

## OVERVIEW

This Report comprises three chapters under two sections. Section A includes a chapter containing observations on the functioning of Panchayati Raj Institutions (PRIs). Section B comprises two chapters containing observations on the functioning of Urban Local Bodies (ULBs), and 17 compliance audit paragraphs. A summary of major audit findings is presented in this overview.

### 1. Functioning of Panchayati Raj Institutions

A review of finances of PRIs revealed that of the 29 functions referred to in the XI Schedule of the Constitution of India, 14 functions and 15,840 functionaries were transferred to the PRIs. Of the State Government's total revenue receipts of ₹ 1,49,326 crore during 2016-17 (excluding State's share of Union taxes and duties and Grants-in-aid from GoI), the PRIs were allocated ₹ 18,627 crore (12.47 per cent).

Preparations of accounts by Zilla Parishads were in arrears. There were also arrears in audit and certification of accounts due to non-submission/delayed submission of approved accounts. As of November 2017, Detailed Contingent (DC) bills in respect of 296 Abstract Contingent (AC) bills involving ₹ 6.29 crore pertaining to the Rural Development Department were outstanding.

The State Government released entire grants of ₹ 4,165.93 crore received under 14<sup>th</sup> Finance Commission during 2015-17 and the utilization certificates for the same were furnished to GoI. During 2016-17, the Finance Department, GoM delayed the release of 14<sup>th</sup> FC grants (₹ 1,123.88 crore) by nine days for which an interest of ₹ 1.87 crore was paid to the GPs. There were delays ranging up to 181 days in release of grants from Rural Development Department to ZPs and up to 393 days from ZPs to GPs. There were instances of purchases/works executed without inviting quotation/tender. About 28 GPs of four test-checked ZPs did not spend ₹ 14.76 crore of 14<sup>th</sup> FC grants received during 2015-17. Further, there were instances of 13<sup>th</sup> FC grants spent on inadmissible works.

As of March 2017, about 245 of 715 complaints pertaining to PRIs received by the Lokayukta during 2016-17 were pending for disposal. The Social Audit Unit of the State conducted social audit of only 720 GPs out of total 1,000 GPs to be covered during 2016-17. As of November 2017, a total of 909 UCs pertaining to the Department involving ₹ 1,801.54 crore were pending from field offices.

For transforming villages in the State of Maharashtra into Environmentally Sustainable Village or an Eco-Village, Government of Maharashtra (GoM) in Rural Development and Water Conservation Department (Department) launched a Scheme namely Paryavaran Santulit Samruddha Gram Yojana (August 2010).

Audit test-checked records of the Department, five Zilla Parishads (ZPs) out of 33 ZPs including 10 Panchayat Samitis (PSs) and 30 Gram Panchayats (GPs) covering the period 2010-2015 between January and August 2016 to seek an assurance that the incentive grants released were utilized, EDP was prepared

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and implemented and the villages were developed into a eco-friendly villages. These ZPs had received a total of ₹ 227.77 crore as incentive grants during 2010-15. The details of expenditure incurred by the GPs under the Scheme was not consolidated in any of the three levels viz., block, ZP and State due to which audit could not ascertain the utilization of the incentive grants released under Eco-Village Scheme.

The planning for the Scheme of Eco-friendly villages for Sustainable Development was deficient. No parameters were defined for Eco-village due to which not a single village could be declared as Eco-village and no village was developed as Growth Centre.

The selected GPs concentrated mainly on road works (38 per cent) while works related to environmental activities ranged between two and six per cent only. In selected four ZPs, 285 GPs had not prepared EDP while three GPs could not implement their EDP due to paucity of funds. A number of waste management works could not be completed in four ZPs due to non-availability of land. The target of installing solar street lights in four ZPs could not be achieved either due to vendors' failure to supply or non-release of GoI/GoM grants.

The monitoring and evaluation of the department was weak. No annual evaluation of the Scheme could be conducted as no State-level unit for monitoring was established. Social audit was not conducted at 11 GPs in two of five selected ZPs. Scheme fund was kept in Village fund instead of a separate account in eight GPs under two ZPs. Registers were either not kept or not maintained properly.

