



सत्यमेव जयते

**Report of the  
Comptroller and Auditor General of India  
on  
Local Bodies  
for the year ended 31 March 2015**



**Government of Maharashtra**  
Report No. 5 of the year 2016

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

**on**

**LOCAL BODIES**

**for the year ended 31 March 2015**

**GOVERNMENT OF MAHARASHTRA**

**Report No. 5 of 2016**



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## **PREFACE**

This Report for the year ended March 2015 has been prepared for submission to the Governor of Maharashtra under the CAG's DPC Act, 1971.

The Report contains significant results of the audit of the Panchayati Raj Institutions and/or Urban Local Bodies in the State including the departments concerned.

The issues noticed in the course of test audit for the period 2014-15 as well as those issues which came to notice in earlier years, but could not be dealt within the previous Reports have also been included, wherever necessary.

The audit has been conducted in conformity with auditing standards issued by the Comptroller and Auditor General of India.



# *OVERVIEW*





## OVERVIEW

This Report comprises of five chapters under two sections. Section A includes two chapters containing observations on Accounts and Finances of Panchayati Raj Institutions and one transaction audit paragraph. Section B comprises of three chapters containing observations on Accounts and Finances of Urban Local Bodies, one performance audit on Prevention and control of fire by selected Municipal Corporations and two transaction audit paragraphs. A summary of major audit findings is presented in this overview.

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

The allocation from total revenue of the state to Panchayati Raj Institutions showed a marginal decrease from 15.93 *per cent* in 2010-11 to 14.70 *per cent* in 2014-15. The total allocation to Local Bodies during the same period also showed a marginal decrease from 21.16 *per cent* to 18.75 *per cent* as against 40 *per cent* recommended by the Second Maharashtra State Finance Commission. There was a delay of more than three and two years in finalization and publication of annual accounts of 2011-12 and 2012-13 respectively. Further, the annual accounts of 2013-14 and 2014-15 were yet to be finalized.

The State Government has not amended (December 2015) The Maharashtra Zilla Parishads and Panchayat Samitis Account Code, 1968; and The Bombay Village Panchayat (Budget and Accounts) Rules, 1959; and The Maharashtra Gram Panchayat Accounts Code, 2011. As a result, accounts in the formats recommended by the Comptroller and Auditor General of India were not being maintained by any of the Zilla Parishads.

The Public Accounts Committee discussed 22 paragraphs related to Panchayati Raj Institutions and made 27 recommendations (up to December 2015) on eight paragraphs pertaining to Audit Reports 2005-06, 2006-07 and 2007-08. Action Taken Notes in respect of all the 27 recommendations were pending (April 2016).

*(Paragraphs 1.5, 1.8.4, 1.8.5 and 1.10.5)*

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

The planning for implementation of Scheme for Development of Scheduled Caste and Navboudha Wastis in Maharashtra was deficient. The format for preparation of master plans, showing details of wastis indentified for development and the financial entitlements of the wastis, was not uniform. The priority list of wastis for the purpose of release of grants was also not prepared, resulting in denial of benefits of the Scheme to large number of needy wastis. The population of Scheduled Castes and Navboudhas considered in the master plans was significantly higher than that indicated in the census data, resulting in allocation of excess grants to number of wastis over entitlements.

While there was delay of one to six months in release of grants by Social Justice and Special Assistance Department (SJSA) to eight selected ZPs, the ZPs did not release the grants to the PSs fully and had significant unspent

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balance of ₹ 288.14 crore during 2010-15. Fifteen *per cent* of the works sanctioned in eight selected ZPs during 2010-14 registered a delay of one to three years from the stipulated dates of completion primarily due to delay in release of grants to ZPs.

Though the Scheme stands transferred to the ZPs from November 2000, SJSA in 2013-14 irregularly released ₹ 309.68 crore to the State PWD for execution of various developmental works in the notified wastis. Monitoring of the Scheme at the Department and field level was weak. The Department also did not conduct any impact assessment or evaluation of the Scheme. Geographical Information System mapping of notified wastis was not done.

*(Paragraph 2.1)*

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

The total receipts of 26 Municipal Corporations in the State during 2014-15 was ₹ 43,355 crore which was higher by eight *per cent* over the previous year. The major contribution in total receipts was from rent and taxes (49.93 *per cent*) and other income (43.45 *per cent*). Only 34 of 238 Municipal Councils could maintain accounts in Double Entry Accounting System till 2013-14. Audit of all the 26 Municipal Corporations was completed by Director, Local Fund Audit up to 2012-13 while audit of only three of 26 Municipal Corporations was completed for the year 2013-14. However, certification of accounts of none of the 26 Municipal Corporations could be done by Director, Local Fund Audit for the years 2011-12, 2012-13 and 2013-14 due to non-submission of approved accounts by the respective Municipal Corporations.

Information furnished by 22 of 26 Municipal Corporations, which have prepared their annual accounts, revealed that audit of accounts for the years 2014-15, 2013-14, 2012-13 and 2010-11 was completed by Municipal Chief Auditors in eight, five, four and three Municipal Corporations respectively and reports submitted to the Standing Committees. In the remaining two of 22 Municipal Corporations, there were arrears of five and 12 years in audit by Municipal Chief Auditors.

The Public Accounts Committee discussed 27 paragraphs of Urban Local Bodies and issued (up to December 2015) 17 recommendations on nine paragraphs - seven pertaining to the Audit Report 2005-06 and one paragraph each from Audit Reports of 2006-07 and 2007-08. Action Taken Notes in respect of all the 17 recommendations were pending (April 2016).

*(Paragraphs 3.4.5, 3.4.6, 3.6.3, 3.7.1, 3.7.2 and 3.8.2)*

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

#### **Prevention and control of fire by selected Municipal Corporations**

A performance audit of 'Prevention and control of fire by selected Municipal Corporations' for the period 2010-15 revealed that eight of 26 Municipal Corporations could not spend 78 *per cent* of their capital budget during 2010-15 for purchase of specialized fire appliances, equipment, vehicles etc. There was acute shortage of fire stations in the State as well as in eight Municipal Corporations. The fire stations were also ill-equipped and deficient in basic infrastructure such as, land, permanent building, drill towers, water sources, fire hydrants, fire tenders, specialized fire appliances etc. There was

significant shortage of key personnel in the Fire Departments in the State as well as in eight Municipal Corporations. Many buildings and hazardous premises such as, petrol pumps, LPG stations, fire cracker shops, saw mills etc. in the local area jurisdiction of the eight Municipal Corporations were operating without final fire NOC from the Fire Departments. While there was shortfall in imparting training to fire personnel, no outreach activities were conducted by the Fire Departments to educate and train the community to respond to fire emergencies during 2010-15. There were deficiencies in filing of fire investigation reports by the Chief Fire Officers. In some Municipal Corporations, fire stations were being commanded by firemen and leading firemen instead of Station Officers. Form-A and Form-B certificates issued by the licensed agencies to ensure compliance to fire prevention and life safety measures in buildings and premises were deficient and not effectively monitored by the Chief Fire Officers. The Fire Department of Municipal Corporation of Greater Mumbai did not conduct periodical inspections of high-rise and dilapidated buildings leading to major fire accidents during 2010-15 and loss of lives and property.

*(Paragraph 4.1)*

## **5. Transaction Audit Findings - Urban Local Bodies**

A training centre constructed in March 2009 by Nashik Municipal Corporation as part of solid waste management project was not put to use till April 2016 due to resource constraints and non-availability of staff, thereby rendering an expenditure of ₹ 1.03 crore unfruitful.

*(Paragraph 5.1)*

The Municipal Council Basmatnagar, Hingoli made an excess payment of ₹ 40.54 lakh to a contractor due to incorrect application of rate for provisioning and supply of ductile iron pipes.

*(Paragraph 5.2)*



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***CHAPTER I***

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

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**SECTION A**

**CHAPTER I**

**ACCOUNTS AND FINANCES OF PANCHAYATI RAJ INSTITUTIONS**

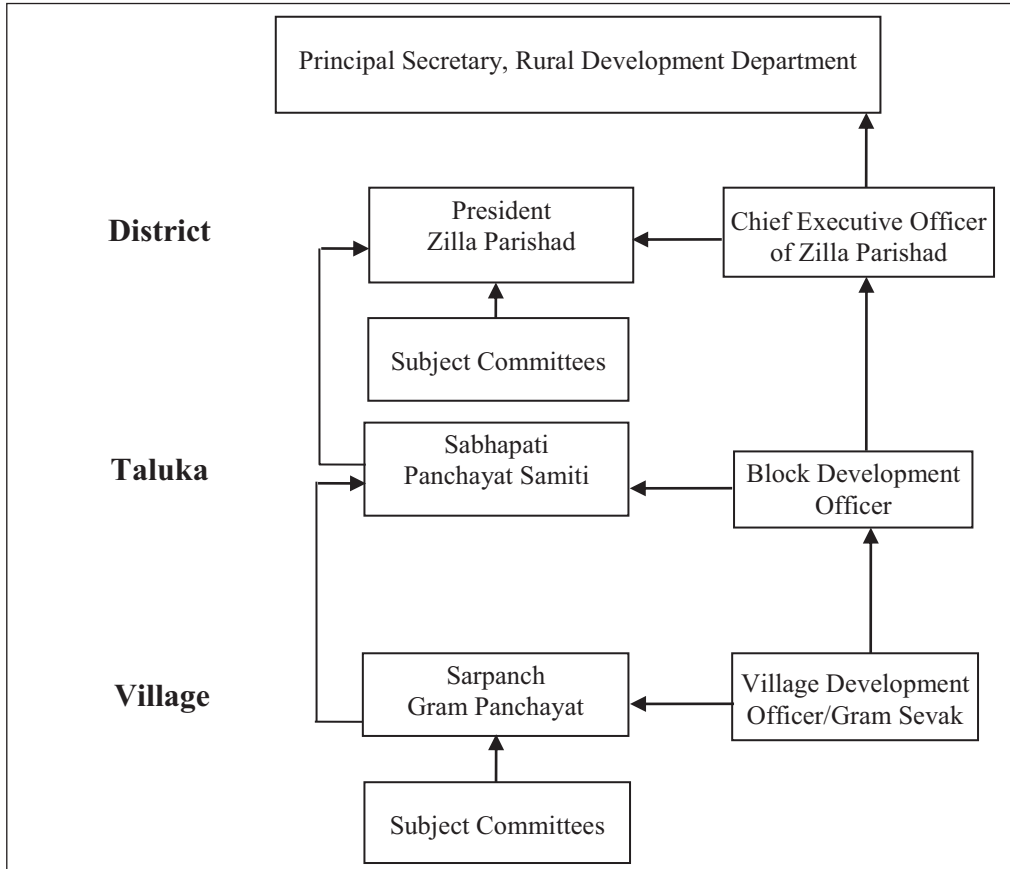
**1.1 Introduction**

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

**1.2 Organisational set up**

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

**Chart 1: Organisational structure of PRIs**



The Chief Executive Officer (CEO) in the ZP, the Block Development Officer (BDO) in the PS and the Village Development Officer



(VDO)/Gram Sevak in the GP report functionally to the respective elected bodies and administratively to their next superior authority in the State Government hierarchy.

There were 28,005 GPs for 44,096 villages in Maharashtra as of March 2015. The VDO/Gram Sevak, a village level functionary, functions as Secretary to the GP and is also responsible for maintenance of accounts and records at GP level. However, sanctioned strength of VDOs/Gram Sevaks was 22,901 which show that not even one VDO/Gram Sevak post was sanctioned for each GP. The persons-in-position was 20,999 only with a shortage of 1,902 as of December 2015. No reasons were on record for not sanctioning and filling up of 1,902 posts of VDOs/Gram Sevaks.

### **1.3 Powers and Functions**

**1.3.1** There are 36 districts in Maharashtra. Two districts (Mumbai and Mumbai suburban) do not have rural areas and therefore, there are 34<sup>1</sup> ZPs in the State. The ZPs have their own Departments for Education, Public Works, Health, Minor Irrigation, Rural Water Supply, Social Welfare, Animal Husbandry, Agriculture, Women and Child Welfare, Integrated Child Development, Finance, General Administration and Village Panchayat.

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

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

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

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

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<sup>1</sup> Palghar District was created in August 2014

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

**Table 1: Accountability structure in PRIs**

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

## 1.4 Funding of Panchayati Raj Institutions

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

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

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

## 1.5 Devolution of funds

### **Allocation of funds**

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

The Second SFC recommended (March 2002) allocation of 40 *per cent* of State revenues to Local Bodies (LBs). The State Government while placing the Action Taken Note (March 2006) in the State Legislature on Second SFC's recommendation expressed its inability to accept the above recommendation on the ground that they were already giving various grants towards natural calamity, rehabilitation of farmers, assistance for increased electricity bills to farmers. The total revenue of the State (tax and non-tax) *vis-à-vis* allocation to the PRIs as well as to Urban Local Bodies (ULBs) during 2010-11 to 2014-15 is shown in **Table 2**.

**Table 2: Details of total revenue of the State and its allocation to PRIs and ULBs during 2010-15**

(₹ in crore)

Head	2010-11	2011-12	2012-13	2013-14	2014-15
State's total revenue (Tax and non-tax)	83252.14	95776.16	113432.98	119949.93	127644.79
Amount required to be allocated as per Second SFC to LBs (40 per cent)	33300.86	38310.46	45373.19	47979.97	51057.92
Actual allocation to PRIs	13260.93	14294.73	16444.42	18184.73	18769.44
Actual allocation to PRIs as a percentage of State's total revenue	15.93	14.93	14.50	15.16	14.70
Actual allocation to ULBs	4350.04	4871.33	4401.93	5179.74	5172.30
Actual allocation to ULBs as a percentage of State's total revenue	5.23	5.08	3.88	4.32	4.05
Total allocation to PRIs and ULBs	17610.97	19166.06	20846.35	23364.47	23941.74
Actual allocation to PRIs and ULBs as a percentage of State's total revenue	21.16	20.01	18.38	19.48	18.75

Source: Figures adopted from CAG's Audit Report on State Finances and Finance Accounts, Government of Maharashtra for the years from 2010-11 to 2014-15

It would thus, be seen that only 18.75 per cent of the State's total revenue was allocated to PRIs and ULBs during 2014-15. The Third SFC did not make any specific recommendation on allocation of funds to PRIs and ULBs from State's revenue.

The Fourth SFC was constituted in February 2011 and was to submit its report to the State Government by September 2012 for implementation of its recommendations during 2011-12 to 2015-16. However, the date for submission of report was extended by the State Government up to December 2014. Thereafter, no further extension was granted to Fourth SFC and its report was under finalization (January 2016).

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

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

**1.6.2** The State Government has transferred only 14 functions and 15,840 functionaries to PRIs. Non-transfer of all functions and functionaries has also been commented in earlier Audit Reports.

## 1.7 Receipts and expenditure of PRIs

### (A) Zilla Parishads

1.7.1 As per information provided by all 34 ZPs, the position of revenue/capital receipts, revenue/capital expenditure in respect of ZPs and PSs for the period from 2010-11 to 2014-15 was as shown in **Table 3** (PSs accounts were incorporated in ZP Accounts).

**Table 3: Details of receipts and expenditure of ZPs and PSs for the period 2010-15**

(₹ in crore)

Year	Receipts						Expenditure		
	Own <sup>2</sup> revenue	Government grants	Other revenue	Total revenue receipts	Total capital receipts	Total receipts	Revenue	Capital	Total expenditure
2010-11	627	17721	307	18655	3939	22594	20847	4981	25828
2011-12	703	19762	376	20841	5105	25946	20507	4114	24621
2012-13	1014	21630	692	23336	10290	33626	21835	8168	30003
2013-14	1301	23423	473	25197	9791	34988	23398	8935	32333
2014-15	3007	26473	834	30314	7796	38110	28701	8212	36913

Source: Data furnished by ZPs

### (B) Gram Panchayats

The details of receipts and expenditure (revenue and capital) of GPs provided by 32 of 34 ZPs during 2010-11 to 2014-15 are as shown in **Table 4**.

