



सत्यमेव जयते

**Report of the  
Comptroller and Auditor General of India  
on  
Local Bodies  
for the year ended 31 March 2014**



**Government of Maharashtra  
Report No. 6 of the year 2015**

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

**on**

**LOCAL BODIES**

**for the year ended 31 March 2014**

**GOVERNMENT OF MAHARASHTRA**

**Report No. 6 of 2015**

**TABLE OF CONTENTS**

	Reference	
	Paragraph	Page No.
Preface		vii
Overview		ix
<b>SECTION A</b>		
<b>CHAPTER I</b>		
<b>ACCOUNTS AND FINANCES OF PANCHAYATI RAJ INSTITUTIONS</b>		
Introduction	1.1	1
Organisational Set up	1.2	1
Powers and Functions	1.3	2
Funding of Panchayati Raj Institutions	1.4	3
Devolution of funds	1.5	3
Transfer of functions and functionaries	1.6	4
Receipts and expenditure of PRIs	1.7	4
Accounting arrangements	1.8	6
Thirteenth Finance Commission Grants	1.9	8
Audit arrangements	1.10	9
Conclusion	1.11	10
<b>CHAPTER II</b>		
<b>AUDIT OF TRANSACTIONS</b>		
<b>Rural Development and Water Conservation Department</b>		
Implementation of minor irrigation works by Zilla Parishads	2.1	11
Receipts of Panchayati Raj Institutions	2.2	20
Blockage of Government funds	2.3	26
<b>SECTION B</b>		
<b>CHAPTER III</b>		
<b>ACCOUNTS AND FINANCES OF URBAN LOCAL BODIES</b>		
Introduction	3.1	29
Organisational set up	3.2	29
Organisational structure	3.3	30
Financial profile	3.4	30

	Reference	
	Paragraph	Page No.
Thirteenth Finance Commission grants	3.5	32
Accounting arrangements	3.6	32
Audit arrangements	3.7	33
Lack of response to audit observations	3.8	35
Conclusion	3.9	35
<b>CHAPTER IV PERFORMANCE AUDITS</b>		
<b>Urban Development Department</b>		
Delivery of Basic Civic Services by select Municipal Councils	4.1	37
<b>CHAPTER V AUDIT OF TRANSACTIONS</b>		
<b>Urban Development Department</b>		
<b>ULHASNAGAR MUNICIPAL CORPORATION</b>		
Implementation of Service Level Benchmarks by Ulhasnagar Municipal Corporation	5.1	65
<b>MUNICIPAL CORPORATION OF GREATER MUMBAI</b>		
Avoidable payment of commission	5.2	70
<b>AURANGABAD MUNICIPAL CORPORATION</b>		
Loss of revenue due to non-issue of licences	5.3	71
<b>AMRAVATI, NANDED-WAGHALA, THANE AND VASAI-VIRAR MUNICIPAL CORPORATIONS</b>		
Avoidable payment of electricity duty	5.4	72
<b>APPENDICES</b>		
	Appendix	Page No.
Statement showing extra expenditure incurred due to not enforcing the provisions of Clause 3(C) of General Conditions of Contract	I	75
Statement showing idle investment on incomplete works	II	76
Statement showing payments made to contractors without obtaining test reports/tests conducted prior to issue of work orders	III	77
Organisational structure	IV	78

	Reference	
	Appendix	Page No.
SLB achievement by UMC in water supply	V	79
SLB achievement by UMC in solid waste management	VI	80
SLB achievement by UMC in sewage management	VII	81
Glossary		83

## **PREFACE**

1. This Report for the year ended 31 March 2014 has been prepared for submission to the Governor of the State of Maharashtra.
2. The Report contains significant results of the Performance Audit and Compliance Audit of the Urban Local Bodies under the Urban Development Department and Panchayati Raj Institutions under the Rural Development and Water Conservation Department of the Government of Maharashtra.
3. The instances mentioned in this Report are those which came to notice in the course of test audit for the period 2013-14 as well as those which came to notice in earlier years but, could not be reported in the previous Audit Reports. Instances relating to the period subsequent to 2013-14 have also been included, wherever necessary.
4. The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

# *OVERVIEW*

## OVERVIEW

This Report comprises of five chapters under two sections. Section A includes two chapters containing observations on the Accounts and Finances of Panchayati Raj Institutions and three transaction audit paragraphs. Section B comprises of three chapters containing observations on the Accounts and Finances of Urban Local Bodies, one Performance Audit on Delivery of basic civic services by select municipal councils and four transaction audit paragraphs. A summary of major audit findings is presented in this overview.

### 1. Accounts and Finances of Panchayati Raj Institutions

*The allocation from total revenue of the state to Panchayati Raj Institutions showed a marginal decrease from 17.38 per cent in 2009-10 to 15.16 per cent in 2013-14. The total allocation to Local Bodies during the same period also showed a marginal decrease from 19.92 per cent to 19.48 per cent as against 40 per cent recommended by the Second Maharashtra State Finance Commission.*

*Though the accounts of all the 33 Zilla Parishads up to the year 2010-11 were published and submitted to the State Legislature, the accounts for the year 2011-12, 2012-13 and 2013-14 were yet to be finalised and published.*

*The State Government had so far not amended (March 2015) the Maharashtra Zilla Parishads and Panchayat Samitis Account Code, 1968 and Bombay Village Panchayat (Budget and Accounts) Rules, 1959 to maintain annual accounts in the format prescribed by the Comptroller and Auditor General of India.*

**(Paragraphs 1.5, 1.8.4 and 1.8.5)**

### 2. Transaction Audit Findings - Panchayati Raj Institutions

*The Minor Irrigation Divisions of Zilla Parishads took up Minor Irrigation works in an ad-hoc manner without preparing any long term district-wise master plans. There were significant time and cost overrun in execution of Minor Irrigation works by the nine selected Zilla Parishads. A number of Minor Irrigation works were taken up without computing cost benefit ratio and works awarded as early as April 1999 to February 2011 remained incomplete as of March 2015 despite incurring substantial expenditure.*

*Works were irregularly spilt up and awarded to Labour Cooperative Societies in order to bring them within the financial threshold stipulated for award of works to the Societies.*

*The monitoring and inspection of Minor Irrigation works by the Zilla Parishads was deficient. Payments were released to the contractors even though the quality control procedures were not adhered to by them during the execution of works. There were significant shortfalls in creation and utilisation of irrigation potential against the potential envisaged to be created and actually created.*

**(Paragraph 2.1)**

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*During 2009-14, the receipts of Panchayati Raj Institutions from own sources was merely 4.84 per cent of the total receipts and the Panchayati Raj Institutions were largely dependent on Government grants for developmental works. The Government did not release various grants due to the ZPs and there was shortfall in disbursement of grants to the Zilla Parishads, which significantly affected the receipts of Zilla Parishads and its further distribution to GPs. There were also heavy arrears in collection of various taxes by the Zilla Parishads. The monitoring and internal control in Panchayati Raj Institutions was weak. There were many cases of misappropriation/ embezzlement involving ₹ 56.39 crore which were pending settlement.*

**(Paragraph 2.2)**

*Despite deteriorating financial position of District Central Co-operative Banks in six Zilla Parishads, the Government of Maharashtra did not take early preventive action to transfer the deposits from these banks to other Nationalised Banks, leading to blockage of ₹ 520.75 crore.*

**(Paragraphs 2.3)**

### **3. Accounts and Finances of the Urban Local Bodies**

*The total receipts of 26 Municipal Corporations in the State during 2013-14 was ₹ 40,012 crore which was higher by eight per cent over the previous year. The major contribution in total receipts was from rent and taxes (50.42 per cent) and other income (41.18 per cent).*

*The Government of Maharashtra published the Maharashtra Municipal Account Code, 2013 in January 2013 prescribing the procedure for maintenance of accounts of receipts and disbursements only for the Municipal Councils. The Government issued the notification for implementation of the Municipal Account Code after a delay of nearly two years in November 2014.*

*Information furnished by 17 of the 26 Municipal Corporations, which have prepared their annual accounts, revealed that audit by Municipal Chief Auditor had been completed up to 2012-13 in five Corporations and up to 2013-14 in six Corporations and the reports have been submitted to the Standing Committees of the respective Corporations. In the remaining six Municipal Corporations, there were arrears in audit by Municipal Chief Auditor ranging between two and 11 years.*

**(Paragraphs 3.4.6, 3.6.2 and 3.7.3)**

### **4. Performance Audit - Urban Local Bodies**

#### **Delivery of Basic Civic Services by Select Municipal Councils**

*A performance audit of delivery of three basic civic services i.e. water supply, solid waste management and sewage management by 36 Municipal Councils was conducted between February and August 2014 covering the period 2011-14. The performance audit revealed that average water supply in 17 of 36 Municipal Councils ranged between 25 and 69 lpcd against the mandated 70 lpcd, due to losses from the distribution system, reduced efficiency of Water Treatment Plants and irregular electric supply. Twenty one water supply augmentation projects taken up by 20 Municipal Councils at a cost of ₹ 708*

crore under one Central Scheme and two States Schemes suffered from significant time and cost overruns. The reforms in water supply services taken up by 24 Municipal Councils at a cost of ₹ 33.57 crore were lagging behind.

Only one of the 36 Municipal Councils was segregating Municipal Solid Waste and the remaining 35 Municipal Councils were dumping unprocessed solid waste in the landfill sites in a non-environment friendly manner or directly in the pits/near water bodies/road sides. Bio-gas plants and vermi/mechanical composting plants constructed/partially constructed at a total cost of ₹ 6.29 crore by 11 of the 36 Municipal Councils could not be put to optimal use due to repair and maintenance problems, lack of demand for the end product (cooking gas) etc. A number of Municipal Councils did not have valid authorisation from the State Pollution Control Board for setting up waste processing and disposal facilities in landfill areas or for operating slaughter houses.

The sewage collection and disposal system in 32 of the 36 Municipal Councils was inadequate. Waste water was connected either to open drains or storm water drains leading to the nearby rivers. In 34 Municipal Councils, 208.51 MLD was being discharged without treatment either due to inadequate capacity of Sewage Treatment Plants or non-functioning of Sewage Treatment Plants. Only two of the 10 capital projects sanctioned between March 2008 and February 2014 at a total cost of ₹ 612.17 crore for upgradation of underground sewage system in 10 Municipal Councils were commissioned.

None of the 36 Municipal Councils were able to achieve the Service Level Benchmarks prescribed by Ministry of Urban Development, Government of India against various performance indicators in water supply, solid waste management and sewage management.

(Paragraph 4.1)

## 5. Transaction Audit Findings - Urban Local Bodies

The Ulhasnagar Municipal Corporation could not achieve the Service Level Benchmarks against majority of the nine performance indicators in water supply due to delay in implementation of a water supply augmentation project approved in December 2008 by Government of India at a cost of ₹ 127.65 crore. Further, due to non-availability of its own source of water, the Corporation was purchasing bulk water from Maharashtra Industrial Development Corporation at a significantly higher cost. However, the Corporation has not revised the water charges rates and it continues to charge its consumers at flat rates irrespective of actual consumption of water, which has widened the gap between operating revenue and operating expenses of the Corporation.

There were shortfalls in achievement of Service Level Benchmarks in solid waste management despite engagement of a contractor for a period of nine years and an annual recurring expenditure of ₹ 4.38 crore. This was due to shortfalls in household level coverage for collection of waste, non-segregation/recycling of collected waste, unscientific disposal of waste at landfill site etc.

*The sewage network system in Ulhasnagar Municipal Corporation was very old and damaged. Consequently, only 12 per cent of the total sewage generated by the city was reaching the Sewage Treatment Plant for treatment and the remaining 88 per cent was flowing directly into river/open nallahs. This has also adversely affected the achievement of Service Level Benchmarks.*

*Though the City Sanitation Plan was proposed to be implemented during 2012-16 with an estimated expenditure of ₹366.63 crore on solid waste management, sewage management and storm water drainage, only ₹4.25 crore was provided for solid waste management during 2012-14 against which, no expenditure was incurred.*

**(Paragraph 5.1)**

*Failure of Municipal Corporation of Greater Mumbai to collect Octroi directly from Bharat Petroleum Corporation Limited for crude oil imported by it resulted in avoidable payment of commission of ₹101.32 crore during 2010-13.*

**(Paragraph 5.2)**

*Aurangabad Municipal Corporation has been incurring an estimated recurring loss of ₹1.33 crore annually due to non-issue of licences to various establishments.*

**(Paragraph 5.3)**

*Four Municipal Corporations failed to avail of exemption of electricity duty during 2009-14, resulting in avoidable expenditure of ₹3.42 crore.*

**(Paragraph 5.4)**

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***CHAPTER I***

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

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## SECTION A

### CHAPTER I

## ACCOUNTS AND FINANCES OF PANCHAYATI RAJ INSTITUTIONS

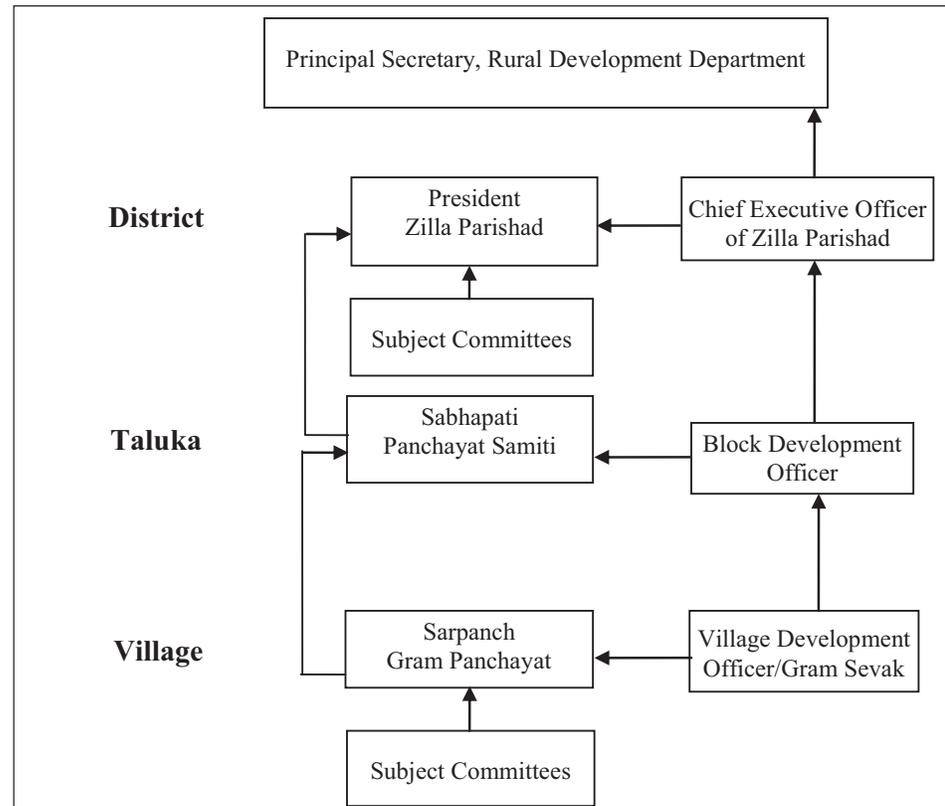
### 1.1 Introduction

In conformity with the provisions of the 73<sup>rd</sup> Constitutional Amendment, the Maharashtra Zilla Parishads and Panchayat Samitis Act, 1961 (ZP/PS Act) and the Maharashtra Village Panchayats Act, 1958 (VP Act) were amended in 1994. A three tier system of Panchayati Raj Institutions (PRIs) comprising Zilla Parishads (ZPs) at the district level, Panchayat Samitis (PSs) at the block level and Gram Panchayats (GPs) at the village level were established in the State. As per 2011 Census, the total population of the State stood at 11.24 crore of which, 55 per cent was from rural areas.

### 1.2 Organisational set up

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

**Chart 1: Organisational structure of PRIs**



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

administratively to their next superior authority in the State Government hierarchy.

There were 28,006 GPs for 44,151 villages in Maharashtra. The VDO/Gram Sevak, a village level functionary, functions as Secretary to the GP and is also responsible for maintenance of accounts and records at GP level. However, sanctioned strength of VDOs/Gram Sevaks was 23,334 which show that even one VDO/Gram Sevak post was not sanctioned for each GP. The persons-in-position was 21,606 only with a shortage of 1,728 as of December 2014. No reasons were on record for not sanctioning and filling up of the 1,728 posts of VDOs/Gram Sevaks.

### **1.3 Powers and Functions**

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

**1.3.2** The ZPs are required to prepare a budget for the planned development of the district and utilisation of the resources. The Government of India (GoI) Schemes funded through the District Rural Development Agency (DRDA) and the State Government Schemes are also implemented by the ZPs. The ZPs are empowered to impose water tax, pilgrim tax and special tax on land and buildings.

**1.3.3** The intermediate tier of Panchayats at the Taluka level in Maharashtra is called the Panchayat Samitis. There are 351 PSs in the State. The PSs do not have their own source of revenue and are totally dependent on the Block Grants received from ZPs. The PSs undertake developmental works at the block level.

**1.3.4** The VP Act provides for the constitution of Gram Sabha, which is the body consisting of persons registered in the electoral rolls of the villages within the GP area. The GPs are empowered to levy tax on buildings, betterment charges, pilgrim tax, taxes on fairs/festivals/entertainment, taxes on bicycles, vehicles, shops, hotels *etc.*

**1.3.5** Gram Sabhas are required to meet periodically. They select beneficiaries for the State/Central Government Schemes, prepare and approve development plans and projects to be implemented by the GPs, grant permission for incurring expenditure by GPs on developmental schemes. They also convey their views on the proposals for acquisition of land by GPs.

**1.3.6** The broad accountability structure in PRIs is as shown in **Table 1**:

**Table 1: Accountability structure in PRIs**

PRIs	Functions Assigned
<b>Zilla Parishad , CEO</b>	<ol style="list-style-type: none"> <li>1. Drawal and disbursal of fund</li> <li>2. Preparation of annual budget and accounts</li> <li>3. Supervision and control of officers of the ZP</li> <li>4. Finalisation of contracts</li> <li>5. Publishing statement of accounts of ZPs in the Government Gazette</li> </ol>
Chief Accounts and Finance Officer (CAFO), ZP	<ol style="list-style-type: none"> <li>1. Compilation of the accounts of ZP</li> <li>2. Providing financial advice</li> </ol>
Heads of Departments (HoDs) in ZPs	<ol style="list-style-type: none"> <li>1. According technical sanctions to the works and implement development Schemes</li> <li>2. Supervising the work of Class II officers</li> </ol>
<b>Panchayat Samiti, BDO</b>	<ol style="list-style-type: none"> <li>1. Drawal and disbursal of funds</li> <li>2. Execution and monitoring of Schemes and maintenance of accounts and records</li> </ol>
<b>Gram Panchayat, Gram Sevak</b>	<ol style="list-style-type: none"> <li>1. Secretary to the Gram Sabha</li> <li>2. Execution and monitoring of Schemes and maintenance of accounts and records</li> </ol>

#### **1.4 Funding of Panchayati Raj Institutions**

**1.4.1** The District Fund consists of money received from State budget funds for plan and non-plan State schemes, assigned tax and non-tax revenues, receipts of ZPs, interest on investments *etc.*

**1.4.2** The cash grants are released to the ZPs through the Budget Distribution System (BDS) by the respective administrative departments.

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

#### **1.5 Devolution of funds**

##### **Allocation of funds**

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

The Second Maharashtra SFC recommended (March 2002) allocation of 40 *per cent* of State revenues to Local Bodies (LBs). The State Government while placing the Action Taken Note (March 2006) in the State Legislature on Second SFC's recommendation expressed its inability to accept the above recommendation on the ground that they were already giving various grants towards natural calamity, rehabilitation of farmers, assistance for increased electricity bills to farmers. The total revenue of the State (tax and non-tax) *vis-à-vis* allocation to the PRIs as well as to Urban Local Bodies (ULBs) during 2009-10 to 2013-14 is shown in **Table 2**.

**Table 2: Details of total revenue of the State and its allocation to PRIs and ULBs during 2009-14**

(₹ in crore)					
Head	2009-10	2010-11	2011-12	2012-13	2013-14
State's total revenue (Tax and non-tax)	67458.95	83252.14	95776.16	113432.98	119949.93
Amount required to be allocated as per Second SFC to LBs (40 per cent)	26983.58	33300.86	38310.46	45373.19	47979.97
Actual allocation to PRIs	11726.62	13260.93	14294.73	16444.42	18184.73
Actual allocation to PRIs as a percentage of States' total revenue	17.38	15.93	14.93	14.50	15.16
Actual allocation to ULBs	1708.89	4350.04*	4871.33	4401.93	5179.74
Actual allocation to ULBs as a percentage of States' total revenue	2.53	5.23	5.08	3.88	4.32
Total allocation to PRIs and ULBs	13435.51	17610.97	19166.06	20846.35	23364.47
Actual allocation to PRIs and ULBs as a percentage of States' total revenue	19.92	21.16	20.01	18.38	19.48
Source: Figures adopted from CAG's Audit Report on State Finances and Finance Accounts, Government of Maharashtra for all the years					
*Huge variation was due to misclassification in previous year as mentioned in CAG's Report on State Finances for the year 2010-11, Government of Maharashtra					

It would thus, be seen that only 19.48 per cent of the State's total revenue was allocated to the LBs during 2013-14.

The Fourth SFC was constituted in February 2011 for the period 2011-12 to 2015-16 and was to submit its report to the State Government by September 2012. However, the date for submission of report was extended by the State Government up to December 2014.

## **1.6 Transfer of functions and functionaries**

**1.6.1** The 73<sup>rd</sup> Constitutional Amendment envisaged that all the 29 functions along with funds and functionaries mentioned in the XI Schedule of the Constitution of India would be eventually transferred to the PRIs through suitable legislation of the State Governments.

**1.6.2** The State Government has transferred 16 functions and 15,480 functionaries to PRIs. Non-transfer of functions and functionaries has also been commented in earlier Audit Reports.

## **1.7 Receipts and expenditure of PRIs**

### **(A) Zilla Parishads**

**1.7.1** As per information provided by 31 of 33 ZPs, the position of revenue/capital receipts, revenue/capital expenditure in respect of ZPs and PSs

for the period from 2009-10 to 2013-14 is given in **Table 3** (PSs accounts were incorporated in ZP Accounts):

**Table 3: Details of receipts and expenditure of ZPs and PSs for the period 2009-14**  
(₹ in crore)

Year	Receipts						Expenditure		
	Own <sup>1</sup> revenue	Government grants	Other revenue	Total revenue receipts	Total capital receipts	Total receipts	Revenue	Capital	Total
2009-10	481	15240	278	15999	3573	19572	15309	3365	18674
2010-11	627	17721	307	18655	3939	22594	20847	4981	25828
2011-12	703	19762	376	20841	5105	25946	20507	4114	24621
2012-13	1014	21630	692	23336	10290	33626	21835	8168	30003
2013-14 <sup>^</sup>	1301	23423	473	25197	9791	34988	23398	8935	32333

Source: Data furnished by ZPs  
<sup>^</sup>Information not furnished by Chandrapur and Parbhani ZPs

**(B) Gram Panchayats**

The details of receipts and expenditure (revenue and capital) of GPs provided by 29 of 33 ZPs during 2009-10 to 2013-14 are as shown in **Table 4**.

**Table 4: Details of receipts and expenditure of GPs during 2009-14**

(₹ in crore)

Year	Total Receipts					Total Expenditure
	Government grants	Taxes	Contributions	Other receipts	Total receipts	
2009-10	627	525	155	285	1592	1359
2010-11	618	745	158	193	1714	1560
2011-12	1163	1376	336	331	3206	3047
2012-13	1235	832	189	628	2884	2350
2013-14 #	1229	917	260	450	2856	3339

Source: Data furnished by ZPs  
#Information not furnished by Chandrapur, Nanded, Parbhani and Raigad ZPs.

**1.7.2** The component-wise details of expenditure (revenue and capital) of GPs and ZPs including PSs during 2011-14 is as shown in **Table 5**.

<sup>1</sup> Excludes opening balance

**Table 5: Component-wise details of expenditure of GPs and ZPs including PSs during 2011-14**

(₹ in crore)

Sr. No.	Components	GPs expenditure			ZPs and PSs expenditure		
		2011-12	2012-13	2013-14 <sup>@</sup>	2011-12	2012-13	2013-14 <sup>§</sup>
1.	Education	122	60	45	9705	10894	10594
2.	Health and Sanitation	708	457	453	1627	1547	1527
3.	Public Works	1180	843	928	1351	1404	1453
4.	Social Welfare	223	127	105	954	776	842
5.	Irrigation	65	05	50	451	778	594
6.	Animal Husbandry	09	05	45	286	321	371
7.	Agriculture	12	07	16	193	345	364
8.	Public lighting	70	47	66	36	25	0
9.	Forest	01	01	03	27	0	0
10.	Administration	507	323	347	1649	2004	1729
11.	Rural Water Supply	*	54	0	*	348	405
12.	Women and Child	*	01	0	*	573	465
13.	Other expenditure	146	76	778	4228	2820	5054
14.	Capital expenditure	04	344	503	4114	8168	8935
<b>Total</b>		<b>3047</b>	<b>2350</b>	<b>3339</b>	<b>24621</b>	<b>30003</b>	<b>32333</b>

Source: Data furnished by ZPs  
\* Information not furnished separately by GPs, ZPs and PSs  
<sup>@</sup> Expenditure of GPs provided by 29 ZPs  
<sup>§</sup> Expenditure of ZPs and PSs provided by 31ZPs

**1.7.3** The works undertaken by the ZPs are categorized as: (i) ZPs own schemes; (ii) Schemes transferred/funded by the State Government; and (iii) Schemes funded by other agencies. Information received from 29 of the 33 ZPs for the year 2013-14 revealed that these ZPs incurred an expenditure of ₹ 28,969 crore (₹ 23,392 crore on transferred schemes, ₹ 3,454 crore on agency schemes and ₹ 2,123 crore on ZPs own schemes).

