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# **Chapter – IV**

## **Performance Audit**

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## Performance Audit on Greater Hyderabad Municipal Corporation

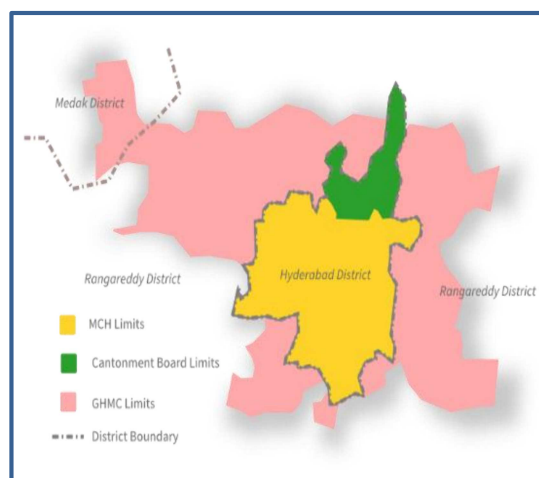
### 4.1 Introduction

Greater Hyderabad Municipal Corporation (GHMC) covering an area of 650 sq.kms, was formed in April 2007 by amalgamating the erstwhile Municipal Corporation of Hyderabad (MCH) with 12 other municipalities.

The population of GHMC as per 2011 census was 67.32 lakh. Functioning of GHMC is governed by GHMC Act, 1955. In

compliance with the provisions of this Act, GHMC discharges 29 obligatory<sup>102</sup> and 40 discretionary<sup>103</sup> functions. It provides civic services and infrastructure facilities to the residents of the twin cities of Hyderabad and Secunderabad.

The Corporation is empowered to levy and collect taxes<sup>104</sup> to meet the expenditure on these services. The other sources of revenue were non-tax revenue<sup>105</sup>, assigned revenue<sup>106</sup>, rental income from municipal properties etc. It also received grants and scheme funds from Government of India and State Government. During 2012-17, the receipts and expenditure of Corporation showed an increasing trend, except for receipts during 2016-17. There was shortfall in receipts by ₹ 16 crore in 2016-17 when compared with 2015-16. The receipt and expenditure of GHMC during 2012-17 are given in Chart 4.1.



<sup>102</sup> Functions requiring adequate provision by Corporation

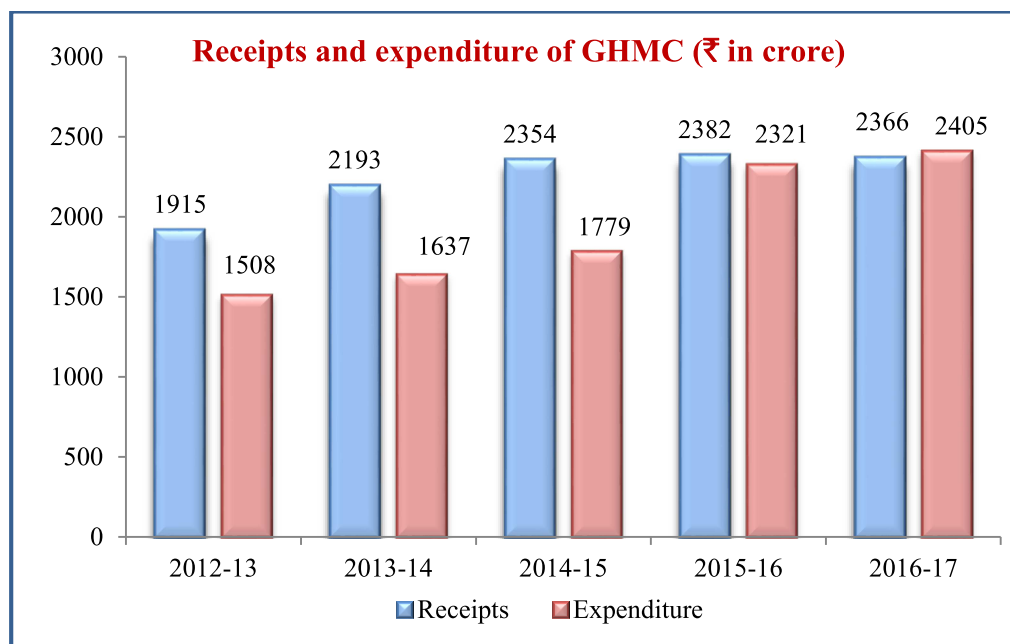
<sup>103</sup> Functions requiring provision from time to time either wholly or partly by Corporation

<sup>104</sup> Property tax, advertisement fee etc.,

<sup>105</sup> Water tax, auction proceeds etc.,

<sup>106</sup> Revenue apportioned to Local Bodies by State Government from their revenue collections such as seignorage fee, surcharge on stamp duty etc.,

