

## CHAPTER-VII

### OTHER SIGNIFICANT ISSUES

#### KOLKATA MUNICIPAL CORPORATION

##### **7.1 Loss of revenue of Rs.4.05 crore due to unauthorized reduction in annual valuation**

The reduction in annual valuation of premises in violation of the provisions of KMC Act from third quarter of 1987-88 to fourth quarter of 2003-04 resulted in loss of property tax to the tune of Rs.4.05 crore.

According to Section 171(1) of the KMC Act, 1980, property tax shall be imposed on annual valuation of premises. The annual valuation shall, subject to the other provisions, remain in force for a period of six years and may be revised on the expiry of each such period as per provisions of Section 179(2)(c) and (d). The annual value of the premises is fixed after hearing and disposal of objections in terms of Section 188 of the said Act.

Test check of assessment of property tax of the premises at 18 Rabindra Sarani revealed (October 2005) that the annual valuation and property tax were assessed (February 1988) upto third quarter of 1992-93. No further revision in annual valuation was made till December 2002 though it fell due with effect from fourth quarter of 1992-93 onwards. The owner of the premises made payment (March and April 2002) upto fourth quarter of 1999-2000 under Waiver Scheme - 2001 at the rate already fixed for 1986-87 to 1992-93. General revaluation and assessment from fourth quarter of 1992-93 was made on 31 December 2002 after a delay of 10 years.

General revaluation for the period effective from fourth quarter 1998-99 and four interim valuations were made on 10 June 2003 after a delay ranging from four years to more than seven years. The assessee on 7 July 2003

prayed for reduction in property tax as was being extended to them from time to time.

It was noticed in audit that the annual valuation already fixed covering the period from third quarter of 1987-88 to the fourth quarter of 2004-05 was revised (18 February 2004) by the Mayor allowing undue reduction in computing annual valuation which was not supported by any provision under the KMC Act, 1980. The Mayor allowed the reduction on the ground that such reduction on annual valuation had been allowed previously and also noted that this was special case under special circumstances. But any such reduction in annual valuation was a gross violation of the provisions of the Act *ibid.* It, therefore, transpired that the owner of the premises was favoured with unauthorized pecuniary benefits continuously resulting in huge revenue loss to KMC.

The recurring losses suffered by KMC upto the second quarter of 1987-88 could not be assessed in audit due to non-availability of requisite records. The reduction in annual valuation from third quarter of 1987-88 and the loss there-against were as under:

Period (No. of Qtrs.)	Annual valuation originally fixed	Reduced Annual Valuation	Difference in Annual Valuation	Loss in Property Tax
Rupees in lakh				
10/87 – 12/92 (21)	121.61	101.34	20.27	64.38
1/93 – 9/95 (11)	254.21	211.84	42.37	70.49
10/95 – 9/96 (4)	254.21	211.84	42.37	25.63
10/96 – 9/97 (4)	269.96	224.97	44.99	27.22
10/97 – 12/98 (5)	269.96	224.97	44.99	34.03
1/99 – 12/01 (12)	346.32	288.60	57.72	104.76
1/02 – 3/04 (9)	346.32	288.60	57.72	78.57
<b>Total</b>				<b>405.08</b>

Thus the loss sustained by KMC during the period from third quarter of 1987-88 to fourth quarter of 2003-04 was to the tune of Rs.4.05 crore.

The matter was reported to the Corporation and the Government in November 2005; their replies have not been received (March 2006).

## **7.2 Loss of Rs.2.44 crore on lease out of land on EM Bye-Pass**

The allotment of 136.7 cottahs of land on EM Bye-Pass to a local daily newspaper on lease at a lower rate of premium resulted in a loss of Rs.2.44 crore to the Kolkata Municipal Corporation.

Section 539(c) of Kolkata Municipal Corporation (KMC) Act 1980 provides that the Municipal Commissioner may, with the sanction of the Corporation, lease, sell, let out on hire or otherwise transfer any property, movable or immovable belonging to the Corporation. Section 539(d) of the said Act also provides that the consideration for which any immovable property might be sold, leased or otherwise transferred should not be less than the value at which such immovable property could be sold, leased or otherwise transferred in normal and fair competition.

On 19 April 2001 KMC issued notice inviting tender for lease of eight acres (484 cottahs) of land situated on EM Bye pass. Based on competitive offers (May 2001) KMC decided (April 2002) to lease out the above land to M/s 'A' on long term lease at a premium of Rs.3.25 lakh per cottah recommended by the Mayor-in-Council (MIC) on March 2002. The land was leased out for 33 years on receipt of premium of Rs.15.73 crore.

