

# **CHAPTER IX**

## **OTHER IMPORTANT CASES**

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### OTHER IMPORTANT CASES

#### KOLKATA MUNICIPAL CORPORATION

##### 9.1 **Extension of undue benefit to a private medical research institute**

Kolkata Municipal Corporation leased out a prime piece of land to a private medical research institute (MRI) irregularly and reduced the lease rent by one third. Corporation did not take adequate measures to safeguard its financial interest and suffered loss of revenue on multiple fronts.

Kolkata Municipal Corporation (KMC) decided in September 1999 to develop a piece of land (measuring 57.06 *katha*- approx 3820 m<sup>2</sup>)<sup>82</sup> located at New Alipore by establishing a commercial complex along with a medical diagnostic complex and air conditioning community hall on Build-Operate-Transfer (BOT) basis. Audit observed the following irregularities in implementation of the Project

##### 9.1.1 **Selection of the BOT operator and allotment of work**

KMC executed<sup>83</sup> (June 2000) an agreement with a private construction agency, being the successful bidder out of three bidders, for development of the said premises.

The offer of the Agency to KMC included:

- 1423.32 m<sup>2</sup> of space or ₹ 1.5 crore in lieu of the space in four equal installments;
- Air conditioned community centre and diagnostic centre measuring 2000 m<sup>2</sup>;
- Ten numbers of open car parking space measuring 1500 sq. ft. for exclusive use of KMC.

Further, the agency would lease out the leftover space (after leaving the KMC share in terms of their offer) for 99 years at a price as may be fixed by them and a monthly rent of ₹ 50 per m<sup>2</sup> of built up area was to be paid to KMC. The rent was subject to revision every five years at the discretion of KMC.

Initially, the project was to be completed within two years which was later extended for one more year. However, first agency, after two and half year after

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<sup>82</sup> 71/1, Humayun Kabir Sarani formerly G Block New Alipore, Kolkata - 700 033.

<sup>83</sup> Vide MIC resolution item No. M216.10 dated 4 February 2000.

the agreement, assigned (March 2003) all the rights and obligations of the agency to another private agency. However, as per clause 17 of the original agreement between KMC and first agency, the agency had no power to sell, mortgage, create charge, give lease or transfer the premises.

Further, after six months, the assignee (*i.e.* second agency) was amalgamated<sup>84</sup> with a private medical research institute (MRI) and the latter acquired all rights and obligations under the development programme. But as per clause 17 of the original agreement<sup>85</sup>, first agency had no power to sell, mortgage, create charge, give lease or transfer the premises.

Consequent upon the merger, KMC entered (August 2004) into a lease deed with the private MRI and leased out the land to it for 99 years, renewable for another two terms of 99 years on satisfactory performance of the lessee.

Acceptance of assignment deed between the two agencies and subsequently entering into lease agreement with MRI on the basis of assignment deed and amalgamation was irregular as only the first was selected through a competitive bidding process.

Moreover, the main objective of the development of the land was to establish a commercial complex with a medical diagnostic center and air conditioned community hall (the last two were to be owned and operated by KMC) and all the floors of the said commercial complex were to be used for purposes as specified in the building plan approved by KMC. However, MRI carried out the construction of the complex with a view to set up a multi specialty hospital in place of commercial complex without taking prior approval from KMC authority for such deviation.

Even the monthly rental of covered area was slashed from ₹ 50 per m<sup>2</sup> per month to ₹ 50 per m<sup>2</sup> per quarter inclusive of all rates taxes and other obligations like municipal taxes, surcharges, etc.

KMC, in its reply, justified (September 2013) such deviation stating that super specialty hospital means and includes a diagnostic centre within it and that as per social objective necessity and importance of a super specialty hospital prevails over necessity of a commercial complex.

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<sup>84</sup> In terms of order of High Court, Kolkata dated 24 September 2003.

<sup>85</sup> Between KMC and first agency.

However, after taking over all the rights and obligations, changed the objectives of the project and approval of the authority (who had approved the project initially *i.e.* MIC / BOC) for such deviation was not on record.

Apart from this, KMC also leased out 2000 m<sup>2</sup> area reserved for its own use to MRI (without inviting tender) for 99 years at a one time consideration of ₹ two crore<sup>86</sup> and waived off even quarterly rent for that area.