Chart 4.1

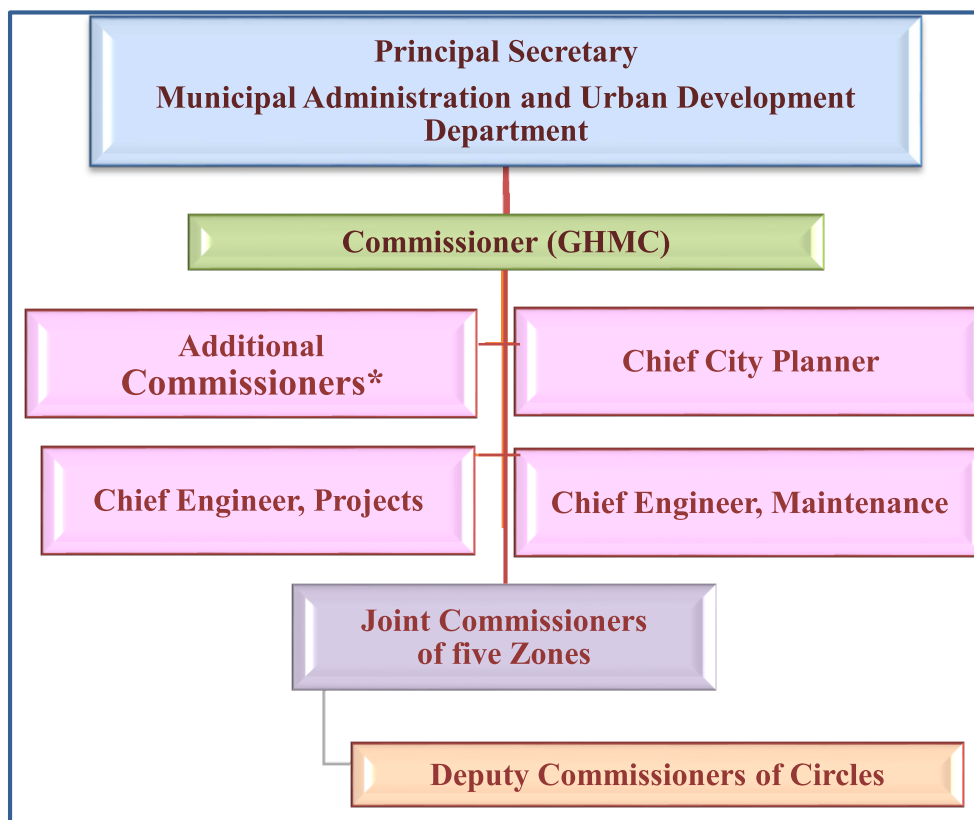


Source: Annual Accounts of GHMC for 2012-16, provisional accounts for 2016-17

## 4.2 Organisational set-up

The organisational chart of GHMC is given below:

Chart 4.2



\*Revenue, Finance, Information Technology, Sanitation etc.

### **4.3 Audit framework**

#### **4.3.1 Audit objectives**

Performance Audit of GHMC in four selected areas *viz.*, Building permissions, Property Tax, Solid waste management and Storm water drains was carried out with the objective of assessing whether:

- i. existing arrangements for according Building Permissions and levy, collection and accounting of Property Tax were adequate and effective;
- ii. management of municipal solid waste was effectively carried out; and
- iii. storm water drains were adequately provided.

#### **4.3.2 Audit criteria**

Audit findings were benchmarked against criteria sourced from the following:

- i. Bye-laws and Council Resolutions of Corporation;
- ii. City Development Plan;
- iii. Hyderabad Municipal Corporation Act, 1955 (Amended as GHMC Act, 1955);
- iv. Relevant scheme/project guidelines and Service level benchmarks;
- v. Solid Waste Management Rules 2000 and 2016; and
- vi. Financial Code and Public Works Code.

#### **4.3.3 Audit sample, scope and methodology**

The audit was conducted between February and July 2017. The offices covered in audit included: (i) Municipal Administration and Urban Development department, and (ii) Office of Greater Hyderabad Municipal Corporation. Six<sup>107</sup> of highest revenue generating (under Property Tax) circles out of 24 circles in the Corporation were selected using stratified sampling method. The period covered was 2012-13 to 2016-17. Apart from scrutiny of records, physical verification of sites, wherever required, was conducted with departmental officials. An Entry conference was held (January 2017) with the officials of the department/Corporation wherein the audit framework was discussed. Exit Conference was held with the representatives of department/Corporation in December 2017 to discuss audit findings. Replies (November/December 2017) of the Government have been suitably incorporated in the report.

#### **4.3.4 Acknowledgements**

Audit acknowledges the cooperation and assistance extended by the GHMC and the State Government during the course of audit.

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<sup>107</sup> Circle-3A (L.B.Nagar), Circle-9A (Abids), Circle-10A (Khairatabad), Circle-11 (Serlingampally), Circle-14A (Kukatpally), Circle-18 (Secunderabad)

## ***Audit findings***

### **4.4 Building permissions**

Section 428 and 433 of GHMC Act, 1955 requires every person who intends to build or make additions to a building, to apply to the Commissioner for permission. The Corporation accords building permissions after collecting the building permit fee.

