

# CHAPTER VII

## PERFORMANCE AUDIT

### 7.1 INTERNAL CONTROL MECHANISM IN BIDHANNAGAR MUNICIPALITY

#### HIGHLIGHTS

The oversight of the BOC and other statutory committees over the management of the Municipality was not adequate and needed to be strengthened.

(Paragraph 7.1.5.1)

Budget was not adequately used as a tool of financial control. The Municipality had unspent fund of Rs.8.07 crore, some of which had been received as far back as in 2003-04.

(Paragraph 7.1.6.2 & 7.1.6.3)

Cash Book was not written daily. Annual Account for 2006-07 was not submitted to Audit.

(Paragraph 7.1.6.5 & 7.1.6.6)

The Municipality did not have a complete data base of taxes/fees. Under-valuation of three holdings had led to loss of property tax of Rs.9.86 crore upto second quarter of 2005.

(Paragraph 7.1.7.1 & 7.1.7.3)

As on 26 September 2008, property tax, advertisement tax and parking license fee amounting to Rs.30.28 crore were outstanding for collection.

(Paragraph 7.1.7.6)

Advances of Rs.79.60 lakh were directly booked in the final head of expenditure without getting adjustment vouchers.

(Paragraph 7.1.8.1)

Materials worth Rs. 44.51 lakh were purchased during 2005-06 to 2007-08 without inviting tender/ quotations.

(Paragraph 7.1.8.3)

Stock account was not maintained systematically and material valuing Rs.56.24 lakh issued without proper requisition and work orders reference made it difficult for audit to check how the material was utilized. The whereabouts of 12 submersible pumps valuing Rs.18.77 lakh was not known to the Municipality.

(Paragraph 7.1.9.1)

Departmental works worth Rs.31.29 lakh were executed without recording in the measurement book.

(Paragraph 7.1.9.2)

### **7.1.1 Introduction**

The Bidhannagar Notified Area Authority was constituted in April 1989 and was converted to Bidhannagar Municipality in April 1995. The Municipality caters to a population of 1.66 lakh (2001 census) spread over 68 blocks under 23 wards and 5 sectors. The Municipality is responsible for providing better conditions of habitation including supply of quality water, maintenance of roads, street light arrangement, conservancy works, construction and maintenance of drainage and sewerage works etc.

### **7.1.2 Audit Objective**

The objective of audit was to assess whether:

- the internal control mechanism especially in respect of monitoring of receipts, expenditure and accounting was functioning efficiently and effectively, and
- the provisions of Acts, rules and general principles of prudence were being complied with.

### **7.1.3 Scope of Audit and Audit Coverage**

The audit covering the period from 2003-04 to 2007-08 was conducted during August to October 2008 by test check of records of Bidhannagar Municipality. During this period, the receipts of the Municipality ranged between Rs.18.51 crore and Rs.32.22 crore while the expenditure ranged between Rs.18.28 crore and Rs.28.56 crore. An entry conference was held (August 2008) with the Chairman of the Municipality and after completion of audit, the audit observations were discussed (October 2008) with the officers of the Municipality.

### **7.1.4 Audit Criteria and Methodology**

The following audit criteria were used:

- The West Bengal Municipal Act, 1993, the West Bengal Municipal (Financial and Accounting) Rules, 1999 and other relevant Act and Rules;
- Agenda and minutes of management meetings;
- Accounting and administrative instructions of the Government and the Municipality; and
- Terms and conditions of grants sanctioned.

The audit was carried out through a test check of records of the Municipality. Audit queries were raised during the audit and based on the replies to the queries, audit observations have been made. The main audit findings are discussed below.

### **7.1.5 MUNICIPAL GOVERNANCE**

#### **7.1.5.1 Board of Councillors (BOC)**

As per the Section 51 of the West Bengal Municipal Act, 1993, (referred to as the Act, hereafter) the Board of Councillors (BOC) should meet not less than once every month to discuss budget, annual accounts, imposition of taxes, execution of projects/works and any matters devolved to municipality under the Act. If there is no business to transact, the Chairman shall notify the fact to the councillors. The Municipality furnished resolutions of only 28 meetings for the 46 months period from February 2004 to November 2007. Thus, it was not clear

whether the prescribed meetings of the BOC were being held regularly. It was further observed that -

- the resolutions were not maintained chronologically in a separate bound book and the important issues like deviations from expenditure and receipt budget were not there in the resolutions produced to audit.
- agenda was prepared without relevant supporting documents and were not circulated to the members well in advance as required under Rule 11 of the West Bengal Municipalities (Procedure and Conduct of Business) Rules, 1995.
- there was no resolution to show any delegation of power and duties to the Standing Committees as per Section 23 B of the Act.

Due to non maintenance of systematic records relating to remission of taxes, sanction for expenditure and exemption of taxes /fees, audit could not verify the extent of oversight of the BOC as stated in the succeeding paragraphs.

#### **7.1.5.2 Ward Committees and Standing Committees**

As per Section 23 of the Act, each ward of a Municipality shall have a Ward Committee. The Municipality could not furnish minutes of the meetings of any of the 23 Ward Committees, although it was seen from records that Rs.31.13 lakh had been expended for holding these meetings. There were 6 Standing Committees<sup>14</sup> but resolutions books of only two committees, namely, (i) Public Works (PW) and (ii) Finance and Resource Mobilisation (FRM) were furnished. The resolution books revealed that during the period from 21 April 2003 to 19 December 2007 only 5 meetings of the PW Standing Committee and 2 meetings of the FRM Standing Committee were held. The Municipality, however, could not furnish any record showing placement of such resolutions before the BOC for appropriate action.

#### **7.1.5.3 Municipal Accounts Committee**

As per Section 92 of the Municipal Act, 1993, the Municipal Accounts Committee (MAC) constituted by the BOC shall examine the Accounts of the Municipality, Auditor's Reports on the accounts, Special Audit Report and the Physical Verification Report and place the result of examination before the BOC. The Municipality could not furnish any records in support of the fact that the MAC had ever performed these responsibilities.

#### **7.1.5.4 Internal Audit**

As per the Section 91 of the Act, the State Government may by rules provide for internal audit of the day to day accounts of a municipality in such manner as it thinks fit. But the first internal audit for the period from April 2007 to September 2007 was conducted by a Chartered Accountants firm. However, most of the irregularities pointed out remained un-addressed. Internal audit for the period October 2007 to March 2008 was done by the audit team of Directorate of Cooperative Audit, Government of West Bengal; the report was

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<sup>14</sup> (i) Finance and Resource Mobilisation Standing Committee; (ii) Solid Waste Management Standing Committee; (iii) Water Supply Standing Committee; (iv) Health, Education and Urban Poverty Alleviation Standing Committee; (v) Public Works Standing Committee and (vi) Public Health and Sanitation Standing Committee.

still awaited (December 2008). The post audit so conducted did not fulfill the objective of day to day audit of the accounts.

#### **7.1.5.5 Statutory Audit**

The West Bengal Municipal Act, 1993 requires that report of the Statutory Auditor should be placed in a meeting of the BOC specially convened for this purpose along with the recommendations of the Chairman-in-Council (CIC) regarding action taken or to be taken to remedy the defects pointed out in the report.

None of the three Inspection Reports of the Examiner of Local Accounts (ELA), West Bengal, the statutory auditor, for the period from 1989-90 to 2005-06 received by the Municipality in September 1991, July 2005 and July 2008 were placed before the BOC as per available records. The Municipality did not even furnish replies to these reports.

#### **7.1.6 FINANCIAL MANAGEMENT**

##### **7.1.6.1 Control measure not implemented**

As per rule 246 of the Municipal (Finance and Accounting) Rules, 1999, the Chairperson of the Municipality being the elected executive head signs cheques for expenditure as well as approves plans for expenditure in works/procurement etc. The Administrative Reforms Committee had suggested that cheque signing should be vested with Executive Officer and Finance Officer along with one councillor so authorized by the Board so as to give relief to the busy chairpersons after necessary amendments to the Act and the Rules. The desired change is yet to be effected by the Government. The present system of issuing cheque fails to restrict drawing of advances and debiting the amounts drawn to final head of expenditure. The huge funds so drawn were left unadjusted for want of detailed documents in support of actual expenditure.