In October 2001 the Editor and Managing Director of a local daily newspaper requested for a plot of land adjacent to the land leased out to M/s 'A'. The MIC considered (January 2002) allotment of land measuring 113.54 cottahs to the local daily on EM Bye-Pass. The rate of lease premium of Rs.1.46 lakh per cottah was decided without due consideration to the prevailing rate of Rs.3.25 lakh per cottah already finalized for the adjacent land (for M/s 'A'). The Corporation, in its BOC meetings (February 2002)

approved the above rate of Rs.1.46 lakh per cottah. On receipt (September 2002) of lease premium of Rs.1.66 crore, the lease deed was executed on 9 September 2002.

Based on a further request (July 2002) from the local daily, the MIC recommended (February 2003) allotment of land measuring 23.16 cottahs lying between the plots already allotted to M/s 'A' and the local daily at the same rate of Rs.1.46 lakh per cottah. The Corporation approved (April 2003) the transaction and the consideration thereto. An amount of Rs.33.81 lakh was received in May 2003 towards premium of the additional land.

In both the cases of allotment of land to the local daily, KMC did not adopt the specified procedure for normal and fair competition as stipulated under Section 539(d) of the KMC Act, 1980.

It was observed in audit that plots of land within the same area were allotted to M/s 'A' and the local news paper during the same period but at a lower rate to the local news paper. KMC mentioned that the land allotted to the local newspaper was unconsolidated and low lying which was not justified because there are water bodies also in the land allotted to M/s 'A'. KMC did not explore fair competition for disposal of the land leased out to the local daily or even the prevailing rate of Rs.3.25 lakh per cottah. The lease premium for the land (136.7 cottahs) allotted to the local daily would have amounted to Rs.4.44 crore at the rate of Rs.3.25 lakh per cottah but KMC realized only Rs.2 crore due to fixing a lower rate. Thus, KMC suffered a loss of Rs.2.44 crore in the transactions.

The matter was reported to the Corporation and the Government in November 2005; their replies have not been received (March 2006).

### 7.3 **Loss of Rs.202.37 crore towards penalty due to slow progress in Kolkata Environment Improvement Project (KEIP)**

The delay in implementation of works under KEIP within the stipulated time schedule resulted in a loss of Rs.202.37 crore on account of commitment charges.

In order to improve the urban environmental infrastructure in the inner core area of the KMC, Asian Development Bank (ADB) had agreed to finance a loan over a period of five years under the Project “Kolkata Environmental Improvement Project (KEIP)”.

The ADB was to share Rs.1012 crore (\$220 million) towards the project estimated at Rs.1711.20 crore (\$372 million).

The loan agreement effective from April 2002 was signed on 18 December 2001. As per the original agreement, the project was scheduled to be completed by June 2007.

As per loan agreement the Borrower should pay a commitment charge at the rate of 0.75 *per cent per annum*. Such charges should accrue on amounts of the loan (less amounts withdrawn from time to time) during successive period commencing 60 days after 18 December 2001.

Detailed survey, planning and design of the work were to be completed before taking up any work under the project. However, KMC consumed the first two years mainly in such pre-execution activities which delayed subsequent implementation of the project.

Test check of management of works under the project revealed that “Infrastructural Facilities and Beautification Works for Water Bodies” taken up at a cost of Rs.2.46 crore was subsequently revised to Rs.3.07 crore. The Lake Rehabilitation work scheduled to be completed by March 2005 was not completed till October 2005. Further the works on “Slum Improvement” was reported completed after incurring expenditure of Rs.2.44 crore against works valued at Rs.4.70 crore. The actual financial achievement was only 52 *per cent*.

It was also noticed in audit that KMC executed work packages of Rs.12.45 crore only against targeted work package of Rs.1066.77 crore for the first three years of the project. The financial achievement was as low as 1.17 *per cent*.

Further, the delay in implementation, also added to the penalty as commitment charge. Accordingly, the Department of Economic Affairs, Ministry of Finance, Government of India cancelled (May 2005) the Interest During Construction (IDC)/ Commitment Charges component amounting to Rs.202.37 crore (\$ 44.234 MN)) from ADB assisted KEIP invoking the clause of penalty for slow progress.

Test check of records further revealed that KMC did not satisfy the following covenants of the loan agreement:

(i) A progressive block rate of water tariff and sewerage surcharge shall be approved by the State and issued by KMC by the end of fiscal year 2002-03.

(ii) KMC shall have adopted budget estimates to meet full operations and maintenance recovery and 30 percent allocation from property tax for water supply, sewerage and drainage by the end of fiscal year 2004-05.

Non compliance to these important covenants led to loss of revenue on account of water charge and sewerage surcharge and non apportionment of property tax towards meeting operation and maintenance costs.

