.92	1700.98	1295.52
21.	Pune	2327.37	2062.29	2679.09	2468.21	2962.12	2826.72
22.	Sangli-Miraj-Kupwad	116.05	108.73	141.35	116.10	146.55	120.23
23.	Solapur	364.40	305.08	156.39	286.92	218.73	309.99
24.	Thane	1038.88	1019.08	1544.59	1332.31	1343.78	1242.85
25.	Ulhasnagar	222.58	239.57	234.60	236.04	266.24	264.28
26.	Vasai-Virar	*	*	521.50	293.80	752.12	541.68
	Total	30136.95	27557.99	32235.27	28646.64	37045.58	34567.62

(Source: Information received from respective Municipal Corporations)

* Information not furnished by the Corporation

■ Corporation created in 2012-13

Appendix VI								
<i>(Reference: Paragraph 2.4.6; Page No.13)</i>								
Arrears of property tax as on 31 March 2013								
(₹ in crore)								
Sr. No	Name of Municipal Corporation	Opening balance of arrears	Current demand	Total demand	Recovery			Closing balance
					Current	Arrears	Total	
1.	Ahmednagar	71.31	45.04	116.35	15.37	13.31	28.68	87.67
2.	Akola	8.07	12.33	20.40	8.65	7.11	15.76	4.64
3.	Amravati	22.86	49.00	71.86	21.86	00.00	21.86	50.00
4.	Aurangabad	14.21	85.79	100.00	58.12	0.00	58.12	41.88
5.	Bhiwandi-Nizampur	10.81	18.37	29.18	9.75	9.29	19.04	10.14
6.	Chandrapur	2.08	8.07	10.15	5.88	1.38	7.26	2.89
7.	Dhule	11.48	6.39	17.87	3.63	4.32	7.95	9.92
8.	Jalgaon	17.79	22.93	40.72	18.59	4.78	23.37	17.35
9.	Kalyan-Dombivli	130.98	192.66	323.64	138.67	41.48	180.15	143.49
10.	Kolhapur	12.05	26.13	38.18	22.58	15.07	37.65	0.53
11.	Latur	2.11	7.00	9.11	6.05	1.60	7.65	1.46
12.	Malegaon	9.55	8.73	18.28	4.95	3.48	8.43	9.85
13.	MCGM	9018.45	3657.08	12675.53	1509.81	471.67	1981.48	10694.05
14.	Mira-Bhayander	49.61	99.28	148.89	69.92	17.41	87.33	61.56
15.	Nagpur	112.46	98.32	210.78	84.76	77.64	162.40	48.38
16.	Nanded-Waghala	5.97	10.36	16.33	9.07	2.99	12.06	4.27
17.	Nashik	39.82	56.04	95.86	43.28	19.86	63.14	32.72
18.	Navi Mumbai	68.20	365.20	433.40	291.38	29.89	321.27	112.13
19.	Parbhani	2.27	5.50	7.77	1.56	2.44	4.00	3.77
20.	Pimpri-Chinchwad	95.80	128.91	224.71	99.82	43.47	143.29	81.42
21.	Pune	686.53	830.91	1517.44	464.93	177.00	641.93	875.51
22.	Sangli-Miraj-Kupwad	20.24	25.52	45.76	16.77	7.54	24.31	21.45
23.	Solapur	85.30	51.60	136.90	37.63	10.60	48.23	88.67
24.	Thane	105.92	188.08	294.00	30.13	209.00	239.13	54.87
25.	Ulhasnagar	158.25	95.56	253.81	30.90	19.93	50.83	202.98
26.	Vasai-Virar	33.75	65.60	99.35	43.61	20.56	64.17	35.18
	Total	10795.87	6160.40	16956.27	3047.67	1211.82	4259.49	12696.78

(Source: Information received from respective Municipal Corporations)

Appendix VII

(Reference: Paragraph 2.4.6; Page No.14)

Arrears of water charges as on 31 March 2013

(₹ in crore)

Sr. No	Name of Municipal Corporation	Opening balance of arrears	Current demand	Total demand	Recovery			Closing balance
					Current	Arrears	Total	
1.	Ahmednagar	16.12	60.78	76.90	4.19	3.59	7.78	69.12
2.	Akola	4.01	4.01	8.02	1.99	1.93	3.92	4.10
3.	Amravati *	0	0	0	0	0	0	0
4.	Aurangabad	40.93	18.20	59.13	15.76	0.00	15.76	43.37
5.	Bhiwandi-Nizampur	14.25	12.01	26.26	5.52	2.70	8.22	18.04
6.	Chandrapur #	0	0	0	0	0	0	0
7.	Dhule	8.88	6.20	15.08	2.77	2.19	4.96	10.12
8.	Jalgaon	8.20	14.49	22.69	11.13	2.80	13.93	8.76
9.	Kalyan-Dombivli	30.04	43.99	74.03	27.73	6.67	34.40	39.63
10.	Kolhapur	8.56	27.61	36.17	29.86	0.00	29.86	6.31
11.	Latur *	0.00	0.00	0.00	0.00	0.00	0.00	0.00
12.	Malegaon	9.34	7.40	16.74	3.76	3.18	6.94	9.80
13.	MCGM	732.66	589.93	1322.59	432.05	160.98	593.03	729.56
14.	Mira-Bhayander	2.77	29.77	32.54	28.13	1.57	29.70	2.84
15.	Nagpur	79.39	94.26	173.65	84.29	0.00	84.29	89.36
16.	Nanded-Waghala	1.28	2.13	3.41	1.83	0.73	2.56	0.85
17.	Nashik	21.00	32.83	53.83	26.13	12.72	38.85	14.98
18.	Navi Mumbai	0.00	65.72	65.72	65.64	0.00	65.64	0.08
19.	Parbhani	2.87	6.07	8.94	0.71	0.70	1.41	7.53
20.	Pimpri-Chinchwad	70.62	38.16	108.78	12.66	14.13	26.79	81.99
21.	Pune	309.63	65.00	374.63	67.87	0.00	67.87	306.76
22.	Sangli-Miraj-Kupwad	10.63	16.25	26.88	12.24	4.21	16.45	10.43
23.	Solapur	44.76	27.05	71.81	19.09	7.40	26.49	45.32
24.	Thane	52.54	69.96	122.50	17.83	49.19	67.02	55.48
25.	Ulhasnagar	83.11	5.62	88.73	2.32	0.00	2.32	86.41
26.	Vasai-Virar	5.44	31.27	36.71	28.92	5.92	34.84	1.87
	Total	1557.03	1268.71	2825.74	902.42	280.61	1183.03	1642.71

(Source: Information received from respective Municipal Corporations)

* Water supply by Maharashtra Jeevan Pradhikaran

Private water supply service

Appendix VIII

(Reference: Paragraph 2.4.7; Page No.14)

Statement of item-wise expenditure of all Municipal Corporations during the year 2008-09 to 2012-13