## **1.8 Accounting arrangements**

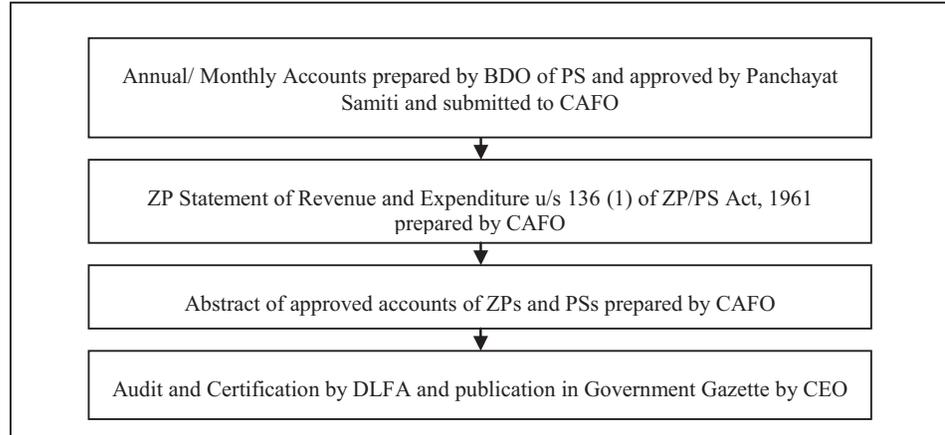
**1.8.1** Under the provisions of Section 136 (2) of the ZP/PS Act, the BDOs forward the accounts approved by the PSs to the ZPs and these form part of the ZPs' accounts. Under provisions of Section 62 (4) of the VP Act, the Secretaries of the GPs are required to prepare annual accounts of GPs. A Performance Audit on quality of maintenance of accounts in PRIs in Maharashtra State was also conducted and commented in Chapter II of the Report of the Comptroller and Auditor General of India (Local Bodies), GoM for the year ended 31 March 2008.

**1.8.2** In accordance with the provisions of Section 136 (1) of the ZP/PS Act and Rule 66 A of the Maharashtra Zilla Parishads and Panchayat Samitis (MZP&PS) Account Code, 1968, CEOs of ZPs are required to prepare annually statements of accounts of revenue and expenditure of the ZPs along with statements of variations of expenditure from the final modified grants on or before 10 July of the following financial year to which the statement relates.

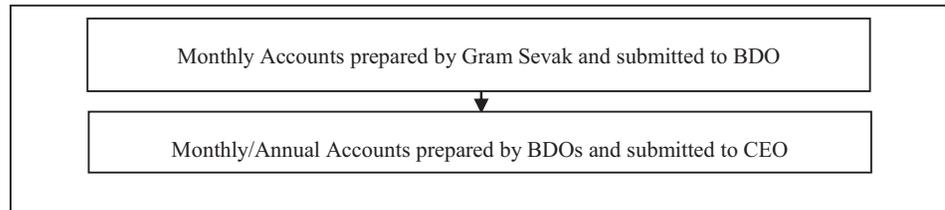
The accounts are then placed before the Finance Committee and finally before the ZPs for approval along with the Finance Committee reports.

**1.8.3** The abstracts of the approved accounts of the ZPs/PSs are prepared by CAFO and forwarded to Director, Local Fund Audit (DLFA) for audit, certification and publication in the Government Gazette.

**Chart 2: Flow Chart of Accounts compilation in ZPs and PSs**



**Flow Chart of Accounts compilation in GPs**



**1.8.4** As per Section 136 of ZP/PS Act and Rule 66 of MZP&PS Account Code, 1968, the prescribed date for preparation and approval of annual accounts of ZPs for a financial year is 30 September of the following year and accounts of ZPs are required to be published in the Government Gazette by 15 November of the year. Accordingly, the accounts for 2013-14 should have been finalized by September 2014 and published by November 2014.

The Rural Development and Water Conservation Department (Department) stated (March 2015) that the accounts up to the year 2010-11 have been published in the Government Gazette and submitted to the State Legislature. The Department added that finalization of the accounts for the year 2011-12 was in the final stage and would be placed in the coming session of the State Legislature. The finalization of accounts for the year 2012-13 was in progress.

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

The Eleventh Finance Commission (EFC) had recommended that the Comptroller and Auditor General of India exercise control and supervision over the proper maintenance of accounts of LBs. Accordingly, the Comptroller and Auditor General of India had prescribed the formats for maintenance of accounts by PRIs in 2002. This was followed by simplified formats in 2007 and 2009. The State Government was required to amend the MZP&PS Account Code, 1968 and Maharashtra Village Panchayat (Budget and

Accounts) Rules, 1959 for adoption of the accounts formats prescribed by the Comptroller and Auditor General of India. It was however, observed that the State Government has not yet amended MZP&PS Account Code and Maharashtra Village Panchayat (Budget and Accounts) Rules as of March 2015 due to which, accounts in the prescribed formats were not maintained in any of the ZPs.

The Department stated (March 2015) that it has been made mandatory for the PRIs to maintain their accounts in the format prescribed by the Comptroller and Auditor General of India *vide* Government Resolution dated 05 October 2013. Accordingly, process to amend the MZP&PS Account Code, 1968 and Maharashtra Village Panchayat (Budget and Accounts) Rules, 1959 was in progress.

### **1.8.6 Pending assessment of grants**

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

It was however, observed that in 22 of 33 ZPs<sup>2</sup>, there were arrears in assessment of grants in respect of 10 Departments is as indicated in **Table 6**.

**Table 6: Position of arrears in assessment of grants**

Sr. No.	Name of department	Period of arrears
1.	Education	2000-2014
2.	Agriculture	1998-2014
3.	Social Welfare	2000-2014
4.	Animal Husbandry	1999-2014
5.	Public Health	2000-2014
6.	Family Welfare	2001-2014
7.	Water Supply and Sanitation	2000-2014
8.	Women and Child Welfare	1998-2014
9.	Minor Irrigation	1998-2014
10.	Public Works	1999-2014

Source: Information furnished by ZPs

The Department stated (November 2014) that the cash grants were released to the ZPs through BDS by the respective Administrative Departments. All the Administrative Departments have been directed to clear the arrears in assessment of grants.

## **1.9 Thirteenth Finance Commission Grants**

The State Government released ₹ 3,562.18 crore as per recommendations of the 13<sup>th</sup> Finance Commission of which, ₹ 1,690.39 crore (47 *per cent*) has been spent as of March 2014.

<sup>2</sup> Aurangabad, Beed, Buldhana, Chandrapur, Jalna, Latur, Nashik, Parbhani, Sangli, Washim and Yawatmal did not furnish any information

## **1.10 Audit arrangements**

### **1.10.1 Audit by Director, Local Fund Audit**

The Audit of PRIs is conducted by DLFA in accordance with the provisions of the Maharashtra Local Fund Act, 1930, the Maharashtra Village Panchayat (Audit of Accounts) Rules, 1961 and VP Act, 1958. DLFA prepares an Annual Audit Review Report on the financial working of PRIs for placement before the State Legislature.

It was observed that Local fund (transaction) audit of all ZPs and PSs was conducted for the year 2013-14. The consolidated Audit Review Report for the year 2011-12 was prepared by DLFA and presented to the State Legislature in June 2014.

### **1.10.2 Audit by Comptroller and Auditor General of India**

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

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

### **1.10.3 Formation of District Level Audit Committees**

The GoM directed (March 2001) the ZPs to constitute District Level Audit Committees (DLACs) for discussion and settlement of outstanding audit objections raised by DLFA and the Principal Accountant General/Accountant General, Maharashtra. The Department informed (December 2014) audit that against 2,38,239 outstanding paragraphs, 12,069 paragraphs<sup>3</sup> were cleared during 2013-14.

### **1.10.4 Outstanding Paragraphs from DLFA Reports**

As per Annual Audit Review Report of DLFA for the year 2011-12, 1,22,366 paragraphs in respect of Government funds involving ₹ 10,538.02 crore and 34,736 paragraphs pertaining to ZPs own funds involving ₹ 2,27,988 crore were pending for settlement for the period from 1962 to 2012.

### **1.10.5 Outstanding Inspection Reports and Paragraphs of Accountant General**

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

<sup>3</sup> Accountant General: 1,336; Local Fund Audit: 9,721 and Panchayati Raj Committee: 1,012

their settlement.

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

At the end of March 2014, 5,053 Inspection Reports containing 17,567 paragraphs pertaining to PRIs issued by audit were pending settlement despite holding four Audit Committee Meetings during 2013-14. The position of outstanding Inspection Reports and paragraphs is indicated in **Table 7** below.

**Table 7: Position of outstanding Inspection Reports and paragraphs**

Year	Inspection Reports	Paragraphs
Up to 2010-11	4214	12269
2011-12	345	2106
2012-13	197	1205
2013-14	297	1987
<b>Total</b>	<b>5053</b>	<b>17567</b>

The high number of outstanding old Inspection Reports and paragraphs indicated weak internal controls in the PRIs.

### **1.11 Conclusion**

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

- allocations to Local Bodies were meagre at 19.48 *per cent* (Panchayati Raj Institutions: 15.16 *per cent* and Urban Local Bodies: 4.32 *per cent*) as against 40 *per cent* of the total State's revenue recommended by the Second Maharashtra State Finance Commission;
- of the 29 functions listed in the XI Schedule of the Constitution of India, only 16 functions were transferred to Panchayati Raj Institutions;
- though the accounts of all the 33 ZPs up to the year 2010-11 were published and submitted to the State Legislature, the accounts for the year 2011-12, 2012-13 and 2013-14 were yet to be finalised and published; and
- the Maharashtra Zilla Parishads and Panchayat Samitis Account Code, 1968 and Maharashtra Village Panchayat (Budget and Accounts) Rules, 1959 have not been amended. As a result, accounts in the formats prescribed by the Comptroller and Auditor General of India were not maintained in any of the Zilla Parishads.

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*CHAPTER II*

*AUDIT OF TRANSACTIONS*

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## CHAPTER II AUDIT OF TRANSACTIONS

### RURAL DEVELOPMENT AND WATER CONSERVATION DEPARTMENT

#### 2.1 Implementation of minor irrigation works by Zilla Parishads

##### 2.1.1 Introduction

Minor Irrigation (MI) works are those which can be completed in a short time and start giving irrigation benefits much more quickly to a small patch of land. The MI works include construction of storage tanks and bandharas and their repair and maintenance, land drainage schemes, tube-wells, small lift irrigation schemes, construction of new wells, installation of pumping sets, boring and blasting of wells *etc.* MI works individually irrigating 101 hectare (ha) or less are executed by Zilla Parishads (ZPs) while those irrigating individually more than 101 ha are in charge of the Water Conservation Department (WCD) of the State Government (Local Sector).

##### 2.1.2 Scope of audit

Audit selected nine<sup>1</sup> out of 33 ZPs where 3,623 MI works (irrigating 101 ha or less) valuing ₹ 360.85 crore have been completed and Irrigation Potential (IP) of 34,122 ha has been created while, 1,069 MI works valuing ₹ 104.38 crore with projected IP of 12,260.19 ha were in progress as of March 2014. Of the 4,692 MI works (completed and ongoing) in nine ZPs, audit selected 449 MI works for detailed scrutiny. For this purpose, records in the Mantralaya, office of the Chief Engineer, Small Scale Irrigation (Water Conservation), Pune (CE), six<sup>2</sup> Superintending Engineers, Minor Irrigation Local Sector (SE) and offices of Executive Engineers (EEs), Minor Irrigation Divisions (MIDs) in nine ZPs were checked for the period 2009-14.

##### Audit findings

##### 2.1.3 Planning for MI works

The Maharashtra Minor Irrigation Manual, 1983 stipulated preparation of a district-wise master plan for MI works, including an exhaustive list of works to be undertaken for the next 15 years. The master plan *inter alia* was to bring out special features of the district, crops normally grown, irrigation practices *etc.*

Audit observed that master plan for MI works was not prepared by any of the nine selected ZPs in the absence of which, the selection of MI works was done by the ZP Committees merely on the basis of the demands received from public representatives/Gram Panchayats (GPs). The list of selected works was then forwarded to the Government of Maharashtra (GoM) through District Planning and Development Committee (DPDC) for seeking funds.

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<sup>1</sup> Ahmednagar, Akola, Amravati, Aurangabad, Beed, Chandrapur, Nashik, Sangli and Thane

<sup>2</sup> Amravati, Aurangabad, Nashik, Nagpur, Pune and Thane

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The Secretary, WCD accepted (December 2014) that the district-wise master plan was not prepared.

Further, in three out of nine selected ZPs, construction of 1,832 cement bandharas were undertaken during 2009-14 without computing cost benefit ratio and an expenditure of ₹ 153.48 crore was incurred up to 31 March 2014, in contravention of paragraph 3.11 of Maharashtra Minor Irrigation Manual, 1983 read with Government Resolution (August 2008). As a result, audit could not seek an assurance whether 1,832 works, on which an expenditure of ₹ 153.48 crore was incurred, were economically viable.

The Secretary, WCD accepted (December 2014) the fact and assured that henceforth, the MIDAs would be directed to work out the cost benefit ratio for all MI works.

## **2.1.4 Financial management of MI works**

### **2.1.4.1 Failure to place demand for funds**

Based on the demands raised by the public representatives and GPs, ZP, Thane was expected to submit a proposal to the SE for repair and maintenance of 110 completed MI works at an estimated cost of ₹ 9.70 crore during 2012-13 and ₹ 11.97 crore for repair and maintenance of 129 completed MI works during 2013-14. Audit observed that the ZP failed to submit the proposals to the concerned SE for onward submission to GoM for release of funds. Consequently, WCD released only ₹ 0.12 crore and ₹ 0.08 crore during 2012-13 and 2013-14 respectively due to which, repair and maintenance of 239 MI works remained largely unexecuted.

The Secretary, WCD stated (December 2014) that repair works could not be taken up due to paucity of funds.

### **2.1.4.2 Unfruitful expenditure**

As per Government Resolution of July 2010, funds were to be provided by GoM for those works which remained incomplete under the State Employment Guarantee Scheme (EGS) and could not be transferred to Maharashtra Rural Employment Guarantee Scheme (MREGS) as on 01 April 2008. In this regard, a list of such works was called for by GoM from all the ZPs.

Audit observed that ZP, Beed though furnished a list of 350 incomplete works, failed to include 23 other incomplete works in the list submitted to GoM on which an expenditure of ₹ 52.73 lakh had already been incurred as of 31 March 2008. Consequently, no funds were provided by GoM to the ZP during 2008-14 and expenditure of ₹ 52.73 lakh incurred on these 23 incomplete works proved to be unfruitful.

The Secretary, WCD assured (December 2014) that a proposal for budgetary support from DPDC would be initiated to complete these 23 works.

The reply is not convincing because all these works are earthworks and after a time lapse of six years, these works would be difficult to complete/rehabilitate due to deterioration with passage of time.

### 2.1.4.3 Diversion of funds and excess expenditure over budget

As per Government Resolution (February 2008), the District Collector is the Controlling Officer for disbursement of funds to the ZPs for implementation of MI works. He is authorized to re-appropriate the funds within the Scheme/programme only after obtaining approval of the DPDC.

During 2013-14, MID (East), ZP, Nashik received ₹ 312.12 lakh for completion of 61 MI works. Against which, ₹ 93.49 lakh was spent on completion of 11 MI works up to March 2014. Audit observed that of the unspent balance of ₹ 218.63 lakh, ₹ 120.62 lakh was diverted by the ZP for completion of 65 other MI works, without prior approval of DPDC and District Collector. The balance ₹ 98.01 lakh was carried forward for utilization during 2014-15.

The Secretary, WCD accepted (December 2014) the fact and stated that re-appropriation proposal would be submitted to DPDC and concerned District Collector for *post facto* approval.

### 2.1.5 Execution of MI works

#### 2.1.5.1 Time and cost overrun in selected MI works

The 449 MI works in nine ZPs were sanctioned at a total cost of ₹ 85.80 crore and scheduled for completion between January 1995 and March 2016. Audit observed that of the 449 MI works, 389 works (total sanctioned cost ₹ 65.07 crore) were completed at a total cost of ₹ 61 crore between March 1998 and March 2014. Of the 389 completed works, 164 works registered a delay up to 108 months and a cost overrun of ₹ 0.72 crore.

The remaining 60 works (total sanctioned cost ₹ 20.73 crore) were incomplete as of March 2014. Of the 60 incomplete works, there was a time overrun up to 234 months and cost overrun of ₹ 0.70 crore in 47 works.

#### 2.1.5.2 Award of works to Labour Cooperative Societies

The Public Works Department, GoM prescribed (November 2006) awarding of a single work valuing up to ₹ 15 lakh to Labour Cooperative Societies (LCS) without inviting tender, subject further to the condition that the financial threshold of the total number of works awarded to one LCS (either through direct allotment or tendering) should not exceed ₹ 50 lakh in a year.

In ZP, Beed, audit observed that 41 works valuing ₹ 4.16 crore were awarded to five LCS (either through direct allotment or tendering) beyond the prescribed limit of ₹ 50 lakh per year, as detailed in **Table 1**.

**Table 1: Works awarded to LCS beyond the prescribed limit**

(₹ in crore)				
Sl. No.	Name of LCS	Year	No. of works awarded to LCS	Amount involved
1	Annapurna, Wasanwadi	2010-11	15	1.17
2	Annapurna, Wasanwadi	2011-12	9	1.15
3	Sonajirao Kshirsagar	2011-12	5	0.70
4	Jaidatta, Kada, Ashti	2010-11	6	0.58
5	Omkar, Parner, Patoda	2010-11	6	0.56
<b>Total</b>			<b>41</b>	<b>4.16</b>
Source: Data compiled from the records of ZP, Beed				

Audit further observed that ZPs, Ahmednagar and Aurangabad split up the works in order to bring them below the threshold of ₹ 15 lakh and to facilitate their awarding to LCS without resorting to open tendering, as indicated in **Table 2**.

**Table 2: Works split up and awarded to LCS**

Sl. No.	Name of the LCS	Date of work order	Value of work order (₹ in lakh)	Name of the work
1	Sumit, Aurangabad	12/03/2012	12.43	KT Bandhara, Purbawda, Part II (new work)
		12/03/2012	9.40	KT Bandhara, Purbawda, Part I (new work)
2	Tuljabhawani, Aurangabad	27/02/2009	10.74	KT Bandhara, Dinapur Part I (repairs)
		27/02/2009	13.41	KT Bandhara, Dinapur Part II (repairs)
3	Ajinkyatara, Ahmednagar	03/11/2009	13.17	Percolation tank at Kasulwadi (Pathardi)-Dam work in chainage 25 m to 70 m
	Ajinkyatara, Ahmednagar	03/11/2009	14.39	Percolation tank at Kasulwadi (Pathardi)-Dam work in chainage 105 m to 205m
	Jaikishan, Ahmednagar	03/11/2009	12.98	Percolation tank at Kasulwadi (Pathardi)-Dam work in chainage 70 m to 105m
	Somnath, Ahmednagar	09/01/2009	14.99	Percolation tank at Kasulwadi (Pathardi)-Waste weir, flank wall and guide wall
Source: Data compiled from respective ZPs				

The Secretary, WCD while accepting the fact stated (December 2014) that the cases pointed out by audit would be scrutinized and a detailed reply would be furnished.

### 2.1.5.3 Non-compliance to contract conditions

Clause 3(C) of the General Conditions of Contract of B1 agreement provides for recovery of any extra cost that would arise on retendering along with expenditure on publishing notice inviting tender, from the defaulting contractor by forfeiture of his security deposit or recovery from pending bills in other Departments or raising a revenue recovery certificate against his property through Revenue Department.

Audit observed that ZPs, Amravati and Ahmednagar terminated four agreements under Clause 3(C) of the contracts at the risk and cost of the

defaulting contractors and the EEs retendered the balance works to other agencies and incurred an extra expenditure of ₹ 58.66 lakh as detailed in **Appendix-I**. However, the EEs failed to recover ₹ 58.66 lakh from the defaulting contractors.

The Secretary, WCD accepted (December 2014) the facts.

#### **2.1.5.4 Idle investment on incomplete works**

In four ZPs (Amravati, Chandrapur, Nashik and Thane), five works awarded between April 1999 and February 2011 at a total cost ₹ 52.08 lakh remained incomplete for a period ranging from 43 months to 144 months as of March 2015. The EEs failed to take any action to complete these works, resulting in an idle investment of ₹ 29.86 lakh. As a result, the projected IP of 48.22 ha envisaged to be created from these works also could not be created. The details are given in **Appendix-II**.

The Secretary, WCD stated (December 2014) that the cases pointed out by audit would be scrutinized and a detailed reply would be furnished.

#### **2.1.5.5 Delay in termination of works due to land disputes**

Audit scrutiny revealed that four works valuing ₹ 43.70 lakh taken up by MID (West), ZP, Nashik during 2006-12 and proposed to be completed between March 2008 and March 2012 were under termination (March 2015) under clause 15<sup>3</sup> of contract, due to land disputes with farmers/locals. Incidentally, the proposals for termination of three out of four works were submitted by the concerned Sub-Divisions/GPs to the EEs, after time lapse of 26 months to 56 months from the stipulated date of completion of these works.

The Secretary, WCD assured (December 2014) that these works would be terminated at the earliest.

#### **2.1.5.6 Violation of established quality control procedures**

Appendix C to Chapter 33 of Maharashtra Public Works Department Handbook stipulates testing of material<sup>4</sup> brought by the contractors to site and used during execution of works through Government laboratories, in order to ensure quality of construction for consistency, compressive strength, crushing strength, fineness *etc.*

ZPs, Nashik and Thane awarded 11 MI works to 10 contractors between January 2011 and March 2014 at a total cost of ₹ 119.31 lakh. Audit scrutiny revealed that in eight out of 11 works, the EEs made payments to the contractors (₹ 87.18 lakh) without obtaining any test reports during execution of these works. In the remaining three works, payment of ₹ 24.90 lakh was made to the contractors though the test reports were submitted by the contractors either prior to issue of work orders or the tests were got conducted by the contractors before the dates on which material were shown as brought to sites in MID records (**Appendix-III**).

The Secretary, WCD stated (December 2014) that the cases pointed out by audit would be scrutinized and a detailed reply would be furnished.

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<sup>3</sup> Under clause 15, the Department may rescind whole or any part of the work specified in the tender without assigning any reasons, other than default on the part of the contractor

<sup>4</sup> Cement, coarse aggregate, sand and cement concrete *etc.*

### 2.1.5.7 Poor implementation of Jawahar Wells Scheme

On the lines of Centrally Sponsored Jeevandhara Wells Scheme, the GoM implemented (December 1991) Jawahar Wells Scheme to assist the marginal and small farmers by providing 100 *per cent* financial assistance for construction of wells under State EGS, in order enable them to increase the agriculture production through irrigation. The District Collectors provide the necessary funds from the EGS for Jawahar wells. The EEs (MIDs), ZPs were to monitor the implementation of the Scheme.

Under the Scheme, each well was to be constructed within a period of 14 months from the date of issue of work order by the Chief Executive Officer (CEO), ZP to the beneficiary. Financial assistance in the form of subsidy of ₹ one lakh per beneficiary per well was to be granted. Ten *per cent* of the subsidy (₹ 10,000) was to be paid to the beneficiaries as advance to start the construction. Subsequent payments were to be released to the beneficiaries as per the progress of work. In the event of failure to construct the wells within the stipulated time period, the subsidy was to be recovered from the beneficiaries as revenue recovery. The Scheme was to conclude in July 2014.

Audit verified the status of implementation of the Scheme in nine selected ZPs during 2009-14 and the summarized position is indicated in **Table 3**.

**Table 3: Implementation of Jawahar Wells Scheme in nine selected ZPs during 2009-14**

(₹ in lakh)

Name of the ZP	Sanctioned wells	10 <i>per cent</i> advance given but construction not started by the beneficiaries		Completed wells		Incomplete wells		Cancelled/ proposed for cancellation	
		No.	Expenditure incurred	No.	Expenditure incurred	No.	Expenditure incurred	No.	Expenditure incurred
Ahmednagar	2232	0	0	2070	2016.19	51	38.99	111	0
Akola	7473	1530	153.00	3269	3269.00	2674	1169.00	0	0
Amravati	11480	1416	141.60	5237	5237.00	4827	1731.01	0	0
Aurangabad	1331	0	0	1159	1158.21	105	69.36	67	0
Beed	1286	64	6.40	908	908.00	170	88.53	144	0
Chandrapur	4832	0	0	2810	2810.00	632	338.12	1390	0
Nashik	2247	0	0	1869	1170.00	157	90.00	221	0
Sangli	1391	9	0.90	1286	625.59	7	2.25	89	6.10
Thane	1642	0	0	1061	1061.00	0	0	581	29.75
<b>Total</b>	<b>33914</b>	<b>3019</b>	<b>301.90</b>	<b>19669</b>	<b>18254.99</b>	<b>8623</b>	<b>3527.26</b>	<b>2603</b>	<b>35.85</b>

Source: Data provided by the selected ZPs

Audit scrutiny revealed the following:

- Of the 33,914 targeted wells to be constructed, only 19,669 (58 *per cent*) could be constructed by July 2014 *i.e.* the date on which the Scheme concluded. The expenditure of ₹ 3,527.26 lakh incurred on 8,623 incomplete wells was unfruitful, as no further extension to the Scheme timeline of July 2014 was envisaged to be granted by GoM.

- The advance payment of ₹ 301.90 lakh given to 3,019 beneficiaries in four ZPs (Akola, Amravati, Beed and Sangli) during 2009-14 was required to be recovered, as no construction of wells was started by the beneficiaries till July 2014. However, no recoveries were effected from the defaulting beneficiaries as of March 2015.
- An expenditure of ₹ 35.85 lakh incurred on construction of 670 wells, which were subsequently cancelled, in Sangli and Thane districts was wasteful.

