

## CHAPTER – I

### ANNUAL TECHNICAL INSPECTION REPORT OF THE URBAN LOCAL BODIES

#### AN OVERVIEW OF THE URBAN LOCAL BODIES

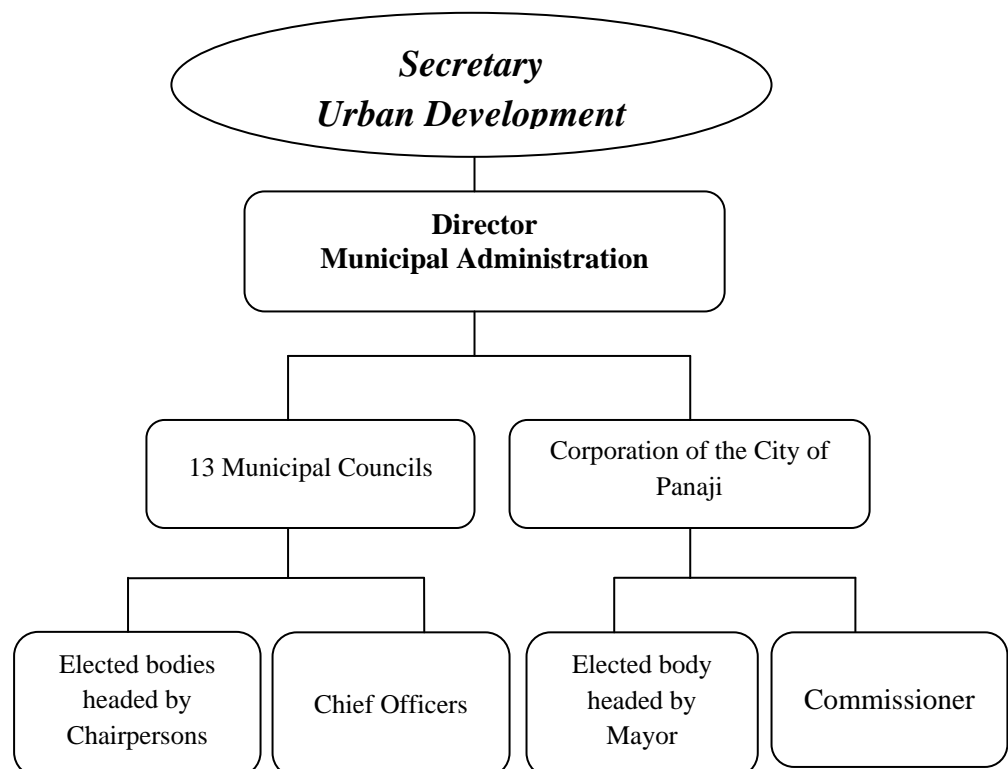
##### 1.1 Introduction

The Urban areas of the State of Goa are administered by 13 Municipal Councils (MCs) and one Municipal Corporation for the City of Panaji (CCP). The functioning of the Municipalities in the State is governed by the Goa Municipalities Act, 1968 duly amended in 1994 in light of the 74<sup>th</sup> amendment to the Constitution. The lone Corporation (CCP) in the State is governed by the 'City of Panaji Corporation Act, 2002'.

The last election for 11 MCs was held in October 2005 and for the CCP in March 2006. Election to the Ponda Municipal Council and Sanquelim Municipal Council was not held along with other MCs due to non-completion of the process of delimitation of wards and formation of new Municipal Council respectively. The election to these Councils was held later in January 2008.

##### 1.2 Organisational set-up

The Organisational structure for ULBs in Goa is shown below:



The Secretary (Urban Development) is the Administrative Head of the Municipal Administration. He is assisted by the Director of Municipal Administration (DMA) and other officers.

The DMA exercises control and supervision over the CCP and MCs. The Mayor heads the CCP and Chairpersons head the MCs. The CCP is provided with a full time Commissioner and the MCs are provided with Chief Officers, besides other staff. The salaries of the Commissioner, Chief Officers and other staff on deputation are paid by the State Government. The salaries of all other staff appointed by the CCP/MCs are paid by the ULBs concerned.

Section 63 of the Goa Municipalities Act provides for setting up of a Standing Committee for all classes of Councils. Further, each Council may also constitute such Subject Committees as deemed necessary. Section 68 of the Act lays down that each Council shall make bye-laws to provide for the functions and powers of such Standing Committee which, inter alia, should include subject of Transport Undertaking, Finance and Welfare of Conservancy staff. Section 35 of the CPC Act also provides for setting up of a Standing Committee. The Standing Committees in various MCs and CCP were last constituted during the period November 2005 to March 2008.