KMC stated that the prevailing social condition in the area of project was not congenial to run any establishment smoothly and the portion (2000 m<sup>2</sup>) allotted to KMC would hardly have a forward buyer, being located at extreme corner of New Alipore.

Audit observed that KMC, in fact, had contradicted its own original proposal wherein the same area had been described as “the busiest part of South Calcutta having a high potential of business opportunity”.

Thus, the decision of KMC, regarding leasing out of 2000 m<sup>2</sup> built up portion, was not based on fact and the decision for leasing out 2000 m<sup>2</sup> area at a price was not based on commercial consideration.

### 9.1.2 Short realisation of ₹ 2.89 crore towards lease rent

As per the lease agreement between KMC and first agency, the lease rent was fixed at ₹ 50 per m<sup>2</sup> per month on built up area. However, KMC leased out the same to MRI @ ₹ 50 per m<sup>2</sup> per quarter (inclusive of all municipal taxes) on built up area. As a result, MRI would pay only one third of the original lease rent.

Thus, due to reduction of lease rent, KMC had to incur loss of ₹ 2.89 crore<sup>87</sup> till March 2013.

KMC (September 2013) stated that lease deed was duly executed by the highest authority and had been duly registered and a legal document should sustain as per law unless it was rescinded by appropriate provision of law. KMC further added

<sup>86</sup> @ ₹ 10000 per m<sup>2</sup> *i.e.* ₹ 930 per sq. ft.

<sup>87</sup> Lease rent has been calculated w.e.f. 1 January 2004 as Revised scheduled date of completion was 6 November 2003:  
Built up area = 7816 m<sup>2</sup>. Total number of months from January 2004 to March 2013 = 111 months;  
Total rent @ ₹ 50 / m<sup>2</sup> / month = ₹ 50 X 7816 m<sup>2</sup> X 111 months = ₹ 43378800;  
Total lease rent as per lease agreement with MRI (from January 2004 to March 2013) = ₹ 50 X 7816 m<sup>2</sup> X 37 quarters = ₹ 14459600  
Reduction in lease rent = ₹ 43378800 – ₹ 14459600 = ₹ 28919200.

that the lease deed was now under active consideration to protect the interest of KMC legally and suitably.

Though the lease deed (signed on 16 July 2005) was signed by the Municipal Commissioner, neither there was any recorded justification for reduction of the lease rent nor for indicating that the lease rent was inclusive of all municipal taxes. Apart from the above, Municipal Commissioner also did not put his initials on each page of the contract and the 'specimen form for ten fingerprints' (attached with the lease deed) was also left blank which leaves scope for manipulation by way of unauthorized addition and alteration in the terms and conditions of lease deed.

Audit scrutiny also revealed that the market value of the property (on which development project was undertaken on BOT model) in 2005 was ₹ 45.92 crore and KMC leased out such a prime land at a price below the market value as it could receive only ₹ three crore till date. KMC, therefore, did not take adequate measures to safeguard its interest.

KMC stated (September 2013) that land was leased out on the basis of open tender and in compliance with the provisions of KMC Act, 1980.

The project was, however, to be executed on BOT basis not on lease basis.

### **9.1.3 Unrealized lease rent of ₹ 4.34 crore**

Audit scrutiny revealed that the lease rent (para 9.1.1), even on quarterly basis, remained unrealised as of March 2013. Subsequent to amalgamation of second agency with MRI, the latter had acquired all the rights and obligations of the former towards the project.

Further, the MRI did not pay any lease rent till date on the pretext that the building was incomplete. But Audit noticed that the hospital of the MRI got ISO certification in December 2006 and it was also a CGHS (Central Government Health Scheme) empanelled hospital. Therefore, plea of MRI was without any basis. Nevertheless, since the scheduled date of completion of the project was 6 November 2003 (revised), the lease rent became due from December 2003 onwards. Thus, the lease rent payable by MRI from January 2004 to March 2013 was ₹ 4.34 crore (as per original agreement), which remained unrealised till date. KMC did not initiate any action to realise the lease rent.

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KMC stated (September 2013) that authority was giving due consideration against any revenue loss and initiate lawful measures to make good any loss.

#### **9.1.4 Loss of ₹ 1.70 crore due to wrong fixation of lease rent**

The quarterly lease rent payable by MRI (*i.e.* ₹ 50 per m<sup>2</sup>) was inclusive of all municipal taxes. Authority under which such fixation was carried out was not available on records. It was also not clear as to how the revenue would be distributed under the heads ‘rent’ and ‘municipal taxes’.