**(Paragraphs 1.3.6, 1.3.8, 1.11.5, 1.5.1, 1.11.6, 1.11.3, 1.11.3.1, 1.11.3.3, 1.11.3.2, 1.11.3.5, 1.7, 1.8, 1.10, and 1.11.7)**

## **2. Functioning of the Urban Local Bodies**

A review of finances of ULBs revealed that of the State Government's total revenue receipts of ₹ 1,49,326 crore during 2016-17 (excluding State's share of Union taxes and duties and Grants-in-aid from GoI), ULBs were allocated ₹ 13,850 crore (9.27 per cent).

There were significant arrears in preparation of accounts by ULBs as well as in audit and certification of their annual accounts by the Director, Local Fund Audit (Primary Auditor). Similarly, there were arrears in audit of Municipal Corporations by Municipal Chief Auditors (Internal Auditor).

As of March 2017, a total 2,509 UCs involving ₹ 28,952.31 crore were outstanding in UDD. Reconciliation of balances as per cash books with bank pass books was not done in six units. As of March 2017, Detailed Contingent bills in respect of five Abstract Contingent bills involving ₹ 0.05 crore pertaining to Urban Development Department were outstanding. As of March 2017, 208 of 911 complaints received by Lokayukta during 2016-17 were pending for disposal.

The State Government released entire grants of ₹ 3,327.55 crore received under 14<sup>th</sup> Finance Commission during 2015-17, of which ₹ 486.82 crore were not spent by ULBs. There were delays ranging from 35 to 87 days for which Urban Development Department paid an interest of ₹ 5.83 crore to the ULBs. Instances of Irregular acceptance of tenders and Excess loading of insurance amount in the cost of works were observed. Six Municipal Councils did not spend ₹ 76.87 crore received during 2015-17 which was lying in their bank accounts (July 2017).

(Paragraphs 2.3.3, 2.14.5, 2.5.1, 2.13, 2.12, 2.14.4.2, 2.14.6, 2.7, 2.14.3, 2.14.3.1, 2.14.3.4, 2.14.3.5 and 2.14.3.2)

### **3. Compliance Audit Findings - Urban Local Bodies**

#### **Construction, Improvement and Maintenance of roads in Municipal Corporation of Greater Mumbai**

The Mumbai Municipal Corporation Act, 1888 stipulates the responsibility of the Municipal Corporation of Greater Mumbai (MCGM) for construction and maintenance of public roads in motorable condition within municipal limits. The Compliance Audit conducted between April and July 2017 covered the ongoing and completed works both capital and maintenance category executed by the Road & Traffic Department during the period 2011-16.

During the period 2011-17, the Department improved a total of 185 km of cement concrete road and 504 km of Asphalt roads, across the three divisions incurring an expenditure of ₹ 3,372 crore and ₹ 2,364 crore respectively. The Planning Cell in the Department which became functional only in November 2012, did not do Planning work that was envisaged and only empanelled various Consultants for the works.

In awarding road works for the construction as well as maintenance works, there were instances of works being awarded to other than the lowest bidder based on a policy of awarding only one or two contracts to a single bidder, which not only violated procedures and CVC guidelines but also was not financially beneficial to the Corporation. A Project Management Consultant for monitoring the quality of execution of road works was appointed without inviting tenders.

In execution of works there was avoidable excess expenditure on transportation of excavated material mainly due to non-coordination between various departments of the MCGM, the possibility of fraud cannot be ruled out in payment for transportation of surplus excavated material on two/three wheelers and payment for unexecuted items of GSB and WMM.

Quality of pothole works executed was doubtful since pre-mix DBM procured from the plant for these works was not laid within the stipulated time as per specifications. Internal controls on ensuring quality of various works and monitoring aspects was deficient in absence of requisite percentage checks on works by the engineering staff.

**(Paragraph 3.1)**

**Development of unauthorized layouts regularized under Gunthewari Act, 2001.**

In order to regularize and develop Gunthewari settlements, Government of Maharashtra (GoM) enacted the Maharashtra Gunthewari Developments (Regularization, Up-gradation and Control) Act, 2001 (Act). Implementation of the Act was examined in four out of 27 MCs and, eight out of 203 Municipal Councils. The audit was conducted between February 2017 and July 2017 covering period from 30 April 2001 to 31 March 2017.