These indicated that the project was being run in an ad hoc manner which frustrated the objectives thereof. The Corporation also suffered a loss of Rs.202.37 crore towards commitment charges due to slow progress of the project.

In reply KMC stated (January 2006) that the implementation schedule was too optimistic and not achievable in reality. The reply is not tenable as covenants of any agreement are mutually arrived at and binding to both the parties. The KMC also stated that the major works had started during 2005-06 and entire project was expected to be completed not before 2009-10. The deferments of completion date unveil the poor performance of KMC and consequent loss to municipal fund.

The final reply of the Corporation and comment of the Government have not been received (March 2006).

#### **7.4 Unfruitful expenditure of Rs. 94.27 lakh due to disuse of the Internal Control System**

KMC incurred an expenditure of Rs.94.27 lakh on maintenance of Internal Audit Wing which remained in disuse during 2002-03 to 2004-05 rendering the expenditure unfruitful.

Section 156 and 157 of the KMC Act, 1980 provide that the Chief Municipal Auditor shall conduct internal audit of the accounts of the Corporation and shall report thereon highlighting the material impropriety or irregularity noticed. The Chief Municipal Auditor did not comply with the statutory provisions of the said Act. There was nothing on record to show that the Chief Municipal Auditor had ever conducted internal audit of the accounts of KMC and reported accordingly although the same were called for in audit since 2002-03.

It was noticed in audit that there were 22 functionaries deployed in the Internal Audit Department and an expenditure of Rs.77.27 lakh was incurred towards their pay and allowances during the period from 2002-03 to 2004-05. The total cost of maintaining the audit establishment with officers and staff amounted to Rs.94.27 lakh including terminal benefits at the rate of 22 *per cent*. Despite such huge expenditure, the Corporation could not utilize the manpower for exercising internal control on various departments rendering the entire system in disuse. This resulted in unfruitful expenditure to the tune of Rs. 94.27 lakh during last three years, besides the lack of a critical mechanism of internal control and monitoring.

The State Government acknowledged that the provision of Section 157 of KMC Act, 1980 has fallen into disuse.

KMC in its reply admitted (January 2006) that the Internal Audit Wing could not take up all round audit due to poor staffing pattern. They, however, conducted some investigative works and stray audit of a few units of treasury.

The reply was not tenable because they did not activate the existing man power to ensure internal audit and control mechanism during 2002-05.

**7.5 Loss of Rs. 59.71 lakh on installation of pump sets at Ranikuthi Booster Pumping Station**

Awarding of work for installation of pump sets without ensuring prevailing market rate and not availing exemption on custom duty resulted in loss of Rs.59.71 lakh to KMC.

(a) KMC decided in May 2001 to install three Head of Water Column Electrically Driven Pump Sets at Ranikuthi Booster Pumping Station. Tenders were invited (5 May 2001) without ensuring prevailing market rates for non-schedule items and estimate of the work. The work at a cost of Rs. 2.36 crore for supply and installation of three pump sets with one set indigenous motor and two sets imported motors including all accessories was awarded (May 2002) to the lowest tender with the direction to complete the work within eight months.

Scrutiny of records revealed that the contractor quoted Rs.49.30 lakh towards the cost of machinery and equipment included in the schedule. KMC accepted the offer without ensuring prevailing market rates or manufacturer's price. It was noticed that the contractor procured the machinery at a much lower cost of Rs.23.87 lakh. Thus, awarding the work without ensuring prevailing market rate resulted in undue financial aid to the contractor by Rs.25.43 lakh.

(b) For the above work, two motors were imported (from England) at a cost of Rs.102.80 lakh which included customs duty of Rs.34.28 lakh. These motors were installed during 2003-04 at Ranikuthi Booster Pumping Station.

The Government of India vide amendment Notification dated 6 September 2002 allowed full exemption of Customs Duties on import of plant and equipment for drinking water supply projects for human and animal consumption. However, it was seen in audit that import duty of Rs.34.28 lakh paid (22 August 2003) by the contractor for clearing the article from Customs



Department had been reimbursed in full by the KMC without availing the exemption available under the above notification. Scrutiny of records revealed that KMC applied for exemption of duty belatedly in September 2003 after the payment of the duty. The procurement contract was registered in November 2003. Thus, the negligence in taking timely action resulted in financial loss to the extent of Rs.34.28 lakh on account of payment of duty.

Thus, KMC suffered a total loss of Rs.59.71 lakh in executing the tender and also towards customs duty.

In reply KMC stated (January 2006) that the analyzing of individual item was not permissible or negotiable. The reply was not tenable because after opening a tender, the authority has the right to analyze the offer and decide the rate through negotiation if necessary. KMC confirms the matter in their circular dated 11 November 2005 that prevailing market rate is to be ensured before deciding any rate of non schedule item.

