

CHAPTER VI

AUDIT OF TRANSACTIONS

JALGAON MUNICIPAL CORPORATION

6.1 Solid Waste Management Project in Jalgaon Municipal Corporation

Failure to prepare a time bound action plan for segregation of municipal solid waste and its disposal by Jalgaon Municipal Corporation resulted in violation of MSW (M&H) Rules besides exposing people to the danger of environmental pollution and health hazards.

With rapid urbanization, the problem of disposal of solid waste has become a matter of prime concern to the Urban Local Bodies (ULBs). Unscientific handling, storage, collection and disposal of solid waste is fraught with the risk of environmental and public health hazards as some waste can be extremely toxic and infectious. Uncontrolled and unscientific dumping of such waste is hazardous to human health especially through contamination of surface and ground water. The responsibility for proper and scientific management of solid waste is that of the municipal authority. Ministry of Environment and Forests has also brought into effect the Municipal Solid Waste (Management and Handling) (MSW (M&H)) Rules 2000⁵⁵ for the management of solid waste by Municipal Corporations and Municipal Councils.

In Jalgaon Municipal Corporation (JMC), 130 tonnes of MSW (including agriculture waste) is being generated daily and the same is being disposed of by the Corporation in an unorganized and unscientific manner by dumping on the outskirts of the municipal area. In order to comply with the MSW (M&H) Rules 2000, JMC entered into an agreement with a contractor (May 1999) for setting up an Agricultural Waste Processing Plant on Build Own Operate and Transfer (BOOT) basis. The first phase involving production of organic fertiliser was to be taken up by using the agricultural/banana waste generated in the municipal area. The agreement for setting up the plant, *inter alia*, included that (a) the contractor will receive a minimum of 150 tonnes per day of agricultural waste, consisting primarily of regional banana waste and a smaller quantity of town vegetable and fruit waste (b) JMC will offer whatever assistance within their capacity in helping the contractor to find suppliers of agricultural and vegetable waste (c) JMC will deliver agricultural, fruit and vegetable waste to the plant site at a cost of Rs 50 per tonne within the

⁵⁵ Municipal Solid Waste (Management and Handling) Rules 2000

municipal area. From the revenue generated by sale/export of organic fertiliser, the second phase was to be constructed for processing the town's domestic waste. In the third phase, a Primary Sludge Treatment Plant was to be set up where the town's sewage was to be processed to separate the water and sludge. The first and second phases were to be completed within six years i.e. by 2005 and the third phase within nine years i.e. by 2008 subject to the completion of a feasibility study.

Audit scrutiny of records of the Health Department of JMC revealed that although the work of phase I had been completed in 2001, the plant did not function efficiently as the Corporation had failed to ensure availability of requisite quantity of segregated agricultural waste to the contractor. The BOOT contractor had to shut down the plant from July 2003. As a result, the second and third phases could not commence. Meanwhile, Maharashtra Pollution Control Board (MPCB) directed the Corporation in December 2003 to prepare a time bound plan for management of MSW. However, even after a lapse of over three years, the Corporation continued with the old practice of dumping municipal solid waste unscientifically without ensuring safety. No system had been put in place till date for collection, segregation and disposal of municipal solid waste as required under the MSW (M&H) Rules, 2000.

The Corporation, in its reply accepted that the required quantity of segregated agricultural waste could not be made available as the waste collected included mud, plastic and paper. It further stated (May 2007) that a contract for door-to-door collection of waste was under finalization. Besides, an agreement had been entered into with another firm on Build Operate and Transfer (BOT) basis for treatment of MSW.

The reply of the Corporation is not tenable as the failure of the Corporation to ensure the availability of required amount of segregated agricultural waste to the contractor resulted in shutting down of the plant. Besides, by failing to draw up a time bound action plan for collection and segregation of MSW and its proper disposal, the Corporation not only violated the MSW (M&H) Rules, but also continued to expose the population to the dangers of environmental pollution and consequent public health hazards.

The matter was referred to Government in February 2007; reply had not been received (December 2007).

6.2 Irregular utilisation of Eleventh Finance Commission grants

Contrary to EFC guidelines, Jalgaon Municipal Corporation paid electricity and water bills amounting to Rs 80.81 lakh.