The erstwhile Government of combined Andhra Pradesh had issued Building Rules in 2012. The Building Rules, 2012 adopted the provisions of National Building code of India (NBC) – 2005 including building resistance to earth quake/other natural hazards.

#### **4.4.1 Issue of building permissions**

Section 437 of GHMC Act, 1955, prescribes a time limit of 30 days for disposing of applications seeking building permission. Failing which, construction can be commenced and such construction is not treated as unauthorised. However, if the construction of building is contrary to the Building Rules, Corporation has the power to demolish such constructions.

During 2012-17, the Corporation accorded 42,425 permissions, representing 84.55 *per cent* of 50,177 applications, and collected building permit fee of ₹903.91 crore<sup>108</sup>. Applications totalling 7,512 (14.97 *per cent*) were returned/rejected owing to various reasons<sup>109</sup>. Further 240<sup>110</sup> applications received during 2013-17 were yet to be disposed of as of August 2017.

Government accepted (December 2017) the observation and stated that Development Permission Management System (DPMS) was introduced (June 2016) to dispose of the applications within the stipulated time. However, Audit found that there was no improvement in incidence of pendency of applications, as 212 applications received during 2016-17 were pending.

#### **4.4.2 Issue of Occupancy certificate**

Section 455 of GHMC Act, 1955 and Government order<sup>111</sup> (April 2012) stipulates that the owner is to be given possession of the building only after obtaining Occupancy certificate<sup>112</sup>. Without Occupancy certificate, services like power, water supply, drainage etc., can be denied or alternately charged at three times the normal tariff.

During 2012-16, GHMC issued 6,549 Occupancy certificates which accounted for 72 *per cent* of 9,094 applications received. 2,534 applications (28 *per cent*)

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<sup>108</sup> As per annual accounts of Corporation

<sup>109</sup> Incomplete documentation, violation of setback norms in proposed building plans, non-payment of building permit fee etc.,

<sup>110</sup> 2013-14: 4 applications, 2014-15: 3 applications, 2015-16: 21 applications and 2016-17: 212 applications

<sup>111</sup> G.O. Ms No.168 MA&UD Department dated 07 April 2012

<sup>112</sup> Upon receiving notice of completion through the registered architect and licensed builder/developer along with prescribed documents and plans

were rejected <sup>113</sup> and 11 applications <sup>114</sup> were pending. In 2016-17, 1,323 Occupancy certificates (33 *per cent*) were issued against 4,042 applications received, status of remaining applications was not on record. Government accepted (December 2017) the observation and stated that wherever Occupancy certificate was rejected, statutory notices were issued. In case of detection of unauthorised constructions statutory notices were also issued. During the years 2016 and 2017, 868 properties<sup>115</sup> were demolished. However, the reply was silent regarding the cases of pending applications.

#### **4.4.3 Absence of co-ordination between Town Planning wing and Revenue wing**

Town Planning wing issues building permissions and Occupancy certificate while the Revenue wing conducts assessment of buildings for levy and collection of Property Tax. For assessment of property, details of building permission are mandatory. Audit observed that there was no arrangement of forwarding building permissions with approved building plan by Town Planning wing to Revenue wing in any of the test-checked Circles. Revenue wings were separately conducting field inspections to identify newly constructed properties and additions to the buildings.

Government accepted (December 2017) the audit observation. The possibility of interfacing the modules of Town Planning wing and Property Tax of Revenue wing was assured to be looked into.

#### **4.4.4 Deviations/Unauthorised constructions**

As per Municipal Manual<sup>116</sup> the Town Planning wing conducts field visits to identify deviations from norms prescribed in building permissions. Town Planning wing of Corporation is empowered to initiate action to demolish unauthorised constructions.

Audit found that Town Planning wing did not take action on the constructions with deviations to the norms prescribed in building permissions. The absence of records <sup>117</sup> and deviations in constructions/unauthorised constructions (detected by Revenue wing) indicate ineffective field inspections by Town Planning wing. **During 2012-17, deviations were noticed in 30,864 assessments<sup>118</sup> (41 *per cent*) out of 75,387 Property Tax assessments in test-checked Circles.** Of these, 10,460 were unauthorised constructions.

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<sup>113</sup> Reasons being setback deviations were more than 10 *per cent*, constructions were in deviation to the approved plan etc.,

<sup>114</sup> 2013-14: 2 applications and 2015-16: 9 applications

<sup>115</sup> 2016: 585 properties and 2017: 283 properties

<sup>116</sup> developed by the department of Municipal Administration and Urban Development

<sup>117</sup> copies of inspection reports/tour diaries of officers concerned etc.,

<sup>118</sup> Penalty less than 100 *per cent*: Circle-3A 6,949 assessments, Circle-9A 1,338 assessments, Circle-10A 2,894 assessments, Circle-11 3,695 assessments, Circle-14A 3,719 assessments, Circle-18 1,809 assessments; penalty of 100 *per cent* Circle-3A 2,277 assessments, Circle-9A 495 assessments, Circle-10A 1,890 assessments, Circle-11 1,934 assessments, Circle-14A 1,624 assessments, Circle-18 2,240 assessments

Government accepted (December 2017) existence of buildings without permissions and constructions with deviation to the approved plans. They expressed (December 2017) their inability in taking action on violators due to Court cases and resistance from people's representatives etc. In order to avoid legal disputes on construction of buildings, it was stated that a proposal for setting up of Building Tribunal<sup>119</sup> was underway. Audit further noticed that there were 9,896 court cases of which 6,074 were still pending in various courts (High court, Civil court Lokayukta etc.,) as of January 2018.