The final replies of the Corporation and the Government have not been received (March 2006).

## **7.6 Unauthorized raising of loan amounting to Rs. 6.00 crore**

KMC unauthorisedly raised loan of Rs.6 crore and failed to ensure creation of assets to confirm utilization of borrowed fund.

In order to complete a number of water supply projects a loan of Rs.6.00 crore (from two subscribers viz. Bank of Maharashtra and Bank of Baroda) was arranged (March 2000) bearing interest of Rs. 13.65 percent per annum payable semi annually against non-convertible redeemable bond. The loan obtained through arranger M/s. Lazard Credit Capital Limited at a commission of 0.75 per cent was not approved by the MIC or by the Board of Councillors. This clearly violated the provision of Section 134 of the KMC Act 1980. The prior sanction of the State Government as required under Section 134 (1) of the Act was also not obtained and as such bonds could not be issued by KMC. The payment of fees of Rs. 4.50 lakh to the arranger was

also not approved by the Corporation and requisite sanction of the State Government was not obtained. It was noticed that interest of Rs.3.89 crore was paid from the General Fund without opening sinking fund for this purpose. Therefore raising the loan and payment there-against stood unauthorized.

Despite repeated requisitions, KMC could not produce relevant documents regarding utilization of the said loan meant for funding water supply projects. Thus, KMC failed to ensure creation of assets to confirm utilization of Rs. 6.00 crore. They could not also assure how the principal amount would be repaid.

In reply to the Audit query issued though KMC admitted (September 2005) the fact but failed to take appropriate action against those responsible for raising such unauthorized loan. They further stated (January 2006) that the matter would be settled soon.

The final replies of the Corporation and the Government have not been received (March 2006).

## **HOWRAH MUNICIPAL CORPORATION**

### **7.7 Solid Waste Management in Howrah Municipal Corporation**

#### **(a) Introduction.**

In urban areas, the responsibility of Solid Waste Management lies with the local bodies. The Twelfth Finance Commission while rewarding special grants to the urban local bodies emphasized the need of solid waste management and earmarked 50 *per cent* of the grants for this purpose. For the years 2005–10, it recommended grants of Rs. 393 crore comprising Rs. 196.50 crore for solid waste management for ULBs in West Bengal.

The Municipal Solid Waste (Management and Handling) Rules, 2000 (MSW (M & H) Rule) issued by Government of India shall apply to every municipal authority responsible for collection, segregation, storage,

transportation, processing and disposal of municipal solid wastes. Section 188 of the Howrah Municipal Corporation Act, 1980 renders the responsibility of management of solid waste on Howrah Municipal Corporation within its area.

**(b) Implementation Status**

Clause 4 of the MSW (M&H) Rules stipulates that the following infrastructure and service for solid waste management were to be developed within the prescribed dates:

- ❖ Setting up of waste processing and disposal facilities – by 31 December 2003 or earlier;
- ❖ Monitoring the performance of waste processing and disposal – once in six month;
- ❖ Improvement of existing landfill sites as per provisions of these rules – by 31 December 2001 or earlier;
- ❖ Identification of landfill sites for future use and making site ready for operation – by 31 December 2002 or earlier.

HMC failed to achieve any of the above targets in creating infrastructure and provide service till August 2005 on account of (i) insufficient infrastructure, (ii) inadequacy of fund and (iii) lack of land. The reasons furnished by HMC are not tenable as they initiated establishment of solid waste management mechanism (to acquire land filling site and set up waste processing plant) and applied to State Pollution Control Board (SPCB) for approval only in June 2005, almost 5 years after the MSW (M&H) Rules came into force. The application was sent back to HMC because it lacked a detailed Project Report and a proposed new site for disposal, processing and composting. HMC have not applied afresh to SPCB till August 2005. As a result the management of solid waste as stipulated in the rules could not at all be taken up by the Corporation.

**(c) Collection of garbage**

The Schedule II to the MSW(M&H) Rules, 2000 prescribes the criteria for collection of solid wastes organizing house-to-house collection and also devising collection of wastes from slums, hotels, slaughter house etc.

Prior to 2004-05, solid waste was collected from selected local spots. However, house to house collection was started from 2004-05.