##### **7.1.6.2 Poor budgetary control**

As per rule 27 of the Municipal (Finance and Accounting) Rules, 1999, the departmental heads of the municipality under the direction of the member in charge of the C-I-C, shall prepare estimated receipt and expenditure in consultation with the ward committees. Audit did not find any record to show that the ward committees were consulted and ward wise plan framed. **Appendix 14** shows that the municipality's estimates of its own resources were 29 to 47 per cent higher than the actual, while the expenditure was 9 to 41 per cent less than the budget estimates during the period 2003-04 to 2006-07. This indicated that budgetary control needed strengthening.

The annual budget estimates were prepared in a routine manner and the budget was not used as a tool to exercise control over expenditure and monitor own resources. A few cases noticed in audit are given below:

- The Municipality has no system of financial concurrence before taking up new work or procurement of material conforming to budget provision and availability of funds resulting in excess expenditure over budget provision. For example, the expenditure of Rs.3.11 crore was incurred against revised budget proposal of Rs.1.83 crore during 2004-05 to 2006-07 but the excess expenditure of Rs.1.28 crore was not regularised by the BOC.

- The estimates of own receipt was not based on past trends. No record was furnished to show that the Standing Committee or the BOC had discussed the variations between the actual and the estimates.
- The Municipality incurred expenditure of Rs.1.31 crore for purposes for which there was no provision in the budget estimates and the scheme and general funds were diverted.

#### 7.1.6.3 Under utilisation of Grant

The Municipality could not utilize the funds received as far back as in 2003-04, but continued to receive further funds. It had unspent balance of Rs.8.07 crore as on 31 March 2008 as under.

( Rupees in lakh)

Head of account	Available balance as of March 2008*	Unutilized amount	Idle since
N S D P	11.59	11.59	2003-04
Urban water supply Scheme	0.49	0.49	2003-04
Census 2001	0.36	0.36	2003-04
S C students	0.71	0.19	2003-04
S T students	0.63	0.63	2003-04
Mid day meal	3.55	3.55	2007-08
State Finance Commission	103.09	47.89	2006-07
Twelfth Finance commission	155.56	41.78	2005-06
Employment generation	89.79	44.81	2004-05
Water logging	7.00	7.00	2006-07
Civic service	434.00	217.00	2006-07
<b>Total</b>	<b>806.77</b>	<b>375.29</b>	

\*These include left over funds as well as fresh receipts.

No reason for the non utilisation of fund was furnished, but audit observed that lack of timely preparation of work plan was one of the reasons.

#### 7.1.6.4 Fund kept in current accounts

According to the Section 68 of the West Bengal Municipal Act, 1993, the C-I-C may invest moneys not required for immediate use. The schemes guidelines also prohibit maintenance of current account in bank. However, the Municipality kept the Municipal Fund in 14 current accounts except the Chairman's Relief Fund. Audit scrutiny showed that during 2004-05 to 2007-08, the Municipality retained huge fund in current account without earning any interest. The minimum fund aggregating Rs.89.66 lakh was available for investment in different spells during the above four years. Keeping the funds idle in the current accounts resulted in loss of interest of Rs.39.81 lakh computed at the rate of 10 per cent per annum compounded annually.

#### 7.1.6.5 Cash book

The Municipality did not maintain up to date cash book and thus the day to day transactions were left unrecorded on the day of occurrence. Therefore, the monthly cash book balances (including bank and treasury) were not readily available and reconciled. The cash book and bank reconciliation for the year

2006-07 was completed only in September 2008. Due to non recording of transaction on the date of occurrence, receipts (Rs.7.66 lakh) and expenditure (Rs.2.90 lakh) were omitted from the entries in the cash book. Similarly, cheques (Rs.2.66 lakh) that were not credited by bank remained unadjusted.

The Municipality had the practice of drawing huge amounts on self cheque. It drew Rs.7.36 crore on 710 self cheques during 2004-05 to 2007-08 to meet expenses on establishment, wages, honorarium to councillors, ward committee meetings and different kinds of advance etc.

#### **7.1.6.6 Annual Accounts**

As per notification dated 5th January 2007, the Municipality was to prepare the annual accounts i.e. Receipts and Payment accounts, Income and Expenditure accounts and Balance Sheet in double entry system from 2006-07 in the format prescribed. The Municipality could not submit its Receipt and Payment accounts relating to the years 2003-04 to 2005-06, in addition to failure to prepare the accounts in double entry format from 2006-07.

#### **7.1.6.7 Refundable security deposits**

The Deposit Ledger showing party-wise details of amount at credit, purpose, date of receipt, adjustment by refund/utilization was not maintained in the prescribed format. Therefore, Audit could not cross check the payment/utilisation of Rs.2.87 crore made during 2003-04 to 2007-08 against the corresponding deposit made earlier.

#### **7.1.6.8 Annual verification of securities**

The Municipality had term deposit of Rs.6.52 crore as of August 2008 as submitted to Audit. A Register of term deposits is being maintained from 2006-07, but annual verification of securities as required under Rule 196 had not been done as yet. Thus, the position of investment/ encashment during the period 2003-04 to 2005-06 could not be checked. The original instruments were also not shown to audit.

#### **7.1.7 RESOURCE MONITORING**

The table below shows the position of own funds of the Municipality for the years 2003-04 to 2006-07.

(Rupees in lakh)					
Year	Property Tax	Advertisement Tax	Rent	Others	Total
2003-04	616.15	76.79	202.34	166.79	<b>1062.07</b>
2004-05	717.25	61.61	145.04	141.09	<b>1064.99</b>
2005-06	640.18	52.96	171.29	221.2	<b>1085.63</b>
2006-07	1362.18	84.14	169.62	343.37	<b>1959.31</b>

There was a steep increase in collection of revenue in 2006-07 due to general revision of property tax. The Municipality raises demand for taxes/rent/fees and collects the revenue from the assesseees through the West Bengal State Co-operative Bank Ltd (WBSCOB). Audit scrutiny revealed several deficiencies in the system of raising demand and collection of revenues, as discussed below:

### 7.1.7.1 Incomplete database of resources

Except the property tax, all other taxes/fees were required to be collected before granting relevant licence/permission as per Section 118 (trade licence) and 122/123 (advertisement tax/fee) or before signing the agreement for parking licence. It was seen that Rs.28.92 lakh remained outstanding against advertisement tax (Rs.23.15 lakh) and parking licence fees (Rs.5.77 lakh) as of September 2008.

The Municipality is yet to have a complete and updated database of demand and collection of taxes/fees. As a result, information regarding periodic collection and outstanding, persistent defaulters, omission in serving demand etc. was not available for audit check.

Of the 1045 trade licenses issued during 2006-07, demand notices were served in only 794 cases, that too during the year 2008-09, reportedly due to failure to transfer the data from the earlier software to the new software.

### 7.1.7.2 Demands and collection not reconciled

Tax/fees/rents collected are to be compared with demand raised for detecting discrepancies and defaults in payment. The Municipality has no system of periodic reconciliation, though required under Rule 69. Audit scrutiny of collection revealed huge discrepancies between the two sets of records as detailed below:

(Rupees in lakh)

Items	Period	Collection as per Collection Department	Collection recorded		Difference
			Amount	Records	
Trade Licence fee	2006-07	17.22	14.62	Budget document	2.60
Market rent	January 2008	5.00	4.92	Bank scroll.	0.08
Property tax	2003-04	581.29	616.15	Budget document	24.86
	2004-05	685.55	717.25	Do	31.70
	2005-06	579.78	640.18	Do	70.40
	2006-07	1078.75	1362.18	Do	283.43

Thus, the differences in collection are indicative of inadequate control/monitoring of collection vis-à-vis demand.

### 7.1.7.3 Irregularities in valuation

Test check revealed undue favour to big holdings and licencees, and deviations from BOC decisions, Municipal Act, and general principles of award, as detailed below -

#### (a) Under-assessment of annual valuation of holdings

Section 106 of the West Bengal Municipal Act, 1993, requires that for the purpose of assessment of property tax, annual value of a holding shall be deemed to be the gross annual rent at which such holding might be reasonably expected to be let less an allowance of 10 per cent for repair and maintenance. If the gross annual rent cannot be easily estimated, only then the annual value has to be

assessed on cost basis<sup>15</sup>. For annual value exceeding Rs.999, the percentage of property tax shall be “twenty (22 prior to October 2002) plus annual value divided by 1000” but not exceeding 30 *per cent* (40 *per cent* prior to October 2002). The BOC had decided to assess annual value at the rate of rent of Rs.25 *per sq.ft* per month for commercial holdings from the year 2000.

