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P R E F A C E

1. *This is the first separate report of the Comptroller and Auditor General of India (CAG) on Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) in Maharashtra. The report (for the year ended 31 March 2006) is prepared for submission to the Governor of Maharashtra under Article 151 (2) of the Constitution.*

2. *The Report sets out the results of audit under various sections of the Comptroller & Auditor General of India's (Duties, Powers and Conditions of Services) Act, 1971, in respect of financial assistance given to PRIs and ULBs.*

3. *The Report contains six Chapters. Chapter I (Section A) and Chapter IV (Section B) relate to the Accounts and Finances of the PRIs and ULBs respectively. Chapter II and Chapter V relate to performance reviews including IT reviews. The remaining Chapters contain observations arising out of transaction audit of selected Panchayati Raj Institution and Urban Local Bodies.*

4. *The cases mentioned in the Report are those which came to notice during the course of test audit of financial transactions during the year 2005-06 as well as those which had come to notice in the earlier years.*

Overview

The Report comprises six chapters under two sections. Section A includes three chapters containing observations on the Accounts and Finances of Panchayati Raj Institutions, one performance audit and three paragraphs on the audit of financial transactions of some of these institutions. Section B comprises three chapters containing observations on the Accounts and Finances of Urban Local Bodies, two Information Technology Reviews and nine paragraphs on audit of financial transactions of some of these bodies. A summary of the main audit findings is presented in this overview.

1 Accounts and Finances of Panchayati Raj Institutions

The allocation to Panchayati Raj Institutions showed a declining trend and was less than 10 *per cent* of the total budget of the State as against the recommendation of 40 *per cent* by the second State Finance Commission during the period 2002-03 to 2004-05.

State Government has devolved 139 schemes pertaining to 12 functions to the PRIs. Adequate staff of various departments to perform these functions is yet to be transferred.

The Village Panchayats did not receive any funds for implementation of schemes relating to irrigation, agriculture and social welfare, indicating that the schemes remained with the Zilla Parishads.

None of the 33 Zilla Parishads had finalised their accounts for 2005-06 and the arrears of their accounts and certification by the Chief Auditor, Local Fund Accounts ranged from two to five years. Information regarding the status of publication of the Zilla Parishads' accounts was not readily available with the State Government. The Government had so far not implemented the revised accounting format prescribed by the Comptroller and Auditor General of India as the Zilla Parishads and Panchayat Samitis Accounts Code was not suitably amended. The Maharashtra Zilla Parishad and Panchayat Samitis Act, 1961 was also yet to be amended to incorporate Technical Guidance and Supervision parameters.

A sum of Rs 17.30 crore, out of the Eleventh Finance Commission grants, meant for development of a database on the finances of the Panchayati Raj Institutions, was utilised for implementation of schemes.

There were instances of non reconciliation of cash book balances with bank pass book balances, unspent balances not credited to the Government account, lapsed deposits not credited to the revenue heads, inadequate contribution towards depreciation funds, pending misappropriation cases *etc*., indicating that the internal control mechanism in the Zilla Parishads was weak.

2 Implementation of Rural Water Supply Schemes in Pune District

Prior to 1999-2000, rural water supply schemes in Maharashtra were supply driven. The schemes were designed and executed by the Government for end users. However, due to poor operation and maintenance of such schemes, the approach of the Rural Water Supply Programme(RWSP) was transformed from supply driven to demand driven, under which the users could get the services they desired while paying for the same. Audit scrutiny of RWSP implemented by the Zilla Parishad, Pune revealed deficiencies in implementation of the rural water supply schemes due to inadequate planning, absence of yearwise targets for coverage of rural habitations and improper survey of water sources by the Ground Water Survey and Development Agency (GSDA). Further, the members of the Village Water Supply and Sanitation Committees(VWSSCs) were generally ignorant of the prescribed procedures for implementing the scheme. The participation of non-government organisations(NGOs) and women in the planning process was negligible. The arrears in mandatory and social audit were indicative of weak monitoring of the schemes. Many schemes remained incomplete as the Government did not release funds to VWSSCs as the latter were not able to comply with the condition of making the villages 100 *per cent* free from open defecation. Further, non-payment of due amounts of popular contribution by beneficiaries and the reluctance on the part of the contractors to take up works at old rates resulted in non-implementation of the projects and funds of Rs 13.46 crore remaining unspent.

(Paragraph 2.1)

3 Accounts and Finances of the Urban Local Bodies

Property tax receipts of municipal corporations were less than 10 *per cent* of total receipts, indicating ineffective tax collection mechanism, properties remaining unassessed and irrational computation of rateable values. As of March 2005, property tax of Rs 169.40 crore remained unrecovered.

Non-revision of water charges forced the corporations to divert their own funds to make up for the losses. The diverted funds could have been used for developmental works.

Out of Rs 19.46 lakh ear-marked from Eleventh Finance Commission grants for creation of a data base on finances of Urban Local Bodies, Rs 19 lakh was spent on miscellaneous items. Therefore, the grants could not be used for creation of data base.

The corporations had not adopted the revised accounts formats prescribed by the Comptroller and Auditor General of India as envisaged in the 74th Constitutional Amendment.

There were instances of diversion of funds, non-reconciliation of cash book balances with bank pass books, unutilised grants, unclaimed deposits, *etc* indicating that the internal control mechanisms in the municipal corporations was weak.

4 Information Technology (IT) Audit of Property Tax application in Navi Mumbai Municipal Corporation

The general objective of computerization of property tax functions was to reap the benefits of information technology to improve operational performance besides providing error-free and better services to the tax payers. However, even after nine years of computerization, Navi Mumbai Municipal Corporation (NMMC) could not evolve an error-free application. NMMC did not maintain proper input records to support data entry relating to assessments. Lack of sufficient input controls along with inadequate monitoring resulted in an incomplete and incorrect database. This led to irregular fixation of rateable values and non-adherence to the conditions of minimum rateable value, resulting in short levy of Rs 8.84 crore. MIS reports in respect of demand and recovery were not designed in the application and receipts entered in the system were not reconciled with manually reported totals received from banks/ward offices indicating poor management controls. Poor security controls and lack of audit trails made the system vulnerable to unauthorized manipulation.

(Paragraph 5.1)

5 Information Technology (IT) Audit of the Water billing application in Navi Mumbai Municipal Corporation

The general objective of computerization of the water billing system in NMMC was to reap the benefits of information technology to improve operational performance besides providing error-free and faster services to the consumers. However, even after four years of computerization of the system, NMMC could not evolve an error-free system. Non-incorporation of business rules coupled with manual intervention resulted in under charging of penalty of Rs 1.05 crore. Further, modification of data without audit trail resulted in non charging of DPC in respect of water charges amounting to Rs 3.94 crore from village consumers. Manual intervention in the calculation of quantities of water consumed and data entry impacted the collection of revenue. Absence of MIS reports in respect of demand and recovery of water charges, reconciliation of receipts, number of meters not functioning *etc* were not available in the application indicating deficient management control. The absence of audit trails coupled with lack of a security policy made the system highly vulnerable.

(Paragraph 5.2)

6 Transaction Audit findings – Panchayati Raj Institutions/ Urban Local Bodies

Audit of financial transactions, subjected to test-check, in various Panchayati Raj Institutions/Urban Local Bodies revealed instances of loss of revenue, outstanding advances, irregular utilization of Eleventh Finance Commission grants, delay in completion of works, blocking of funds, avoidable expenditure *etc*. of over Rs 455.33 crore as mentioned below :

- Personal and departmental advances amounting to Rs 14.27 crore paid to employees were not recovered. Pendency of outstanding dues indicated that Zilla Parishads had not taken effective steps to recover the dues. The possibility of recovery seemed remote and misappropriation of funds could also not be ruled out.

  (Paragraph 3.1)

- Non-recovery of rent from 68 shops of Zilla Parishads and 232 shops of Village Panchayats resulted in loss of revenue of Rs 52.03 lakh to the Zilla Parishads and Village Panchayats. Failure to recover the outstanding dues from the occupants indicated lack of effective management of assets.

  (*Paragraph* 3.2)

- Failure of two Zilla Parishads to transfer completed irrigation schemes to the Village Panchayats/water users' societies resulted not only in loss of royalty of Rs 52.49 lakh but also defeated the objective of participation of beneficiaries in implementation of these schemes.

  (*Paragraph* 3.3)

- 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 Municipal Solid Waste (Management and Handling) (MSW(M&H)) Rules, 2000 besides exposing people to the dangers of environmental pollution and health hazards.

  (*Paragraph* 6.1)

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

  (*Paragraph* 6.2)

- 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.

  (*Paragraph* 6.3)

- There was avoidable payment of electricity duty of Rs 6.31 crore by five Municipal Corporation viz. Nashik, Kolhapur, Navi Mumbai, Solapur and Kalyan-Dombivli.

  (*Paragraph* 6.4)

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

  (*Paragraph* 6.5)

- Delay in finalisation of tenders by Nagpur Municipal Corporation within the validity period of tender offer resulted in extra avoidable expenditure of Rs 37 lakh.

  (*Paragraph* 6.6)

- Laxity on the part of Nagpur Municipal Corporation in timely processing claims relating to National Malaria and Filaria Eradication Programme resulted in non-reimbursement of Rs 15.29 crore.

  (*Paragraph* 6.7)

- Excess sanction of mobilisation advance and non levy of interest thereon by Amravati Municipal Corporation resulted in undue benefit of Rs 28.14 lakh to the contractor.

  (*Paragraph* 6.8)

- Non-observance of provisions of Gunthewari Development Act by Akola Municipal Corporation resulted in irregular expenditure of development charges of Rs 2.71 crore.

  (*Paragraph* 6.9)

SECTION A

CHAPTER I

ACCOUNTS AND FINANCES OF PANCHAYATI RAJ INSTITUTIONS

1.1 Introduction

1.1.1 The Maharashtra Zilla Parishad and Panchayat Samitis Act, 1961 (ZP Act) and the Bombay Village Panchayat Act, 1958 (VP Act), were amended in 1994 in conformity with the provisions of the 73rd Constitutional Amendment. Consequently, a three tier system of Panchayati Raj comprising Zilla Parishads (ZP) at the district level, Panchayat Samitis (PS) at the block level and Village Panchayats (VP) at the village level was established in the State. The total rural population in the State in 2006 was 5.62 crore.

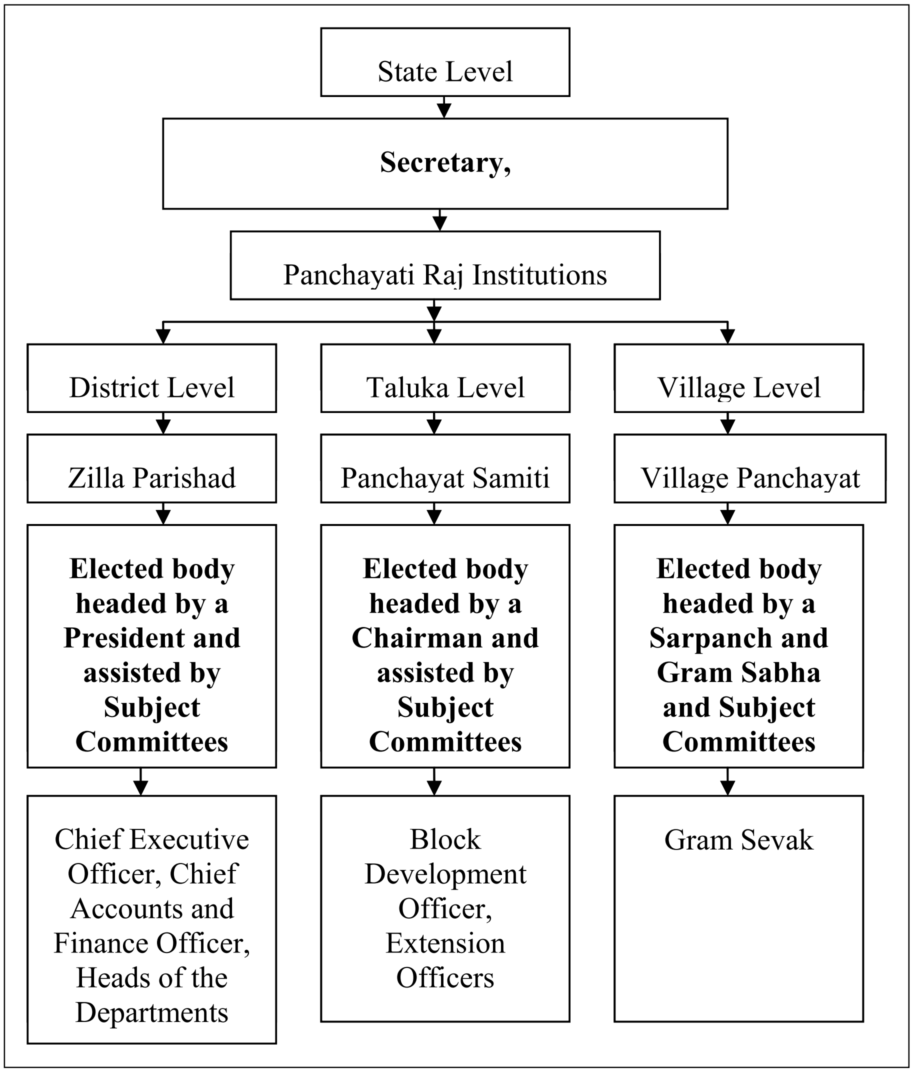
1.1.2 The amended Act provides for reservation of seats in PRIs for women and persons from weaker sections and elections overseen by the State Election Commission. Elections to PRIs were last held during 10-13 March 2007. The Act also envisages constitution of State Finance Commission (SFC) every fifth year to review the financial position of Panchayats and recommend (i) the distribution between the State and the Panchayats, of the net proceeds of taxes, duties, tolls and fees leviable by the State, (ii) taxes, duties, tolls and fees that may be assigned to the Panchayats and (iii) grants-in-aid to Panchayats and Status of Election and reservation. The first SFC was set up in 1994. Till date, three SFCs have been constituted in the State.

1.1.3 As required under Article 243 ZD of the Constitution, the State Government has not yet constituted District Planning Committees in the State.

1.2 Organisational Set up

1.2.1 The following organogram depicts the organisational set-up of Panchayati Raj Institutions in Maharashtra

O R G A N O G R A M



1.3 Functions and Powers

1.3.1 ZPs are the district level PRIs in Maharashtra. As of March 2006 there were 33 ZPs in the State. Chief Executive Officers (CEO) are the administrative heads of ZPs and transact their business through several departments viz. Finance, Public Health, Agriculture, Works *etc* which are headed by ZP officers.

1.3.2 The ZPs are required to make budget provisions for the execution/maintenance of works for the planned development of districts by utilising local resources. The ZPs also implement schemes funded by the Government of India(GOI) through the District Rural Development Agencies and schemes transferred by the Government to the PRIs. The ZPs are empowered to impose water tax, pilgrim tax and special tax on land and building.

1.3.3 Panchayat Samitis constitute the intermediate tier of Panchayats at the Taluka level. There were 351 PSs in the State (March 2006). The PSs do not have any income of their own and are totally dependent on the Block Grants[1] received from ZPs. The PSs undertake developmental works at the block level out of the block grants and also execute schemes allotted to them by the ZPs.

1.3.4 Village Panchayats constitute the last tier of Panchayats at the village level. There were 28793 VPs in Maharashtra (March 2006).