#### **4.4.5 Short levy of Building permit fee**

Based on the resolution of Municipal Council, GHMC fixed (June 2008) Building permit fee separately for residential and non-residential purposes. Building permit fee comprises betterment charges, environmental impact fee, etc.

Of the 42,425 permissions issued during 2012-17 by the Corporation, 17,744 building permissions related to six test-checked circles. Of these, audit conducted detailed examination of 894 building permission files (5 per cent). The cases of short collection of Building permit fee due to incorrect computation are discussed below:

<b>S.No.</b>	<b>Audit Observation</b>	<b>Short levy (₹ in lakh)</b>
i	State Government issued <sup>120</sup> (June 2015) orders for levy of environment impact fee <sup>121</sup> . In respect of 10 building permissions granted during June 2015 to July 2016, Environment impact fee was not levied. Government stated (December 2017) that building permit fee was calculated before issue of Government orders and hence environment impact fee could not be levied. The reply was not satisfactory, as building permissions pointed out in audit were granted after issue of Government orders.	20.04
ii	As per resolution (June 2008) of Municipal Council, in respect of Group housing <sup>122</sup> , Betterment charges on built up area should be levied at the rate of ₹ 150 per sq.mt of	5.54 <sup>123</sup>

<sup>119</sup> With staff drawn from different enforcement wings including High Court, Police, Revenue etc.,

<sup>120</sup> G.O.Ms.No.34 dated 17 June 2015 of Industries and Commerce (Mines) department

<sup>121</sup> for any building or construction material that may have escaped levy of seignorage charges at source at the rate of ₹ 3 per sq.ft for buildings above 10,000 sq.ft of built-up area

<sup>122</sup> Group housing means building having 5 or more multiple dwelling units and common services on a plot in a single or multiple blocks

<sup>123</sup> Betterment charges: Circle-3A (2 cases) ₹ 0.43 lakh, Circle-11 (9 cases) ₹ 2.23 lakh, Circle-14A (8 cases) ₹ 1.81 lakh, Circle-18 (2 cases) ₹ 0.67 lakh; Advertisement and Postage charges: Circle-3A (2 cases) ₹ 0.04 lakh, Circle-11 (9 cases) ₹ 0.17 lakh, Circle-14A (8 cases) ₹ 0.15 lakh, Circle-18 (2 cases) ₹ 0.04 lakh



S.No.	Audit Observation	Short levy (₹ in lakh)
	total built-up area. Advertisement and postage charges should be levied at the rate of ₹ 2,000 per applicant. In respect of 21 building permissions issued in four test-checked Circles, betterment fee was short levied by ₹ 5.14 lakh and Advertisement & postage charges by ₹ 0.40 lakh. Government did not furnish reply to the cases referred in the observation.	
iii	Section 442 of GHMC Act, 1955 prohibits usage of residential property as godown, warehouse, factory workplace etc., without permission. In respect of eight cases, although building permissions were issued for residential purposes, these constructions were used for non-residential purposes. Government accepted (December 2017) the audit observation and stated that action would be initiated to ensure the usage as per permissions/demolition after conducting field visit.	5.62 <sup>124</sup>

#### **4.5 Property Tax**

Section 197 of GHMC Act, 1955, empowers GHMC to levy Property Tax (PT) on lands and buildings in its jurisdiction on the basis of Annual Rental Value<sup>125</sup> (ARV) of the building. GHMC fixes ARV on the basis of the relevant information<sup>126</sup> and the rates notified for the category<sup>127</sup> of the building. The Commissioner is supported by staff of Revenue wing for assessment, collection and accounting of PT.

Property Tax constituted a major source of tax revenue to the Corporation, constituting 40 to 51 *per cent* of total receipts resources during 2012-17. GHMC collected PT of ₹ 1,217.17 crore in 2016-17 through 14.78 lakh assessments, registering an increase of 17 *per cent* from the collection in 2015-16. The volume of PT in the total receipts during 2012-17 are given in Chart 4.3.