(₹ in crore)

Items of expenditure	2008-09		2009-10		2010-11		2011-12		2012-13	
	Total Expenditure	Percentage to total	Total Expenditure	Percentage to total	Total Expenditure	Percentage to total	Total Expenditure	Percentage to total	Total Expenditure	Percentage to total
1. Administration										
(a) Establishment	4735	19.50	4674	16.51	6700	24.31	7307	25.51	9941	28.76
(b) Others	850	3.50	1692	5.98	613	2.22	622	2.17	546	1.58
2. Recovery of taxes	131	0.54	00.00	00.00	00.00	00.00	00.00	00.00	00.00	00.00
3. Street lighting	368	1.52	321	1.13	449	1.63	592	2.07	652	1.89
4. Water Supply	1857	7.65	1154	4.08	3700	13.43	3474	12.13	3900	11.28
5. Public Security	164	0.68	74	0.26	117	0.42	107	0.37	117	0.34
6. Public Health	1736	7.15	572	2.02	1187	4.31	1266	4.42	1052	3.04
7. Drainage and sewerage	1121	4.62	506	1.79	1163	4.22	1065	3.72	1028	2.97
8. Construction works	5048	20.79	7082	25.02	3505	12.72	3834	13.38	4440	12.84
9. Transport	69	0.28	104	0.37	97	0.35	205	0.72	331	0.96
10. Education	1182	4.87	477	1.68	777	2.82	786	2.74	899	2.60
11. Expenditure on weaker sections	541	2.23	237	0.84	227	0.82	443	1.55	553	1.60
12. Extraordinary expenditure and loans extended	687	2.83	266	0.94	440	1.60	680	2.37	449	1.30
13. Other expenditure	5789	23.84	11149	39.38	8583	31.15	8266	28.85	10661	30.84
Total of Sr. No. 2 to 13	18693	77.00	21942	77.51	20245	73.47	20718	72.32	24081	69.66
Total expenditure	24278	100	28308	100	27558	100	28647	100	34568	100

(Source: Information received from respective Corporations)

Appendix IX

(Reference: Paragraph 2.4.8 Page No.14)

Financial position of Municipal Councils showing receipts, expenditure and arrears of property tax and water charges for the year 2012-13

(₹ in crore)

District	Sr. No.	Name of Municipal Councils	Receipt	Expenditure	Total demand of Property Tax	Arrears in Property Tax	Total demand of water charges	Arrears in water charges
1	2	3	4	5	6	7	8	9
Ahmednagar	1	Devlali Pravara	11.34	10.92	0.49	0.03	0.46	0.04
	2	Kopargaon	25.05	24.19	2.63	0.50	2.42	0.55
	3	Pathardi	7.71	9.98	1.59	1.06	0.40	0.11
	4	Rahata pimplas	0.00	0.00	0.00	0.00	0.00	0.00
	5	Rahuri	13.36	13.75	0.77	0.15	0.87	0.55
	6	Sangamner	32.21	24.62	3.30	0.62	2.28	0.58
	7	Shirdi	18.91	13.56	3.40	1.24	0.94	0.46
	8	Shrigonda	8.21	1.82	1.01	0.09	0.35	0.16
	9	Shrirampur	38.24	39.11	3.37	3.11	2.82	2.75
Dhule	10	Dondaicha Varwade	40.24	41.27	1.18	0.23	1.38	0.66
	11	Sindkheda NP	0.00	0.00	0.00	0.00	0.00	0.00
	12	Shirpur Waravade	53.02	45.90	1.81	0.05	1.69	0.03
Jalgaon	13	Amalner	40.16	35.57	3.22	1.54	2.16	0.96
	14	Bhadgaon	3.61	3.06	2.38	1.40	1.22	0.64
	15	Bhusaval	41.06	38.85	16.03	7.47	2.71	1.43
	16	Chalisgaon	53.91	52.30	3.55	0.79	1.65	0.19
	17	Chopada	15.17	13.76	2.00	0.60	1.37	0.37
	18	Dharangaon	2.40	4.32	0.99	0.35	0.61	0.18
	19	Erandol	11.61	11.35	0.88	0.08	0.68	0.02
	20	Faizpur	9.77	9.00	0.96	0.38	0.77	0.25
	21	Jamner	18.36	13.29	1.44	0.66	0.94	0.61
	22	Pachora	19.46	14.04	4.58	2.90	0.98	0.18
	23	Parola	5.05	9.23	1.21	0.48	0.84	0.35
	24	Raver	5.19	5.80	0.70	0.07	0.62	0.06

1	2	3	4	5	6	7	8	9
Jalgaon	25	Savda	4.76	4.64	0.68	0.13	0.45	0.03
	26	Yawal	8.88	8.93	0.62	0.05	0.48	0.04
Kolhapur	27	Gadhinglaj	10.24	10.08	2.04	0.43	0.78	0.20
	28	Ichalkaranji	147.25	127.77	14.90	2.47	5.82	1.70
	29	Jaysingpur	13.76	12.39	2.13	0.60	0.84	0.20
	30	Kagal	14.56	20.95	1.45	0.63	0.67	0.08
	31	Kurundwad	11.35	5.99	0.64	0.15	0.78	0.19
	32	Malkapur	1.54	1.37	0.28	0.01	0.09	0.01
	33	Murgud	6.87	5.76	0.20	0.02	0.23	0.00
	34	Panhala	3.43	2.79	0.13	0.08	WCNA	WCNA
	35	Vadgaon	12.78	9.39	0.67	0.15	0.44	0.14
Nandurbar	36	Nandurbar	21.20	24.22	4.86	0.85	1.88	0.26
	37	Navapur	4.47	5.13	1.48	0.77	0.51	0.20
	38	Shahada	9.26	9.33	2.10	0.69	1.98	0.95
	39	Taloda	4.42	5.24	0.83	0.38	0.33	0.21
Nashik	40	Bhagur	4.87	3.93	0.33	0.15	0.27	0.09
	41	Igatpuri	8.87	8.39	0.80	0.19	0.62	0.29
	42	Manmad	24.91	23.60	1.64	0.46	2.59	2.22
	43	Nandgaon	5.87	5.85	0.44	0.14	0.68	0.26
	44	Satana	11.86	11.30	9.43	8.17	0.64	0.19
	45	Sinner	17.49	16.70	5.05	1.24	1.59	0.20
	46	Trimbak	4.10	3.62	0.51	0.05	0.21	0.03
	47	Yeola	11.44	6.36	1.95	0.35	0.82	0.14
Pune	48	Alandi	0.06	0.04	0.03	0.01	0.01	0.00
	49	Baramati	31.81	35.19	4.18	1.46	1.43	0.45
	50	Bhor	7.74	9.08	1.09	0.50	0.82	0.47
	51	Daund	20.84	14.90	0.93	0.22	0.95	0.17
	52	Indapur	11.66	14.76	1.82	0.83	0.62	0.08
	53	Jejuri	6.19	8.53	0.65	0.26	0.31	0.10
	54	Junnar	8.62	5.29	1.03	0.28	0.72	0.21
	55	Lonavala	30.36	23.21	5.86	1.38	4.89	2.47
	56	Saswad	9.92	8.75	2.27	0.64	1.24	0.31