The Secretary, WCD stated (December 2014) that the Government was contemplating to extend the Scheme further in order to complete the remaining works.

#### 2.1.5.8 Shortfall in creation of IP

Audit observed that in nine selected ZPs, there was a shortfall ranging between 76 and 82 per cent in creation of IP against the IP envisaged to be created. The summarised status is shown in **Table 4**.

**Table 4: Shortfall in creation of IP in nine selected ZPs during 2009-14**

Year	IP envisaged to be created (in ha)	IP actually created (in ha)	Shortfall in per cent
2009-10	32049	7304	77
2010-11	32557	5876	82
2011-12	31536	6200	80
2012-13	31914	7674	76
2013-14	31701	7068	78

Source: Data provided by ZPs

The Secretary, WCD accepted (December 2014) the fact and stated that shortfall in creation of IP was due to paucity of funds with ZPs to take up MI works, shortage of technical staff, problems in negotiating with land holders for requisite land *etc.*

#### 2.1.5.9 Under-utilization of IP created

Audit scrutiny revealed that in four ZPs (Akola, Amravati, Chandrapur and Sangli), the IP utilized against the IP created was drastically low and ranged between six and 19 per cent during 2009-14. The summarised status is shown in **Table 5**.

**Table 5: Under-utilization of IP created in four selected ZPs during 2009-14**

Year	IP created up to date (in ha)	IP utilized (in ha)	IP utilisation (in percentage)
2009-10	84304	5959	7
2010-11	85597	7707	9
2011-12	87537	7112	8
2012-13	89458	17233	19
2013-14	91566	5305	6

Source: Data provided by four ZPs

In the remaining five<sup>5</sup> ZPs, the position of IP utilized was not furnished to audit by the MIDs.

The Secretary, WCD stated (December 2014) that majority of MI works in the ZPs were providing indirect irrigation, which was difficult to quantify. However, the IP utilized cannot be segregated into direct/indirect irrigation benefits.

The reply is not convincing as the IP created by the MI projects in four ZPs (as indicated in Table 5 above) was intended to provide direct benefits to the beneficiaries and does not include indirect benefits, which are only incidental.

## **2.1.6 Monitoring of MI works**

### **2.1.6.1 Inadequate monitoring of deposit works**

As per paragraph 300 of Maharashtra Public Works Manual, 1984, the ZPs have powers to entrust MI works to Local Sector Divisions of the State as deposit works. ZPs, Akola and Aurangabad awarded execution of 213 MI works valuing ₹ 18.80 crore to MI (Local Sector) Divisions during 2009-12 as deposit works.

Audit scrutiny revealed that the EEs, Akola and Aurangabad were not aware of the number of deposit works taken up (out of 213) by the MI (Local Sector) Divisions, status of their completion or their handing over to MIDs, expenditure incurred on these deposit works *etc.* This clearly indicated that the ZPs were not monitoring the deposit works even though substantial funds have been transferred to the MI (Local Sector) Divisions.

The Secretary, WCD stated (December 2014) that the status of these works would be ascertained from the concerned Local Sector Divisions.

### **2.1.6.2 Technical inspections of MI works**

The Rural Development and Water Conservation Department (RD & WCD), GoM acknowledged (January 2002) the fact that the quality control mechanism in the ZPs to monitor the implementation of MI works was non-existent. The RD & WCD therefore, directed that the SEs should cause to inspect 10 *per cent* of ongoing MI works in the ZPs within their jurisdiction, through the EEs of State Local Sector. The MIDs were to take corrective measures on the observations raised in the inspection reports and submit a quarterly report to GoM in this regard.

Audit observed that in eight out of nine selected ZPs (except ZP, Ahmednagar), the EEs of State Local Sector did not conduct any inspections of the ongoing MI works during 2009-14.

The Secretary, WCD accepted (December 2014) the fact and expressed practical difficulties in conducting inspection of MI works due to heavy workload and vast jurisdiction of the State Local Sector.

### **2.1.6.3 Internal audit**

As per Rule 19 of Appendix IV contained in Maharashtra Zilla Parishads and Panchayat Samitis Account Code, 1968, the Chief Accounts and Finance

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<sup>5</sup> Ahmadnagar, Aurangabad, Beed, Nashik, and Thane

Officers of the ZPs have been entrusted the task of internal audit of various Departments of ZPs through an internal audit wing to be constituted by him. Internal audit includes checking of subsidiary/initial accounts and vouchers of all the Departments of ZPs, including the Panchayat Samitis.

Scrutiny of records revealed that internal audit wing was not constituted in four ZPs (Aurangabad, Chandrapur, Nashik and Thane). Further, in the remaining five<sup>6</sup> ZPs, though internal audit wing existed, audit was pending since 2010-11 in ZP, Ahmednagar and from 2012-13 in ZP, Sangli.

### **2.1.7 Conclusion and recommendations**

The Minor Irrigation Divisions of ZPs took up MI works without preparing any long term district-wise master plans in an ad-hoc manner, on the basis of demands received from public representatives/Gram Panchayats. There were significant time and cost overrun in execution of MI works by the nine selected ZPs. A number of MI works were taken up without computing benefit cost ratio and works awarded as early as April 1999 to February 2011 remained incomplete as of March 2015 despite incurring substantial expenditure.

*The ZPs should prepare long term comprehensive plans of MI works underlining clearly the targets of irrigation potential envisaged to be created, the benefits expected to accrue to the beneficiaries in terms of better water availability and increased crop yield.*

Works were irregularly spilt up and awarded to Labour Cooperative Societies in order to bring them within the financial threshold stipulated for award of works to the Societies.

*The ZPs may ensure that the norms laid down by Public Works Department regarding awarding of works to Labour Cooperative Societies are strictly adhered to.*

The quality control procedures were not adhered to by the contractors during the execution of works yet, payments were released to them. There were significant shortfalls in creation and utilisation of irrigation potential against the potential envisaged to be created and actually created. The monitoring and inspection of MI works by the ZPs was deficient.

*In order to bridge the gap between the irrigation potential created and utilized, the ZPs should prioritize the projects which are long pending for completion and re-establish the irrigation potential of the old MI works through a dedicated repair and maintenance management system.*

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<sup>6</sup> Ahmednagar, Akola, Amravati, Beed and Sangli

## 2.2 Receipt of Panchayati Raj Institutions

### 2.2.1 Introduction

A three tier system of Panchayati Raj Institutions (PRIs) comprising Zilla Parishads (ZPs) at the district level, Panchayat Samitis (PSs) at the block level and Gram Panchayats (GPs) at the village level was established in the State by amending the extant Acts viz., The Maharashtra Zilla Parishads and Panchayat Samitis Act, 1961 (ZP and PS Act) and the Maharashtra Village Panchayat Act, 1958 (VP Act).

The receipts of PRIs consist of grants from Government of India (GoI), Government of Maharashtra (GoM) and its own resources. The resources of PRIs comprise of its own revenue and revenue share given by GoM. Own revenue of PRIs include taxes collected on account of property, water, electricity, general sanitary cess, rent *etc.* Revenue share given by GoM includes land revenue cess, stamp duty grant, forest revenue grant, vehicle tax grant, professional tax grant, agency charges *etc.* The receipts are used by the PRIs for developmental works and to improve the delivery of basic civic services.

The records of eight<sup>7</sup> out of 33 ZPs including 25 PSs and 75 GPs were test-checked for the period 2009-14 to ascertain whether the grants received by the PRIs from GoM were timely and adequate and the system of levy and collection of taxes was efficient.

### Audit findings

#### 2.2.2 Poor receipts of PRIs from own resources

The sources of receipts of PRIs in the State during 2009-14 were as shown in **Table 6**.

**Table 6: Sources of receipts of PRIs during 2009-14**

(₹ in crore)								
Sl. No	Source of receipts	2009-10	2010-11	2011-12	2012-13	2013-14	Total receipts	Percentage to total receipts
1.	Grants from State Government under all GoM schemes	11726.62	13260.93	14294.73	16444.42	18184.73	73911.43	85.69
2.	Grants from GoI for all Centrally Sponsored Schemes	1890.31	2284.70	1771.01	998.30	1220.03	8164.35	9.47
3.	Own resources	376.96	656.81	706.27	849.65	1580.27	4169.96	4.84
	<b>Total</b>	<b>13993.89</b>	<b>16202.44</b>	<b>16772.01</b>	<b>18292.37</b>	<b>20985.03</b>	<b>86245.74</b>	
Source : For Sl. No.1: CAG's Audit Reports (State Finance), GoM; For Sl. No. 2 and 3: Information furnished by Rural Development and Water Conservation Department, GoM								

As can be seen from the **Table 6** above, the receipts of PRIs from own resources was a mere 4.84 *per cent* of the total receipts during 2009-14 while the receipts from GoM accounted for 85.69 *per cent* of the total receipts.

<sup>7</sup> Raigad, Pune, Thane, Nashik, Ratnagiri, Yavatmal, Parbhani and Hingoli

### 2.2.3 Receipt and disbursement of grants

As per the provisions contained in ZP and PS Act, GoM provides various grants<sup>8</sup> to the ZPs which are then disbursed to the PSs and GPs. Further, ZPs also receive primary education contribution from the non-authorised municipalities<sup>9</sup> and profession tax and motor vehicle tax grants from GoM.

Scrutiny of records in the eight test-checked ZPs revealed short/non-release of grants by GoM to ZPs, delay in release of grants by ZPs to PSs, non-levy of taxes by GPs, non-revision of tax grants paid by GoM to ZPs, as discussed below:

#### 2.2.3.1 Non-revision of profession tax grant

Prior to enactment of Maharashtra State Tax on Professions, Trades, Callings and Employment Act, 1975 (PT Act), local authorities in 15 ZPs<sup>10</sup> in the State were levying profession tax. With the enactment of PT Act, the powers of local authorities to levy profession tax were withdrawn. The PT Act provided for paying annual grant by GoM to the local authorities an amount worked out on the basis of the highest collection made by the local authorities in any year during three years immediately preceding the commencement of PT Act. The total amount of annual grant so determined by GoM was ₹ 27.42 lakh which was being distributed annually to the local authorities of 15 ZPs since 1975.

Audit observed that collection of profession tax had increased manifold due to increase in population/employment. The total collection of profession tax in the State during 2009-14 was ₹ 7,612.78 crore. However, the PT grant paid to these 15 ZPs were not indexed to the increase in profession tax collection thereby depriving the ZPs of increased revenue.

The Rural Development and Water Conservation Department stated (August 2014) that the amount of ₹ 27.42 lakh was determined and paid as per the provisions of the PT Act and it was making efforts to increase the share of ZPs.

#### 2.2.3.2 Non-revision of motor vehicle tax grant

As per clause 11 (2) (b) of the Bombay Motor Vehicles Tax Act, 1958 (MVT Act), the State Government shall pay annually to each Local Board<sup>11</sup>, which was levying tolls on vehicles before the commencement of MVT Act, a sum as representing the net average annual income of such local Boards from such tolls after deducting the cost of collection during the three years ending on 31 March 1958 plus 10 per centum of such sum.

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<sup>8</sup> Interest on provident fund of ZPs employees, stamp duty grant, land revenue cess, additional cess, incentive grant, forest revenue grant, agency charges *etc.*

<sup>9</sup> Non-authorised municipalities are those in whose jurisdiction schools are run by ZPs and therefore, these municipalities (municipal corporations, municipal councils and nagar panchayats) are required to pay primary education contribution to the ZPs

<sup>10</sup> Bhandara, Chandrapur, Dhule, Gadchiroli, Gondia, Hingoli, Jalgaon, Nanded, Nandurbar, Nashik, Parbhani, Pune, Satara, Solapur and Thane

<sup>11</sup> Local Board means the local authority

Prior to commencement of MVT Act, only 14 ZPs<sup>12</sup> were levying and collecting motor vehicle tax and their total annual collection was ₹ 5.44 lakh which was being distributed by GoM to these 14 ZPs since 1958. With economic development in the State, there has been a steep rise in the number of vehicles since 1958 which resulted in substantial increase in collection of motor vehicle tax (total collection by GoM during 2013-14 was ₹ 3,214.03 crore in 14 districts). However, the motor vehicle tax grant paid to these 14 ZPs was not indexed to the increase in motor vehicle tax collection thereby depriving the ZPs of increased revenue.

The Rural Development and Water Conservation Department stated (August 2014) that the amount of ₹ 5.44 lakh was determined and paid as per the provisions of the MVT Act and it was making efforts to increase the share of ZPs.

### **2.2.3.3 Short-allocation of provident fund interest grants**

The State Government has a liability to pay interest on Provident Fund (PF) of the employees of ZPs. In eight test-checked ZPs, audit observed that during 2010-14 interest grant of ₹ 744.70 crore was demanded by the ZPs from GoM on account of PF of employees. However, GoM restricted the amount to only ₹ 483.45 crore resulting in short-allocation of ₹ 261.25 crore. The corresponding short-allocation of PF interest grant to 33 ZPs in the State was to the extent of ₹ 853.28 crore.

### **2.2.3.4 Shortfall/delay in disbursement of stamp duty grants**

Section 158 of ZP and PS Act provides for assignment of stamp duty grants to ZPs by GoM. For this purpose, one *per cent* additional stamp duty is collected by Revenue Department over and above the prescribed rate on transactions of immovable properties as stamp duty grant for disbursement to the ZPs. Of the total stamp duty grant so received from GoM, 50 *per cent* of the grant is retained by ZPs and remaining 50 *per cent* is released to PSs for disbursement to the concerned GPs. The disbursement of grants by the PSs to the GPs is done on the basis of a list forwarded by the concerned Sub-Registrars of Stamp Duty which indicates the actual stamp duty collected in the jurisdiction of each GP in the preceding year.

In four<sup>13</sup> of eight test-checked ZPs, audit observed that against the stamp duty of ₹ 938.82 crore due from GoM for the period 2009-14, only ₹ 789.06 crore was disbursed to these four ZPs resulting in shortfall in disbursement of stamp duty grants amounting to ₹ 149.76 crore<sup>13</sup>.

Audit further observed that in two ZPs (Thane and Parbhani), of ₹ 108.72 crore stamp duty grant received from GoM for the period 2009-14, 50 *per cent* (₹ 54.36 crore) was to be disbursed by the ZPs to PSs for onward disbursement to concerned GPs. However, the ZPs disbursed only ₹ 50.11 crore resulting in shortfall in disbursement of stamp duty grants to the extent of ₹ 4.25 crore to PSs.

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<sup>12</sup> Ahmednagar, Dhule, Jalgaon, Kolhapur, Nandurbar, Nashik, Pune, Raigad, Ratnagiri, Sangli, Satara, Sindhudurg, Solapur and Thane

<sup>13</sup> Yavatmal (₹ 5.52 crore), Raigad (₹ 42.33 crore), Hingoli (₹ 1.27 crore) and Pune (₹ 100.64 crore)

ZP Parbhani stated (July 2014) that GP-wise list was not received from the concerned Sub-Registrar of Stamp Duty and hence, the amount could not be disbursed to PSs. The reply is not convincing as no action was taken by the ZP to obtain the list from the Stamp Duty Department despite receipt of grants from GoM.

During the period 1996-2014, in four<sup>14</sup> of eight test-checked ZPs there was delay of one to 18 years in disbursement of stamp duty grants amounting to ₹ 54.45 crore<sup>14</sup> by the ZPs to PSs.

### 2.2.3.5 Short-receipt of forest revenue grants

As per Section 181A of ZP and PS Act, the State Government shall, after due appropriation made by law in this behalf, make every year a grant to every ZP of a sum equal to seven *per cent* of the average of the amounts of gross revenue realized from forests during three financial years immediately preceding each quinquennium<sup>15</sup> commencing on the first day of April 1972, within the limits of the district.

Scrutiny of records in test-checked ZPs and information furnished by the Forest Department revealed that GoM had incorrectly assessed the quantum of forest revenue grants to be disbursed to the ZPs during 2009-14. In five of eight test-checked ZPs, GoM disbursed excess forest revenue grants amounting to ₹ 0.41 crore<sup>16</sup> while there was short-disbursement of ₹ 6.73 crore<sup>17</sup> in three ZPs.

### 2.2.3.6 Non-release of other grants

According to the provisions of ZP and PS Act, grants such as, land revenue cess, land revenue additional cess, incentive grants *etc.* are to be paid by GoM to the ZPs. Audit observed that in six<sup>18</sup> of eight test-checked ZPs, grants amounting to ₹ 211.15 crore<sup>18</sup> for the period 1994-2014 though due to the ZPs, were not released by GoM.

### 2.2.3.7 Short-receipt of agency charges

As per Section 123 of ZP and PS Act read with Government Resolution (GR) of 1999, the State Government was to pay agency charges to ZPs at five *per cent* of the project cost for execution or maintenance of works/development schemes on behalf of the State Government.

<sup>14</sup> Yavatmal (₹ 1.15 crore), Hingoli (₹ 1.12 crore), Nashik (₹ 24.03 crore) and Raigad (₹ 28.15 crore)

<sup>15</sup> Quinquennium is a period of five years commencing from April 1972 to March 1977 and average of three years preceding April 1972 *i.e.* from April 1969 to March 1972 was to be reckoned for the quinquennium of 1972-1977

<sup>16</sup> Pune (₹ 0.02 crore), Thane (₹ 0.21 crore), Raigad (₹ 0.02 crore), Nashik (₹ 0.14 crore) and Hingoli (₹ 0.02 crore)

<sup>17</sup> Yavatmal (₹ 6.70 crore), Ratnagiri (₹ 0.01 crore) and Parbhani (₹ 0.02 crore)

<sup>18</sup> Raigad (₹ 63.34 crore), Thane (₹ 53.19 crore), Yavatmal (₹ 21.81 crore), Ratnagiri (₹ 32.62 crore), Nashik (₹ 13.15 crore) and Pune (₹ 27.04 crore)

In the eight test-checked ZPs, audit observed that GoM disbursed only ₹ 9.90 crore as agency charges to the ZPs instead of ₹ 21.29 crore due to them during 1992-2014, resulting in short-receipt of ₹ 11.39 crore<sup>19</sup>.

### **2.2.3.8 Non-receipt of grants on account of electricity charges**

As per GR issued (August 2009) by Water Supply and Sanitation Department, GoM, a grant equal to 50 *per cent* of the expenditure incurred by GPs on electricity charges for Rural Water Supply Schemes (RWSS) was to be reimbursed by the State Government to the GPs through ZPs/PSs.

Scrutiny of annual accounts of 75 test-checked GPs revealed that an expenditure of ₹ 5.11 crore was incurred by 29 GPs during 2009-2013 on account of electricity charges on various RWSS. However, against grants equal to 50 *per cent* of the total expenditure incurred by GPs (₹ 2.56 crore), only ₹ 0.11 crore was reimbursed by GoM to four<sup>20</sup> GPs till March 2014. The remaining 25 GPs did not raise any demand for ₹ 2.45 crore to the GoM through respective PSs/ZPs.

### **2.2.3.9 Non-receipt of primary education contribution from non-authorized municipalities**

As per provisions contained in Bombay Primary Education Act, 1947, every non-authorized municipality<sup>9</sup> is required to pay annually an amount equal to five *per cent* of rateable value<sup>21</sup> of properties in that municipal area to the ZP as primary education contribution.

Audit observed that in all the eight test-checked ZPs, no primary education contribution was being recovered from the municipalities. In four<sup>22</sup> ZPs, ₹ 9.52 crore due from the municipalities for the period ranging between 1973-74 and 2013-14 was not recovered. In the remaining four ZPs, three ZPs (Hingoli, Parbhani and Yavatmal) had never raised any demand on the concerned municipalities during the period 2009-10 to 2013-14. ZP, Raigad though took up the matter in December 2005 with concerned municipality (Karjat Municipal Council), the amount of contribution could not be assessed (August 2014) by the ZP as the municipality did not furnish the details of properties under its jurisdiction.

## **2.2.4 Assessment, levy and collection of revenue**

### **2.2.4.1 Arrears of taxes**

In accordance with the provisions of the VP Act, various taxes such as, water charges, property tax, general sanitary cess, lighting tax *etc.* were being levied and collected by the GPs.

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<sup>19</sup> Yavatmal (₹ 0.49 crore), Parbhani (₹ 0.30 crore), Raigad (₹ 0.67 crore), Nashik (₹ 2.74 crore), Ratnagiri (₹ 1.42 crore), Hingoli (₹ 0.34 crore), Pune (₹ 2.95 crore) and Thane (₹ 2.48 crore)

<sup>20</sup> KasbeWani, Palkhed, Shrirampur and Chalbardi

<sup>21</sup> As per Section 154 of Mumbai Municipal Corporation Act, 1888, the rateable value of any building or land assessable to a property tax shall be determined by deducting from the amount of annual rent for which such land or building might reasonably be expected to let from year to year, a sum equal to ten per centum of the said annual rent

<sup>22</sup> Pune, Ratnagiri, Thane and Nashik

Audit observed that the GPs were not maintaining any data on recoveries made from the current demand as well as the arrears in respect of various taxes. Consequently, it was difficult to ascertain the age-wise position of arrears and the recoveries effected. In eight<sup>23</sup> test checked ZPs, the arrears of water charges as of March 2014 was ₹ 51.03 crore<sup>23</sup> and constituted 38 per cent of the total demand. Similarly, the arrears in collection of other taxes viz. property tax, general sanitary cess, lighting tax etc. was pegged at ₹ 32.51 crore as of March 2014 and constituted 10 per cent of the total demand.

#### 2.2.4.2 Non-levy of taxes on mobile towers

As per GR (October 2006) issued by Rural Development and Water Conservation Department, GPs were required to levy taxes on all commercial mobile towers established in its limits at the prescribed rates.

Audit observed that 78 mobile towers in 44 GPs under three<sup>24</sup> PSs were not assessed for levy of tax during 2005-14, resulting in non-recovery of taxes amounting to ₹ 22.87 lakh.

#### 2.2.5 Monitoring and internal controls

An effective monitoring and internal control mechanism is necessary to ensure proper accounting of receipts, preparation of accounts, maintenance of records etc. The monitoring and internal controls in PRIs were weak as indicated below:

- In all the 75 GPs test-checked, the Gram Sevaks were handling cash as well as the accounts in contravention of the provisions contained in Maharashtra Treasury Rules, 1968. Such an arrangement increased the possibility of misappropriation/embezzlement of funds in the GPs.
- As of March 2014, in eight ZPs 4,387 cases of misappropriation involving ₹ 49.87 crore were pending disposal since 1958 against 1,057 Gram Sevaks/250 Sarpanchs. Since the ZPs were not maintaining year-wise data on misappropriation cases, it was difficult to determine in audit the quantum of misappropriation during 2009-14, except ZP, Pune where 62 cases of misappropriation involving ₹ 2.33 crore were reported during 2009-14. Further, in six<sup>25</sup> of eight test-checked ZPs, 44 cases of embezzlement involving ₹ 6.52 crore<sup>25</sup> were reported during 2005-12. The First Information Reports were however, lodged after time lapse of 40 to 84 months from the date of detection of embezzlement.
- In PS Jawhar (ZP, Thane) and PS Aundha (ZP, Hingoli), 1,834 houses were constructed under Indira Awas Yojana during 2009-14. However, the PSs did not update their assessment registers and thus, these properties escaped assessment for property and water charges. In GP

<sup>23</sup> Ratnagiri (₹ 3.76 crore), Yavatmal (₹ 5.71 crore), Pune (₹ 2.79 crore), Thane (₹ 6.85 crore), Raigad (₹ 20.16 crore), Nashik (₹ 11.31 crore), Parbhani (₹ 0.30 crore) and Hingoli (₹ 0.15 crore)

<sup>24</sup> Jintur (ZP Parbhani), Jawhar (ZP Thane) and Pandharkawda (ZP Yavatmal)

<sup>25</sup> Yavatmal (₹ 0.30 crore), Nashik (₹ 2.56 crore), Thane (₹ 2.60 crore), Pune (₹ 0.29 crore), Parbhani (₹ 0.58 crore) and Raigad (₹ 0.19 crore)

Ambarwadi under PS Jintur (ZP Parbhani), though assessment register was maintained, no assessment of properties was done since 2001-02.

### 2.2.6 Conclusion and recommendations

During 2009-14, the receipts of PRIs from own sources were merely 4.84 per cent of the total receipts from all sources and the PRIs were largely dependent on Government grants for developmental works. Even the Government did not release various grants due to the ZPs or there had been shortfalls in disbursement of grants to the ZPs, which significantly affected the receipts of ZPs and its further distribution to GPs. There were also heavy arrears in collection of various taxes by the ZPs. The monitoring and internal controls in PRIs were weak. There was large number of misappropriation/embezzlement cases involving ₹ 56.39 crore which were pending settlement.

*The PRIs need to review its tax base and also improve the system of collection of taxes, in order to increase its receipts from own sources. The Government should also ensure timely disbursement of grants due to the PRIs. The monitoring and internal controls in PRIs need to be strengthened to avoid instances of misappropriation/embezzlement.*

The matter was referred to the Government in September 2014; their reply was awaited as of March 2015.

## 2.3 Blockage of Government funds

**Despite deteriorating financial position of District Central Co-operative Banks in six Zilla Parishads, the Government of Maharashtra did not take early preventive action to transfer the deposits from these banks to other Nationalised Banks, leading to blockage of ₹ 520.75 crore**

In terms of Section 49 of Maharashtra Zilla Parishad and Panchayat Samitis Account Code, 1968, the moneys relating to a district fund and all sums received therein, shall be kept in the District Central Co-operative Bank (DCCB) approved by the State Government under clause (b) of sub-section (3) of Section 130 of the Maharashtra Zilla Parishad and Panchayat Samities Act, 1961 or in the Government treasury.

The Zilla Parishads (ZPs) at Buldhana, Nagpur, Osmanabad and Wardha were transacting business through their respective DCCBs. Although these DCCBs did not have any banking licence, they were allowed to run by the Reserve Bank of India (RBI) under the provisions of Banking Regulation Act, 1949, subject to compliance to certain provisions of the Act.