**Table 4: Details of receipts and expenditure of GPs during 2010-15**

(₹ in crore)

Year	Total Receipts					Total expenditure
	Government grants	Taxes	Contributions	Other receipts	Total receipts	
2010-11	618	745	158	193	1714	1560
2011-12	1163	1376	336	331	3206	3047
2012-13	1235	832	189	628	2884	2350
2013-14	1229	917	260	450	2856	3339
2014-15 <sup>#</sup>	1899	1000	310	1083	4292	4219

Source: Data furnished by ZPs  
#Information not furnished by Akola and Nanded ZPs

1.7.2 The component-wise details of expenditure (revenue and capital) of GPs and ZPs including PSs during 2012-15 is as shown in **Table 5**.

<sup>2</sup> Excludes opening balance

**Table 5: Component-wise details of expenditure of GPs and ZPs including PSs during 2012-15.**

(₹ in crore)

Sr. No.	Components	GPs expenditure			ZPs and PSs expenditure		
		2012-13	2013-14	2014-15 <sup>@</sup>	2012-13	2013-14	2014-15 <sup>§</sup>
1.	Education	60	45	49	10894	10594	13725
2.	Health and Sanitation	457	453	564	1547	1527	1715
3.	Public Works	843	928	1232	1404	1453	1820
4.	Social Welfare	127	105	169	776	842	920
5.	Irrigation	05	50	71	778	594	477
6.	Animal Husbandry	05	45	8	321	371	427
7.	Agriculture	07	16	29	345	364	340
8.	Public lighting	47	66	86	25	0	0
9.	Forest	01	03	8	0	0	0
10.	Administration	323	347	543	2004	1729	2615
11.	Rural Water Supply	54	0	0	348	405	1063
12.	Women and Child	01	0	0	573	465	465
13.	Other expenditure	76	778	824	2820	5054	5134
14.	Capital expenditure	344	503	636	8168	8935	8212
<b>Total</b>		<b>2350</b>	<b>3339</b>	<b>4219</b>	<b>30003</b>	<b>32333</b>	<b>36913</b>

*Source: Data furnished by ZPs*  
<sup>@</sup> Expenditure of GPs provided by 32 ZPs  
<sup>§</sup> Expenditure of ZPs and PSs provided by 34 ZPs

**1.7.3** The works undertaken by the ZPs are categorized as: (i) ZPs own schemes; (ii) Schemes transferred/funded by the State Government; and (iii) Schemes funded by other agencies. Information received from 34 ZPs for the year 2014-15 revealed that these ZPs incurred an expenditure of ₹ 34,695 crore (₹ 28,083 crore on transferred schemes, ₹ 3,322 crore on agency schemes and ₹ 3,290 crore on ZPs own schemes).

## **1.8 Accounting arrangements**

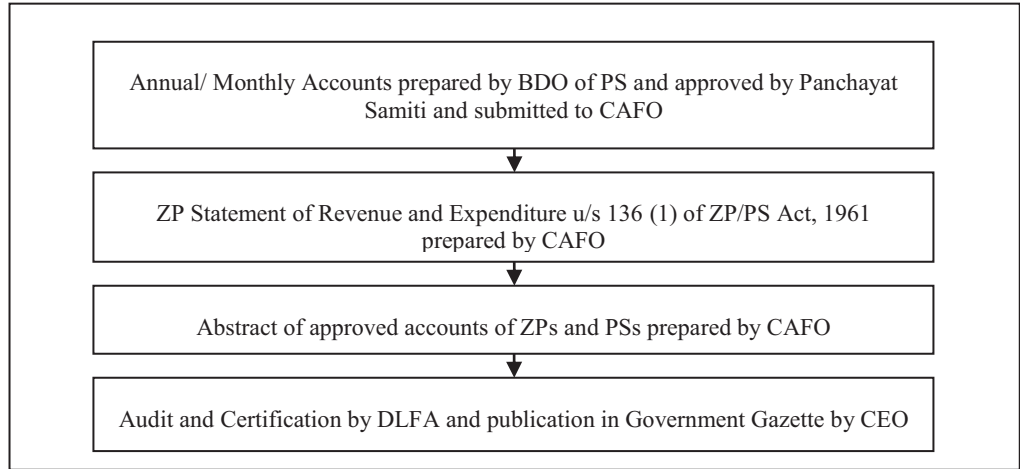
**1.8.1** Under the provisions of Section 136 (2) of the ZP/PS Act, the BDOs forward the accounts approved by the PSs to the ZPs and these form part of the ZPs' accounts. Under provisions of Section 62 (4) of the VP Act, the Secretaries of the GPs are required to prepare annual accounts of GPs. A Performance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

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

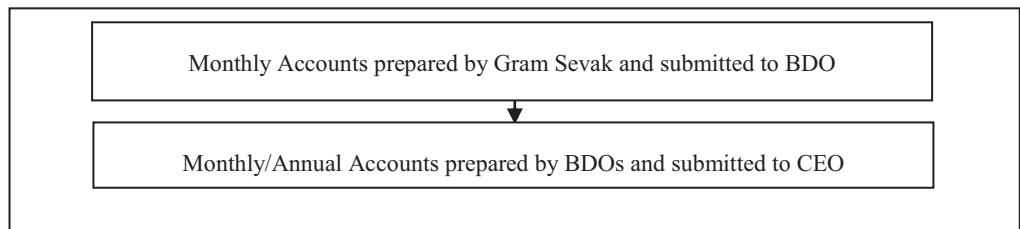
Finance Committee and finally before the ZPs for approval along with the Finance Committee reports.

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

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



**Flow Chart of Accounts compilation in GPs**



**1.8.4** As per Section 136 (1) of ZP/PS Act and Rule 66 A of MZP&PS Account Code, 1968, the prescribed date for approval of annual accounts of ZPs for a financial year is 30 September of the following year and accounts of ZPs are required to be published in the Government Gazette by 15 November of the year. Accordingly, the accounts for 2014-15 should have been finalized by September 2015 and published by November 2015.

The Rural Development and Water Conservation Department (Department) stated (December 2015) that the annual accounts for the year 2011-12 have been submitted to the State Legislature in July 2015. Annual accounts for the year 2012-13 have been prepared and were under printing and would be placed in the coming session of the State Legislature.

Thus, there was a delay of more than three and two years in finalization and publication of annual accounts of 2011-12 and 2012-13 respectively. Further, the annual accounts of 2013-14 and 2014-15 were yet to be finalized.

### 1.8.5 Non-adoption of format of accounts recommended by the Comptroller and Auditor General of India

The Eleventh Finance Commission (EFC) had recommended that the Comptroller and Auditor General of India exercise control and supervision over the proper maintenance of accounts of LBs at all the three levels. Accordingly, the Comptroller and Auditor General of India had recommended the formats for maintenance of accounts by PRIs in 2002. This was followed by simplified formats in 2007 and 2009. The State Government was required to amend the MZP&PS Account Code, 1968; The Bombay Village Panchayat (Budget and Accounts) Rules, 1959; and The Maharashtra Gram Panchayat Accounts Code, 2011 for adoption of the accounts formats recommended by the Comptroller and Auditor General of India. It was however, observed that the State Government has not yet amended MZP&PS Account Code, 1968. The Bombay Village Panchayat (Budget and Accounts) Rules, 1959 and The Maharashtra Gram Panchayat Accounts Code, 2011 due to which, accounts in the recommended formats were not being maintained in any of the ZPs.

The Department stated (December 2015) that necessary action to amend the Codes/Rules to maintain the accounts of PRIs in the formats recommended by the Comptroller and Auditor General of India at all the three levels was in progress.

### 1.8.6 Pending assessment of grants

According to State Government orders of May 2000, the grants released by the State Government to ZPs were required to be assessed by the Heads of the Administrative Departments by July every year. The Administrative Departments were to inform the Rural Development and Water Conservation Department about the amounts recoverable from/payable to ZPs for adjustment and further release of grants. It was however, observed that except for nine<sup>3</sup> ZPs which did not furnish any information to audit, there were arrears in assessment of grants in the remaining 25 of 34 ZPs in respect of 10 Departments as indicated in Table 6.

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

Sr. No.	Name of Department	Period of arrears
1.	Education	1997-2015
2.	Agriculture	1998-2015
3.	Social Welfare	2000-2015
4.	Animal Husbandry	2003-2015
5.	Public Health	2000-2015
6.	Family Welfare	2007-2015
7.	Water Supply and Sanitation	2000-2015
8.	Women and Child Welfare	1998-2015
9.	Minor Irrigation	1998-2015
10.	Public Works	2007-2015

*Source: Information furnished by ZPs*

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<sup>3</sup> Amravati, Beed, Bhandara, Nashik, Palghar, Sangli, Satara, Washim and Yawatmal

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## **1.9 Thirteenth Finance Commission Grants**

The State Government released ₹ 5,594 crore to PRIs up to March 2015 as per recommendations of the 13<sup>th</sup> Finance Commission of which, ₹ 4,622 crore (83 *per cent*) had been spent as of October 2015.

## **1.10 Audit arrangements**

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

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

Except Palghar ZP, local fund audit of 33 ZPs was conducted up to 2013-14. However, annual accounts of only five<sup>4</sup> of 33 ZPs were certified (April 2016) by DLFA up to 2013-14. The consolidated Audit Review Report for the year 2012-13 was prepared by DLFA and presented to the State Legislature in July 2015 and the Audit Review Report for the year 2013-14 was under preparation.

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

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

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

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

The GoM directed (March 2001) the ZPs to constitute District Level Audit Committees (DLACs) for discussion and settlement of outstanding audit objections raised by DLFA and the Principal Accountant General/Accountant General, Maharashtra. The Department informed (January 2016) audit that against 2,87,775 outstanding paragraphs, 45,350 paragraphs<sup>5</sup> were cleared up to November 2015.

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

As per Annual Audit Review Report of DLFA for the year 2012-13, 31,218 paragraphs in respect of Government funds involving ₹ 1,26,529.72 crore and 1,28,298 paragraphs pertaining to ZPs own funds involving ₹ 12,354.37 crore were pending for settlement from 1962 to 2013.

<sup>4</sup> Akola, Jalgaon Kolhapur, Latur and Osmanabad

<sup>5</sup> Accountant General: 5,972; Local Fund Audit: 35,490 and Panchayati Raj Committee: 3,888



### 1.10.5 Follow-up on Audit Reports

According to instructions issued by the Finance Department, Government of Maharashtra in January 2001, Administrative Departments were required to furnish Explanatory Memoranda (EMs) duly verified by Audit to the Maharashtra Legislature Secretariat in respect of paragraphs included in the Audit Reports, within three months of presenting the Audit Reports to the State Legislature. The Administrative Departments, however, did not comply with these instructions. The EMs in respect of two paragraphs/reviews figuring in Audit Report 2011-12 and 2013-14 have not yet been received as on 31 March 2016 as indicated in **Table 7**.

**Table 7: Status of submission of EMs in respect of Audit Reports**

Audit Report	Date of tabling the Report	Number of Paragraphs and Reviews	Number of EMs received	Balance
2011-12	19 December 2013	09	08	01
2013-14	31 July 2015	04	03	01
<b>Total</b>		<b>13</b>	<b>11</b>	<b>02</b>

Further, with a view to ensuring accountability of the Executive in respect of all issues dealt with in the Audit Reports, the Public Accounts Committee (PAC) lays down in each case, the period within which Action Taken Notes (ATNs) on its recommendations should be sent by the Department.

The PAC discussed 22 paragraphs related to PRIs and made 27 recommendations (up to December 2015) on eight paragraphs pertaining to Audit Reports 2005-06, 2006-07 and 2007-08. However, ATNs in respect of all the 27 recommendations were pending as indicated in **Table 8**.

**Table 8: Position of outstanding ATNs**

Year of Audit Report	Report Number and year of PAC	Number of PAC recommendations	Number of ATNs awaited on PAC recommendations
2005-06	19 <sup>th</sup> Report of 2012-13	11	11
2006-07	4 <sup>th</sup> Report of 2015-16	06	06
2007-08	5 <sup>th</sup> Report of 2015-16	10	10
<b>Total</b>		<b>27</b>	<b>27</b>

### 1.11 Conclusion

The Account and Finances of Panchayati Raj Institutions (2014-15) in the State revealed that:

- allocations to Local Bodies were meagre at 18.75 *per cent* (Panchayati Raj Institutions: 14.70 *per cent* and Urban Local Bodies: 4.05 *per cent*) as against 40 *per cent* of the total State's revenue recommended by the Second Maharashtra State Finance Commission;
- of the 29 functions listed in the XI Schedule of the Constitution of India, only 14 functions were transferred to Panchayati Raj Institutions;

- there was a delay of more than three and two years in finalization and publication of annual accounts of 2011-12 and 2012-13 respectively. Further, the annual accounts of 2013-14 and 2014-15 were yet to be finalized.
- the Maharashtra Zilla Parishads and Panchayat Samitis Account Code, 1968; The Bombay Village Panchayat (Budget and Accounts) Rules, 1959; and The Maharashtra Gram Panchayat Accounts Code, 2011 have not been amended. As a result, accounts in the formats recommended by the Comptroller and Auditor General of India were not maintained in any of the Zilla Parishads;
- response to Inspection Reports and Paragraphs issued by the Principal Accountant General/Accountant General, Maharashtra was not adequate; and
- action taken notes in respect of 27 recommendations made by the Public Accounts Committee up to December 2015 were pending.



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***CHAPTER II***

***RESULTS OF AUDIT OF  
PANCHAYATI RAJ INSTITUTIONS***

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## CHAPTER II

### RESULTS OF AUDIT OF PANCHAYATI RAJ INSTITUTIONS

#### Social Justice and Special Assistance Department

#### 2.1 Implementation of Scheme for Development of Scheduled Caste and Navboudha Wastis in Maharashtra

##### 2.1.1 Introduction

The Government of Maharashtra (GoM) introduced (1974) the Scheme of 'Dalit Wasti Sudhar Yojana' to improve the living condition of the Scheduled Caste and Navboudha<sup>1</sup> population residing in dalit wastis<sup>2</sup> by providing basic amenities like water supply, drainage, approach roads, internal roads, electricity supply, samaj mandir *etc.* The Scheme was renamed (December 2011) by GoM as 'Development of Scheduled Caste and Navboudha Wastis'. The Scheme is being implemented by Social Justice and Special Assistance Department of GoM (SJSA). The Scheme guidelines issued by SJSA from time to time between November 2008 and December 2011 essentially emphasized that the Gram Panchayats (GPs) would identify the dalit wastis on the basis of population of Scheduled Caste and Navboudha in each village. The wastis so identified would then be notified by the Chief Executive Officers (CEOs) of Zilla Parishads (ZPs) in their respective districts, for taking up developmental works.

The CEOs of ZPs assisted by the District Social Welfare Officers (DSWOs) monitor and control the Scheme at the district level. The Block Development Officers (BDOs) and the Gram Sevaks are responsible for implementation of the Scheme at Panchayat Samiti (PS) and GP levels respectively. The grant entitlement promulgated (December 2011) by SJSA for wastis with population of 10 to 300 ranged between ₹ two lakh and ₹ 15 lakh and, ₹ 20 lakh for population above 300, for five year period.

Audit test-checked the records of (i) SJSA in Mantralaya; (ii) eight<sup>3</sup> of 34 ZPs in the State; (iii) 16 blocks (two blocks from each ZP); and (iv) 80 GPs (five GPs from each block) for the period 2010-15, to seek an assurance that identification of wastis, allocation and utilization of grants and execution of works were efficient and effective. In addition, records of eight Public Works (PW) Divisions under the State Public Works Department (PWD) to whom grants were released directly by SJSA during 2013-14 were also test-checked.

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<sup>1</sup> Population who embraced Buddhism

<sup>2</sup> A locality in the periphery of village where Scheduled Caste/Navboudha population reside in group(s)

<sup>3</sup> Akola, Aurangabad, Beed, Chandrapur, Latur, Nashik, Ratnagiri and Thane

## **Audit findings**

### **2.1.2 Planning**

#### **2.1.2.1 Absence of standard format for preparation of master plans**

Based on the local situation and needs of notified wastis, the GPs identify various works to be carried out in the wastis at the village level and resolutions to this effect are passed. The resolutions are forwarded to PSs for preparation of master plans (MPs) at the block level. The MPs are subsequently consolidated at the ZP level by the DSWOs and approved by the respective Regional Deputy Commissioners (Social Welfare). The approved MP for a ZP remains effective for a period of five years and should not be altered during the operative period of MP.