The expenditure incurred in collection of waste and man-power deployed there against during 2001-02 to 2003-04 was as under:

<b>Year</b>	<b>Expenditure (Rupees in crore)</b>	<b>Man power deployed (Cleaning staff)</b>
<b>2001-02</b>	13.77	2687
<b>2002-03</b>	13.53	2739
<b>2003-04</b>	13.47	2866

Howrah proper having a population of 7.85 lakh spread over an area of 21 sq. kilometer generates 754 tones of wastes daily. During 2003-04, the Corporation deployed 2711 cleaning staff for collection of waste six days a week at an annual expenditure of Rs.12.71 crore. Thereby the Corporation ensured collection of waste through out the year (313 days) at a cost of Re.0.52 per capita per day of collection.

On the other hand, the added area with the population of 2.23 lakh over an area of 31 sq. kilometer generates 214 tones of wastes a day. The Corporation deployed 155 cleaning staff for collection of wastes once in 15 days at an annual expenditure of Rs.76 lakh. The cost of collection of waste per capita per day of collection was Rs.1.42 for collection of waste 24 days in a year. The shortcomings in the added area were attributed to inadequacy of labour. The higher cost and lower frequency of collection in added area indicated disproportionate deployment and inadequacy in monitoring collection activities of the cleaning staff.

This is indicative of the inefficient deployment of man power resulting in wastage of public funds.

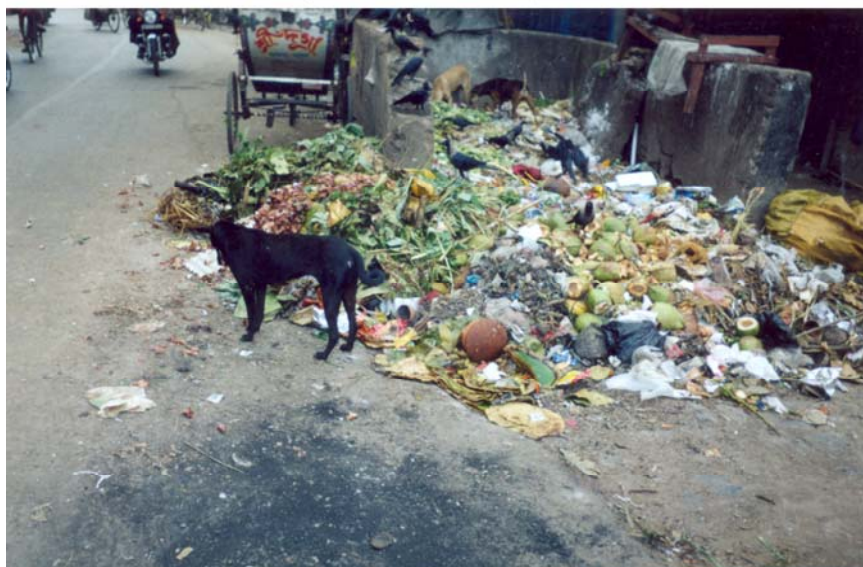
**(d) Segregation**

Segregation means to separate the solid waste into groups of organic, inorganic, recyclables and hazardous wastes. By segregation at source, recyclables are directly transported to the processors for producing new products. This helps reducing the load of solid waste and better efficiency in management. The waste if not segregated at source causes hazards to the environment. The inaction on the part of the Corporation for ensuring segregation of waste left this stage of disposal unattended.

**(e) Storage**

Adequate facility was to be created in the municipal area to ensure safe storage of wastes. It was noticed that there were 251 constructed vats and 259 open storing places in Howrah proper area and 54 constructed vats and 159 open storing places in added area for a population of 2.23 lakh spread over an area of 31 square kilometers. The rules stipulate that storing facilities are to be set up and so designed that wastes stored are not exposed to open atmosphere. As such the open places used by the Corporation for storing wastes were not permissible under the rules.

As evident from the above, more than 50 *per cent* of the collected waste in Howrah proper area was dumped in open space. The situation was more serious in the added area where 75 *per cent* of the waste collected was dumped in open space. Open road-side dumps were frequently invaded by scavengers and animals which scattered the wastes. Despite having more than 46 to 48 cleaning staff per square kilometer, HMC did not develop proper storage facilities and failed to prevent dumping of wastes in a scattered manner.



**Indiscriminate dumping of waste in and around a vat**

Rodents also had access to food and flies causing health hazard. The wastes dumped in open space often found their way to open drains, roads and water bodies and contributed to the pollution of the urban environment. During monsoon, the waste washed into gullies and open drains from where it had to be removed at a much higher cost. Waste also choked the drains and in turn flooding the nearby habitat areas. Storage facilities were to be aesthetically acceptable, user friendly and not exposed to air. HMC did not adhere to the norms and allowed storage of waste in open dumping places on a large scale.