Out of 18 files requisitioned, only eight files were furnished to Audit. Their scrutiny revealed that the assessment of annual valuation was made on cost basis for three hotels (Hyatt, Ayash and Sojourn) and on a lower rate of rent of Rs.10 *per sq.ft. per month* for Suraksha Hospital. The total annual valuation of the four holdings was assessed to be Rs.2.04 crore and quarterly property tax was determined at Rs.5.91 lakh. The annual valuation of the above four holdings having an area of 421731 sq.ft stood at Rs.11.39 crore at the rate of rent of Rs.25 per month prescribed by the BOC. The quarterly property tax payable on the holdings amounted to Rs.85.40 lakh at the rate of 30 *per cent* (Rs.113.87 lakh prior to October 2002) as prescribed under Section 96 of the Act. The under-assessment of annual valuation and property tax resulted in loss of property tax of Rs.79.49 lakh (Rs.102.77 lakh prior to October 2002) every quarter. Thus, the under assessment led to a loss of property tax of Rs.9.86 crore up to the second quarter of 2005 for 54 quarters ranging from two to 24 quarters in respective holding. The Municipality did not furnish any reason for contravention of the provisions of the Act.

**(b) Non-availability of records of parking licence fee**

There was no record to indicate whether the Municipality has ever surveyed to identify the total number of parking spaces within its jurisdiction. While awarding (February 2008) parking licenses for the year 2008-09 in respect of 12 locations, five existing locations viz. Prasasan Bhavan to Mayukh Bhavan (Rs.1.35 lakh), Hotel Sojourn (Rs.0.60 lakh), CK Market (Rs.0.81 lakh), Service Road in front of HSBC (Rs.2.87 lakh) and Nicco Park (Rs.9.60 lakh) with revenue potential of Rs.15.23 lakh were not included in the tender to get competitive price. Due to non availability of records it could not be ascertained whether parking licences were eventually issued for these five locations through competitive bidding.

**(c) Display of kiosk etc. - undue favour to private agency**

In May 2007 the Municipality invited rates for 125 model bus passenger sheds and 900 illuminated kiosks in lamp posts for display of advertisement. The highest bidder (Rs.1.66 crore) failed to deposit the requisite fees within due date (23 July 2007), and the Municipality asked the second highest bidder (Rs.1.56 crore) to execute the work for Rs.1.66 crore which they refused. The Municipality then offered the work to the third highest bidder - Karukrit Publicity Pvt. Ltd. at their quoted rate of Rs.1.27 crore without inviting fresh tender. The agency was allowed 180 days to complete the work after which the Municipality would be entitled to receive fees from the agency. But the Municipality allowed extension of four months from April 2008 to July 2008 for reasons not on record, which not only contravened the agreement but entailed loss of revenue of Rs.42.33 lakh for four months at the rate of Rs.1.27 lakh per annum. The agency was also allowed to construct 12 square feet kiosks instead of 6 square feet

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<sup>15</sup> The annual value of a building shall be an amount not less than five per cent, but not exceeding 10 per cent of the value of the holding obtained by adding estimated cost of erecting the building at the time of assessment less the depreciation as per rates provided under Income Tax Act, 1961.



without increase in fees and approval of BOC. The loss could not be ascertained in absence separate rate offered for 900 kiosks.

#### **7.1.7.4 Undue remission of tax and fee**

Test check also revealed arbitrary remission of tax/fees as detailed below:

The Municipality allowed remission of Rs.35.44 lakh being 90 *per cent* of total land tax of Rs.39.37 lakh due from Hyatt hotel for second quarter of 1996 to second quarter of 2002 without any recorded reasons. The remission was in contravention of Section 112 of the Municipal Act which provides that maximum remission of 25 *per cent* may be allowed by a Review Committee constituted by the BOC.

The Municipality allowed remission of advertisement tax at the rate of Rs.10450 per quarter from March 2006 to May 2006 to the advertisement agencies for reasons not on record. In the absence of records showing the number of hoardings to which such remission was granted, the total amount of remission could not be ascertained. As per the list furnished for 2007-08 there were 176 hoardings. The remission of fees for each quarter for 176 hoardings works out to Rs.18.39 lakh at the rate of Rs.10450. The Municipality had not laid down policy to regulate such remissions.

In case of parking licence fee, the Municipality allowed exemption of fees of Rs.2.35 lakh by granting parking licence to an agency for one more year (2007-08) without any fees (collection in the previous year Rs.2.10 lakh) and another agency was allowed to continue with the parking sites without depositing the fees of Rs.0.25 lakh for the remaining period.

The Municipality could not furnish records showing that such remission/exemption was allowed with the approval of the BOC.

#### **7.1.7.5 Demand for property tax not issued**

Test check of Collection Register of property tax relating to the period October 2001 to June 2005 revealed that the Municipality did not issue property tax demand to 75 holdings (private) in 31 blocks for periods ranging from 2 quarters to 16 quarters involving property tax of Rs.1.37 crore although demand bills on other holdings of the same blocks were served.

The abstract of demand and collection of property tax for the year 2006-07 revealed that the Municipality also did not serve property tax bills amounting to Rs.1.45 crore relating to the period July 2005 to March 2007 (demand from April 2007 onwards was pending due to litigation) to 1723 holdings.

The Municipality did not furnish any record relating to issue of demand notice. Test check of collection registers, however, revealed that the Municipality never served demand of property tax though it was due on the first day of a quarter. Similarly, advertisement taxes and parking licence fees payable in advance were also not pursued in time, as would be evident from the table below:

Period of Property Tax	Details of demand served		
	Date	No. of bills	Amount (Rs. in crore)
July 2005 to March 2006	5 December 2005	11981	1.80
April 2006 to March 2007	1 November 2006	18826	10.55

For advertisement tax, the demand for the year 2007-08 was served on or after 11 September 2007 while the demand for the year 2008-09 was not served till 15 September 2008. The position pertaining to the earlier years could not be ascertained for want of records. This pointed to absence of monitoring of issue of demand notice and collection of municipal dues.

#### **7.1.7.6 Outstanding dues not pursued**

Due to absence of complete database of demand vis-à-vis collection, the outstanding property tax, advertisement tax and parking licence fee were not ascertainable. The Municipality furnished a list showing arrears of property tax (up to 30 June 2005) as on 26 September 2008, which showed that arrears of property tax amounted to about Rs.30 crore while the arrears of advertisement tax and parking licence fee amounted to Rs.23.15 lakh and Rs.5.14 lakh respectively.

However, the correctness of the list is doubtful since the Municipality did not maintain complete and updated database. For instance, the Municipality was unaware of outstanding parking licence fee of Rs.0.80 lakh against Nataraj Fee Car Parking Co-operative. Further arrears of property tax (Rs.87.72 lakh) and advertisement tax (Rs.2.90 lakh) were not carried forward to the following years during the period 2003-04 to 2007-08.

The Municipality did not maintain database showing details of shops allotted, allotment reference, measurement and monthly rent for any of 15 markets. The bill register revealed that the total monthly rent receivable from 1243 allotted shops in 14 markets (except FD market) was Rs.2.45 lakh. However, the rent was not collected at regular intervals and the outstanding dues against these shops rose to Rs.41.49 lakh as of August 2008. The arrear included Rs.39.80 lakh due from 242 shops/stalls remaining outstanding for 15 months to more than 12 years.

The handing over of possession of stalls/shops in FD market was started since April 2006 but collection of rent had not been started resulting in accumulation of arrear of Rs.3.32 lakh. The BOC had not prescribed any policy regarding expeditious collection of dues, fixation and periodical revision of rent.

### **7.1.8 EXPENDITURE CONTROL**

#### **7.1.8.1 Booking of advance as final expenditure**

The Municipality booked the amount of advances to final heads of expenditure without getting the expenditure vouchers. Test check revealed that the Municipality paid advance of Rs.79.60 lakh during the period from 2003-04 to 2007-08 but did not maintain detailed subsidiary ledger/advance registers to watch regular adjustment which left no scope for audit to check whether expenditures were made for the purpose for which the advances were given.

#### **7.1.8.2 Weak control over expenditure**

The following cases point to poor control over the expenditure:

The Municipality did not record the date of receipt of electricity bills and also failed to pay the bills in time inspite of getting the bill well in advance. As a result it had to bear additional liability of Rs.11.67 lakh towards surcharge for late payment during 2003-04 to 2007-08 though there was minimum bank balance of Rs.1.86 crore through out the above years excluding the funds lying in the treasury.