As per the recommendations of the Eleventh Finance Commission (EFC), the Central Government released grants to local bodies during the period from

2000-01 to 2004-05. These grants were required to be utilized for the maintenance of civic services in rural and urban areas such as primary education, primary health care, safe drinking water, street lighting, sanitation including drainage and scavenging facilities, public conveniences, cremation and burial grounds and other common property resources. The works undertaken were to be other than those which were covered under the regular schemes of the State or Central Government.

Audit scrutiny revealed that Jalgaon Municipal Corporation (JMC) had received EFC grants of Rs 4.02 crore between June 2002 and September 2005. Out of these, funds to the tune of Rs 80.81 lakh were diverted towards recurring expenditure like payment of electricity and water bills during the year 2004-05 which was irregular.

In reply, the Corporation stated that the expenditure had been incurred with the approval of the Collector, Jalgaon and the Director of Municipal Administration, Mumbai.

The reply is not tenable as spending EFC grants on recurring items like electricity and water bills instead of utilising them for maintenance of civic services was against the guidelines for utilization of EFC grants. The irregular diversion of funds also resulted in delay in implementation of developmental works to that extent.

The matter was referred to Government in February 2007; reply had not been received (December 2007).

BRIHAN MUMBAI MUNICIPAL CORPORATION

6.3 Delay in completion of works and commissioning of completed works

The Brihan Mumbai Municipal Corporation abandoned three sewerage projects due to non-clearance of encroachments, litigations and non-payment of contractor's dues. The delay in commissioning two completed projects for two to three years resulted in blocking of funds of Rs 61.83 lakh and wasteful expenditure of Rs 1.12 crore.

According to the provisions contained in Sections 245 and 246 of the Mumbai Municipal Corporation Act, 1888, the Brihan Mumbai Municipal Corporation (BMC) is responsible for providing proper sewerage facilities as well as facilities for treatment of sewage in the city of Mumbai.

With a view to improving sewerage facilities, BMC had taken up (December 2001 to March 2003) five works for providing and laying sewerage lines in the

eastern suburbs of Mumbai (L & M (East) Ward) at a total cost of Rs 2.47 crore. The works were to be completed within a period of eight to 10 months.

Scrutiny of the records of BMC revealed the following :

(i) Non commissioning of completed projects for two to three years

Out of the five works started in 2002-03, two works in Ward- L and M (East) estimated to cost Rs 45.76 lakh and Rs 38.88 lakh respectively were completed in November 2003 and June 2004. The expenditure incurred on these works as of May 2007 was Rs 28.11 lakh and Rs 33.72 lakh respectively. However, the sewer lines could not be made functional till March 2007 as the contractor had not completed the formalities relating to handing over of the completed projects to the Sewerage Operation Department* as was required under the agreement. This resulted in blocking of funds of Rs 61.83 lakh incurred so far.

On this being pointed out, the Executive Engineer stated that though the sewerage lines were hydraulically tested and were ready to be commissioned, the completed projects were not handed over because the contractors had failed to submit the completion report of the project. The contractor had been orally instructed to hand over the completed works at the earliest.

The reply is not tenable as delay in operationalisation of sewerage lines even after the completion of work, had resulted not only in the blocking of funds, but had also deprived the public of proper sewerage facilities. These lapses were indicative of poor planning and monitoring by the Corporations.

The comments of the Commissioner were awaited.

(ii) Delay in completion of works

BMC initiated two works of providing and laying sewerage lines at Ward M (East) in March 2002 at a total cost of Rs 1.37 crore. The work was awarded to two contractors and was to be completed within a period of nine months. Similarly, the work of providing and laying sewerage lines at Ward L was awarded to another contractor in November 2003 at a cost of Rs 24.97 lakh to be completed within a period of nine months. Audit scrutiny of records revealed that the works of Ward-M (East) were abandoned due to non settlement of dues of the contractor on account of rate revision in one case and litigation in another case. Similarly the Ward L work was abandoned due to obstruction by structures and rail track in the alignment of sewer line. This

* Sewerage Operation Department is responsible for operation and maintenance of sewage lines in the jurisdiction of Municipal Corporation of Greater Mumbai

rendered the expenditure of Rs 1.12 crore incurred on these works so far unfruitful.