A typical MP should contain the name of district, name of PS, name of GP, name of wasti, code of wasti, population of Scheduled Caste/Navboudha as per census, actual population, entitlement of grant on the basis of population, grant already released, works already executed and works to be executed and the priority to be accorded to the wastis in terms of release of grants and execution of works.

Audit observed that SJSA did not prescribe any standard format for preparation of five year MPs, though the first MP for the period 2008-13 was in force since 2008-09. As a result, there was no uniformity in preparation of five year MPs of various ZPs as well as MPs prepared by PSs, within the same ZP. Due to non-stipulation of standard format for MPs by SJSA, a large number of works in various wastis under the GPs as well as wastis as a whole could not be prioritized for development. Besides, lack of uniformity in MPs also led to excess release of grants to the wastis over their entitlements. The fallouts of variations in MPs are discussed in the succeeding paragraphs.

Information included in the MPs of 2013-18 in respect of eight selected ZPs (16 selected blocks) further revealed the following variations:

- In two<sup>4</sup> blocks, no code numbers were allotted to wastis.
- In four<sup>5</sup> blocks, population of Scheduled Caste/Navboudha as per census 2011 was not mentioned.
- Actual population of Scheduled Caste/Navboudha was not mentioned in six<sup>6</sup> blocks.
- Entitlement of grants as per population was not mentioned in two<sup>7</sup> blocks.
- Details of grants already released to wastis were not mentioned in five<sup>8</sup> blocks.
- Name of works already executed in the wastis were not mentioned in eight<sup>9</sup> blocks.

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<sup>4</sup> Kalwan and Malegaon

<sup>5</sup> Akot, Barshitakli, Kalyan and Shahapur

<sup>6</sup> Ambejogai, Bhadrawati, Chimur, Kannad, Patoda and Sillod

<sup>7</sup> Kannad and Sillod

<sup>8</sup> Akot, Kalwan, Kalyan, Malegaon and Shahapur

<sup>9</sup> Akot, Barshitakli, Chakur, Kalwan, Kalyan, Latur, Malegaon and Shahapur

- In two<sup>10</sup> blocks, works to be executed were not mentioned.

Audit further observed that no MP was prepared for the period 2008-13 by the PSs at the block level in Chandrapur ZP. The ZP however, did not follow up the issue with the PSs and the PSs also did not take up the issue with the concerned GPs. Consequently, 71 wastis remained deprived of the benefits of the Scheme till the end of 2013.

The Principal Secretary, SJSA accepted (January 2016) the facts and agreed to issue a standard format to facilitate preparation of MPs on a uniform basis.

### 2.1.2.2 Non-preparation of priority list of wastis for release of grants

The SJSA directed (December 2011) the Commissioner, Social Welfare, Pune, seven Regional Deputy Commissioners, all the ZPs and PSs to release grants to the wastis in the following order of priority:

- First priority: Wastis which had never availed of any benefits;
- Second priority: Wastis given partial grants during a particular five year MP period;
- Third priority: Wastis covered once during a particular MP period may be revisited to complete the left over works; and
- Fourth priority: Wastis covered twice during a particular MP period may be revisited to complete the left over works.

Accordingly, the concerned BDOs were required to prepare the priority list of wastis in the blocks and the work proposals were required to be submitted to ZPs for sanction. Audit observed that BDOs of six of eight selected ZPs did not prepare any priority list of wastis under their jurisdiction, resulting in denial of benefits of the Scheme to 2,131 needy wastis in the MPs of 2008-13<sup>11</sup>. The details are shown in **Table 1**.

**Table 1: Details of wastis never benefited**

Name of ZP	Total number of wastis	Number of wastis never benefited
Akola	1514	879
Aurangabad	1403	101
Beed	2145	275
Latur	2626	692
Ratnagiri	1142	181
Thane	572	03
<b>Total</b>	<b>9402</b>	<b>2131</b>

*Source: Master plans of concerned ZPs*

The Principal Secretary, SJSA accepted the audit observation.

<sup>10</sup> Ambejogai and Patoda

<sup>11</sup> MP of 2013-18 showed that these 2,131 wastis had never been extended any benefits in the past



**2.1.2.3 Adoption of higher population for preparation of master plan**

According to the instructions issued by SJSA (August 2013), the GPs/PSs, while preparing MP for 2013-18, were required to adopt the census data of 2011 for estimating the population of Scheduled Caste/Navboudha.

Audit observed that though the population of Scheduled Caste/Navboudha as per census 2011 was less than 300 in 37 of 652 wastis in two<sup>12</sup> selected blocks of ZP Latur, the population actually considered in MP 2013-18 was significantly higher than 300 (31 *per cent* to 378 *per cent*), resulting in allocation of higher grants to these 37 wastis.

The DSWO, Latur stated (March 2015) that the MP was prepared as per information furnished by the concerned GPs/PSs. The Principal Secretary, SJSA stated that the matter would be investigated.

**2.1.3. Financial management**

**2.1.3.1 Incorrect compilation of expenditure figures at the Commissioner level**

The grants from SJSA are released through the Commissioner, Social Welfare, Pune to the ZPs and from ZPs to PSs and finally, to GPs for execution of various works in notified wastis. During 2010-15, SJSA released ₹ 2,002.31 crore to 34 ZPs, which included a direct release of ₹ 309.68 crore to the State PWD (2013-14) for execution of works in notified wastis. Records maintained by the Commissioner, Social Welfare, Pune showed that the entire grant of ₹ 2,002.31 crore was spent by the ZPs during 2010-15.

Scrutiny of records in eight selected ZPs however, showed that during 2010-15, the ZPs released only ₹ 324.86 crore (53 *per cent*) to the PSs, out of the total available grants of ₹ 613 crore. Thus, these ZPs had an unspent balance of ₹ 288.14 crore (47 *per cent*) during 2010-15, indicating that the expenditure figures (₹ 2,002.31 crore) compiled at the level of the Commissioner, Social Welfare were not correct.

The Principal Secretary, SJSA accepted the facts and stated that the monitoring mechanism would be strengthened to ensure effective utilization of grants.

**2.1.3.2 Delay in release of grants**

As per Scheme guidelines (December 2011), the entire process of selection of works, grant of administrative approvals (AAs) to works by Additional Chief Executive Officers (CEOs) of ZPs and release of grants from SJSA up to the GP level was to be completed by the end of September each year and works were to be completed within the same financial year as far as possible and at the most within a year from the date of issue of AAs.

Audit observed that during 2010-15, there was delay of one to six month in release of grants by SJSA to the eight selected ZPs. On 26 occasions, grants were released by SJSA to ZPs at the fag-end of the financial year (February

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<sup>12</sup> Chakur and Latur

and March). Due to delay in release of grants by SJSA to ZPs, further release of grants to PSs and GPs was also delayed by one to six months.

The Principal Secretary, SJSA accepted the facts and stated that the monitoring mechanism would be strengthened to ensure timely release of grants to the ZPs.

### **2.1.3.3 Excess release of grants to wastis over entitlement**

As per Scheme guidelines (December 2011), the maximum grant entitlement of each wasti was to be fixed on the basis of Scheduled Caste and Navboudha population.

Scrutiny of records revealed that eight wastis in four<sup>13</sup> of 16 selected blocks exceeded their grant entitlement by ₹ 13.53 lakh<sup>14</sup> during 2010-15. In these eight cases, though the concerned DSWOs had estimated the population of Scheduled Caste and Navboudha correctly, they erred in computing the grant entitlements as per the guidelines. This resulted in denial of benefits of the Scheme to other needy wastis to that extent.

The Principal Secretary, SJSA stated that the matter would be investigated.

### **2.1.3.4 Non-sanctioning of works and surrender of grants**

The Additional CEOs of ZP, Aurangabad (during 2010-11) and ZP, Akola (during 2011-12) did not accord AAs to any works already included in the MPs 2008-13, though grants of ₹ 1.06 crore and ₹ 5.55 crore were available with the ZPs at the end of respective financial year (March 2011 and March 2012). Further, four<sup>15</sup> of eight selected ZPs surrendered (March 2014) an unutilized grant of ₹ 2.44 crore to SJSA during 2011-14, leaving a number of works included in the MPs (2008-13 and 2013-18) unexecuted.

The Principal Secretary, SJSA accepted the audit observation.

### **2.1.3.5 Non-maintenance of separate cash books**

The SJSA did not stipulate maintenance of separate cash books for the Scheme at the level of ZPs and PSs. In the absence of separate cash books at ZP and PS levels, audit could not seek an assurance about the correctness of accounting of grants (receipts, expenditure, unspent balances, interest earned, etc.) at both the levels.

The Principal Secretary, SJSA stated that instructions would be issued for maintenance of separate cash books for the Scheme at ZP and PS levels.

## **2.1.4. Scheme implementation**

### **2.1.4.1 Delay in execution of works**

Information collected by audit from eight selected ZPs revealed that 7,807 works valuing ₹ 254.62 crore were approved by the Additional CEOs during 2010-14<sup>16</sup> of which, 6,624 works were completed while 1,183 works (15 per cent) on which an expenditure of ₹ 23.62 crore had been incurred were

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<sup>13</sup> Ambejogai, Bhadrawati, Chakur, and Chimur

<sup>14</sup> Actual grant entitlement was ₹ 31 lakh but, released ₹ 44.53 lakh

<sup>15</sup> Akola, Aurangabad, Chandrapur and Latur

<sup>16</sup> Works sanctioned during 2014-15 had been excluded, as the same were to be completed by the end of 2015-16 (one year from date of AAs)

incomplete as of March 2015. The incomplete works (1,183) registered a delay of one to three years from the stipulated dates of completion. The details are shown in **Table 2**.

**Table 2: Details showing delay in execution of works**

Year	Total No. of works sanctioned	Total sanctioned cost	No. of works completed	Expenditure on completed works	( <b>₹ in crore</b> )	
					No. of incomplete works	Expenditure incurred on incomplete works
2010-11	1766	38.62	1660	37.51	106	0.96
2011-12	930	21.76	846	10.86	84	1.07
2012-13	3097	115.17	2587	55.58	510	11.23
2013-14	2014	79.07	1531	25.62	483	10.36
<b>Total</b>	<b>7807</b>	<b>254.62</b>	<b>6624</b>	<b>129.57</b>	<b>1183</b>	<b>23.62</b>

*Source: Information provided by selected ZPs*

The ZPs attributed non-completion of works primarily to delay in release of grants by SJSA and disputes among the members of GPs regarding selection of works and sites for execution of works.

The Principal Secretary, SJSA stated that instructions would be issued to complete the pending works on priority.

#### **2.1.4.2 Audit observations on selected Gram Panchayats**

There were 177 wastis in 80 selected GPs. In 136 of 177 wastis, 202<sup>17</sup> works were sanctioned during 2010-15. Audit scrutiny of records of the selected GPs revealed the following:

- In 74 of 80 GPs, the actual population in the MP 2013-18 was shown as per census data 2011 while in the remaining six GPs, population was shown in excess of the census data 2011.
- MPs were found to have been prepared in all the 80 GPs. However, the format of MPs was not uniform.
- In 21 of 80 GPs, 34 works executed were not included in the MPs.
- The sanctioned cost of 202 works in 136 wastis was ₹ 6.37 crore of which, ₹ 5.25 crore was released. Of ₹ 5.25 crore, the concerned PSs released ₹ 46.08 lakh to the GPs after a delay of one to six months.
- Of the 202 works, 170 works were sanctioned during 2010-14 at a cost of ₹ 5.31 crore. Of the 170 works, 157 works were completed at a cost of ₹ 4.20 crore and 12 works were incomplete (March 2015) on which an expenditure of ₹ 13.17 lakh was incurred, against the approved cost of ₹ 52 lakh. One work was cancelled. Of the 157 completed works, 146 works were completed at a cost of ₹ 3.88 crore within the stipulated period of one year and 11 works were completed with delay of one to two years.

<sup>17</sup> Roads: 134; Community toilets: 13; Drainage works: 11; Electrification works: 09; Construction of Samaj Mandirs: 08; and Other works: 27

- In 17 of 80 GPs, 170 solar street lights were installed during 2013-15 of which, 27 lights valuing ₹ 4.76 lakh were not functioning.
- The Scheme guidelines provided for fixing of sign boards at work sites showing the details of contractors and dates of completion of works. Of the 157 completed works at 101 work sites, sign boards were not installed by 42 GPs.
- The Scheme guidelines provided that the BDOs shall photograph the work sites before and after completion of works for transparency in implementation of the Scheme. However, of 157 completed works, 53 works were not photographed by the BDOs.
- All the 80 GPs were maintaining separate cash books for the Scheme.
- As per Scheme guidelines, 100 *per cent* works executed by the GPs were to be inspected by the DSWOs. In none of the 80 selected GPs, records of inspections conducted by the DSWOs were available.

The Principal Secretary, SJSA accepted the audit observations.

#### **2.1.4.3 Irregular release of grants to State Public Works Department for execution of works under the Scheme**

In 2013-14, SJSA directly released a grant of ₹ 309.68 crore to the State PWD between December 2013 and March 2014, through the Commissioner, Social Welfare, Pune for executing various works under the Scheme. Since the grants were released between December 2013 and March 2014, the PW Divisions under the State PWD could not utilize it within the same financial year (2013-14). Consequently, SJSA allowed (March 2014) the PW Divisions to place the grant (₹ 309.68 crore) in “Civil Deposits”<sup>18</sup>. The PW Divisions executed the works in subsequent years (2014-16).

The direct release of funds by SJSA to State PWD was irregular for the following reasons:

- In exercise of the powers conferred by clause (b) of sub-section (1) of Section 100 and sub-section (2) of Section 6 of the Maharashtra Zilla Parishad and Panchayat Samitis Act, 1961, the GoM issued a notification in November 2000 transferring the Scheme for improvement of dalit wastis to the ZPs. Therefore, direct release of grants to the State PWD for execution of works under the Scheme, which already stood transferred to the ZPs, was irregular and an unnecessary encroachment by the State Government on the autonomy and functioning of the Panchayati Raj Institutions.
- As per Scheme guidelines (December 2011), works in the notified wastis are to be identified by the GPs and approved by the Additional CEOs of ZPs before their execution. However, in this case, the works to be executed by the PW Divisions under the Scheme were short-listed by SJSA at the Mantralaya level based on the recommendations of various public representatives.

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<sup>18</sup> Under Civil Deposits head, funds do not lapse after completion of financial year

The Principal Secretary, SJSA accepted the facts and stated that based on the demands of the public representatives, the then Honorable Chief Minister had sanctioned the grants to the State PWD as a special case for development of wastis.

#### **2.1.4.4 Deficiencies in planning and execution of works by Public Works Divisions**

Audit observed the following deficiencies in planning and execution of works by the State PW Divisions in eight selected ZPs during 2013-15:

- As per Scheme guidelines (November 2008), only works included in the MPs were to be executed. However, in six<sup>19</sup> of eight selected PW Divisions, 31 works of samaj mandirs/community halls, which were not included in the MPs, were carried out at a cost of ₹ 2.23 crore, in contravention of Scheme guidelines.
- Of the 517 works sanctioned to the PW Divisions during 2013-14 at a cost of ₹ 42.24 crore, 240 works were completed within the stipulated period of one year while 187 works were in incomplete stage (June 2015) on which an expenditure of ₹ 5.83 crore was incurred. Further, 50 works with approved cost of ₹ 2.63 crore could not be commenced by PW Divisions and the remaining 40 works were transferred (March 2015) to other agencies/Urban Local Bodies (ULBs).
- Of 93 works sanctioned to PW Division, Thane during 2013-14, 18 works did not pertain to notified wastis; 10 works had already been executed by ZP/ULB; and land for three works was not available.
- During 2013-14, SJSA sanctioned ₹ 2.32 crore to three<sup>20</sup> PW Divisions for execution of various works in 14 wastis, which exceeded the entitlements of these wastis by ₹ 1.01 crore.
- The PW Divisions are authorized to recover centage charges on account of cost of establishment and tools/plants for all deposit works executed by them. Two<sup>21</sup> PW Divisions recovered centage charges of ₹ 37.73 lakh for the works executed by them under the Scheme, though these were not deposit works. This also led to corresponding reduction in the Scheme grants.