Further, the annual valuation of the hospital building stood at ₹ 4087500. Thus, quarterly property tax including surcharge stood at ₹ 459844<sup>88</sup>. This way, a total of ₹ 1.70 crore was realizable from MRI had the rent not been fixed inclusive of municipal taxes. Interestingly, the amount of municipal tax (₹ 1.70 crore) receivable from the building was more than the amount of rent (₹ 1.45 crore) receivable in terms of lease agreement.

Thus, KMC committed itself to suffer recurring annual loss.

KMC stated (September 2013) that concept of municipal tax was not considered in the MIC agenda (approved on 30 September 1999) and was on the basis of offer made by the party through open tender.

The reply does not synchronize with terms and conditions of the original agreement signed between first agency and KMC wherein it was mentioned that a monthly rent of ₹ 50 per m<sup>2</sup> of built up area would be paid by the lessee to KMC. Further, such action was taken without approval of the competent authority.

#### **9.1.5 Loss of revenue amounting to ₹ 85.48 lakh on account of building plan sanction fee**

Due to multiple deviations from the development agreement and change in nature of use of the complex, MRI should have got the building plan sanctioned from KMC for constructing hospital building and completion certificate before putting the building to use. However, it did not obtain the sanction of building plan and completion certificate. Total amount of building plan sanction fee and fee for issuing completion certificate payable was ₹ 85.48 lakh (**Appendix-29**) which

<sup>88</sup> AV assessed by KMC = ₹ 4087500; Property Tax = 40% of 4087500 = ₹ 1635000; Surcharge = 25% X 50% X ₹ 1635000 = ₹ 204375; Total municipal tax = ₹ 1635000 + ₹ 204375 = ₹ 1839375 per annum. Quarterly municipal tax = ₹ 1839375 / 4 = ₹ 459844  
Total Number of quarters (from April 2004 to March 2013) = 37  
Total municipal tax (from January 2004 to March 2013) = ₹ 459844 X 37 = ₹ 17014228.

was not realised from MRI. KMC also did not take any action to collect the above amount.

#### **9.1.6 Payment of ₹ 30 lakh by MRI to KMC**

As per the development agreement, a sum of ₹ 1.50 crore would be paid by the first agency to KMC in four equal installments and the same development agreement was to be honored by second agency and subsequently by MRI. However, KMC could realize only ₹ 1.20 crore as of March 2013 and an amount of ₹ 30 lakh remained unrealised till date. KMC did not take any action to realize the outstanding dues.

KMC admitted (September 2013) the above.

#### **9.1.7 Conclusion**

KMC leased out a prime piece of land at a price below the market price and allowed the agency to change the aspect of development thereby frustrating the objectives of the project. KMC leased out 2000 m<sup>2</sup> of area without market survey. These, coupled with wrong fixation of lease rent, jeopardized financial interests of KMC.

#### **9.2 Non-recovery of Cess amounting to ₹ 41.34 crore resulting in loss of municipal revenue of ₹ 41.34 lakh**

Kolkata Municipal Corporation did not collect cess of ₹ 41.34 crore at the time of sanctioning building plans during 2008-09 to 2011-12 and suffered loss of ₹ 41.34 lakh towards cost of collection.

In terms of Section 3 (1) of the Building and Other Construction Workers' Welfare Cess Act, 1996, a cess shall be levied and collected at such rate not exceeding two *per cent*, but not less than one *per cent*, of the cost of construction incurred by an employer.

The Section 3 (2) of the Act, *ibid*, further prescribes for advance collection of cess through a local authority where approval of building or other construction work by such local authority is required.

The State Government stipulated (December 2007) that for every Urban Local Body (ULB), construction contractor and individual, who employ workers in any building or construction work in relation to his own residence, shall be liable to

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pay a cess at the rate of one *per cent* of the cost of construction incurred by them, if the cost exceeds ₹ 10 lakh. The ULBs shall collect the cess through demand drafts alongwith the applications for sanctioning building plans.