The Executive Engineer, in reply, confirmed the above facts regarding abandoning of the works.

Thus, failure of BMC in ensuring timely clearance of encroachments, in monitoring the work of the contractors and in settling the dues of the contractor for more than four to five years resulted in non-completion of projects besides rendering expenditure of Rs 1.12 crore incurred so far, unfruitful. Further, the objective of providing sewerage facilities to the residents was also not achieved.

Comments of the Commissioner were awaited.

The matter was referred to Government in April 2007; reply had not been received (December 2007).

OMNIBUS PARAGRAPH

6.4 Avoidable payment on account of Electricity Duty – Rs 6.31 crore

According to Section 3(2)(ia) of the Bombay Electricity Duty Act (BEDA) 1958, Municipal Corporations have been exempted from levy of electricity duty on the units of energy consumed in respect of schools, colleges, hospitals, nursing homes, dispensaries, clinics, public street lighting, public water works and public sewers or drains which are owned by the respective Corporations.

A scrutiny of records of the Water Supply and Health Department in five* Corporations revealed that during the period from May 2000 to November 2005, an amount of Rs 2.33 crore on account of electricity duty had been paid by the Corporations to the State Government. This resulted in avoidable burden of expenditure on the Corporations.

On this being pointed by Audit, the Corporation worked out further overpayment of electricity duty amounting to Rs 3.98 crore, resulting in a total overpayment of Rs 6.31 crore.

In reply, all the Corporations confirmed that electricity duty had been paid to the Maharashtra State Electricity Board (MSEB). They stated (March 2006) that corrective action would be taken by making a reference to the MSEB and the State Government.

* Kalyan-Dombivli, Kolhapur, Nashik, Navi Mumbai, Solapur

The matter was referred to Government in November 2006; reply had not been received (December 2007).

6.5 Outstanding advances

Non-adherence to the prescribed provision of Municipal Acts resulted in non-recovery/non-adjustment of departmental advances amounting to Rs 412.51 crore

As per the provisions contained in Section 119 of the Bombay Municipal Corporation Act, 1888, and Section 90 of the Bombay Provincial Municipal Corporation (BPMC) Act, 1949, temporary departmental advances to officials and work advances to contractors could be allowed in connection with the works to be executed by them. Temporary advances were to be adjusted immediately on completion of the works but not later than 31 March of the financial year in which the advances were granted. Advances from the contractors were to be recovered immediately on completion of the works. Personal advances like festival advance were to be recovered in 10 monthly instalments from the month following the one in which the advances were granted.

During audit scrutiny of records, it was observed that in five* municipal corporations, departmental advances aggregating Rs 412.51 crore were outstanding for the past one to 67 years as on 31 March 2007 as detailed in the table below :

(Rupees in lakh)

Corporation	Year from which outstanding	Departmental Advances	Festival Advances	Advances given to contractors	Other Advances	Total
KDMC	N.A. *	46.13	10.83	194.04	197.63	448.63 [♦]
KMC	1949-50	686.92	---	375.00	8.96	1070.88
BMC	1981-82	35825.17	---	---	---	35825.17
NMC	1941-42	704.17	---	---	---	704.17
SMC	N.A.*	--	---	---	5.92	
					3196.57	3202.49 [♥]
		37262.39	10.83	569.04	3409.08	41251.34

* Brihanmumbai Municipal Corporation (BMC), Kalyan Dombivli Municipal Corporation (KDMC), Kolhapur Municipal Corporation (KMC), Nashik Municipal Corporation (NMC), Solapur Municipal Corporation (SMC)

* Not Available

♦ Position as on 31.03.2006 was only available and incorporated

♥ Position as on 31.03.2005 was only available and incorporated

The Corporations, stated that action had been initiated to settle the outstanding advances. The Nashik Municipal Corporation stated that festival advances were outstanding as the employees were either absent or not traceable due to death, voluntary retirement, *etc.* However, these advances would be recovered from the pay and pensionary benefits of the employees.