#### **2.1.5. Monitoring and evaluation**

##### **2.1.5.1 Absence of monitoring**

As per Scheme guidelines (November 2008), two *per cent* of the completed works were to be inspected at the State Government level, five *per cent* at the level of the Commissioner, Social Welfare, Pune and 100 *per cent* at the level of DSWOs. Scrutiny of records of eight selected ZPs revealed that while no inspections were conducted at the Government and the Commissioner levels up to 2012-13, the DSWOs inspected only 1,900 (29 *per cent*) of 6,624 completed works during 2010-14. However, documents in support of inspections having been conducted by the DSWOs were not furnished to audit.

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<sup>19</sup> Akola, Aurangabad, Chandrapur, Latur, Nashik and Ratnagiri

<sup>20</sup> Chandrapur, Nashik and Ratnagiri

<sup>21</sup> Akola and Thane

The Principal Secretary, SJSA stated that it was not practically possible to inspect 100 *per cent* works by the DSWOs; five *per cent* by the Commissioner and two *per cent* at the Government level. The Principal Secretary added that the quantum of inspections would be reviewed.

#### **2.1.5.2 Non-measurement of works**

As per rule 168 (1) (c) of Maharashtra Zilla Parishad and Panchayat Samiti Account Code, 1968 and Maharashtra Public Works Manual, 1984 (Appendix 24), the Executive Engineers (EEs) of ZPs and PW Divisions were to conduct a percentage check of not less than five *per cent* of final measurements recorded by the subordinate Engineers for work done for every piece of ₹ 25,000 and ₹ 50,000 respectively on a running account.

Scrutiny of records in eight selected ZPs revealed that none of the EEs-in-charge of the works had exercised the stipulated checks in 6,624 completed works during 2010-14. In five<sup>22</sup> of eight PW Divisions in selected ZPs, though 74 of 240 completed works were stated to have been checked by the concerned EEs, no records in support of measurement checks were made available to audit. In the remaining three PW Divisions, EE, PW Division, Akola stated (July 2015) that works were checked by Deputy Engineers. The EE, PW Division, Latur stated (March 2015) that works could not be checked due to work load. The EE, PW Division, Nashik did not furnish any specific reply.

The Principal Secretary, SJSA agreed to issue necessary instructions in this regard.

#### **2.1.5.3 Non-mapping of notified wastis through Geographical Information System**

The SJSA *vide* Government Resolution of August 2013 directed all the ZPs to map the notified wastis through Geographical Information System (GIS) and upload the electronic database on the websites of ZPs. Audit observed that GIS mapping was not done in any of the eight selected ZPs, as funds were not allotted by SJSA for this purpose.

The Deputy Secretary, SJSA stated (September 2015) that the intention behind GIS mapping was not available on records and it was inserted in Government Resolution on verbal instructions of Senior Officers.

In the absence of GIS mapping, information such as, locations of the notified wastis, developmental works already carried out in the wastis, works planned for future, financial allocations *etc.* was not available on the websites of ZPs for use by the management and stakeholders.

The Principal Secretary, SJSA stated that GIS mapping of notified wastis would be carried out.

#### **2.1.5.4 Absence of performance targets and non-evaluation of Scheme**

Though the five year MPs for the districts are consolidated at the ZP level, yet SJSA has not fixed performance targets for the ZPs in terms of number of

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<sup>22</sup> Aurangabad, Beed, Nashik, Ratnagiri and Thane

works to be completed and notified wastis to be developed within a given time frame. As a result, SJSA was not in a position to enforce accountability at the ZP level (Additional CEOs and DSWOs) as well as assess the number of notified wastis where all the basic infrastructure facilities have been provided.

The Principal Secretary, SJSA stated that the Scheme guidelines would be reviewed for setting up performance targets.

Further, in order to assess the outcome of any Scheme and the extent to which the objectives of the Scheme had been achieved, periodical impact assessment or evaluation of the activities carried out under the Scheme needs to be conducted. Audit observed that SJSA did not conduct any periodical impact assessment or evaluation of the Scheme since its inception in 1974. As a result, it was difficult to ascertain whether the primary objective of the Scheme (improving the living condition of Scheduled Castes/Navboudhas) had been achieved.

The Principal Secretary, SJSA accepted the audit observation and stated that evaluation study of the Scheme would be conducted through an independent agency.

#### **2.1.6. Conclusion and recommendations**

The planning for implementation of Scheme for Development of Scheduled Caste and Navboudha Wastis in Maharashtra was deficient. The format for preparation of master plans, showing details of wastis identified for development and the financial entitlements of the wastis, was not uniform. The priority list of wastis for the purpose of release of grants was also not prepared, resulting in denial of benefits of the Scheme to large number of needy wastis. The population of Scheduled Castes and Navboudhas considered in the master plans was significantly higher than that indicated in the census data, resulting in allocation of excess grants to number of wastis over entitlements.

***The Social Justice and Special Assistance Department may prescribe a comprehensive standard format for preparation of master plans without delay so that the notified wastis which are due for development are not denied the benefits under the Scheme.***

While there was delay of one to six months in release of grants by the Department (SJSA) to eight selected ZPs, the ZPs did not release the grants to the PSs fully and had significant unspent balance of ₹ 288.14 crore during 2010-15. Fifteen *per cent* of the works sanctioned in eight selected ZPs during 2010-14 registered a delay of one to three years from the stipulated dates of completion primarily due to delay in release of grants to ZPs.

***The Department may ensure timely release of grants to Zilla Parishads for efficient service delivery at the wasti level by the Gram Panchayats.***

Though the Scheme stands transferred to the ZPs from November 2000, SJSA in 2013-14 irregularly released ₹ 309.68 crore to the State PWD for execution of various developmental works in the notified wastis. Monitoring of the Scheme at the Department and field level was weak. The Department also did

not conduct any impact assessment or evaluation of the Scheme. GIS mapping of notified wastis was not done.

***The Department may strengthen its monitoring and evaluation mechanism through regular inspections of works and periodical impact assessment of the Scheme. The Department may also stipulate specific and measureable performance targets to enforce accountability.***

The matter was referred to the Government in November 2015; their reply was awaited as of April 2016.





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***CHAPTER III***

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

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## SECTION B

### CHAPTER III

## ACCOUNTS AND FINANCES OF URBAN LOCAL BODIES

### 3.1 Introduction

**3.1.1** In conformity with the 74<sup>th</sup> Constitutional Amendment (1992), the Government of Maharashtra (GoM) amended (December 1994) the existing Mumbai Municipal Corporation (MbMC) Act, 1888; The Maharashtra Municipal Corporation Act, 1949; The Nagpur City Municipal Corporation Act, 1948; and The Maharashtra Municipal Councils, Nagar Panchayats and Industrial Townships Act, 1965. All the Municipal Corporations, except the Municipal Corporation of Greater Mumbai (MCGM) which had its own Act, are governed by the provisions of the amended Maharashtra Municipal Corporation Act, 1949. As of January 2016, there were 26 Municipal Corporations and 338<sup>1</sup> Municipal Councils including 109 Nagar Panchayats (NPs) in Maharashtra. Elections to the Municipal Corporations were held between 2012 and 2015.

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

### 3.2 Organisational set up

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

**3.2.2** Twenty Six Municipal Corporations in the State have been created for urban agglomerations having a population of more than three lakh. These 26 Municipal Corporations have been categorised<sup>2</sup> into five categories namely, A+, A, B, C and D based on the criteria of population and per capita income. At present, only MCGM falls in category A+, two<sup>3</sup> in category A, three<sup>4</sup> in category B, four<sup>5</sup> in category C and 16<sup>6</sup> Municipal Corporations in category D.

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<sup>1</sup> 100 Municipal Councils including 94 NPs were formed between August 2014 and October 2015

<sup>2</sup> Category A+ (population over one crore and per capita income above ₹ 50,000): one; Category A (population between 25 lakh and one crore and per capita income above ₹ 8,000): two; Category B (population between 15 lakh and 25 lakh and per capita income above ₹ 5,000): three; Category C (population between 10 lakh and 15 lakh and per capita income above ₹ 3,000): four; and Category D (population between 03 lakh and 10 lakh): 16

<sup>3</sup> Nagpur and Pune

<sup>4</sup> Nashik, Pimpri-Chinchwad and Thane

<sup>5</sup> Aurangabad, Kalyan-Dombivli, Navi Mumbai and Vasai-Virar

<sup>6</sup> Ahmednagar, Akola, Amravati, Bhiwandi-Nizampur, Chandrapur, Dhule, Jalgaon, Kolhapur, Latur, Malegaon, Mira-Bhayandar, Nanded-Waghala, Parbhani City, Sangli-Miraj-Kupwad, Solapur and Ulhasnagar

**3.2.3** Similarly, 338 Municipal Councils have been created for smaller urban areas and categorised<sup>7</sup> based on their population. At present, there are 12 A class, 62 B class and 155 C class Municipal Councils, including 109 NPs in the State.

### 3.3 Organisational structure

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

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

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

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

### 3.4 Financial profile

**3.4.1** Municipal funds are constituted under the provisions contained in the MbMC Act, 1888, The Maharashtra Municipal Corporations Act, 1949 and The Maharashtra Municipal Councils, Nagar Panchayats and Industrial Townships Act, 1965. All the money received by or on behalf of the Municipal Corporations and Municipal Councils under the provisions of the respective Acts, all money raised by way of taxes, fees, fines and penalties, all money received by or on behalf of Municipal Corporations and Municipal Councils from the Government, public or private bodies, from private individuals by way of grants or gifts or deposits and all interest and profits are credited to the Municipal funds.

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

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

<sup>7</sup> Category A (population between one lakh and three lakh): 12; Category B (population between 40,000 and one lakh): 62; Category C (population between 25,000 and 40,000): 155; and NPs (population between 15,000 and 25,000): 109

**3.4.4** Under The Maharashtra Municipal Corporation Act, 1949 and the MbMC Act, 1888, Municipal Corporations are required to constitute special purpose funds e.g. Water and Sewage Fund, Depreciation Fund, Sinking Fund etc. The capital works of water supply schemes and sewage projects are to be executed out of Water and Sewage Fund. The Depreciation Fund is to be created for replacement of capital assets. The Sinking Fund is to be created for redemption of long term loans.

**3.4.5** The consolidated position of receipts and expenditure of ULBs are not maintained at the State level. The position of overall receipts and expenditure of 26 Municipal Corporations in the State during 2010-15 is shown in **Table 2**.

**Table 2: Position of overall receipts and expenditure of 26 Municipal Corporations during 2010-15**

(₹ in crore)

Items	2010-11	2011-12	2012-13	2013-14	2014-15
Receipts	30137	32235	37046	40012	43355
Expenditure	27558	28647	34568	37229	41229

*Source: Figures furnished by Municipal Corporations*

The total receipts and expenditure of 26 Municipal Corporations during 2014-15 was ₹ 43,355 crore and ₹ 41,229 crore respectively which includes the total receipts (₹ 27,044 crore) and expenditure (₹ 25,131 crore) of MCGM.

### 3.4.6 Receipts of Municipal Corporations

The total receipts of 26 Municipal Corporations from various sources during 2010-15 are as shown in **Table 3**.

**Table 3: Details of receipts of 26 Municipal Corporations from various sources during 2010-15**

(₹ in crore)

Item	2010-11	Percentage to total receipts	2011-12	Percentage to total receipts	2012-13	Percentage to total receipts	2013-14	Percentage to total receipts	2014-15	Percentage to total receipts
Rents, taxes etc. including octroi, property tax and water charges	15989	53.05	17800	55.22	19233	51.92	20173	50.42	21647	49.93
Government grants	972	3.23	1198	3.72	1867	5.04	3036	7.59	2302	5.31
Commercial enterprises	13	0.04	82	0.25	17	0.05	75	0.19	89	0.21
Deposits, loans, etc.	1280	4.25	1853	5.75	496	1.33	251	0.63	477	1.10
Other income	11883	39.43	11302	35.06	15433	41.66	16477	41.18	18840	43.45
<b>Total receipts</b>	<b>30137</b>	<b>100</b>	<b>32235</b>	<b>100</b>	<b>37046</b>	<b>100</b>	<b>40012</b>	<b>100</b>	<b>43355</b>	<b>100</b>

*Source: Compiled from figures furnished by Municipal Corporations*

The share of Government grants in the total receipts of 26 Municipal Corporations ranged between 3.23 per cent and 7.59 per cent during the period 2010-15.

### Arrears in tax collection

**Property Tax:** Information furnished by 26 Municipal Corporations revealed that during 2014-15, Municipal Corporations recovered 76 *per cent* of property taxes amounting ₹ 7,157 crore against total demand of ₹ 9,414 crore.

**Water charges:** Information furnished by 26 Municipal Corporations revealed that during 2014-15, Municipal Corporations recovered 44.65 *per cent* of water charges amounting ₹ 1,917 crore against total demand of ₹ 4,293 crore.

#### 3.4.7 Expenditure of Municipal Corporations

The total expenditure of 26 Municipal Corporations during 2014-15 was ₹ 41,229 crore of which, expenditure on administration was ₹ 11,903 crore. In MCGM, of the total expenditure of ₹ 25,131 crore incurred during 2014-15, the share of expenditure on administration was ₹ 8,392 crore and constituted 33.40 *per cent* of the total expenditure. In respect of eight<sup>8</sup> other Municipal Corporations, the share of expenditure on administration to total expenditure exceeded 35 *per cent* and ranged between 35.05 and 62.09 *per cent*. High establishment cost restricted availability of funds for other services to be provided by the Municipal Corporations.

#### 3.4.8 Receipt and expenditure of Municipal Councils

During 2014-15, 209 of the 338 Municipal Councils incurred an expenditure of ₹ 5,458 crore against total receipts of ₹ 5,773 crore. 209 Municipal Councils had arrears of property tax of ₹ 292 crore against total demand of ₹ 671 crore. Similarly, 192 out of 338 Municipal Councils had arrears of water charges of ₹ 135 crore against total demand of ₹ 300 crore.

### 3.5 Thirteenth Finance Commission grants

On the recommendation of the 13<sup>th</sup> Finance Commission, Basic Grant of ₹ 1,816.95 crore and Performance Grant of ₹ 603.91 crore was released to various Municipal Corporations and Municipal Councils including NPs of which, ₹ 1,259.16 crore (69.30 *per cent*) and ₹ 466.32 crore (77.22 *per cent*) respectively were utilized (March 2015).

### 3.6 Accounting arrangements

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

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

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<sup>8</sup> Amravati (35.17 *per cent*); Aurangabad (43.32 *per cent*); Bhiwandi-Nizampur (44.85 *per cent*); Jalgaon (36.30 *per cent*); Nagpur (35.05 *per cent*); Nanded Waghala (44.23 *per cent*); Parbhani (62.09 *per cent*); and Sangli-Miraj-Kupwad (56.22 *per cent*)

Committee constituted by the GoM also recommended (January 2007) implementation of accrual system of accounting in the ULBs. However, the GoM published (January 2013) the Maharashtra Municipal Account Code, 2013 prescribing the procedure for maintenance of accounts of receipts and disbursements for the Municipal Councils only. No such Account code was prepared by the Director, Municipal Administration (DMA) for the Municipal Corporations even after 10 years of adoption of NMAM for implementation from 2005-06. Further, the notification for the implementation of Maharashtra Municipal Account Code, 2013 was issued by GoM in November 2014 *i.e.* after a delay of nearly two years.

**3.6.3** On the recommendations of the 12<sup>th</sup> Finance Commission, GoM decided (July 2005) to implement the Double Entry Accounting System (DEAS) on accrual basis through customized module in the then 238 Municipal Councils. As per information furnished by DMA (January 2016) to audit, 116 Municipal Councils did not maintain accounts in DEAS. Of the remaining 122 Municipal Councils, 88 Municipal Councils started maintaining accounts in DEAS between 2005-06 and 2012-13 but discontinued the system in subsequent years and 34 Municipal Councils continued the system till 2013-14. Thus, even after a lapse of more than 10 years (July 2005 to March 2016), only 34 of 238 Municipal Councils could maintain accounts in DEAS till 2013-14.