Scrutiny of records revealed that Kolkata Municipal Corporation sanctioned 10623 building plans<sup>89</sup> during the period from 2008-09 to 2011-12 and the construction cost for the said buildings was ₹ 4134.12 crore as detailed below:

**Table 40**

Year	Area sanctioned u/s 393 <sup>90</sup> of KMC Act	Area sanctioned u/s 394 or u/s 72 <sup>91</sup> of KMC Act	Total area sanctioned	Cost of Construction <sup>92</sup>	Cess to be collected (@1% of total cost of Construction)
	(In m <sup>2</sup> )				
2008-09	1651214.144	176949.776	1828163.92	9872085168.00	98720851.68
2009-10	1602905.399	61374.753	1664280.15	8987112820.80	89871128.21
2010-11	1963205.64	230538.61	2193744.25	11846218966.20	118462189.66
2011-12	1892133.64	77459.18	1969592.82	10635801211.80	106358012.12
<b>Total</b>			<b>7655781.14</b>	<b>41341218166.80</b>	<b>413412181.67</b>

(source : Records of KMC)

As such KMC was to collect cess amounting to ₹ 41.34 crore at the rate of one *per cent* of the estimated cost of construction (i.e. ₹ 4134.12 crore). Thereafter, KMC was required to deposit the cess with the Board retaining one *per cent* with them as cost of collection<sup>93</sup>.

On the other hand, violation of the Government orders and non-collection of the cess amounting to ₹ 41.34 crore, denied the social welfare for workers intended under the Act. KMC also lost the opportunity to earn revenue of ₹ 41.34 lakh<sup>94</sup> towards cost of collection.

KMC replied that decision (August 2013) to impose labour cess with effect from 1 September 2013 had since been taken.

KMC further stated (September 2013) that there was previously no procedure for collection of Labour Cess and the owner / developer / contractor perhaps deposited Labour Cess directly to the Labour Welfare Board.

The reply is not tenable as onus of collecting the cess was bestowed on the ULB and not on the individual owner / developer / contractor.

<sup>89</sup> Having construction cost of ₹ 10 lakh and above.

<sup>90</sup> For erection of building.

<sup>91</sup> For addition to or repairs of buildings.

<sup>92</sup> Computed at the minimum rate of ₹ 5400 per m<sup>2</sup> for IPS flooring.

<sup>93</sup> Vide memo No. 6895 – F dated 11.09.06 of Finance Department, Government of West Bengal.

<sup>94</sup> @ of one *per cent* of total cess collected.



### **9.3 Unauthorized expenditure on repairing and maintenance of bridges / flyovers - ₹ 53.18 lakh**

Kolkata Municipal Corporation executed repairing and maintenance works in nine bridges / flyovers during the period February - March 2012 beyond its jurisdiction. As a result, the entire expenditure of ₹ 53.18 lakh incurred by KMC from its revenue fund for this purpose was unauthorized.

As per Section 344 of the Kolkata Municipal Corporation (KMC) Act, 1980, all public streets, squares, parks and gardens vested in the Corporation shall be under the control of the Municipal Commissioner and he shall cause the same to be maintained, controlled and regulated in accordance with the provisions of the KMC Act and the Rules and the Regulations made there under. Section 346 of the Act, *ibid*, stipulates that public streets should be classified in six categories, *viz.* Category I : Arterial roads, Category II : Sub-arterial roads, Category III : Collector roads, Category IV : Local roads, Category V : Pedestrian pathways and Category VI : Footpaths. Hence, bridges and flyovers are not classified as public streets in terms of the KMC Act.

Moreover, as per Comprehensive Mobility Plan (CMP)<sup>95</sup> for Kolkata Metropolitan Area (KMA), the main functions of KMC (statutory local authority) are:

- ‘repair and maintenance of roads belonging to KMC’,
- ‘implementation agency for planning regulations’, and
- ‘coordination and supporting all utility diversion work related to road infrastructure construction’.

Thus, repairing and maintenance of bridges and flyovers was not the responsibility of KMC in the CMP for KMA.

In September 2011, an action plan<sup>96</sup> (comprising of medium and short term action plans) was drawn up for ‘Urban Beautification’. Under short term action plans, the duties of KMC were limited to cleaning of roads, dustbins and pay-n-use toilets only.

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<sup>95</sup> Paragraph 2.7 (Institutional set-up for managing urban transportation) of the Comprehensive Mobility Plan (CMP) for Kolkata Metropolitan Area (KMA), August 2008 (an initiative of the Government of West Bengal).