1	2	3	4	5	6	7	8	9
Pune	57	shirur	6.71	14.80	1.85	0.47	0.88	0.31
	58	Talegaon Dabhade	21.45	15.74	6.17	2.42	4.08	1.83
Ratnagiri	59	Chiplun	18.37	17.28	4.27	1.41	1.03	0.33
	60	Dapoli	6.87	5.34	1.18	0.35	0.33	0.12
	61	Devrukh NP	0.61	0.75	0.41	0.13	0.32	0.11
	62	Guhagar NP	0.64	1.32	0.14	0.01	0.14	0.01
	63	Khed	7.57	6.85	1.32	0.47	0.56	0.20
	64	Lanja NP	0.27	0.23	0.14	0.03	0.10	0.02
	65	Rajapur	7.78	8.27	0.46	0.12	0.27	0.10
	66	Ratnagiri	29.17	26.63	5.71	2.87	3.02	0.56
Raigad	67	Alibag	11.73	11.19	2.69	0.62	1.10	0.47
	68	Karjat	14.46	13.02	3.18	1.49	0.70	0.23
	69	Khopoli	43.75	39.51	5.84	1.94	1.01	0.31
	70	Mahad	10.53	8.08	2.53	1.10	0.57	0.23
	71	Matheran	4.44	9.26	0.22	0.04	0.00	0.00
	72	Murud-Janjira	3.38	3.30	0.54	0.21	0.24	0.04
	73	Panvel	74.06	59.06	10.84	3.87	4.40	1.20
	74	Pen	13.73	11.31	2.88	0.61	1.43	0.34
	75	Roha	14.32	9.58	2.14	0.43	0.79	0.13
	76	Shriwardhan	6.19	6.31	0.42	0.08	0.22	0.04
	77	Uran	11.80	11.10	2.05	0.58	1.68	0.61
Sangli	78	Ashta	19.30	20.33	0.83	0.38	0.26	0.10
	79	Islampur	20.09	17.83	1.92	0.57	1.93	0.26
	80	Jat	0.78	0.25	0.07	0.07	0.06	0.06
	81	Tasgaon	16.51	18.40	0.83	0.29	0.74	0.14
	82	Vita	23.89	20.80	2.36	1.60	1.73	0.36
Satara	83	Karad	29.17	42.19	0.04	0.01	0.03	0.01
	84	Mahabaleshwar	26.37	17.25	1.15	0.28	1.37	0.44
	85	Malkapur	7.79	6.31	1.60	0.38	0.96	0.02
	86	Mhaswad	7.77	2.75	0.45	0.10	0.56	0.22
	87	Panchgani	22.43	11.59	1.83	0.92	WCNA	WCNA
	88	Phaltan	24.45	23.05	3.55	1.07	1.85	0.86
	89	Rahimtpur	8.57	6.68	0.41	0.16	0.37	0.11

1	2	3	4	5	6	7	8	9
Satara	90	Satara	73.66	53.49	13.37	5.89	3.63	1.44
	91	Wai	13.53	13.05	1.79	0.37	1.18	0.36
Sindhudurg	92	Kankavali	5.76	2.41	0.56	0.05	0.16	0.05
	93	Malvan	7.34	6.74	0.72	0.08	0.26	0.02
	94	Sawantwadi	13.86	10.65	0.77	0.04	1.07	0.06
	95	Vengurla	8.85	3.63	0.55	0.10	0.16	0.00
Solapur	96	Akkalkot	0.00	0.00	0.00	0.00	0.00	0.00
	97	Barshi	58.00	50.87	6.59	2.52	6.73	3.16
	98	Dudhani	0.00	0.00	0.00	0.00	0.00	0.00
	99	Karmala	2.44	5.34	1.06	0.44	0.82	0.16
	100	Kurduwadi	8.94	8.82	0.81	0.35	1.60	0.33
	101	Mangalwedha	9.08	7.46	0.61	0.13	0.41	0.10
	102	Maindargi	3.77	3.24	0.20	0.10	0.18	0.03
	103	Pandharpur	42.40	44.68	4.19	1.59	2.89	1.29
Thane	104	Sangola	18.18	15.97	0.77	0.03	0.86	0.13
	105	Ambarnath	117.91	70.73	10.87	1.21	2.43	0.58
	106	Dahanu	14.59	18.76	2.85	0.36	1.09	0.59
	107	Jawhar	5.05	4.97	0.60	0.30	0.36	0.08
	108	Kulgaon Badlapur	108.04	113.40	9.77	2.22	WCNA	WCNA
Akola *	109	Palghar	16.72	10.97	7.91	4.28	1.70	0.96
	110	Akot	0.37	0.33	2.45	1.19	0.00	0.00
	111	Balapur	7.50	7.34	0.29	0.06	0.00	0.00
	112	Murtizapur	26.85	24.63	0.49	0.03	1.74	1.69
	113	Patur	0.00	0.00	0.00	0.00	0.00	0.00
Amravati	114	Telhara	16.53	7.00	0.33	0.07	0.48	0.07
	115	Chandur Rly	9.44	8.49	0.38	0.18	0.28	0.11
	116	Chikhali	37.52	0.24	1.97	0.89	1.08	0.68
	117	Dhamangaon Rly	10.90	9.66	0.95	0.62	0.52	0.14
	118	Achalpur	61.71	49.57	5.99	1.80	4.52	2.29
	119	Anjangaon	10.61	6.44	0.90	0.07	WCNA	WCNA
	120	Chandur Bazar	4.71	6.30	0.48	0.22	0.75	0.22
	121	Chikhaldara	5.00	5.21	0.24	0.06	WCNA	WCNA
	122	Daryapur	11.30	3.53	0.53	0.67	0.00	0.00
	123	Morshi	11.77	19.84	1.36	0.49	1.64	0.41
124	Warud	12.24	6.07	2.81	1.20	1.19	0.29	