### **1.3 District Planning Committees**

As per section 184 F of the Goa Municipalities (Amendment) Act, 1999 every Council shall prepare every year a development plan and submit it to the District Planning Committee Constituted under section 239 of the Goa Panchayat Raj Act, 1994.

There are only two districts in Goa. The first DPCs were set up in both the districts by Government of Goa in October 2003 and these were reconstituted in September 2006.

Audit noticed that no such plans were prepared and forwarded to DPC by the CCP/MCs. Non-preparation of plans at district level defeated the objective of decentralized planning at grass root level.

### **1.4 Functions**

#### **1.4.1 Devolution of Functions**

The ULBs are expected to prepare plans for economic development and social justice and perform the functions and implement schemes as may be entrusted to them. The Twelfth Schedule under Article 243W of the Constitution envisaged entrustment of 18 functions to the Urban Local Bodies. Accordingly, the Goa Municipalities Act provided (1993) (Act) for devolution of 11 functions to the Councils **Appendix 1.1.**

As per the terms of reference, the Second State Finance Commission (SSFC) was entrusted with the work of recommendation for devolution of powers, functions, responsibilities and resources to Urban Local Bodies. The Commission submitted its report in December 2007.

The Commission recommended (December 2007) devolution of all the 11 Functions to ULBs for economic development and social justice as listed in the Goa Municipalities Act, 1968. The recommendations are yet to be accepted by the Government of Goa (March 2009). The DMA stated (March 2009) that the same is under consideration of the Government.

Of the 11 functions to be devolved on the ULBs, only eight functions and one activity in one function have been transferred as of March 2009 as detailed in **Appendix 1.1**. In addition to this, the function of Urban Poverty Alleviation and the activity of Solid Waste Management under Public Health and Sanitation not envisaged in the Act have also been transferred to the Urban Local Bodies. Further, the functions transferred are of very little importance as planning being the vital function is still being done by the State Government thereby defeating the objective of decentralized planning as envisaged in the 74<sup>th</sup> Amendment to the Constitution of India.

The DMA stated (November 2007) that considering the population and the small size of the State of Goa, the major civil functions like water supply, town planning, fire service, public health, sanitation, planning for economic and social development were looked by various departments of the State.

## 1.5 Transfer of Funds

The Government of Goa sanctions grants-in-aid (GIA) to the ULBs annually to supplement their finances so as to enable them to take up developmental works in their respective areas. The Central Government also provides grants to ULBs. During the year 2007-08, the total grants sanctioned to the ULBs in Goa were Rs.20.44 crore.

### 1.5.1 Sources of Funds

With very limited resources of their own, the ULBs require funds for meeting expenditure on civic administration and developmental activities. The funding to ULBs comprises GIA from the Central/State Government and own revenues. Since the own revenues generated by ULBs are not sufficient, they are mainly dependant on GIA from the Governments.

*(Rupees in crore)*

Years	CCP				MCs			
	Own Revenue	Grants-in-aid		Total	Own Revenue	Grants-in-aid		Total
		Centre	State			Centre	State	
2004-05	7.78	NIL	3.52	11.30	20.89	NIL	7.39	28.28
2005-06	13.03	NIL	2.29	15.32	19.90	NIL	9.22	29.12
2006-07	8.98	0.23	4.58	13.79	19.83	2.17	12.67	34.67
2007-08	9.21	Nil	2.54	11.75	17.47	Nil	17.90	35.37

The grants-in-aid given by the State government (including that received from Central Government) to the MCs increased from Rs.7.39 crore in 2004-05 to Rs.17.90 crore in 2007-08 and in respect of CCP, it decreased from Rs.3.52 crore in 2004-05 to Rs.2.54 crore in 2007-08. The grants were paid for developmental works, salary grants, solid waste management, etc.

Audit noticed (August 2009) that there was a difference of Rs.6.05 crore (2004-05), Rs.24.45 crore (2005-06), Rs.23.14 crore (2006-07) and Rs.23.33 crore (2007-08) in the figures furnished by DMA as compared to the Audit Report (Civil) of the Comptroller and Auditor General of India for the year 2007-08 due to non inclusion of grants released by DMA to Goa State Urban Development Agency, Water Resources Department and Public Works Department to carry out works in the urban area.

### **1.5.2 Recommendations of Second State Finance Commission**

The Second State Finance Commission (SSFC) recommended (December 2007) an amount of Rs.650.65 crore for nine Core Functions as well as Rs.818.16 crore for seven Consultative Functions for ULBs for a five year period. The recommendations are yet to be accepted by the State Government (March 2009).