**(f) Transportation**

The transportation of waste is done through contractors. The expenditure incurred during 2001-02 to 2003-04 on transportation upto dumping ground was as follows:

<b>Year</b>	<b>Amount (Rupees in crore)</b>	<b>Percentage to total cost on conservancy</b>
<b>2001-02</b>	<b>1.70</b>	<b>11</b>
<b>2002-03</b>	<b>1.46</b>	<b>10</b>
<b>2003-04</b>	<b>2.13</b>	<b>14</b>

The storage spots were emptied six days a week in Howrah proper area and once in 15 days in added area. The prolonged storing upto a maximum of 14 days results in natural decomposition adding pollution to the environment and consequent health hazards.

**(g) Other deficiencies**

The other important deficiencies in collection and transportation noticed in audit were as under:

- (i) The high time gap in clearance of garbage in the added area implied neglect of a mandatory civic service to the tax payer;
- (ii) The wastes while in transit remained exposed causing foul odour and adversely affecting environment;
- (iii) Garbage was being transported till 6 P.M as against the norms of 12 noon thereby creating civic nuisance.

**(h) Dumping**

The existing dumping ground, originally a trenching ground for night soil, is being used both for dumping night soil and municipal solid wastes for more than 40 years. Against the prescribed area of 25 acres and serviceable periodicity of 25 years, the present site has an area of only 16.82 acres which had been over used by more than 15 years. The municipal solid wastes were being dumped throughout the day. There is no processing device for recycling and composting of waste materials. The dumped wastes had reached alarming proportions often upto a height of more than 40 feet.



**Dumped waste reached height of 40/50 feet at trenching ground**

Other important deficiencies noticed in the dumping site were as under:

- (i) Out of reported garbage generation of 968 tons per day, only 800 tons were being transported daily to the trenching ground, leaving unattended daily generation of 168 tons.
- (ii) The site had not been fenced to restrict unauthorised entrance of rag pickers and stray animals.
- (iii) Electricity was not provided in the dumping site.
- (iv) There was no weigh bridge to ensure quantity of wastes brought to the site.
- (v) There was no inspection facility to monitor quality and nature of wastes dumped year after year in the same site. Fire prevention and pollution monitoring equipment were also not installed.
- (vi) No covering arrangement was made at the site to avoid percolation of leachate even in monsoon season.
- (vii) No staff was provided in the site office beyond 12.30 PM to record details of wastes brought to the site.
- (viii) No test has yet been conducted by HMC as to ensure ground water and ambient air quality at dumping site, though such periodical test was compulsory.



**(i) Disposal**

“Disposal” of solid waste is “final disposal to prevent contamination of ground water, surface water and ambient air quality”. Solid waste of all kinds was being dumped indiscriminately on the site where the wastes were allowed access to deeper layers of soil and proximity to ground water sources. Leachate generated by bacterial degradation of solid organic wastes posed a threat in contaminating ground water with grave results. Other adverse impact included the following:

- (i) The workers engaged in solid waste management and rag pickers belonging to the unorganized sector were exposed to health risks.

**Waste at trenching ground invaded by human and animals**

- (ii) Dumped solid wastes, a source of formation of methane, have 24 times more warming potential than that of carbon di-oxide. Methane emission from solid waste at Howrah disposal site is of the order of 15024 tons per annum. HMC has not initiated action to address such an alarming situation.

- (iii) Plastic, a major content of solid waste was also dumped in the site. Slow disintegration of materials, gaseous (methane) emission, odours, fire and explosion hazards are some of the problems associated with the dumping of plastics.
- (iv) Though HMC had spent Rs.46.06 crore during 2001-02 to 2003-04 on solid waste management, they however could not ensure effective disposal of garbage.

**(j) Non submission of Annual Report**

The Corporation was to submit Annual report in June, every year to the respective District Magistrate with a copy to State Pollution Control Board showing the progress made in implementation of MSW (M&H) Rules 2000, but no such report was ever prepared and submitted to the concerned authority till August 2005.

The matter was referred to the Corporation and the Government in November 2005; their replies have not been received (March 2006).

**7.8 Loss of Rs. 2.94 crore due to non deposit of Provident Fund into treasury**

The delay in deposit and non-deposit of provident fund recoveries into treasury ranging from three to eight years led to accrual of interest for intervening period and consequent loss of Rs.2.94 crore to HMC.

In terms of Section 3(3) of the West Bengal Non-Government Educational Institution and Local Authorities (Control of Provident Fund of Employees) Act, 1983 and Rules made thereunder, Provident Fund subscription and recovery of advances collected by deductions from salary of the employees are required to be credited to the fund account at the treasury by each Urban Local Body. The Government shall be liable only to the extent of fund deposited in the respective deposit account. As such the local body is liable for payment of interest towards provident fund for the period of delay in crediting the fund into the treasury.