<sup>96</sup> Source: ‘Proceedings of 1<sup>st</sup> Meeting of Committee on Urban Beautification held on 10 September 2011’ issued by the Urban Development Department, Government of West Bengal, under endorsement No. 2104-S / UD dated 15 September 2011.

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However, scrutiny of records revealed that KMC executed repairing and maintenance related works in nine bridges / flyovers during the period February – March 2012 and incurred an expenditure of ₹ 53.18 lakh from its revenue fund as detailed below.

**Table 41**

Sl. No.	Borough No.	Nature of work	Under jurisdiction of	Cost* (₹ in lakh)
1	VIII	Colouring and painting at <i>Dhakuria</i> Bridge	Kolkata Improvement Trust (KIT)	8.89
2		Painting of <i>Bijon Setu</i> - both side of railway line		10.22
3		Painting of <i>Gariahat</i> fly-over	Howrah River Bridge Corporation	9.88
4 (i)	IX	Maintenance & painting of <i>Durgapur</i> Bridge at Right Flank	Kolkata Metropolitan Development Authority (KMDA)	2.93
4 (ii)		Maintenance & painting of <i>Durgapur</i> Bridge at Left Flank		3.30
5		Maintenance & painting of <i>Chetla</i> Bridge	KIT	2.52
6		Maintenance of <i>Zerut</i> Bridge at <i>Alipore</i> Road	Irrigation & Waterways Directorate (I & W)	8.51
7		Maintenance of <i>Kalighat</i> Bridge at Judges Court Road	I & W / KIT	1.00
8	X	Painting of roadside guard rail of bridge and kerb stone at <i>Mondal Para</i> Bridge on P.A. Shah connector	KMDA	1.35
9		Repairing and painting of <i>Jibananda Setu</i> on P. A. Shah Connector	KMDA	4.58
<b>Total</b>				<b>53.18</b>

*\*Including contingency expenses, etc.*

When pointed out, KMC could not show (March 2013) any provision of Act, Notification, etc. by which the above bridges / flyovers were vested in KMC. KMC also could not furnish (March 2013) any document which authorized it to maintain the above bridges / flyovers. On the contrary, KMC stated (March 2013) that ‘as per direction of authority<sup>97</sup>, repairing of railing, colouring, painting, road surface repairing works in some cases were undertaken by KMC from time to time’.

It seems KMC executed the works beyond its jurisdiction. As a result, the entire expenditure of ₹ 53.18 lakh incurred by KMC from its revenue fund for this purpose, is unauthorized.

<sup>97</sup> Authority means (i) the Corporation, (ii) MIC, (iii) the Mayor and (iv) Municipal Commissioner as well as other senior officials time to time by issuing different circulars.

## KULTI MUNICIPALITY

### 9.4 Idle expenditure - ₹ 0.79 crore

Kulti municipality procured 35 Auto Tippers at the cost of ₹ 0.79 crore but failed to utilize the same even for a single day since last four and half years resulting in idle expenditure.

With an objective to improve the urban infrastructure and Municipal service delivery levels, Government of India, along with the states and ULBs are implementing the Jawaharlal Nehru National Urban Renewal Mission (JNNURM). The JNNURM seeks to improve the levels of municipal services including Municipal Solid Waste Management (MSWM) by providing reform-linked funding for the implementation of urban infrastructure projects.

Asansol urban area comprising of five ULBs<sup>98</sup> was identified as a city eligible under the JNNURM scheme. A City Development Plan (CDP) was prepared for obtaining funding under this scheme. The vision for SWM as proposed in the CDP was as under :

*“To put in place an effective solid waste management system aimed at minimizing manual handling. 100% waste collection and transportation of the waste, recycling of the waste and conservation of the environment and 100% compliance with various regulatory stipulations”.*

Accordingly, Asansol Durgapur Development Authority (ADDA) prepared (October 2006) a Detailed Project Report (DPR) to implement the vision of the CDP in its totality.

In DPR, there was a provision, *inter-alia*, for 46 auto-tippers for collection and transportation of solid waste within HIG / MIG<sup>99</sup> / Uneven terrain of Kulti municipality.

Audit noticed that Kulti municipality received an amount of ₹ 1.40 crore<sup>100</sup> from ADDA for implementation of the scheme. Subsequently, the municipality procured (February 2008 & July 2008) 35 auto tippers<sup>101</sup> at a cost of ₹ 0.79 crore. The municipality placed the auto-tippers at the disposal of councillors of 35 wards (between May 2008 and February 2010) for collection and transportation of solid

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<sup>98</sup> Asansol, Durgapur, Jamuria, Kulti & Raniganj.