1.3.5 The amended VP Act provides for the institution of Gram Sabhas which are bodies consisting of persons registered in the electoral rolls of villages within the area of a VP at the village level. The VPs are empowered to levy tax on buildings, betterment charges[2], pilgrim tax, taxes on fairs/festivals/ entertainments, taxes on bicycles and vehicles, shop keeping/hotel keeping, *etc*.

1.3.6 Gram Sabhas are required to convene periodical meetings and are entrusted with disciplinary control over VP employees. They have the power to select beneficiaries for the State/Central Government schemes, approve development plans and projects to be implemented by the VPs, grant permission for incurring any expenditure by the VPs on developmental schemes and convey their views before taking any decision in respect of any proposal for acquisition of any land falling within the jurisdiction of such VPs *etc*.

1.3.7 The broad details of accountability within the PRIs are as follows :

Authority	Functions
Zilla Parishad Chief Executive Officer (CEO)	1. Drawal and disbursal of money from the District Fund[3]. 2. Finalisation of contracts, preparation of annual budget and accounts, supervision and control of officers of the ZP with regard to execution and administration of functions. 3. Publishing a statement of accounts approved by the Standing Committee together with statements of accounts of all PSs in the district, in the Government Gazette.

[1] As per Maharashtra Zilla Parishad and Panchayat Samiti Act, 1961, Section 188, the State Government shall every year give to Panchayat Samiti through Zilla Parishad of the district in which the block is situated a grant or grants for carrying out such works and development schemes of such types as the State Government may specify in this behalf, as enumerated in 2nd schedule.

[2] Charges on lands benefited from schemes or projects undertaken by a Panchayat from the Village Fund

[3] Every district has a local fund called the District Fund as per Section 130(1) of the ZP & PS Act. Net proceeds of taxes, rents, profits, interest or sale proceeds, grants, loans assignments etc are credited to this fund.

Chief Accounts and Finance Officer (CAFO)	1. Compilation of the accounts of the ZP 2. Providing financial advice
Heads of Departments (HODs)	1. According technical sanctions to the works and developmental schemes of their departments. 2. Supervising the work of Class II officers of their departments. 3. Attending meetings of the committees of which they are the Secretaries.
Panchayat Samiti Block Development Officer (BDO)	1. Drawal and disbursal of money out of the grants payable to the PS, in relation to works and developmental schemes to be undertaken from block grants 2. Exercise such powers of sanctioning acquisition of property or sale or transfer thereof as may be specified by the Government. 3. Preparation of statements of accounts of receipts and expenditure of the PS and placement of the same before it. 4. Preparation of abstract of accounts approved by the PS and forwarding of the same to the CEO.
Gram Panchayat Gram Sevak	1. Secretary to the Gram Sabha 2. Responsible for execution and monitoring of schemes and maintenance of records.

1.4 Funding of Panchayati Raj Institutions

1.4.1 In ZPs, the District Fund is created by the funds received from the Central Government according to criteria adopted by the Finance Commission, various grants-in-aid for centrally sponsored schemes, funds from the State Government transferred to ZPs under the plan and non plan schemes, assigned tax and non tax revenues, miscellaneous receipts of ZPs, interest on investments, *etc*.

1.4.2 For implementation of planned schemes through the ZPs, the concerned administrative departments of the Government are required to release Plan funds (including Tribal sub–Plan grants), establishment grants[4] and purposive grants[5] to the ZPs. To tide over the time lag between the approval of the budgets and release of grants by the grant releasing departments, Ways and Means Advances are released initially by the Rural

4 Establishment grants are grants released by the Government to the ZPs for meeting the establishment expenditure of the staff transferred to the ZPs

5 Purposive Grants are grants released by the Government to the ZPs for meeting the expenditure on operation and maintenance of the schemes transferred to ZPs

Development Department on a monthly basis to ensure regular flow of funds to the ZPs for execution of the schemes/activities/works transferred to them and for payment of pay and allowances to the staff. The grants sanctioned by the administrative departments/grant releasing authorities are subsequently adjusted against these advances.

1.4.3 Grants and funds released by the Government to the ZPs are drawn from the respective district treasuries by CAFOs of the ZPs. The CAFOs release the funds to the PSs and VPs. The VPs and PSs incur expenditure out of funds made available to them. Bills presented by suppliers and contractors are admitted by PSs and VPs and cheques are issued out of these funds. Reconciliation of drawals with treasuries is required to be done by the respective CAFOs of ZPs at the close of each month.

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

1.5 Devolution of funds

1.5.1 State Finance Commission recommendations and budget allocations to the PRIs

The Second State Finance Commission recommended that 40 *per cent* of State revenues should be allocated to the PRIs. The actual budget provision of the State vis-à-vis allocation to the PRIs during the three year period from 2002-03 to 2004-05 was as follows:

(Rupees in crore)

Sr. No.	Head	2002-03	2003-04	2004-05
1	Total budget provision of the State	69163	83894	102441
2	Allocation to PRIs[6]	5391	5775	5903
3	Percentage	7.79	6.88	5.76

1.5.2 The table above indicates that the allocation to PRIs showed a declining trend and was less than 10 *per cent* of the total budget during the three year period from 2002-03 to 2004-05.

1.6 Transfer of functions and functionaries

1.6.1 The 73rd Constitutional Amendment envisaged that all 29 functions mentioned in the 11th Schedule of the Constitution of India would be eventually transferred to the PRIs through suitable legislation of the State Governments. The Ministry of Finance had also stipulated that such devolution should be completed upto 31 March 2002.

[6] Figures furnished by Rural Development Department

1.6.2 The State Government had transferred 139 schemes pertaining to 12 departments to the PRIs. As of March 2006, 35,981 functionaries pertaining to various departments were also transferred as detailed below:

Sr. No.	Name of the department	Number of schemes transferred to ZPs	Total staff transferred to ZPs
1	School Education	4	1503
2	Cultural Affairs and Sports	3	-
3	Women and Child Welfare	10	-
4	Water Supply and Sanitation	3	1262
5	Public Health	6	9010
6	Agriculture	37	20501
7	Water Conservation	8	-
8	Higher and Technical Education	1	-
9	Housing	2	-
10	Social Justice	40	2371
11	Animal Husbandry, Dairy Development and Fisheries	11	1320
12	Energy	14	14

1.6.3 The above details show that the corresponding staff of some of the major departments were yet to be transferred to the PRIs in the absence of which transferred schemes continued to be either implemented through the Government departments or were implemented by the ZPs without adequate staff.

1.6.4 Further, as against the 7565 sanctioned posts of Class I and Class II officers, 1558 (21 *per cent*) posts remained vacant as of August 2006. In the case of Class III and class IV employees, as against 3,53,859 posts, 21,106 (6 *per cent*) posts were vacant as of August 2006. Large scale vacancies in posts of Class I and II officers and non transfer of functionaries would affect the functioning of the PRIs.

1.7 Receipts and expenditure of VPs and ZPs

1.7.1 The position of revenue receipts/capital receipts, revenue expenditure/capital expenditure in respect of the PRIs for the period from 2002-03 to 2004-05 is as follows :

(A) Village Panchayats[7]

(Rupees in crore)

Year	Revenue Receipts[8]	Revenue Expenditure	Percentage of increase
2002-03	775	544	-
2003-04	939	662	22
2004-05	1051	758	15

(B) Zilla Parishads[9]

(Rupees in crore)

Year	Revenue Receipt	Revenue Expenditure	Capital Receipts	Capital Expenditure
2002-03	7434	5791	1192	1270
2003-04	6777	6124	1530	1663
2004-05[10]	6191	6095	1801	1745

1.7.2 The following are the component wise details of the revenue expenditure of PRIs during 2003-04 and 2004-05.

(Rupees in crore)

Sr. No.	Components[11]	Village Panchayat		Zilla Parishad	
		2003-04	**2004-05**	**2003-04**	**2004-05**
1.	Administration	122	137	465	620
2.	Health and Sanitation	167	192	701	640
3.	Public Works	237	283	404	438
4.	Education	17	20	2845	2608
5.	Irrigation	-	-	146	153
6.	Agriculture	-	-	60	57
7.	Social Welfare	-	-	238	233
8.	Others	119	126	1265	1346
	TOTAL	662	758	6124	6095

1.7.3 The above table shows that the revenue expenditure of VPs increased from Rs 662 crore in 2003-04 to Rs 758 crore in 2004-05, registering an

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[7] Figures from Economic Survey of Maharashtra 2002-03 to 2004-05
[8] Includes opening balances
[9] Figures from Economic Survey of Maharashtra 2002-03 to 2004-05
[10] Estimated figures
[11] Figures from Economic Survey of Maharashtra 2002-03 to 2004-05

increase of 15 *per cent*. During the year 2004-05, expenditure on public works constituted the largest component at 37 *per cent* followed by health and sanitation at 25 *per cent*. In the case of irrigation, agriculture and social welfare, no funds were received by the VPs, indicating that these schemes remained with the ZPs.

1.7.4 At the ZP level, although 37 schemes and 20,501 staff members of the Agriculture Department had been transferred to them, the expenditure incurred on agriculture was not only the least as compared to other components, it also showed a decline in 2004-05 when compared to 2003-04. While the expenditure on education showed 8.33 *per cent* decrease over the previous year, expenditure on public works showed an increase of 8.42 *per cent*. The increase in expenditure on administration in 2004-05 over 2003-04 was 33.33 *per cent*.

1.7.5 During a test check of 27 ZPs[12] for the year 2004-05, it was noticed that the expenditure incurred by ZPs' on their own schemes was less as compared to the expenditure incurred on Transferred/Agency Schemes. The details of expenditure incurred on the schemes are shown in **Appendix II**.

1.8 Accounting arrangements

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

1.8.2 Similarly the BDOs forward the accounts approved by the PSs to the ZPs and these form part of the ZPs' accounts. The Secretaries of the VPs are required to prepare annual accounts of the VPs. The approved accounts are to be forwarded to the ZPs on the prescribed date. The abstracts of the approved accounts of the ZPs/PSs and VPs are then prepared and forwarded to the Chief Auditor, Local Fund Accounts (CALFA) for audit and certification and thereafter, for publication in the Government Gazette.

1.8.3 As per the recommendation of the Eleventh Finance Commission, the Comptroller and Auditor General had prescribed the forms of accounts to be maintained by the PRIs. It was observed that although the Government adopted these formats in principle, none of the ZPs had implemented the same so far on the grounds that Maharashtra Zilla Parishads and Panchayat Samiti Account Code have not been amended suitably for the purpose.

1.8.4 The prescribed date for finalisation of annual accounts of ZPs for any financial year is 30 June of the following year. Accordingly, the accounts for

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[12] Ahmednagar, Akola, Amravati, Beed, Buldhana, Chandrapur, Dhule, Gadchiroli, Gondia, Hingoli, Kolhapur, Latur, Nagpur, Nanded, Nashik, Osmanabad, Parbhani, Pune, Raigad, Ratnagiri, Sangli, Satara, Sindhudurg, Solapur, Thane, Wardha and Yavatmal

2005-06 should have been finalised by June 2006. However, it was observed that none of the 33 ZPs had finalised their accounts for 2005-06. Arrears in finalisation of accounts and certification thereof by the CALFA ranged between two to five years as detailed in **Appendix III**.

1.8.5 According to Section 136(9) of the ZP Act, the annual accounts of the ZPs, duly approved and certified by the CALFA for a particular year, were required to be published in the Government Gazette by 15 November of the subsequent year. However, information regarding the status of publication of the ZPs' accounts was not readily available with the Government. Although a procedure was prescribed for ensuring timely finalisation and publication of the accounts, the arrears, both in finalisation and publication, indicated laxity in internal controls. Absence of a proper management information system and the increasing arrears in finalisation and publication of accounts are fraught with the risk of misappropriations and other irregularities.

1.9 Creation of database on finances of Panchayati Raj Institutions

1.9.1 Government had reserved Rs 22.30 crore from the Eleventh Finance Commission grants for maintenance of accounts and for preparation of a database on the finances of PRIs. Out of this, Rs 5 crore was released during 2001-04 to the PRIs for purchase of computer hardware. The balance amount of Rs.17.30 crore, instead of being used for development of database, was released to the PRIs for implementation of schemes. As a result, a complete database on the finances of the PRIs was not available at any level of the PRIs and a comprehensive picture of the finances of PRIs was not available. The absence of consolidated information on finances of PRIs and the non-existence of a centralized agency for this purpose is a critical shortcoming in the context of increasing transfer of funds and responsibilities to them. Consequently, even Audit had to rely on other sources for data viz., budget documents of the State Government, reports of the Central Finance Commission/State Finance Commission and the Economic Survey of Maharashtra.

1.10 Allocation of funds as per recommendations of Eleventh and Twelfth Finance Commission

1.10.1 The State received Rs 591 crore from the GOI based on the recommendations of the Eleventh Finance Commission. As against this, the Government released Rs 821 crore including the State's share to the PRIs between March 2002 to February 2005 for implementation of various schemes such as primary education, primary health, provision of clean drinking water, street lighting and provision of public amenities, while Rs 5 crore was released for purchase of computer hardware for PRIs as mentioned in the preceding paragraph.

1.10.2 The State received the first instalment of Rs 198.30 crore from GOI in October 2005 as per the Twelfth Finance Commission's recommendations. Out of this, the Government had reserved Rs 28.30 crore for maintenance of database on the finances of PRIs and the balance sum of Rs 170 crore was released to the PRIs in December 2005 for implementation of different schemes. The Twelfth Finance Commission's guidelines stipulated that the Government should release these grants to all the three tiers of PRIs within 15 days of receipt from the GOI. It was noticed that although the State Government issued orders for release of these grants between December 2005 and May 2006, 10 ZPs received the grants during December 2005 and June 2006 after delays ranging from two to seven months.

1.11 Audit arrangements

1.11.1 Audit of PRIs is conducted by the CALFA in accordance with provisions of the Bombay Local Fund Act, 1930 and rules under the Maharashtra Village Panchayat (Audit of Accounts) Rules, 1961. The CALFA prepares an Annual Audit Review Report on the financial working of PRIs for placement through the Government before the Panchayati Raj Committee which is a committee of the Legislature.

1.11.2 It was observed that local fund audit of ZPs was in arrears for periods ranging from one to three years. The Consolidated Audit Review Report for the year 2004-05 prepared by the CALFA was yet to be presented to the Legislature.

1.12 Internal Control

1.12.1 Internal controls are controls designed to ensure that rules, orders and procedures are followed by departments for effective functioning and achievement of objectives.

1.12.2 The CEOs of ZPs have powers to supervise and control the execution of all activities of the ZPs and call for any information, returns, statements, accounts or reports from the officers of the ZPs. The Divisional Commissioners are also required to inspect the offices of the ZPs.

1.12.3 The following irregularities noticed during test check of various records of PRIs revealed laxity in internal control.

- **Non-reconciliation of balances of cash book and bank pass book**

Test check of cash books and bank pass books of 9 ZPs[13] revealed a total difference of Rs 48.05 crore in their balances as of 31 March 2006.

- **Unspent balances not credited to Government account**

As per the Resolution of October 1991 unspent grants lying with ZPs were required to be credited to the Government account by the end of August of the following year without waiting for completion of assessment by the respective administrative departments. In all the 11 ZPs[14] test checked, unspent grants of

[13] Beed, Chandrapur, Kolhapur, Nanded, Nagpur, Osmanabad, Parbhani, Wardha, Yavatmal
[14] Chandrapur, Gondia, Latur, Nagpur, Nanded, Osmanabad, Parbhani, Raigad, Ratnagiri, Sangli, Solapur

Rs 231.25 crore relating to periods between 1992-93 and 2004-05 were not credited to the Government account as of March 2007.