Scrutiny of records of Howrah Municipal Corporation revealed that Rs.2.10 crore was collected towards provident fund by deductions from salary during 1996-97 to 1998-98 but not credited into the treasury till the date of audit (October 2005). Furthermore, Rs.5.57 crore collected during 1999-00 to 2001-02 were not fully deposited into treasury. Only Rs.4.64 crore was credited into the treasury after a delay ranging from one to 12 months leaving a balance of Rs.0.93 crore. The delay in deposit of Rs.4.64 crore and non-deposit of Rs.3.03 crore ranging from three to eight years has led to accrual of interest of Rs.2.94 crore as on 31 March 2005 (Appendix 26). Appropriate action was not taken to ensure timely remittance of provident fund into the treasury. The interest of Rs. 2.94 crore for the intervening period is being paid to the subscriber duly apportioned on retirement / leaving service. However, as per Rule 2(iii) of the West Bengal Non-Government Educational Institution and Local Authorities (Control of Provident Fund of Employees) Rules, 1984, the Government is not liable for payment of interest of Rs. 2.94 crore accrued on the funds lying outside the treasury during the intervening period of delay. Thus, the entire liability of Rs. 2.94 crore is a loss to be borne by the Corporation resulted in loss due to mismanagement of financial affairs. The Corporation has not yet fixed responsibility for undue retention of statutory funds causing such huge loss to its exchequer.

The matter was referred to the Corporation and the Government in November 2005; their replies have not been received (March 2006).

### **7.9 Revenue loss of Rs.90.10 lakh on lease of land**

Due to fixing of annual lease rent at much reduced rate and not charging salami for two acres of land, HMC suffered a loss of revenue amounting to Rs.90.10 lakh.

To set up a bio-medical waste treatment plant for Howrah, Kolkata and surroundings areas, a firm, M/s X requested (7 March 2003) Howrah Municipal Corporation (HMC) for allotment of suitable land. HMC acceded

(17 March 2003) to the proposal and offered 2 acres of land to the firm on lease basis for a period of 30 years on annual lease rent of Rs.7.20 lakh and 'salami'<sup>20</sup> of Rs.72 lakh (worked out on the basis of PWD manual). The rates were communicated to the firm during discussion on 20 March 2003. Considering lower rate offered (3 April 2003) by the contractor, HMC authority drastically reduced (16 April 2003) the annual lease rent to Rs.1 lakh (with periodical enhancement) and also exempted the payment of *salami* without opting for open competition. A lease deed was signed in May 2003 between two parties allowing the organisation to establish commission and operate a common bio-medical waste management facility catering to Howrah and its surroundings.

The important terms and conditions of the deed were as under:

- ❖ That the period of lease shall be for 30 years with effect from 23 May 2003.
- ❖ That the Lessee has already paid a lease rent of Rs1.00 lakh for the first year and shall pay at the rate of Rs.1.25 lakh for the second to the fourth year and thereafter with increase of Rs.25000 every three years.
- ❖ That the lessee shall have the superintendence, direction and control over the Bio-Medical Waste Management Facility in totality and the lessor will have the liberty to inspect and shall be entitled to have entry for such inspection by any member of the said Corporation.

Test check of records revealed the following major irregularities:

- (i) No tender was called for even after the firm disagreed to normal charges communicated by HMC.
- (ii) No provision was incorporated in the deed ensuring the control of HMC in fixing collection and disposal charges payable by the beneficiaries.

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<sup>20</sup> Salami means one time premium payable by the lessee at the time of lease.

- (iii) No clause stating the legal jurisdiction was included in the deed for disposal of dispute if so arises.
- (iv) Property tax on the land and building was neither assessed nor demanded from the firm resulting in recurring loss of revenue.
- (v) The deed was not registered to ensure legal status to the provisions.
- (vi) No approval/ permission from the Government were ever obtained prior to leasing out the land to a private party.

Thus owing to fixing of annual lease rent at a much reduced rate and not charging *salami* from the organisation, the HMC suffered a loss of revenue amounting to Rs.90.10 lakh till October 2005 comprising Rs.18.10 lakh towards annual lease rent and Rs.72 lakh towards *salami*.

The matter was reported to the Corporation and the Government in November 2005; their replies have not been received (March 2006).

## **BONGAON MUNICIPALITY**

### **7.10 Inordinate delay in completion of Water Supply Scheme deprived the dwellers from potable water besides blockage of Rs.2.37 crore**

The lackadaisical approach of PHED in execution of water works and absence of monitoring by the Municipality resulted in blockage of fund of Rs.2.37 crore besides deprival of benefits to rate payers and also consequent loss of revenue and erosion of unused assets.