1	2	3	4	5	6	7	8	9
Amravati	125	Shendurjanaghat	9.54	8.34	0.28	0.03	0.28	0.04
Aurangabad	126	Gangapur	9.60	7.82	0.58	0.22	1.19	0.92
	127	Kannad	8.14	6.48	1.08	0.60	1.51	1.04
	128	Khultabad	4.85	3.94	0.24	0.05	0.32	0.06
	129	Paithan	13.76	15.41	0.65	0.59	1.06	1.01
	130	Vaijapur	16.41	27.65	1.67	0.31	0.64	0.10
	131	Sillod	12.83	8.42	1.54	0.92	1.77	1.54
Beed	132	Ambejogai	20.39	14.92	2.56	0.22	3.04	0.57
	133	Kaij	7.15	7.15	3.11	2.30	1.21	0.63
	134	Beed	49.96	47.14	7.06	4.10	9.06	6.04
	135	Dharur	5.12	4.45	0.20	0.10	0.71	0.34
	136	Georai	10.04	6.09	0.76	0.48	1.48	1.02
	137	Majalgaon	5.67	8.22	0.45	0.02	1.93	1.69
	138	Parli Vajinath	42.19	17.94	2.73	1.24	2.29	1.36
Bhandara	139	Pavni	3.77	5.86	0.31	0.07	0.36	0.03
	140	Bhandara	45.68	46.81	2.23	0.61	1.93	0.49
	141	Tumsar	0.00	0.00	0.00	0.00	0.00	0.00
Buldhana	142	Buldana	23.77	30.76	3.63	0.82	1.57	0.52
	143	Deulgaon Raja	11.44	10.23	0.75	0.31	0.30	0.09
	144	Khamgaon	47.64	32.88	4.70	1.73	1.40	0.60
	145	Sindkhedraja	6.83	5.77	0.64	0.45	0.21	0.09
	146	Nandura	11.66	11.92	1.60	0.85	0.82	0.57
	147	Chikhali	37.52	24.42	1.97	0.89	1.08	0.68
	148	Malkapur	21.43	23.67	1.80	0.57	0.02	0.01
	149	Mehkar	34.99	16.02	1.45	0.12	0.92	0.08
	150	Lonar	0.00	0.00	0.00	0.00	0.00	0.00
	151	Shegaon	15.86	16.83	2.39	0.85	1.60	0.55
	152	Jalgaon Jamod	3.93	5.19	0.40	0.21	WCNA	WCNA
Chandrapur	153	Chandrapur	0.00	0.00	0.00	0.00	0.00	0.00
	154	Ballarpur	25.71	24.96	2.79	0.44	0.00	0.00
	155	Bhadrawati	17.04	22.10	1.37	0.43	0.54	0.26
	156	Brahmapuri	18.45	8.26	1.97	0.71	0.60	0.25
	157	Mul	7.80	5.89	0.95	0.34	0.42	0.19
	158	Rajura	17.87	10.65	0.76	0.10	0.39	0.06

1	2	3	4	5	6	7	8	9
Chandrapur	159	Warora	7.87	0.12	0.01	0.00	0.01	0.00
Gadchiroli	160	Desaiganj	14.49	16.32	0.44	0.03	0.39	0.12
	161	Gadchiroli	15.95	16.59	2.34	0.59	0.71	0.20
Gondia	162	Tirora	20.67	28.65	0.73	0.25	0.00	0.00
	163	Gondia	111.33	107.77	8.26	4.88	0.00	0.00
Hingoli	164	Hingoli	9.86	8.28	1.70	0.42	1.71	0.64
	165	Kalamnuri	5.64	5.50	0.17	0.03	0.29	0.18
	166	Basmath	17.90	20.91	2.62	1.78	1.12	0.77
Jalana	167	Bhokardan	0.43	2.86	0.31	0.07	0.29	0.12
	168	Partur	4.23	7.61	0.27	0.03	0.30	0.08
	169	Jalna	0.53	0.60	0.26	0.20	0.06	0.05
	170	Ambad	7.28	0.26	0.34	0.11	0.70	0.51
Latur	171	Latur	0.00	0.00	0.00	0.00	0.00	0.00
	172	Ahmedpur	10.67	7.09	0.61	0.02	0.73	0.03
	173	Ausa	6.61	6.01	0.48	0.02	0.63	0.41
	174	Nilanga	9.48	6.24	4.22	3.68	4.24	3.62
	175	Udgir	28.73	23.19	2.60	0.49	1.77	0.62
Nagpur	176	Kalmeshwar	10.82	11.76	0.77	0.09	0.82	0.07
	177	Kamptee	15.60	18.06	1.27	0.73	3.44	2.49
	178	Katol	30.56	30.95	1.74	0.33	0.93	0.12
	179	Mowad	6.56	1.32	0.12	0.02	0.11	0.01
	180	Narkhed	12.81	15.63	0.69	0.34	0.52	0.21
	181	Umred	37.55	30.87	1.47	0.54	0.88	0.28
	182	Saoner	35.42	14.23	1.47	0.53	0.45	0.04
	183	Khapa	13.65	11.11	0.20	0.03	0.20	0.09
	184	Ramtek	8.34	4.56	0.48	0.04	0.47	0.18
	185	Mohapa	10.83	6.30	0.14	0.02	0.10	0.01
Nanded	186	Billoli	3.89	5.33	0.38	0.04	0.54	0.14
	187	Loha	0.36	6.08	0.33	0.09	0.17	0.06
	188	Degloor	12.01	11.22	0.60	0.09	1.11	0.41
	189	Dharmabad	10.89	3.94	0.15	0.02	0.33	0.07
	190	Hadgaon	5.01	0.81	0.33	0.09	0.64	0.37
	191	Kandhar	4.99	5.33	0.38	0.04	0.54	0.14
	192	Kinwat	8.41	5.84	0.49	0.09	0.23	0.08
	193	Mudkhed	12.11	44.78	0.20	0.03	0.27	0.05

1	2	3	4	5	6	7	8	9
Nanded	194	Mukhed	13.35	9.15	0.68	0.25	0.69	0.36
	195	Umari	2.71	6.53	0.17	0.03	0.23	0.02
	196	Bhokardan	0.00	0.00	0.00	0.00	0.00	0.00
	197	Mahur	0.00	0.00	0.00	0.00	0.00	0.00
	198	Ardhapur	0.00	0.00	0.00	0.00	0.00	0.00
	199	Kundalwadi	1.57	2.30	0.16	0.09	0.17	0.11
Osmanabad	200	Kallam	7.43	5.57	0.47	0.16	0.91	0.56
	201	Omerga	7.69	8.09	0.76	0.26	0.55	0.28
	202	Paranda	6.95	13.05	0.25	0.04	0.16	0.06
	203	Tuljapur	4.21	9.02	0.22	0.06	0.45	0.08
	204	Bhoom	6.16	5.11	0.41	0.12	0.73	0.29
	205	Murum	4.11	5.22	0.16	0.05	0.23	0.05
	206	Naldurg	4.22	4.81	0.12	0.02	0.17	0.02
Parabhani	207	Gangakhed	12.54	12.76	0.35	0.23	1.22	0.91
	208	Purna	6.55	4.47	0.53	0.09	0.31	0.15
	209	Sonpeth	6.79	7.56	0.12	0.02	0.10	0.02
	210	Jintur	13.58	0.00	0.62	0.29	1.51	1.03
	211	Selu	11.98	11.97	1.14	0.54	2.40	2.23
	212	Manwath	0.10	0.12	0.00	0.00	0.01	0.00
	213	pathri	8.49	7.18	0.35	0.12	0.28	0.09
Wardha	214	Hinganghat	0.00	0.00	0.00	0.00	0.00	0.00
	215	Arvi	8.75	7.56	0.75	0.14	0.02	0.00
	216	Pulgaon	0.00	0.00	0.00	0.00	0.00	0.00
	217	Wardha	0.00	0.00	0.00	0.00	0.00	0.00
	218	Sindi	6.00	5.20	0.40	0.17	0.30	0.13
	219	Deoli	0.00	0.00	0.00	0.00	0.00	0.00
Washim *	220	Mangrulpir	11.71	12.27	0.90	0.21	0.35	0.16
	221	Karanja Lad	22.18	21.02	2.45	1.06	WCNA	WCNA
	222	Risod	12.14	11.30	2.13	0.55	0.57	0.15
	223	Washim	57.42	35.86	8.40	5.06	2.12	1.58
Yawatmal	224	Yavatmal	31.00	63.29	10.52	7.22	WCNA	WCNA
	225	Darwaha	8.31	7.70	0.55	0.06	0.78	0.64
	226	Digras	17.19	16.60	0.00	0.00	0.00	0.00
	227	Ghatanji	6.37	5.98	1.09	0.71	0.33	0.10
	228	Pandharkawda	19.03	16.39	1.03	0.23	0.68	0.04