- **Lapsed deposits not credited to revenue head**

As per the provisions of the Maharashtra Zilla Parishad and Panchayat Samiti Account Code, 1968, any deposits remaining unclaimed for periods exceeding three years were required to be treated as lapsed deposits and credited to the concerned revenue heads under the ZPs.

Scrutiny of records of five ZPs revealed that deposits amounting to approximately Rs 3.14 crore were lying unclaimed since 1993-94 to 2001-02 and were not credited to the concerned revenue heads even though the stipulated time limit of three years had elapsed. Details are shown in **Appendix IV.**

- **Inadequate contribution towards Depreciation Fund**

The correctness of amounts worked out as depreciation and sums credited could not be verified by Audit in the absence of any record of valuation of assets during a test check of the records of two ZPs[15].

- **Misappropriation of funds**

During a test check of records of 18 ZPs[16] it was observed that 3617 cases of misappropriation involving Rs 32.12 crore were pending at various stages of investigation as of March 2006. A break up of cases under investigation, cases in court and those pending due to other reasons is as follows :

(Rupees in crore)

Sr. No	Under investigation		Pending in court		Others		Total	
	No. of cases	**Amount**	**No. of cases**	**Amount**	**No. of cases**	**Amount**	**No. of cases**	**Amount**
1	2832	24.25	97	4.34	688	3.53	3617	32.12

Delays in settlement of these cases resulted in non-recovery of misappropriated amounts as well as delays in action against responsible persons.

- **Lack of response to Audit**

(a) Outstanding Paras from CALFA Report

As per the report of CALFA for the year 2004-05, 96631 and 41124 paras involving Rs 2962 crore and Rs 939 crore were pending for settlement in

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[15] Kolhapur, Sindhudurg

[16] Akola, Alibag, Amravati, Aurangabad, Beed, Bhandara, Chandrapur, Dhule, Gondia, Hingoli, Kolhapur, Latur, Nanded, Nashik, Parbhani, Thane, Wardha and Washim

respect of Government funds and the ZPs' own funds respectively for the period from 1962 to 2004 as detailed in **Appendix V**.

(b) Outstanding Inspection Reports and Paras

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

At the end of March 2006, 185 Inspection Reports containing 659 paras of ZPs and PSs issued by Audit were pending settlement. The yearwise breakup of the outstanding reports and paras at the end of March 2006 is as follows:

Year	Inspection Reports	Paragraphs
Upto 2001-02	51	122
2002-03	59	177
2003-04	352	1190
2004-05	325	1072
2005-06	185	659

1.13 Conclusion

An overview of the functioning of PRIs in the State revealed that despite SFC recommendations, allocations out of the State budget to PRIs were meagre. Schemes had been transferred to PRIs without corresponding transfer of functionaries. There was no flow of funds from the ZPs to the VPs in case of components like irrigation and agriculture. The Twelfth Finance Commission's grants were disbursed to the PRIs after delays ranging from one to seven months. The Government had so far not implemented the revised accounting formats prescribed by the Comptroller and Auditor General of India as the Zilla Parishad and Panchayat Samitis Account Code was not suitably amended. Accounts of the ZPs were in arrears for periods ranging between two to five years and consequently, the audit by CALFA had also been completed only upto 2003-04. Instances of non-reconciliation of cash books, unencashed cheques, large number of misappropriation cases and outstanding audit paras indicate weak internal controls.

1.14 Recommendations

1.14.1 The following recommendations are made for consideration of the Government.

Devolution of funds and functionaries to the PRIs commensurate with the number of schemes/functions transferred to them.

Expeditious creation and maintenance of database of finances of PRIs.

Amendments of the ZP/VP Act and Account Code for implementing the revised accounting formats.

Strengthening of the internal control mechanism.

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

SECTION B

CHAPTER IV

ACCOUNTS AND FINANCES OF URBAN LOCAL BODIES

4.1 Introduction

4.1.1 In keeping with the 74th Constitutional Amendment, the Government of Maharashtra amended (December 1994) the existing Acts i.e. the Bombay Municipal Corporation (BMC) Act, 1888, the Bombay Provincial Municipal Corporation (BPMC) Act, 1949, the city of Nagpur Municipal Corporation Act 1948 (NMC) and the Maharashtra Municipal Councils Act (MMC) 1965. All the corporations except Brihan Mumbai Municipal Corporation (BMC) and Nagpur Municipal Corporation (NMC) which have enacted their own acts, were governed by the provisions of BPMC Act. As on 31 March 2006, there were 22 corporations and 222 municipal councils in Maharashtra.

4.1.2 In accordance with Article 243 ZA of the Constitution, the State Election Commission was set up in April 1994. Under the aegis of the Election Commission, elections for all Municipal Corporations are being held as and when due.

4.1.3 Article 243 W of the Constitution envisaged that the State Legislature would endow such powers, authority and responsibilities to the municipalities so as to enable them to function as institutions of self government, for performance of such functions as entrusted to them, including matters enlisted in the Twelfth Schedule of the Constitution.

4.1.4 Out of the 18 functions referred to in the Twelfth Schedule, 12 functions had already been assigned to the ULBs under Sections 61 and 63 of the BMC Act and Section 63 of the BPMC Act, prior to the 74th amendment. The remaining six functions were transferred/assigned to the ULBs after the amendment.

4.2 Organisational set up

4.2.1 As per the census of 2001, 42 *per cent* of the total population of Maharashtra (9.69 crore) was from urban areas. There were 40 cities/urban agglomerations having a population of over one lakh.

4.2.2 The 22 Municipal Corporations in the state have been created for urban agglomerations having a population of more than 3 lakh. These 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 the Brihan Mumbai Municipal Corporation which is in category A, there are two Corporations[38] in category 'B' and four[39] and 15[40] Corporations in categories C and D respectively.

4.2.3 The 222 Municipal Councils which have been created for smaller urban areas have been categorized based on their population as shown below:

(i)	'A' class	:	small urban areas with population of more than 1,00,000.
(ii)	'B' class	:	small urban areas with population of more than 40,000 but less than 1,00,000.
(iii)	'C' class	:	small urban areas with population of 40,000 or less.

At present, there are 19 'A' class, 62 'B' class and 141 'C' class Municipal Councils.

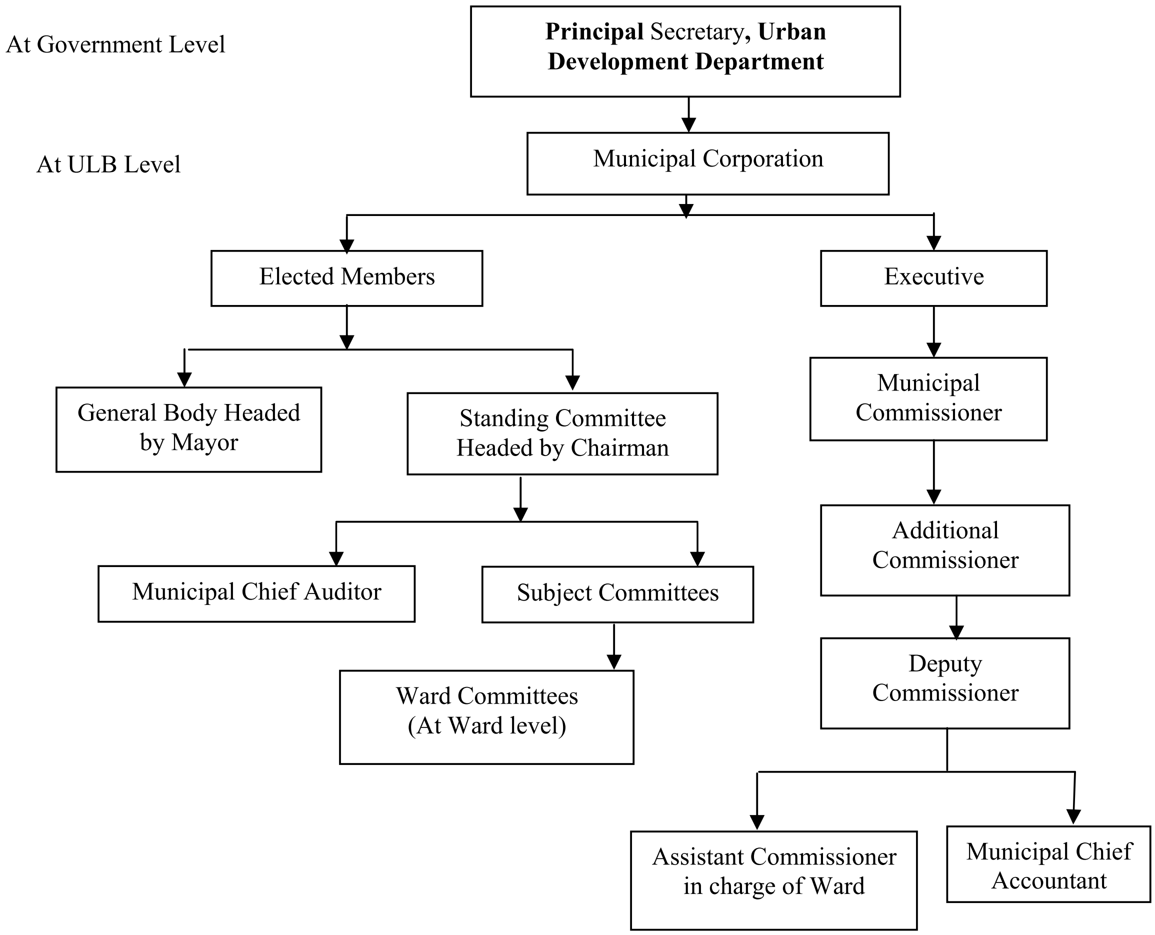
4.3 Organisational structure of Municipal Corporations

4.3.1 The following organogram depicts the organizational setup of Municipal Corporations in Maharashtra :

[38] Nagpur and Pune

[39] Nashik,Navi Mumbai,Pimpri-Chinchwad and Thane

[40] Ahmednagar,Akola,Aurangabad.Amravati,Bhiwandi-Nizampur,Dhule,Jalgaon,Kalyan-Dombivli,Kolhapur,Malegaon,Mira-Bhayander,Nanded-Waghala,Sangli-Miraj-Kupwad,Solapur and Ulhasnagar.



4.3.2 The accountability structure in a Municipal Corporation is given below :

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 *etc*.
2	Standing Committee	All functions, including approval of budget and sanction for expenditure as per the delegation. (Empowered to delegate its powers to sub Committee/s).
3	Municipal Commissioner	Administration of the Municipal Fund, subject to conditions imposed by the General Body and execution of all schemes and projects.
4	Municipal Chief Accountant	Preparation of the annual budget and finalization of accounts
5	Municipal Chief Auditor	Audit of municipal accounts and preparation and submission of Audit Reports to the Standing Committee

4.4 Financial profile

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

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

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

4.4.4 Under the BPMC Act and the BMC Act, 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 Funds is to be created for replacement of capital assets. The Sinking Fund is to be created for redemption of long term loans.

4.4.5 The total receipts from various sources during the last five years in respect of all the Corporations are shown as follows:

(Rupees in crore)

Sr. No.	Head of Receipt	2000-01		2001-02		2002-03		2003-04		2004-05 (Provisional)	
		Amount	% to Total Receipts	Amount	% to Total Receipts	Amount	% to Total Receipts	Amount	% to Total Receipts	Amount	% to Total Receipts
1	Property Tax	468.48	7.71	544.57	8.41	601.46	8.06	645.06	8.05	767.65	8.10
2	Octroi	2895.10	47.62	2864.82	44.23	3527.52	47.25	3830.05	47.77	4407.20	46.53
3	Other Taxes	326.16	5.36	378.54	5.85	447.38	5.99	494.46	6.17	552.53	5.83
4	Government grants	113.49	1.87	140.74	2.17	137.37	1.84	130.03	1.62	238.44	2.52
5	Loans and Advances	5.42	0.09	4.57	0.07	1.66	0.02	0.80	0.01	2.04	0.02
6	Miscellaneous	222.04	3.65	271.04	4.18	304.22	4.08	296.62	3.70	546.07	5.77
7	Others[41]	2048.72	33.70	2273.03	35.09	2445.74	32.76	2619.96	32.68	2958.66	31.23
	Total	**6079.41**		**6477.31**		**7465.35**		**8016.98**		**9472.59**	

Source: Third State Finance Commission Report (not yet tabled)

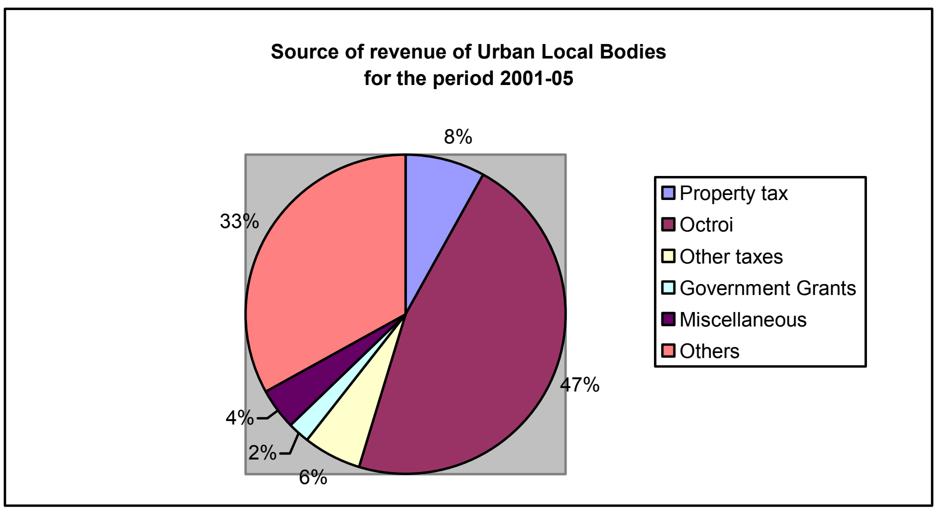
[41] Includes rental income from municipal properties, development charges, receipt on account of public health services, water charges, sewerage tax, plan grants

4.4.6 Overall, the total receipts of the Corporations showed an increasing trend over the five year period of 2000-01 to 2004-05. Octroi receipts continued to be the major source of revenue with their share ranging from 44.23 *per cent* of the total receipts in 2001-02 to 47.77 *per cent* during 2003-04.

4.4.7 The next major source of revenue was property tax receipt at less than 10 *per cent* of the total receipts. With the likelihood of octroi being abolished in the near future as part of the tax reforms movement, property tax needs to be developed as a major source of revenue of Corporations. The low contribution of property tax towards the total revenue of the Corporations was indicative of inefficiencies in tax collections, properties remaining unassessed and irrational computation of rateable values as highlighted in subsequent paragraphs and the IT review on property tax application in Navi Mumbai Municipal Corporation. This points towards an immediate need for initiating property tax reforms.

4.4.8 The share of Government grants in the total receipts of the Corporations ranged between 1.62 to 2.52 *per cent,* indicating that the Corporations were largely able to generate revenues from their own resources.