The Attendance Sheet of drivers, helpers and others showed that all the contract drivers and helpers for the 10 tippers had performed their duties on all days during the period from 15 June 2008 to 14 August 2008. The log books of the vehicles, however, revealed that some vehicles did not perform journey for 78 days. Thereby the Municipality paid Rs.24699 in excess due to lack of internal check.

Checking of log books revealed that the departmental vehicles were consuming fuel ranging from 4.07 litre per km to 2.7 litre per km during 2003-04 to 2007-08. Moreover, log books of five vehicles revealed that 35024 litres of fuel was issued for journey of 14367 km thereby resulting in alarming mileage of 0.41 *km per litre*. The Municipality did not fix any norm for consumption of fuel for departmental vehicles, indicating absence of measures to plug pilferage of fuel.

The annual maintenance contracts (AMC) for operation and maintenance of street light include supply of certain quantity of spares/materials. The Municipality paid Rs.61.96 lakh to contractors during 2003-04 to 2007-08 for replacement of lamps, chokes, igniters etc. The Municipality also purchased fittings worth Rs.43.92 lakh during the same period and issued to the same contractors. There was no record to check utilisation of new spares/fittings procured by the Municipality and those supplied by the contractors, which made it difficult to verify whether proper controls were exercised in the purchase of spares and payment to the contractors.

The Municipality also did not deduct sales tax and income tax amounting to Rs.12.02 lakh during 2003-04 to 2007-08 from the bills of contractors/suppliers.

#### **7.1.8.3 Materials purchased without invitation of tender**

As per Rule 157 of the West Bengal Municipal (Finance and Accounting) Rules, 1999, all works exceeding Rs.5000 shall be awarded through competitive tenders. When the lowest tenders are not accepted, the reasons for the same shall be clearly stated. The Municipality purchased materials valuing Rs.44.51 lakh during 2005-06 to 2007-08 without inviting tender. Materials valuing Rs.13.86 lakh were purchased by inviting quotations from selected vendors instead of open tender though value of each purchase was more than Rs.3 lakh. The Municipality has no policy in this regard.

### **7.1.9 STORES MANAGEMENT**

Register of works and contractors ledger were not maintained by the Municipality as required under financial rules. Therefore bill-wise and contractor-wise checking in audit was not possible.

#### **7.1.9.1 Deficiency in stores accounting**

The Municipality purchased materials like street light accessories, pumps, pipes, stone chips, bricks etc. for Rs.1.43 crore during 2003-08 and directly supplied to the work site/contractors without operating the stock account/material at site account. Thus, checking of quantity procured and utilised for a particular work and evaluation of closing balance at any point of time was not possible. It was also not ascertainable whether such purchases were based on requisitions with reference to a particular work and properly accounted for. Some instances noticed are detailed below:

- The Municipality did not maintain stock accounts of bitumen and cationic emulsion systematically. It did not furnish records of issue of 214.50 MT bitumen and 13.20 MT cationic emulsion during March 2006 to August 2008 for road repairing works. So, utilisation of the materials valuing Rs.56.24<sup>16</sup> lakh could not be checked in audit. Test check revealed that the cost (Rs.0.58 lakh) of 2.8 MT cationic emulsion issued in excess was not recovered from the contractor.
- The Municipality had six submersible pumps as on 1 April 2003 and procured 29 pumps worth Rs.54.73 lakh during 2003-04 to 2007-08. Out of the total 35 pumps, 14 pumps were utilized in new tube wells sunk during that period leaving a balance of 21 submersible pumps as of 31 March 2008. The Municipality stated to have only 9 pumps at their stock which indicated that they were not aware of the whereabouts of 12 pumps valuing Rs.18.77 lakh.
- Stock account of printed application forms was not maintained, making it difficult to verify whether all forms procured and sale proceeds there against were accounted for. The receipt on sale of forms reduced from Rs.25.60 lakh in 2003-04 to Rs.4.95 lakh in 2004-05 and thereafter continued around that level. The reasons for such decrease could not be checked in audit due to non maintenance of relevant records. Further, the Municipality did not furnish the stock account of printed Money Receipts. Therefore, it could not be verified if Money Receipts were issued chronologically and all the sums collected were accounted for in the Municipal Fund.

#### **7.1.9.2 Measurement books for departmental works not maintained**

The Municipality did not furnish any record/work order for the works executed departmentally during 2003-08 and work wise expenditure could not be ascertained due to non-maintenance of works abstract. Test check of five work-files relating to such works revealed that the Municipality had incurred expenditure of Rs.31.30 lakh on seven departmental works during the year 2007-08. But the details of measurement of the works were not recorded in measurement book, in contravention of rule 150 and 152 of the West Bengal (Financial and Accounting) Rules, 1999. Thus, non-measurement of a work led to non-accountal of addition to asset or quantum of maintenance carried out.

#### **7.1.10 NON MAINTENANCE OF CONTROL REGISTERS/ DATABASE**

The West Bengal Municipal (Finance and Accounting) Rules, 1999 require maintenance of various books of accounts/registers for transparency of the municipal accounts and exercising effective control over the state of affairs. The municipality did not maintain the following vital registers due to which audit scrutiny/checks could not be done as mentioned against each.

<b>Non-maintenance of records and non-exercise of prescribed checks</b>	<b>Reference of authority</b>	<b>Impact in brief</b>
Valuation List	Rule 45	Audit could not check the nature of holdings, assessment and timely collection of tax.
Abstract of Accounts	Rule 206	Correctness of entries made in the Annual Statement of Accounts could not be ensured.

<sup>16</sup> Bitumen at the rate of Rs. 24939/MT & Cationic Emulsion at the rate of Rs 20791/MT.

Unpaid Bill Register	Rule 233	Position of unpaid liabilities could not be ensured.
Register of Land	Rule 268	Municipality's immovable properties would remain out of accounts since no register detailing assets including land in possession was maintained.
Physical verification of Stock & Store Account	Rule 176(1)	Theft, loss and damage, if any, of articles in store remained out of notice.

#### **7.1.11 Conclusion**

The internal control system in the Municipality was not adequate. The financial planning or the budget formulation was not based on inputs from grass root level. The poor control over resource management, expenditure and receivables affected the financial position of the Municipality. Undue remission on annual valuation resulted in evasion of huge amount of property tax. Due to non-maintenance of prescribed records in proper format it was difficult for the Municipality to assess the achievements and also for audit to provide assurance.

#### **7.1.12 Recommendations**

- The BOC should exercise adequate oversight through the administration and active participation of the statutory committees.
- Budget should be based on the inputs from Ward Committees and constituent departments and cash management and preparation of annual accounts should be geared up.
- A comprehensive database of the receivables should be prepared to ensure timely issue of demands and optimum collection of revenue.
- The expenditure is to be incurred only after authorisation by the competent authority. The advances should be closely monitored and adjusted within prescribed time period.
- Materials purchased and issued/utilised should be recorded with proper reference and physical verification should be conducted regularly.

## **KOLKATA MUNICIPAL CORPORATION**

### **7.2 SOLID WASTE MANAGEMENT**

#### **HIGHLIGHTS**

The management of municipal solid waste is the responsibility of the municipality under the 74<sup>th</sup> Constitutional amendment. The Kolkata Municipal Corporation (KMC) has the responsibility of managing about 4000 MT per day of solid waste. A review of the management of solid waste by KMC revealed non-compliance with the Rules issued by the Government of India, with serious implications for health and environmental hazards as briefly discussed below:

The provisions of the Municipal Solid Waste (Management and Handling) Rules, 2000 have not been implemented even 8 years after they came into force.

(Paragraph 7.2.6)

House to house waste collection was not regular and satisfactory. The reducing, recycling and reusing of waste as well as reducing load on transportation and land fill were not achieved due to non-segregation of waste at source.

(Paragraph 7.2.8 & 7.2.9)

Insufficient number of containers and existence of open storage points led to littering and non compliance of the norms for storage safety.

(Paragraph 7.2.10)

Less than half of the existing transportation capacity was being utilised and the cost of transportation was high, indicating inefficiencies in the transportation management.

(Paragraph 7.2.11)

There was uneven deployment of working force and the monitoring staff did not do their allotted duty.

(Paragraph 7.2.12)

KMC did not take any protective measures to prevent adverse effect on the health of the conservancy staff engaged in manual handling of solid waste.

(Paragraph 7.2.13)

Improper disposal system led to contamination at Dhapa site with adverse environmental consequences which were not addressed. No action has been taken to prevent recycling of toxic waste through consumption of agricultural and horticultural produce from the area.