## **1.6 Twelfth Finance Commission grants**

The Twelfth Finance Commission (TFC) recommended grants of Rs.12.00 crore (Rs.2.40 crore per year) for ULBs in the State of Goa for the period 2005-10. The grants were to be released in two installments annually from 2005-06 onwards. The Government of India released both the installments for the year 2005-06 amounting to Rs.2.40 crore in May 2006. This amount was distributed only during October/November 2006 to the CCP and seven<sup>1</sup> of the 13 MCs for procurement of Garbage Compactors. There was a delay of 4 months 17 days in release of these grants to ULBs. Government of Goa sanctioned (November 2008) an amount of Rs.4.56 lakh to CCP/MCs as interest for the delay in releasing the TFC grants. Though the TFC envisaged utilization of at least 50 *per cent* of the grants for Solid Waste Management (SWM), it was observed that the entire grant for 2005-06 was allotted for SWM by the Director of Municipal Administration leaving no funds for other requirements such as facilitating maintenance of database of finances etc. Out of the total release, Rs.2.24 crore only has been utilized till March 2009 for procuring garbage compactors.

As there was delay in producing utilisation certificates by the ULBs for the grants released for the year 2005-06, there was consequential delay in the release of grants for the years 2006-07 and 2007-08. Subsequently, the Government of India released both the installments of TFC grants for the years 2006-07 and 2007-08 amounting to Rs.4.80 crore in December 2008 which were released to five<sup>2</sup> MCs in February 2009 for setting up of composting station and the landfill sites within the framework of Municipal Solid Waste Rules, 2000. Audit further noticed that out of the total TFC grants of Rs.7.20 crore for the years 2005-06 to 2007-08, no grant was given to four<sup>3</sup> MCs till February 2009. The reasons for non-release was not furnished by the DMA, though called for. Due to inordinate delay in implementing the approved schemes and producing the utilisation certificates in respect of

---

<sup>1</sup>Canacona, Sanguem, Sanquelim, Quepem, Mapusa, Pernem and Valpoi.

<sup>2</sup>Canacona, Sanguem, Sanquelim, Cuncolim and Ponda.

<sup>3</sup>Marmugao, Margao, Bicholim and Curchorem-Cacora

grants already released, the Government of India had not released (March 2009) grants to the extent of Rs.2.40 crore pertaining to the year 2008-09.

As such, the grants earmarked for the ULBs in the State of Goa for the years 2006-07, 2007-08 and 2008-09 could not be availed of in time and thereby the benefits envisaged in recommendations of TFC could not be passed on to the beneficiaries. This has, in turn, resulted in denial of the social and economic justice to the people.

### **1.7 Transfer of Functionaries**

The CCP is provided with a full time Commissioner and the MCs are provided with Chief Officers by the State Government. Besides, supervisory level accounts staff, technical officers and accountants belonging to the common cadre are also paid by the State Government. However, the Government has not transferred any functionaries to the ULBs specifically to perform the additional functions that have been transferred to them.

### **1.8 Financial position of the ULBs**

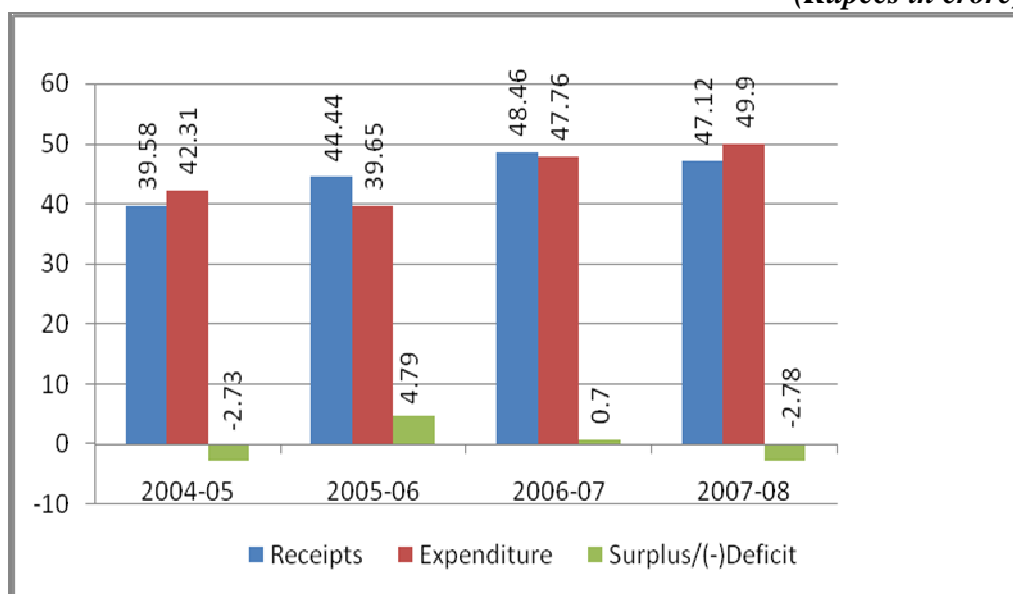
The financial position of the ULBs as aggregated from their accounts and information furnished by DMA for the four years upto 2007-08 was as exhibited in the table and the chart below:

*(Rupees in crore)*

Year	Receipt			Expenditure			Surplus/ Deficit
	CCP	MCs	Total	CCP	MCs	Total	
2004-05	11.30	28.28	39.58	11.74	30.57	42.31	(-) 2.73
2005-06	15.32	29.12	44.44	13.13	26.52	39.65	4.79
2006-07	13.79	34.67	48.46	14.12	33.64	47.76	0.70
2007-08	11.75	35.37	47.12	15.99	33.91	49.90	(-) 2.78

Note: Receipt includes grants from Central/State Government

(Rupees in crore)



The receipts and expenditure of the ULBs during 2004-05 to 2007-08 revealed that the surplus/deficit varied widely ranging from a surplus of Rs.4.79 crore during 2005-06 to a deficit of Rs.2.78 crore during 2007-08 indicating poor budgeting.

## 1.9 Audit Coverage

As per the provisions of Section 152 of the Goa Municipal Account Code, 1972, the Director of Accounts is the statutory auditor of the ULBs. Audit of CCP and all the 13 MCs has been completed up to 2007-08 by the Director of Accounts.

In addition to this, audit of ULBs is also carried out by the CAG under Section 14 of CAG's (Duties, Powers and Conditions of Service) Act, 1971.

Based on the guidelines issued by the Ministry of Finance, Government of India, on the recommendations of the Eleventh Finance Commission (EFC), the State Government entrusted (November 2006) the Technical Guidance & Supervision (TGS) over accounts and audit of Urban Local Bodies to the CAG. Accordingly, the audit of CCP & seven MCs<sup>4</sup> for the year 2007-08 under section 14 of the Act *ibid* and under TGS was conducted during 2008-09 and certain shortcomings in the working of the ULBs such as Non-preparation of statement of annual income and expenditure and assets & liabilities, Delay in reassessment of properties, Non-preparation of Annual Development Plan, etc. not reported in the Audit Reports of the Director of Accounts were communicated to them through Inspection Reports on the audit of accounts of ULBs. Further, a training programme for the accounts staff of ULBs was also conducted in August 2008.

<sup>4</sup> Margao, Mapusa, Marmugao, Ponda, Bicholim, Sanquelim and Cuncolim

### **1.9.1 Internal Audit/Control**

Scrutiny of Audit Reports of the Director of Accounts in respect of MCs sent to the DMA each year revealed that a number of paras related to the year 1970-71. The total number of outstanding paras for clearance and its year-wise break up was not available with the Director of Accounts. It was observed that the Audit Reports of the Director of Accounts pertaining to the MCs were merely filed without any further action. As a result, the outstanding paras have accumulated over the years. Since some of the paras were of serious nature, not complying with the objections in time would result in more serious irregularities. The DMA has not evolved an internal mechanism, whereby the compliance of outstanding paras is watched and progress report obtained every month, from all the Councils.

### **1.9.2 Poor response to Inspection Reports**

Response to Audit Paras of Accountant General, Goa is also not satisfactory as replies to 142 paras in 15 Inspection Reports pertaining to the period from 2000-2001 to 2007-08 were outstanding as of December 2008 from CCP and 10 MCs<sup>5</sup>.

The Finance (Audit) Department, Government of Goa had issued a memorandum in December 2008 highlighting various irregularities observed during audit and stated that the State Government had enacted the Goa Fiscal Responsibility and Budget Management Act, 2006 under which various fiscal targets are to be met in a time bound manner. Non-achievement of the fiscal targets under the Act *ibid* would result in fixing responsibility on the officer where huge outstanding dues are observed. The order further issued directives to settle the outstanding paras in a time bound manner and to recover old dues within three months of the date of issue of the memorandum. As an initiative to settle long pending paragraphs of Inspection Reports, an Audit Committee meeting was held in September 2008 wherein 6 paras were dropped based on the replies received from the auditee organizations.