The implementation of Maharashtra Gunthewari Developments (Regularization, Up-gradation and Control) Act was not found uniform across the State. Directions were given by the State Government for identification of unauthorized layouts viz., PAs to introduce a single window system for regularization and come together for preparation of a time bound implementation plan for deciding on the action plan, adequate publicity and carrying out a survey were not followed by all the PAs. Different approaches for regularisation of Gunthewari settlements, by way of collecting CF and DC, were adopted by the PAs. The compliance to the conditions associated with regularisation was also found weak. The compensation collected on account of regularisation of Gunthewari layouts, which was meant to provide on-site infrastructure was either diverted to Municipal funds or was spent in a disproportionate manner or on inadmissible items. No action for demolition of the unauthorised layouts had been taken by any of the PAs, as stipulated in the Act.

**(Paragraph 3.2)**

Pune Municipal Corporation issued work order for construction of Railway under Bridge at Handewadi, Pune without acquiring private land for the project which resulted in idling of expenditure of ₹ 4.96 crore on tendering activities for more than three years, besides increase in the cost of land for the project.

**(Paragraph 3.3)**

Three Municipal Corporation/Councils did not levy and collect development charges at the revised applicable rates and in one Municipal Corporation there was a short levy of the charges, resulting in short-levy of ₹ 8.43 crore affecting their revenues adversely.

**(Paragraph 3.4)**

The Town Planning Department officials did not levy and collect development charges of ₹ 35.79 lakh in four districts of Kolhapur, Satara, Nashik and Ratnagiri for development of land and/or building, in violation of Government notifications.

**(Paragraph 3.5)**

Vasai-Virar City Municipal Corporation delayed the registration and handing over of purchased vehicles to the contractors appointed for Solid Waste Management which resulted in not only idling of vehicles for 08 to 37 months but also consequential non reduction in expenditure of ₹ 1.68 crore of the Corporation on collection of solid waste.

**(Paragraph 3.6)**

The Vasai-Virar City Municipal Corporation did not provide the drawings and clear site to the contractor in time resulting in extension of the contract and avoidable payment of price escalation of ₹ 3.26 crore.

**(Paragraph 3.7)**

Failure of MCGM to pursue the cases of redevelopment of municipal tenanted properties resulted in non-recovery of Capitalised value of ₹ 8.55 crore.

**(Paragraph 3.8)**

Loss of revenue of ₹ 2.60 crore due to non-payment of dues by agencies appointed by the Mira-Bhayandar Municipal Corporation for recovery of market fees from Hawking zones.

**(Paragraph 3.9)**

Mira-Bhayandar Municipal Corporation awarded three works costing ₹ 8.51 crore for the construction of a Sports Complex to the same agency without inviting tenders, in violation of prescribed tendering procedures.

**(Paragraph 3.10)**

The objectives of the State Lake Conservation Plan remained largely unachieved even after 10 years of launch of the scheme despite availability of funds due to poor implementation and monitoring of the scheme resulting in blocking funds of ₹ 27.23 crore.

**(Paragraph 3.11)**

The Nanded and Waghala City Municipal Corporation had irregularly applied the modified guidelines (January 2016) for issue of DRCs to the ineligible cases which resulted in unfair benefit to the land owners to the tune of ₹ 20.80 crore.

**(Paragraph 3.12)**

The Nanded and Waghala City Municipal Corporation did not include the condition of opening of Escrow account in nationalised bank in the agreement executed with the Agent for Escort fees, imperative for safeguarding the revenue of Municipal Corporation led to loss of revenue of ₹ 126.75 lakh to the Corporation.

**(Paragraph 3.13)**

Irregular retention of Service Tax for more than three years and failure of Commissioner, Nagpur Municipal Corporation (NMC) to deposit the same in the Account of Government of India, created interest liability of ₹ 4.68 crore on NMC.

**(Paragraph 3.14)**

Premature drawal of loan amount of ₹ 94.50 crore by Aurangabad Municipal Corporation without any event of its payment to the concessionaire for “Parallel Water Supply Scheme” led to an avoidable payment of interest of ₹ 6.60 crore.

**(Paragraph 3.15)**

Due to delay in acquisition of land by Parbhani City Municipal Corporation for construction of WTP, the entire expenditure of ₹ 131.28 crore incurred on Head works and Water Treatment Plant WTP remained blocked for a period of more than five years.

**(Paragraph 3.16)**

Due to individual households not getting connected to city drainage system in Chandrapur Municipal Corporation, the infrastructure created on Underground Sewerage Scheme at an expenditure of ₹ 79.74 crore remained unutilized.

**(Paragraph 3.17)**