(Paragraph 7.2.14 & 7.2.15)

Absence of processing of waste led to production of green house gas which caused land subsidence and environmental degradation.

(Paragraph 7.2.16)

### 7.2.1 Introduction

Municipal Solid Waste is waste generated by household and consists of paper, organic wastes, metals etc. The responsibility for management of municipal solid waste has been devolved to the municipalities under the 74<sup>th</sup> Constitutional amendment. The Kolkata Municipal Corporation (KMC) Act, 1980 mandates the KMC to manage the solid waste of the areas under its administrative jurisdiction. The Municipal Solid Waste (Management and Handling) Rules, 2000 (MSWMHR) issued by the Government of India apply to every municipal authority responsible for collection, segregation, storage, transportation, processing and disposal of municipal solid wastes. The Twelfth Finance Commission (TFC) while extending special grants to Urban Local Bodies (ULB) emphasized the need for solid waste management and earmarked 50 *per cent* of the grant for this purpose.

The KMC has a population of 45 lakh (Census 2001) spread over 187 sq km with a daily floating population of 20 lakh. The residential population is expected to grow at the rate of 0.4 *per cent* per year<sup>17</sup>. The total road length in KMC area is 3275 km<sup>18</sup> and the total solid waste generation is estimated at 4000 MT<sup>19</sup> per day at an average of 850 gm /capita/day.

### 7.2.2 Organisational set up

KMC has 141 Wards under 15 Boroughs. The management of municipal solid waste under KMC is vested with the Commissioner and is looked after by the Chief Municipal Engineer (SWM) assisted by two Deputy Chief Engineers, four Deputy Directors and three Executive Engineers at the Headquarters. At the field level (borough, dumpsite and workshop), the collection, transportation and disposal of wastes and operation and maintenance of vehicles are managed by the Assistant Directors and Assistant Engineers together with supervisors and majdoors.

### 7.2.3 Audit objectives

The objective of audit was to evaluate the performance of KMC in reusing and recycling the municipal solid waste including creation of commensurate infrastructural facilities with specific focus on the following aspects:

- Whether the planning for development of infrastructure as per provisions of MSWMHR was taken up.
- Whether the solid waste collection was regular and adequate and man power deployed was appropriate.
- Whether segregation was carried out to reduce the load factor and facilitate recycling, reuse and better disposal.
- Whether adequate and safe storage facilities were created.
- Whether adequate transportation was provided.

<sup>17</sup> Ref: The Report of the Master Plan of Solid Waste Management (Vol.I) by Kolkata Environment Improvement Project, KMC ( May,2005 ).

<sup>18</sup> Ref: As above.

<sup>19</sup> Ref: The Report of the Chittaranjan National Cancer Institute sponsored by Central Pollution Control Board, New Delhi.

- Whether processing facilities and proper landfill were developed and aftercare of used landfills was ensured.

#### **7.2.4 Audit criteria**

The audit criteria used for assessing the performance of various activities under the management were as under:

- Functions and powers entrusted to KMC under the KMC Act, 1980;
- The Municipal Solid Waste (Management and Handling) Rules, 2000, and
- Recommendations and guidelines of the Twelfth Finance Commission.

#### **7.2.5 Audit coverage and methodology**

Implementation of the MSWMHR and existing procedures of management of solid waste in KMC were reviewed during October to December 2007 and November to December 2008 through test check of records of KMC headquarter, eight Boroughs, four garages, dumping sites at Dhapa and Garden Reach, State Pollution Control Board, Environment Department and Chittaranjan Cancer Research Institute. Dumping sites and several waste storage points were also visited and photographs taken, wherever required. These have been included in the report.

### **AUDIT FINDINGS**

#### **7.2.6 Implementation status and deficiencies in planning**

Rule 4 of the MSWMHR stipulates the following time schedule for development of infrastructure and services for solid waste management:

<b>Completion criteria</b>	<b>Schedule</b>
Setting up of waste processing and disposal facilities.	By 31 December 2003 or earlier.
Monitoring of performance of waste processing and disposal facilities.	Once in six months.
Improvement of existing land-fill sites as per provision of these rules.	By 31 December 2001 or earlier.
Identification of land-fill sites for future use and making sites ready for operation.	By 31 December 2002 or earlier.

The KMC could not achieve any of the above milestones as of December 2008. KMC did not have any landfill and its application (April 2004) to State Pollution Control Board (SPCB) for authorization for a landfill at Dhapa had been pending for want of necessary documentation (including DPR for house to house collection, segregation, composting etc.) and environment clearance from the Government of West Bengal. No record in support of any progress in the matter was made available by KMC. However, it was learnt from the Environment Department, Government of West Bengal that no proposal for environment clearance for the proposed landfill site had been received till March 2008. It was also noticed that the proposed site falls within the wetland identified for conservation under Ramsar Convention, 2002. Thus, the management of solid



waste did not take off in line with the Rules, even eight years after their coming into effect.

### 7.2.7 Financial management

The year-wise expenditure incurred by KMC towards management of municipal solid waste during 2002-03 to 2007-08 was as under:

(Rupees in crore)		
Year	Revenue expenditure	Capital expenditure
2002-03	130.81	1.63
2003-04	134.17	2.10
2004-05	132.69	0.11
2005-06	134.71	13.55
2006-07	142.53	16.42
2007-08	159.33	2.05
<b>Total</b>	<b>834.24</b>	<b>35.86</b>

Out of the capital expenditure of Rs.35.86 crore, Rs.33.81 crore was utilized for constructing unloading platform at dumping site, improvement of the approach road and procurement of tipper trucks, dumper placers and containers for improved transportation and storage of solid waste.

### 7.2.8 Irregular collection of solid waste

The Schedule II to the Rules prescribes the criteria for collection of solid wastes, organizing house-to-house collection and devising collection of wastes from slums, hotels, slaughter house, market place etc.

Test-check of records of eight boroughs<sup>20</sup> revealed that house to house collection service was not provided on a collective stretch of 106 km in four wards<sup>21</sup>. Regular service was also not provided along Sashi Bhusan Dey Street, 70 bastis in Prem Chand Baral Street of Borough V and Arupota, Khanaberia and Kacharipara areas of Borough VII. In Borough IV, 45 *per cent* houses remained unattended while the service was provided only thrice a week in 11 wards<sup>22</sup> even though contractors had been engaged for daily collection. The collection was carried out on alternate days on a stretch of 25 km in Ward-99 and 27 km in Ward-100. In some Boroughs (XIII, XIV and XV), the long distances between primary collection points and the vat points hampered the garbage collection.

Owing to non-collection of solid waste on regular basis, the waste remained in the open vats for considerable time which led to littering and attracted stray animals causing health hazards. This violates the compliance criteria stipulated in schedule II of the Rules, which prohibits littering.

<sup>20</sup> Boroughs IV, V, VII, X, XII, XIII, XIV and XV.

<sup>21</sup> 19.5 km road (W-106), 15.7 km (W-107), 23.8 km (W-108) and 47 km (W-109).

<sup>22</sup> Wards 115, 122, 123, 126, 128, 131, 137, 138, 139, 140 and 141 under borough XIV and XV.



*Stray animals and birds moving around waste storage facility  
Borough X, Prince Anwarshah Road: 21 March 2009 at 10.15 am*



*Littering of waste along road side  
Borough X, Lake Gardens: 24 March 2009 at 10.30 am*

In Borough XII and XV, contractors were engaged for collection of solid waste on road length of 150 km and 133 km respectively while the serviceable road length in these boroughs was only 133 km and 102 km.

#### **7.2.9 Non segregation of waste at storage point**

Segregation means separating the solid waste into groups of organic, inorganic, recyclables and hazardous wastes. The recyclables are directly transported to the processors for producing new products, which helps in reducing the load of solid waste. The waste if not segregated at source causes hazards to the environment.

In 2003, KMC under Kolkata Environment Improvement Project (KEIP) conducted a survey which indicated that 30 per cent of garbage generated was recyclable, 45-50 per cent was compostable and the remaining 20-27 per cent was inert. However, no steps for source segregation of waste into biodegradable, recyclable and inert wastes had been taken up in any Borough or even in commercial and institutional premises, as required under serial no. 2 of Schedule

II of the Rules. Mass awareness programme for motivating people for segregation of waste at source was also not organised in accordance with the provision of Schedule II of Rules.