The replies cannot be accepted as advances given to contractors should have been recovered/adjusted immediately on completion of works. Further, temporary advances given to officials should have been recovered within the prescribed time and outstanding advances against officials should have been adjusted before giving fresh advances to them. Failure to initiate timely recovery of advances was not only indicative of laxity on the part of departmental officers, but was also indicative of weak internal controls, which left the system open to possible misappropriation of public funds.

The matter was referred to Government in February 2007; reply had not been received (December 2007).

NAGPUR MUNICIPAL CORPORATION

6.6 Avoidable expenditure

Delay in finalization of tenders within the validity period of tender offer resulted in extra avoidable expenditure of Rs 37 lakh

Nagpur Municipal Corporation (NMC) invited tenders under Nagpur City Water Supply Scheme Pench-III Project for manufacturing, supplying, laying and commissioning of 1200 mm MS pipeline from Gorewada tank to Water Treatment Plant (WTP) site and from WTP to reservoir at Seminary Hills at Nagpur in May 1999. The lowest offers by the three bidders were as under.

Rupees in crore

Name of the Bidders	
M/s N.V.Kharote, Pune	6.33
M/s Surendra Engineers, Mumbai	6.48
M/s Reliance Construction Company, Mumbai	6.87

M/s Tata Consulting Engineers (TCE), a consulting firm, recommended M/s N.V.Kharote, Pune for this work for Rs 6.33 crore (15.66 *per cent* below the estimated cost of Rs 7.50 crore). The validity period was 120 days from the date of invitation of the tender.

Based on audit scrutiny of records pertaining to Executive Engineer, Pench Project of NMC, it was observed that no action was initiated by NMC to issue the work order before expiry of the validity period (17 September 1999).

Instead, NMC had called the above bidders for negotiations on 15 November 1999 and consequently bidders had revised their offers are as follows :

(Rupees in crore)

Name of the Bidders	
M/s N.V.Kharote, Pune	7.10
M/s Surendra Engineers, Mumbai	7.49
M/s Reliance Construction Company, Mumbai	6.80

Since the offer of M/s Reliance Construction Company was found to be the lowest on negotiation, the tender of the company was finally accepted in January 2001 for Rs 6.70 crore. Thus, due to delay in finalising the tenders and issue of work order within the validity of tender offer, the NMC had to incur extra avoidable expenditure of Rs 37 lakh as compared to the first lowest offer of M/s N.V.Kharote, Pune. The Executive Engineer of the project stated that the issue of work order within the validity period (21 May 1999 to 17 September 1999) was not possible owing to processing of files at different levels. The reply was not tenable as there was inordinate delay of more than one year in finalizing the tenders and issue of work order within the validity period despite the fact that NMC's consulting firm had recommended award of the work to M/s N.V.Kharote, Pune.

The matter was referred to the Government in July 2007; reply had not been received (December 2007).

6.7 Blocking of funds

Laxity on the part of NMC in timely processing claims relating to National Malaria and Filariasis Eradication Programme resulted in non-reimbursement of Rs 15.29 crore

As per guidelines of the National Malaria and Filariasis Eradication Programme (Programme), the expenditure initially incurred by Nagpur Municipal Corporation (NMC) on pay and allowance of the staff engaged on the programme was to be reimbursed by Joint Director of Health Services. The guidelines further provided for preparation of detailed statement of expenditure and certification by Local Fund Auditor (LFA) before submission of the claim for reimbursement.

Audit scrutiny of the records pertaining to Health Department of NMC revealed that an amount of Rs 15.29 crore was incurred by NMC on pay and allowances of the staff engaged on the programme during 2000-2001 to 2005-2006 as detailed in the following statement :

(Rupees in lakh)

Year	Expenditure (Malaria)	Expenditure (Filaria)	Total
2000-2001	53.06	171.39	224.45
2001-2002	54.26	174.26	228.52
2002-2003	53.62	180.11	233.73
2003-2004	51.77	186.69	238.46
2004-2005	49.60	241.17	290.77
2005-2006	53.11	259.87	312.98
TOTAL	315.42	1213.49	1528.91

It was observed that the NMC neither prepared accounts duly certified by the local fund auditor nor submitted yearly claims for reimbursement. This had resulted in non-reimbursement of expenditure of Rs 15.29 crore incurred by NMC on the staff deployed for the National Malaria and Filaria Eradication Programme.