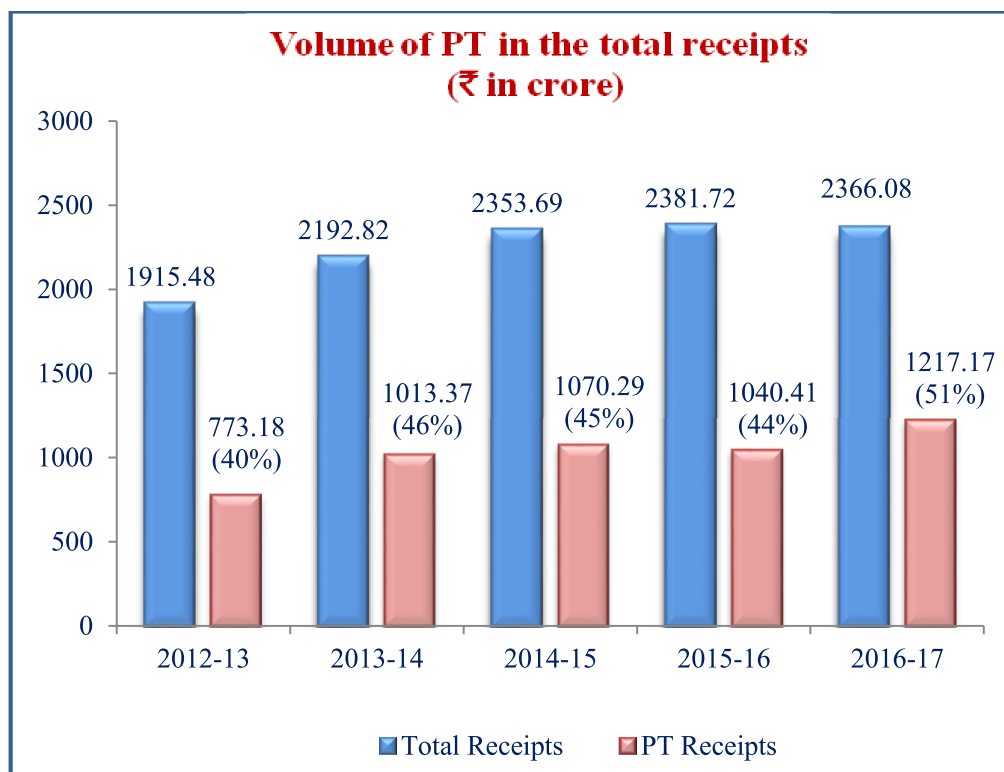
<sup>124</sup> East zone (2 cases) ₹ 1.38 lakh, West zone (1 case) ₹ 1.31 lakh, Circle-9A (1 case) ₹ 0.32 lakh, Circle-11 (3 cases) ₹ 2.22 lakh, Circle-18 (1 case) ₹ 0.39 lakh

<sup>125</sup> annual rental value of lands and buildings shall deemed to be the gross annual rent at which they may reasonably be expected to let from month to month or from year to year

<sup>126</sup> Such as plinth area, type of construction, age of building, nature of use, category of building etc.,

<sup>127</sup> Buildings abutting main roads; Buildings abutting internal roads; and Buildings abutting lanes and by-lanes

Chart 4.3



Source: Records of GHMC

#### 4.5.1 Revision of Annual Rental Value

Section 226 of GHMC Act, 1955 and Rule-7 of GHMC (Assessment of Property Tax) Rules, 1990 provide for revision of the rates of monthly or yearly rents once in five years for assessment of Property Tax (PT). In compliance with the recommendations of 13<sup>th</sup> Finance Commission, State Government constituted (March 2011) Property Tax Board to provide assistance and technical guidance to the ULBs<sup>128</sup> for proper assessment and revision of PT.

Audit observed that Annual Rental Value (ARV) on residential buildings was not revised since 2000<sup>129</sup>. In respect of newly merged municipalities, it was last revised in 2002. In respect of non-residential properties, rates were last revised in 2007<sup>130</sup>. The Property Tax Board constituted in March 2011 did not communicate any recommendations for improvement in PT collections.

Government accepted (December 2017) the audit observation.

<sup>128</sup> Urban Local Bodies

<sup>129</sup> for erstwhile Municipal Corporation of Hyderabad

<sup>130</sup> On the other hand, State Government issued (December 2015) orders for increasing the exemption limit of Annual rental value in respect of properties exempted from tax. Annual rental value of exempted properties was revised from ₹ 600 to ₹ 4,100

## 4.5.2 Completeness of database

Section 214 of GHMC Act, 1955, requires that Commissioner shall maintain an assessment book containing all details of the taxable properties in its jurisdiction. GHMC maintains a database of properties brought into tax-net with details of individual assesses<sup>131</sup>. As of March 2017, there were 14.78 lakh PT assessments in the jurisdiction of Corporation and 4.18 lakh<sup>132</sup> PT assessments in respect of six test-checked circles. Audit found that the database of PT assessments was not comprehensive and complete as discussed below:

- i. **Initiative for GIS Mapping:** In compliance with the orders<sup>133</sup> of State Government, GHMC concluded (July 2012) agreement with an agency<sup>134</sup> for mapping and development of Geographic Information System (GIS) based assessment of PT. An expenditure of ₹ 20.81 lakh was incurred on the survey. The initiative hit a roadblock after the Revenue wing reported that the results of GIS mapping and its survey through field visits did not match<sup>135</sup>. However, no efforts were made to reconcile the two results.