The Urban Development Department (Department) stated (March 2016) that the work of DEAS was in progress in Municipal Councils and 34 Chartered Accountants have been appointed for this purpose. Further, a Consultant has also been appointed as the State Level Project Advisor and the work of data entry from the year 2009-10 to 2014-15 using Tally software in 234 Municipal Councils was underway. The Department added that due to shortage of manpower, there was delay in completing the work.

### **3.7 Audit arrangements**

**3.7.1** A Municipal Chief Auditor (MCA) is appointed by each Corporation under Section 78A of the MbMC Act, 1888 and Section 107A of The Maharashtra Municipal Corporation Act, 1949 where audit is entrusted to Director, Local Fund Audit (DLFA). The audit of Municipal Councils is conducted by DLFA under the provisions of the Bombay Local Fund Act, 1930 read with Section 104 of The Maharashtra Municipal Councils, Nagar Panchayats and Industrial Townships Act, 1965. The GoM, as per the recommendation of the 13<sup>th</sup> Finance Commission, entrusted (March 2011) the audit of all ULBs to DLFA. The certification of accounts of all local self institutions was also to be done by DLFA.

As per the information furnished by DLFA (March 2016), audit of all the 26 Municipal Corporations was completed up to 2012-13 while audit of only three<sup>9</sup> of 26 Municipal Corporations was completed for the year 2013-14. However, certification of accounts of none of the 26 Municipal Corporations could be done by DLFA for the years 2011-12, 2012-13 and 2013-14 due to non-submission of approved accounts by the respective Municipal

<sup>9</sup> Aurangabad, Bhiwandi-Nizampur and Kalyan-Dombivli



Corporations. Thus, there were significant arrears in audit and certification of annual accounts in the Municipal Corporations.

Further, audit of annual accounts of 222 of 338<sup>10</sup> Municipal Councils including NPs was completed for the year 2013-14 of which, annual accounts of only one NP was certified. Annual accounts of only eight of 222 Municipal Councils were certified for the year 2012-13.

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

Information furnished by 22 out of 26 Municipal Corporations, which have prepared their annual accounts, revealed that audit of accounts for the years 2014-15, 2013-14, 2012-13 and 2010-11 has been completed by MCA in eight<sup>11</sup>, five<sup>12</sup>, four<sup>13</sup> and three<sup>14</sup> Municipal Corporations respectively and reports submitted to the Standing Committees. In the remaining two<sup>15</sup> of 22 Municipal Corporations, there were arrears of five and 12 years in audit by MCA.

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

The Department stated (March 2016) that all the Municipal Corporations have been directed *vide* Government notification (January 2016) to place their accounts before the Standing Committees by 30 June every year.

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

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

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<sup>10</sup> Of the remaining 116 Municipal Councils, 100 were formed between August 2014 and October 2015 hence, their annual accounts for the year 2013-14 were not prepared.

<sup>11</sup> Akola, Aurangabad, Dhule, Malegaon, Mira Bhayandar, Pune, Ulhasnagar and Vasai-Virar

<sup>12</sup> Ahmednagar, Chandrapur, Kolhapur, Navi Mumbai and Sangli-Miraj-Kupwad

<sup>13</sup> Bhiwandi-Nizampur, Kalyan-Dombivli, Nashik and Thane

<sup>14</sup> MCGM, Nanded-Waghala and Solapur

<sup>15</sup> Jalgaon and Pimpri-Chinchwad

### 3.8 Lack of response to audit observations

#### 3.8.1 Outstanding Inspection Reports and Paragraphs

The Municipal Commissioners, Chief Officers and the elected bodies/Standing Committees are mainly responsible for the system of internal controls in the Municipal Corporations and Municipal Councils. For efficient implementation of the functions transferred to the ULBs, all deficiencies pointed out in audit by the Principal Accountant General/Accountant General, Maharashtra are required to be complied with as early as possible for efficient service delivery to the urban population. However, as of March 2015, there was large pendency in Inspection Reports and Paragraphs issued by the Principal Accountant General/Accountant General to the Corporations which was a reflection of inadequate internal controls. The position of pendency in Inspection Reports and Paragraphs is indicated in **Table 4**.

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

Year	Inspection Reports	Paragraphs
Up to 2011-12	625	2905
2012-13	96	525
2013-14	88	577
2014-15	18	189
<b>Total</b>	<b>827</b>	<b>4196</b>

The Department stated (March 2016) that the heads of various offices have been directed *vide* Government notification (January 2016) to clear the outstanding paragraphs by preparing timelines.

#### 3.8.2 Follow-up on Audit Reports

According to instructions issued (January 2001) by the Finance Department, GoM, Administrative Departments were required to furnish Explanatory Memoranda (EMs) duly verified by Audit to the Maharashtra Legislature Secretariat in respect of paragraphs included in the Audit Reports, within three months of presenting the Audit Reports to the State Legislature. The Administrative Departments however, did not comply with these instructions. The EMs in respect of 11 paragraphs/reviews figuring in Audit Reports of 2006-07 to 2013-14 (except 2007-08 and 2010-11) have not yet been received by audit (31 March 2016) as indicated in **Table 5**.

**Table 5: Status of submission of EMs in respect of Audit Reports**

Audit Report	Date of tabling the Report	Number of Paragraphs and Reviews	Number of EMs received	Balance
2006-07	23 December 2009	13	09	04
2008-10	23 December 2011	18	15	03
2011-12	19 December 2013	09	08	01
2012-13	24 December 2014	11	09	02
2013-14	31 July 2015	06	05	01
<b>Total</b>		<b>57</b>	<b>46</b>	<b>11</b>

Further, with a view to ensuring accountability of the Executive in respect of all issues dealt with in the Audit Reports, the Public Accounts Committee

(PAC) lays down in each case, the period within which Action Taken Notes (ATNs) on its recommendations should be sent by the Department.

The PAC discussed 27 paragraphs of ULBs and issued (up to December 2015) 17 recommendations on nine paragraphs - seven pertaining to the Audit Report 2005-06 and one paragraph each from Audit Reports of 2006-07 and 2007-08. ATNs in respect of all the 17 recommendations were pending as indicated in **Table 6**.

**Table 6: Position of outstanding ATNs**

<b>Year of Audit Report</b>	<b>Report Number and year of PAC</b>	<b>Number of PAC recommendations</b>	<b>Number of ATNs awaited on PAC recommendations</b>
2005-06	19 <sup>th</sup> Report of 2012-13	11	11
2006-07	4 <sup>th</sup> Report of 2015-16	3	3
2007-08	5 <sup>th</sup> Report of 2015-16	3	3
<b>Total</b>		<b>17</b>	<b>17</b>

### **3.9 Conclusion**

The Accounts and Finances of Urban Local Bodies (2014-15) in the State revealed that:

- utilization of Basic Grants and Performance Grants released by the 13<sup>th</sup> Finance Commission to the Municipal Corporations and Municipal Councils including Nagar Panchayats was to the extent of 69.30 *per cent* and 77.22 *per cent* respectively;
- the GoM published (January 2013) the Maharashtra Municipal Account Code, 2013 prescribing the procedure for maintenance of accounts of receipts and disbursements for the Municipal Councils only. However, the notification for implementation of the Municipal Account Code was issued by the GoM after a delay of nearly two years in November 2014;
- audit of the accounts of Municipal Corporations and Municipal Councils by DLFA was in arrears for the years 2013-15 and 2014-15 respectively;
- response to Inspection Reports and Paragraphs issued by the Principal Accountant General/Accountant General, Maharashtra was not adequate; and
- action taken notes in respect of 17 recommendations made by the Public Accounts Committee up to December 2015 were pending.

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***CHAPTER IV***

***RESULTS OF AUDIT OF  
URBAN LOCAL BODIES  
(PERFORMANCE AUDIT)***

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## CHAPTER IV PERFORMANCE AUDIT

### URBAN DEVELOPMENT DEPARTMENT

#### 4.1 Prevention and control of fire by selected Municipal Corporations

##### *Executive Summary*

*The Municipal Corporations in Maharashtra under the Urban Development Department are responsible for handling fire incidents in residential buildings, Government offices and other establishments in their respective jurisdictions and ensure that the owners/occupiers of buildings/offices/establishments adhere to the fire safety norms prescribed by the State Government.*

*A performance audit of 'Prevention and control of fire by selected Municipal Corporations' for the period 2010-15 revealed that eight of 26 Municipal Corporations could not spend 78 per cent of their capital budget during 2010-15 for purchase of specialized fire appliances, equipment, vehicles etc. There was acute shortage of fire stations in the State as well as in eight Municipal Corporations. The fire stations were also ill-equipped and deficient in basic infrastructure such as, land, permanent building, drill towers, water sources, fire hydrants, fire tenders, specialized fire appliances etc. There was significant shortage of key personnel in the Fire Departments in the State as well as in eight Municipal Corporations. Many buildings and hazardous premises such as, petrol pumps, LPG stations, fire cracker shops, saw mills etc. in the local area jurisdiction of the eight Municipal Corporations were operating without final fire NOC from the Fire Departments. While there was shortfall in imparting training to fire personnel, no outreach activities were conducted by the Fire Departments to educate and train the community to respond to fire emergencies during 2010-15. There were deficiencies in filing of fire investigation reports by the Chief Fire Officers. In some Municipal Corporations, fire stations were being commanded by firemen and leading firemen instead of Station Officers. Form-A and Form-B certificates issued by the licensed agencies to ensure compliance to fire prevention and life safety measures in buildings and premises were deficient and not effectively monitored by the Chief Fire Officers. The Fire Department of Municipal Corporation of Greater Mumbai did not conduct periodical inspections of high-rise and dilapidated buildings leading to major fire accidents during 2010-15 and loss of lives and property.*

##### **4.1.1 Introduction**

Fire prevention and related safety measures are integral part of town planning and building construction. Fire services in India come under the 12<sup>th</sup> Schedule of the Constitution of India under the provisions of Article 243W and the performance of functions listed in the 12<sup>th</sup> Schedule comes under the domain of municipalities. To combat any odd situation arising out of fire related calamities, fire services are organized as first respondent to save life and property by the municipalities under local self-Government of the States. It is

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for the State Government to ensure that Municipalities fulfill their functions effectively and efficiently.

There are 26 Municipal Corporations (MCs) in Maharashtra under the Urban Development Department (UDD), Government of Maharashtra (GoM). The MCs are responsible for handling fire incidents in residential buildings, Government offices and other establishments in their respective jurisdictions and ensure that the owners/occupiers of buildings/offices/establishments adhere to the fire safety norms prescribed by the State Government.

#### **4.1.2 Organizational set up**

The Director of Fire Services (DFS), Mumbai, under the administrative control of the UDD, controls the entire fire force and is responsible to the State for the efficient functioning of the fire service. The Chief Fire Officer (CFO) heads the Fire Department of the MC and reports to the Municipal Commissioner. The fire stations, which are under the overall control of CFO, are headed by Station Officers. The DFS works in close liaison with the Central/State Government and frames policies for strengthening the fire services in the State.

#### **4.1.3 Audit objectives**

The objectives of the performance audit were to ascertain whether:

- the MCs had adequate infrastructure and fire-fighting equipment, fire/rescue tender<sup>1</sup> and other specialized vehicles to tackle emergencies;
- the MCs had the wherewithal and skilled manpower to carry out its services effectively and efficiently; and
- inspection and monitoring mechanism were effective.

#### **4.1.4 Scope and methodology of audit**

The performance audit commenced with an entry conference held in April 2015 with the Secretary, UDD in which the audit scope and methodology of audit were explained. The audit was conducted during April to July 2015 covering the period 2010-15 through test check of records of UDD; DFS; and CFOs of eight<sup>2</sup> of 26 MCs. Besides, joint physical inspection of 24 of 71 fire stations and 53 Government buildings/hospitals/educational institutions/commercial establishments in eight selected MCs was also conducted by audit along with the fire officials of MCs. The audit findings were discussed with the Secretary, UDD in an exit conference held in December 2015.

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<sup>1</sup> A traditional water and rescue tender is most often used by city and municipal fire brigades. The vehicle normally has a water tank capacity of 1,000 to 4,000 litres. A small quantity of foam mixed, up to 1,000 litres, can be carried. Besides fire-fighting equipment, they are often equipped with ladders and rescue equipment such as cutting tools and mobile power generators

<sup>2</sup> Municipal Corporation of Greater Mumbai (MCGM), Thane, Navi Mumbai, Nashik, Pune, Aurangabad, Amravati and Nagpur

#### 4.1.5 Audit criteria

The audit criteria were derived from the following documents:

- The Maharashtra Fire Prevention and Life Safety Measures Act, 2006 and Rules (2009) made there under;
- National Disaster Management guidelines of April 2012;
- Compendium of recommendations of the Standing Fire Advisory Committee of 2011;
- Norms for fire services laid down by the Standing Fire Advisory Council, Ministry of Home Affairs, Government of India;
- Government Resolutions and Circulars issued by GoI/GoM from time to time; and
- RMSI (a global IT services company) Report of December 2011.

#### Audit findings

#### 4.1.6 Financial management

##### 4.1.6.1 Non-utilization of capital budget by Fire Departments

The MCs allocate funds to the Fire Departments from their own budget. During 2010-15, a budget of ₹ 1,091.20 crore (revenue and establishment expenditure only) was allocated to the Fire Departments of eight selected MCs of which, ₹ 854.85 crore (78 per cent) was expended, leaving an unspent balance of ₹ 236.35 crore.

The MCs also prepare every year separate capital budget for procurement of plant and machinery, equipment, vehicles, specialized fire appliances etc. and submit the same to the Standing Committees for approval. Audit observed that against the total budget provision of ₹ 702.95 crore made during 2010-15, the eight selected MCs spent only ₹ 154.71 crore (22 per cent). Of the unspent balance of ₹ 548.24 crore, the Municipal Corporation of Greater Mumbai (MCGM) had the highest share of ₹ 429.59 crore (78 per cent) followed by MC, Nashik (eight per cent); MC, Nagpur (seven per cent); and MC, Pune (three per cent).

The MCGM stated (April 2016) that appropriate Bharat Stage IV emission norms compliant chassis for fire-fighting and rescue vehicles were not available during 2010-15 despite repeated follow up with various chassis manufacturers such as, TATA and Ashok Leyland. Consequently, the Fire Department placed import orders for procurement of custom-made specialized vehicles and equipment from foreign countries. However, as the delivery period of the imported vehicles/equipment was significantly longer, a substantial portion of the budget grant remained unutilized during 2010-15.

The MC, Nashik stated (December 2015) that budget grant of ₹ 15 crore on procurement of aerial ladder platform (ALP) and turn table ladder (TTL) could not be utilized during 2013-14 and therefore, carried forward to 2014-15. However, due to heavy work load on account of 'Kumbh Mela' preparations scheduled to be held from July 2015, tenders for ALP and TTL could not be processed.



The CFO, Nagpur stated (February 2016) that a provision of ₹ 7.08 crore was made for procurement of TTL from Austria every year during 2010-15 but, it was not approved by the Standing Committee.

The CFO, Pune stated (June 2015) that due to election code of conduct and various other reasons, the budget of ₹ 8.40 crore for purchase of fire equipment could not be carried out.

#### **4.1.6.2 Non-constitution of fire protection fund**

As per Section 25 (1) of the Maharashtra Fire Prevention and Life Safety Measures Act, 2006, there shall be a fire protection fund (FPF) to which shall be credited fees<sup>3</sup> to be imposed and collected by the Fire Department of the MCs from the owners and occupiers of all buildings. The amounts in the fund was to be applied for the purpose of maintaining fire stations in general (which would also include the expenditure on salaries, allowances and other incidental expenses on the fire officers and staff) and for providing sophisticated equipment and appliances, in particular, for the purpose of preventing and extinguishing fire on any land and in any building within or without the limits of the Corporations.