A pie chart showing the sources of income is depicted below :



4.4.9 Sections 127 to 129 of the Bombay Provincial Municipal Corporation Act, 1949, authorise the Corporations to levy and collect property tax on buildings under their jurisdiction. As of March 2005, property tax of approximately Rs 169.40 crore remained unrecovered in respect of nine[42] corporations test checked in audit. The yearwise breakup of outstanding property taxes was not available.

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[42] Akola-Rs.452.85, Aurangabad-Rs.3224.00, Jalgaon-Rs.451.24, Kolhapur-Rs.623.89, Kalyan-Dombivli-Rs.2972.81, Nanded-Waghala-Rs.941.54, Nashik-Rs.1488.03, Navi Mumbai-Rs.6025.75, Solapur-Rs.759.41,

4.4.10 As per Government directives, taxes on large residential premises were leviable with effect from 1 January 1990. The Municipal Corporations of Nanded-Waghala and Aurangabad had not levied and recovered taxes amounting to Rs 4.67 crore in respect of 12520 properties under their jurisdiction.

4.4.11 As per the directives of the Government, the Corporations are required to manage water supply schemes from their own sources of funds on no profit no loss basis.

4.4.12 During a test check of records in seven[43] Corporations, it was noticed that during the period from 1997-98 to 2004-05, a loss of Rs. 224 crore due to non revision of water rates was met from the municipal funds.

4.4.13 Thus, non revision of water charges forced the Corporations to divert their own funds to make up for the loss instead of utilising these funds for developmental works. From the subsequent paragraph it would be evident that the overall percentage of expenditure on water supply was the highest ranging from 17.59 to 17.79 *per cent* during 2000-01 to 2004-05 for all the Corporations taken together. As water supply was one of the most important components of expenditure of Corporations, there was an urgent need to revise the rates of water charges to overcome the losses.

4.5 Application of funds

4.5.1 The table below shows the details of expenditure on various statutory functions in respect of all the Corporations during the period 2000-01 to 2004-05.

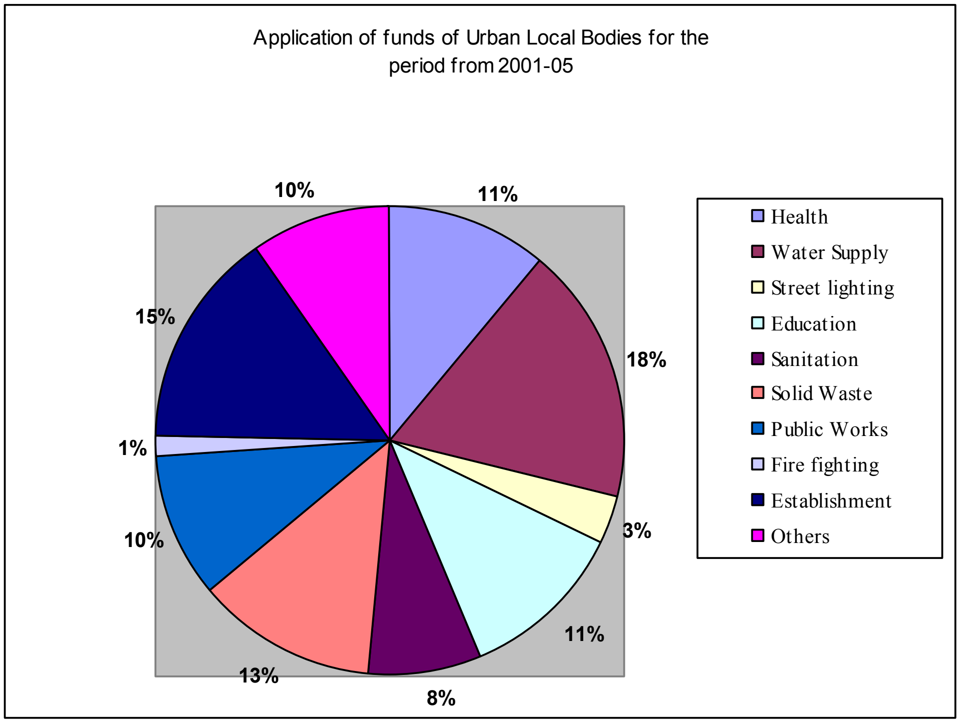
(Rupees in crore)

Function	2000-01	Percentage to total	2001-02	Percentage to total	2002-03	Percentage to total	2003-04	Percentage to total	2004-05 (Prov.)	Percentage to total
Health	540.69	12.30	557.17	11.76	591.01	11.22	616.63	10.82	663.12	10.39
Education	510.41	11.61	525.67	11.09	607.39	11.53	680.53	11.94	689.97	10.81
Water Supply	773.17	17.59	829.96	17.51	890.37	16.91	1021.80	17.92	1135.67	17.79
Street Lighting	164.65	3.75	172.98	3.65	164.67	3.12	186.06	3.26	208.80	3.27
Sanitation	331.67	7.55	333.68	7.04	391.26	7.43	431.14	7.56	557.48	8.74
Solid Waste Management	583.02	13.27	591.63	12.49	656.69	12.47	718.67	12.60	818.66	12.83
Fire Fighting	55.55	1.27	60.27	1.27	64.91	1.23	68.41	1.20	75.38	1.18
Public Works	416.32	9.47	498.35	10.52	524.65	9.96	628.04	11.01	582.76	9.13
Establishment	640.62	14.57	724.48	15.29	835.92	15.87	839.50	14.72	984.08	15.42
Other Expenses	378.53	8.62	444.46	9.38	540.78	10.26	511.13	8.96	665.94	10.43
Total	**4394.63**		**4738.65**		**5267.65**		**5701.91**		**6381.86**	

Source: Third State Finance Commission Report (not yet tabled)

[43] Akola, Aurangabad, Jalgaon, Kalyan-Dombivli, Nanded-Waghala, Nashik, Navi Mumbai,

A pie chart showing the application of funds is depicted below :



4.5.2 An analysis of the expenditure profile of the Corporations over a period of five years between 2000-01 and 2004-05 revealed that the expenditure on water supply schemes ranged between 17 and 18 *per cent*. Expenditure on solid waste management was 12 -13 *per cent,* while the expenditure on sanitation was less than 10 *per cent* of the total expenditure during the same period. The expenditure on social sector schemes like health and education ranged between 10 and 12 *per cent*. Expenditure on public utilities like street lighting and fire fighting was 1-4 *per cent* of the total expenditure.

4.6 Allocation of funds as per the recommendations of Eleventh Finance Commission

4.6.1 The State was allocated Rs 316.25 crore as Government of India grants based on the recommendations of the Eleventh Finance Commission (EFC) for disbursement to urban local bodies (ULBs) for development of civic services and basic amenities in the urban areas. As against this, the State Government released Rs 379.52 crore (including its share) during 2000-01 to 2004-05 to the ULBs. An amount of Rs 19.46 lakh was earmarked for creation of a data base relating to finances of ULBs. Out of this, the State Government had utilized an amount of Rs 19.00 lakh on pay and allowances, traveling allowances, furniture and purchase of computers for setting up a computer cell for developing the double entry system of accounting for Municipal Councils and Corporations. However, the database of finances had not been created so far. Audit also noticed instances of diversion of EFC grants for payment of electricity bills and water charges, which have been commented upon in Chapter IV of this Report.

4.7 Budget and budgetary control

4.7.1 Under the respective Acts, the Commissioners are required to prepare estimates of income and expenditure of the Corporations in January for the next official year and present them to the respective Standing Committees. The Standing Committees, after due consideration, are required to finalise the budget proposals. The budget estimates prepared by Standing Committees are to be approved in the annual general body meetings of the Corporations. In case the budget estimates are not finally adopted by the general bodies on or before the 31 March, the estimates recommended by the Standing Committees should be deemed to be the budget estimates finally adopted by the Corporations until the estimates are so adopted.

4.7.2 Details of budget estimates, actual receipts and expenditure of nine[44] **C**orporations for the years 2002-03 to 2004-05 are detailed in **Appendix X.** Shortfalls in actual receipts against the budget estimates during the three years ranged between 2.31 and 61.19 *per cent*. Similarly, actual expenditure was less than the budget estimates, ranging between 0.13 per cent and 64.26 *per cent* during the same period.

Shortfalls in actual receipts and expenditure against budget estimates indicated unrealistic preparation of budget estimates.

4.8 Accounting arrangements

4.8.1 Section 93 of the BPMC Act, 1949 and Section 123 of BMC Act, 1888 provide that the accounts of the Corporations should be maintained in the prescribed formats. In pursuance of the EFC recommendations, C&AG has prescribed an accrual based accounting system for ULBs in the National Municipal Accounts Manual (NMAM).

4.8.2 The Government of Maharashtra adopted (July 2005) the NMAM from the financial year 2005-06. The State Accounting Manual, in conformity with the NMAM was under preparation. Until the finalization of the Manual, all Corporations were directed to maintain their accounts on accrual basis from the year 2005-06, by following the NMAM guidelines.

[44] Akola, Aurangabad, Jalgaon, Kalyan-Dombivli, Kolhapur, Nashik, Navi Mumbai, Nanded-Waghala, Solapur,

4.9 Audit arrangements

4.9.1 Municipal Chief Auditors (MCA) are appointed under Section 78(a) of the BMC Act 1888 or Section 45(i) of the BPMC Act, 1949, as applicable.

4.9.2 Section 105 of the BPMC Act 1949 and Section 135 of the BMC Act, 1888 provide that an MCA should audit the municipal accounts and submit a report thereon to the Standing Committee. This report should comment on 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 Corporation. However, a test check of seven[45] Corporations revealed that except for BMC and the Solapur Municipal Corporation, no such audit was conducted during 2000-01 to 2004-05 and no reports were submitted to the Standing Committees of these Corporations. The other Corporations stated that the MCAs were doing the pre-audit of bills and vouchers.

4.9.3 The State Government entrusted (December 2003) audit of the accounts of all the Municipal Corporations in the State to the Comptroller and Auditor General of India (CAG) under Section 14 of the CAG's (Duties, Power and Conditions of Service) Act, 1971.

4.10 Internal control

4.10.1 Internal controls refer to those processes in an organization through which it governs its activities effectively to achieve its objectives. A strong internal control system and strict adherence to statutes, codes and manuals minimize the risk of errors and irregularities and help to protect resources against loss due to waste, abuse and mismanagement.

4.10.2 The following irregularities noticed during test check of records of various Corporations revealed inadequate internal control prevailing in their administration.

- **Diversion of funds**

  Scrutiny of records of Kolhapur Municipal Corporation revealed that the Corporation had utilised Rs 14.06 crore from their Development Fund and Depreciation Fund along with interest received thereon for capital works during 2002-03 to 2004-05. Similarly, in the Nashik Municipal Corporation, Audit observed that it had diverted Rs 3.05 crore from the Depreciation Fund for incurring revenue expenditure in 2002-03, defeating the very purpose for which the fund had been created.

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[45] Brihan Mumbai Municipal Corporation, Jalgaon, Kalyan-Dombivli, Kolhapur, Nashik, Navi Mumbai, Solapur

- **Non Reconciliation**

During a test check of six[46] Corporations, Audit noticed that there was a total unreconciled difference of Rs 16.26 crore as of March 2004. In Kolhapur Municipal Corporation it was seen that no reconciliation had been done in respect of 22 different bank accounts maintained by the Corporation resulting in a total unreconciled difference of Rs 2.92 crore. In the Kalyan-Dombivli Municipal Corporation, Audit noticed that cheques amounting to Rs 28.68 lakh issued to various parties between June 1999 to March 2005 remained unencashed as of February 2006.

These cheques were not written back in the cash book as required under Rule 49 of the MMA code, resulting in incorrect depiction of accounts.

- **Unutilised grants**

Grants received from the State/Central Government under various schemes are required to be utilised within the same financial year or within one year from the date of release.

Test check of records of three[47] Corporations revealed that the funds received by them had not been utilised within the prescribed period, resulting in accumulation of unutilised grants amounting to Rs 12.42 crore as on March 2005. The details are shown in **Appendix XI**.

In Nashik Municipal Corporation and Navi Mumbai Municipal Corporation, no expenditure was incurred on the Dalit Basti Sudhar Yojana during 2002-05 and 2003-05 respectively and grants of Rs 54.51 lakh and Rs 1.20 crore respectively remained unutilized as of March 2005. Similarly, in Kolhapur Municipal Corporation, grants of Rs 22.25 lakh received under the Tenth Finance Commission's recommendations remained unutilised at the end of March 2005.

Reasons for the grants remaining unutilised had not been received from the respective Corporations.

- **Unclaimed deposits**

As per Rule 190(3) of the Maharashtra Municipal Account Code, 1971, deposits remaining unclaimed for more than three years are required to be credited to the Municipal Fund account under the head - "Miscellaneous Other Items - 'Lapsed deposits".

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[46] Aurangabad, Akola, Kalyan-Dombivli, Nanded-Waghala,, Navi Mumbai, Solapur
[47] Kolhapur Municipal Corporation, Nashik Municipal Corporation, Navi Mumbai Municipal Corporation

It was observed that in four Corporations,[48] unclaimed deposits of Rs 45.78 crore pertaining to the period from 1997-98 to 2004-05 were not credited to the respective Municipal Fund accounts of the respective Corporations.

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

4.10.4 At the end of 2005-06, 186 Inspection Reports were issued including 1031 paras covering the period upto 2004-05. Out of these, 183 Inspection Reports and 971 paras remained to be settled as of February 2007. The yearwise breakup is as follows:

Year	Inspection Reports	Paragraphs
2000-01	1	4
2001-02	41	213
2002-03	16	74
2003-04	13	74
2004-05	61	306
2005-06	51	300
	183	**971**

4.11 Conclusion

4.11.1 An overview of the functioning of Municipal Corporations in the State revealed that octroi receipts continued to be their major source of revenue. Huge arrears were noticed in the collection of property tax. Due to non revision of water charges the Corporations were forced to divert funds meant for developmental works towards meeting losses incurred on account of water supplies. Shortfalls in receipt and expenditure against budget estimates highlighted unrealistic budgeting. Further, the absence of audit by MCAs proved to be a weak link in the financial control in these Corporations. Instances of non reconciliation of cash book, unencashed cheques and large number of outstanding audit paragraphs reflected weak internal controls.

[48] Kalyan-Dombivli Municipal Corporation (Rs. 23.18 crore), Kolhapur Municipal Corporation (Rs. 1.66 crore), Nasik Municipal Corporation (Rs. 18.01 crore) and Navi Mumbai Municipal Corporation (Rs. 2.93 crore)

4.12 Recommendations

4.12.1 Government may consider :

- Introduction of property tax reforms to broaden the source of direct tax revenue for the Corporations. The tax collection system should be streamlined to facilitate prompt collection and accountal.
- Recommending revision of water charges to the Corporations for running water supply schemes efficiently.
- Institutionalisation of the mechanism of compulsory audit of Municipal Corporations by Municipal Chief Auditor and publication of Audit Reports in the Government Gazzette.

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

CHAPTER V

NAVI MUMBAI MUNICIPAL CORPORATION

Information Technology Reviews

5.1 Information Technology (IT) Audit of Property Tax application in Navi Mumbai Municipal Corporation

Highlights

Input source documents required for data entries were inadequate and incomplete.

(Paragraph 5.1.7.1)

Business rules in respect of classification of usage and structure of properties were not properly incorporated.