## **1.10 Accounting Procedures**

### **1.10.1 Accounting Formats**

Urban Local Bodies (ULBs) are maintaining their accounts on cash basis. All the ULBs have finalized their accounts upto 2007-08. The Ministry of Urban Development, Government of India in collaboration with CAG prepared (November 2004) National Municipal Accounts Manual (NMAM) with accrual basis of accounting and provided revised formats of accounts. The State Governments were required to draft State specific municipal accounts manuals based on NMAM. Based on this, the State Government issued (January 2008) Notification amending the Goa Municipal Account Code, incorporating the Accrual Based Accounting Formats. The DMA stated (March 2009) that the Goa Municipal Accounts Code, 2007 had already been published and the software on the above code would be prepared by the

---

<sup>5</sup> Cuncolim, Curchorem-Cacora, Quepem, Margao, Mapusa, Valpoi, Sanguem, Pernem, Ponda and Canacona.

National Informatics Centre. The DMA further stated that latest position regarding implementation of the NMAM was being sought from all the Municipal Authorities.

The eight draft formats prescribed by CAG for creation of database of finances of Urban Local Bodies were sent to the Finance Secretary in September 2003. However, no action has yet been taken in the matter.

### **1.10.2 Revenue Arrears**

As per the information furnished by the DMA, the total amount of revenue arrears of all the MCs/CCP upto March 2008 was Rs.8.34 crore. The Demand Collection Register of the MCs are computerized and the accumulated arrears of previous year is carried forward as opening balance of subsequent year without keeping a record of the year-wise breakup. Hence, age-wise and MC wise break-up of arrears was not available. The reasons for non-recovery and action taken to recover these arrears though called for were awaited (December 2008).

### **1.10.3 Outstanding Utilization Certificates**

The DMA releases grants to MCs every year for developmental works including cost of salaries. As per terms and conditions for release of the grants, the entire amount of grant shall be utilized within a period of one year from the date of drawal of the grants and a utilization certificate (UC) shall be submitted to the DMA by the CCP/MCs within 18 months of its drawal. It was also provided that no grant shall be sanctioned unless the previous grants are fully utilized and utilization certificates furnished.

In spite of being pointed out in the previous Annual Technical Inspection Report, the DMA continued to sanction further grants without adhering to the requirement of submission of UCs within 18 months of drawal of grants by the MCs. It was observed that 452 UCs in respect of grants amounting to Rs.94.80 crore sanctioned between 1995-96 and 2006-07 were outstanding from CCP/MCs as of June 2008 [Appendix 1.2].

## **1.11 Implementation of Schemes**

To supplement the finances of the Urban Local Bodies (ULBs) so as to enable them to take up developmental works in their respective areas, the Government of Goa sanctions grants-in-aid to them annually. The grants were sanctioned for construction of roads, community halls, gardens, parks, maintenance of street lights, solid waste management, purchase of vehicles, land acquisition, etc.

### **1.11.1 Implementation of Municipal Solid Waste (Management and Handling) Rules, 2000**

The Municipal Solid Waste (Management and Handling) Rules, 2000 of Government of India provide for managing Municipal and Urban Wastes/Garbage in an environmentally friendly manner. These rules apply to every Municipal Authority responsible for collection, segregation, storage,



transportation, processing and disposal of Municipal Solid Waste (MSW). The Councils are responsible for the implementation of the provisions of these Rules and are required to obtain authorization from the State Pollution Control Board. Further, the Councils are required to furnish its Action Taken Report to the concerned District Magistrate as per Rule 5 (1) of the said Rules and the concerned District Magistrate has overall responsibility for enforcement of the provisions of these Rules in the State of Goa.

The implementation schedule envisaged in the said Rules was as follows:

Sr. No.	Compliance Criteria	Schedule
1.	Setting up of waste processing and disposal facilities	By 31.12.2003 or earlier
2.	Monitoring the performance of waste processing and disposal facilities	Once in six months
3.	Improvement of existing landfill sites as per provisions of these rules	By 31.12.2001 or earlier
4.	Identification of landfill sites for future use and making sites ready for operation	By 31.12.2002 or earlier

The Hon'ble Supreme Court, while hearing a Writ Petition No.888 of 1996, had taken serious view of non-compliance of the provisions of the said Rules and directed (July 2004) Chief Secretaries of States to ensure compliance.