In October 2009, the RBI issued guidelines for granting licence to those DCCBs that had Capital to Risk Weighted Assets Ratio (CRAR)<sup>26</sup> of four per cent and above, subject to the condition that there was no default in maintenance of Cash Reserve Ratio/Statutory Liquidity Ratio during the last

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<sup>26</sup> Capital Adequacy Ratio (CAR), also known as Capital to Risk (Weighted) Assets Ratio (CRAR), is the ratio of a bank's capital to its risk. National regulators track a bank's CRAR to ensure that it can absorb a reasonable amount of loss and complies with Statutory capital requirements

one year. Accordingly, the RBI decided that no DCCB would be allowed to carry on banking business beyond 31 March 2012 without licence.

The Statutory inspection of DCCBs is conducted by National Bank for Agriculture and Rural Development (NABARD) and on its recommendations, the RBI issues licences to DCCBs. The NABARD conducted statutory inspections of the four DCCBs between October 2010 and July 2012 for the financial year 2009-10 to 2011-12, as detailed in the **Table 7** below.

**Table 7: Timelines indicating inspections conducted by NABARD, reporting to GoM and action taken by GoM**

Name of the DCCB	Financial Year	Dates on which Statutory inspections were conducted by NABARD	Issue of Demi Official letter by NABARD to the Chief Secretary, GoM communicating the deteriorating financial position of the DCCBs	GoM orders for transferring of deposits from DCCB to other Nationalised banks
Buldhana	2009-10	18.10.2010 to 04.11.2010	11 July 2011	17 July 2012
	2010-11	16.08.2011 to 10.09.2011	20 January 2012	
	2011-12	25.06.2012 to 07.07.2012	Not available	
Nagpur	2009-10	28.03.2011 to 19.4.2011	September 2011	06 February 2014
	2010-11	05.09.2011 to 23.09.2011	10 February 2012	
	2011-12	18.06.2012 to 03.07.2012	Not available	
Osmanabad	2009-10	31.12.2010 to 20.01.2011	29 September 2011	10 July 2012
	2010-11	30.09.2011 to 20.10.2011	04 February 2012	
	2011-12	28.06.2012 to 11.07.2012	Not available	
Wardha	2009-10	14.03.2011 to 31.03.2011	27 September 2011	14 January 2013
	2010-11	25.08.2011 to 15.09.2011	13 January 2012	
	2011-12	28.06.2012 to 11.07.2012	Not available	

Audit observed that in all the Statutory inspection reports submitted by NABARD to the Chief Secretary, Government of Maharashtra (GoM), NABARD had pointed out that the financial position of these four DCCBs were deteriorating (DCCBs had negative networth and negative CRAR) and their operations were unsatisfactory which would jeopardize the interests of the depositors. The NABARD therefore, requested the Chief Secretary, GoM between July 2011 and February 2012 to direct these DCCBs to prepare an action plan for immediate implementation for achieving the desired results and become eligible for grant of licence before 31 March 2012. However, the financial position of these DCCBs did not improve and the RBI issued directives (May 2012) in public interest prohibiting the four DCCBs from conducting banking business including acceptance and repayment of deposits, forthwith.

Between May 2012 (since the issue of moratorium by the RBI) and September 2014, funds to the extent of ₹ 368 crore<sup>27</sup> were blocked in three out of four DCCBs. Though the moratorium imposed on DCCB, Osmanabad was subsequently withdrawn by the RBI and the DCCB was issued with a licence in June 2013, funds to the extent of ₹ 59.13 crore remained blocked as of

<sup>27</sup> Buldana ZP: ₹ 126.78 crore; Nagpur ZP: ₹ 146.08 crore; and Wardha ZP: ₹ 5.14 crore

September 2014. However, the GoM did not exercise caution despite being apprised of the precarious situation by NABARD to the Chief Secretary, GoM as early as July 2011 (refer **Table 7** above). It was only between July 2012 and February 2014 that the GoM issued necessary instructions to the respective Chief Executive Officers of the ZPs to transfer Government funds from the DCCBs to Nationalised banks operating treasury transactions. Even the belated instructions issued by the GoM to transfer the blocked funds in other Nationalised banks did not serve any useful purpose because the banking operations in three of the four DCCBs remained suspended on account of the embargo imposed by RBI in May 2012.

The Principal Secretary, Rural Development and Water Conservation Department, GoM accepted the facts and stated (January 2015) that NABARD inspection reports were not endorsed to them and therefore, they were not aware of the deteriorating financial position of the DCCBs. The Principal Secretary however, added that the Cooperation, Marketing and Textile Department of GoM has been requested to take suitable steps for ensuring transfer of Government funds from these ailing DCCBs to Nationalised banks.

Audit further observed that the RBI directives of May 2012 prohibiting the DCCBs from conducting banking business including acceptance and repayment of deposits were also applicable to the Dhule and Nandurbar DCCB<sup>28</sup>. However, ZPs, Dhule and Nandurbar continued to transact business<sup>29</sup> with the DCCB and at the end of 26 August 2014, deposits amounting to ₹ 93.62 crore were blocked in this DCCB.

Thus, failure of GoM to take cognizance of the deteriorating financial position of five DCCBs and initiate timely preventive action led to blockage of Government funds to the extent of ₹ 520.75 crore.

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<sup>28</sup> The Dhule and Nandurbar DCCB is a single bank that catered to two ZPs (Dhule and Nandurbar)

<sup>29</sup> ZP, Dhule deposited ₹ 25.84 crore between 31 May 2012 and 10 July 2012;  
ZP, Nandurbar deposited ₹ 26.31 crore between 05 July 2012 and 30 August 2012

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***CHAPTER III***

***ACCOUNTS AND FINANCES OF  
URBAN LOCAL BODIES***

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## SECTION B

### CHAPTER III

## ACCOUNTS AND FINANCES OF URBAN LOCAL BODIES

### 3.1 Introduction

**3.1.1** In conformity with the 74<sup>th</sup> Constitutional Amendment (1992), the Government of Maharashtra (GoM) amended (December 1994) the existing Mumbai Municipal Corporation (MbMC) Act, 1888; the Maharashtra Municipal Corporation Act, 1949; the Nagpur City Municipal Corporation (NCMC) Act, 1948; and the Maharashtra Municipal Councils, Nagar Panchayats and Industrial Townships Act, 1965 (MMC Act). All the Municipal Corporations, except Municipal Corporation of Greater Mumbai (MCGM) and NCMC which had their own Acts, are governed by the provisions of amended Maharashtra Municipal Corporation Act 1949. There were 26 Municipal Corporations and 238 Municipal Councils including 15 Nagar Panchayats<sup>1</sup> (NP) in Maharashtra. The elections of the Municipal Corporations were held between 2010 and 2014.

**3.1.2** Of the 18 functions referred to in the XII Schedule of the Constitution, 12 functions were assigned to the Urban Local Bodies (ULBs) under Sections 61 and 63 of the MbMC Act and Section 63 of the Maharashtra Municipal Corporation Act, 1949, prior to the 74<sup>th</sup> amendment. The remaining six functions were also transferred/assigned to the ULBs after 1994.

### 3.2 Organisational set up

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

**3.2.2** Twenty Six Municipal Corporations in the State have been created for urban agglomerations having a population of more than three lakh. These Municipal Corporations have been classified into five categories *i.e.* A+, A, B, C and D based on the criteria of population, per capita income and per capita area. At present, only MCGM falls in category A+, there are two<sup>2</sup> Municipal Corporations in category A, three<sup>3</sup> in category B, four<sup>4</sup> in category C and 16<sup>5</sup> Municipal Corporations in category D.

**3.2.3** Similarly, 238 Municipal Councils have been created for smaller urban

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<sup>1</sup> Dapoli, Devrukh, Guhagar, Lanja (Ratnagiri), Kankavli (Sindhudurg), Shirdi (Ahmadnagar), Malkapur (Satara), Kaij (Beed), Ardhapur, Mahur (Nanded), Shindkhede (Dhule), Mahadula and Mouda (Nagpur), Rajgurunagar (Pune) and Gadchandur (Chandrapur)

<sup>2</sup> Nagpur and Pune

<sup>3</sup> Nashik, Pimpri-Chinchwad and Thane

<sup>4</sup> Aurangabad, Kalyan-Dombivli, Navi Mumbai and Vasai-Virar

<sup>5</sup> Ahmednagar, Akola, Amravati, Bhiwandi-Nizampur, Dhule, Jalgaon, Kolhapur, Malegaon, Mira-Bhayander, Nanded-Waghala, Sangli-Miraj-Kupwad, Solapur, Ulhasnagar, Parbhani City, Latur and Chandrapur

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areas and categorised<sup>6</sup> based on their population. At present, there are 12 A class, 63 B class and 163 C class Municipal Councils including 15 NPs in the State.

### **3.3 Organisational structure**

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

**3.3.2** The accountability structure of Municipal Corporations is shown in **Table 1**.

**Table 1: Accountability structure of Municipal Corporations**

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

### **3.4 Financial profile**

**3.4.1** Municipal Funds are constituted under the provisions contained in the MbMC Act, 1888; NCMC Act, 1948; the Maharashtra Municipal Corporation Act, 1949 and the MMC Act. All the money received by or on behalf of the Municipal Corporations and Municipal Councils under the provisions of the respective Acts, all money raised by way of taxes, fees, fines and penalties, all money received by or on behalf of Municipal Corporation and Municipal Councils from the Government, public or private bodies, from private individuals by way of grants or gifts or deposits and all interest and profits are credited to the Municipal Funds.

**3.4.2** The State Government and the Central Government release grants to the Municipal Corporations and Municipal Councils for implementation of schemes of the State sector and for Centrally Sponsored Schemes respectively. In addition, grants under the State Finance Commission and the Central Finance Commission recommendations are released for development works.

**3.4.3** The accounts of each scheme/project are required to be kept separately. Utilisation Certificates are required to be sent to Central Government for Centrally Sponsored Schemes and to State Government for State schemes.

**3.4.4** Under the Maharashtra Municipal Corporation Act, 1949, the MbMC Act and the NCMC Act, Municipal Corporations are required to constitute special purpose funds *e.g.* Water and Sewerage Fund, Depreciation Fund,

<sup>6</sup> Category A (population between one lakh and three lakh): 12; Category B (population between 40,000 and one lakh): 63; Category C (population between 25,000 and 40,000): 148; and NPs (population between 15,000 and 25,000): 15

Sinking Fund *etc.* The capital works of water supply schemes and sewerage projects are to be executed out of the Water and Sewerage fund. The Depreciation Fund is to be created for replacement of capital assets. The Sinking Fund is to be created for redemption of long term loans.

**3.4.5** The consolidated position of receipts and expenditure of ULBs are not maintained at the State level. As per the information furnished by all the 26 Municipal Corporations, the position of overall receipts and expenditure of the Municipal Corporations in the State during 2009-14 is shown in **Table 2**.

**Table 2: Position of overall receipts and expenditure of the Municipal Corporations during 2009-14**

(₹ in crore)					
Items	2009-10	2010-11	2011-12	2012-13	2013-14
Receipts	28860	30137	32235	37046	40012
Expenditure	28308	27558	28647	34568	37229
Source: Figures furnished by Municipal Corporations					

The total receipts and expenditure of all the 26 Municipal Corporations during 2013-14 was ₹ 40,012 crore and ₹ 37,229 crore respectively which includes the total receipts (₹ 24,041 crore) and expenditure (₹ 22,028 crore) of MCGM.

### 3.4.6 Receipts of Municipal Corporations

The total receipts of all the 26 Municipal Corporations from various sources during 2009-14 are as shown in **Table 3**.

**Table 3: Details of sources of total receipts of Municipal Corporations**

(₹ in crore)										
Item	2009-10	Percentage to total receipts	2010-11	Percentage to total receipts	2011-12	Percentage to total receipts	2012-13	Percentage to total receipts	2013-14	Percentage to total receipts
Rents, taxes <i>etc.</i> including octroi, property tax and water charges	12712	44.04	15989	53.05	17800	55.22	19233	51.92	20173	50.42
Government grants	1217	4.22	972	3.23	1198	3.72	1867	5.04	3036	7.59
Commercial enterprises	2650	9.18	13	0.04	82	0.25	17	0.05	75	0.19
Deposits, loans, <i>etc.</i>	6242	21.63	1280	4.25	1853	5.75	496	1.33	251	0.63
Other income	6039	20.93	11883	39.43	11302	35.06	15433	41.66	16477	41.18
<b>Total receipts</b>	<b>28860</b>	<b>100</b>	<b>30137</b>	<b>100</b>	<b>32235</b>	<b>100</b>	<b>37046</b>	<b>100</b>	<b>40012</b>	<b>100</b>
Source: Compiled from figures furnished by Municipal Corporations										

The share of Government grants in the total receipts of the Municipal Corporations ranged between 3.23 *per cent* and 7.59 *per cent* during the period 2009-14.

### Arrears in tax collection

**Property Tax:** Information furnished by 26 Municipal Corporations revealed that during the year 2013-14, Municipal Corporations recovered 74.85 *per*

cent of property taxes amounting to ₹ 13,874 crore against total demand of ₹ 18,536 crore.

**Water charges:** Information furnished by 23<sup>7</sup> of 26 Municipal Corporations revealed that during the year 2013-14, Municipal Corporations recovered 49.05 per cent of water charges amounting to ₹ 4,979 crore against total demand of ₹ 10,151 crore.

### **3.4.7 Expenditure of Municipal Corporations**

The total expenditure of 26 Municipal Corporations during 2013-14 was ₹ 37,229 crore of which, expenditure on administration was ₹ 10,732 crore. In MCGM, of the total expenditure of ₹ 22,028 crore incurred during 2013-14, the share of expenditure on administration was ₹ 7,548 crore and constituted 34.27 per cent of the total expenditure. In respect of six<sup>8</sup> other Municipal Corporations, the share of expenditure on administration to total expenditure exceeded 35 per cent and ranged between 35.05 and 48.53 per cent. High establishment cost restricted availability of funds for other services to be provided by the Municipal Corporations.

### **3.4.8 Receipt and expenditure of Municipal Councils**

During 2013-14, 192 of the 238 Municipal Councils incurred an expenditure of ₹ 3,450 crore against total receipts of ₹ 4,085 crore. Further, 185 of 238 Municipal Councils had arrears of property tax of ₹ 167 crore against total demands of ₹ 428 crore. Similarly, 177 out of 238 Municipal Councils had arrears of water charges of ₹ 103 crore against total demands of ₹ 231 crore.

## **3.5 Thirteenth Finance Commission grants**

On the recommendation of the 13<sup>th</sup> Finance Commission, Basic Grant of ₹ 1,573.99 crore and Performance Grant of ₹ 603.91 crore was released to various Municipal Corporations, Municipal Councils and Nagar Panchayats of which, ₹ 1,210.66 crore (76.92 per cent) and ₹ 456.68 crore (75.62 per cent) respectively were utilized (December 2014).

## **3.6 Accounting arrangements**

**3.6.1** Section 93 of the Maharashtra Municipal Corporation Act, 1949 and Section 123 of the MbMC Act, 1888 provide that the accounts of the Municipal Corporations should be maintained in the formats prescribed by the Standing Committees. In pursuance of the Eleventh Finance Commission recommendations, the Ministry of Urban Development, GoI in consultation with the Comptroller and Auditor General of India had finalised the National Municipal Accounts Manual (NMAM) for implementation of accrual based accounting system by ULBs in November 2004.

**3.6.2** The GoM adopted (July 2005) the NMAM for implementation from 2005-06. As per the NMAM guidelines, all Municipal Corporations were to maintain their accounts on accrual basis from 2005-06. The Steering

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<sup>7</sup> In three municipal corporations, water was either supplied by Maharashtra Jeevan Pradhikaran or by private parties

<sup>8</sup> Amravati (40.73 per cent); Bhiwandi-Nizampur (41.97 per cent); Latur (38.08 per cent); Nagpur (35.05 per cent); Parbhani (47.95 per cent); Sangli-Miraj-Kupwad (48.53 per cent).

Committee constituted by the GoM also recommended (January 2007) implementation of accrual system of accounting in the ULBs. However, the GoM published (January 2013) the Maharashtra Municipal Account Code, 2013 prescribing the procedure for maintenance of accounts of receipts and disbursements only for the Municipal Councils. The notification for the implementation of Maharashtra Municipal Account Code, 2013 was issued by GoM in November 2014 *i.e.* after a delay of nearly two years.

On the recommendations of the 12<sup>th</sup> Finance Commission, GoM decided (July 2005) to implement the Double Entry Accounting System (DEAS) on accrual basis through customized module in all the 238 Municipal Councils. The GoM appointed Director Municipal Administration (DMA) as nodal agency for implementation of DEAS. Funds amounting to ₹ 10.06 crore were sanctioned (December 2006) under 12<sup>th</sup> Finance Commission for all the Municipal Councils for implementation of DEAS on accrual basis with effect from April 2006. Of ₹ 10.06 crore sanctioned, ₹ 2.98 crore was released by DMA to the Municipal Councils for meeting the establishment costs, procurement of hardware and fees to the Chartered Accountants (CAs) firms, for imparting training to Municipal staff and preparation of annual accounts of the Councils. However, DMA could not finalize the tender for procurement of customized module and thus, DEAS could not be implemented.

The DMA subsequently directed the Municipal Councils to procure Tally package 8.1 or 9.0 for maintenance of annual accounts. The Municipal Councils were required to provide details of all receipts, expenditure, assets and liabilities *etc.* in the prescribed format (Form 1 to 29) to the CAs for preparation of annual accounts. Audit verified the position in 36 of the 238 Municipal Councils and it revealed that none of the 36 Municipal Councils provided the requisite information to the CAs. As a result, the CAs could neither prepare the final accounts nor impart any training to the Municipal staff. Of the remaining ₹ 7.08 crore, 15 of the 238 Municipal Councils diverted ₹ 5.87 crore for other purposes<sup>9</sup>.

Thus, despite lapse of more than eight years (December 2006 to March 2015), none of the 36 Municipal Councils could switch over to DEAS on accrual basis under the Tally package.

### 3.7 Audit arrangements

**3.7.1** A Municipal Chief Auditor (MCA) is appointed by each Corporation under Section 78 (a) of the MbMC Act, 1888 and Section 45 (i) of the Maharashtra Municipal Corporation Act, 1949 except for NCMC, where audit is entrusted to Director, Local Fund Audit (DLFA). The audit of Municipal Councils is conducted by DLFA under the provisions of the Bombay Local Fund Act, 1930 read with Section 104 of the MMC Act. The GoM, as per the recommendation of the 13<sup>th</sup> Finance Commission, entrusted (March 2011) the audit of all ULBs to DLFA. The certification of accounts of all Local Self Institutions was also to be conducted by DLFA.

The DLFA stated (January 2015) that audit of eight of the 26 Municipal

<sup>9</sup> Establishment of bio-gas plants, purchase of ambulance and fire extinguishers, construction of roads, sewerage, street lights *etc.*

Corporations for the year 2012-13 had been completed and certification of annual accounts would be done after submission of accounts by the Corporations. Only five of the 26 Municipal Corporations prepared their annual accounts for the year 2013-14. In respect of Municipal Councils, DLFA stated (February 2015) that audit of annual accounts of 94 of the 238 Municipal Councils for the year 2013-14 had been completed of which, annual accounts of only 14 Municipal Councils were certified. Certification of accounts of the remaining 80 Municipal Councils would be done after submission of accounts by the Councils. Audit of the remaining 144 Municipal Councils for the year 2013-14 was not yet completed.

**3.7.2** Section 105 of the Maharashtra Municipal Corporation Act, 1949 and Section 135 of the MbMC Act, 1888 provide that the MCA should audit the Municipal accounts and submit a report thereon to the Standing Committee of the Municipal Corporation. This report should comment on the instances of material impropriety or irregularities which the MCA may, at any time, observe in the expenditure or in the recovery of the money due to the Municipal Corporation. Section 136 of the MbMC Act, 1888 further provides that the MCA shall examine and audit the statement of accounts and shall certify and report upon these accounts.

**3.7.3** As per information furnished by 17 out of 25 Municipal Corporations (excluding NCMC) which have prepared their annual accounts, audit by MCA has been completed up to 2013-14 in six<sup>10</sup> Municipal Corporations and up to 2012-13 in five<sup>11</sup> Municipal Corporations and reports submitted to the respective Standing Committees. In the remaining six<sup>12</sup> of 17 Municipal Corporations, there were arrears in audit by MCA ranging between two and 11 years.

The arrears in certification and audit of the accounts of Municipal Corporations by MCA indicated weak internal controls in the Municipal Corporations.

**3.7.4** The GoM issued orders in October 2002 entrusting the audit of Municipal Corporations to the Comptroller and Auditor General of India under Section 14 (2) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. The audit of Municipal Councils and NPs was entrusted (March 2011) to the Comptroller and Auditor General of India by GoM under Technical Guidance and Supervision.

The audit observations on financial irregularities and defects in initial accounts/records noticed during local audits but not settled on the spot are communicated to the heads of offices and departmental authorities through Inspection Reports. Statements indicating the number of observations outstanding for over six months are also sent to the State Government for action.

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<sup>10</sup> Dhule, Malegaon, MCGM, Mira Bhayandar, Pimpri-Chinchwad and Thane

<sup>11</sup> Ahmednagar, Bhiwandi-Nizampur, Kalyan-Dombivli, Kolhapur and Vasai-Virar

<sup>12</sup> Jalgaon, Nasik, Navi Mumbai, Pune, Sangli-Miraj-Kupwad and Solapur

### 3.8 Lack of response to audit observations

The Municipal Commissioners, Chief Officers and the elected bodies/Standing Committees are mainly responsible for the system of internal controls in the Municipal Corporations. For efficient implementation of the functions transferred to the ULBs, all deficiencies pointed out in audit by the Principal Accountant General/Accountant General are required to be complied with as early as possible for efficient service delivery to the urban population. However, as of March 2014, there were large pendency in Inspection Reports and Paragraphs issued by the Principal Accountant General/Accountant General, Maharashtra to the Corporations, which was a reflection of inadequate internal controls. The position of pendency in Inspection Reports and Paragraphs is indicated in **Table 4**.

**Table 4: Position of outstanding Inspection Reports and paragraphs**

Year	Inspection Reports	Paragraphs
Up to 2010-11	709	3077
2011-12	134	774
2012-13	80	326
2013-14	59	228
<b>Total</b>	<b>985</b>	<b>4405</b>

### 3.9 Conclusion

The functioning of ULBs in the State revealed the following:

- Utilisation of Basic Grants and Performance Grants released by the 13<sup>th</sup> Finance Commission to the Municipal Corporations, Municipal Councils and Nagar Panchayats was to the extent of 76.92 *per cent* and 75.62 *per cent* respectively;
- The GoM published (January 2013) the Maharashtra Municipal Account Code, 2013 prescribing the procedure for maintenance of accounts of receipts and disbursements only for the Municipal Councils. The GoM issued the notification for implementation of the Municipal Account Code after a delay of nearly two years in November 2014;
- Audit of the accounts of Municipal Corporations and Municipal Councils by DLFA was in arrears for the year 2012-14; and
- Response to Inspection Reports and Paragraphs issued by the Principal Accountant General/Accountant General, Maharashtra was not adequate.

The matter was referred to the Government in February 2015; their reply was awaited as of March 2015.

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*CHAPTER IV*

*PERFORMANCE AUDITS*

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## CHAPTER IV PERFORMANCE AUDITS

### URBAN DEVELOPMENT DEPARTMENT

#### 4.1 Delivery of Basic Civic Services by Select Municipal Councils

##### *Executive Summary*

*The Municipal Councils (MCs) plan for social and economic development as well as to provide essential civic services to its citizens such as, supply of drinking water, disposal of sewage and management of solid wastes, street light, fire services, registration of birth and death, regulation of building, maintenance of roads, parks and gardens etc.*

*A performance audit of delivery of three basic civic services i.e. water supply, solid waste management and sewage management by 36 MCs was conducted between February and August 2014 covering the period 2011-14. The performance audit revealed that average water supply in 17 of the 36 MCs ranged between 25 and 69 lpcd against the mandated 70 lpcd, due to losses from the distribution system, reduced efficiency of WTPs and irregular electric supply. Twenty one water supply augmentation projects taken up by 20 MCs at a cost of ₹708 crore under Central scheme (UIDSSMT) and State schemes (MSNA and MSJNA) suffered from significant time and cost overruns. The reforms in water supply services taken up by 24 MCs at a cost of ₹33.57 crore were lagging behind.*

*Except one MC, none of the 35 MCs were segregating MSW either at source or at the landfill sites and unprocessed solid waste was being dumped in the landfill sites in a non-environment friendly manner or directly in the pits/near water bodies/road sides. Bio-gas plants and vermi/mechanical composting plants constructed/partially constructed at a total cost of ₹6.29 crore by 11 of 36 MCs could not be put to optimal use due to repair and maintenance problems, lack of demand for the end product (cooking gas) etc. A number of MCs did not have valid authorisation from the State Pollution Control Board for setting up waste processing and disposal facilities in landfill areas or for operating slaughter houses.*

*The sewage collection and disposal system in 32 of the 36 MCs were inadequate. The waste water was connected either to open drains or storm water drains leading to the nearby rivers. In 34 MCs, 208.51 MLD was being discharged without treatment either due to inadequate capacity of STPs or non-functioning of STPs. Only two of the 10 capital projects sanctioned between March 2008 and February 2014 at a total cost of ₹612.17 crore for upgradation of underground sewage system in 10 MCs were commissioned.*

*None of the 36 MCs were able to achieve the Service Level Benchmarks prescribed by MoUD, GoI against various performance indicators in water supply, solid waste management and sewage management.*

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#### **4.1.1 Introduction**

Municipal Councils (MCs) are created for smaller urban areas and they are categorised based on their population. The MCs are governed by the Maharashtra Municipal Councils, Nagar Panchayats and Industrial Townships Act, 1965 (MMC Act). It is mandatory on the part of the MCs to plan for social and economic development as well as provide essential civic services to its citizens, such as, supply of drinking water, disposal of sewage and management of solid wastes, street light, fire services, registration of birth and death, regulation of building, maintenance of roads, parks and gardens *etc.* There are 238 MCs<sup>1</sup> in the State as on March 2015. The revenue receipts of MCs include property tax, water charges, lease and rental income and other miscellaneous fees that MCs are authorised to levy and collect as per MMC Act. The Government of Maharashtra (GoM) also releases compensatory grants (in lieu of abolition of octroi), pilgrimage tax and grants. In addition, MCs also receive capital grants-in-aid from Government of India (GoI) and GoM for creation and augmentation of civic infrastructure. The revenue receipts and compensatory grants are used by MCs to provide basic civic services and also to meet its establishment expenditure.