(Paragraphs 5.1.7.2)

Names of persons liable for payment of property tax were not entered in respect of 570 properties and ambiguous terms were recorded against names in respect of 6148 properties.

(Paragraph 5.1.7.4)

Lack of validation controls to facilitate correct mapping of business rules led to incorrect calculation of rateable value and short levy of property tax amounting to Rs 8.84 crore.

(Paragraph 5.1.9.1)

Non existence of adequate audit trails and an IT security policy exposed the business operations to risk and the possibility of unauthorized manipulation of data.

(Paragraphs 5.1.13 and 5.1.14)

Non involvement of the user department resulted in non utilization of the application rendering Rs 9.74 lakh incurred on development of application for Property Tax unfruitful.

(Paragraphs 5.1.16.1)

5.1.1 Introduction

Navi Mumbai Municipal Corporation (NMMC) came into existence in January 1992. The City and Industrial Development Corporation (CIDCO), which was entrusted with the development of the Navi Mumbai area and for providing civic amenities hitherto, handed over the civic functions to the

Corporation. The Corporation area was divided into nine[49] wards. NMMC started collecting property tax from April 1994 through a computerized system using a Dbase III platform. Subsequently, in 1998, an application software in FoxPro was developed in-house which was in use till September 2006. From October 2006, NMMC switched over to a new application using Java with Oracle (8i) as RDBMS[50], developed by M/s Resilient Softech Pvt Ltd. The application was running with one server and six personal computers.

The database captured the following details:- (i) property details such as property numbers, names of owners, addresses;(ii) assessment details such as assessment dates, areas, usages, structures, rateable values; (iii) demand details such as demand cycles, demand amounts; (iv) collection details such as collection dates, collection amounts, collection centres, delay payment charges, notice fees and (v) issue of bills and notices .

Property tax was levied on the basis of the rateable value (RV) of land and buildings, assessable on the expected annual rental value which such properties may get when let out. Property tax was 35 *per cent* of the total receipts of NMMC for the year 2005-06. The demand and recovery of property tax for the previous five years were as follows :

(Rupees in crore)

Year	Demand	Collection
2001-02	88.44	72.68
2002-03	94.43	78.09
2003-04	103.49	80.71
2004-05	122.08	88.66
2005-06	159.00	106.29

5.1.2 Organisational set up

The Commissioner is the administrative head of NMMC. The Property Tax department is headed by the Deputy Assessor and Collector who is assisted by an Assistant Assessor and Collector, three Office Superintendents-cum-Recovery officers and 22 Property Tax Inspectors. The data base is maintained by one programmer and six Data Entry Operators. The receipts collected through the nine ward offices and designated bank branches are later entered into the system.

5.1.3 Scope of Audit

The Information Technology (IT) Audit of the property tax application was conducted during October 2006 to February 2007, covering the implementation and functioning of the application in respect of data pertaining

[49] Airoli, Belapur, Dahisar, Digha, Ghansoli, Koparkhairane, Nerul, Turbhe and Vashi

[50] Relational Data Base Mangement System

to all the nine wards and all types of properties, viz private property in the CIDCO developed nodes, CIDCO built tenements, properties under the area of the Gaonthan Extension Scheme(GES) of CIDCO, properties located in village areas and in the Maharashtra Industrial Development Corporation (MIDC) areas.

5.1.4 Audit objectives

The audit objectives were to evaluate

- adequacy of input, processing and output controls available in the system
- completeness and correctness of data captured in the system
- incorporation of business rules in the application
- adequacy of security controls to ensure integrity of data and
- adequacy of audit trails available in the system

5.1.5 Audit Methodology

Audit commenced with an entry conference held on 3 October 2006 with the Municipal Commissioner and other Heads of the departments of NMMC. The application and database were reviewed with respect to relevant resolutions, rules and procedures relating to property tax. The Oracle data was analysed using CAATs[51].

5.1.6 Audit findings

It is imperative that the business rules are completely and correctly mapped into the application with all the necessary controls to ensure that tax is assessed and collected according to prescribed rules.

Audit observed that relevant business rules had not been completely and correctly mapped into the application. This coupled with lack of effective input, processing and output controls, resulted in incomplete and incorrect data and also had an impact on the tax collection. It was also observed that security controls were inadequate and that audit trails built into the system were weak.

These deficiencies are discussed in the following paragraphs.

[51] Computer Assisted Audit Techniques

5.1.7 Input controls

Input controls ensure that data received for processing is authentic, complete, has not been previously processed, is accurate and properly authorised and is entered accurately and without duplication.

5.1.7.1 Input source documents

It was seen that standard input documents/forms or a standard process were not being used to enter information into the system. The input documents used were the Tabulated Ward Report (TWR) of NMMC or the Occupancy Certificates issued by other organisations like CIDCO/Town Planning Department. All necessary information, like usage of property, number of floors, structure of property, *etc*. and even name of owner, which were necessary for calculation of tax were not included in these forms. As such there was no uniformity and completeness in the information on properties recorded into the system. There was no log or register maintained for recording the source documents. In Vashi, Ghansoli and Turbhe wards, only 41, 69 and 51 Occupancy Certificates (OCs) available for total assessments of 1211, 1707 and 1582 cases. Thus the correctness of input records could also not be validated.

NMMC replied that maintenance of logs or registers in respect of source documents received was under consideration.

5.1.7.2 Classification of properties

It was also found that classification of properties, essential for calculation of tax with respect to the usage and property structure was not correctly captured in the system. It was noticed that no property had been recorded under banks, hotels, dispensaries, schools, colleges, hospitals *etc* in the NMMC area and 390777 out of 408091 assessments were carried out with undefined property structure.

NMMC accepted the observations and informed that errors in classification would be corrected.

5.1.7.3 Area of property not entered

Absence of mandatory provision to enter the area of property in the old FoxPro system resulted in non entry of area in 37285 out of 408091 assessments.

NMMC stated that necessary corrections in the data would be made.

5.1.7.4 Names of persons liable for payment of property tax not entered

Rule 9(c) of CHAPTER VIII of the BPMC Act 1949 stipulates that names of persons primarily liable for payment of property taxes should be recorded. Analysis of the database revealed that names of persons were not entered in respect of 570 properties, and ambiguous terms such as 'HOLDER OF THE PROPERTY', *etc* were recorded against names in respect of 6148 properties. .

NMMC stated that the database would be updated and necessary corrections made.

5.1.7.5 Incorrect and incomplete names of collection centre for payments

The ward offices of NMMC and a number of designated bank branches are approved as collection centres for depositing property taxes.

Analysis of data relating to collection revealed that in addition to the approved collection centres, incorrect centre names such as '!', DX,Q, X, b, c, m, n, X, bill Junction *etc* appeared in the data, against which there were 38,1, 14309, 0,199,24,17294, 13283,51425 and 1 receipts respectively.

Further, 11162 receipts pertaining to the period from 1995 to 2004, recorded without the collection centre code in the old FoxPro database were not updated before migrating the same into the new Oracle system.

Thus collection centre-wise MIS reports generated from the database were incorrect and could not be reconciled.

NMMC stated that necessary modification in the data would be carried out.

5.1.7.6 Duplicate assessment records of properties

The assessments should be identified as unique records in the database, based on property codes and dates of assessment.

Audit observed that absence of input controls to restrict the duplication of data entry of an assessment resulted in 5878 assessments entered twice, one assessment entered three times and seven assessments entered four times. Acceptance of duplicate records indicated a risk of some property not being assessed at all, if it shared a duplicate number with some other property, or duplicate demands being generated by the system.

NMMC stated that duplicate records would be rectified or deleted from the database.

5.1.8 No control procedure to ensure correctness of data entry of receipts

Copies of receipts for collections against property tax bills which are received in the ward offices of NMMC and designated bank branches are sent to the computer cell for data entry. To ensure the completeness and correctness of the tax collections captured in the system, the same is required to be reconciled with actual receipts. The total collection of property tax reported by the nine ward offices for the year 2005-06 was Rs 105.44 crore as against the figure of Rs 106.59 crore available in the database. In the absence of reconciliation, the figures for total collection could not be vouched for by audit.

NMMC stated that reconciliation would be done.

5.1.9 Non mapping of business rules in the application and absence of validation controls

All the relevant business rules are required to be identified and suitably incorporated in the application to avail the benefits of information technology and achieve objectives of computerization. Data analysis revealed business rules had not been mapped resulting in revenue loss as detailed below.

5.1.9.1 Incorrect calculation of rateable value resulting into short levy of Rs 8.84 **crore**

Rule 7 of Chapter VIII of the Bombay Provincial Municipal Corporation Act (BPMC Act), 1949 stipulated that the RV should be determined on the basis of the annual rent at which a property might reasonably be expected to be let from year to year. The letting rates for various types of properties are prescribed by NMMC.

Audit observed that incorrect assessments were made due to

- application of incorrect letting rates during the assessment of property tax as shown in **Appendix XII**.
- condition for the minimum rent was not applied in arriving at the letting rates in respect of 515 cases

This led to short levy of property tax amounting to Rs 8.81 crore and Rs 2.72 lakh respectively.

NMMC accepted the errors in valuation of properties due to oversight and agreed to review and revise the assessments if found incorrect.

It was also observed that different letting rates were adopted for properties under similar usage in the same area the reasons for which were not on record.

In the absence of guidelines on calculation of RV in respect of properties in MIDC area, the impact could not be analysed.

Reply of NMMC in this regard is awaited.

5.1.10 Recommendations:

NMMC should :

- **Design appropriate input source documents to facilitate data input**
- **Facilitate necessary input and validation controls to prevent errors during data input**
- **Modify the system by incorporating validations for ensuring correct mapping of all business rules**

5.1.11 System design

Various lacunae were noticed in the system design as detailed below.

5.1.11.1 Important fields not provided for in the database

Audit observed that the new Oracle based system did not provide for data entry of certain important information such as year of construction of property and reasons for reassessment, which were available in the old FoxPro based system, leading to non migration of the legacy data to the new system.

NMMC stated that the said data would be migrated.

5.1.11.2 Module not designed to handle the entry of bounced cheques

The tax amount in respect of bounced cheques is required to be shown as outstanding in the subsequent bills and recovery is to be effected.

In 1617 cases, the amount of property tax received was shown as zero, indicating deletion of data. NMMC stated that entries with zero amounts of collection were due to bounced cheques. It was noticed that no separate module was designed in the application to handle such cases. Thus, NMMC followed a system of making the collection zero when information on a bounced cheque was received. Further, it was observed that the ward offices also did not submit the details of bounced cheques regularly. Audit observed that in respect of one ward office, information on bounced cheques between November 2003 and January 2005 were not entered in the system. As a result, subsequent demands of property tax in 17 cases generated were lesser by Rs 2.10 lakh.

NMMC stated that action had been taken in respect of the above 17 cases and reverse entries had been made in the system and the procedure of collecting information on bounced cheques would be streamlined.

However, the requirement of the provision to be built into the system is reiterated.

5.1.11.3 MIS reports not designed

Management Information System (MIS) reports on the tax assessed, demand raised and collected are essential for timely and effective monitoring of property tax collections. Audit observed that there were no such MIS reports designed in the application.

5.1.12 Recommendations

- **NMMC should devise a mechanism in the system to incorporate cases of bounced cheques and design the essential MIS reports in the system**

5.1.13 Security

By way of enunciating an IT security policy, the organisation demonstrates its ability to reasonably protect all business critical information and related information processing assets from loss, damage or abuse.

5.1.14 Inadequate audit trails

Audit trail which depicts the flow of transactions is necessary in a system in order to track the history of transactions, system failures, erroneous transactions, changes/modifications in data *etc*. It was observed that adequate audit trails did not exist in the system as detailed below.

5.1.14.1 Data modified without proper authorisation

Modification of data should be properly monitored and authorized in order to check unauthorized data manipulation.

The software was designed to calculate the notice fee and Delayed Payment Charges (DPC) simultaneously. In 5578 cases though notice fees were charged indicating delays in payment, DPC was not charged. Reasons for not charging DPC were not recorded.

NMMC stated that DPC was waived off in all the above cases.

The reply is not acceptable as no audit trail had been built into the system to capture the reasons, date of such modification, the persons authorising these modifications. Further, no basic records for both modification and waiver were furnished. In absence of audit trails and manual records, risk of manipulation could not be ruled out.

5.1.14.2 Missing Assessment records

The assesses are identified by property tax account numbers/property codes based on the ward to which the properties belong. Analysis of the property data revealed that there were 6017 gaps in the series of account numbers / property codes.

NMMC stated that due to various reasons such as amalgamations and sub divisions of properties and exemptions granted, the records had been deleted from the database.

The reply is not acceptable as no manual record or audit trail was available.

5.1.14.3 Lack of IT security policy

It was observed that no security policy has been formulated. Further, while there were only six data entry operators, in the database 147 users had been given access.

NMMC stated that the database administrator was manning the security policy at the database centers and a documented security policy would be prepared.

5.1.14.4 Lack of disaster recovery plan

There exists no documented IT disaster recovery plan in NMMC. Further, backups were not taken on CD and kept offsite and were stored in the same server.

NMMC stated that a documented disaster recovery policy would be prepared.

5.1.15 Recommendations

- **IT security policy and disaster recovery plan should be formulated and implemented.**
- **Backup of data should be taken regularly and stored off site.**
- **An audit trail to track the transactions should be inbuilt in the system to monitor changes made in the data.**

5.1.16 Other points of interest

5.1.16.1 Unfruitful expenditure of Rs 9.74 lakh on development of the application for Property Tax

M/s ACE Televoice and Services was awarded a work order amounting Rs 28.80 lakh for computerisation in Health and Property Tax departments of the NMMC in May 2001 and Rs 4.30 lakh was paid for preparation of the SRS in January 2002. However, the scope of the work was modified and a revised work order for development of applications for property tax and water billing amounting to Rs 11.80 lakh was awarded to the same agency against which payments of Rs 5.44 lakh towards development of application for property tax was made in April 2003. It was noticed that application for property tax was not implemented.

Thus, the total expenditure of Rs 9.74 lakh paid on account of development of an application package for property tax was unfruitful. Further, the work order for the new application for property tax was awarded in November 2005 to M/s Resilient Softech Private Ltd at a cost of Rs 2.00 lakh and the application was under implementation.

NMMC attributed the reason for non implementation of the application developed by M/s ACE Televoice to the lack of involvement of the user department, even though vendor support was available for two years. This indicated lack of coordination and non involvement of the user department in the development and implementation of the application.

5.1.17 Conclusion

The general objective of the computerization of property tax functions was to reap the benefits of information technology to improve operational performance besides providing error free and better services to the tax payers. However, even after nine years of computerization, NMMC could not evolve an error free application. NMMC did not maintain proper input records to support data entries relating to assessments. Lack of sufficient input controls along with inadequate monitoring resulted in incomplete and incorrect database. This led to irregular fixation of rateable value and non-adherence to the conditions of minimum rateable value, there by impacting the collection of revenue. MIS reports in respect of demand and recovery were not designed in the application. Receipts entered in the system were not reconciled with manually reported totals received from banks/ward offices indicating poor management controls. Poor security controls and lack of audit trails made the system vulnerable to unauthorized manipulation.