1	2	3	4	5	6	7	8	9
Yawatmal	229	Pusad	23.83	22.44	0.90	0.18	1.62	0.46
	230	Umarkhed	21.98	14.58	1.29	0.52	0.72	0.37
	231	Wani	9.60	8.62	1.91	1.17	0.87	0.24
	232	Ner Nababpur	8.78	3.71	0.49	0.11	0.55	0.15
	233	Arni	5.74	3.71	0.81	0.33	0.91	0.53
Total			3701.94	3296.82	410.98	156.83	215.57	91.86

(Source: Information received from respective Municipal Councils)

Information wherever not furnished by any Municipal Council has been indicated as '0'.

WCNA= Water Charges not applicable as water is being supplied by Maharashtra Jeevan Pradhikaran

Appendix X					
<i>(Reference: Paragraph 3.2.2.1; Page No. 23)</i>					
Statement showing non-return/short-return of interest on cancelled/curtailed projects					
(₹ in crore)					
Sl. No.	Name of the ULB	Name of the project	Interest worked out at 12.5 per cent*	Interest refunded	Outstanding interest
1	2	3	4	5	6
1.	SRA, Nagpur	Jay Bajrang Nagar (cancelled)	1.77	0.73	1.04
		North Zone Nagpur (cancelled)	3.23	0	3.23
		Nagpur-3 (Curtailed)	0.09	0	0.09
		Nagpur-2 (Curtailed)	1.25	0	1.25
		Nagpur-6 (Curtailed)	0.47	0	0.47
		Nagpur (W) (Curtailed)	3.76	0	3.76
		Nagpur-4 (Curtailed)	0.9	0	0.9
2.	Amravati Municipal Corporation	Phase-I (Cancelled)	1.77	0	1.77
		Phase-II (Cancelled)	1.53	0	1.53
3.	Nashik Municipal Corporation	Bhimwadi & Shivajiwadi (cancelled)	5.01	1.97	3.04
4.	Malegaon Municipal Corporation	Phase-VIII (cancelled)	2.21	0.98	1.23
5.	Pune Municipal Corporation	Kondhawa (cancelled)	3.71	0	3.71
		Lohgaon (cancelled)	7.91	0	7.91
		Kothrud (cancelled)	2.97	0	2.97
		Hadapsar (curtailed)	4.28	0	4.28
		Street Vendors (cancelled)	0.14	0	0.14
6.	NMMC	BSUP project, Phase-I (cancelled)	11.44	7.75	3.69
	Total		52.44	11.43	41.01

* At Prime Lending Rate

Source: CSMC minutes and information collected by audit from ULBs/statutory agencies

Appendix XI					
(Reference: Paragraph 3.2.2.1; Page No. 23)					
Statement showing non-return of accrued interest on BSUP/IHSDP grants					
(₹ in crore)					
Sr. No.	Name of ULB	Grant received by ULBs (Central /State)	Accrued interest on parked grants	Interest refunded	Out- standing interest amount
1.	Kolhapur Municipal Corporation	21.33	3.13	0	3.13
2.	Ashta Municipal Council (Sangli)	24.94	1.08	0	1.08
3.	Malegaon Municipal Corporation (Nashik)	133.85	5.14	3.53	1.61
4.	Dondaicha Municipal Council (Dhule)	54.23	0.48	0	0.48
5.	Dhule Municipal Corporation	53.75	0.31	0	0.31
6.	Jamner Municipal Council (Jalgaon)	18.99	0.56	0	0.56
7.	Amalner Municipal Council (Jalgaon)	9.71	0.1	0	0.1
8.	Aurangabad Municipal Corporation	5.88	1.4	0	1.4
9.	Latur Municipal Corporation	54.53	0.49	0	0.49
10.	Naldurg Municipal Council (Osmanabad)	9.29	0.24	0	0.24
11.	Buldhana Municipal Council	23.77	1.22	0	1.22
12.	Mira Bhayander Municipal Corporation	48.22	7.35	0	7.35
13.	Nashik Municipal Corporation	115.25	10.48	0	10.48
14.	Nanded Waghala Municipal Corporation	495.69	10.67	0	10.67
	Total	1069.43	42.65	3.53	39.12

Source: Information furnished by ULBs

Appendix-XII

(Reference: Paragraph 3.3.1; Page No.24)

Statement showing cancelled/curtailed BSUP-IHSDP projects

Sl. No.	Name of ULBs / Cancelled BSUP Project	No. of DUs sanctioned	Date of sanction	No. of DUs cancelled/ curtailed	Project cost	GoI share	GoM share	ULB and beneficiaries Share	Date of cancellation	Reasons for cancellation/ curtailment	(₹ in crore)
1	2	3	4	5	6	7	8	9	10	11	11
BSUP (cancelled/curtailed projects)											
1.	Navi Mumbai MC (01 project)	13600	28.11.06	13600	299.80	139.44	80.42	79.93	12.09.11	NMMC undertook (November 2006) construction of 13,600 DUs at a cost of ₹ 299.80 crore under BSUP. NMMC could not implement the project as the land belonged to CIDCO which did not hand over the proposed site. NMMC surrendered the grants (January 2009/ May 2010) to the SLNA. The project was entrusted to CIDCO (August 2010) by the State Government but till February 2014, the project has not been commenced by CIDCO.	