As per the information furnished by DMA in March 2009 the 'Implementation Status' at CCP and 13 MCs was as follows:

- The CCP had identified two sites and obtained (December 2005) NOC from Town & Country Planning Department and authorization by the Goa State Pollution Control Board (GSPCB). The land acquisition proceedings in respect of Bainguinim site is completed, whereas in respect of site at Dona Paula Marvel, Declaration under Section 6 of Land Acquisition Act (LA Act), 1894 that the land is required for public purpose has been published. However, the garbage was still being dumped in open space of the city causing health hazard to the citizens of the Capital city.
- All the 13 MCs have identified sites for disposal of solid wastes and authorization from GSPCB/ NOC from the Town and Country Planning Department were also obtained (June 2005 to January 2008). Out of these, nine MCs<sup>6</sup> have acquired the land and one MC (Sanguem) has its own land. In respect of Valpoi MC, notice under Section 4 of the LA Act has been published in December 2007. In respect of Pernem Municipal Council report under Section 5 A of the LA Act has been forwarded to Government. However, proposal for acquiring the land by Curchorem-Cacora Municipal Council is in progress. The delays were attributable to agitation from the public regarding the selection of sites for garbage disposal.

---

<sup>6</sup> Margao, Marmugao, Ponda, Bicholim, Canacona, Quepem, Sanquelim, Cuncolim, and Mapusa

The last date for setting up of waste processing and disposal facilities as per the Rules *ibid* was 31.12.2003. However, even after a lapse of five years none of the MCs in Goa had implemented the Rules. Though most of the Councils had acquired the land, there is hardly any progress in implementation of the Solid Waste (Management and Handling) Rules, 2000.

### **1.11.2 Jawaharlal Nehru National Urban Renewal Mission**

The Jawaharlal Nehru National Urban Renewal Mission (JNNURM) was launched by the Government of India (GOI) on 3 December, 2005. The Scheme aims at providing incentives to selected cities to undertake institutional, structural and fiscal reforms necessary to improve service delivery systems that are sustainable, enhance local economic performance and bring about transparency and accountability in functioning of the Municipal Authorities. The Mission comprises two sub missions, one for the Basic Services to the Urban Poor (BSUP) and the other for the Urban Infrastructure and Governance (UIG). 63 selected cities/towns in the country including the City of Panaji was selected for implementation of the scheme in the country. In addition, GOI also introduced two more schemes - Integrated Housing and Slum Development Programme (IHSDP) and Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT) under JNNURM in December 2005 for the improvement of the towns and cities other than mission cities covered under BSUP and UIG.

The duration of the above Schemes is seven years from the date of launching. The release of funds by GOI is contingent on preparation of City Development Plans (CDPs), Detailed Project Reports (DPRs) and various reforms to be undertaken by the State Government and Municipal Authorities.

As stipulated in the guidelines, Government of Goa constituted a State Level Steering Committee (SLSC) in February 2007 with 13 members. The Chief Minister was nominated as the Chairperson of the Committee. Government also designated (October 2007) Goa State Urban Development Agency (GSUDA) as the State Level Nodal Agency for the implementation of three schemes (BSUP, IHSDP and UIDSSMT). A Memorandum of Agreement (MoA) was entered in to with GOI in December 2007.

The work of preparation of CDP was entrusted to M/s HUDCO at a cost of Rs.9.79 lakh. The SLSC in its first meeting held in March 2007 suggested some modifications in the CDP for incorporating the poverty alleviation components and the imbursement of city bar and restaurant for the general cleanliness. The SLSC approved (April 2007) the modified CDP and the same was forwarded to GOI in May 2007. Government of India also made some suggestions and the revised CDP prepared by M/s HUDCO for the City of Panaji for Rs.286.55 crore was submitted to GOI in September 2007.

The Central Sanctioning and Monitoring Committee cleared (February 2008) a BSUP project for Rs.10.22 crore with the clear understanding that the DPR for the project would be made available to the Ministry of Housing and Urban Poverty Alleviation (MoHUPA), GOI. MoHUPA approved the above project and sanctioned (May 2008) Rs.4.60 crore as Central share for the project. However, the CCP could not submit the final DPR in the absence of which, the

Central share of Rs.4.60 crore and the State share of Rs.5.62 crore totaling Rs.10.22 crore could not be availed of (December 2008).

CCP also prepared five<sup>7</sup> more DPRs with a total project cost of Rs.52.93 crore. The SLSC decided (January 2009) to constitute sub committees to appraise these DPRs. Accordingly, three sub-Committees were formed in February 2009 and its appraisal reports were awaited. (May 2009).

In respect of the schemes for non-mission cities other than Panaji, guidelines were circulated to ULBs to submit DPRs for the Schemes under IHSDP and UIDSSMT. However, no such DPRs were submitted by the ULBs (May 2009).

Thus, due to delay in preparation of CDPs and DPRs for schemes other than BSUP, the allocated Central share of Rs.6.47 crore and State share of Rs.1.03 crore for the year 2007-08 could not be availed of (January 2009).