#### **4.1.2 Organisational set up**

The Principal Secretary, Urban Development Department (UDD) is the head of the administrative department. He is assisted by Director of Municipal Administration (DMA) which functions as a nodal agency for receipt of grants from GoI and GoM and their disbursement to MCs. The DMA is also responsible for scrutiny of action plans prepared by the MCs and their implementation for developing and augmenting the civic services. The Chief Officers, MCs/Nagar Panchayats (NPs) are responsible for actual execution of works.

#### **4.1.3 Audit objectives**

Audit selected three basic civic services being provided by the MCs *i.e.* water supply, solid waste management and sewage management, for detailed scrutiny with a view to ascertain broadly that delivery of these basic services by the MCs was efficient and effective with optimum use of available resources. The specific audit objectives are indicated in the relevant sections of this report where these basic services are discussed.

#### **4.1.4 Audit criteria**

Appropriate criteria were derived from the following documents:

- Maharashtra Municipal Councils, Nagar Panchayats and Industrial Townships Act, 1965;
- Solid Waste (Management and Handling) Rules, 2000 and Bio-Medical Waste (Management and Handling) Rules, 1998; and

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<sup>1</sup> Category A (population between one lakh and three lakh): 12; Category B (population between 40,000 and one lakh): 63; Category C (population between 25,000 and 40,000): 148; and NPs (population between 15,000 and 25,000): 15

- Guidelines issued by GoI, GoM and Maharashtra Pollution Control Board (MPCB) from time to time.

#### 4.1.5 Scope and methodology of audit

A performance audit of delivery of three basic civic services *i.e.* water supply, solid waste management and sewage management by the MCs was conducted between February and August 2014 covering the period 2011-14<sup>2</sup>. For this purpose, records of DMA and 36<sup>3</sup> of 238 MCs were selected for detailed scrutiny by using stratified sampling method<sup>4</sup>. The audit examination also involved test check of records in UDD, GoM. Joint visits to various sites were also conducted by audit with representatives of MCs to ascertain the efficiency of various civic services being provided by them.

An entry conference with the Principal Secretary, UDD was held in June 2014 wherein the audit objectives, criteria, scope and methodology of audit were discussed. An exit conference was held with the Secretary, UDD in January 2015 wherein the audit findings and recommendations of audit were discussed. However, the minutes of the exit conference duly signed by the Secretary, UDD was not received as of March 2015, despite repeated reminders. The draft performance audit report was issued to the Government in September 2014; their response was awaited as of March 2015.

#### Audit findings

#### 4.1.6 Water Supply Services

As per MMC Act, it is mandatory for the MCs to supply at least 70 litres per capita per day (lpcd) water to the citizens. Besides, the Service Level Benchmarks (SLB) prescribed (July 2008) by the Ministry of Urban Development (MoUD), GoI *inter alia* specified 100 *per cent* metering of water connections, 100 *per cent* coverage of water supply connections, 100 *per cent* cost recovery in water supply services *etc.* The GoM adopted these national benchmarks for water supply services in February 2010.

For improving the civic infrastructure in small and medium cities, MoUD, GoI launched the Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT) in December 2005 under Jawaharlal Nehru National Urban Renewal Mission (JNNURM). The Water Supply and Sanitation Department, GoM also introduced (October 2008) the State scheme namely, Maharashtra Sujal Nirmal Abhiyan (MSNA) to establish a self-sustainable 24x7 water supply system by identifying the gaps in civic infrastructure through reforms and by undertaking capital works. The reform

<sup>2</sup> The audit of MCs and Nagar Panchayats was entrusted by GoM to Comptroller and Auditor General of India under Technical Guidance and Supervision in March 2011

<sup>3</sup> Akot, Alandi, Akkalkot, Ballarpur, Bhandara, Bhusawal, Chalisgaon, Dondaicha-Warvade, Gondia, Hinganghat, Hingoli, Ichalkaranji, Jalna, Katol, Khamgaon, Kulgaon-Badlapur, Lonavala, Manmad, Mehekar, Nandurbar, Narkhed, Osmanabad, Pandharpur, Panvel, Phaltan, Ratnagiri, Sawantwadi, Shirdi, Sillod, Sinner, Tuljapur, Udgir, Umarched, Uran, Washim and Yavatmal

<sup>4</sup> Selection of MCs including NPs was done on the basis of category and population giving equal representation to all the six regions in the State. Accordingly, six out of 12 MCs under A category, 18 out of 63 MCs under B category, 11 out of 148 MCs under C category and one out of 15 NPs were selected

work included consumer survey to assess water requirement and detection of illegal connection, water and energy audit *etc.* In addition, UDD, GoM also introduced (February 2010) an infrastructure development scheme namely, Maharashtra Swarna Jayanti Nagrothan Mahaabhiyan (MSJNA) for development of roads, sewage systems, buildings, water supply systems *etc.*

Water supply services in 36 selected MCs were examined in audit to ascertain whether:

- infrastructure was created and the mandated quantity of water supplied;
- sufficient funds were available for executing water supply schemes;
- schemes for augmentation of water supply and reforms were implemented economically, efficiently and effectively; and
- SLBs for water supply services were attained.

#### **4.1.6.1 Non-supply of mandated quantity of water**

Though the MMC Act mandated supply of 70 lpcd of water to the citizens, audit observed that in 17 out of 36 selected MCs, average supply of water during 2013-14 ranged between 25 and 69 lpcd as shown in **Table 1**.

**Table1: Details of 17 MCs where supply of water was less than 70 lpcd during 2013-14**

<b>Region</b>	<b>Name of MCs (average supply of water in lpcd)</b>
Konkan	No such cases were detected (Konkan is a water abundant region receiving maximum rainfall)
Pune	Akkalkot (66)
Nashik	Dondiacha-Warvade (25) and Manmad (50)
Aurangabad	Jalna (31), Osmanabad (49), Sillod (39), Udgir (45) and Hingoli (69)
Amravati	Akot (31), Khamgaon (59), Mehekar (53), Umardhed (65) and Washim (62)
Nagpur	Bhandara (51), Ballarpur (58), Gondia (51) and Narkhed (66)
Source : Data published by GoM	

Of the 17 MCs where water supply was less than 70 lpcd, 12 MCs took up water supply augmentation works which were under progress as of October 2014. The remaining five MCs<sup>5</sup> did not submit any DPR for water supply augmentation works to the DMA. Further, two MCs (Jalna and Sillod) though completed water supply augmentation works during 2013-14, yet they were not able to raise the supply from the existing 31 lpcd and 39 lpcd to the mandated 70 lpcd either due to inability of the MCs to bear the electricity charges or poor maintenance of the water supply infrastructure.

The primary reasons for shortfall in supply of the mandated quantity of water in these 17 MCs were losses from the distribution system, decrease in efficiency of Water Treatment Plants (WTP) and pumping machineries, irregular electric supply *etc.*

<sup>5</sup> Ballarpur, Bhandara, Mehekar, Udgir and Umardhed

#### 4.1.6.2 Delay in completion of water supply augmentation schemes

In 36 selected MCs, 20 MCs implemented 21 projects under UIDSSMT, MSNA and MSJNA for augmentation of water supply from the existing capacity to 70 lpcd or 135 lpcd. A synopsis of the 21 projects sanctioned under these three schemes, status of their completion, expenditure incurred as of October 2014 *etc.* are shown in **Table 2**.

**Table 2: Status of water supply projects taken up under UIDSSMT, MSNA and MSJNA in the selected MCs as of October 2014**

Name of the Scheme	No. of projects sanctioned	Original sanctioned Cost as per DPR (₹ in crore)	Period of sanction	Projects completed	Ongoing projects	Expenditure incurred on completed and ongoing projects (₹ in crore)
UIDSSMT (13 MCs)	13	563.82	September 2006 to July 2008	6	7	734.29
MSNA (07 MCs)*	7	106.78	February 2009 to July 2011	1	6	90.41
MSJNA (01 MCs)*	1	37.67	February 2010	0	1	25.11
<b>Total</b>	<b>21</b>	<b>708.27</b>		<b>7</b>	<b>14</b>	<b>849.81</b>

Source: Data furnished by DMA and MCs

\* Manmad MC was involved in execution of projects under two schemes (MSNA and MSJNA)

Examination of the projects for augmentation of water supply under UIDSSMT, MSNA and MSJNA schemes revealed the following:

##### (a) Implementation of projects under UIDSSMT

The cost of 13 projects (₹ 563.82 crore as per DPR<sup>6</sup>) taken up under UIDSSMT was to be shared between GoI, GoM and MC in the ratio of 80:10:10 respectively. However, due to delay (up to two years) at the level of the nodal agency (DMA) and the State Level Sanctioning Committee (SLSC)<sup>7</sup> in according sanctions to these projects, the estimated cost of the projects increased from ₹ 563.82 crore to ₹ 852.56 crore. The difference of ₹ 288.74 crore had to be equally borne by GoM (₹ 144.37 crore) and the MCs (₹ 144.37 crore). Had the estimates been revised by the DMA and put up before the SLSC prior to obtaining sanction, the extra financial burden on GoM and the MCs could have been avoided and funds to the extent of ₹ 288.74 crore could have been fruitfully utilized for other developmental works in the State.

There was also time lapse of 12 to 39 months in award of 13 water supply projects from the date of their approvals by GoI, due to delay in receipt of funds from GoI/GoM, time taken in estimating the revised cost of projects due to lack of technical resources in the MCs/DMA, time taken for tendering process and evaluation of bids, land issues *etc.* Consequently, the tender cost

<sup>6</sup> Detailed Project Report

<sup>7</sup> SLSC constituted representative from the State Government and MoUD, GoI

of 13 works increased by ₹ 385.48 crore<sup>8</sup> over the DPR costs sanctioned by GoI. Further, of the 13 projects taken up, five projects<sup>9</sup> were completed with delays ranging from 10 to 40 months. The remaining seven projects were under execution as of October 2014 and they have already exceeded their original schedule of completion by 13 to 39 months.

**(b) Implementation of projects under MSNA**

Under the State scheme MSNA, the project cost is shared between GoM and the MCs in the ratio of 80:20 in A category MCs and 90:10 in B and C category MCs. Seven augmentation projects were approved by GoM during the period February 2009 to July 2011 at a total cost of ₹ 106.78 crore.

Of the seven projects, one project was completed with delay of 14 months (expenditure incurred: ₹ 8.08 crore) while the remaining six projects were in progress as of October 2014 with time overrun of three to 44 months (expenditure incurred: ₹ 82.33 crore). The main reasons for delay in execution of projects were public agitation, stoppage of one work due to erosion of river bank at proposed Kolhapur Type (KT) Weir<sup>10</sup>, delay in receipt of grants from GoM *etc.*

Major findings on two of the seven projects are discussed below.

**(i) Augmentation of water supply project in Hinghanhat MC**

The main source of raw water for Hinghanhat MC was from river Wuna for which a KT Weir was in existence since 1883. Due to damage to the KT Weir in floods (1994), temporary bunds were constructed every year to maintain the required water level in Wuna river to meet the requirement of the MC. To meet the demand of 135 lpcd of water, GoM sanctioned (July 2009) a project under MSNA at a cost of ₹ 5.18 crore for construction of a new KT weir (in lieu of the damaged KT Weir), including a new intake well and inspection chamber. The Central Design Organisation, Nashik<sup>11</sup> (CDO) had prepared (April 2008) the design of the KT Weir and recommended construction of a guide wall adequately pitched with stone pieces in order to strengthen the embankment of the river at the shoulder of KT Weir's. However, the MC prepared the estimates (July 2009) without considering guide wall as recommended by the CDO and the estimates were technically approved in July 2009 without the guide wall.

The MC awarded the work of construction of KT Weir in April 2010 at a cost of ₹ 4.92 crore to be completed by October 2011, which was subsequently extended up to May 2013. However, during execution of the project, 30 to 40 meters of the embankment of the river at the shoulder of the KT weir was washed away due to floods in June 2012. Till July 2012, 90 *per cent* of the work relating to the new KT weir was completed for which the contractor was paid ₹ 5.34 crore. To complete the balance 10 *per cent* work including

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<sup>8</sup> Difference between accepted cost of tenders (₹ 949.30 crore) and original sanctioned costs as per DPR (₹ 563.82 crore)

<sup>9</sup> One project registered a delay of only two months and therefore, excluded from delay category

<sup>10</sup> Kolhapur-type weir is a low level dam built across a river for storage of water

<sup>11</sup> A GoM authority established for designing of earthen dams, lift irrigation schemes, canal structures *etc.*

construction of guide wall and extra work necessitated by floods, the MC submitted (January 2014) fresh estimates of ₹ 13.37 crore (cost of guide wall was only ₹ 1.25 crore) to Water Supply and Sanitation Department, GoM on which decision was pending as of October 2014.

Thus, non-adherence to the recommendations of the CDO, Nashik *ab initio* for construction of guide wall not only led to an extra expenditure of ₹ 7.20 crore<sup>12</sup> and delay of 17 months (June 2013 to October 2014), it also deprived 1.02 lakh citizens of Hinganghat MC of the benefits of increased water supply of 135 lpcd for at least 17 months.

**(ii) Augmentation of water supply project in Akkalkot MC**

MC, Akkalkot awarded (October 2011) a water supply augmentation project to a contractor at cost of ₹ 9.28 crore. The work *inter alia* included providing and laying of Ductile Iron (DI) pipes (350 mm) for rising main from Bori river. Audit observed that against an estimate of 13,003.50 running metre (Rmt) of DI pipes prepared by the MC through a consultant, the contractor used only 11,229.47 rmt (86 *per cent*) in the project. However, the MC made a payment of ₹ 4.68 crore (March 2014) to the contractor for the entire 13,003.50 rmt, leading to an excess payment of ₹ 63.79 lakh to the contractor for 1,774.03 rmt.

The excess DI pipes (1,774.03 rmt) were in the possession of the MC as of March 2015 and were of no use, as the work of rising main had already been completed and their utilization in near future appears to be remote because, the design life of the rising main already established would cater to the MC up to 2041.

**(iii) Reforms under MSNA**

The MSNA is a reforms-led programme. It places thrust on a series of reform measures and has the ultimate objective of achieving 24x7 water supply alongside a sustainable institutional arrangement for optimizing water management.

The reforms under MSNA comprised conducting of (i) consumer survey to assess water requirement and detection of illegal connection, (ii) water and energy audit, (iii) Geographic Information System (GIS) mapping of hydrology linked with digital database, (iv) hydraulic modelling for providing efficient distribution network and (v) bulk metering/flow metering.

Of the 36 selected MCs, reforms works were sanctioned in 27 MCs<sup>13</sup> during July 2009 to March 2013 at a cost of ₹ 33.57 crore. Expenditure incurred by these 27 MCs till October 2014 was ₹ 10.80 crore. The status of reform works in 24<sup>14</sup> of 27 MCs is given in **Table 3**.

<sup>12</sup> ₹ 13.37 crore – (₹ 4.92 crore + ₹ 1.25 crore)

<sup>13</sup> Hinganghat, Jalna, Alandi, Yavatmal, Ballarpur, Akot, Udgir, Hingoli, Washim, Gondia, Ratnagiri, Bhandara, Uran, Manmad, Akkalkot, Dondaicha-Warvade, Osmanabad, Khamgaon, Sawantwadi, Katol, Narkhed, Umardhed, Shirdi, Phaltan, Chalisgaon, Pandharpur and Panvel

<sup>14</sup> Ballarpur, Hingoli and Gondia MCs did not furnish information to audit

**Table 3: Progress of completion of reform works in 24 MCs**

Nature of reform works	No. and names of MCs which did not complete the reform works
Consumer survey	Nine out of 24 MCs (Alandi, Bhandara, Hinganghat, Manmad, Osmanabad, Pandharpur, Phaltan, Udgir and Uran)
Water and Energy audit	10 out of 24 MCs (Akkalkot, Alandi, Bhandara, Chalisgaon, Hinganghat, Jalna, Osmanabad, Phaltan, Sawantwadi and Uran)
GIS mapping	Eight out of 24 MCs (Alandi, Bhandara, Hinganghat, Osmanabad, Pandharpur, Phaltan, Shirdi and Uran)
Bulk metering /Flow metering	14 out of 24 MCs (Alandi, Akot, Hinganghat, Hingoli, Jalna, Udgir, Ratnagiri, Bhandara, Uran, Manmad, Osmanabad, Khamgaon, Shirdi and Phaltan)
Hydraulic modelling	Nine out of 24 MCs (Alandi, Bhandara, Hinganghat, Jalna, Osmanabad, Pandharpur, Shirdi, Udgir and Uran)
Source: Data collected from MCs	

Audit also observed inadequacies in implementation of reforms by the MCs which are discussed below.

- As per MSNA guidelines of October 2008, the reform works should precede water supply augmentation works (capital works). Audit observed that GoM sanctioned (February 2009) a project for augmentation of distribution network in Manmad MC at a cost of ₹ 4.79 crore. However, the works relating to various reforms amounting to ₹ 1.41 crore was sanctioned by GoM only in August 2009. Consequently, while the MC went ahead with the capital works for laying new distribution network (16.29 km) at a cost of ₹ 4.10 crore in August 2009, the report on reforms relating to hydraulic modelling component came after 32 months in March 2012. The distribution network was completed to the extent of 95 per cent by January 2012.

The action of GoM to award capital works prior to completion of reforms not only violated the scheme guidelines, the MC also could not make use of the recommendations made in the reforms report (which was submitted in March 2012) with specific reference to hydraulic modelling for improving the efficiency of distribution network. Moreover, an expenditure of ₹ 20 lakh incurred up to December 2014 on reform works (hydraulic modelling component) also proved to be unfruitful.

- The billing module was one of the 11 modules available in Municipal Administration Information Network Software System (MAINet) which was developed by Kalyan Dombivali Municipal Corporation (KDMC) during 2002-04. This billing module was distributed by DMA and its implementation by the MCs commenced from July 2009. Despite availability of billing module, four MCs (Umarkhed, Katol, Narkhed and Sillod) incurred an unfruitful expenditure of ₹ 32 lakh

between August 2009 and October 2013 on procurement of software for computerised billing and collection of water charges under the reforms works.

The Secretary, UDD accepted the facts during exit conference and stated that DMA had since stopped sanctioning of expenditure for procurement of software and all the MCs were using MAINet.

**(c) Implementation of project under MSJNA**

Under MSJNA, GoM sanctioned (February 2010) one project for Manmad MC at a cost of ₹ 37.67 crore. The project was awarded in October 2012 at a cost of ₹ 42.91 crore to be completed by October 2013. The project was in progress as of October 2014 and the contractor was paid ₹ 25.11 crore. The project is discussed below.

The current requirement of Manmad MC for drinking water is 8.4 million litre per day (MLD). The source of raw water for the MC is Palkhed Left Bank Canal (PLBC). During last 10 years, the Irrigation Department reduced the rotation of raw water in PLBC gradually from 240 days to 100 days in a year (five to six intervals). Raw water received from PLBC is first stored in Patoda Balancing Tank (PBT) having capacity of 148 million litre (ML). From PBT, raw water is pumped to a Water Treatment Plant (WTP) for distribution to the citizens (after treatment) and the excess water is stored in another earthen dam of larger capacity of 3,468 ML (Waghdardi dam), which is located at a distance of 18 km from PBT. During canal closure period, the water stored in PBT and Waghdardi Dam is used for distribution to the citizens.

The MC prepared (December 2009) a DPR to enhance the pumping capacity of raw water from existing 20 MLD to 52.14 MLD and the storage capacity of PBT from 148 ML to 520 ML, in order to cater to the future demand of the MC for 13.81 MLD up to the year 2042. The GoM sanctioned the project (February 2010) at a cost of ₹ 37.67 crore under MSJNA. The MC awarded the project for augmentation of the capacity of PBT along with allied works in October 2011 at a cost of ₹ 42.91 crore for completion by October 2013. The component relating to augmentation of the capacity of PBT in the contract was pegged at ₹ 9.03 crore.

Upon scrutiny of the project proposal/DPR, calculations done by the MC and other related contract documents, audit observed that the decision to augment the capacity of PBT from 148 to 520 ML at a cost of ₹ 9.03 crore was flawed due to the following reasons:

- The MC would receive raw water for 110 days in a year in five to six intervals which would be sufficient to meet the demand of citizens for 110 days and simultaneously, both the storage tanks (PBT and Waghdardi dam) would also be filled up from the excess water pumped out. This excess water from both the storage tanks can also be used during the canal closure period.
- In Waghdardi dam, the MC would be able to store 4,216<sup>15</sup> ML of excess raw water in 110 days (in six intervals), in view of the enhanced

<sup>15</sup>  $52.14\text{MLD} - 13.81\text{MLD} = 38.33\text{MLD} \times 110\text{ days} = 4,216\text{ML}$  (excess water pumped in Waghdardi dam)  
 $4,216\text{ML less } 30\text{ per cent evaporation losses} = 2,951\text{ML} \div 13.81\text{MLD} = 214\text{ days}$

pumping capacity of 52.14 MLD and requirement of 13.81 MLD (projections up to 2042). After accounting for the permissible evaporation losses of 30 *per cent* from Waghdardi dam (as also considered by the MC), 2,951 ML would be available in the dam that would be sufficient to cater to the needs of the MC for 214 days<sup>15</sup> in a year during canal closure period.

- Given the existing capacity of PBT (148 ML), 888 ML would be available during the year (in six intervals) and, after accounting for the permissible evaporation losses of 30 *per cent*, 622 ML would be available. This would be sufficient to meet the needs of the MC for 45 days<sup>16</sup>.

Thus, the MC would be in a position to cater to the needs of the citizens for 369 days (110 days +214 days +45 days) without increasing the capacity of the PBT from 148 ML to 652 ML. Further, even after considering the projected demand of the MC for 10 MLD up to the year 2030, the MC would be in a position to cater to the needs of the citizens for 496 days. In addition, the MC did not consider the availability of rain water during monsoon period while preparing the DPR. If rain water had also been taken into account, the need for augmentation would not have arisen at all due to increased availability of water in both the storage tanks (PBT and Waghdardi dam).

The decision of the MC to augment the capacity of PBT was therefore, flawed and resulted in an unnecessary expenditure of ₹ 9.03 crore.

#### **4.1.6.3 Service level benchmarking**

Benchmarking is recognized as an important mechanism for introducing accountability in service delivery. It involves measuring and monitoring of service provider performance on a systematic and continuous basis. Sustained benchmarking can help utilities to identify performance gaps and introduce improvements through the sharing of information and best practices, ultimately resulting in better services to people. Recognizing its importance, Ministry of Urban Development (MoUD), GoI promulgated (July 2008) Service Level Benchmarking (SLB) in four key sectors *viz.* Water Supply, Sewage Management (Sewage and Sanitation), Solid Waste Management (SWM) and Storm Water Drainage (SWD).

The SLBs prescribed by GoI was adopted by GoM in February 2010 to be achieved by all MCs. As per the instructions issued (October 2010) by GoM, each MC was to fix goals for SLB achievements during each financial year and furnish the details of achievement of these goals to State Government.

#### **(a) Non-achievement of SLBs**

During 2013-14, number of MCs (out of 36 selected MCs) which did not achieve the SLBs prescribed by GoI or those set by the MCs themselves in respect of nine indicators in water supply services, are shown in **Table 4**.

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<sup>16</sup> 148 ML x 6 intervals = 888 ML less 30 *per cent* evaporation losses = 622 ML ÷ 13.81 ML = 45 days

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Table 4: Achievement against SLBs during 2013-14

Service level benchmark indicators	National benchmarks	No. of MCs which did not achieve the SLB of GoI as on March 2014	Range of achievement by the MCs	Range of targets fixed by MCs to be achieved as on March 2014	No. of MCs which could not achieve their own targets as on March 2014.	Percentage of MCs which could not achieve their own targets
Coverage of water supply connection	100 per cent	36	35-96 per cent	40-100 per cent	31	86
Per capita supply of water	135 lpcd	30	25-129 lpcd	35-340 lpcd	27	75
Extent of metering of water connection	100 per cent	35	0-94 per cent	5-100 per cent	17	100
Extent of non-revenue water	20 per cent	26	21-56 per cent	0-50 per cent	29	81
Extent of cost recovery in water supply services	100 per cent	27	20-99 per cent	25-305 per cent	22	61
Efficiency in collection of water supply related charges	90 per cent	36	12-87 per cent	15-99 per cent	29	81
Continuity of water supply	24 hours per day	36	6	1-7	24	75
Quality of water supplied	100 per cent	18	52-99 per cent	85-100 per cent	18	50
Efficiency in redressal of customer complaints	80 per cent	13	28-77 per cent	42-100 per cent	13	36

Source: Data published by GoM

Evidently, none of the 36 MCs were able to achieve the SLBs prescribed by GoI in respect of all the nine indicators during 2013-14. Individual targets fixed by the MCs could also not be achieved by 36 per cent to 100 per cent of the MCs during 2013-14.

Findings of audit on three of the nine indicators *i.e.* cost recovery in water supply services, extent of non-revenue water and extent of metering of water connections are discussed below.