<sup>99</sup> High Income Group / Middle Income Group.

<sup>100</sup> ₹ 0.98 crore from Central Government + ₹ 0.42 crore from State Government.

<sup>101</sup> 12 auto-tipper @ ₹ 2.08 lakh & 23 auto-tippers @ ₹ 2.34 lakh.

waste within their respective wards. But audit noticed that the municipality neither booked any expenditure (like emoluments of drivers, cost of fuel and repair & maintenance) nor involved any private agency for operation of these auto-tippers till date (November 2012). This implies that the municipality could not utilize auto-tippers even for a single day and kept the entire fleet of auto-tippers inoperative since their procurement thereby rendering the entire expenditure of ₹ 0.79 crore idle.

Moreover, due to lack of operation and maintenance for such a long period, the entire fleet of auto-tippers was in a poor condition which cast serious doubt over their gainful utilization in future.

Municipality accepted (November 2012) the observation and blamed ADDA for the failure as ADDA kept the provision for the auto-tippers in the DPR without ascertaining operational viability of these auto-tippers in the Kulti municipal area.

#### **ULUBERIA MUNICIPALITY**

##### **9.5 Wasteful expenditure - ₹ 34.60 lakh**

Uluberia municipality, for house to house collection of solid waste, procured containers worth ₹ 41.60 lakh in advance without ascertaining immediate need and dumped the containers in the open resulting in damage of containers worth ₹ 34.60 lakh.

To implement Solid Waste Management (SWM) programme under Jawaharlal Nehru Urban Renewal Mission, Uluberia municipality decided (January 2010) to procure containers for house to house collection of solid waste. Subsequently, the municipality issued (March 2010) order for supply of 122000 containers<sup>102</sup> at the cost of ₹ 97.60 lakh<sup>103</sup> to a private agency. But audit noticed that the municipality procured<sup>104</sup> only 52000 containers and paid an amount of ₹ 41.60 lakh for the same. The containers were procured without ascertaining immediate requirement as the municipality could not formulate any SWM scheme in accordance with the Municipal Solid Wastes (Management & Handling) Rules, 2000, till December 2012.

The municipality did not make any arrangement for safe storage of the containers. The entire stock was dumped in open air (at the rooftops of the municipal

<sup>102</sup> 10 liter capacity.

<sup>103</sup> @ ₹ 80 per container.

<sup>104</sup> Between April 2010 and August 2010.

buildings) exposing it to temperature and humidity / rainfall causing wear and tear.

Scrutiny of the stock register revealed that municipality issued 8750 containers (between April 2012 and May 2012) to the councillors of different wards but no utilization certificates /signature of the recipient of those containers was available with the municipality (December 2012). However, 43250 containers<sup>105</sup> remained stacked in the same condition till December 2012. There was no record in support of physical verification having been carried out by the Municipal Authority during the entire period under reference. During a joint physical verification, it was found that the containers were badly damaged, due to improper stacking for more than two years since procurement, rendering them useless as shown in the photographs below.



Damaged containers stacked on the rooftop of Municipal Buildings (December 2012)

Thus, huge quantity of containers remained unutilized for more than two years<sup>106</sup> and their stacking on the open rooftops and subsequent damage led to wasteful expenditure of ₹ 34.60 lakh to the Uluberia municipality.

The municipality admitted (December 2012) the above.

<sup>105</sup> Ascertained from the stock register.

<sup>106</sup> From April 2010 & August 2010 (containers procured) to December 2012.

## TAHERPUR NOTIFIED AREA AUTHORITY

### 9.6 Excess expenditure of ₹ 5.42 lakh

The Taherpur Notified Area Authority incurred excess expenditure of ₹ 5.42 lakh while paying honorarium to the *Sahayikas* of *Sishu Siksha Kendra* for the months of April & May 2010.