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

5.2 Information Technology (IT) Audit of the Water Billing Application in Navi Mumbai Municipal Corporation

Highlights

Incorrect data on average quantity of water consumption in case of meters that were out of order resulted in under charging of water bills amounting to Rs 22.39 lakh

(Paragraph 5.2.6.2)

Audit analysis revealed that there was difference of Rs 1.11 lakh for the year 2005-06 in respect of receipts reported by ward offices and receipts entered in the computerized system. No action was taken to reconcile the difference

(Paragraph 5.2.6.5)

Incorrect mapping of business rules in respect of calculation of Delayed Payment Charges (DPC) resulted in DPC amounting to Rs 23.21 lakh not being charged

(Paragraph 5.2.8.1)

Erroneous mapping of business rules and manual intervention in respect of calculation of penalty resulted in penalty amount of Rs 81.97 lakh being short levied

(Paragraph 5.2.8.2)

Inadequate IT security controls and lack of a disaster recovery plan exposed the business operations to risk of system failure and unauthorized manipulation of data

(Paragraph 5.2.12.1 and 5.2.12.2)

Audit trail was not available in respect of reduction in opening balance of bills by Rs 16.16 lakh.

(Paragraph 5.2.12.3.2)

Non recovery of difference between the old rates and enhanced rate of security deposit amounting to Rs 1.07 crore

(Paragraph 5.2.14.1)

Modification of data without audit trail resulted in non charging of DPC in respect of water charges amounting to Rs 3.94 crore from village consumers

(Paragraph 5.2.14.2)

5.2.1 Introduction

Navi Mumbai Municipal Corporation (NMMC) came into existence in January 1992. The City and Industrial Development Corporation (CIDCO), which was entrusted with the development of the Navi Mumbai area and for providing civic amenities hitherto, handed over the civic functions to the Corporation. The Corporation area was divided into nine[52] wards. The function of water supply in the Corporation area continued to be with CIDCO till November 1999, after which it was handed over to NMMC in December of the same year.

Water bills in respect of all types of consumers[53], namely metered, flat rate, village and slum consumers were processed bi-monthly through the computerized application installed at NMMC headquarters. Meter readings in respect of metered consumers were recorded by the water supply sections in ward offices and forwarded to the headquarters office where the application was installed for data entry. Bi-monthly bills were generated from the application and were sent to the ward branches for further distribution to the consumers. The receipts were collected through the ward offices and designated bank branches and were also sent to the headquarters for data entry.

NMMC developed and implemented the 'water billing' application in October 2002 in Oracle 9i as RDBMS and Visual Basic 6 as the front end tool. The hardware for the application consisted of one Linux server (Red Hat Enterprises Linux 4.0 version), four personal computers and one line printer connected through LAN. The application handled functions such as maintaining details of consumers, water meter readings, bill generation and collections in respect of all wards.

Water tax constituted 13 *per cent* of the total receipts of NMMC for the year 2005-06. The demands and recovery of water tax for the previous three years were as follows:-

(Rupees in crore)

Year	Demands	Recovery
2003-04	42.30	34.47
2004-05	40.45	34.85
2005-06	58.90	39.16

5.2.2 Organisational set up

The Commissioner is the administrative head of NMMC. The Executive Engineer, Water Supply Department supervises the computerised water billing

[52] Airoli, Belapur, Dahisar, Digha, Ghansoli, Koparkhairane, Nerul, Turbhe and Vashi

[53] Metered consumers were consumers having water meters and charged according to meter readings; flat rate consumers were residents of CIDCO built tenements who were charged a fixed amount each month; village consumers were consumers residing in original villages and were charged a fixed amount each month and slum consumers were consumers for which common stand post connections had been provided and who were charged a fixed amount each month

system and is supported by three Deputy Engineers (DE) for the eight[54] wards where water is supplied by NMMC, Eight Junior Engineers (JE) in each of these wards and four Data Entry Operators, who are responsible for data entry and processing of data through the computerised system at headquarters.

5.2.3 Scope of audit

The Information Technology (IT) Audit of the water billing application was conducted during October 2006 to February 2007 and covered the implementation and functioning of the application with respect to data pertaining to eight wards of the Corporation.

5.2.4 Audit objectives

The audit objectives were to evaluate

- methodology adopted for system development
- efficiency and effectiveness of the water billing application
- adequacy of input, processing and output controls available in the system
- completeness and correctness of data captured in the system
- incorporation of business rules in the application
- adequacy of security controls to ensure the integrity of data and
- adequacy of audit trails available in the system

5.2.5 Audit Methodology

The audit commenced with an entry conference held on 3 October 2006 with the Municipal Commissioner and other Heads of departments of NMMC. The application and database were reviewed with respect to relevant resolutions, rules and procedures relating to water billing. The audit analysis was done using the IDEA package.

5.2.6 Audit Findings

5.2.6.1 Input Controls

Input controls ensure that data received for processing is genuine, complete, not previously processed, accurate, properly authorised and entered accurately and without duplication. Input controls also serve as an effective measure to detect or prevent error or fraud in a computerised system. Analysis revealed the following issues relating to lack of input controls.

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[54] Airoli, Belapur, Dahisar, Digha, Ghansoli, Koparkhairane, Nerul, Turbhe and Vashi, ward, water was not being supplied by NMMC

5.2.6.2 Incorrect data on average quantity and under charging of water bills

According to rules, in cases of water meters that are out of order or are missing, water bills for the first two months should be charged based on the average of the previous four months.

Analysis revealed that average quantities entered in the system during June 2003 to July 2006, were lesser in 2654 cases, resulting in under charging of water bills by Rs 22.39 lakh. In the absence of the above mentioned rule being built into the system, the average quantity was calculated manually and fed into the system.

NMMC stated that in these cases average for one day was taken into account from the previous four months' water consumption and accordingly, average bills were generated for the current bill period.

The reply is not relevant as the business rules were not duly incorporated in the application and the data was fed manually after calculation into the system.

5.2.6.3 Meter numbers not recorded

It is observed that entry of meter numbers to identify the water meters installed was kept as optional. As a result, meter numbers were not available or were entered as 0 in respect of meter readings relating to 10 consumers and 741 consumers respectively.

NMMC stated that the above mentioned cases pertained to village consumers who had not installed meters after their old meters were damaged or stolen.

The reply is irrelevant as it did not pertain to the point made by audit.

5.2.6.4 Dates of meters being out of order or changed not recorded

In cases of meters which were reported to be out of order, date from which such meters were not working and date of change of meters should have been captured in the application to calculate and levy penalty as per rule.

Analysis revealed that since entry of such information had not been made mandatory, such dates were not entered in 3255 and 1524 cases respectively. Accordingly, it was not possible for NMMC to levy any penalty as per rule on the consumers for not getting their meters rectified.

Further analysis revealed that the meters were out of order for abnormal periods of over one year (till July 2006) in respect of 275 consumers.

NMMC stated that suitable action would be taken to fill the left out cases and meters remaining out of order for abnormal periods.

5.2.6.5 No control procedure to ensure correctness of data entry of receipts

To ensure completeness and correctness of data relating to collection captured in the system, the same is required to be reconciled with the details of monthly receipts reported by the ward offices.

It was observed that the procedure of reconciliation was not in place. There existed a difference of Rs 1.11 lakh between the database and the figures as per the department records for the year 2005-06 which was yet to be reconciled. No action was taken to reconcile the difference. This indicated incorrect or incomplete data entry into the system.

NMMC stated that action would be taken in this regard.

5.2.7 Recommendations:

- Manual intervention should be minimized in data entry
- Entry of meter numbers, date *etc* should be made mandatory
- Complete and correct entry of data should be ensured

5.2.8 Lack of processing controls

Processing controls within a computer application should ensure that processing is complete and accurate. Audit findings with regard to loss of revenue as a result of weak processing controls are discussed below:

5.2.8.1 Incorrect mapping of business rules resulted in short levy of delayed payment charges amounting to Rs 23.21 lakh

Delayed Payment Charges (DPC) is required to be levied on consumers at 18 *per cent* per annum for delays in payments of water bills. As each billing cycle is of a two month period, DPC *at* 3 *per cent* per cycle is to be charged.

Audit analysis of data revealed that in cases where bills were generated for two billing cycles, DPC was charged at 3 *per cent* instead of 6 *per cent.* Audit scrutiny of the application system revealed that the short levy had resulted due to a lacuna in the application as the DPC rate of 3 *per cent* was hard coded into the application, instead of linking it with the number of billing cycles. This resulted in short levy of DPC charges amounting to Rs 23.21 lakh as detailed in the following statement :

Type of rates	Bill date	No of cases	DPC to be charged at 6 *per cent* (in Rupees)	DPC charged at 3 *per cent* (in Rupees)	DPC less charged (in Rupees)
Flat rate	01-05-2003	18,642	6,86,024	3,43,016	3,43,008
Meter rate	01-05-2003	2,780	17,04,924	8,52,462	8,52,462
Meter rate	30-09-2003	2,711	15,02,360	7,51,180	7,51,180
Flat rate	06-02-2004	17,355	7,48,736	3,74,413	3,74,413
Total		**41,488**			**23,21,063**

NMMC stated that necessary provisions would be made in the software.

5.2.8.2 Errors in mapping of business rules resulted in short levy of penalty amounting to Rs 81.97 lakh

In cases where water meters are out of order or are missing for more than two months, 50 *per cent* of the average consumption of the previous four months is to be charged as penalty for the third and fourth months. Penalty should be enhanced to 100 *per cent* from the fifth month onwards.

Audit analysis of the database revealed that there was short/non levy of penalty in respect of meters that were out of order resulting in revenue loss of Rs 81.97 lakh as shown in the following statement :

Period for which meter was faulty		Number of cases	Penalty to be charged (in Rupees)	Amount of penalty charged (in Rupees)	Penalty less charged (in Rupees)
50 *per cent* penalty was not charged for third and fourth months	Penalty not charged	931	3013629	0	3013629
	Penalty charged less than 50 *per cent*	72	188548	107037	81511
100 *per cent* Penalty was not charged for meters not repaired for continuous periods of five to 46 months	Penalty not charged	993	4101,916	0	4101916
	Penalty charged less than 100 *per cent*	563	1964038	963707	1000331
Total		2559			8197387

Audit observed that due to error in logic for calculation of the numbers of days for which the meters were faulty, penalty there on was calculated and levied wrongly as explained above.

Due to logical errors in the software, the penalty amounts had to be manually calculated and re-entered into the system. NMMC admitted the errors in penalty occurred due to error in logic and stated that the application would be suitably modified.

5.2.9 MIS reports not built into the system

It was observed in audit that MIS reports were not built into the system for watching the recovery of dues effectively. Even the classification of consumers had duplicates which would hamper the generation of any meaningful MIS. Thus the system did not have an appropriate structured data design to facilitate effective MIS.

NMMC stated that suitable changes would be made in the application and that action had been initiated to build in such MIS reports for dues and recoveries.

5.2.10 Recommendations:

- MIS reports should be designed in the application to monitor demand and recovery.

5.2.11 Lack of documentation

There was no documentation relating to feasibility study, user requirements, programme specification, data flow charts, input requirements, processing requirements, operational requirements, data conversion and evaluation of meeting user requirements. In the absence of documentation, the various stages of system development could not be analysed.

NMMC stated that the System Requirements Specifications (SRS) had been prepared. However, the same was not made available to audit.

5.2.12 IT Security

By enunciating an IT security policy, the organisation could reasonably protect all business critical information and related information processing assets from loss, damage or abuse.

5.2.12.1 Lack of IT security policy

It was observed that no security policy had been formulated. There were 26 user-ids available in the Database as against four data entry operators.

NMMC stated that the Database Administrator was responsible for managing the IT security and a documented security policy would be prepared.

5.2.12.2 Lack of disaster recovery plan

Audit observed that no documented IT disaster recovery plan existed in NMMC. It was also noticed that backups were taken in a backup server and not on removable storage devices. The copies of the backups were also not kept offsite as per good practices of IT governance.

NMMC stated that a documented disaster recovery policy would be prepared.

5.2.12.3 Inadequate Audit trail

An Audit trail depicts the flow of transactions in a system and is necessary in order to track the history of transactions, system failures, erroneous transactions, changes/modifications in data *etc*. It was observed that adequate audit trails did not exist in the system as detailed below :

5.2.12.3.1 Incorrect recording of quantities for water consumption

In the application, the quantity of water consumed was calculated based on meter readings. However, it could be edited or modified. An analysis revealed that in 129 cases, the quantity consumed was modified.

NMMC cited manual errors in data entry of quantity of water consumed for such correction/modifications. They further stated that action had been initiated to rectify the quantity of water consumed which was erroneously calculated.

However, the reply did not address the observation regarding lacunae in the system design, *i.e.*, allowing modification in the field containing quantity of water consumed and not maintaining any audit trail of such modifications being carried out in the database.

5.2.12.3.2 Modification of opening balance of bill amount

Water bills generated periodically consist of current demands as well as opening balances based on the difference between the previous demands raised and actual receipts. In order to reflect the correct bill amount, it is essential that the opening balances of the current bills tally with the closing balances of the previous bills.

Scrutiny of water bills generated through the computerized system revealed that the opening balances had been modified in case of 55 consumers during the period from April 2005 to September 2006, and the bill amounts had been reduced by a total of Rs 16.16 lakh. This resulted in the opening balances of current bills not matching with the closing balances of previous bills. Moreover, there was no audit trail designed in the application to record details of users responsible for effecting these modifications, dates of modifications and reasons for such modifications. The original data stored before modifications was also not stored in a log table.

NMMC stated that due to complaints regarding meters running fast and other reasons, bills had to be rectified, resulting in differences in the opening and closing balances. NMMC further stated that the audit trail facility in respect of such exceptional changes would be incorporated in the application.

5.2.12.3.3 Missing records

The application allocates a serial number to each consumer, bill and receipt record entered into the database.

Analysis of the data base revealed gaps in the consumer numbers, bill serial numbers and receipt serial numbers as detailed below :

Year	Number of consumer codes removed	Number of bill serial numbers removed	Number of receipt serial numbers removed
2002	64	Nil	Nil
2003	3054	16641	4071
2004	6207	11783	5028
2005	81	Nil	1742
2006	Nil	Nil	2012

NMMC stated that during 2002 to 2005, in many cases, consumer codes had been entered twice in the data base and such consumer codes with related bills and receipts had been deleted which resulted in gaps in the consumer numbers, bill serial numbers and receipt serial numbers.

In the absence of any module to handle above mentioned cases and audit trails incorporating reasons for removal of records, identification of users deleting the records, date and time of deletion of records and the original data in the system, the reply of NMMC could not be verified. No manual records in this respect were also available with the department.

5.2.13 Recommendations:

- An audit trail should be designed in the system to monitor changes made in the data in respect of quantities of water consumed, opening balances of bills and deletion of records *etc* from the database.

- An IT security policy and a disaster recovery plan should be formulated and circulated widely.

- Backup of data and application should be taken regularly and stored off site.

5.2.14 Other points of interest

5.2.14.1 Non recovery of difference in old rate and enhanced rate of security deposit amounting to Rs 1.07 crore

Security deposit (SD), at rates prescribed from time to time by NMMC is to be collected from different categories of consumers at the time of installing new water connections. The rates of SD for water supply connections were increased as per a resolution of September 2003, in respect of institutional and commercial consumers. According to the resolution, the differences in old rates and the enhanced rates of SD were to be recovered from all the existing customers in six bi-monthly instalments. An analysis revealed that in case of 257 consumers in various categories, differences of old and enhanced rates of SD amounting to Rs 1.07 crore remained to be recovered as per **Appendix XIII**.