### 7.2.10 Inadequate and improper storage

The KMC has no record of any formal assessment of the requirement of location-wise storage capacity as required under serial no. 3 of Schedule II of the Rules. Although the Rules require provision of such stores so that the waste is not exposed to atmosphere, more than 58 per cent of the storage points were open vats. As of 31 March 2008, the Corporation had 297 containers and 419 open vats/spots; however, the register of vats/spots did not give details of their size and capacity.



*Open waste store on road invaded by scavengers  
Borough:IV, Mechua, Barabazar: 22 December 2007 at 11.30 am*

### 7.2.11 Inefficiencies in transportation of waste

Test check of records for the month, March 2007 revealed that out of 76 containers under Jadavpur unit (Borough XI and XII), only 20 were lifted daily. Similarly in South Suburban unit, only 23 out of 49 containers under Borough XIII and XIV were lifted daily. Thus, on an average 82 containers remained unattended daily in these areas. Twenty nine open vats under boroughs IV, VII and X were without any boundary walls. The management stated (April 2008) that a few new containers could not be placed due to scarcity of space and public protest.

While the storage facilities were not being attended daily for clearing of waste, as required under the provisions of serial no 4 of Schedule II of the Rules, the KMC was using less than 50 per cent of its transportation capacity as shown in the following table.

Types of vehicle	2004-05			2005-06			2006-07			2007-08		
	Avai lable	Ply ing	Utilisa tion (%)	Avai lable	Ply ing	Utilisa tion (%)	Avai lable	Ply ing	Utilisa tion (%)	Avail able	Ply ing	Utilisa tion (%)
Tipper truck	99	55	56	97	56	58	106	51	48	106	51	48
Dumper placer	78	43	55	79	43	54	140	46	33	140	46	33
Tractor	15	7	47	15	7	47	15	7	47	15	7	47

Despite the fact that KMC had purchased dumper placer, pay-loader etc. worth Rs.25.74 crore during 2002-03 to 2007-08, the table shows that only 33 to 58 *per cent* of these vehicles were in operation in the last four years. In fact, the percentage of tipper trucks in operation had come down from 56 in 2004-05 to 48 in 2007-08, while the percentage of dumper placers in operation had declined from 55 to 33. The vehicles were in a plyable condition and KMC had sufficient staff to operate them.

Against 78 dumper placers available as of March 2005 only 43 to 46 were in operation. Again 62 dumper placers were procured in 2005-06 at a cost of Rs.6.70 crore. Thus, in 2006-07 the number of dumper placers should have been 140. However, records showed only 119 dumper placers i.e. whereabouts of 21 dumper placers were not on record. KMC stated (April 2008) that the vehicles were lying in the garages but no record like stock register etc. in support of the statement was furnished for verification.

The daily amount of waste transported to the two dump sites at Dhapa and Garden Reach through own vehicles and private transporters and the cost incurred in the last four years are shown in the following table:

	2004-05		2005-06		2006-07		2007-08	
	Own	Private	Own	Private	Own	Private	Own	Private
MT/day	1072	1739	1166	2085	1261	1947	1114	2477
Cost (Rs. in crore)	13.44	9.48	13.33	9.99	14.25	10.97	16.38	15.33
Cost/ MT (Rs. in lakh)	1.25	0.55	1.14	0.48	1.13	0.56	1.47	0.62

The cost of transportation by the Corporation was more than two times that of the private agency. The Corporation utilized only 33 to 58 *per cent* of its transport capacity. The optimum utilization of available infrastructure of KMC would increase its carrying capacity by 67 to 42 *per cent* bringing down the cost almost at par with that paid to the private agencies. Non-segregation of waste at source, responsible for added load on transportation, also resulted in higher cost.

#### **7.2.12 Imbalance in deployment of work force**

The Corporation had 9866 staff as on 31 March 2008 for collection of solid waste. As per norms prescribed in the Manual on Municipal Solid Waste Management, the Corporation had a surplus of 2831 cleaning staff.

The deployment of cleaning staff was uneven. There were 26 cleaning staff *per 10 km* in Borough I to IX and 49 cleaning staff *per 10 km* in Borough X to XIV. A comparative study of different localities indicated that the number of cleaning staff *per 10 km* varied between 13 and 85, which created overstaffing in some Boroughs and understaffing in others. In Borough XV, 313 cleaning staff were in position despite the fact that the total collection work had been entrusted to contractors. The deployment of the staff and the record of activities performed by them were not furnished to audit.

KMC stated that the number of cleaning staff (Mazdoors) was actually inadequate, considering the total road length of 6000 km under KMC area.

However, no supporting document was available to show that the road length was 6000 km and not 3275 km recorded in the Master Plan.

KMC deployed more than a thousand supervisory staff during 2004-05 to 2007-08 as under:

<b>Supervisory staff</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>
Supervisors	24	24	22	22
Overseers	263	287	273	273
Sub-overseers	801	750	706	706
<b>Total</b>	<b>1088</b>	<b>1061</b>	<b>1001</b>	<b>1001</b>
<b>Expenditure</b> (Rupees in crore)	11.27	11.53	12.26	12.26

The deployment of such large number of staff with reference to work load and the norms thereof were not produced to audit. The monitoring mechanism in the form of daily/weekly report, by the supervising officials on the performance of the field staff on collection of garbage, attendance of mazdoor and addressing of public complaints was not in existence. Signature of the Sub-overseer in the space provided in the trip card was not available in case of departmental vehicles as a result of which the confirmation of whether the trips were actually made could not be cross-checked.

Complaint Register for recording grievances regarding cleaning of garbage was maintained only in 15 ward offices of four<sup>23</sup> boroughs test checked and 19 wards had no office. The day to day activities in those wards were organized through borough offices.

#### **7.2.13 Safety measures for conservancy staff not adequate**

As per Schedule II to Rule 6 of the Rules, manual handling of waste is prohibited. If unavoidable, manual handling should be carried out under proper precaution with due care for safety of workers. In KMC, the waste is handled manually without any protective gear like gloves, masks, etc. No medical check-up of the conservancy staff engaged in collection, loading and unloading of waste was ever conducted.

#### **7.2.14 Improper disposal system**

KMC dumps more than 98 *per cent* (3000 tons per day) of the collected solid waste at Dhapa, and the balance at Garden Reach. Dhapa is located within the East Kolkata Wetlands, an internationally recognized wetland under the Ramsar Convention<sup>24</sup>, 2002. This site is being used as dumping ground for solid waste long before the declaration of the area as wet land of international importance under the Ramsar Convention and the MSWMH Rules, 2000 came into force. KMC applied to SPCB for construction of landfill at this site but it was not authorized by them. The waste is not segregated into biodegradable, recyclable and inert materials and is dumped indiscriminately. The dumping ground has no more space and the heaps have already attained alarming height of more than 22

<sup>23</sup> One in XII, five in XIII, six in XIV and seven in XV.

<sup>24</sup> The East Kolkata wetlands, situated in the eastern fringe of the city of Kolkata was declared as Ramsar Site in 2002, in consonance with the Convention on Wetlands held in Ramsar, Iran, in 1971 to which India was a signatory.



meters with distinct risk of collapse and the associated adverse environmental consequences.



*Untreated dumped waste at Dhapa threatening the environment*

There is no arrangement for checking the amount of methane, leachate and underground pollution level. A part of the leachate is absorbed in the waste and ground and the rest is collected in open drain which is discharged into water body / open drainage channel without being treated. The ground water and the ambient air has not been tested at any time during the last three years. Thus the compliance criteria stipulated at serial no. 5 and 6 of Schedule II of the Rules in respect of processing and disposal of municipal solid waste were not met.

#### **7.2.15 Contamination at Dhapa dump-site**

A report (2004-05) of the National Cancer Research Institute (NCRI) sponsored by the Central Pollution Control Board, New Delhi indicated high bacteria level around the dumpsite, canals and the vegetables grown in surrounding areas bore alarming levels of lead and chromium. No steps have, however, been taken to stop production & consumption of such vegetables, posing serious threat to public health.

According to Environmental Pollution Control Journal<sup>25</sup>, methane has 21 times more warming potential than that of carbon-di-oxide. The emission of methane from solid waste dumped by KMC is of the order of 63.23 thousand ton per year, the carbon di-oxide equivalent of which is 13.28 lakh ton. KMC has not initiated any action to address this alarming situation by processing biodegradable materials to arrest formation of methane.

#### **7.2.16 Impact analysis**

##### **7.2.16.1 Inadequate collection and transportation**

As per the NCRI report, KMC has daily accumulation of 4000 tons of solid waste, of which on an average 3208 ton is transported daily, leaving a large amount of solid waste unattended. Due to inefficient transport management, the collection remains inadequate resulting in environmental pollution.