## **1.12 Other Topics of Interest**

### **1.12.1 Misappropriation of Cash in the Ponda Municipal Council.**

Rule 37 of the Goa, Daman and Diu Municipal Account Code, 1972 stipulates that the money received by Municipal Council shall be deposited in the bank or treasury not later than the day following the receipt thereof and Rule 44(1) stipulates that the Cash Book shall be closed and balanced daily and be signed by the Chief Officer. At the end of each month, the receipts and expenditure entered in the cash book shall be compared item-wise with the pass book and the balances agreed and any difference should be explained in a footnote in the cash book.

Audit scrutiny (January/February 2009) of the cash book and related records of Ponda Municipal Council (PMC) revealed that cash receipts towards municipal revenues such as rent, tax, fees etc. were not remitted fully into the bank account during the years 2006-07 and 2007-08 as recorded in the cash book resulting in a suspected embezzlement of Rs.40.77 lakh as detailed below:

In the cash book, the opening balance of cash as on 1 April 2006 was shown as 'Nil'. The total cash receipts during 2006-07 as per cash book was Rs.52,51,241 and the total cash deposits during the year was Rs.30,27,253 as per the bank statements (Union Bank of India – Current Account No. 26001) and the total payments out of the cash receipts during the year was Rs.4,08,170. However, the closing balance of cash in hand as per cash book as on 31 March 2007 was recorded as nil, resulting in a shortage of cash of Rs.18,15,818.

Further the total receipts during 2007-08 as per cash book was Rs.61,05,950 and the total cash deposits into bank as per bank statements was Rs.33,18,569 and the total payments out of the cash receipts was Rs.5,17,181. Reckoning the cash payments of Rs.5,17,181 and cash deposits of Rs.38,35,750, the closing

---

<sup>7</sup> Heritage Conservation, Urban Renewal Parks & Gardens, E-Governance including GIS mapping, Preservation of Water Body and Comprehensive Mobility Plan.

cash balance as on 31 March 2008 should have been Rs.22,70,200 whereas it was recorded as Rs.9,168 leaving an unexplained shortage of Rs.22,61,032.

Detailed scrutiny of records revealed that many of the cash deposits, shown in the daily summary statements of cash book, were not at all reflected in the bank statements, leading to a suspected embezzlement of Rs.40.77 lakh during 2006-07 and 2007-08.

Further it was observed that during 2007-08 the daily transactions in the cash book were not attested by any official as a token of verification and no bank reconciliation statements were prepared during the period of suspected embezzlement.

While confirming the above facts and figures (February 2009), the Chief Officer stated that responsibility would be fixed after an enquiry and result would be intimated to audit.

### **1.12.2 Short release of grants in lieu of Octroi amounting to Rs.7.69 crore.**

Upto the year 2000-01 the Village Panchayats/Municipal Councils in the State were levying Octroi on petrol, diesel and petroleum products. In March 2001, the Government of Goa abolished the Octroi and decided to compensate the revenue loss to the Urban Local Bodies/PRI's on this account by increasing sales tax on these products by two percent and allotting this additional tax collection to the Village Panchayats, Zilla Panchayats and Municipal Councils in the ratio 3:2:3.

The allotment of funds towards the compensation in lieu of Octroi for a year was to be made based on the amount of additional sales tax collected during the previous year.

Audit observed that actual collection of additional two *per cent* sales tax/VAT during the years 2005-06 and 2006-07 was Rs.22.55 crore and Rs.24.60 crore respectively. Accordingly, CCP/MCs were entitled for compensation in lieu of octroi amounting to Rs.8.46 crore and Rs.9.23 crore for the years 2006-07 and 2007-08 respectively. However, as against this the DMA released Rs.5.00 crore each during 2006-07 and 2007-08 to the CCP/MCs. Hence there was a short release of Rs.7.69 crore for two years.

### **1.12.3 Idling of tractor towed sweeping machines**

The Goa State Urban Development Agency (GSUDA), the implementing agency for the State Scheme of Integrated Development of Major Towns (IDMT), procured (September 2006) five tractor towed sweeping machines for supply to the five MCs at a cost of Rs.85.93 lakh. GSUDA further procured (October 2006) five tractors at a total cost of Rs.26.19 lakh for towing the sweeping machines. The machines and tractors were delivered to four MCs<sup>8</sup> in November 2006.