NMMC stated that though the resolution regarding enhancement of SD was approved by the General Body of NMMC, due to persuasion by some members, the differences between the old rates and the new rates were not recovered from the existing consumers.

The observation is reiterated, in the absence of any record for such waiver.

5.2.14.2 Non recovery of DPC from GES consumers

A resolution passed by NMMC's General Body in June 2003 stipulates that water bills should be charged in respect of village consumers at Rs 40 per house per month from December 1999 to November 2002 and at Rs 50 per house per month from December 2002 onwards.

Audit further observed that although the software generates DPC on all outstanding balances, the same was modified to zero in respect of GES consumers. This resulted in non charging of DPC amounting to Rs 3.94 crore as detailed in the **Appendix XIV**.

NMMC stated that due to strong requests from public representatives, DPC was not charged from the village consumers.

The reply could not be accepted in the absence of proper authorization of the competent authority. Absence of any specific module in the application to handle such cases coupled with subsequent modification of data and absence of audit trail makes the system highly vulnerable.

5.2.15 Conclusion

The general objective of computerization of the water billing system was to reap the benefits of information technology to improve operational performance besides providing error free and faster services to the consumers. However, even after four years of computerization of the water billing system, NMMC could not evolve an error free system. Non incorporation of business rules coupled with manual intervention resulted in errors in water bills relating to incorrect charging of penalty and non levy of delayed payment charges in certain cases. Manual intervention in calculation of quantities of water consumed and data entry impacted the collection of revenue. Absence of MIS reports in respect of demand and recovery of water charges, reconciliation of receipts, numbers of meter not functioning *etc*., were not available in the application indicating deficient management control. The absence of audit trails coupled with lack of security policy made the system highly vulnerable.

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

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 2000[55] 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

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[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 Filaria Eradication Programme resulted in non-reimbursement of Rs 15.29 crore

As per guidelines of the National Malaria and Filaria 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 unauthorized 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).

(MALASHRI PRASAD)

Mumbai,
The

Principal Accountant General (Audit)-I,
Maharashtra

Countersigned

(VINOD RAI)

New Delhi,
The

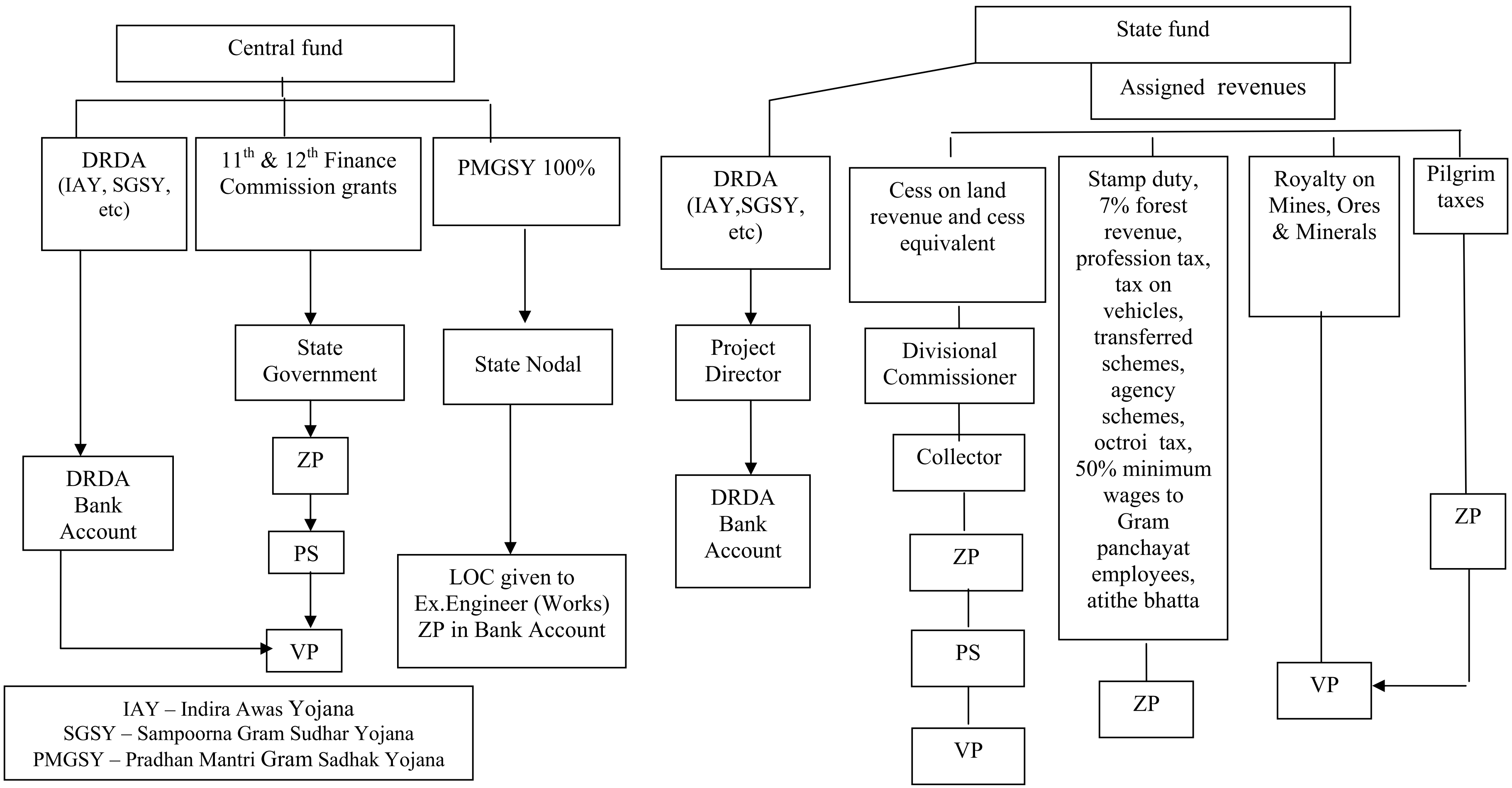
Comptroller and Auditor General of India

Appendix I

(Reference: Paragraph 1.4.4; page 5)

Statement showing flow of fund to the PRIs

FUND FLOW STATEMENT



Appendix II

(Reference: Paragraph 1.7.5; page 9)

Details of expenditure on transferred schemes, agency schemes and Zilla Parishads own schemes

(Rupees in crore)

Sr. No.	Name of Zilla Parishad	Expenditure on Transferred and Agency Schemes	Expenditure on ZPs own Schemes	Percentage of Expenditure on ZPs own schemes to total expenditure
1	Ahmednagar	342.30	20.05	5.86
2	Akola	275.45	16.42	5.96
3	Amravati	258.50	183.45	70.97
4	Beed*	293.85	170.62	58.06
5	Buldhana	221.77	210.18	94.77
6	Chandrapur*	188.10	37.63	20.01
7	Dhule	150.71	17.32	11.49
8	Gadchiroli	238.45	34.92	14.64
9	Gondia	120.55	17.67	14.66
10	Hingoli	192.87	2.15	1.11
11	Kolhapur	258.00	8.37	3.24
11	Latur*	370.12	6.17	1.67
12	Nagpur*	236.26	388.20	164.31
13	Nanded*	243.78	1.99	0.82
14	Nashik	348.64	9.22	2.64
15	Osmanabad	192.19	4.98	2.59
16	Parbhani*	205.86	21.08	10.24
17	Pune	322.83	15.33	4.75
18	Raigad	9.25	204.82	2214.27
19	Ratnagiri	201.42	4.50	2.23
21	Sangli	229.66	3.02	1.31
22	Satara	284.94	13.54	4.75
23	Sindhudurg	132.79	2.78	2.09
24	Solapur	376.14	5.26	1.40
25	Thane	261.00	7.77	2.98
26	Wardha*	105.74	90.23	85.33
27	Yavatmal*	222.95	7.80	3.50

***** *information upto 2003-04*

Appendix III

(*Reference: Paragraph 1.8.4; page10*)

Arrears in finalisation of accounts and certification of Zilla Parishads by CALFA

Sr. No	Name of the Zilla Parishad	Year upto which Annual Account to be prepared	Year upto which Annual Accounts prepared and presented	Year upto which Audit of Annual accounts to be done	Year upto which audit of annual accounts completed	Year from which the annual accounts are pending	Year upto which certification is pending
1	2	3	4	5	6	7	8
	Mumbai Region						
1	Thane	2005-06	2003-04	2005-06	2003-04	2004-05 2005-06	Started checking of 2004-05
2	Raigad	2005-06	2003-04	2005-06	2003-04	2004-05 2005-06	2004-05 - Not received for checking
3	Ratnagiri	2005-06	2003-04	2005-06	2003-04	2004-05 2005-06	Started checking of 2004-05
4	Sindhudurg	2005-06	2003-04	2005-06	2003-04	2004-05 2005-06	Started checking of 2004-05
	Pune Region						
1	Pune	2004-05	2003-04 full	2005-06	2004-05	-	-
2	Satara	2004-05	2003-04 full	2005-06	2003-04	2004-05	2004-05
3	Sangli	2004-05	2003-04 full	2005-06	2003-04	2004-05	2004-05
4	Solapur	2004-05	2003-04 full	2005-06	2004-05	-	-
5	Kolhapur	2004-05	2003-04 full	2005-06	2004-05	-	-
	Nashik Region						
1	Nashik	2005-06	2004-05	2005-06	2004-05	2005-06	2005-06
2	Dhule	2004-05 2005-06	2003-04	2005-06	2003-04	2004-05	2004-05
3	Nandurbar	2002-03 2003-04 2004-05 2005-06	2001-02	2005-06	2001-02	2002-03 2003-04 2004-05 2005-06	2002-03

Appendix III (contd.)

Sr. No	Name of the Zilla Parishad	Year upto which Annual Account to be prepared	Year upto which Annual Accounts prepared and presented	Year upto which Audit of Annual accounts to be done	Year upto which audit of annual accounts completed	Year from which the annual accounts are pending	Year upto which certification is pending
1	2	3	4	5	6	7	8
5	Ahmednagar	2005-06	2004-05	2005-06	2004-05	2005-06	2005-06
	Amravati Region						
1	Amravati	2004-05 2005-06	Upto 2003-04	2005-06	2003-04	2004-05	2004-05, 2005-06
2	Akola	2005-06	Upto 2004-05	2005-06	Upto 2004-05	2005-06	2004-05, 2005-06
3	Washim	2005-06	Upto 2004-05	2005-06	Upto 2004-05	2005-06	2004-05, 2005-06
4	Buldhana	2004-05	Upto 2003-04	2005-06	Upto 2002-03	2003-04 2004-05 & 2005-06	2004-05, 2005-06
5	Yavatmal	2004-05	Upto 2003-04	2005-06	2003-04	2004-05 2005-06	2004-05, 2005-06
	Nagpur Region						
1	Gondia	2005-06	2000-01	2005-06	2000-01	2001 to 2006	-
2	Nagpur	2005-06	2001-02	2005-06	2001-02	2002 to 2006	-
3	Bhandara	2005-06	2002-03	2005-06	2002-03	2003 to 2006	-
4	Chandrapur	2005-06	2002-03	2005-06	2002-03	2003 to 2006	-
5	Gadchiroli	2005-06	2002-03	2005-06	2002-03	2003 to 2006	-
6	Wardha	2005-06	2001-02	2005-06	2001-02	2002 to 2006	
	Aurangabad Region						
1	Aurangabad	2005-06	2003-04	2005-06	2003-04	2004-05, 2005-06	2004-05, 2005-06
2	Jalna	2005-06	2002-03	2005-06	2002-03	2003-04, 2004-05, 2005-06	2003-04, 2004-05, 2005-06
3	Parbhani	2005-06	2003-04	2005-06	2003-04	2003-04, 2004-05, 2005-06	2003-04, 2004-05, 2005-06
4	Hingoli	2005-06	2002-03	2005-06	2002-03	2003-04, 2004-05, 2005-06	2003-04, 2004-05, 2005-06

Appendix III (concld.)

Sr. No	Name of the Zilla Parishad	Year upto which Annual Account to be prepared	Year upto which Annual Accounts prepared and presented	Year upto which Audit of Annual accounts to be done	Year upto which audit of annual accounts completed	Year from which the annual accounts are pending	Year upto which certification is pending
1	2	3	4	5	6	7	8
6	Beed	2005-06	2004-05	2005-06	2004-05	2005-06	2005-06
7	Latur	2005-06	2003-04	2005-06	2003-04	2004-05 2005-06	2004-05 2005-06
8	Osmanabad	2005-06	2003-04	2005-06	2003-04	2004-05 2005-06	2004-05 2005-06

Appendix IV

(*Reference: Paragraph 1.12.3; page* 12)

Lapsed deposits not credited to revenue head

Year from	Name of the ZP	Amount
1993-94	Parbhani	3539850
2000-01	Wardha	788439
2000-01	Yavatmal	8627687
1997-98	Chandrapur	16808765
2001-02	Nagpur	1617036
	Total	**31381777**

Appendix V

(*Reference: Paragraph 1.12.3; page* 13)

Outstanding IRs and Paras from Chief Auditor Local Fund and Accounts Report

(Rupees in crore)

Year of the report	No. of outstanding paras		Objected Amount	
	Government Funds	Own Funds	Government Funds	Own Funds
1962-63 to 1995-96	31531	14030	467.35	114.19
1996-97	4450	1868	128.30	63.06
1997-98	5417	2149	257.83	121.77
1998-99	6099	2950	255.56	84.24
1999-00	7167	2837	303.12	130.72
2000-01	7393	2854	193.46	67.74
2001-02	7834	3350	369.40	85.93
2002-03	15871	4780	462.48	119.97
2003-04	10869	6306	524.35	150.89
Total	96631	41124	2961.85	938.51

Appendix-VI

(Reference : Paragraph 2.8.1; page 26)

Statement showing details of grants received and expenditure incurred during 2000-01 to 2005-06

(Rupees in lakh)

Year	State Government funds			Central Government Funds						External aid (KFW-German aided project)			ZP's own funds			Total short -fall/ excess
				ARWSP			Swajaldhara									
	Grant received	Expendi-ture incurred	Short-fall/ excess	Grant received	Expendi-ture incurred	Shortfall/ excess	Grant received	Expendi-ture incurred	Short-fall/ excess	Grant received	Expendi-ture incurred	Shortfall/ excess	Grant received	Expendi-ture incurred	Shortfall/ excess	
2000-01	456.99	453.03	(+) 3.96	1000.00	995.95	(+) 4.05	Nil	Nil	Nil	Nil	Nil	Nil	1874.40	640.25	(+)1234.15	(+)1242.16
2001-02	481.73	479.82	(+) 1.91	475.00	432.43	(+)42.57	Nil	Nil	Nil	Nil	Nil	Nil	1765.23	845.41	(+) 919.82	(+) 964.30
2002-03	328.61	294.48	(+)34.13	300.00	158.50	(+)141.50	Nil	Nil	Nil	32.63	Nil	(+)32.63	1733.75	815.33	(+)918.42	(+)1094.05
2003-04	258.37	254.41	(+) 3.96	141.51	94.35	(+)47.16	345.71	334.41	(+)11.30	570.00	20.14	(+)549.86	1270.09	866.65	(+)403.44	(+)454.56
2004-05	240.51	240.50	(+)0.01	137.16	97.27	(+)39.89	389.88	380.63	(+)9.25	749.14	102.01	(+)647.13	798.00	421.12	(+)376.88	(+)416.78
2005-06	1089.55	712.86	(+)376.69	499.21	77.84	(+)421.37	164.51	94.53	(+)69.98	467.82	460.43	(+)7.39	929.18	381.03	(+)548.15	(+)1346.21

O.N.: Next years grants includes the unspent grants for previous year in respect of "Swajaldhara" and "KFW-German Aided Project"

Appendix VII

(Reference: Paragraph 2.9.3.1; page 31)

Statement showing delays/stoppage of schemes

Sr No	Name of scheme	Stipulated date of completion	Actual date of completion	Period of delay	Reasons for delay	Expenditure incurred (Rupees in lakh)
1	**2**	**3**	**4**	**5**	**6**	**7**
			MNP/ARWSP (Supply driven)			
1.	Kuranvasti-Saval, Tal-Baramati	31.1.01	31.3.03	2 years, 2 months	Inadequate funds and dispute regarding land for construction of elevated storage reservoir (ESR).	13.98
2.	Pondkule-Harijanvasti at Shiravali, Tal-Baramati	5.11.01	30.6.02	8 months	Hindrance created by local farmers and dispute regarding land for ESR.	5.96
3.	Pandharewadi, Tal-Daund	30.7.01	19.1.04	2 years 6 months	Delay in possession of land, work of MSEB connection and approval to revised estimates.	16.09
4.	Vaduste, Tal –Mulshi	13.12.2000	28.12.04	4 years	Non-availability of MSEB connection	17.44
			Swajaldhara			
5.	Chandwadi-Chankhed, Tal-Maval	9.11.2004	Work in progress (November 2006)	2 years	Non-availability of MSEB connection	6.20

Appendix VII (concld.)