1	2	3	4	5	6	7	8	9	10	11
2.	Pune MC (07 projects)	32953	28.08.06 to 28.11.06	26650	300.69	144.09	93.57	63.02	12.09.11 to 03/2013	The Municipal Corporation cancelled/curtailed execution of 26,650 of 32,953 DUs sanctioned under BSUP on the plea of non-availability of land, resistance from land owners for delay in getting compensatory Transfer of Development Rights, price escalation <i>etc.</i> This clearly indicated poor planning and lack of coordination in implementation of the projects.
3.	Pimpri Chinchwad MC (02 projects)	18290	06.10.07 to 24.02.09	11570	597.65	239.47	143.14	215.05	12.09.11 to 03.12.13	Of the 18,290 DUs sanctioned, 5,040 DUs meant for Pimpri Chinchwad New Town Development Authority project was cancelled due to non-availability of land and beneficiaries' reluctance to shift and construction of 6,530 out of 13,250 DUs for EWS project could not commence for want of clear site and the State Government submitted to CSMC (December 2013) proposal for cancellation of the work.
4.	Nagpur (Statutory Agency) (08 projects)	15907	28.11.06 to 21.02.09	11526	449.29	231.03	197.07	21.20	12.09.11 to 19.07.12	Resistance from beneficiaries for relocation, tenant rights issues, high rise/monolithic concrete construction method <i>etc.</i>

1	2	3	4	5	6	7	8	9	10	11
5.	Nashik MC (05 projects)	9280	28.11.06	4800	85.82	46.84	22.12	16.86	12.09.11 and 19.07.12	Non-availability of land and inavailability of ULB to relocate the project site and change in location, opposition from nearby residents <i>etc.</i>
	Total for BSUP project	90030		68146	1733.25	800.87	536.32	396.06		
IHSDP (cancelled/curtailed projects)										
6.	Amravati MC (03 projects)	4251	22.10.08 to 28.01.09	4251	95.44	56.12	35.38	3.93	30.5.11 to 19.07.12	The Municipal Corporation proposed execution of three projects comprising construction of 4,251 DUs (October 2008/January 2009) under IHSDP on private and State Government land involving 3.52 ha and 19.99 ha respectively. However, no effective steps were taken for transfer of State Government land as well as acquisition of private land though the same was proposed in DPRs. The projects were cancelled in May 2011 and July 2012. As a result, the beneficiaries remained deprived of the benefits of the projects.

1	2	3	4	5	6	7	8	9	10	11
7.	Katol Municipal Council (01 project)	1418	27.02.07	683	9.15	7.58	1.29	0.29	31.3.12	The selection of site was not proper. The site in question was not free from encumbrances and land use was not taken into account by the consultant while submitting DPR. ULB had penalized the consultant but the project was curtailed.
8.	Narkhed Municipal Council (01 project)	680	15.05.07	69	1.72	0.53	1.20	Included in State Share	19.07.12	69 out of 680 proposed DUs were cancelled as they fell in the low-line area, which was not found fit for construction.
	Total for IHSDP project	6349		5003	106.31	64.23	37.87	4.22		
	Grand Total for BSUP and IHSDP projects	96379		73149	1839.56	865.10	574.19	400.28		

Source: CSMC minutes and replites furnished by ULBs/statutory agencies

Appendix-XIII

(Reference: Paragraph 3.3.2: Page No. 24)

Statement showing non-commencement of works in test-checked projects

Sl. No.	Name of ULBs/Statutory agencies	Name of test-checked project	Date of sanction/Revision	Sanctioned/ Revised project cost (₹ in crore)	No. of DUs finally taken up for execution	DUs completed	DUs allotted	DUs in progress	DUs not started	Sanctioned cost of non-started DUs (₹ in crore)	Reasons for non-commencement of works
1	2	3	4	5	6	7	8	9	10	11	12
1.	Mumbai Board of MHADA	LIG housing for mill workers	14.12.2006	737.78	8082	6948	2683	00	1134	113.62	Non-transfer of respective textile mill land to Mumbai Board of MHADA.
		Transit Shelters	14.12.2006		3918	3204	2616	00	714		
2.		Permanent Transit Shelters	14.12.2006	245.53	6832	6549	4750	72	211	7.58	Non-availability of clear site.
3.	MBMC	MBMC	11.11.2009	279.55	4136	0	0	1082	3054	205.07	Delay in construction of transit shelters and non-shifting of beneficiaries form construction sites.
4.	Thane MC	Thane-I	28.2.2012	193.91	4621	2387	1332	1964	270	11.33	Tendering process started.
5.	KDMC	KDMC-I	06.12.2007	338.88	8142	307	300	3650	4185	174.18	Non-availability of clear site and dispute on price escalation with contractors.
6.		Yerawada	05.02.2009	140.82	4000	2099	2099	1191	710	24.99	Delay in payment of contribution and submission of required documents by beneficiaries.
7.	Pune MC	Pune-Dormitory	14.12.2006	5.26	1594	0	0	289	1305	4.31	Land problem and escalation in cost of work.
8.		Hadapsar	9.11.2012	39.83	2408	1748	407	660	0	0	Construction delayed due to land problems and escalation in cost of work.

1	2	3	4	5	6	7	8	9	10	11	12
9.	PCMC	EWS	06.10.2007	228.08	6720	5580	1554	426	714	24.23	Non-acquisition of designated lands.
10.		PCMC-II	28.09.2006	94.98	4960	1540	1040	700	2720	52.09	Construction of DUs started without obtaining NOC from Defence authorities. Matter is sub-judice.
11.	KBMC	KBMC-I	29.12.2008	77.33	1634	460	0	560	614	29.06	Change in construction site due to encroachment on designated land.
12.	Nashik MC	Chunchale: I, II and III	28.11.2006	125.35	6000	1280	800	2480	2240	46.8	Uneven site condition and dispute between NMC and the contractor for payment of price escalation.
13.		New Nashik (CIDCO)	19.7.2012	67.29	2800	1,100	340	360	1340	32.2	Non-availability of designated land, public agitation against execution of project at designated site, change of site etc.
14.	SRA, Nagpur	Nagpur- III	23.2.2012	56.88	1017	398	398	446	173	9.68	Reluctance of beneficiaries to shift to DUs in multi-storied buildings.
15.		Nagpur SRA (PPP)	19.7.2012	116.72	1694	0	0	160	1534	105.7	Poor response to PPP project, delay in getting environment clearance and building plans.
16.	Nanded MC	Integrated Housing- I	29.12.2006	87.06	4132	2933	2933	722	477	10.05	Delay in selection of beneficiaries, getting beneficiaries contribution etc.
17.		Integrated Housing- II	20.12.2007	256.83	7820	4756	4599	1571	1493	49.03	Delay in selection of beneficiaries, getting beneficiaries contribution etc.
18.		NTC project	18.12.2009	217.01	5136	0	0	00	5136	217.01	Non transfer of National Textile Mill/Gurudwara lands as proposed in DPR, Court cases etc.
Total (BSUP)				3309.09	85646	41289	25851	16333	28024	1116.93	
IHSDP											
19.	Wai (Council)	Wai	03.02.2009	6.89	342	0	0	168	174	3.51	Encroachment on proposed site, delay in changing of nature of reservation of land, beneficiaries reluctance etc.
20.	Kolhapur MC	Kolhapur	12.12.2006	8.60	761	761	724	0	0	0	Project completed.
21.		Sangli MC	26.02.2009	93.88	3798	0	0	1395	2403	59.4	Opposition from beneficiaries for ground floor DUs, land problems etc.