Audit observed that only three<sup>4</sup> of eight selected MCs constituted and collected FPF totaling ₹ 32.07 crore during 2010-15. Further, MC, Nagpur irregularly utilized ₹ 10 crore from the FPF for payment of pension benefits to its staff. At the end of December 2015, ₹ 41.74 crore was available in the FPF account of these three MCs. The remaining four MCs<sup>5</sup> did not constitute the FPF but collected FPF fees totaling ₹ 449.97 crore during 2010-15 and deposited the same in their General Fund where other internal receipts of MCs are credited. The amount so collected (₹ 449.97 crore) during 2010-15 was not used by four MCs for improving the fire services infrastructure.

#### **4.1.6.3 Irregular expenditure from personal ledger account**

As per Government Resolution (GR) issued (August 2011) by the UDD, all fees collected<sup>6</sup> by the DFS was to be deposited in the personal ledger account (PLA) to be operated by the DFS himself. The fees so collected were to be utilized for strengthening of fire services only.

Audit observed that contrary to the provisions contained in the GR, the DFS incurred (2012-15) an irregular expenditure of ₹ 83.49 lakh from the PLA for payment of electricity bills and to meet other miscellaneous expenses. As of July 2015, the DFS had a balance of ₹ 30.57 crore in the PLA.

During exit conference, the DFS stated (December 2015) that the balance available in the PLA would be utilized for construction of an advance fire training academy.

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<sup>3</sup> Fire service fee and Annual fee

<sup>4</sup> Nashik, Aurangabad and Nagpur (excluding Amravati). The FPF in MC, Amravati is being collected by Town Planning Department hence, this information was not available with CFO, Amravati

<sup>5</sup> MCGM, Thane, Navi Mumbai and Pune

<sup>6</sup> The DFS collects fees from the developers for issuance of provisional/final NOCs to buildings beyond the jurisdictional area of the urban local bodies and special planning authorities

#### 4.1.6.4 Non-levy of annual fees

As per Section 13 (1) of the Maharashtra Fire Prevention and Life Safety Measures Act, 2006, an annual fee shall be levied by the CFOs of MCs at one *per cent* of the fire service fee<sup>7</sup> to defray the expenses for the purpose of maintaining fire stations in general and for providing sophisticated equipment and appliances, in particular, for the purpose of preventing and extinguishing fire on any land and in any building.

Scrutiny of records of eight selected MCs revealed that except MC, Pune which collected ₹ 26.35 lakh as annual fee during 2010-15, none of the remaining seven MCs levied any annual fee which could have been used for improving the fire services infrastructure.

The MCGM stated (April 2016) that appropriate steps would be taken to impose annual fee as per provisions of the Act in due course. The remaining six MCs did not furnish any specific reply.

#### 4.1.6.5 Non-implementation of a Scheme funded by the State Government

The UDD, GoM decided to implement (August 2009) a Scheme namely, 'Agnisuraksha Abhiyan' in D-Class<sup>8</sup> MCs in Maharashtra to wipe-out the gaps in fire services in urban local bodies. The Scheme envisaged procurement of fire engines and construction of fire stations in D-Class MCs through funding from the State Government (35 *per cent*) and contribution by the MCs (65 *per cent*).

The MC, Aurangabad (a D-Class MC) received ₹ 1.785 crore from UDD (Government's share) in March 2012 under the Scheme. Audit observed that the MC did not use the funds for implementation of the Scheme but, invested it in fixed deposits between June 2012 and March 2015. Further, the MC withdrew ₹ 78.50 lakh from the fixed deposits prematurely between August 2014 and January 2015 and diverted the same for clearing its payment liabilities towards construction of a disaster management building. As of June 2015, the MC had an unspent balance of ₹ one crore.

**Recommendation 1: The Chief Fire Officers of the eight selected Municipal Corporations may ensure that the accumulated capital grants of ₹ 548.24 crore are utilized at the earliest for the purpose these were sanctioned by the Standing Committees during 2010-15. Further, Municipal Corporations which are yet to constitute the fire protection fund and levy and collect annual fees under the provisions contained in The Maharashtra Fire Prevention and Life Safety Measures Act, 2006 should do so without further delay for strengthening the fire services and improving the fire-fighting capabilities.**

<sup>7</sup> It is one-time fee imposed on the developer which is calculated by the CFO on the gross built-up area of the building at the time of approval of the building plan

<sup>8</sup> Municipal Corporations having population between three and 10 lakh

#### **4.1.7 Adequacy of infrastructure**

##### **4.1.7.1 Inadequate number of fire stations**

The Standing Fire Advisory Council (SFAC), an apex body set up by the Ministry of Home Affairs (MHA), Government of India (GoI) laid down (August 2006) the norms for fire services based on response time, risk and population. As per norms, urban areas should have one fire station per 10 sqkm and rural areas should have one fire station per 50 sqkm.

The Directorate General NDRF and Civil Defence (Fire), MHA, GoI appointed (June 2011) RMSI (a global IT services company) to conduct fire hazard and risk analysis in the country for revamping the fire services. In its report of December 2011, RMSI indicated a requirement of 1,231 fire stations<sup>9</sup> in the State of Maharashtra based on the criteria of population (11.23 crore)<sup>10</sup> and area (3.08 lakh sqkm) against which, there were only 154 fire stations in the urban areas of the State (shortfall of 73 *per cent*). Audit scrutiny of Comprehensive Plans and Mitigation Plans prepared by the eight selected MCs during 2010-15 for revamping the fire services revealed a shortfall of 105 fire stations (60 *per cent*) based on the criteria of population (2.67 crore) and area (1,836 sqkm) of the MCs. Acute shortage of fire stations would only burden the existing fire stations and increase the response time to fire calls, and possibly more incidences of deaths and loss of property. Further, audit scrutiny of documents in eight selected MCs revealed the following:

- Except for MCGM where one fire station was available per 13.51 sqkm, in the remaining seven MCs, one fire station was available per 36.57 sqkm, against the norm of 10 sqkm for the urban areas. No fire station was available in the rural areas in seven MCs, against the norm of one fire station per 50 sqkm.
- In its Comprehensive Plan of September 2014, MCGM proposed to construct 26 new fire stations, in addition to existing 33 fire stations. However, no construction could commence as of March 2016 due to non-availability of land (18 cases), land identified but found to be reserved for other purposes (seven cases) and litigation (one case). Considering that MCGM had logged some of the highest/longest<sup>11</sup> emergency response times to major fire incidents<sup>12</sup> that broke out in the past, delay in construction of new fire stations would further hamper the capabilities of MCGM to negotiate the fire calls in a timely and effective manner.

##### **4.1.7.2 Under-equipped fire stations**

Efficient and well-equipped fire services are essential to respond to fire hazards. Joint physical inspection of 24 fire stations in seven of eight selected MCs (except MCGM) revealed the following shortcomings:

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<sup>9</sup> Urban areas: 565 fire stations and Rural areas: 666 fire stations

<sup>10</sup> Urban: 5.08 crore and Rural: 6.15 crore

<sup>11</sup>Response time was 10 to 44 minutes against the norm of three to five minutes for urban areas

<sup>12</sup>Mantralaya, Mumbai; Lotus Neelkamal, Andheri; Monte Blanc, Mumbai; Garib Nagar Slums, Bandra; Gokul Niwas, Kalbadevi; and Tarangana Complex, Thane

- In two<sup>13</sup> of 24 fire stations, the approach road from the main road to the fire station was found to be extremely congested. In 11 fire stations<sup>14</sup>, sufficient space was not available to move the fire vehicles. Further, mock drill towers are essentially required in the fire stations to enable the firemen to practice/perform rescue drills. However, in 15 fire stations<sup>15</sup>, no mock drill towers were available.
- As per Annexure-1 to National Disaster Management guidelines of April 2012 (Chapter 7), every fire station should have permanent building to house fire vehicles, appliances and equipment for their safe custody. In seven fire stations of six<sup>16</sup> of eight selected MCs, fire tenders were parked in roadside tin sheds instead of permanent building. This arrangement exposed the vehicles to vagaries of weather and risk of accident and damage.



**Jawaharbaug fire station, Thane**

- Water sources, fire hydrants<sup>17</sup> and pumping machines were not available in 11<sup>18</sup> of 24 fire stations. Consequently, water had to be drawn from distant sources on jumbo water tankers and transported to fire accident sites. Further, external fire hydrants adjacent to public streets and other locations in cities and towns of seven MCs were either not installed or non-functional.
- Audit did not find any significant shortcomings in five fire stations under MCGM. However, as of December 2015, only 1,260 of 10,637 fire hydrants (12 *per cent*) were functional under the local area jurisdiction of MCGM. But, the Fire Department of MCGM did not take any action to make the remaining 9,377 fire hydrants functional. Incidentally, non-functional court-yard fire hydrants was one of the reasons that severely impaired the fire-fighting capabilities of the Fire Department of MCGM to tackle three major fire accidents that broke out in Garib Nagar slums, Bandra (04 March 2011), Mantralaya

<sup>13</sup> Under MC, Nagpur

<sup>14</sup> One in Thane, two in Nashik, three in Pune, three in Aurangabad and two in Nagpur

<sup>15</sup> Two in Thane, three in Nashik, three in Pune, three in Aurangabad and four in Nagpur

<sup>16</sup> Thane, Navi Mumbai, Nashik, Amravati, Pune and Nagpur

<sup>17</sup> A fire hydrant is an active fire protection measure, and a connection point by which fire fighters can tap into a water supply

<sup>18</sup> One in Nashik, six in Nagpur, two in Pune and two in Aurangabad

building (21 June 2012) and Lotus Neelkamal Business Park Condominium, Andheri (18 July 2014).

- The SFAC norms of August 2006 provides for one fire tender per 50,000 population and one rescue tender per three to 10 lakh population. Based on the population criterion, RMSI in its report of December 2011 highlighted a shortfall of 1,268 fire tenders (81 *per cent*) and 37 rescue tenders (64 *per cent*) in the State. Audit scrutiny of Comprehensive Plans and Mitigation Plans prepared by the eight selected MCs also revealed shortfalls of fire and rescue tenders to the extent of 76 *per cent* and 73 *per cent* respectively.
- Specialized appliances used by the fire services are technologically advanced machines/equipment capable of carrying a multitude of equipment and firefighting media such as, water and foam, turn-table ladders/hydraulic platforms/sky lifts, breathing apparatus, apart from dry chemical powder tenders and separate breathing apparatus vans to deal with different types of emergencies in industrial and hazardous areas under the local jurisdiction of MCs. The RMSI report of December 2011 however, estimated shortfalls in availability of foam tenders (91 *per cent*), dry chemical powder tenders (100 *per cent*), turn-table ladders/sky lifts (43 *per cent*) and breathing apparatus vans (92 *per cent*) in the State. Audit scrutiny of Comprehensive Plans and Mitigation Plans prepared by the eight selected MCs also revealed shortfalls in availability of foam tenders (79 *per cent*), dry chemical powder tenders (100 *per cent*), turn table ladders/sky lifts (63 *per cent*) and breathing apparatus vans (80 *per cent*).

The gaps in infrastructure facilities (fire stations and equipment/specialized appliances) was a matter of grave concern as it would continue to affect the fire-fighting capabilities of the Fire Departments of MCs and put more lives and property at risk.

**Recommendation 2: Since widening shortfalls in the availability of fire services infrastructure and equipment increase the vulnerability of the fire-fighting staff and the community to fire hazards, the State Government should review the current infrastructure of fire services in the State and reduce these shortfalls through sustainable funding of new capital assets and replacement/renewal of older assets.**

#### **4.1.8 Shortfall of manpower**

In a Fire Department (at MC level), there should be a CFO (the overall in-charge of fire services) who is to be assisted by Deputy CFO, Divisional Officers (DOs) and Assistant Divisional Officers (ADOs). At the field level, a typical fire station is to be manned by a number of key personnel such as, Station Officer, leading firemen, firemen, drivers for fire engines, ambulance drivers, radio/wireless operators, technicians, mechanics *etc.* The RMSI report of December 2011 showed a manpower shortage of 12,159 personnel (including key personnel) in the State while the shortage was pegged at 1,731 personnel in eight selected MCs as per Comprehensive/Mitigation Plans. Thus, even after lapse of more than four years since the RMSI report was

made public, the State Government and the respective MCs did not take any action to reduce the manpower gaps in fire services.

Audit also observed that the DFS, Mumbai submitted (April 2014) a proposal to UDD, GoM for creation of 1,167 additional posts for strengthening of fire services in the State. Though a High Power Committee headed by the Chief Secretary of the State accorded (June 2014) its approval for creation of 131 of 1,167 posts, it was not considered by the State Government as of March 2016.

**Recommendation 3: Since shortage of manpower affects the fire-fighting capabilities of Fire Departments, the issue must be addressed by the State Government on priority.**

#### 4.1.9 Non-compliance to fire safety norms

As per The Maharashtra Fire Prevention and Life Safety Measures Act, 2006, one of the key functions of the Fire Department is to enforce fire safety norms and create awareness among the citizens about fire prevention measures, especially in hazard-prone premises, so that the risk of fire is minimized. The Fire Departments of MCs also issue no objection certificates (NOCs) to all types of buildings and hazardous business activities such as, petrol pumps, liquefied petroleum gas (LPG) refilling stations or distribution centres, fire cracker shops and saw mills. Audit scrutiny revealed a number of deficiencies in enforcement of the fire safety norms provided for in the Act.

##### 4.1.9.1 Inadequacies in issue of No Objection Certificates

Provisional fire NOCs are issued by the Fire Departments of MCs at the time of commencement of the construction of buildings under their territorial jurisdiction. The final fire NOCs are issued by the Fire Departments before grant of occupation certificates (OCs) by the Town Planning Department of MCs. Audit scrutiny of registers of Commencement Certificates/NOCs/OCs and the related building proposal files revealed the following:

- The Town Planning Department of MC, Amravati issued OCs to 28 buildings during 2010-15 without final fire NOCs from the Fire Department. Thus, it was difficult to ascertain in audit whether fire safety norms were adhered to by these buildings.
- Between 1968 and 2015, the Fire Department of MC, Nagpur issued provisional fire NOCs to 92 petrol pumps subject to installation of necessary fire-fighting equipment<sup>19</sup>. However, none of the 92 petrol pumps came forward to obtain final fire NOCs as of December 2015. No action was taken by the Fire Department against these errant petrol pumps. Also, 27 fire cracker shops, 322 saw mills and 41 LPG distribution centres (two refilling stations and 39 distributors) had been conducting business since 1994-2014 without obtaining fire NOCs from the Fire Department.

Further joint physical inspection by audit of two of 92 petrol pumps and one of 27 fire cracker shops under MC, Nagpur revealed that (i) against the mandatory requirement of underground water storage of 50,000 litres, the petrol pumps had storage capacity of only

<sup>19</sup> Dry Chemical Powder extinguishers, foam extinguishers, underground water storage of 50,000 litres, yard hydrants, alarm systems *etc.*

2,000 litres, (ii) other than normal CO<sub>2</sub> fire extinguishers, no foam/dry chemical powder extinguishers were available in the petrol pumps, (iii) no fire hydrants were found installed in the petrol pumps, (iv) though 1,500 kg fire crackers/sparklers was stored in the fire cracker shop, only four CO<sub>2</sub> fire extinguishers were kept in the shop which was located on the ground floor of a three-storied building. The CFO confirmed to audit that for storage of fire crackers of this magnitude, dry chemical powder extinguishers were necessary.