---

<sup>8</sup> Panaji Municipal Corporation (two Nos), Margao, Mapusa and Marmugoa Municipal Councils (one each)

Audit scrutiny revealed that two MCs (Margao and Marmugoa) did not use the machines at all and two other Councils (Panaji and Mapusa) could use it sparingly in limited areas for short duration between November 2006 and May 2007. Subsequently the sweeping machines and tractors remained idle due to the following reasons:

- i. Front wheel of the tractor were getting lifted while using the machine in sloppy roads;
- ii. Traffic on the roads had to be stopped while using the machine and could not be used on narrow roads;
- iii. Two operators (one each for tractor and machine) and some labourers were required to be employed for the operation of the machines. The mud collected by the machine had to be carried away in another truck to the dumping site resulting in increase in cost of operation and maintenance; and
- iv. Machine produced lot of noise and could not be used during rainy season.

As the sweeping machine could not be put to use in their area, Margao MC decided (July 2007) to return the machine back to GSUDA and the other MCs were not using the machines although they were in working condition. As the MCs were reluctant to use the machines, GSUDA decided (June 2008) to outsource the sweeping operations in these MCs. Accordingly, GSUDA invited (August 2008) tenders for mechanical sweeping operations using allocated Tractor Towed Sweeping Machines in Mapusa and Marmugoa MCs and CCP for the period of two years. The tender invited in August 2008 was not finalized due to receipt of a single tender and the retendering process initiated in November 2008 was yet to be finalized.

Thus, procurement of five sweeping machines with tractors costing Rs.1.12 crore without working out cost benefit analysis and ascertaining its maneuverability in the respective municipal towns resulted in non-utilization of sweeping machines and tractors since November 2006.

#### **1.12.4 Short recovery of Rs.1.02 crore from the Sopo (Market Fees) Contractors**

Section 251 of the Municipalities Act, 1968 provides that the Council may construct, purchase, take on lease or otherwise acquire any building or land for the purpose of establishing a municipal market and maintain such stalls, shops, sheds, pens and other buildings for the use of the persons carrying on trade or business. Section 257 of the Act further provides that the Council may charge such rents or fees as may be fixed from time to time by it in this behalf from the occupant of the stall, shops etc. The fee so collected is called 'Sopo'. The Council can collect the Sopo charges by engaging their own staff or by awarding contract by invitation of tenders.

A test check in audit revealed that in most cases, the Councils resorted to tender the work of collection of Sopo charges. But the Councils failed to realize the contracted amount from the concerned contractor as shown below:

(Rupees in lakh)

Name of Municipal Councils	Period	Amount due as on 31.03.2008	Remarks
Corporation of the City of Panaji (CCP)	May 2003 to Nov 2005 Apr 2004 to Feb 2005	59.19 <u>5.55</u> 64.74	CCP stated that efforts would be made to recover the amount.
Corporation of the City of Panaji (CCP)	2006-07 & 2007-08	5.73	CCP stated that an amount of Rs.3.82 lakh was collected out of Rs.9.55 lakh and balance of Rs.5.73 lakh was still outstanding (2/2009).
Margao Municipal Council	2003-04 to 2007-08	21.86	The Council stated (June 2008) that no efforts were made to collect the outstanding dues as the Council has not appointed Recovery Officer.
Marmugao Municipal Council	2004-05 2005-06 Total 2006-07	1.20 <u>2.95</u> 4.15 1.27	Demand Notice issued to the Contractor (Shri Rajendra) u/s 146 of Goa Municipal Act. Further action awaited.  Contractor (Shri Devanand Tari) failed to remit Sopo charges of three markets for 11 months from May 2006 to March 2007. An amount of Rs.1.27 lakh after adjusting EMD and initial payment was outstanding. The Council stated that no agreement was entered into and progress in recovery of the dues would be intimated to audit.
Curchorem-Cacora Municipal Council	2006-07 and 2007-08	4.72	While confirming the facts and figures the Council stated that the concerned files of the Sopo defaulters were forwarded to the Municipal advocate to file suit against them.
<b>Total</b>		<b>102.47</b>	

Audit further noticed that security deposits and performance guarantee in the form of cash/bank guarantee have not been insisted upon from the contractors in most of the cases so as to safeguard the interest of the Corporation/MCs. The chances of recovery of the dues are also very bleak as the Corporation/MCs were not having valid agreements with the contractors.

### 1.13 Recommendations

- **The accrual based accounting formats should be adopted by the ULBs.**
- **Action should be taken for compliance of the Municipal Solid Waste (Management & Handling) Rules, 2000.**
- **UCs in respect of grants received from Centre and State should be furnished promptly.**
- **Internal Control Mechanism in the ULBs should be strengthened and Bank Reconciliation Statements prepared regularly.**
- **Contracts should be awarded under proper agreement with adequate security deposit.**