1	2	3	4	5	6	7	8	9	10	11	12
22.	Ashta (Council)	Ashta	27.02.2007	15.99	1256	1204	1175	52	0	0	Work in progress.
23.	Malegaon MC	Malegaon-III	15.01.2009	28.24	1440	1344	0	0	96	1.88	Delay in vacating encroachments on site, uneven site condition and relocation of site.
24.		Malegaon-V	15.01.2009	29.31	1440	720	0	432	288	5.86	
25.		Malegaon-XIX	23.03.2012	53.05	1440	0	0	240	1,200	44.21	
26.	Dondicha (Council)	DPR-II	10.12.2008	23.97	1050	998	998	52	0	0	Work in progress.
27.		Dhule-I	28.02.2009	23.58	966	906	276	60	0	0	Work in progress.
28.	Dhule MC	Dhule-II	13.03.2012	34.96	1200	0	0	480	720	20.98	Poor response in tendering and delay in award of contracts.
29.	Jammer (Council)	Jammer	29.11.2007	15.61	1238	1104	0	134	0	0	Work in progress.
30.	Amalner (Council)	Amalner	28.02.2009	12.05	462	414	0	48	0	0	Work in progress.
31.	Aurangabad MC	Aurangabad	27.02.2007	11.84	617	288	256	11	318	6.1	Beneficiaries' contribution not received.
32.	Naldurg (Council)	Naldurg	9.01.2008	20.69	1206	302	0	76	828	14.21	No clear land was available due to encroachments.
33.	Anjangaon (Council)	Anjangaon Surji	10.12.2008	21.91	816	0	0	124	692	18.58	Non transfer of designated Government land.
34.	Chandur Railway (Council)	Chandur Railway	16.12.2008	6.82	347	231	0	88	28	0.55	Late receipt of grants and beneficiaries' willingness to construct DUs themselves.
35.	Murtijapur (Council)	Murtijapur-I	10.12.2008	24.56	1003	198	80	344	461	11.29	Government land not transferred to ULBs though taken up with the Collectorate.
36.		Murtijapur-II	20.3.2012	21.34	620	0	0	18	602	20.72	Government land not transferred to ULBs though taken up with the Collectorate.

1	2	3	4	5	6	7	8	9	10	11	12
37.	Buldhana (Council)	Buldhana-I	19.10.2007	12.52	892	762	679	130	00	0	Allotment of work to beneficiaries in lieu of contractor.
38.	Khamgaon (Council)	Khamgaon I	27.02.2008	27.37	1430	922	162	508	0	0	Work in progress.
39.		Khamgaon-II	20.03.2012	22.24	710	22	0	27	661	20.71	Work in progress.
40.	Lonar (Council)	Lonar	22.10.2008	17.84	700	126	0	210	364	9.28	Work in progress.
41.	Katol (Council)	Katol	01.05.2012	10.53	735	644	525	13	78	1.12	Work in progress.
42.		Narkhed-I	19.07.2012	6.95	611	444	421	4	163	1.85	Grants received very late resulting in late payment to contractor. Later on, the contractor demanded current rate for balance construction which was not accepted by the ULB.
43.	Narkhed (Council)	Narkhed-II	30.05.2011	36.85	1603	0	0	285	1318	30.3	Beneficiaries were constructing the DUs however, cost overrun made them reluctant for opting the scheme thereby delaying the work.
44.		Bhandara-I	30.09.2008	22.99	1169	650	201	51	468	9.2	Delay in tendering process and poor response from bidders.
45.	Bhandara (Council)	Bhandara-II	30.05.2011	38.75	1544	128	0	371	1045	26.23	Delay in tendering process and poor response from bidders.
46.	Wardha (Council)	Wardha	30.07.2008	12.50	634	346	0	72	216	4.26	Work in progress.
47.	Pulgaon (Council)	Pulgaon	26.11.2008	8.12	302	102	0	18	182	4.89	Land problem.
48.	Sawantwadi (Council)	Sawantwadi	27.02.2008	1.34	62	62	62	0	0	0	Project completed.
Total (IHSDP)				671.29	30394	12678	5559	5411	12305	315.13	
Grand Total (BSUP+IHSDP)				3980.38	116040	53967	31410	21744	40329	1432.06	

Note: Of the 51 test-checked projects, two were infrastructure projects (there was no construction of DUs) and one project was cancelled. Of the 48 projects, in two projects (Sl. No. 20 and 48), there was no delay in commencement of DUs and all the DUs were completed.

Source: CSMC minutes, monthly progress reports and replies furnished by ULBs/statutory agencies

Appendix-XIV (Reference: Paragraph 3.4.1; Page No.31)										
Statement showing delay in award of works in test-checked projects leading to cost overrun (₹ in crore)										
Sl. No.	Name of ULB	Name of project (Date of sanction)	DUs sanctioned	Sanctioned cost	Actual number of DUs for which contracts were awarded	Proportionate sanctioned cost of reduced number of DUs	Date of award of work	Cost of work awarded	Cost overrun	Time overrun (months)
1	2	3	4	5	6	7	8	9	10 (Col 9 – Col 7)	11 (Col 8- Col 3)
1.	Latur MC	Infra projects (28.1.2009)	Infra project	51.67	Infra project	51.67	05.12.2009	56.83	5.16	10
2.	KBMC	KBMC-I (29.12.2008)	1634	70.3	1634	70.3	03.06.2010	74.74	4.44	17
3.	KDMC	KDMC-I (06.12.2007)	8142	322.74	8142	322.74	17.6.2008	400.46	77.72	06
4.	MBMC	MBMC (11.11.2009)	4136	279.55	4136	279.55	25.12.2010 to 24.1.2011	330.55	51	13
5.	PCMC	EWS (06.10.2007)	13250	312.26	6720	158.37	02.03.2009	382.32	223.95	16
		PCMC-II (29.09.2006)	4960	94.97	4960	94.97	11.12.2007	149.37	54.40	14
6.	NMC	Chunchate I, II, III (28.11.2006)	6,000	113.11	6000	113.11	14.05.2008	157.39	44.28	17
Total			38122		31592				460.95	

Source: CSMC minutes and information collected by audit from ULBs

Appendix XV*(Reference: Paragraph 4.2.4.2; Page No.48)***Components sanctioned under Guru-ta-Gaddi****(₹ in lakh)**