*Sishu Siksha Kendra* (SSK) scheme was launched with an objective to bring all children between 5-9 years in the municipal area under primary education. In terms of memorandum of understanding signed (21 April 2004), PBRPSUS<sup>107</sup> and Department of Municipal Affairs are jointly responsible for planning, monitoring, supervision and administration of the scheme in the Municipal areas of the State. For proper implementation of the scheme, Taherpur Notified Area Authority (TNAA) had engaged 27 *Sahayikas* for its nine SSKs who were being paid honorarium @ ₹ 4000 per month. Therefore, the actual amount of honorarium due to 27 *Sahayikas* for two months was ₹ 2.16 lakh<sup>108</sup>. However, scrutiny of records revealed that TNAA withdrew (May 2010) an amount of ₹ 5.50 lakh through self cheque<sup>109</sup> from IHSDP<sup>110</sup> account for payment of honorarium/arrear remuneration to 27 *Sahayikas* for the months of April & May 2010 and subsequently, disbursed (24 May 2010) ₹ 4.32 lakh as honorarium / arrear remuneration to the *Sahayikas* for the said months as recorded in the payment side of the Cash Book.

Audit further noticed that TNAA had also withdrawn (May 2010) an amount of ₹ 3.26 lakh through self cheque<sup>111</sup> and had disbursed (19 May 2010) the same as honorarium to the *Sahayikas* again for the months of April & May 2010.

Thus, against the actual requirement of ₹ 2.16 lakh, TNAA withdrew and made an excess payment of ₹ 5.42 lakh (₹ 4.32 lakh + ₹ 3.26 lakh - ₹ 2.16 lakh) towards honorarium / arrear remuneration to SSK *Sahayikas* for the months of April & May 2010.

The above discrepancies / irregularities were pointed out in June 2012. The reply of TNAA is still awaited (June 2013).

<sup>107</sup> *Paschim Banga Rajya Prarambhik Sishu Siksha Unnayan Sanstha.*

<sup>108</sup> @ ₹ 4000 per month X 2 months X 27 *Sahayikas* = ₹ 2.16 lakh.

<sup>109</sup> Cheque No. 190868 dated 24 May 2010.

<sup>110</sup> Integrated Housing and Slum Development Programme.

<sup>111</sup> *Vide* cheque No. 188818 dated 19 May 2010 from account No. 13700 (A&OE).

## **KHARAGPUR MUNICIPALITY**

### **9.7 Loss of ₹ 27.98 lakh**

Kharagpur municipality did not take any tangible action for reduction of contract load in order to cut down the huge demand towards electricity charges. This resulted in payment of excess demand charges due to which the municipality suffered an outright loss of ₹ 27.98 lakh during 2010-12.

On the basis of anticipated load of KVA<sup>112</sup>, Kharagpur municipality fixed an agreed contract demand for purchasing bulk electricity from WBSEDCL<sup>113</sup> for its water supply points at *Jharia*<sup>114</sup> for 1000 KVA and *Cheripal*<sup>115</sup> for 700 KVA. Accordingly, WBSEDCL made arrangement for the required high tension power supply for the said locations. WBSEDCL claimed charges on the contract demand (*i.e.*, at least 85 *per cent* of contract demand) regardless of actual consumption of the contract demand.

The municipality did not assess its actual requirement since commencement (March 1999) of supply to these points and confirmed (May 2012) payment according to the contract demand which was much higher than its actual requirement in respect of both the points.

Audit noticed that the Board of Councillors resolved (July 2010) to send a reminder to the WBSEDCL for reduction of contract load. But no tangible action in this regard could be taken till date (May 2012).

Thus, due to payment of such excess demand charges, the municipality suffered an outright loss of ₹ 27.98 lakh (**Appendices-30A & 30B**) during 2010 – 12.

Further, the actual amount of loss suffered by the municipality since March 1999 could not be ascertained as the requisite information was not made available to audit.

The municipality stated (May 2012) that the actual requirement could not be calculated due to non-availability of electrical engineer.

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<sup>112</sup> Kilo-volt Ampere.

<sup>113</sup> West Bengal State Electricity Distribution Company Limited.

<sup>114</sup> Consumer No: C21112.

<sup>115</sup> Consumer No: C21013.

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The reply corroborated the fact that original contract agreement entered into with WBSEDCL was not based on actual assessment.

### 9.8 **Avoidable payment of late payment surcharge – ₹ 45.81 lakh**

Kharagpur municipality failed to pay its electricity bills regularly which not only increased its liability to the tune of ₹ 430.87 lakh but also it had to make an avoidable payment of ₹ 45.81 lakh towards LPSC as of March 2012.