Government accepted (December 2017) the audit observation. In this regard, the success of the initiative<sup>136</sup> in geo-tagging of properties by all the 72 ULBs<sup>137</sup> in the State needs to be viewed by GHMC.

- ii. **Improper house numbering system:** GHMC Act, 1955<sup>138</sup> allows the Commissioner with the sanction of the Corporation, to determine the name of the street and the number of the premises, by which it shall be known. The process includes allotment of unique number to each building in a street or area. This will provide ease in location of properties and bringing them under the tax net. In the six test-checked circles, audit found duplication in door numbers allotted (consisting of either single or multiple owners) in respect of 10,905<sup>139</sup> assessments (3 *per cent*). Thus, the objective of allotment of unique house number was defeated.

Government accepted (December 2017) the observation. They assured to block the assessment number of duplicate numbers, if there were no Property Tax dues against the number.

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<sup>131</sup> name of the assessee, door number, location, plinth area, age of the building, type of construction, nature of usage etc.,

<sup>132</sup> Circle-3A (58,677 assessments), Circle-9A (55,150 assessments), Circle-10A (74,258 assessments), Circle-11 (55,425 assessments), Circle-14A (66,110 assessments), Circle-18 (1,08,481 assessments)

<sup>133</sup> G.O Ms No.152 dated 29 March 2012 for broadening the tax base by instituting Geographic information System (GIS) for mapping properties in all the cities with a population of 1 lakh

<sup>134</sup> M/s Venesoft India Private Limited

<sup>135</sup> Number of floors in a structure were not given for apartments / complexes

<sup>136</sup> As reported by Director, Municipal Administration during exit conference

<sup>137</sup> Urban Local Bodies

<sup>138</sup> Section 418

<sup>139</sup> Circle-3 (1,548 assesses), Circle-9A (616 assesses), Circle-10A (1,036 assesses), Circle-11 (4,663 assesses), Circle-14A (691 assesses), Circle-18 (2,351 assesses)

### **4.5.3 Assessment and Levy of Property Tax**

Property Tax is levied at the rate of 30 *per cent* per year on residential and commercial buildings on the Net Annual rental value<sup>140</sup>. Annual rental value, plinth area, nature of usage etc., are the key components for assessing PT of any building. The Revenue wing relies on field visits to identify new constructions as well as additions to buildings.

With a view to ensure transparency in levy and collection of PT and to involve citizens/tax-payers in the process, erstwhile Municipal Corporation of Hyderabad introduced (1999-2000) Self-Assessment scheme<sup>141</sup>. However, the scheme was not implemented, for which specific reasons were not on record. Self-Assessment scheme, was later revived in February 2017.

During the audit period (2012-17), 75,387 new assessments were brought into tax net by Revenue wing in test-checked Circles of GHMC. Of these, audit test-checked 3,000 files of PT assessments in six test-checked Circles. Audit cross checked the database on PT assessments with:

- The database maintained by the Revenue wing on Trade licenses taking door number as common field and
- Data from Town Planning wing for building permissions/building regularisation.

The above analysis revealed short assessment of PT by ₹ 5.25 crore in 708 assessments as detailed below. The incidence of mistakes was to the extent of 24 *per cent*.

- i. Trade licenses were issued in respect of 155 properties for commercial usage, however these properties were assessed under residential category in PT assessments. This resulted in short levy of PT by ₹ 1.35 crore<sup>142</sup> in six test-checked Circles. Audit also found that in another 185 cases of six test-checked Circles, the plinth area adopted in PT assessments was less than the plinth area recorded in the database of Trade licenses. This resulted in short levy of PT by ₹ 2.54 crore<sup>143</sup>.
- ii. The State Government declared two schemes for regularisation of unauthorised buildings through two Government orders<sup>144</sup>.

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<sup>140</sup> Net annual rental value is annual rental value of the land and building after allowing percentage of depreciation/rebate allowed as per age of the building

<sup>141</sup> The tax-payers were given the opportunity of calculating their own tax under the Self-Assessment Scheme as per the provisions of GHMC Act, 1955

<sup>142</sup> Circle-3A (₹ 0.03 crore) 41 assessments, Circle-9A (₹ 0.06 crore) 35 assessments, Circle-10A (₹ 0.27 crore) 35 assessments, Circle-11 (₹ 0.09 crore) 11 assessments, Circle-14A (₹ 0.33 crore) 25 assessments, Circle-18 (₹ 0.57 crore) 8 assessments

<sup>143</sup> Circle-3A (₹ 0.11 crore) 19 assessments, Circle-9A (₹ 0.01 crore) 13 assessments, Circle-10A (₹ 0.53 crore) 34 assessments, Circle-11 (₹ 1.10 crore) 64 assessments, Circle-14A (₹ 0.55 crore) 36 assessments, Circle-18 (₹ 0.24 crore) 19 assessments

<sup>144</sup> Orders issued in December 2007 for regularisation of unauthorised properties constructed after 1 January 1985 and before 15 December 2007; Orders issued in November 2015 for regularisation of unauthorised buildings constructed after 1 January 1985 and before 28 October 2015

Audit compared the plinth area declared by owners to the Town Planning wing at the time of regularisation with the plinth area adopted in individual PT assessments. There was short-levy of PT for ₹ 1.25 crore<sup>145</sup> in respect of 287 assessments in six test-checked Circles.