Sl. No.	Components	Grant received	Expenditure incurred	Balance as on May 2013
1	Land Acquisition	8,491.51	7,622.85	868.66
2	Housing Unit R&R Site	871.34	869.93	1.41
3	Infrastructure at R&R Site	740.39	610.01	130.38
4	Camp Sit Roads	1,010.00	917.65	92.35
5	Construction of road on both side of Lalwadi RUB	86.67	86.67	00.00
6	Up gradation & Renovation of Municipal Hospitals	701.53	701.04	0.49
7	Sanitation work on Gurudwara Darshan Marg, Gurudwara Area and Camp Site Roads	50.00	62.94	-12.94
8	Street Light in Camp Site Area and on main roads in the City	31.98	31.09	0.89
9	Fire Fighting arrangements & equipments purchase	118.00	104.67	13.33
10	Purchase of Equipments for prevention of fire and honorarium to fire employees	21.18	21.18	00.00
11	Purchase of Portable Sign Boards	9.95	9.93	0.02
12	Hire charges of vehicles for Government deputed employees	26.86	26.86	00.00
13	Purchase of equipments by Camp Officer for camp Management	6.08	5.98	0.10
14	Model Camp	32.35	32.35	00.00
Total		12,197.84	11,103.15	1,094.69

₹ 868.66 lakh was surrendered to Collector, Nanded between June 2008 and November 2009 and the unspent balance was ₹ 226.03 lakh (₹ 1094.69 lakh - ₹ 868.66 lakh)

Source: Information provided NWCMC

Appendix XVI (Reference : Paragraph 4.6 ; Page No.55)									
Statement showing details of contracts concluded for various components of swimming pool and their status									
Sl. No	Name of Work	Contract value (₹ in Lakh)	Name of contractor	Date of issue of work order	Period and stipulated date of completion	Extension granted up to	Actual date of completion	Payment made up to October 2013 (₹ in lakh)	Remarks
1.	Construction of swimming pool tank(First Phase)	76.54 (restricted to ₹ 50 lakh)	Gupta Construction	16/12/2004	Six months 15/06/2005	15/04/2006	4/04/2006	49.95	Work partially completed. Finishing work and water supply work could not be completed due to fund constraints.
2.	Cement Concrete pavement	20.87	Praveen R. Gedam	27/06/2006	Four months 26/10/2006	26/01/2007	25/01/2007	18.85	Completed
3.	Bath houses and remaining civil work	23.96	Junnaid Construction	21/09/20 07	Four months 20/01/2008	20/07/2008	14/07/2009	22.30	Completed
4.	Installation and commissioning of water filtration plant	12.27	Chlorination Engineering	19/07/2007	Two months 18/09/2007	--	--	9.00	Work stopped due to change in design.
	Total	107.10						100.10	

Source: Information provided by NIT

Glossary

Acronyms and abbreviations

Term	Extended form
ADB	Asian Development Bank
BDO	Block Development Officer
BDS	Budget Distribution System
BOOT	Built, Operate, Own and Transfer
BoQ	Bill of Quantities
BOT	Built Operate and Transfer
BPMC	Bombay Provincial Municipal Corporation
BRGF	Backward Regions Grant Fund
BSUP	Basic Services for Urban Poor
CAFO	Chief Accounts and Finance Officer
CAO	Chief Accounts Officer
CDM	Clean Development Mechanism
CEO	Chief Executive Officer
CERs	Certified Emission Reductions
CIDCO	City and Industrial Development Corporation
CSMC	Central Sanctioning and Monitoring Committee
CSR	Current Schedule of Rates
DBOOT	Design, Build, Own, Operate and Transfer
DLACs	District Level Audit Committees
DLFA	Director Local Fund Audit
DLFA	Director Local Fund Accounts Audit
DMA	Director Municipal Administration
DPR	Detailed Project Report
DPRs	Detailed Project Reports
DRDA	District Rural Development Agency
DU	Dwelling units
EE	Executive Engineer
ERPA	Emission Reductions Purchase Agreement
EWS	Economically Weaker Section
FFC	Fact Finding Committee
GoI	Government of India
GoM	Government of Maharashtra
GPs	Gram Panchayats
GTG	Gur-ta-Gaddi
HoDs	Head of Departments

Term	Extended form
HUDCO	Housing and Urban Development Corporation Ltd.
IHSDP	Integrated Housing and Slum Development Programme
IL&FS	Infrastructure Leasing and Financial Services Ltd
IT	Information Technology
JNNURM	Jawaharlal Nehru National Urban Renewal Mission
KBMC	Kulgaong Badlapur Municipal Council
KDMC	Kalyan Dombivali Municipal Corporation
LBs	Local Bodies
LBT	Local Body Tax
LD	Liquidated Damages
LIG	Low Income Group
LoI	Letter of Intent
MA	Mobilization Advance
MBMC	Mira Bhayandar Municipal Corporation
MCA	Municipal Chief Auditor
MCGM	Municipal Corporation of Greater Mumbai
MHADA	Maharashtra Housing and Area Development Authority
MIDC	Maharashtra Industrial Development Corporation
MMC	Mumbai Municipal Corporation
MMCA	The Maharashtra Municipal Corporations Act
MoHUPA	Ministry of Housing and Urban Poverty Alleviation
MPCB	Maharashtra Pollution Control Board
MSEDCL	Maharashtra State Electricity Distribution Company
MSRDC	Maharashtra State Road Development Corporation
MSW	Municipal Solid Waste
MWH	Montgomery Watson Hazra
MZP&PS	Maharashtra Zilla Parishads and Panchayat Samitis
NCCM	Nagpur City Municipal Corporation
NGO	Non Government Organization
NHAI	National Highway Authority of India
NIT	Nagpur Improvement Trust
NMAM	National Municipal Accounts Manual
NMC	Nagpur Municipal Corporation
NMMC	Navi Mumbai Municipal Corporation
NOCs	No Objection Certificates
NP	Nagar Panchayats
NWCMC	Nanded Waghala City Municipal Corporation
PCMC	Pimpari Chinchawad Municipal Corporation
PCNTDA	Pimpari Chinchawad New Town Development Authority

Term	Extended form
PDD	Project Design Document
PMC	Project Management Consultants
PPP	Public Private Partnership
PRIs	Panchayati Raj Institutions
PSs	Panchayat Samitis
PTT	Permanent Transit Tenements
PWD	Public Works Department
RCC	Reinforced Cement Concrete
RV	Rateable value
SE	Superintending Engineer
SFC	State Finance Commission
SLNA	State Level Nodal Agency
SLSC	State Level Steering Committee
SRA	Slum Rehabilitation Authority
SSC	Structural Stability Certificates
SWD	Strom Water Drain
SWPS	Storm Water pumping station
TISS	Tata Institute of Social Sciences
TPIMA	Third Party Inspection and Monitoring Agency
TS	Transit Shelters
UDD	Urban Development Department
UIG	Urban Infrastructure Governance
ULBs	Urban Local Bodies
UNFCCC	United Nations Framework Convention on Climate Change
VDO	Village Development Officer
VP	Village Panchayat
YASHDA	Yashwantrao Chavan Academy of Development Administration
ZP	Zilla Parishad