**(i) Shortfalls in cost recovery of water supply services**

The SLBs of GoI prescribed 100 per cent recovery of cost of water supply services in order to ensure that services being provided are cost-effective. The GoM issued detailed guidelines (August 2010) for fixation of rates for water supply services for various category of consumers by considering cost of raw water, establishment charges, capitalization of interest, if any, depreciation charges *etc.* in order to ensure that full cost of operations and maintenance or recurring costs are recovered.

Audit however, observed that of the 36 selected MCs, 28 MCs during 2011-12, 25 MCs during 2012-13 and 24 MCs during 2013-14 were not able to achieve the national benchmark of 100 *per cent* cost recovery in water supply services and consequently, sustained an operational loss<sup>17</sup> totalling ₹ 130.45 crore. The main reasons for operational losses were non-revision of rates for water supply services by the MCs to meet their actual costs, high percentage of non-revenue water, poor collection of water charges *etc.* Audit also noticed that six<sup>18</sup> MCs were able to reduce their operational losses during March 2014 as compared to March 2012.

The Secretary, UDD stated during exit conference that it was very difficult to insist on 100 *per cent* recovery of water charges by the MCs, considering that the MCs were not able to supply water regularly to its citizens.

**(ii) High percentage of non-revenue water**

The major reasons of non-revenue water (NRW) are loss of water due to poor maintenance of distribution network, water theft, illegal connections, non-metering of water connections *etc.*

Audit observed that of the 36 selected MCs, 19 MCs during 2011-12, 23 MCs during 2012-13 and 26 MCs during 2013-14 registered high NRW to the extent of 21 *per cent* to 57 *per cent*, against the national benchmark of maximum 20 *per cent*. However, during 2013-14, 10 MCs<sup>19</sup> were able to restrict the NRW within the national benchmark of 20 *per cent*.

The Secretary, UDD stated that the instructions would be issued to the MCs for ensuring NRW within permissible limit.

**(iii) Non-metering of water connections**

Consumer metering induces efficiency in water use, reveals leakages in the distribution system and enables high-end consumers to be charged more for consuming more.

Audit observed that during 2011-14, of the 36 selected MCs, only one MC (Sawantwadi) met the national benchmark of 100 *per cent* metering of water connections, 22 MCs had no metering while 13 MCs had partial metering between 0.1 *per cent* and 94 *per cent*.

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## **4.1.7 Solid Waste Management**

### **4.1.7.1 Management of municipal solid waste**

Municipal solid waste management involves collection, segregation, storage, transportation, processing and disposal of municipal solid waste generated in municipal or notified areas. The Municipal Solid Wastes (Management and Handling) Rules, 2000 (MSW Rules) were notified by the Ministry of Environment and Forest (MoEF), GoI in September 2000 that made every municipality, within its territorial jurisdiction, responsible for management and handling of solid waste.

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<sup>17</sup> Cost of water supply services minus total demand raised for water charges

<sup>18</sup> Hinganghat, Ichalkaranji, Khamgoan, Umarched, Washim and Mehekar

<sup>19</sup> Alandi, Ichalkaranji, Katol, Lonavala, Phaltan, Shirdi, Sinner, Tuljapur, Udgir and Uran

The management of solid waste by 36 selected MCs was examined in audit to ascertain whether:

- required infrastructure was created for disposal of MSW;
- MSW was disposed as per Rules;
- monitoring and review mechanisms were in place and SLBs were achieved.

The basic requirement for management of MSW is availability of land for segregation, processing and its disposal in an area allocated for landfilling<sup>20</sup>, in an environment friendly manner. Landfilling needs to be restricted to non-biodegradable, inert and other wastes that are not suitable either for recycling or for biological processing so as to minimize the burden on landfill. It is also obligatory for every municipal authority to obtain authorization from the State Pollution Control Board for setting up waste processing and disposal facilities in the designated landfill area.

**(a) Non-segregation of waste as per MSW Rules**

As per MSW Rules, two separate bins (both for public and households) should be arranged to collect recyclable waste (wet and dry) and non-recyclable waste (inert materials such as stones, debris *etc.*) at the source itself. Further, as per Maharashtra Pollution Control Board (MPCB) norms, the waste so transported to landfill sites were to be further segregated for which conditions like construction of non-permeable lining system at the base and walls of waste disposal area (landfill), provision for leachates<sup>21</sup> collections, installation of landfill gas control system *etc.* were to be adhered to.

Audit observed that except Panvel MC, none of the 36 selected MCs have any mechanism to weigh or dispose of the MSW being collected from residential and commercial establishments every day, in an environment friendly manner in the designated landfill sites. As per audit estimation, 829 Metric Ton (MT) of MSW per day or 3.03 lakh MT<sup>22</sup> of MSW per year was being generated by 36 MCs. However, in none of the 35 MCs, MSW was being segregated at source and the MPCB norms for development of landfill sites were also not adhered to. Consequently, further segregation of waste at the landfill sites was not being done by the MCs and the waste so collected were being dumped in the landfill sites. The disposal of MSW in an unscientific manner may have an adverse impact on ground water and quality of air.

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<sup>20</sup> Landfilling means disposal of residual solid wastes on land in a facility designed with protective measures against pollution of ground water, surface water and air fugitive dust, wind-blown litter, bad odour, fire hazard, bird menace, pests or rodents, greenhouse gas emissions, slope instability and erosion

<sup>21</sup> Leachates means liquid that seeps through solid wastes or other medium and has extracts of dissolved or suspended material from it

<sup>22</sup> Worked out by audit considering the population of 36 MCs (based on 2011 Census) and MSW generation of 250 grams per person per day, as per Manual on Solid Waste Management prepared by All India Institute of Local Self Government, Mumbai in May 2000.

**(b) Storage, handling and transportation of waste in violation of MSW Rules**

As per MSW Rules, every municipal authority is required to ensure proper storage and transportation of MSW and vehicles used for transportation of MSW should be covered to prevent their scattering. Further, the waste being transported should not be visible to public nor exposed to open environment. Joint visits by audit in 18 of 36 selected MCs revealed that four<sup>23</sup> MCs were transporting MSW in open vehicles without covering the waste.

	
<p>Jalna Municipal Council transporting MSW without covering the vehicle</p>	<p>Yavatmal Municipal Council transporting MSW without covering the vehicle</p>

The MSW Rules further prohibits manual handling of waste and if unavoidable due to constraints, manual handling should be resorted to under proper precaution with due care for safety of workers. The MCs being the principal employer have to ensure that the workers engaged by the contractors (through open tendering) for cleaning/collecting/transporting/disposal of MSW were being provided with safety tools/gadgets such as, uniforms, gloves, masks, gum boots, spades, separating flaps *etc.* Audit however, observed that no procedure was laid down by the MCs for ensuring compliance to the Rules either by obtaining necessary documentary evidence from the contractors or through periodical inspections of sites. During joint inspection in two MCs (Pandharpur and Osmanabad), audit observed that segregation of MSW at landfill site was being done without safety tools/gadgets.

	
<p>Segregation of waste at bio-gas plant in Pandharpur MC being done without any safety tools/gadgets</p>	

<sup>23</sup> Akkalkot, Manmad, Jalna and Yavatmal

**(c) Processing of MSW**

As per MSW Rules, municipal authorities shall adopt suitable technology or combination of such technologies to make use of wastes so as to minimize burden on landfills. In consonance with MSW Rules, biodegradable wastes were to be processed by composting, vermicomposting, anaerobic digestion or any other appropriate biological processing for stabilization of wastes.

For processing of MSW, MCs have established bio-gas plants and vermi/mechanical composting<sup>24</sup> plants. Audit findings on establishment/operation of bio-gas and vermi/mechanical composting plants are discussed below.

**(i) Non-functioning of bio-gas plants**

Bio-gas plants were established in five<sup>25</sup> of the 36 selected MCs at a total cost of ₹ 2.26 crore between May 2006 and August 2013. These plants were established for processing of MSW and generation of cooking gas/electricity. The status of the bio-gas plants is indicated in **Table 5**.

**Table 5: Status of bio-gas plant established in selected MCs**

Sl. No.	Name of MC	Installed capacity (in MT/day)	Purpose	Year of construction	Expenditure on construction (₹ in lakh)	Status of functioning of bio-gas plants
1.	Panvel	5	Cooking gas and electricity generation	May 2006	18.85	Not functioning since May 2014 due to pending repairs to the plant. Prior to May 2014, the processing of waste was done only to the extent of 0.5 MT to one MT per day, due to lack of demand for cooking gas. The gas generated was released in air or burnt.
2.	Kulgaon-Badlapur	5	Cooking gas and electricity generation	August 2013	49.80	Plant not commissioned as of October 2014 due to lack of demand for gas and non-procurement of generator for generation of electricity.
3.	Uran	5	Cooking gas and electricity generation	February 2011	71.53	Plant was processing only three MT per day of waste due to lack of demand for cooking gas. The gas generated was released in air. Generator was not procured for electricity generation.
4.	Pandarpur	6	Electricity generation	August 2008	58.60	Not functioning since December 2013 due to pending repair and maintenance of plant and generator.
5.	Washim	5	Electricity generation	September 2009	26.80	Due to negligence of the contractor, the construction of plant could not be completed and commissioned as of October 2014. As such, the contract was terminated in February 2013.
<b>Total</b>					<b>225.58</b>	
Source: Information furnished by MCs						

<sup>24</sup> Vermicomposting involves use of earthworms and bio-organisms to turn organic waste to compost while in mechanical composting, organic waste is converted to compost by natural phenomenon

<sup>25</sup> Panvel, Uran, Kulgaon-Badlapur, Pandharpur and Washim

As can be seen from **Table 5**, five bio-gas plants constructed/partially constructed at a cost of ₹ 2.26 crore could not be put to optimal use due to repair and maintenance problem, lack of demand for the end product (cooking gas) etc. The MCs did not assess the reasons for poor demand for cooking gas for taking suitable remedial action. Besides, the basic objective of processing of waste by reducing burden on landfills also remained unachieved.

**(ii) Under-utilisation of vermi/mechanical composting plants**

In six of the 36 selected MCs, vermi/mechanical composting plants were established for production of compost as shown in **Table 6**.

**Table 6: Status of vermi/mechanical composting plants**

Sl. No.	Name of MC	Installed capacity of plant to process waste (in MT/day)	Year of construction	Expenditure on construction and O&M till October 2014 (₹ in lakh)	Capacity <sup>26</sup> to produce compost from year of commissioning of the plant till October 2014 (in MT)	Actual production till October 2014 (in MT)	Status of functioning of Vermi/mechanical composting plants
1.	Sawantwadi	6	2003	13.33	396	15.18	Plant was not running to full capacity due to lack of demand for compost.
2.	Chalisgaon	30	2004	72.70	1800	470.67	Plant was not running to full capacity due to lack of demand for compost.
3.	Phaltan	10	2003	30.00	660	63.10	Plant was not running to full capacity due to inadequate biodegradable waste. Plant stopped functioning since 2009 due to disconnection of electricity by MSEB for running the segregation plant and sprinklers.
4.	Pandharpur (mechanical composting)	40	2011	Not available with MC	480	Not available with MC	Plant commissioned in 2012 but not running to full capacity. Plant stopped functioning since January 2014 due to disconnection of electricity by MSEB for running the segregation plant and sprinklers.
5.	Nandurbar (mechanical composting)	15	Work order was placed in January 2008	123.52	540	Nil	The plant was not commissioned till October 2014.
6.	Yavatmal	40	2008	163.79	1050	165	Plant commissioned in January 2009 but, not running to full capacity.
<b>Total</b>				<b>403.34</b>	<b>4926</b>	<b>713.95</b>	

Source: Information furnished by MCs

<sup>26</sup> It takes 45-60 days to turn organic waste into compost hence, only six cycles in a year is considered by MCs for production of compost. The expected production has been arrived at by audit considering six cycles per year, capacity of the plant and period of operation. For instance, for capacity of 6 MT/day for 6 cycles in a year for 11 years, Sawantwadi MC (refer Sl. No. 1 of Table 6) was expected to produce 396 MT of compost till October 2014 (6 MT/day x 6 cycles x 11 years = 396 MT)

It is evident from **Table 6** that despite an investment of ₹ 4.03 crore by six MCs on construction of vermi/mechanical composting plants, only 714 MT of compost was produced against the expected production of 4,926 MT of compost till October 2014. Due to under-utilisation of plants, bio-degradable waste was being dumped in the landfill sites without any treatment.

A vermicompost plant having capacity to process 40 MT of MSW was commissioned in January 2009 at a cost of ₹ 163.79 lakh by Yavatmal MC (refer **Sl. No.6** of **Table 6**). The MC awarded the work of operation and maintenance of the vermicompost plant to Urjit Passco (first contractor) for 36 months at a monthly charge of ₹ 1.20 lakh (April 2009 to December 2009), ₹ 1.35 lakh (January 2010 to March 2011) and ₹ 1.48 lakh (April 2011 to March 2012). The monthly charges covered expenses towards segregation of 20 to 25 MT of MSW daily for compost generation, payment of electricity and water charges for running the plant, labour charges *etc.* The revenue generated from sale of compost was to be retained by the contractor. For the period from September 2012 to March 2015 (31 months), the work of operation and maintenance of vermicompost plant was awarded to Kanak Enterprises (second contractor) for a fixed monthly payment of ₹ 1.85 lakh. The contract envisaged segregation of 40 MT of MSW daily for compost generation. During the intervening period from April 2012 to August 2012 (five months), the compost plant was not used due to delay in finalisation of contract with the second contractor.

Audit observed that during the period April 2009 to August 2014, the contractors segregated only five MT of MSW against the daily requirement of 25 MT (up to March 2012) and 40 MT (up to August 2014). However, the contract did not contain any provision regarding the quantum of deduction to be made in the event of failure of the contractor to segregate the entire quantity of MSW as per contract. Considering, the quantum of MSW segregated and used for composting *vis-a-vis* the quantity of MSW to be segregated as per contract, the MC made an excess payment of ₹ 70.08 lakh to the contractors.

The Secretary, UDD stated during the exit conference that action would be taken to recover the excess payment made to the contractors.

**(d) Non-disposal of MSW in an environment friendly manner**

Audit observed that all the 35 MCs were dumping unprocessed MSW either in the available landfill sites or unauthorisedly directly in the pits, on the road sides or near water bodies.

	
<p>Alandi MC: Dumping ground at the bank of river Indrayani</p>	<p>Ratnagiri MC: Dumping ground near water storage tank</p>

Further, of these 35 MCs, only eight<sup>27</sup> MCs had valid authorisation for setting up waste processing and disposal facilities in the designated landfill areas. The authorisation initially granted by MPCB to 15<sup>28</sup> MCs had lapsed between December 2003 and September 2014, due to non-submission of application for renewals by the MCs. In remaining 12 MCs<sup>29</sup>, no records were available regarding authorisation granted by MPCB.

**(e) Unauthorised operation of slaughter houses**

As per the provisions contained in Water (Prevention and Control of Pollution) Act, 1974 and Air (Prevention and Control of Pollution) Act, 1981, consent from State Pollution Control Board was required for operating slaughter houses and it was also obligatory to provide Effluent Treatment Plants (ETPs) by the operators of the slaughter houses to treat the effluents generated by slaughtering activities.

In 16<sup>30</sup> of the 36 selected MCs, which were operating slaughter houses, only seven<sup>31</sup> MCs had obtained consent from MPCB. The consent initially granted by MPCB to four of the seven MCs had lapsed between March 2010 and October 2014. Of these four MCs, three<sup>32</sup> MCs did not submit applications for renewal of consent while one MC (Ballarpur) though submitted an application for renewal in May 2013, the renewal was not granted by MPCB as of October 2014. The reasons for non-renewal of consent by MPCB to Ballarpur MC were not furnished to audit. Thus, 13<sup>33</sup> MCs were operating slaughter houses unauthorisedly without consent from MPCB as a result, effluents discharged from the slaughter houses were released into open drains which were ultimately flowing into water bodies causing water pollution.

**4.1.7.2 Management of bio-medical waste**

The Bio-Medical Waste (Management and Handling) Rules, 1998 (BMW Rules) was notified by GoI in July 1998 and applicable to all persons who generate, collect, receive, store, transport, treat, dispose or handle bio-medical waste in any form. As per BMW Rules, each health unit such as hospital, clinic, laboratory, blood bank in the jurisdiction of MC must dispose of BMW (blood, soiled cottons, syringes, catheters *etc.*) scientifically on their own or through an agency. The BMW is hazardous in nature and requires to be destroyed according to specific treatment assigned for different items by the MPCB which otherwise may create/transfer diseases to other living beings. The MPCB on application authorises the State Government or private agencies to treat the BMW. Audit observed the following:

- It is the responsibility of the MCs to ensure that all the health units functioning in their jurisdiction were treating BMW scientifically. For

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<sup>27</sup> Akkalkot, Hingoli, Ichalkaranji, Katol, Pandharpur, Sawantwadi, Sillod and Yavatmal

<sup>28</sup> Akot, Bhandara, Dondaicha-Warvade, Hinganghat, Khamgaon, Manmad, Mehekar, Nandurbar, Narkhed, Osmanabad, Sinner, Tuljapur, Udgir, Uran, and Washim

<sup>29</sup> Alandi, Ballarpur, Bhusawal, Chalisgaon, Gondia, Jalna, Kulgaon-Badlapur, Lonavala, Phaltan, Shirdi, Umardhed and Ratnagiri

<sup>30</sup> Akot, Ballarpur, Bhandara, Dondaicha-Warvade, Hinganghat, Hingoli, Ichalkaranji, Katol, Mehekar, Nandurbar, Narkhed, Phaltan, Shirdi, Tuljapur, Umardhed and Washim.

<sup>31</sup> Hingoli, Katol, Ballarpur, Narkhed, Akot, Ichalkaranji and Phaltan

<sup>32</sup> Katol, Narkhed and Akot

<sup>33</sup> Akot, Ballarpur, Bhandara, Dondaicha-Warvade, Hinganghat, Katol, Mehekar, Nandurbar, Narkhed, Shirdi, Tuljapur, Umardhed and Washim

this purpose, each MC was required to maintain database of all the health units functioning in its jurisdiction. Eight<sup>34</sup> of the 36 selected MCs did not have the list/details of health units functioning and generating BMW within their jurisdiction.

- In 17<sup>35</sup> of the remaining 28 MCs, 1,161 health units were functioning but, only 712 health units (61 *per cent*) were treating the BMW. 39 *per cent* of the health units were not treating BMW thus, exposing the human beings and animals to health hazards. In the remaining 11 MCs, all the health units were treating BMW as per Rules.

The Secretary, UDD while accepting the facts stated during exit conference that specific guidelines for implementation of norms envisaged in the BMW Rules would be issued.

#### 4.1.7.3 Non-achievement of SLBs

The SLBs prescribed by GoI in July 2008 against eight performance indicators in MSW and the achievements there against by 36 selected MCs is shown in **Table 7**.

**Table 7: Achievements against SLBs of GoI during 2013-14**

Service Level Benchmark indicators	National benchmarks ( <i>per cent</i> )	No. of MCs which achieved the SLBs	SLB achievement by remaining MCs (range of achievement in percentage)
Household level coverage of MSW	100	1	35 MCs (1- 98)
Efficiency of collection	100	6	30 MCs (67 -99)
Extent of segregation of MSW	100	0	36 MCs (0 -25)
Extent of scientific disposal of MSW	100	0	36 MCs (0)
Extent of cost recovery in SWM services	100	0	36 MCs (0-45)
Extent of MSW recovered	80	1	35 MCs (0-70)
Efficiency in redressal of consumer complaints	80	29	7 MCs (46-77)
Efficiency in collection of SWM charges	90	1	35 MCs (0-81)

Source : Data published by GoM

It could thus, be seen that none of the 36 MCs were able to achieve the national benchmarks with regard to collection, segregation, scientific disposal of MSW, cost recovery of services *etc.*

#### 4.1.8 Sewage Management

As per MMC Act, construction of drains, sewers, tunnels, culverts, Sewage Treatment Plants (STP) *etc.* across or under any street or any place for the purpose of disposal of effluents generated and their discharge into sea/river

<sup>34</sup> Kulgaon-Badlapur, Panvel, Sinner, Yavatmal, Jalna, Akot, Nandurbar and Lonavala

<sup>35</sup> Alandi, Chalisgaon, Hinganghat, Katol, Khamgaon, Manmad, Mehekar, Narkhed, Osmanabad, Pandharpur, Ratnagiri, Sawantwadi, Shirdi, Tuljapur, Umardhed, Uran and Washim

after their treatment, are the mandatory duties of MCs. National benchmarks prescribed 100 *per cent* coverage of toilets, sewage network services, adequacy of sewage treatment capacity *etc.*

The sewage management in 36 selected MCs was examined in audit to ascertain whether:

- proper infrastructure existed for collection and disposal of waste water;
- schemes for improving the waste water collection and its disposal was executed economically, efficiently and effectively; and
- SLBs for sewage management prescribed by GoI were achieved.

#### **4.1.8.1 Adequacy of sewage collection and disposal infrastructure in MCs**

A sound sewage management requires direct access to toilets to improve the sanitation facilities, direct connection with sewage network, conveying of sewage to STP of adequate capacity for treatment before its final discharge. In the 36 selected MCs, 247.15 MLD of sewage was generated during 2013-14. The status of sewage collection and disposal infrastructure in 36 selected MCs during 2013-14 is given in **Table 8**.

**Table 8: Status of sewage collection and disposal infrastructure in the selected MCs during 2013-14**

Indicators	Availability in percentage as against national benchmark of 100 <i>per cent</i>	Range of achievement by MCs			
		Zero <i>per cent</i>	01-50 <i>per cent</i>	51-80 <i>per cent</i>	81-100 <i>per cent</i>
Coverage of toilets	47-98	No such cases	2	15	19
Coverage of sewage network services	0-56	32	3	1	0
Collection efficiency of sewage network	0-96	32	3	0	1
Adequacy of sewage treatment capacity	0-160	32	1	1	2
Source: Data published by GoM					

**Table 8** above revealed the following:

- None of the MCs had 100 *per cent* access to individual or community toilets. The coverage of properties having access to individual or community toilets ranged between 47 *per cent* (Washim) and 98 *per cent* (Ratnagiri).
- In four<sup>36</sup> of 36 MCs, the properties had direct connection to underground sewage or waste water collection networks. In two other MCs (Alandi and Bhusawal), the underground sewage network was very old and non-functional as of October 2014 and the sewage generated was flowing to the nearby water bodies. In the remaining 30 MCs, waste water was connected either to open drains or storm water

<sup>36</sup> Ichalkaranji, Lonawala, Shirdi and Pandharpur

drains leading to the nearby rivers. The sewage collected from soak pits were disposed of in dumping grounds without any treatment.

- The collection efficiency of sewage network (quantum of waste water collected at the inlet of STP to percentage of total waste water generated) ranged between 23 and 96 *per cent* in four MCs<sup>37</sup> and was 'nil' in respect of remaining 32 MCs. Thus, the effectiveness of the system (either underground system or open drains) to collect and convey the waste water for treatment was poor in majority of the MCs.
- Only two MCs (Shirdi and Pandharpur) were able to treat the entire waste water generated before its final discharge. In the remaining 34 MCs, 208.51 MLD was being discharged without treatment either due to inadequate capacity of STPs or non- functioning of STPs.

#### 4.1.8.2 Implementation of capital projects for underground sewage system

For upgradation of underground sewage system, the SLSC/GoM sanctioned 10 projects (seven under UIDSSMT and three under MSJNA) between March 2008 and February 2014 at a total cost of ₹ 612.17 crore. The status of implementation of these projects as on October 2014 is given in **Table 9**.

**Table 9: Status of implementation of capital projects for underground sewage system**

Sl. No.	Name of the MC	Sanctioned cost (₹ in crore)	Tendered cost (₹ in crore)	Date of sanction	Date of award of contract	Expenditure till October 2014 (₹ in crore)	Status of work
<b>UIDSSMT</b>							
1.	Gondia	125.72	Not tendered	18.06.2013	-	-	Work not commenced
2.	Shirdi	24.26	37.95	28.09.2006	13.08.2009	37.04	Commissioned
3.	Pandharpur	31.75	57.00	04.05.2007	27.10.2009	31.75	Commissioned
4.	Kulgaon-Badlapur	151.46	226.43	29.12.2008	15.02.2010	162.15	Incomplete
5.	Hingoli	61.61	Not tendered	20.07.2013	-	-	Work not commenced due to non-release of funds
6.	Panvel	31.07	49.41	01.03.2008	August 2009 for STP and February 2010 for sewer line	31.72	Incomplete
7.	Ichalkaranji	82.60	97.45	04.02.2014	28.08.2014	20.50	Incomplete

<sup>37</sup> Ichalkaranji (43 *per cent*), Lonavala (23 *per cent*), Pandharpur (26 *per cent*) and Shirdi (96 *per cent*)

MSJNA							
8.	Nandurbar	47.37	49.89	20.02.2010	17.07.2010	19.21	Incomplete
9.	Lonavala	21.52	26.01	31.03.2010	31.10.2011	1.50	Incomplete
10.	Washim	34.81	31.88	25.11.2010	31.12.2012	6.54	Incomplete
<b>Total</b>		<b>612.17</b>					
Source: Information collected by audit from MCs							

As may be seen from **Table 9**, only two projects in Shirdi and Pandharpur MCs were commissioned. Six projects<sup>38</sup> registered time lapse of 13 to 34 months from date of sanction to final award, due to unresolved issues regarding execution of work by Maharashtra Jeevan Pradhikaran (MJP) or the MC, delay/non-release of funds by GoI/GoM, abandonment of work by the contractors *etc.* Seven projects<sup>39</sup> registered an increase of ₹ 151.11 crore in the tendered cost over the initial sanctioned cost. Five projects<sup>40</sup> registered a time overrun of six to 36 months over their due dates of completion, due to revision of plans, work abandoned by the contractor, laxity on the part of contractor to complete the work *etc.*

Audit findings on three of the 10 projects indicated in **Table 9** are discussed below.