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<sup>25</sup> Vol-8 No.1, November-December 2004 publication.

### 7.2.16.2 Health hazards to Conservancy staff

The Report *ibid* also noted that the conservancy staff engaged in collection, loading and disposal of waste in KMC were suffering from an array of respiratory, gastrointestinal, dermatological, hematological, immunological and neurobehavioral problems, genotoxic changes attributable to their nature of occupation and lack of proper protective measures and safety. However KMC did not initiate any protective measures recommended in the Report.

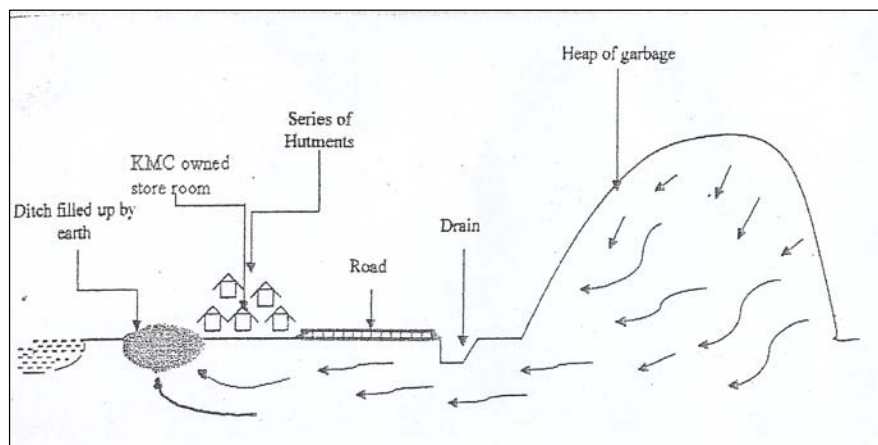
### 7.2.16.3 Land subsidence at Dhapa disposal site

There is no plant or arrangement at the Dhapa dumpsite for processing and final disposal of waste or any system of reducing the load. A portion of the dump site subsided on 23 April 2006 resulting in bulging up of a flat land including a motorable pavement, linear cracks across the road and severe damage to the newly constructed surface drain and storeroom.



#### *Gases from untreated waste created cracks and environmental hazards*

A four member Committee, constituted by KMC to investigate the reasons and recommend measures to stop such occurrence, inspected (10 May 2006) the area. The Committee reported (22 May 2006) that it was due to a localized pressure bulb created under the affected landfill site as depicted below:



*Movement of gases*

The audit team visited the Dhapa dumping site along with Executive Engineer in charge of the site in October 2007 and witnessed that certain area in Makaltala village (having a population of 450) on the northern side of the dumping site had already bulged up to one and half feet posing severe threat to environment and safety in general and inhabitants of the area in particular.

#### **7.2.17 Conclusion**

There were serious deficiencies in the solid waste management by the KMC. The existing system of collection and disposal of waste was inadequate and inefficient. The compliance with the Rules had not been achieved in many years after their target dates. No system was in place for segregation of waste at the source and KMC had been unable to provide for an environment friendly landfill. No efforts had been made to address the environmental problems created by the existing dump-site at Dhapa.

#### **7.2.18 Recommendations**

- The Solid Waste (Management and Handling) Rules, 2000 in regard to segregation of waste, closed containers, processing and disposal should be fully complied with.
- Survey should be conducted to assess the close containers requirement and action taken to stop open storage of solid waste.
- Close monitoring of utilisation of the transportation capacity is of utmost importance; steps should be taken to remove the inefficiencies in capacity utilization.
- Speedy construction of scientific landfill of inert materials should be done.
- The present dump-sites should be regularly inspected and steps should be taken to protect the underground water level from contamination and methane gas formation.
- Recycling of toxic material through agricultural and horticultural produce must be prevented.
- Protective measures for the persons engaged in handling the waste should be implemented.
- Periodic monitoring of leachate and contamination of atmosphere and ground water need be done as per Rules.



## 7.3 CAR PARKING PROJECTS ON PPP BASIS

### HIGHLIGHTS

The contract for multi-level car parking systems at Rowdan Street and Lindsay Street including shopping mall at Lindsay Street were awarded to a private company on Build Own Operate & Transfer (BOOT) basis without any open competitive bid.

(Paragraph 7.3.2.1)

KMC agreed for five per cent of gross revenue of the parking zones and 10 per cent of profit if net profit persists for three consecutive years without considering prevailing revenue and investment involved.

(Paragraph 7.3.2.2)

The sharing pattern of return was not revised despite substantial increase (214 *per cent*) in working area and addition of shopping mall in the most important commercial site with higher economic potentiality.

(Paragraph 7.3.2.3)

Though the projects were on BOOT basis without cash investment in any form by KMC, the contractor was paid an interest free loan of Rs.3.00 crore out of the State Government grants meant for revenue gap resulting in loss of Rs.3.53 crore towards interest.

(Paragraph 7.3.2.4)

Out of 200 shopping outlets at Lindsay Street project, 142 outlets were leased to the intended buyers by the private partner for premium of Rs.24.66 crore. KMC even after investment of land valuing Rs.29.14 crore did not receive any share of the premium.

(Paragraph 7.3.2.6)

Non-registration of the agreements/lease deed duly stamped, deprived the State Government of stamp duty of Rs.2.04 crore

(Paragraph 7.3.2.7)

Unauthorised operation of street parking in the zone of influence of both the projects and about one-third of fees charged by the unauthorized operators added to the roadside congestion defeating the very objective of the projects.

(Paragraph 7.3.2.8)

#### 7.3.1 Introduction

Kolkata Municipal Corporation (KMC) undertook two multistoried car parking projects on Public Private Partnership (PPP) basis at Rowdan Street and Lindsay Street which started functioning in November 2001 and April 2007 respectively. The projects taken up on *Build Own Operate Transfer* basis were selected for audit review. The audit was conducted during September - December 2008 to check whether:

- the projects were taken up after proper feasibility study and cost benefit analysis;
- general principles of contract were followed;

- public interest was protected; and
- the objectives of the project were fulfilled.

The audit findings are discussed below.

### **7.3.2 Audit Findings**

#### **7.3.2.1 Contract awarded without open bid**

Based on an audio-visual presentation (9 September 1999) by a private party, Simplex Projects Ltd. (SPL), the Mayor ordered (10 September 1999) constitution of a committee comprising former Principal Engineer (Traffic and Transportation), Government of West Bengal as Chairman and Chief Municipal Engineer (Planning and Development), KMC and Controller of Municipal Finance and Accounts, KMC to explore the possibility of installation of multi-level car parking system. However, the Mayor-in-Council (MIC) resolved (7 October 1999) in favour of installation of the car parking system at Humayun Place and Rowdan Street on KMC land even before the Committee submitted (14 October 1999) its report. The resolution of the MIC was not placed before the BOC for approval though it involved transfer of public asset. The projects were awarded (November 1999) to Simplex Projects Ltd. without any open competitive bid.

#### **7.3.2.2 Deviation from Committee's recommendations**

The Committee submitted its report on 14 October 1999 with the following main recommendations:

- KMC would provide the road space at a minimal rate along with the permission to construct, build and commercially operate the parking facility for 20 years.
- KMC would not provide any commercial space within *Parkomat*<sup>26</sup> or away from *Parkomat* at any site except the right for commercial advertisement within the existing guideline/ practices of KMC.
- KMC would also have to prohibit on-the-street parking in the zone of influence where this parking facility would be set up in order to make the projects viable.
- The private partner would install, maintain and operate the *Parkomat* for 20 years at their cost and pay to KMC five *per cent* of the gross annual revenue earned from parking. If there are profits after meeting the loan service, operation and maintenance costs in any of the year, the promoter would pay 50 *per cent* of this additional profit to KMC as bonus.

Documents/working papers on the basis of which the revenue-sharing was recommended, were not made available to audit.

Audit analysis revealed that many of the recommendations of the Committee were overruled while entering into agreement as detailed below:

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<sup>26</sup> Car parking place.

- The private partner was allowed to build commercial outlets at Lindsay Street without sharing of lease premium. Commercial advertisement on the *Parkomat* was allowed at Rowdan Street; other commercial activity would be granted for the sake of viability subject to written approval of KMC.
- The sharing of net profit was brought down to 10 *per cent* from recommended rate of 50 *per cent*; that too subject to the condition that there was profit in three consecutive years.