- iii. Construction varied from the building permissions granted by Town Planning wing with respect to plinth area, classification of building etc., in respect of 81 assessments of six test-checked Circles. The Revenue wing did not levy penalty<sup>146</sup> in these cases. Loss due to non-imposition of penalty and short levy of PT was ₹ 11.18 lakh<sup>147</sup>. The Revenue wing therefore needs to utilise the information from Town Planning wing and other technological applications such as geo-tagging for continuous updation of information regarding properties due for assessment.

Government accepted (December 2017) the audit observation and stated that process of re-verification of properties by conducting field visits was initiated and proposals were being revised wherever necessary. The cases pointed out in audit were only illustrative and all the properties need to be verified by the Government. Controls should be put in place to ensure integration of database of both the Town Planning and Revenue wings.

Further analysis of database in Circle-18 showed that they allowed rebate of 40 *per cent* to non-residential buildings against eligible rebate of 10-30 *per cent*<sup>148</sup> on the Annual Rental Value depending upon the age of the building. This led to short levy of PT by ₹ 82.12 lakh in respect of 837 non-residential properties during 2012-17.

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<sup>145</sup> Based on orders issued in 2007: Circle-3A (₹ 16 lakh) 44 assessments, Circle-9A (₹ 2 lakh) 10 assessments, Circle-10A (₹ 4 lakh) 4 assessments, Circle-11 (₹ 29 lakh) 32 assessments, Circle-14A (₹ 37 lakh) 67 assessments, Circle-18 (₹ 7 lakh) 36 assessments and based on orders issued in 2015: Circle-3A (₹ 0.82 lakh) 10 assessments, Circle-9A (₹ 20.21 lakh) 37 assessments, Circle-10A (₹ 5.06 lakh) 17 assessments, Circle-11 (₹ 0.99 lakh) 7 assessments, Circle-14A (₹ 1.05 lakh) 13 assessments, Circle-18 (₹ 1.63 lakh) 10 assessments

<sup>146</sup> Amendment (August 2013) to GHMC Act, 1955 provides for levy of penalty on deviations/unauthorised constructions along with property tax until such unauthorised constructions are either demolished or regularised at the rate of 25 *per cent* on PT - Up to ten *per cent* violation of permissible setbacks only in respect of floors permitted in a sanctioned plan, 50 *per cent* of PT - more than ten *per cent* violation of permissible setbacks only in respect of floors permitted in a sanctioned plan, and 100 *per cent* PT- Unauthorised floors over the permitted floors in a sanctioned plan or total unauthorised construction

<sup>147</sup> Circle-3A (₹ 1.15 lakh) 22 assessments, Circle-9A (₹ 4.09 lakh) 07 assessments, Circle-10A (₹ 3.23 lakh) 10 assessments, Circle-11 (₹ 0.45 lakh) 10 assessments, Circle-14A (₹ 1.31 lakh) 09 assessments, Circle-18 (₹ 0.95 lakh) 23 assessments

<sup>148</sup> Section 212 of GHMC Act, 1955, stipulates that the property owners were eligible for rebate of 10 *per cent* for building up to 25 years, 25 *per cent* for buildings above 25 and up to 40 years and 30 *per cent* for buildings above 40 years, 40 *per cent* in respect of residential properties occupied by owners

Government accepted (December 2017) the observation and stated that the incorrect rebate was due to technical error. It was assured that the error would be rectified in the database.

#### **4.5.4 Collection of Property Tax**

Collection of PT is watched through Demand, Collection and Balance (DCB) register. The mode of collection included deployment of bill collectors for collection of PT, on-line payment, payments through e-Seva, citizen centers, etc.

Demand and collection of PT in respect of residential / non-residential properties (excluding State Government properties and PSUs<sup>149</sup>) during the period 2012-13 to 2016-17 is given in the Table 4.1. The percentage of collection of PT was only 44 to 50 *per cent* of total demand raised during this period.