Kharagpur municipality entered (March 1999) into an agreement<sup>116</sup> with WBSEDCL for supply of bulk electricity for its water supply pumps at *Jharia* and *Cheripal*. As per agreement, the municipality was liable to make the payment of monthly electricity bills each month within the schedule date of the bill or within the notice period of the bill failing which power supply was liable to be discontinued.

However, the municipality did not pay its monthly electricity bills regularly in respect of the said water supply pumps since April 2000 and this resulted in accumulation of huge outstanding dues amounting to ₹ 1118.79 lakh<sup>117</sup> as of 31 March 2012.

Audit noticed that the aforesaid sum included an amount of ₹ 430.87 lakh towards Late Payment Surcharge (LPSC) which the WBSEDCL had been charging @ 24 per cent<sup>118</sup> per annum due to delayed payment of electricity bills. Scrutiny further revealed that as soon as the payment against any old bill was made, WBSEDCL included LPSC for such late payment in the bills for immediate following month. The municipality had paid a sum of ₹ 45.81 lakh during the period August 2003 to February 2011 on account of LPSC.

Thus, failure of municipality to pay its electricity bills regularly not only increased its liability to the tune of ₹ 430.87 lakh (LPSC) but also it had to make an avoidable payment of ₹ 45.81 lakh towards LPSC as of March 2012. Besides, the municipality is also required to pay the LPSC in future also till the outstanding amount is completely liquidated and final amount of LPSC is likely to increase.

<sup>116</sup> Copy of agreement was not made available.

<sup>117</sup> Outstanding electricity charges amounting to ₹ 687.92 lakh + outstanding Late Payment Surcharge amounting to ₹ 430.87 lakh.

<sup>118</sup>  $0.0667\% \times 365 \text{ days} = 24\%$ .



The municipality admitted (May 2013) the above and attributed the huge outstanding dues to poor collection of water charges against high operational and maintenance cost.

### **DURGAPUR MUNICIPAL CORPORATION**

#### **9.9 Wasteful expenditure – ₹ 29.55 lakh**

Durgapur Municipal Corporation could not implement 3<sup>rd</sup> phase of BSUP project which rendered the entire expenditure of ₹ 29.55 lakh incurred on preparation of the DPR wasteful.

Central Sanctioning & Monitoring Committee (CSMC), sanctioned (February 2009) an amount of ₹ 4465.62 lakh in favour of Durgapur Municipal Corporation (DMC) for implementation of 3<sup>rd</sup> phase of BSUP under JNNURM.

Meanwhile, DMC engaged an outside agency for preparation of Detailed Project Report (DPR) for BSUP and paid (February & March 2009) an amount of ₹ 29.55 lakh<sup>119</sup> to the agency for the purpose.

Kolkata Metropolitan Development Authority (State Level Nodal Agency of the programme) released (May 2009) an amount of ₹ 893.12 lakh<sup>120</sup> (1<sup>st</sup> installment of BSUP phase – III) to Asansol Durgapur Development Authority (ADDA)<sup>121</sup> who in turn allotted (July 2009) the said amount to DMC for execution of the programme.

Audit noticed that DMC refunded (February & April 2012) the entire amount of ₹ 893.12 lakh to ADDA in two installments<sup>122</sup> expressing its inability to implement the project due to many reasons like time constraint, unwillingness of beneficiaries, non-availability of land, etc.

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<sup>119</sup> Including income tax @ 10.30 per cent.

<sup>120</sup> ₹ 558.20 lakh (Central share) + ₹ 334.92 lakh (State share).

<sup>121</sup> State Government had decided that ADDA would monitor / implement the JNNURM projects in Asansol Agglomeration Area and would give technical assistance, if required. Accordingly, all the projects (both BSUP and UIG) were being monitored by Asansol Durgapur Development Authority since March 2008.

<sup>122</sup> ₹ 558.20 lakh (Central share) on 9 February 2012 & ₹ 334.92 lakh (State share) on 11 April 2012.

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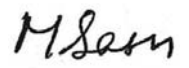
Thus, failure on the part of DMC to assess the ground reality before going ahead with the preparation of the DPR rendered the entire expenditure of ₹ 29.55 lakh wasteful.

DMC did not furnish any reply.

Kolkata  
The  
06 AUG 2014

  
(P. K. Das)  
Examiner of Local Accounts  
West Bengal

Kolkata  
The  
06 AUG 2014

  
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Principal Accountant General  
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