- The Mitigation Plan prepared by MC, Thane in 2011 only indicated existence of 14 fire cracker shops in its jurisdictional area but, no details of other hazardous premises such as, petrol pumps, saw mills and LPG filling stations were mentioned either in the Mitigation Plan or available with the CFO as of March 2016.
- In MC, Nashik, nine fire cracker shops, 47 petrol pumps and 62 saw mills were running business without any final NOCs from the Fire Department (April 2016).
- Information on NOCs granted to the exact number of petrol pumps, fire cracker shops and LPG filling stations was not available with the Fire Departments of MCGM and Amravati. Further, while MC, Amravati did not prepare any Mitigation Plans, the one prepared by MCGM in 2011 did not show any mapping of such hazardous business being run in the city of Mumbai.
- During 2010-2015, MC, Navi Mumbai granted fire cracker licenses to two dealers for sale of 450 kg explosives without ensuring that they were having fire NOCs. Similarly, 12 LPG distributors were running business since 2014-2015 without fire NOCs.
- Twenty eight old Government buildings under the local area jurisdiction of three MCs (Aurangabad, Nagpur and Amravati) were not granted final fire NOCs by the respective Fire Departments as the required fire-fighting equipment were not installed in these buildings. However, the CFOs of the Fire Departments of three MCs did not issue notices to the owners of the buildings for inspection as required under Section 5 (1) of The Maharashtra Fire Prevention and Life Safety Measures Act, 2006. These buildings were thus, not only vulnerable, the lives of Government officials working in these buildings were at perpetual risk.
- As per Model Building Bye-laws (November 2004) of Town & Country Planning Organization, Ministry of Urban Development, GoI, the use of LPG is not permitted in high-rise buildings except residential/hotels/hostels/kitchen/pantries. The CFO, MCGM conducted (August 2012) an inspection of the 'New Administrative Building' in Mantralaya, Mumbai and observed that two canteens on 5<sup>th</sup> and 12<sup>th</sup> floors were being run using four and two numbers of LPG cylinders respectively for preparations of eatables, without any fire safety measures or permission from competent authorities. Further, the lift lobby on 13<sup>th</sup> floor was found to be encroached by half wooden partition with arrangements of sofas for the visitors. The common passage/lift lobbies at various floors were also found to be blocked by steel/wooden cupboards. However, physical inspection of Mantralaya building by audit and reply of CFO, MCGM revealed (April 2016) that

despite lapse of more than three years, the deficiencies pointed out by the CFO have not been rectified by UDD/MCGM in the interest of safety of occupants and property.

- As per Schedule I of the Maharashtra Fire Prevention and Life Safety Measures Act, 2006, minimum fire-fighting installations such as, fire extinguishers, yard hydrants, water storage tanks, hose reels, sprinklers, automatic detection and alarm systems are required to be installed in Government buildings/hospitals/educational institutions/commercial establishments. Joint physical inspection by audit of 53<sup>20</sup> Government buildings/hospitals/educational institutions/commercial establishments in eight selected MCs revealed that only fire extinguishers were installed in 11<sup>21</sup> of 53 buildings and the remaining 42<sup>22</sup> buildings were not equipped with any of the fire-fighting installations mentioned above. The occupiers of 53 buildings as well as the concerned MCs under which these buildings fall could not produce final fire NOC to audit for verification.

Thus, fire vulnerabilities in the State were not being adequately dealt with despite provision of a legal regime for mandatory clearance from the Fire Department for building and hazardous premises.

**Recommendation 4: The State Government may enforce the provisions of The Maharashtra Fire Prevention and Life Safety Measures Act, 2006 more effectively to ensure that all hazardous business, commercial, Government and institutional buildings were complying with the State fire safety regulations and that they were self-sufficient in fire-fighting capabilities.**

#### **4.1.10 Shortfalls in capacity building**

In order to improve the capabilities of the fire staff to effectively deal with the fire emergencies, various attributes such as, knowledge, skills, attitude, physical fitness, vision and mental alertness of fire staff needs to be constantly monitored and improved through regular training, mock drills, workshops and community awareness programmes.

##### **4.1.10.1 Shortfalls in training**

The GoM has established one State fire training centre (SFTC) at Kalina (Santacruz), Mumbai. As per GR of March 1990, basic technical fire-fighting training was to be imparted to fire personnel (new recruits and junior cadre staff) for six months during a year in SFTC. Audit observed that of 1,250 fire personnel to be trained in the State during 2010-15, only 401 personnel

<sup>20</sup>Seven hospitals, seven educational institutions, 36 Government buildings and three commercial establishments

<sup>21</sup>One Government building in MCGM; three Government hospitals-one each in MC, Nashik, Aurangabad and Amravati; six educational institutions-four in MC, Nashik, one each in Aurangabad and Amravati; and one commercial building in MC, Amravati

<sup>22</sup>Thirty five Government buildings-four in MCGM, one each in MC, Navi Mumbai, Nashik and Pune, eight in Aurangabad, 10 each in Amravati and Nagpur; four Government hospitals-one each in MCGM, Thane, Navi Mumbai and Pune; one educational institution in MC, Thane; and two commercial buildings-one each in MC, Navi Mumbai and Pune



(32 per cent) were imparted training (except MCGM)<sup>23</sup> in SFTC. In two<sup>24</sup> of eight selected MCs, none of the fire personnel was imparted training in SFTC during 2010-15. Further, only one fire personnel each from MC, Amravati and Nagpur (from total strength 377) was imparted training during the same period.

#### **4.1.10.2 Delay in construction of an advance fire training academy**

As per National Disaster Management guidelines of April 2012 (Chapter 6), the States should set up modern training centres with adequate infrastructure, faculty and facilities with modern training aids like simulators and other sophisticated equipment. The existing SFTC at Kalina in 1.25 acres of land does not have enough open space for practical demonstrations and advance training facilities. Therefore, the DFS, Mumbai submitted (July 2008) a proposal to UDD, GoM for establishment of an advance fire training academy (AFTA) in 50 acres of land in which outdoor training activities/facilities along with different fire and rescue modules would be available. For this purpose, the UDD vide Resolution of August 2009 sanctioned ₹ 50 crore. However, even after a lapse of more than seven years, the land for AFTA was not acquired (July 2015).

The DFS, Mumbai stated (October 2015) that the Revenue Department had agreed to transfer 18 acres of land in Bhiwandi Taluka (district Thane) for setting up AFTA and the status of land (whether free from reservation) was being ascertained.

#### **4.1.10.3 Non-conducting of physical fitness camps**

Fire rescue activities being a specialized task need high degree of physical fitness of the operational staff. As per Appendix 11-G to Compendium of recommendations of the Standing Fire Advisory Committee of 2011, physical assessment tests are to be held every six months to ensure that fire-fighting personnel remain fit for their duties. Audit observed that except for CFO, MCGM, none of the seven selected MCs organized any physical fitness camps to check the physical fitness of the operational staff during 2010-15.

#### **4.1.10.4 Inadequate community preparedness and awareness**

The National Disaster Management guidelines of April 2012 envisages a proper platform which would keep the community organized and trained on a regular/permanent basis through conducting mock exercises and awareness programmes to enable them to respond in an effective and organized manner during fire emergencies.

Audit observed that the Fire Departments of six<sup>25</sup> of eight selected MCs had been conducting only fire prevention week between 14 and 20 April every year and no events were conducted on a regular basis throughout the year to outreach and educate the community. Further, none of the eight selected MCs

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<sup>23</sup> MCGM has its own training centre at Wadala, Mumbai and no shortfalls in training was noticed

<sup>24</sup> Navi Mumbai and Aurangabad

<sup>25</sup> Except MCGM and MC, Nagpur

had conducted community awareness programmes during 2010-15 by inviting industry experts in fire prevention and life safety measures.

**Recommendation 5: In order to handle all types of fire emergencies and respond to other disasters efficiently and effectively, the State Government should (i) monitor the training needs of the firemen and sub-officers and ensure that there are no gaps/shortfalls in training, (ii) speed-up the establishment of advance fire training academy, and (iii) organize physical fitness camps on a regular basis to ensure that the front-line operational staff are in a high state of preparedness at all times.**

#### **4.1.11 Inadequate inspection and monitoring mechanism**

##### **4.1.11.1 Deficiencies in preparation of fire investigation reports**

As per Section 289 of The Maharashtra Municipal Corporation Act, 1949 (amended June 2014), a report of every fire which occurs in the city shall be submitted by the Chief or other officer-in-charge of the fire station not later than the day following the fire to the Municipal Commissioner, who shall make such further inquiry, if any, as he may deem necessary and shall furnish a weekly return of all fires which occur in the city to the Standing Committee of the MC. The above Act is applicable to all the MCs, except MCGM. The same provisions are also applicable to MCGM under Section 364 of The Mumbai Municipal Corporation Act, 1888 (amended December 2011).

During 2010-15, total 2,822 fire incidents (major and minor) occurred in the local area jurisdiction of six<sup>26</sup> of the eight selected MCs with 1,187 casualties. Under MCGM area, 24,332 fire incidents (major and minor) were reported during the same period with 1,144 casualties. Audit observed that no uniform format had been prescribed for documenting/filing the fire investigation reports by the CFOs. As such, all the CFOs of MCs had been filing the details of fire incidents in different ways and manner. Two MCs (Amravati and Nagpur) were not even recording the complete details on the format they were using to file the reports. Further, except MCGM, the fire investigation reports were not being sent regularly by the CFOs to the concerned Municipal Commissioners and Standing Committees.

Such gaps in reporting of fire incidents would not allow the higher authorities to evaluate and monitor the situations arising out of fire emergencies in a sustained manner and suggest timely remedial measures.

##### **4.1.11.2 Non-conducting of inspection of the buildings**

As per Section 5(1) of The Maharashtra Fire Prevention and Life Safety Measures Act, 2006, the DFS or the CFO or any nominated officer may, after giving three hours prior notice to the occupier of a building, inspect any place or building at any time between sunrise and sunset where inspection appear necessary for ascertaining the adequacy or contravention of fire prevention and life safety measures.

Audit observed that except two MCs (MCGM and Thane), none of the CFOs of six selected MCs conducted inspection of any buildings, educational

<sup>26</sup> MC, Amravati did not maintain any details of fire incidents for the period 2010-15

institutions, hospitals, malls, multiplexes, industries, public gathering places, hotels *etc.* during 2010-15. Further, during inspection (June 2012) of the Central Excise Office, Regional Transport Office and office of the Superintendent of Police in Thane district, the CFO observed that no fire prevention and life safety measures<sup>27</sup> were installed in these three buildings. Though notices were issued to these offices in July 2012, the observations made by the CFO on lack of fire safety measures were not complied with as of December 2015.

#### **4.1.11.3 Non-creation of fire act cell**

For effective implementation and monitoring of the provisions of The Maharashtra Fire Prevention and Life Safety Measures Act, 2006, the MCGM proposed (October 2012) to create a separate dedicated cell namely, fire act cell consisting of 99 officers (33 Station Officers and 66 Assistant Station Officers). However, the fire act cell was not created as of March 2016. The CFO, MCGM confirmed (April 2016) to audit that due to non-creation of fire act cell, works of regular inspection of buildings, issue of notices, follow up action, prosecutions *etc.* were being carried out by the existing operational staff/officers of MCGM which adversely affected the day-to-day handling of emergency services.

The MCGM stated (April 2016) that for effective inspection and compliance to the Act, it has developed an IT-based system called 'fire management system' to monitor and keep proper records of those buildings not complying with the provisions of the Act.

#### **4.1.11.4 Fire stations commanded by lower grade staff**

The Station Officer in-charge of a fire station is a crucial functionary who keeps himself and his men at all times in a state of readiness to attend to fire calls. He is also responsible for proper custody and upkeep of all fire appliances, stores and equipment issued to the station and maintenance of log books, occurrence books, attendance rolls *etc.* and submission of all returns and statements to his superiors.

Audit observed that there are eight fire stations under MC, Nagpur of which, only two fire stations were headed by Station Officers while the remaining six were headed by leading firemen, due to non-filling of vacant post of Station Officers since October 2010. Of the two Station Officers, one Station Officer was holding the additional charge of CFO. In MC, Amravati, there were two fire stations of which, one was being headed by a fireman and the second by a leading fireman, who was also holding the additional charge of Fire Superintendent<sup>28</sup> since August 2012.

Given the multitudes of tasks and responsibilities of a Station Officer, commanding of fire stations by lower grade staff (firemen and leading firemen) may not be an ideal situation to deal with fire emergencies and for decision-making at critical moments.

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<sup>27</sup>Fire extinguishers, court-yard fire hydrants, water storage tanks, hose reels, sprinklers, automatic detection, fire alarm systems *etc.*

<sup>28</sup> In MC, Amravati the Fire Superintendent held the charge of Fire Department

#### 4.1.11.5 Non-monitoring of certificates issued by licensed agencies

As per Section 9 (1) and (3) of the Maharashtra Fire Prevention and Life Safety Measures Act, 2006, the CFOs of MCs may grant any person or association of persons a license to act as a licensed agency to carry out the work of providing fire prevention and life safety measures in a building or part thereof. The license so granted shall remain valid for a period of one year which may be renewed for a like period or refused for reasons to be recorded in writing. Further, as per Rule 4 (1) and (2) of the Maharashtra Fire Prevention and Life Safety Measures Rules, 2009, a licensed agency shall issue a certificate in Form-A regarding compliance of the fire prevention and life safety measures in a building, followed by a certificate in Form-B to be issued by the licensed agency twice a year (January and July) regarding maintenance of fire prevention and life safety measures in a building or premises being in good repair and efficient condition. As of March 2016, there were 290 licensed agencies in the State holding valid licenses.

Audit scrutiny of documents in eight selected MCs revealed the following:

- In four<sup>29</sup> of eight selected MCs, only 459 Form-B certificates (three *per cent*) were issued by the licensed agencies out of 15,338 buildings which were granted final fire NOCs during 2010-15. Of the 15,338 buildings, 11,925 buildings were under MCGM jurisdiction of which, only 205 Form-B certificates (two *per cent*) were issued by the licensed agencies during the same period. Further, joint physical inspection by audit of 53 Government buildings/hospitals/educational institutions/commercial establishments in eight selected MCs revealed that the licensed agencies did not conduct any inspection of these premises during 2010-15 and therefore, no certificates in Form-B were issued.
- In MC, Nashik, a licensed agency<sup>30</sup> issued certificate in Form-A to Sahyadri Hospitals after expiry of validity of license period, which was irregular. The hospital submitted the certificate to the Fire Department on the basis of which, fire NOC was issued to the hospital.
- In three<sup>31</sup> MCs, the licensed agencies issued certificates in Form-B to three establishments for one year period instead of twice during the months of January and July. In another three cases, no periods were mentioned in the certificates issued by the licensed agencies. Further, in MC, Pune, the licensed agency<sup>32</sup> issued certificates in Form-B to 10 establishments for four months period (March to June 2015) instead of six months. The incorrect certificates were however, accepted by the CFO, Pune and no action was taken against the licensed agency.

In the all cases mentioned above, no show cause notices were issued by the CFOs to the defaulting licensed agencies under Rule 17 of The Maharashtra Fire Prevention and Life Safety Measures Rules, 2009 for their failure to comply with the conditions of the license by reason of incompetency, misconduct or any other grave reason.

<sup>29</sup> MCGM, Thane, Nagpur and Nashik

<sup>30</sup> Indo Fire Safety Solutions, Pune

<sup>31</sup> Aurangabad, Amravati and Nagpur

<sup>32</sup> Disnyr Fire Enterprises, Pune

The Secretary accepted the facts and stated that fire safety is a joint effort where the residents/occupiers of the buildings must also be involved, duly supplemented by the services of the Fire Department.

**4.1.11.6 Non-conducting of periodical inspections of high-rise and dilapidated buildings leading to major fire accidents**

During 2010-15, 12 major fire accidents (also termed ‘brigade fire calls’ where 20 or more fire tenders are deployed for fire-fighting) occurred in MCGM’s jurisdictional area. Three such accidents involving two high-rise and one dilapidated building are discussed below where fire prevention and life safety measures as enunciated in The Maharashtra Fire Prevention and Life Safety Measures Act, 2006 were compromised due to non-conducting of periodical inspections of buildings by the CFO, Mumbai.

- A major fire broke out in Mantralaya (a high-rise building) on 21 June 2012 due to defective electric circuit which claimed five lives and caused massive damage to property. At the time of accident, the building did not have final fire NOC from the Fire Department of MCGM. Fire investigation report submitted by CFO, Mumbai in August 2012 *inter alia* revealed that (i) the internal approach road to the building was blocked due to parking of vehicles and thus, caused inordinate delay in arrival of fire tenders (response time was 16 minutes), (ii) though an underground water storage tank (2.34 lakh litre capacity) was available in the building yet water could not be drawn through the court-yard fire hydrants and wet risers, as these were found to be non-functional, (iii) open spaces were not adequate for jacking and operating the fire engines due to landscaping and porch, and (iv) fire extinguishers were not functional.

The final fire NOC was issued by the Fire Department in October 2015. The State Government incurred an expenditure of ₹ 202 crore as of March 2016 on renovations of Mantralaya building.