Sr No	Name of scheme	Stipulated date of completion	Actual date of completion	Period of delay	Reasons for delay	Expenditure incurred (Rupees in lakh)
1	2	3	4	5	6	7
6.	Salvevasti-Kusgaon(Bk), Tal-Maval	28.6.2005	Work in progress (November 2006)	1 year 5 months	Work of MSEB connection, pumping machinery and five stand posts to be completed	5.83
7.	Varale, Tal-Maval	June 2005	Work in progress (November 2006)	1 year 5 months	Work of MSEB connection, pumping machinery and rising main to be completed.	8.87
MNP						
8.	Fadlewadi-Ugalewadi, Tal-Ambegaon	29.1.2006	31.3.06	2 months	Leakages during water supply.	10.50
					Total	**84.87**

Appendix VIII

(Reference: Paragraph 2.9.4; page 32)

Statement showing water samples examined during 2002-03 to 2005-06

Sr. No.	Block	2002-03			2003-04			2004-05			2005-06		
		Exam	Conta-minated.	Per-centage	Exam	Conta-minated	Per-centage	Exam	Conta-minated	Per - centage	Exam	Conta-minated	Per-centage
1.	Ambegaon	1014	504	49.70	935	505	54.01	1126	286	25.40	625	139	22.24
2.	Baramati	1084	625	57.66	1266	354	27.96	1241	234	18.86	919	100	10.88
3.	Bhor	526	205	38.97	1541	197	12.78	2188	333	15.22	898	184	20.49
4.	Daund	1045	503	48.13	1170	645	55.13	1298	556	42.84	601	191	31.78
5.	Haveli	1501	755	50.30	1648	653	39.62	1595	425	26.65	916	275	30.02
6.	Indapur	753	284	37.72	2152	202	9.39	1851	348	18.80	1058	245	23.16
7	Junnar	1550	775	50.00	1558	818	52.50	2001	654	32.68	988	237	23.99
8.	Khed	1334	633	47.45	1918	407	21.22	2433	443	18.21	1168	241	20.63
9.	Maval	1282	681	53.12	1298	510	39.29	1892	643	33.99	916	283	30.90
10.	Mulshi	949	536	56.48	946	437	46.19	799	310	38.80	357	142	39.78
11.	Purandar	881	551	62.54	867	438	50.52	858	328	38.23	537	164	30.54
12.	Shirur	934	519	55.57	1143	556	48.64	1415	496	35.05	535	150	28.04
13.	Velhe	613	323	52.69	304	167	54.93	443	228	51.47	256	102	39.84
	Total	**13466**	**6894**	**51.20**	**16746**	**5889**	**35.17**	**19140**	**5284**	**27.61**	**9774**	**2453**	**25.10**

Appendix IX
Statement showing outstanding advances

(*Reference: Paragraph 3.1; page* 40)

Sr. No.	**Name of Zilla Parishad/ Block Development Office**	**Period**		**Amount (rupees in lakh)**
		From	**To**	
1	Osmanabad	1973-74	2005-06	5947377
2	Latur	1988-89	2005-06	1946069
3	Parbhani	1962-63	2005-06	1570007
4	Nanded	1973-74	2005-06	21430415
5	Yevatmal	2003-04	2005-06	11859352
6	Nagpur	1963-64	2005-06	2931147
7	Chandrapur	1973-74	2005-06	8428203
8	Gondia	1999-00	2005-06	2336199
9	Wardha	1962-63	2005-06	4673391
10	Beed	1962-63	2005-06	20343612
11	Jalgaon	1969-70	2005-06	9740294
12	Raigad	1999-00	2005-06	7600619
13	Kolhapur	1965-66	2005-06	2967007
14	Sindhudurg	1995-96	2005-06	425854
15	Nashik	1966-67	2004-05	180765
16	Solapur	1962-63	2005-06	1260992
17	Thane	1961-62	2004-05	5007342
18	Dhule	2001-02	2003-04	6574511
19	Sangli	1962-63	2005-06	22125808[56]
20	Ahmednagar	1962-63	2005-06	1343032
21	BDO Akkalkuwa	1998-99	2003-04	706345
22	BDO Indapur	1986-87	2004-05	171370
23	BDO Osmanabad	1962-63	2005-06	1407582
24	BDO Paranda	1998-99	2005-06	60756
25	BDO Narkhed	1962-63	2005-06	1024051
26	BDO Parseoni	1984-85	2005-06	652087
	Total			**142714187**

[56] figures from CALFA's report (HBA and MCA excluded)

Appendix X

(*Reference: Paragraph 4.7.2 ; page52*)

Statement showing the details of Budget Estimates, actual receipt/expenditure and percentage of variance

(Rupees in crore)

Year	Receipt				Expenditure			
	Budget Provision	Actual	Excess(+) Saving (-)	Percentage of variance	Budget Provision	Actual	Excess(+) Saving (-)	Percentage of variance
Kalyan Dombivli Municipal Corporation "A" Budget								
2002-03	120.43	118.02	(-) 2.41	2.00	99.67	113.34	(+) 13.67	13.72
2003-04	211.20	126.97	(-)84.23	39.88	193.55	99.32	(-) 94.23	48.68
2004-05	221.37	152.57	(-) 68.80	31.08	213.64	213.36	(-) 0.28	0.13
Kalyan Dombivli Municipal Corporation "B" Budget								
2002-03	51.89	49.58	(-) 2.31	4.45	47.67	37.69	(-) 9.98	20.93
2003-04	70.99	40.64	(-) 30.35	42.75	53.35	43.96	(-) 9.39	17.60
2004-05	95.01	58.90	(-) 36.11	38.01	64.87	53.39	(-) 11.48	17.70
Solapur Municipal Corporation								
2002-03	118.53	92.35	(-) 26.18	22.08	118.53	92.35	(-) 26.18	22.08
2003-04	126.14	103.42	(-) 22.72	18.01	126.14	103.42	(-) 22.72	18.01
2004-05	141.07	113.73	(-) 27.34	19.38	141.07	113.73	(-) 27.34	19.38
Navi Mumbai Municipal Corporation								
2002-03	301.26	205.27	(-) 95.99	31.86	301.16	184.78	(-) 116.38	38.64
2003-04	441.57	264.16	(-) 177.41	40.17	468.27	277.23	(-) 191.04	40.79
2004-05	345.26	288.33	(-) 56.93	16.48	392.14	288.62	(-) 103.52	26.39
Akola Municipal Corporation								
2002-03	97.17	68.10	(-) 29.07	29.91	93.92	66.74	(-) 27.18	28.94
2003-04	119.12	81.79	(-) 37.33	31.00	119.55	82.99	(-) 36.56	30.58
2004-05	---	---	---	---	---	---	---	---
Nanded-Waghala Municipal Corporation								
2002-03	59.70	37.23	(-) 22.47	37.64	59.68	32.07	(-) 27.61	46.26
2003-04	57.46	41.97	(-) 15.49	26.96	57.43	38.92	(-) 18.51	32.23
2004-05	---	---	---	---	---	---	---	---
Aurangabad Municipal Corporation								
2002-03	128.78	99.25	(-) 29.53	22.93	128.61	89.06	(-) 39.55	30.75
2003-04	146.43	115.48	(-) 30.95	21.14	146.15	110.33	(-) 35.82	24.50
2004-05	150.67	122.31	(-) 28.36	18.82	150.61	134.01	(-) 16.60	11.02
Jalgaon Municipal Corporation								
2002-03	179.87	69.80	(-) 110.07	61.19	180.08	64.35	(-) 115.73	64.26
2003-04	150.10	67.97	(-) 82.13	54.71	154.72	73.34	(-) 81.38	52.60
Kolhapur Municipal Corporation								
2002-03	139.09	120.35	(-) 18.74	13.47	147.37	118.35	(-) 29.02	19.69
2003-04	136.75	118.21	(-) 18.54	13.55	148.55	118.65	(-) 29.90	20.12
2004-05	166.69	108.93	(-) 57.76	34.65	175.73	110.61	(-) 65.12	37.05
Nashik Municipal Corporation								
2002-03	583.00	368.30	(-) 214.70	36.82	582.20	359.97	(-) 222.73	38.17
2003-04	596.98	344.48	(-) 252.50	42.29	596.47	335.56	(-) 260.91	43.74
2004-05 *	460.21	338.21	(-) 122.00	26.50	459.99	321.88	(-) 138.11	30.02

Appendix XI

(*Reference: Paragraph 4.10.2; page* 55)

Statement showing unutilised grants under various schemes

(Rupees in lakhs)

Year	Opening Balance			Receipt			Expenditure			Closing Balance		
	Nashik	Kolhapur	Navi Mumbai	Nashik	Kolhapur	Navi Mumbai	Nashik	Kolhapur	Navi Mumbai	Nashik	Kolhapur	Navi Mumbai
Dalit Basti Yojana												
2001-02	47.07	---	---	1.64	---	---	0.68	---	---	48.03		
2002-03	48.04	---	111.37	2.42	---	4.44	---	---	---	50.46		115.81
2003-04	50.46	---	115.81	2.66	---	4.19	---	---	---	53.12		120.00
2004-05	53.12	---	120.00	1.39	96.07	---	---	---	---	54.51	96.07	120.00
Eleventh Finance Commission												
2001-02	---	---	---	---	---	---	---	---	---	---	---	---
2002-03	---	---	---	430.78	---	---	---	---	---	430.78	---	---
2003-04	430.78	---	---	523.52	---	---	178.82	---	---	775.48	---	---
2004-05	775.48	---	---	414.82	22.25	---	457.11	---	---	733.19	22.25	---
Member of Parliament - Local Area Development												
2001-02	---	---	---	24.97	---	---	---	---	---	24.97	---	---
2002-03	24.97	---	---	10.63	---	---	20.55	---	---	15.05	---	---
2003-04	15.05	---	---	16.05	---	---	---	---	---	31.10	---	---
2004-05	31.10	---	---	12.37	11.94	---	---	---	---	43.47	11.94	---
Minimum Needs Programme												
2004-05	---	---	---	---	160.00	---	---	---	---	---	160.00	---

Appendix XII

(Reference : Paragraph 5.1.9.1; page 63)

Incorrect calculation of rateable value

Category	Usage	Assessments analysed	Wrong assessments	Less consideration of RV (Rupees in lakh)	Less recovery of tax (1-4-97 to 30-9-06) (Rupees in lakh)
GES	Residential	375	62	24.36	46.08
	Commercial	158	123	3.54	7.33
CIDCO developed Node	Residential	1392	711	133.06	278.16
	Commercial	1260	599	56.74	100.96
CIDCO tenements	Residential	9941	8201	221.86	405.64
	Commercial	305	49	0.80	1.86
Village area and old Gaothan	Residential	4812	1307	12.22	24.80
	Commercial	353	249	8.50	15.88
Total		**18596**	**11301**	**461.08**	**880.71**

APPENDIX XIII

(*Reference: Paragraph 5.2.14.1; page* 77)

Non recovery of difference of security deposit

Category of consumers	Pipe Size and Code	Number of consumers	Old rate of SD (in Rupees)	New rate of SD (in Rupees)	Difference to be recovered (in Rupees)	Total difference to be recovered (in Rupees)
Institutional	15mm (IZ)	63	5060	6000	940	59220
	20mm (IY)	9	8140	12000	3860	34740
	25 mm (IX)	41	12100	20000	7900	323900
	40mm (IV)	21	27500	70000	42500	892500
	50mm (IU)	12	52800	140000	87200	1046400
	80mm (IT)	3	158400	400000	241600	724800
	100mm (WAS)	1	255200	600000	344800	344800
Commercial	40mm (CV)	64	75000	105000	30000	1920000
	50mm (CU)	33	144000	210000	66000	2178000
	80mm (CT)	4	432000	600000	168000	672000
	100mm (CS)	3	696000	900000	204000	612000
	150mm (CR)	3	1740000	2400000	660000	1980000
Total		**257**				**10788360**

APPENDIX XIV

(Reference : Paragraph 5.2.14.2; page 78)

Non recovery of DPC from GES consumers

(Amount in Rupees)

Period for bill is processed	Number of consumers	Date of bill processed	Opening balance of demand	DPC to be charged as per Audit
50 months Dec 1999 to Jan 2004	12397	23/02/04	Nil *	Nil *
12 months Feb 2004-Jan 2005	13685	15/02/05	85909134	15463644
2 months Feb-Mar 2005	13692	06/06/05	82829544	2484886
6 months Apr-Sep 2005	13700	10/10/05	83913814	7552243
4 months Oct 2005-Jan 2006	13704	15/02/06	90707264	5442436
2 months Feb-Mar 2006	13704	02/05/06	94319740	2829592
2 months Apr-May 2006	13705	18/07/06	95705921	2871178
2 months Jun-Jul 2006	13708	07/09/06	93205667	2796170
Total				39440149

* As it was first bill

Appendix XV

(Reference: Paragraph 6.9; page 88)

Statement showing expenditure incurred from deposit collected on items.

(Rupees in lakh)

Particulars on which the deposit received was utilised	**Year**			
	2002-03	**2003-004**	**2004-05**	**2005-06**
Electric Bills	12.73	**----**	**-----**	**------**
Office expenses	0.86	3.77	2.46	
Electrical works	0.72	13.33	1.89	
Telephone bills	0.52	2.67	0.51	
B & C	13.43	12.04	1.88	3.15
Water supply	12.01	18.91	7.58	
Health Department	10.98	7.15	3.46	
Motor vehicles	4.62	6.94	2.59	
Store	0.60	2.99	0.39	
Payment of GIA	0.40	1.60	-----	
Pay and allowances	24.46	27.16	12.64	
Diversions to other head	-----	9.10	27.25	20.00
Total	**81.33**	**105.66**	**60.65**	**23.15**