- In Gondia MC, the work of underground sewage system was initially sanctioned under UIDSSMT in March 2012 at a cost of ₹ 82.33 crore (refer **Sl. No. 1** of **Table 9**). However, due to inadequate preparation of estimates in respect of two items of work (connection of houses/properties with new sewer lines and reinstating the road surface), a revised sanction had to be issued in June 2013 at an enhanced cost of ₹ 125.71 crore. Even after issue of revised sanction in June 2013, the work could not commence until October 2014 because a decision to execute the work either through MJP or by the MC was taken as late as March 2014.

The Secretary, UDD stated during exit conference that guidelines would be issued for timely commencement of works and in cases where substantial period had elapsed, grants would be withdrawn.

- The GoI approved (March 2008) construction of STP (14 MLD capacity) and 42.46 km underground sewer line to Panvel MC at a cost of ₹ 31.07 crore under UIDSSMT (refer **Sl. No. 6** of **Table 9**). Technical sanction was accorded by the Chief Engineer, MJP, Pune in February 2008 at a cost of ₹ 37.02 crore. Work order for construction of the STP was issued to a contractor in August 2009 at a cost of ₹ 15.44 crore. The construction of STP was completed in 2013 at a cost of ₹ 15.06 crore. The work of laying of 42.46 km sewer line was awarded in February 2010 to another contractor at a cost of ₹ 28.97 crore to be completed by February 2012. Audit observed that as of October 2014, only 16.04 km of sewer line (38 *per cent*) could be laid

<sup>38</sup> Shirdi, Pandharpur, Kulgaon-Badlapur, Panvel, Lonavala and Washim

<sup>39</sup> Shirdi, Pandharpur, Kulgaon-Badlapur, Panvel, Ichalkaranji, Nandurbar and Lonavala

<sup>40</sup> Lonavala, Panvel, Kulgaon-Badlapur, Nandurbar and Pandharpur

after incurring an expenditure of ₹ 14.72 crore. As a result, individual properties could not be connected with the sewer lines and consequently, trial run of the STP already constructed in 2013 at a cost of ₹ 15.06 crore could not be conducted as of October 2014.

- The GoM sanctioned (March 2010) a project for augmentation of underground sewage system to Lonavala MC under MSJNA at a cost of ₹ 21.52 crore (refer **Sl. No. 9** of **Table 9**). The MC awarded (October 2011) the work to a contractor at a cost of ₹ 26.01 crore with scheduled date of completion of April 2014. The contractor, as per the contract condition, submitted (October 2011) security deposit of ₹ 65.02 lakh in the form of Deposit Call Receipts (CDRs) issued by The Nanded Merchant's Co-operative Bank Limited, Nanded.

On request (May 2012) of the contractor, the MC paid (June 2012) interest bearing mobilisation advance (MA) of ₹ 1.50 crore to the contractor though there was no such provision in the contract. The MC also did not obtain matching bank guarantee from the contractor.

In February 2013, Pen MC informed Lonavala MC that the contractor in question had submitted fake CDRs relating to a work executed by him earlier under their jurisdiction. At this, Lonavala MC ascertained the authenticity of the CDRs submitted by the contractor and found them to be fake. When this fraud was pointed out to the contractor, the contractor submitted fresh Demand Drafts (DDs) in March 2013 amounting to ₹ 65 lakh as security deposit. The MC encashed the DDs and adjusted the same against interest of ₹ 38.95 lakh due on MA and the balance amount of ₹ 26.05 lakh against the principal amount of MA. A police complaint was filed (November 2013) against the contractor and the contract was rescinded in December 2013. Since the whereabouts of the contractor was not known, MC was not able to recover the balance principal amount of MA (₹ 1.24 crore)<sup>41</sup> as of October 2014. The MC prepared (January 2014) fresh estimates for the work at a cost of ₹ 25.10 crore, which was pending for technical sanction as of October 2014.

Thus, while the augmentation work of underground sewage system to be completed in April 2014 did not even commence as of October 2014, the MC was saddled with a loss of ₹ 1.24 crore due to sheer negligence. Further, the action of the MC to rescind the contract without recovering its dues from the contractor was also not in order.

The Secretary, UDD while accepting the facts stated that the instructions of Finance Department, GoM would be followed before making payment of MA to the contractors.

#### 4.1.8.3 Tardy implementation of underground sewage system works

As per Government Resolution of February 2010, water supply augmentation works aimed at supplying 135 lpcd in municipal areas should be concomitant with full-fledged underground sewage network system. Audit observed that though 64 to 100 *per cent* water supply augmentation works for 135 lpcd were

<sup>41</sup> ₹ 150 lakh minus ₹ 26.05 lakh = ₹ 123.95 lakh

completed in five of 36 selected MCs, the underground sewage system in these MCs either did not commence or partially completed to the extent of only three to 39 *per cent* as of October 2014. The details are shown in **Table 10**.

**Table 10: Status of implementation of underground sewage system works *vis-à-vis* water supply augmentation works**

Name of MCs	Date of sanction of water supply augmentation works	Physical progress as on October 2014 (in percentage)	Date of sanction of underground sewage system	Physical progress as on October 2014 (in percentage)
Gondia	July 2008	73	June 2013	Not yet started
Washim	December 2006	71	November 2010	39
Hingoli	September 2007	64	July 2013	Not yet started
Nandurbar	March 2008	100	February 2010	39
Ichalkaranji	September 2007	100	February 2014	3

Source: Information collected from MCs

Evidently, this mismatch between water supply augmentation works and underground sewage network system would create civic hazard and pollution in the municipal areas as soon as the level of 135 lpcd is achieved by all the five MCs.

#### **4.1.8.4 Non-achievement of SLBs**

The SLB achievement by 36 selected MCs against nine indicators prescribed by MoUD, GoI or those set by the MCs themselves for sewage management is shown in **Table 11**.

**Table 11: Achievement against SLBs during 2013-14**

Sl. No.	SLB indicators	National benchmarks (per cent)	No. of MCs which achieved the national benchmarks (range in per cent)	No. of MCs which fixed its own targets (range in per cent)	No. of MCs which achieved the targets
1.	Coverage of toilets	100	None	36 MCs (35-100)	11 MCs
2.	Coverage of sewage network services	100	None	7 MCs (30-75)	None
3.	Collection efficiency of the sewage network	100	None	6 MCs (30-70)	None
4.	Adequacy of sewage treatment capacity	100	2 MCs (100-160)	5 MCs (40-90)	1 MC
5.	Quality of sewage treatment	100	4 MCs (100)	5 MCs (35-100)	3 MCs
6.	Extent of reuse and recycling of sewage	20	1 MC (87)	6 MCs (8-90)	None
7.	Efficiency in redressal of consumer complaints	80	25 MCs	36 MCs (45-100)	21 MCs
8.	Extent of cost recovery in sewage management	100	1 MC	22 MCs (1-100)	3 MCs
9.	Efficiency in collection of sewage charges	90	1 MC (100)	22 MCs (15-100)	2 MCs

It could be seen from **Table 11** that except for efficiency in redressal of consumer complaints (refer indicator at **Sl. No. 7** above), the achievement of SLBs by the MCs against rest of the eight indicators was poor.

#### 4.1.9 Monitoring of service delivery

An effective internal control system provides a reasonable assurance on overall management process and shows the extent of monitoring of operations carried out by an organisation. The DMA under the control of the UDD, GoM exercises administrative control and monitors the activities of the MCs. The deficiencies noticed in monitoring of service delivery by the DMA were as under:

- The entire activities of the MCs are monitored by the DMA centrally from Mumbai. Due to insufficient number of administrative and technical staff/resources, approvals to project proposals and DPRs were delayed in the office of DMA.
- No reports and returns have been prescribed by the DMA for the MCs for effective monitoring and implementation of State projects (MSNA and MSJNA) with reference to the original sanctioned costs and timelines.
- The reasons for not fixing the SLB targets by the MCs against various indicators for water supply, solid waste and sewage and the under-achievements there against have never been assessed or evaluated by the DMA for suitable remedial action.
- In terms of Municipal Solid Wastes (Management and Handling) Rules, 2000 MCs are required to submit detailed information with regard to disposal of solid waste, hospital waste and slaughter houses in Form-II to the MPCB. There were however, delays in submission of information to MPCB by majority of MCs but, the DMA failed to monitor this statutory requirement.

#### 4.1.10 Conclusion and recommendations

##### Water Supply Services

The average water supply in 17 of 36 selected MCs was between 25 and 69 lpcd against 70 lpcd mandated by the MMC Act. The shortfall in water supply was due to losses from the distribution system, reduced efficiency of WTPs/pumping machineries and irregular electric supply.

***In order to achieve the target of 70 lpcd in 17 affected MCs, the ongoing water supply augmentation works in 12 MCs needs to be completed in a time bound manner and the remaining five MCs, which did not submit any DPR for augmentation works to the DMA, should initiate immediate action in this regard.***

Twenty one water supply augmentation projects taken up by 20 MCs at a cost of ₹ 708 crore under Central scheme (UIDSSMT) and State schemes (MSNA and MSJNA) suffered from significant time and cost overruns and as of October 2014, only seven of 21 projects have been completed.

***In order to avoid time and cost overruns, the Government may ensure that the project proposals are scrutinised, sanctioned and awarded timely. The Government should also release its share of funds for the Central and State schemes timely to avoid further slippages in the projects.***

The reforms in water supply services taken up by 24 MCs at a cost of ₹ 33.57 crore were lagging behind. None of the 36 selected MCs were able to achieve the service level benchmarks against nine indicators either prescribed by MoUD, GoI or set by the MCs themselves. Majority of the 36 MCs were far away from achieving the target of 100 *per cent* recovery in water supply services and in fact, sustained and operational loss of ₹ 130.45 crore during 2011-14.

***In order to optimize water management, reforms in water supply services should be completed and adopted by the MCs. The collection efficiency of water dues should be improved by vigorous follow-up and penal action as per Rules. The Government/MCs should make concerted efforts to achieve the SLBs to identify performance gaps and introduce improvements.***

#### **Solid Waste Management**

Except one MC, none of the 35 MCs were segregating MSW either at source or at the landfill sites and unprocessed solid waste was being dumped in the landfill sites in a non-environment friendly manner or directly in the pits/near water bodies/road sides.

***The Government may ensure that the MCs dispose of MSW in an environment friendly manner in consonance with MSW Rules, 2000.***

Bio-gas plants and vermi/mechanical composting plants constructed/partially constructed at a total cost of ₹ 6.29 crore by 11 of 36 MCs could not be put to optimal use due to repair and maintenance problems, lack of demand for the end product (cooking gas) *etc.*

***The bio-gas/mechanical composting plants should be established only after confirming end users or buyers to ensure their gainful use. Repair and maintenance problems should be addressed on priority to make the plants functional at the earliest.***

A number of MCs did not have valid authorisation from MPCB for setting up waste processing and disposal facilities in landfill areas or for operating slaughter houses. Thirty nine *per cent* of the health units operating within the jurisdiction of 17 MCs were not treating bio-medical waste. None of the 36 MCs were able to achieve the national benchmarks with regard to collection, segregation, scientific disposal of MSW, cost recovery of services *etc.*

***The Government should enforce the MSW Rules, 2000 to ensure that all the MCs have valid authorisation from MPCB for setting up waste processing and disposal facilities or for operating slaughter houses. The MCs should maintain database of all the health units generating bio-medical waste under their jurisdiction and also conduct periodical inspection of such units to ensure scientific disposal of waste by the health units.***

#### **Sewage Management**

The sewage collection and disposal system in 32 of 36 selected MCs were inadequate. The waste water was connected either to open drains or storm water drains leading to the nearby rivers. The sewage collected from soak pits were discharged at dumping grounds without any treatment. In 34 MCs, 208.51 MLD was being discharged without treatment either due to inadequate

capacity of STPs or non-functioning of STPs. Only two of 10 capital projects sanctioned between March 2008 and February 2014 at a total cost of ₹ 612.17 crore for upgradation of underground sewage system in 10 MCs were commissioned. Six projects registered time lapse of 13 to 34 months from date of sanction to final award, seven projects registered an increase of ₹ 151.11 crore in the tendered cost over the initial sanctioned cost and five projects registered a time overrun of six to 36 months over their due dates of completion. The achievement of service level benchmarks by the MCs against eight of the nine indicators in sewage management was poor.

***The Government should ensure that underground sewage network in the affected MCs are upgraded timely for effective collection and disposal of sewage/waste water. The existing capacity of the STPs should be upgraded, wherever necessary, and all non-functional STPs should be made operational.***

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*CHAPTER V*

*AUDIT OF TRANSACTIONS*

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## **CHAPTER V**

### **AUDIT OF TRANSACTIONS**

#### **URBAN DEVELOPMENT DEPARTMENT**

#### **ULHASNAGAR MUNICIPAL CORPORATION**

### **5.1 Implementation of Service Level Benchmarks by Ulhasnagar Municipal Corporation**

#### **5.1.1 Introduction**

Benchmarking is recognized as an important mechanism for introducing accountability in service delivery. It involves measuring and monitoring of service provider performance on a systematic and continuous basis. Sustained benchmarking can help utilities to identify performance gaps and introduce improvements through the sharing of information and best practices, ultimately resulting in better services to people. Recognizing its importance, the Ministry of Urban Development (MoUD), Government of India (GoI) prescribed (July 2008) the Service Level Benchmarking (SLB) in four key sectors viz., water supply, solid waste management, sewage management and storm water drainage. The Government of Maharashtra (GoM) adopted the national benchmarks in February 2010 for achievement by the urban local bodies.

The Thirteenth Finance Commission recommended that the State Governments should gradually establish standards for delivery of all essential services provided by local bodies. For a start, the State Governments must notify or cause all the Municipal Corporations and Municipalities to notify by the end of a fiscal year (31 March) the service standards for four service sectors proposed to be achieved by them by the end of the succeeding fiscal year.

#### **5.1.2 Scope of audit**

Audit selected Ulhasnagar Municipal Corporation (UMC), a medium size municipal town in Thane district with an estimated population of 6.10 lakh, to ascertain the extent to which the Corporation had achieved the national benchmarks or the benchmarks set by it against the four keys sectors (water supply, solid waste management, sewage management and storm water drainage) during the period 2011-12 to 2013-14. Further, in order to bridge the performance gaps in service delivery with regard to three of the four sectors viz., sewage management, solid waste management and storm water drainage, GoM proposed (March 2012) a City Sanitation Plan (CSP) at a total cost of ₹ 366.63 crore<sup>1</sup> for implementation in UMC during 2012-16. Audit also examined how the implementation of CSP in UMC has helped addressing the

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<sup>1</sup> Sewage management: ₹ 289.87 crore; Solid waste management: ₹ 58.89 crore; Storm water drainage: ₹ 17.87 crore

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gaps in service delivery and facilitated achievement of the SLBs in these three service sectors.

### **Audit findings**

Audit observations on achievement of SLBs by UMC (against national benchmarks as well as own targets) and the adequacy of CSP in improving the SLBs are discussed below.

#### **5.1.3 Water Supply**

The achievement of UMC against the national benchmarks as well as the targets set by it during 2011-14 is indicated in **Appendix-V**. As could be seen, against nine indicators, UMC could achieve the SLBs in respect of only three indicators (refer indicators at **Sl. No. 2, 6 and 7** in **Appendix-V**). Further, UMC claimed 101 *per cent* achievement against cost recovery in water supply services (refer indicator at **Sl. No. 8** in **Appendix-V**) during 2013-14. This achievement appeared to be overstated as the operating revenue of UMC during 2013-14 was only ₹ 33.73 crore while the operating expenses during the same period was ₹ 42.35 crore<sup>2</sup>, indicating that the cost recovery in water supply services was only to the extent of 80 *per cent*<sup>3</sup>.

The under-achievement of SLB against the remaining indicators was primarily due to time and cost overrun in augmentation of an existing water supply project under JNNURM and failure of UMC to develop its own water source, as discussed below.

##### **5.1.3.1 Delay in implementation of a water supply project**

In order to improve the water supply system in UMC, GoI approved (December 2008) a water supply augmentation project at a cost of ₹ 127.65 crore under JNNURM. The work was awarded (December 2009) at a cost of ₹ 160.03 crore with scheduled date of completion as December 2011. Audit observed that due to non-inclusion of an additional Elevated Service Reservoir (ESR) in the initial estimates, the scope of work increased significantly and led to revision of the original scheduled date of completion up to December 2014 and cost overrun of ₹ 104.97 crore. The UMC paid ₹ 238.76 crore to the contractor till January 2015 from its own resources and the work was incomplete as of March 2015. The UMC/GoM has not submitted a revised project proposal to GoI for additional funding as of March 2015.

Due to delay in completion of the water supply augmentation project, the old water supply infrastructure could not be improved and the extent of non-revenue water, which was pegged at 35 *per cent* and 32 *per cent* during 2012-13 and 2013-14 respectively against the national benchmark of 20 *per cent* (refer indicator at **Sl. No. 4** in **Appendix-V**), remained a cause of concern for UMC.

##### **5.1.3.2 Failure of UMC to develop its own water source**

The UMC does not have its own source of water. It receives water from Maharashtra Industrial Development Corporation (MIDC) which also supplies

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<sup>2</sup> This does not include administrative expenses

<sup>3</sup> (Total operating revenue ÷ total annual operating expenses) x100

water to various industries located in and around UMC as well as to Kalyan Dombivali Municipal Corporation and Ambarnath Municipal Council. In order to develop its own water source, UMC planned to execute a water supply project on Ulhas river. The work was awarded (November 2011) to a contractor on Build Own Operate and Transfer (BOOT) basis for operation period of 30 years with a capital investment of ₹ 135.02 crore. The work was to be completed in 18 months (May 2013). Audit observed that the work did not commence as of December 2014 due to non-acquisition of land and pending approval for allocation of water to the project from the Water Resources Department. Thus, UMC continues to be dependent on MIDC for water supply.

To compound the problem, MIDC revised (December 2013) the water charges rates from ₹ eight per thousand litre to ₹ 14 per thousand litre which would put an additional financial burden on UMC to the extent of ₹ 34.54<sup>4</sup> crore per year. But, UMC has not revised the water charges rates and it continues to charge its domestic and non-domestic consumers at flat rates irrespective of actual consumption of water, which has only widened the gap between operating revenue and operating expenses<sup>5</sup>.

#### 5.1.4 Solid Waste Management

The UMC generates about 379 MT of Municipal Solid Waste (MSW) per day (1.38 lakh MT annually) which include residential, commercial and construction/demolition waste. There were shortfalls in achievement of SLB indicators by UMC (**Appendix-VI**) due to shortfall in household level coverage for collection of waste, non-segregation/recycling of collected waste, unscientific disposal of waste at landfill site, short-recovery of solid waste management charges *etc.*

As per Rule 4 (1) of Municipal Solid Waste (Management and Handling) Rules, 2000 (MSW Rules), every municipal authority shall within its territory be responsible for collection, storage, segregation, transportation, processing and disposal of municipal solid wastes. Audit observed that a contract for collection (door-to-door and from bins), segregation and transportation of solid waste was awarded to Antony Waste Handling Cell Private Limited, Raigad at a financial consideration of ₹ 1.20 lakh per day or ₹ 4.38 crore *per annum* for 10 years effective from 01 October 2003. However, the contract was terminated after nine years and three months in January 2013 due to violation of contract provisions by the contractor such as, non-redressal of complaints of citizens, non-deployment of vehicles for garbage collection as per contract specifications and non-collections of garbage from door-to-door. But, no penal action was taken against the contractor and the contractor was paid his dues regularly till the termination of contract in January 2013. Thereafter in October 2013, UMC appointed (October 2013) another contractor (Konark Enviro Project Private Limited, Thane) for collection and transportation of solid waste generated from street sweeping, community bins

<sup>4</sup> Average water supply during last three years was 157.71 Million Litre Daily (MLD) x 365 days = 57564.15 million litre x ₹ 6 per thousand litre (₹ 6000) = ₹ 34,53,84,900

<sup>5</sup> Operating expenses include electricity, chemicals, staff, out-sourced operations/staff related to water supply, bulk water purchase costs and other operations and maintenance expenses

and door-to-door collection for a period of eight years at a financial consideration of ₹ 4.46 lakh per day (₹ 16.28 crore *per annum*).

Further, the CSP envisaged an expenditure of ₹ 58.89 crore on the MSW component during 2012-16. However, UMC made a budget provision of only ₹ 4.25 crore against ₹ 34.20 crore proposed to be spent during 2012-14. Consequently, none of the planned works<sup>6</sup> envisaged under the MSW component of CSP could be taken up during 2012-14. Photographs below show unscientific dumping of waste by the contractor.



The UMC's achievement against the indicators 'Household level coverage of MSW services' and 'Extent of segregation of MSW' merely ranged between 22 to 36 *per cent* and zero to 10 *per cent* respectively during 2011-14 (**Sl. No. 1 and 3 of Appendix-VI**). This indicated that the engagement of first contractor for management of MSW in UMC at a financial consideration of ₹ 4.38 crore annually for a period of nine years did not serve any fruitful purpose. Besides, non-implementation of MSW component of CSP further strained the achievement of SLBs.

### **5.1.5 Sewage Management**

The sewerage system in Ulhasnagar was constructed in 1994 by Maharashtra Jeevan Pradhikaran on conventional gravity<sup>7</sup> method where the collection lines bring the sewage to a centralised treatment plant. Total sewage generated by UMC is 96 Million Litre Daily (MLD). The UMC has one STP of 28 MLD capacity which is connected to 150.24 km long sewage network system.

Audit observed that there was significant under-achievement of SLBs (zero to 15 *per cent*) during 2013-14 in five<sup>8</sup> of the nine indicators prescribed by MoUD, GoI for sewage management (refer **Sl. No. 2 to 6 of Appendix-VII**). The under achievement of SLBs was mainly due to the inadequacy of the existing sewage network system, which was very old and broken. As a result, only 10 to 12 MLD reaches the STP for treatment. Consequently, 84 MLD<sup>9</sup> of sewage/waste water was flowing directly into Ulhas river/open nallahs without treatment.

<sup>6</sup> Scientific disposal of MSW in landfill sites and treatment and processing of MSW for reuse

<sup>7</sup> Sewage system constructed by using natural slope

<sup>8</sup> Coverage of sewage network services, collection efficiency of sewage network, adequacy of sewage treatment capacity, quality of sewage treatment and extent of reuse and recycling of sewage

<sup>9</sup> Total sewage generated by UMC = 96 MLD; Total sewage treated in STP = 12 MLD;  
Difference = 96 – 12 = 84 MLD

Further, the CSP envisaged an expenditure of ₹ 289.87 crore during 2012-16 for sewage management component. However, UMC did not make any budget provision against ₹ 165.49 crore proposed to be spent during 2012-14. Consequently, none of the works planned<sup>10</sup> to be taken up under CSP for improving the sewage network system could be taken up during 2012-14.

The UMC accepted the facts and attributed (April 2015) the shortfalls in achievement of SLBs to old underground sewage system which was constructed in 1994 for the then projected population of 3.66 lakh and floods during 2005, which washed away the underground sewage system and caused severe damage to the STP and pumping station. The UMC added that a proposal for improvement of the underground sewage system at a cost of ₹ 375 crore has been prepared under JNNURM and submitted to GoI for approval.

The reply of UMC is not convincing because 10 years had elapsed since flooding of Mumbai in 2005 and in the intervening period, UMC failed to implement the CSP which could have significantly improved the efficiency of the underground sewage network system.

### 5.1.6 Storm Water Drainage

Storm Water Drainage (SWD) is runoff from rainfall that flows over roads, driveways, parking lots rooftops and other paved surfaces that do not allow water to soak into the ground. The UMC has a total road length network of 126 km of which, 100 km has storm water drains on both sides.

Two SLB indicators for SWD prescribed by MoUD, GoI specify 100 *per cent* coverage of storm water drainage network and zero incidence of water logging/flooding. Audit observed that against UMC's own benchmarking of 80 *per cent* for coverage of storm water drainage network during 2013-14, the achievement was 94 *per cent* indicating that the target was exceeded by 14 *per cent*. But, there were 21 incidents of water logging/flooding during 2013-14 against the benchmarking of five such incidents set by the UMC during the same period.

Audit further observed that the CSP envisaged an expenditure of ₹ 17.87 crore during 2012-16 for SWD component. However, UMC did not make any budget provision against ₹ 8.94 crore proposed to be spent during 2012-14. Consequently, none of the two planned<sup>11</sup> storm water drainage works envisaged under CSP could be taken up during 2012-14.

### 5.1.7 Conclusion and recommendations

The UMC could not achieve the SLBs against majority of the nine performance indicators in water supply due to delay in implementation of a water supply augmentation project approved way back in December 2008 by GoI at a cost of ₹ 127.65 crore. Further, due to non-availability of its own source of water, UMC was purchasing bulk water from MIDC at a significant

<sup>10</sup> Repair of old and broken sewage network system, construction of new STP of 87 MLD capacity, reuse mechanism for waste disposal *etc.*

<sup>11</sup> (i) Completion of all storm water drains and (ii) devising appropriate solution for water logging after studying the duration of water logging and its depth

higher cost. However, UMC has not revised the water charges rates and it continues to charge its consumers at flat rates irrespective of actual consumption of water, which has widened the gap between operating revenue and operating expenses of UMC.

***In order to bridge the performance gaps in service delivery, the water supply augmentation project may be completed by UMC on priority. The UMC also needs to become self-sufficient to ensure that water supply services are cost-effective.***

Despite engagement of a contractor for a period of 10 years and an annual recurring expenditure of ₹ 4.38 crore, there were shortfalls in achievement of SLBs in solid waste management due to shortfalls in household level coverage for collection of waste, non-segregation/recycling of collected waste, unscientific disposal of waste at landfill site etc.

***The UMC should ensure effective monitoring of the ongoing solid waste management contract so as to facilitate achievement of SLBs.***

The sewage network system in UMC was very old and broken. Consequently, only 12 per cent of the total sewage generated by the city was reaching the STP for treatment and the remaining 88 per cent was flowing directly into river/open nullahs. This has adversely affected the achievement of SLBs.