- Lotus Neelkamal Business Condominium, a 20-storied building with glass facade, was granted final fire NOC by the Fire Department in November 2006. A major fire broke out in the building on 18 July 2014 due to defective electric circuit in the server room and it took 30

hours to control the fire. One fireman lost his life during fire-fighting operations. The CFO, Mumbai in its investigation report (August 2014) observed that though the building was having an underground water storage tank of one lakh litre capacity yet hardly 10 *per cent* water was available in the tank when the fire broke out and therefore, water could not be drawn through the court-yard fire hydrants and wet risers, as these were found to be non-functional. The fire NOC issued to the building was revoked in July 2014.

- Gokul Niwas, a commercial-cum-residential building more than 30 years old, is situated in the densely populated Kalbadevi Road. The traders were using this building to stock various types of inflammable items/material such as, silk and cotton sarees, chemicals, processing solvents, acids, LPG cylinders, mobile accessories and batteries, plastic and paper packing material, material for processing and treatment of precious metals including gold ornaments *etc.* A major fire broke out in the building on 09 May 2015 due to defective electric circuit which took more than 80 hours to control. The entire building (ground plus four floors with attic) collapsed and four fire officers including CFO, Mumbai lost their lives during action. A fact-finding Committee<sup>33</sup> constituted by MCGM *inter alia* recommended (May 2015) that (i) list of all dilapidated buildings in Mumbai should be kept by the Fire Disaster Management Department of MCGM/Maharashtra Housing and Area Development Authority, (ii) electrical wiring and meter boxes of buildings more than 30 year old should be checked by Brihanmumbai Electric Supply and Transport (BEST) Undertaking and yearly electric audit should also be done by BEST, (iii) storing of chemicals and gold making process should be banned in old buildings, and (iv) Global Positioning System should be installed on all fire vehicles.



Collapsed Gokul Niwas Building at Kalbadevi

The MCGM stated (April 2016) that recommendations made by the fact-finding Committee were in different stages of implementation. However, the fact remained that the building in question did not have fire NOC and no periodical inspections were conducted by the Fire Department which might have averted catastrophe of this magnitude.

<sup>33</sup> Chief of Disaster Management, New CFO of Fire Department, DFS, Additional Commissioner of MCGM and Chief Engineer of MCGM

**Recommendation 6: (i) The State Government may carry out vulnerability analysis of all the densely populated, important and hazardous locations in the State and increase awareness amongst the people regarding do's and don'ts in fire incidents, and (ii) Monitoring of Form-A and Form-B certificates issued by the licensed agencies should be made more effective to ensure compliance to fire prevention and life safety measures in buildings and premises.**

#### **4.1.12 Conclusion**

Fire prevention and control measures taken up by the Fire Departments of eight selected Municipal Corporations were not satisfactory. The eight Municipal Corporations could spend only 22 *per cent* of their capital budget during 2010-15 which was meant to be utilized for purchase of specialized fire appliances, equipment, vehicles *etc.* While four of eight Municipal Corporations did not constitute the fire protection fund, seven of eight Municipal Corporations did not collect and levy any annual fees for strengthening the fire services. There was acute shortage of fire stations in the State as well as in eight Municipal Corporations. The fire stations were also grossly under-equipped and deficient in basic infrastructure such as, land, permanent building, drill towers, water sources, fire hydrants, fire tenders, specialized fire appliances *etc.* There was significant shortage of key personnel in the Fire Departments in the State as well as in eight Municipal Corporations. Many buildings and hazardous premises such as, petrol pumps, LPG stations, fire cracker shops, saw mills *etc.* in the local area jurisdiction of the eight Municipal Corporations were operating without final fire NOC from the Fire Departments. There was significant shortfall in imparting training to fire personnel during 2010-15, and construction of an advance fire training academy was pending even after a lapse of more than seven years from the date the proposal was first mooted. There were deficiencies in documenting fire investigation reports by the Chief Fire Officers. In some Municipal Corporations, fire stations were being commanded by firemen and leading firemen instead of Station Officers. Form-A and Form-B certificates issued by the licensed agencies to ensure compliance to fire prevention and life safety measures in buildings and premises were deficient and not effectively monitored by the Chief Fire Officers. The Fire Department of Municipal Corporation of Greater Mumbai did not conduct periodical inspections of high-rise and dilapidated buildings leading to major fire accidents in Mumbai during 2010-15 and loss of lives and property.

The matter was referred to the Government in September 2015; their reply was awaited as of April 2016.

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*CHAPTER V*

*AUDIT OF TRANSACTIONS*

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## CHAPTER V

### AUDIT OF TRANSACTIONS

#### URBAN DEVELOPMENT DEPARTMENT

#### NASHIK MUNICIPAL CORPORATION

##### 5.1 Unfruitful expenditure on construction of a training centre

**A training centre constructed in March 2009 by Nashik Municipal Corporation as part of solid waste management project was not put to use till April 2016 due to resource constraints and non-availability of staff, thereby rendering an expenditure of ₹ 1.03 crore unfruitful.**

The Central Sanctioning and Monitoring Committee of the Sub Mission on Urban Infrastructure and Governance under Jawaharlal Nehru National Urban Renewal Mission approved (December 2006) the solid waste management (SWM) project of Nashik Municipal Corporation (NMC) at an estimated cost of ₹ 60 crore. The project cost of ₹ 60 crore included ₹ 90 lakh for education, awareness, centre of excellence in SWM (training centre) and staff quarters.

The NMC awarded (October 2007) construction of a training centre (977.08 sqm) and five staff quarters (488.54 sqm) to a contractor at a total cost of ₹ 90.40 lakh to be completed by April 2008. The work was completed within the extended period in March 2009 at a total cost of ₹ 1.55 crore due to inclusion of additional items such as, foundation up to plinth, increase in quantum of RCC columns and beams due to additional floor, construction of concrete road, footpath and compound wall, approach gate, *etc.* on account of merging of training centre and staff quarters into one unit.

Scrutiny of records of NMC revealed (April 2015) that while all the five staff quarters were in regular use by the eligible staff of NMC, the training centre was not put to use since its completion in March 2009 till April 2015. Physical inspection of training centre by audit (April 2015) along with NMC staff revealed broken doors and missing electrical fixtures and fittings due to idling of the centre for long period.

The NMC stated (April 2015) that due to resource constraints and non-availability of staff, the training centre could not be put to use. It added that a decision has been taken to hand over the centre to Maharashtra Environmental Engineering Training and Research Academy (MEETRA), GoM for their use. Audit however, observed that the training centre had not been handed over to MEETRA as of April 2016.

Thus, a training centre constructed by Nashik Municipal Corporation had not been put to use for more than seven years (March 2009 to April 2016) thereby rendering an expenditure of ₹ 1.03 crore<sup>1</sup> unfruitful.

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<sup>1</sup>  $(977.08 \text{ sqm} \div 1465.62 \text{ sqm}) \times ₹ 1.55 \text{ crore} = \text{Proportionate cost of construction of training centre}$

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The matter was referred to the Government in July 2015; their reply was awaited as of April 2016.

**BASMATNAGAR MUNICIPAL COUNCIL**

**5.2 Excess payment to a contractor**

**The Municipal Council, Basmatnagar, Hingoli made an excess payment of ₹ 40.54 lakh to a contractor due to incorrect application of rate for provisioning and supply of ductile iron pipes.**

The Chief Officer, Municipal Council, Basmatnagar (BMC), Hingoli awarded (August 2009) the work of ‘Augmentation to Basmat Water Supply Scheme’ to a contractor under the Centrally Sponsored Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT), at an accepted tender cost of ₹ 47.26 crore (109.40 *per cent* above the estimated cost of ₹ 22.58 crore put to tender) with stipulated period of completion of 30 months (February 2012). The Maharashtra Jeevan Pradhikaran (MJP), being the technical authority for the implementation of the Scheme, prepared the estimates for the work which were based on the MJP’s Schedule of Rate (SoR) 2006-07 and the same was adopted by the BMC.

The work of Water Supply Scheme was divided into a number of sub-works, one of them being ‘Raw Water Gravity Main’. This sub-work envisaged provisioning and supply of ductile iron (DI) pipes with complete fittings including transportation, loading/unloading, labour and material costs *etc.* For this sub-work, MJP estimated a requirement of 50,000 kg of DI pipes at ₹ 65 per kg as per SoR 2006-07. Scrutiny of records revealed (March 2015) that BMC included a rate of ₹ 105 per kg for DI pipes in Schedule-B of tender document instead of ₹ 65 per kg estimated by MJP. This resulted in an excess payment of ₹ 40.54 lakh to the contractor for using 48,400 kg of DI pipes as detailed in **Table 1** below:

**Table 1: Details showing excess payment made the contractor**

Payment made to the contractor				Payment actually due to the contractor			Excess payment made
Total quantity of DI pipes used (in kg)	Rate per kg (in ₹)	Payment made (₹ in lakh)	Above 109.40% (₹ in lakh)	Rate per kg (in ₹)	Payment admissible (₹ in lakh)	Above 109.40% (₹ in lakh)	
48400	105	50.82	106.42	65	31.46	65.88	₹ 106.42 lakh minus ₹ 65.88 lakh 40.54

On this being pointed out in audit, the Chief Officer, BMC stated (March 2015) that excess payment would be recovered from the contractor after verification of facts and a report in this regard would be furnished to audit. However, no recovery was made from the contractor as of April 2016.

The matter was referred to the Government in July 2015; their reply was awaited as of April 2016.



(MEENAKSHI MISHRA)

Principal Accountant General (Audit)-I,  
Maharashtra

Mumbai  
The 18 July, 2016

Countersigned



(SHASHI KANT SHARMA)

Comptroller and Auditor General of India

New Delhi  
The 19 July, 2016



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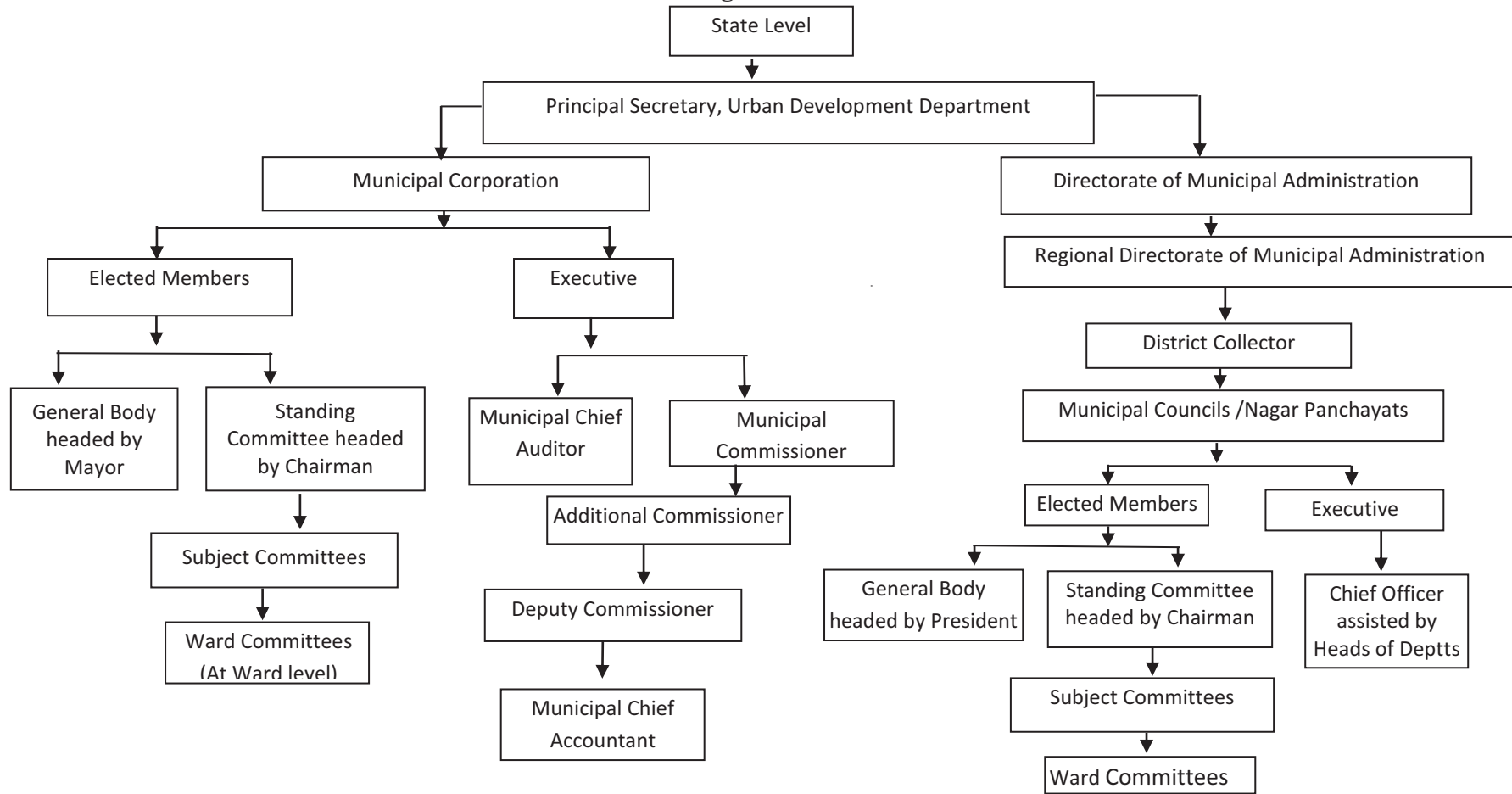
## *APPENDICES*

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**Appendix-I**  
*(Reference: Paragraph 3.3.1; Page No.26)*  
**Organisational structure**



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## Glossary

### Acronyms and abbreviations

Term	Extended form
AA	Administrative Approval
ADOs	Assistant Divisional Officers
AFTA	Advance Fire Training Academy
ALP	Aerial Ladder Platform
ATNs	Action Taken Notes
BDO	Block Development Officer
BDS	Budget Distribution System
BEST	Brihanmumbai Electric Supply and Transport
BMC	Municipal Council, Basmatnagar
CAFO	Chief Accounts and Finance Officer
CEO	Chief Executive Officer
CFO	Chief Fire Officer
DEAS	Double Entry Accounting System
DFS	Director, Fire Services
DI	Ductile Iron
DLACs	District Level Audit Committees
DLFA	Director, Local Fund Audit
DMA	Director, Municipal Administration
DOs	Divisional Officers
DRDA	District Rural Development Agency
DSWOs	District Social Welfare Officers
EFC	Eleventh Finance Commission
EMs	Explanatory Memoranda
FPF	Fire Protection Fund
GIS	Geographical Information System
GoI	Government of India
GoM	Government of Maharashtra
GPs	Gram Panchayats
GR	Government Resolution
LBs	Local Bodies
LPG	Liquified Petroleum Gas
MbMC	Mumbai Municipal Corporation Act, 1888
MCA	Municipal Chief Auditor
MCGM	Municipal Corporation of Greater Mumbai
MCs	Municipal Corporations
MEETRA	Maharashtra Environmental Engineering Training and Research Academy
MHA	Ministry of Home Affairs
MJP	Maharashtra Jeevan Pradhikaran

<b>Term</b>	<b>Extended form</b>
MP	Master Plan
MZP &PS	Maharashtra Zilla Parishads And Panchayat Samitis
NMAM	National Municipal Accounts Manual
NMC	Nashik Municipal Corporation
NOCs	No Objection Certificates
NPs	Nagar Panchayats
OCs	Occupation Certificates
PAC	Public Accounts Committee
PLA	Personal Ledger Account
PRIs	Panchayati Raj Institutions
RCC	Reinforced Cement Concrete
RMSI	Risk Management Solutions Inc.
SFAC	Standing Fire Advisory Council
SFC	State Finance Commission
SFTC	State Fire Training Centre
SJSA	Social Justice & Special Assistance Department, GoM
SoR	Schedule of Rate
SWM	Solid Waste Management
TTL	Turn Table Ladder
UDD	Urban Development Department
UIDSSMT	Urban Infrastructure Development Scheme for Small and Medium Towns
ULBs	Urban Local Bodies
VDO	Village Development Officer
ZPs	Zilla Parishads

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