Thus, deviation from the recommendations of the Committee by allowing construction of commercial space on *Parkomat* and reduction in share of net profit with attached condition of three consecutive year's profit undermined the interest of KMC.

#### **7.3.2.3 Expansion in scope of work for the benefits of the private partner**

The agreement was executed on 8 November 1999 to develop and construct a multi-level car parking system at Humayun Place (772 sq.m) and Rowdan Street (1268 sq.m). The agreement signed by the Municipal Commissioner was not registered. Subsequently, in October 2002 KMC decided to shift the second parking from Humayun Place to Lindsay Street on the ground that the parking system at Humayun Place would not accommodate more than 110 cars and the parking load was very high around the New Market area (Lindsay Street). The private partner was handed over (4 March 2003) a much bigger area (3600 sq.m) at Lindsay Street for which a fresh agreement was executed on 21 October 2002. The change of site from Humayun Place to Lindsay Street increased the working area by 214 *per cent* from that originally agreed to and added more important commercial site with higher economic potentiality. Despite increase in area and economic importance, sharing pattern of return was not revised. The agreement was signed much before the approval of the proposal by the BOC (30 November 2002) on the ground that the MIC felt the project had to be completed within a short time.

#### **7.3.2.4 Undue benefit to the private party**

The original agreement for Rowdan Street and KMC rules did not contain any provision for any payment to the private partner. However, the partner intimated (April 2000) KMC regarding difficulty in mobilizing fund for the project. Inability to mobilize fund indicated poor financial status of the partner which was not given due consideration before awarding the projects. In response, KMC paid an interest free loan of Rs.3 crore to SPL through an additional agreement (20 December 2000) diverting State Finance Commission grant meant for revenue gap. As per the agreement, the private party was to furnish statement of expenditure of such advance and a bank guarantee of Rs.1.00 crore valid for the construction period against the advance. The guarantee thus did not cover the risk against repayment. The loan was paid between January 2001 and November 2001 without fixing any repayment schedule. The accrued loss of interest to KMC worked out to Rs.3.53 crore (at the rate of 10 *per cent* per annum compounded quarterly). Despite the objection of the State Government (July 2001) on diversion of the fund, no action had been taken by KMC to effect recovery. After the matter was raised in Audit, KMC in March 2009 wrote to SPL to return the amount. The SPL did not make any repayment till April 2009.

The second agreement of October 2002 gave the private partner right to construct a mall on the Lindsay Street site. According to the fresh clauses, the private partner would have the right to enter into lease agreements with the prospective lessees of the commercial outlets in the mall for a period of 60 years renewable in blocks of 30 years. The agreement provided that the lease deeds for the shopping outlets would be signed by KMC. The private partner would sign as confirming party and would have the right to collect the premium. KMC would be entitled to collect only the secondary basic rent. The agreements provided ownership to SPL for 20 years in respect of the *parkomats* whereas the ownership of the shopping outlets (to the respective lessees) was valid for 60 years. There was no clause regarding responsibility of maintenance of the commercial outlets. Thus, instead of safeguarding public assets and interest, the provisions in the agreement paved the way for benefits exclusively to the private partner.

#### **7.3.2.5 Building plan was not sanctioned**

The building plans of both the projects were not submitted to and sanctioned by the Municipal Building Committee (MBC) as per Rule 35 and 36 of the CMC Building Rules, 1990. As a result there was no assurance regarding the structural design and fire fighting arrangement, thus severely compromising public safety. Further, non-processing of the building plan through KMC caused huge financial loss towards sanction plan fees which could not be assessed for want of details of building plan and area covered there under.

#### **7.3.2.6 Extension of all financial benefits to private partner**

The agreement did not have any clause allowing KMC to have access to the records of the day-to-day operation of the projects and the revenue earned from the *parkomats*. The details of the number of cars parked daily in the *parkomats* could not be made available by KMC. No means or systems to ascertain the gross revenue of the project to determine the agreed share was provided in the agreement. Even in respect of Lindsay Street project no provision was made for submission of financial and performance records to KMC.

The private partner constructed a mall having about 200 commercial outlets on the *parkomat* at Lindsay Street against 128 outlets shown in the site plan. KMC invested Rs.29.14 crore being the prevailing cost of land provided for the *parkomat* and the shopping mall at Lindsay Street. The partner has already leased out 142 outlets to the intended buyers during September 2006 to April 2008 and earned premium of Rs.24.66 crore from the lessees. There was no provision in the agreement for sharing the premium so received. KMC was entitled to secondary basic rent from the lessees of the commercial outlets in the mall. KMC fixed basic rent at Rs.60 per sqm per quarter but did not furnish the analysis of the rate so fixed. Even the rent was not realized and the outstanding rent for 2200 sqm stood at Rs.10.56 lakh for the period from April 2007 to March 2009. KMC had not executed lease deed with the allottees of the shops.



### **Commercial outlet within the Lindsay Street Project**

The shopping malls at the most prime commercial locality of the city (Lindsay Street) involved investment of land costing Rs.29.14 crore by KMC and also interest free loan of Rs.3.00 crore. The private partner has been allowed the entire lease premium disregarding the investment made by KMC and the responsibility of maintenance of the asset for initial period of 60 years.

#### **7.3.2.7 Stamp Duty avoided**

In violation of Indian Stamp Duty Act, 1899 (entry no.5 of Schedule 1A of Section 3), the agreements transferring ownership of projects were not registered. The long term transfer of lands valued at Rs.29.14 crore (according to KMC's schedule of rates) attracted stamp duty of Rs.2.04 crore at the prevailing rate of 7 per cent ad valorem. Thus, non-registration of the agreements/lease deed deprived the State Government of the duty to the tune of Rs.2.04 crore.

#### **7.3.2.8 Performance of the projects**

Feasibility report, if any, prepared prior to launching of the two projects with the estimated number of cars to be accommodated was not available. However, it was ascertained from the records that 475 cars (Rowdan Street:195 and Lindsay Street:280) could be accommodated at a time in these two projects. A test check of records of SPL for 12 months revealed that on an average only 360 cars (Rowdan Street: 163 and Lindsay Street: 197) were parked daily.



*Car Parking space remain unutilized at Rowdan Street and Lindsay Street*

The shortfall was due to the inability of KMC to enforce ban on street parking in the zone of influence of both the projects as stipulated in the agreement. Audit investigations revealed that other unauthorized private agencies were operating within the zone of influence of the projects and were charging a fee of Rs.7 per hour per car against Rs.20 charged by SPL in the projects. But KMC did not earn any revenue against those unauthorized collections in the zone of influence. This served as disincentive for parking cars within the two *parkomats* and added to the roadside congestion on both the sites, defeating the very objective of the projects.



*Unauthorized car parking within the zone of influence of Rowdan Street and Lindsay Street Projects*

KMC also could not show any clearance from the Government of West Bengal regarding satisfactory fire protection installation in respect of Rowdan Street Project.

The financial performance for the *parkomats* was also not encouraging. Against the dues of Rs.15.59 lakh (five *per cent* of gross revenue) for the years 2001-08 on car parking in both the projects, KMC so far received only Rs.1.42 lakh. Apart from this an investment of Rs.29.14 crore and interest free loan of Rs.3.00 crore was also made on these *parkomats*. It did not receive any share of profit which was linked to continuous profit in three consecutive years.

#### **7.3.2.9 Conclusion**

Audit evidence indicated that the parking projects were taken up without following transparent competitive procedures. The agreements provided favourable treatments to the private partner rendering undue financial benefit in the form of interest free loan and the entire premium of commercial outlets of the mall. The financial interest of KMC and public safety *vis-a-vis* structural soundness and fire safety measures were not safeguarded. The projects also failed to achieve the objective of easing traffic congestion in the project areas and adding to the revenue stream of KMC. The private partner was the only beneficiary in the whole process.

#### **7.3.2.10 Recommendations**

- The agreements should be reviewed mutually with regard to sharing benefits by both the sides on the proportion of investment made both in cash and kind.

- Mechanism for periodical inspection of maintenance of assets by the private partner, performance of the projects and the accounts by KMC should be put in place.
- The sharing of premium against the shopping malls should be reviewed and incorporated in the agreement considering the proportionate investment in the form of land contributed by KMC.
- The loan paid to the private partner beyond scope of projects on BOOT basis should be recovered immediately with interest accrued thereon.
- Penal clause for deviation from agreement to be incorporated safeguarding the interest of KMC.