***The project for improvement of underground sewage system proposed at a cost of ₹ 375 crore under JNNURM should be implemented for early rehabilitation of the old sewage network and STP.***

Though the City Sanitation Plan was proposed to be implemented during 2012-16 with an estimated expenditure of ₹ 366.63 crore on solid waste management, sewage management and storm water drainage, only ₹ 4.25 crore was provided for during 2012-14 under solid waste management of which, no expenditure was incurred.

***The UMC may review the adequacy/validity of the city sanitation plan and if the plan is still considered pertinent, adequate funds may be allocated forthwith for its early implementation.***

The matter was referred to the Government in September 2014; their reply was awaited as of March 2015.

## MUNICIPAL CORPORATION OF GREATER MUMBAI

### 5.2 Avoidable payment of commission

**Failure of MCGM to collect Octroi directly from BPCL for crude oil imported by it resulted in avoidable payment of commission of ₹ 101.32 crore during 2010-13.**

Under Section 192 (1) of Mumbai Municipal Corporation Act 1888 'Octroi' a tax is levied on the articles entered into Mumbai by roads, railways, sea and airways for consumption, use or sale.

Bharat Petroleum Corporation Limited (BPCL) was importing crude oil into Mumbai limits by sea and the oil tankers were berthed at the Indira dock under the control of Mumbai Port Trust (MbPT). For this purpose, BPCL was paying Octroi on imported crude oil to Municipal Corporation of Greater Mumbai (MCGM).

Audit observed that the system of payment of Octroi by BPCL to MCGM was complex. The BPCL was depositing the Octroi cheques at the counters of MbPT, after the same was assessed by the Octroi staff of MCGM stationed at Indira dock. The MbPT was then depositing the Octroi cheques in the SBI account of MCGM. The MbPT was thus, acting as a collection agent for MCGM for which, MCGM was paying a commission of three *per cent* to MbPT on the gross collection of Octroi. During the period 2010-13<sup>12</sup>, MCGM paid commission amounting to ₹ 101.32 crore to MbPT.

The payment of commission amounting to ₹ 101.32 crore by MCGM to MbPT was avoidable for the following reasons:

- For gas/crude oil imported by BPCL outside the Indira dock/MbPT area, BPCL was making payment of Octroi to MCGM directly through cheques. Therefore, payment of Octroi on goods imported and berthed at MbPT through a third party (MbPT) lacked rationale.
- The MCGM had other options for collection of Octroi from BPCL. These were (i) through e-payment, (ii) account current facility<sup>13</sup> in terms of Rule 28 of MCGM Octroi Rules, 1965, and (iii) direct collection of Octroi cheques by the departmental staff of MCGM stationed at Indira dock from BPCL. Though the third alternative was mooted way back in December 2000 by the Additional Municipal Commissioner, MCGM yet it was not implemented.

Thus, failure of MCGM to collect Octroi directly from BPCL on account of crude oil imported by it resulted in avoidable payment of commission of ₹ 101.32 crore during 2010-13.

The matter was referred to Government in July 2014; their reply was awaited as of March 2015.

## AURANGABAD MUNICIPAL CORPORATION

### 5.3 Loss of revenue due to non-issue of licences

**Aurangabad Municipal Corporation has been incurring an estimated recurring loss of ₹ 1.33 crore annually due to non-issue of licences to various establishments.**

As per provisions of Sections 377, 378 and 381 to 385 read with Section 386(2) of the Maharashtra Municipal Corporations Act, 1949, no person shall, without a licence from the Commissioner, sell or expose for sale any animal or article in any municipal market/private market. Licence for carrying out business within the area of Municipal Corporation limits shall be given by the Commissioner for a specific period by charging a fee at such rate as shall from time to time be fixed by the Commissioner, with the sanction of the Corporation.

Scrutiny of records of Aurangabad Municipal Corporation (AMC) revealed (December 2012) that the system of issuing of licences to the establishments (business, shops, hotels, theatre *etc.*) was not being followed. Whereas in other

<sup>12</sup> Details of commission paid by MCGM to MbPT during 2013-14 was not furnished to audit

<sup>13</sup> Under current account facility, advance Octroi payment is made by a merchant which is settled/adjusted by MCGM at intervals not exceeding one month

Municipal Corporations, such as, Akola, Amravati, Nagpur and Nanded licence fee in the range of ₹ 100 to ₹ 10,000 *per annum* per establishment depending upon its category, was being levied and recovered.

Information obtained from the office of the Deputy Labour Commissioner, Aurangabad Division, Aurangabad revealed that there were 1,33,295 establishments registered within the limit of AMC as of December 2012. Even by conservative estimates, if a minimum annual fee of ₹ 100 per licence for an establishment is reckoned, the AMC could have earned ₹ 1.33 crore annually.

The Assistant Director of Town Planning, AMC stated (April 2015) that the proposal for issue of licences to the establishments and charging of admissible licence fees from them was placed (November 2014) before the General Body of the Municipal Corporation for its approval. However, the proposal was rejected by the General Body in a resolution passed on the same day. The Commissioner, AMC had sent (November 2014) a proposal to the Principal Secretary, Urban Development Department of Government of Maharashtra (GoM) to rescind/set aside the resolution passed by the General Body, so as to act in accordance with the provisions contained in the Maharashtra Municipal Corporations Act, 1949. As soon as directions to this effect are received from the GoM, the provisions of the Act will be implemented forthwith to prevent further loss of revenue to the Corporation.

Thus, non-issue of licences to various establishments, though provided for under the Maharashtra Municipal Corporations Act, 1949, resulted in recurring annual loss of ₹ 1.33 crore to the AMC.

The matter was referred to the Government in July 2014; their reply was awaited as of March 2015.

#### **AMRAVATI, NANDED-WAGHALA, THANE AND VASAI-VIRAR MUNICIPAL CORPORATIONS**

##### **5.4 Avoidable payment of electricity duty**

##### **Four Municipal Corporations failed to avail of exemption of electricity duty during 2009-14, resulting in avoidable expenditure of ₹ 3.42 crore.**

Section 3(2) (ia) of the Bombay Electricity Duty Act, 1958 provides for exemption in levy of Electricity Duty (ED) on the units of energy consumed by or in respect of Municipal Corporation for the purpose of, or in respect of a school or college imparting education, a hospital, public street lighting, public water works and system of public sewers or drains (except in respect of premises used for residential purposes).

Scrutiny of records revealed that four Municipal Corporations paid (2009-14) an avoidable ED of ₹ 3.42 crore to Maharashtra State Electricity Distribution Company Limited on electricity bills for public water works and public sewers or drains, in contravention of the provisions of the Act. The details are indicated in **Table 1**.

Table 1: Details of ED paid by four Municipal Corporations during 2009-14

Name of MC	Period	Amount of ED paid (₹ in crore)
Amravati	2009-14	0.12
Nanded-Waghala	2009-14	0.80
Thane	2010-13	0.55
Vasai-Virar	April 2011 to July 2012	1.95
<b>Total</b>		<b>3.42</b>

The matter was referred to the Government in July 2014 and January 2015; their reply was awaited as of March 2015.

Mumbai  
The 29 June, 2015

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

Countersigned

New Delhi  
The 03 July, 2015

  
(SHASHI KANT SHARMA)  
Comptroller and Auditor General of India

# *APPENDICES*

### Appendix-I

(Reference: Paragraph 2.1.5.3: Page: 15)

Statement showing extra expenditure incurred due to not enforcing the provisions of Clause 3(C) of General Conditions of Contract

(₹ in lakh)

Sl. No.	Name of work	Date of issue of work order and stipulated period of completion	Original work			Retendering of balance work			Extra expenditure incurred (8-7)
			Value of work order	Date of termination of contract	Value of work done	Cost of balance work	Cost of work after retendering	Date of completion	
1	2	3	4	5	6	7	8	9	10
<b>ZP, Amravati</b>									
1.	Kolhapur Type (KT) Weir, Raipur	02/02/1999 12 months	8.73	29/10/2007	2.04	6.69	19.81	31/03/2010	13.12
2.	KT Weir, Siddhanathpur	05/05/1999 6 months	28.01	01/01/2008	16.75	11.26	37.55	04/03/2010	26.29
3.	KT Weir, Pachod	22/03/1999 24 months	22.81	02/11/2007	7.75	15.06	31.40	31/12/2009	16.34
<b>ZP, Ahmadnagar</b>									
4	Storage Bandhara at Purushwadi, Akole	04/12/2006 12 months	15.98	10/07/2012	8.83	4.05*	6.96	21/06/2013	2.91
<b>Total</b>									<b>58.66</b>
Source : Data compiled from respective ZPs									
*Against estimated balance quantity of 308.23 cum of Cement Concrete 1:3:6 work valuing ₹ 7.15 lakh, work actually assessed as per site condition was 184.53 cum valuing ₹ 4.05 lakh									

## Appendix-II

(Reference: Paragraph 2.1.5.4: Page:15)

### Statement showing idle investment on incomplete works

Sl. No.	Name of the work	Details of work order and period for completion	Value of work order	Amount paid to contractor	Period since lying incomplete/ months lapsed till March 2015	Projected IP (ha)	Reasons for incomplete works	Department's reply
1	Construction of Cement Plug Bandhara at Kelzar, Chandrapur	March 2010 15 months	8.72	6.82	August 2011/43 months	8.22	The contractor was not willing to execute any further work.	The EE, MID, ZP, Chandrapur stated (December 14) that contractor would be served notice to complete the work else, the contract would be terminated under Clause 3 (C) of the contract.
2	Construction of KT Bandhara, at Dhanora Mahali, Amravati	February 2011 12 months	22.98	7.17	June 2011/45 months	26	Due to increase in quantity of dewatering at the site, the contractor demanded payment at current rates. As the Department did not respond to his demand, the contractor stopped the work.	The EE, MID, ZP, Amravati stated (December 2014) that process to terminate the contract under clause 15 (departmental termination where contractor is not at fault) was in progress.
3	Construction of KT Weir Dabhadi No.7 at Malegaon, Nashik	April 1999 18 months	8.61	6.78	March 2003/144 months	5	The contractor was not willing to execute any further work.	The EE, MID (East), ZP, Nashik stated (December 2014) that work would be completed at the earliest.
4	KT Bandhara, Boripada, Nashik	November 2000 12 months	4.38	3.40	April 2003/143 months	5	The contractor was not willing to execute any further work.	The EE, MID (West), ZP, Nashik stated (December 2014) that contractor would be served notice to complete the work else, the contract would be terminated under Clause 3 (C) of the contract.
5	Construction of Pucea Bandhara, Kalamkhande, Thane	November 2008 12 months	7.39	5.69	March 2009/72 months	4	The contractor was not willing to execute any further work.	The EE, MID, ZP, Thane accepted (December 2014) the facts and assured that action will be taken in accordance with contract conditions.
<b>Total</b>			<b>52.08</b>	<b>29.86</b>		<b>48.22</b>		

Source: Data compiled from respective ZPs

### Appendix-III

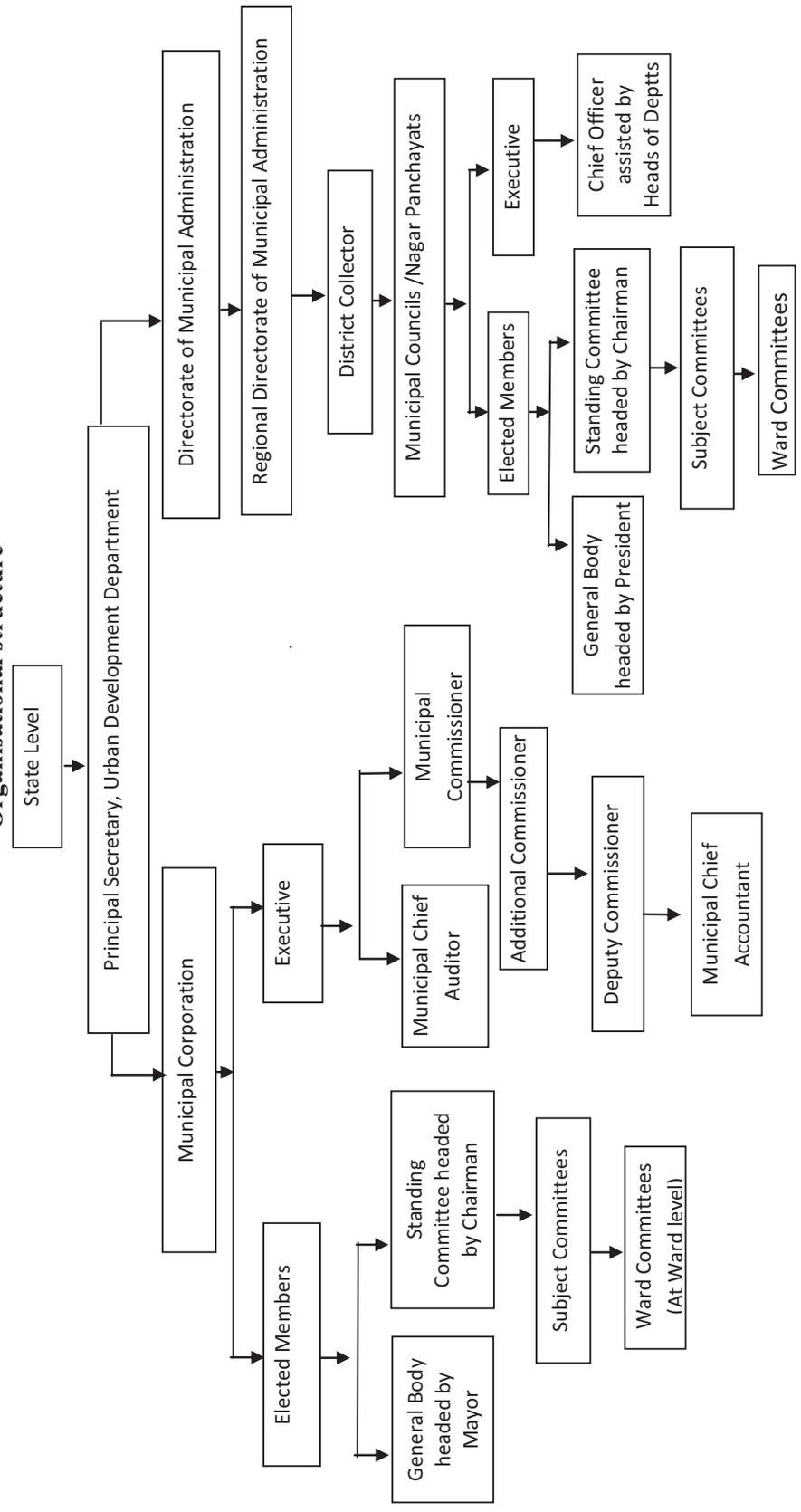
(Reference: Paragraph 2.1.5.6: Page 15)

Statement showing payments made to contractors without obtaining test reports/tests conducted prior to issue of work orders

Sl. No.	Name of the work	Date of work order	Value of work order	Amount paid to contractor	Remarks of audit	Division's reply	Audit Remarks
1	Kulshet concrete bandhara No.2, Shahapur, Thane	21/05/2013	₹ 6.19 lakh	₹ 6.14 lakh	Date of casting of concrete cube as per test report was 17 April 2013.	It was planned to complete the work before start of rainy season hence, material was tested earlier.	Testing of material should have been done during execution of work as prescribed in Maharashtra Public Works Department Handbook.
2	Borigaon concrete bandhara, Brahmanpada, Talasari, Thane	27/12/2011	₹ 16.90 lakh	₹ 14.80 lakh	2000 bags of cement were brought to site in April 2012 and May 2012 for consumption. However, test report indicated that concrete cube was cast on 13 March 2012.	In order to finish the work on time, contractor tested the material earlier.	As the material was brought to site in April 2012 and May 2012, the casting of concrete cube should have been done after these dates.
3	KT bandhara at Pimpalgaon (Nipani), Nashik	04/03/2014	₹ 3.96 lakh	₹ 3.96 lakh	Test report of cement and concrete cubes shows date of receipt/casting as 05 February 2014 and 28 February 2014.	No specific reply was furnished by the concerned Division.	
4	Concrete bandhara Hiwali, Thane	10/01/2011	₹ 7.69 lakh	₹ 7.39 lakh	No test reports were obtained by EEs, MIDs during execution of these works.	The Division accepted that test reports were not obtained from the contractors.	
5	Concrete bandhara Chinchghar, Thane	04/01/2011	₹ 19.00 lakh	₹ 19.04 lakh			
6	Concrete bandhara Kudshet, Thane	29/03/2013	₹ 7.44 lakh	₹ 7.49 lakh			
7	Concrete bandhara Sambha 2, Thane	14/02/2011	₹ 16.47 lakh	₹ 11.47 lakh			
8	Cement plug bandhara, Mohadi, Nashik	13/03/2013	₹ 9.88 lakh	₹ 9.88 lakh			
9	Cement plug bandhara, Mohadi 4, Nashik	30/03/2013	₹ 14.81 lakh	₹ 14.88 lakh			
10	Cement plug bandhara, Mohadi 5, Nashik	07/02/2014	₹ 4.99 lakh	₹ 4.98 lakh			
11	Cement plug bandhara, Mohadi 7, Nashik	04/03/2014	₹ 11.98 lakh	₹ 12.05 lakh			
<b>Total</b>			<b>₹119.31 lakh</b>	<b>₹ 112.08 lakh</b>			

Source: Information provided by ZP, Nashik and Thane

**Appendix-IV**  
*(Reference: Paragraph 3.3.1; Page No 30)*  
**Organisational structure**



**Appendix-V**  
(Reference paragraph No. 5.1.3; Page No. 66)  
**SLB achievement by UMC in water supply**

Sl. No.	SLB indicators	National benchmarks (per cent)	Achievement by UMC during 2010-11 (per cent)	Target set by UMC during 2011-12 (per cent)	Achievement by UMC during 2011-12 (per cent)	Target set by UMC during 2012-13 (per cent)	Achievement by UMC during 2012-13 (per cent)	Target set by UMC during 2013-14 (per cent)	Achievement by UMC during 2013-14 (per cent)
1.	Coverage of water supply connections	100	80	100	90	100	90	100	79
2.	Per capita supply of water	135 lpcd	140 lpcd	----	135 lpcd	135	135 lpcd	135	145 lpcd
3.	Extent of metering of water connections	100	5	100	5	100	20	100	2
4.	Extent of non-revenue water	20	30	20	30	20	35	20	32
5.	Continuity of water supply	24 hours	1 to 2 hours	6 hours	2 hours	4 hours	2 hours	5 hours	3 hours
6.	Quality of water supplied	100	90	100	95	100	98	80	100
7.	Efficiency in redressal of customer complaints	80	70	80	75	80	80	80	96
8.	Cost recovery in water supply services	100	50	100	60	100	35	85	101
9.	Efficiency in collection of water supply-related charges	90	60	90	70	90	20	80	36

Source: UMC reports of targets and achievements of SLBs and Government Gazettes published by GoM

**Appendix-VI**  
(Reference para No. 5.1.4; page No. 67)  
**SLB achievement by UMC in solid waste management**

Sl. No.	SLB indicators	National benchmarks (per cent)	Achievement by UMC during 2010-11 (per cent)	Target set by UMC during 2011-12 (per cent)	Achievement by UMC during 2011-12 (per cent)	Target set by UMC during 2012-13 (per cent)	Achievement by UMC during 2012-13 (per cent)	Target set by UMC during 2013-14 (per cent)	Achievement by UMC during 2013-14 (per cent)
1.	Household level coverage of solid waste management services	100	80	100	22	80	22	40	36
2.	Efficiency of collection of municipal solid waste	100	80	100	96	97	90	100	100
3.	Extent of segregation of municipal solid waste	100	10	80	10	80	1	40	0
4.	Extent of municipal solid waste recovered	80	10	80	70	80	0	20	0
5.	Extent of scientific disposal of municipal solid waste	100	20	100	0	0	0	60	0
6.	Efficiency in redressal of customer complaints	80	90	100	78	80	78	90	93
7.	Extent of cost recovery in SWM services	100	50	90	13	40	13	50	44
8.	Efficiency in collection of SWM charges	90	60	90	49	80	34	80	16

Source: UMC reports of targets and achievements of SLBs and Government Gazettes published by GoM

**Appendix VII**  
(Reference para No. 5.1.5; page No. 68)  
**SLB achievement by UMC in sewage management**

Sl. No.	SLB indicators	National benchmarks (per cent)	Achievement by UMC during 2010-11 (per cent)	Target set by UMC during 2011-12 (per cent)	Achievement by UMC during 2011-12 (per cent)	Target set by UMC during 2012-13 (per cent)	Achievement by UMC during 2012-13 (per cent)	Target set by UMC during 2013-14 (per cent)	Achievement by UMC during 2013-14 (per cent)
1.	Coverage of toilets	100	60	100	80	85	70	90	62
2.	Coverage of sewage network services	100	60	80	65	70	60	75	15
3.	Collection efficiency of the sewage network	100	30	80	35	60	30	60	0
4.	Adequacy of sewage treatment capacity	100	50	80	15	25	20	30	0
5.	Quality of sewage treatment	100	50	80	55	85	50	80	0
6.	Extent of reuse and recycling of sewage	20	0	10	0	20	0	10	0
7.	Efficiency in redressal of customer complaints	80	60	80	70	80	60	75	95
8.	Extent of cost recovery in sewage management	100	50	80	50	65	50	65	68
9	Efficiency in collection of sewage charges	90	50	80	55	60	50	65	31

Source: UMC reports of targets and achievements of SLBs and Government Gazettes published by GoM

## Glossary

### Acronyms and abbreviations

Term	Extended form
AMC	Aurangabad Municipal Corporation
BDO	Block Development Officer
BDS	Budget Distribution System
BMW	Bio-Medical Waste
BOOT	Built, Operate, Own and Transfer
BPCL	Bharat Petroleum Corporation Limited
CAs	Chartered Accountants
CAFO	Chief Accounts and Finance Officer
CAR	Capital Adequacy Ratio
CDO	Central Design Organisation
CDR	Deposit Call Receipt
CE	Chief Engineer
CEO	Chief Executive Officer
CRAR	Capital to Risk Weighted Assets Ratio
CSP	City Sanitation Plan
DCCB	District Central Co-operative Bank
DD	Demand Draft
DEAS	Double Entry Accounting System
DI	Ductile Iron
DLACs	District Level Audit Committees
DLFA	Director Local Fund Audit
DMA	Director Municipal Administration
DPC	Duties Powers and Conditions of service
DPDC	District Planning and Development Committee
DPRs	Detailed Project Reports
DRDA	District Rural Development Agency
ED	Electricity Duty
EE	Executive Engineer
EFC	Eleventh Finance Commission
EGS	State Employment Guarantee Scheme
ETP	Effluent Treatment Plant
ESR	Elevated Service Reservoir
GIS	Geographic Information System
GoI	Government of India
GoM	Government of Maharashtra
GPs	Gram Panchayats
GR	Government Resolution

<b>Term</b>	<b>Extended form</b>
IP	Irrigation potential
JNNURM	Jawaharlal Nehru National Urban Renewal Mission
KDMC	Kalyan Dombivali Municipal Corporation
KT	Kolhapur Type
LBs	Local Bodies
LCS	Labour Cooperative Societies
LPCD	Litres Per Capita Per Day
MA	Mobilisation Advance
MAINet	Municipal Administration Information Network Software System
MbMC	Mumbai Municipal Corporation
MbPT	Mumbai Port Trust
MC	Municipal Council
MMC Act	Maharashtra Municipal Councils, Nagar Panchayats and Industrial townships Act, 1965
MCA	Municipal Chief Auditor
MCGM	Municipal Corporation of Greater Mumbai
MHADA	Maharashtra Housing and Area Development Authority
MI	Minor Irrigation
MIDC	Maharashtra Industrial Development Corporation
MJP	Maharashtra Jeevan Pradhikaran
ML	Million Litre
MLD	Million Litre Daily
MoEF	Ministry of Environment and Forest
MoUD	Ministry of Urban Development
MPCB	Maharashtra Pollution Control Board
MREGS	Maharashtra Rural Employment Guarantee Scheme
MSEB	Maharashtra State Electricity Board
MSNA	Maharashtra Sujal Nirmal Abhiyan
MSJNA	Maharashtra Swarna Jayanti Nagrotthan Mahabhiyan
MSW	Municipal Solid Waste
MT	Metric Ton
MVT Act	Bombay Motor Vehicles Tax Act, 1958
MZP&PS	Maharashtra Zilla Parishads and Panchayat Samitis
NABARD	National Bank for Agriculture and Rural Development
NCCM	Nagpur City Municipal Corporation
NMAM	National Municipal Accounts Manual
NMC	Nagpur Municipal Corporation
NRW	Non-Revenue Water
NP	Nagar Panchayats
PBT	Patoda Balancing Tank
PF	Provident Fund

<b>Term</b>	<b>Extended form</b>
PLBC	Palkhed Left Bank Canal
PRIs	Panchayati Raj Institutions
PSs	Panchayat Samitis
PT Act	Maharashtra State Tax on Professions, Trades, Callings and Employment Act, 1975
PWD	Public Works Department
RBI	Reserve Bank of India
RD & WCD	Rural Development and Water Conservation Department
RMT	Running Metre
RWSS	Rural Water Supply Schemes
SBI	State Bank of India
SE	Superintending Engineer
SFC	State Finance Commission
SLB	Service Level Benchmark
SLSC	State Level Steering Committee
STP	Sewage Treatment Plants
SWD	Strom Water Drain
SWM	Solid Waste Management
UDD	Urban Development Department
UIDSSMT	Urban Infrastructure Development Scheme for Small and Medium Towns
ULBs	Urban Local Bodies
UMC	Ulhasnagar Municipal Corporation
VDO	Village Development Officer
VP	Village Panchayat
WTP	Water Treatment Plant
ZP	Zilla Parishad

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