On this being pointed out, the Medical Officer of NMC stated (April 2006) that preparation and certification of accounts for submission of claims for reimbursement was under process. The fact, however, remains that due to laxity of the NMC in processing the claim timely, refund of Rs 15.29 crore remained outstanding for over six years.

The matter was referred to the Government in July 2007; reply had not been received (December 2007).

AMRAVATI MUNICIPAL CORPORATION

6.8 Undue benefit to the contractor

Excess sanction of mobilisation advance and non levy of interest thereon resulted in undue benefit to contractor of Rs 28.14 lakh

Government of Maharashtra, vide Government Resolution (GR) dated 4 May 1991, provides that, if a contractor to whom work is entrusted for execution, demands mobilisation advance, advance up to 5 per cent of total cost of the work can be paid to the contractor. The GR further provides that the amount of mobilisation advance should be recovered with prevailing bank rate of interest.

Scrutiny of the records of Municipal Commissioner, Amravati Municipal Corporation (AMC) revealed that seven works between chainages 0 meter to 5470 meters of Amba Nalla Project were awarded to seven contractors during 1995-96 at an estimated cost of Rs 455.85 lakh. The Corporation paid a mobilisation advance of Rs 1.18 crore in the month of March 1996 as against Rs 22.79 lakh payable to the contractors. This has resulted in undue benefit of

excess mobilisation advance of Rs 94.96 lakh to the contractors. Scrutiny further revealed that the AMC did not levy and recover interest of Rs 28.14 lakh from the contractors.

The Deputy Commissioner, AMC stated that the mobilisation advance was paid to speed up the work and to book the expenditure before March 1996 to avoid lapse of grants. The reply was not acceptable as payment of mobilisation advance in excess of prescribed norms was prohibited. Further, the fact remained that interest of Rs 28.14 lakh was not levied and recovered.

The matter was referred to the Government in September 2007; reply had not been received (December 2007).

AKOLA MUNICIPAL CORPORATION

6.9 Irregular expenditure of developmental charges

Non observance of provisions of Gunthewari Development Act resulted in irregular expenditure of development charges of Rs 2.71 crore.

The Maharashtra Gunthewari Development (Regularisation, Upgradation and Control) Act, 2001, was enacted by the State Legislature for the regularisation and upgradation of certain Gunthewari development i.e. plots formed by unauthorisedly sub-dividing privately owned land with buildings on the plots. The Act envisaged collection of compounding fee from the holders of such unauthorised layouts. Further, as per provision of section 6 (1) and 6 (2) of the Act, the amount accruing to the Planning Authority on account of compounding fee shall be kept by the Planning Authority in a separate bank account, layout wise and utilized for providing on-site infrastructure (other than electricity supply) in the layouts.

It was, however, observed from the records maintained by Akola Municipal Corporation that though separate account was operated depositing compounding fee, no layout wise account of receipt and expenditure was maintained as envisaged in the Act. The position of compounding fee received and expenditure incurred there from during the year 2001-02 to 2005-06 was as under:

(Rupees in lakh)

Year	Compounding fee collected	Expenditure incurred
2001-02	2.12	Nil
2002-03	86.43	81.33
2003-04	105.39	105.67
2004-05	56.23	60.65
2005-06	30.48	23.15
Total	280.65	270.80

It was, however, seen that funds collected were not utilized for on-site development activities in these layouts. Instead, out of the total fee collected, an amount of Rs 2.71 crore was utilized on works which were not permissible under the provisions of the act *ibid* as detailed in **Appendix XV**.

In reply, Municipal Commissioner, Akola Municipal Corporation stated that due to financial constraints, the funds of Gunthewari Act were utilized for other purpose viz. pay and allowances, payment of electricity and telephone bills, *etc.* The reply indicated lackadaisical approach of the Executive towards development of the layouts and expenditure on unauthorized items of works in violation of the provisions of Gunthewari Act.

The matter was referred to the Government in August 2007; reply had not been received (December 2007).

Mumbai,
The

(MALASHRI PRASAD)
Principal Accountant General (Audit)-I,
Maharashtra

Countersigned

New Delhi,
The

(VINOD RAI)
Comptroller and Auditor General of India