The Board of Councillors of Bongaon Municipality resolved (August 1982) to take up a Water Supply Project at a cost of Rs.1.94 crore. The particulars of the project were not available on record. However, the Municipality entrusted execution of the Project to the Public Health Engineering Directorate (PHED) as deposit work through a subsequent resolution (August 1983). The scheme was to be funded by loan from Life Insurance Corporation of India (LIC), grants from State Government and own resource of the Municipality. The repayment of loan with accrued interest thereon would be ensured by imposing ad-hoc levy and water charges. The

State Government accorded administrative approval towards the scheme for Rs.1.80 crore in November 1984.

The summary of estimate for Rs. 1.79 crore as prepared by the PHED was designed for a population of 1.24 lakh (2011 AD) and capacity of 1248 KL *per day* which was finally approved (January 1986) providing Rs.27.36 lakh for four Iron Elimination Plants (IEPs) and reservoirs and also deposit work charges. The Municipality did not have with them any copy of the original and revised Project Reports and detailed estimates. There was also no record showing any time schedule for work and flow of funds to the PHED accordingly. The Government Notification dated 20 January 1986 regarding raising loans by the Municipality from LIC indicated that the scheduled period of execution of the scheme was three years from 1985-86. The loan totaling Rs.98.85 lakh was however, released by LIC in three instalments in March 1986 (Rs.76 lakh), January 1992 (Rs.10.95 lakh) and March 1993 (Rs.11.90 lakh) i.e. during a span of seven years. The Municipality also received grants of Rs. 96.50 lakh from the State Government during May 1985 to December 1994 i.e. Rs.1.95 crore (including for repayment of loan).

The Municipality purchased a plot of land at an amount of Rs.7 lakh and placed Rs.1.59 crore with PHED during June 1986 to March 1999 for execution of the project.

In its last report (9 January 2002) the PHED stated that the project was fully commissioned at a cost of Rs.1.78 crore and additional amount of Rs.12.50 lakh towards one IEP in one zone, though as per the original estimate four IEPs with reservoirs were required to be constructed at Rs.27.36 lakh. Thus without completing the works as per approved estimate, the project was claimed to have been fully commissioned by PHED. They had also not explained the reasons for (i) non execution of the remaining three IEPs, (ii) raising separate demand for installation of one IEP and (iii) item-wise details of cost of works executed. The estimate of the Project without the IEPs was Rs.1.52 crore against which PHED claimed to have incurred an expenditure of

Rs.1.78 crore resulting in excess expenditure of Rs.26.33 lakh without the knowledge of the Municipality. Without arranging for any joint inspection, the PHED requested the Municipality to take over the Project in January 2003. They did not furnish the detailed layout, specification essential for providing house connection, stand post and maintenance. The reasons for deviation and delay in execution were also not furnished.

Meanwhile the Municipality had already spent Rs.1.05 crore towards repayment of loan (Rs.98.85 lakh) as of January 2003. The cost of the Project thus stood at Rs.2.20 crore excluding the accrued liabilities towards PHED and LIC besides the cost of installation of remaining IEPs and reservoirs.

It was noticed in audit that PHED failed in completing the deposit work to the satisfaction of the indenting organisation though they charged Rs.31.78 lakh for execution. They did not adhere to the specification / requirement and left three zones without coverage of IEP provided in the estimates. They also took more than 19 years to make the project partially operative. Considering three years as the maximum period of execution, the delay of 16 years by PHED not only deprived the targeted people of intended benefit but also eroded the installed assets by wear and tear and over burdened the capital cost. A few house connections and stand posts already provided do not serve the purpose because of inherent deficiencies. Thus, the municipality could not manage to bear loan liabilities of the project through collection of water charges.

In April 2003 the Department of Municipal Affairs requested the Chairman of the Municipality to take over the project without ensuring full execution, and despite cost overrun, erosion of assets, deviation and responsibility for making good for the loss suffered by the municipality being fixed. The Municipality in its BOC meeting held in May 2003 recorded strong disapproval over (i) delay in execution raising the cost to Rs.2.10 crore, (ii) non execution of remaining reservoirs and IEP, (iii) laying substandard pipes and (iv) non co-operation in furnishing details of expenditure. There was no

record to support that the Municipality ever took up the disputes with the concerned departments for redressal.

Thus, the lackadaisical approach of PHED in execution of the deposit work coupled with absence of appropriate action and monitoring by the Municipality resulted in blockage of fund of Rs.2.37 crore for more than 11 years. Besides beneficiaries being deprived of intended services this also led to loss of revenue and erosion of unused assets.

The matter was reported to the Municipality and the Government in November 2005; their replies have not been received (March 2006).