**Table 4.1**

(₹ in crore)

Year	Demand	Collection	%
2012-13	1,687.97	739.59	44%
2013-14	1,832.78	879.37	48%
2014-15	2,072.00	1,036.08	50%
2015-16	1,993.48	963.64	48%
2016-17	2,436.67	1,094.26	45%

*Source: Information furnished by GHMC*

Section 269 of GHMC Act, 1955 provides that if the tax dues are not paid within 15 days of the demand notice, the Commissioner may recover the dues through distraint<sup>150</sup>. If distraint is found impracticable, Commissioner may prosecute the defaulter before court of jurisdiction. As per Section-278A, no distraint shall be made, no prosecution shall be commenced and no suit shall be instituted in respect of any sum due to the Corporation on account of Property Tax after the expiration of the period of three years<sup>151</sup> from the date on which distraint might have been made or after the expiration of a period of six years from the date on which prosecution might first have been commenced or after the expiration of nine years from the date on which suit have been first instituted, as the case may be, in respect of such sum. Section 278-A(2) stipulates that the Commissioner shall place a list of properties against which arrears are due to be time-barred,

<sup>149</sup> Hence, the data does not match with Chart in paragraph 4.5

<sup>150</sup> by issue of warrant and sale of movable property of the defaulter, the amount of tax together with warrant fee, distraint fee and any other incidental charges incurred in this connection

<sup>151</sup> Article 113 of the Limitation Act, 1963 governs the field providing three years limitation period for initiating proceedings to recover the amount due from the date when the right to sue accrues



before the Standing Committee at least one year before the expiry of the period stating the reasons for the delay in the recovery.

Of the total arrears of ₹ 1,403.43 crore as of March 2017<sup>152</sup> in respect of residential and non-residential properties (excluding State Government properties, Public Sector Undertakings etc.) an amount of ₹ 900.33 crore<sup>153</sup> (64 *per cent*) was pending for more than three years from 1,78,701 assessments. In respect of six test-checked circles, ₹ 194.42 crore<sup>154</sup> was due from 31,776 assessments. Audit observed that none of the test-checked circles initiated action for issuing distraint warrants. The time barred cases were not brought to the notice of Standing Committee with reasons for delay in collection.

The low collection of Property Tax was the result of inaction on the part of GHMC on defaults. Further, repeated ‘one time measures’ offered by the State Government in (March 2012, March 2013, March 2014, March 2015 and February 2016) for waiver of interest<sup>155</sup> on PT, acted as a disincentive to diligent taxpayers.

Government accepted (December 2017) the audit observation on not issuing distraints to PT defaulters, as it would involve hardship to citizens. They further stated that database included uncollectable demand<sup>156</sup>. However, Government claimed improvement in collections over the years on account of various measures<sup>157</sup> introduced.

The fact, however, remained that, the percentage of collection of PT ranged from 44 to 50 *per cent* during audit period despite the measures. GHMC did not initiate action to rectify the incorrect demand despite having the details of uncollectable demand.

Further analysis showed the following shortcomings:

- i. **Total outstanding dues as of March 2017 in the test- checked circles (excluding State Government/State PSUs), were ₹ 370.14 crore. Of this, ₹ 106.06 crore<sup>158</sup> (29 *per cent* of the total) was due from top 100 defaulters of each test-checked circle (600 defaulters). Out of these,**

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<sup>152</sup> As per the information furnished (June 2017) by Commissioner

<sup>153</sup> Including penal charges

<sup>154</sup> Circle-3A (₹ 21.55 crore) 3,881 assessments, Circle-9A (₹ 20.67 crore) 5,473 assessments, Circle-10A (₹ 79.39 crore) 6,674 assessments, Circle-11 (₹ 14.53 crore) 3,046 assessments, Circle-14A (₹ 6.64 crore) 1,855 assessments, Circle-18 (₹ 51.64 crore) 10,847 assessments

<sup>155</sup> Section 269 (2) of the GHMC Act, 1955, empowers Corporation to impose penalty at two *per cent* interest per month or disconnect the essential services to the premises of the defaulter

<sup>156</sup> demolished buildings, road widening affected portions, duplicate assessments, Court Cases, Sick Units (closed industries) etc.,

<sup>157</sup> online, debit/credit cards, extending rebate to the tax payers through the scheme ‘early bird’ (Extending rebate of 5 *per cent* for early tax payers), ‘incentives’ (lucky draw scheme to encourage prompt payment of tax)

<sup>158</sup> It ranged from 47 *per cent* in Circle-11 to 7 *per cent* in Circle-18

**282 cases for ₹ 54.20 crore, representing 51 per cent of the above dues from top 100 defaulters, had become time barred.**

Commissioner stated (June 2017) that special drives were conducted through weekly targets. The fact remained that time barred cases continued to pile up.

- ii. **As of March 2017, dues towards PT on 1,383 State Government properties were ₹ 3,214.83 crore. Of this ₹ 1,172.32 crore was towards arrears and ₹ 2,042.51 crore was interest on arrears.** The period from which these amounts were pending was not forthcoming from the records produced to audit.

Government accepted (December 2017) the observation.

- iii. As per instructions<sup>159</sup> of GoI, properties of Central Government departments were exempted from payment of Property Tax. However, in lieu of services provided by the Corporation, Central Government departments were liable to pay service charges<sup>160</sup>. As of March 2017, ₹ 23.82 crore was due from 65 properties.

Government accepted (December 2017) the observation and stated that departments concerned were being pursued for clearing the dues.

#### ***Good practices***

In order to promote cashless transactions, Government issued (May 2017) orders that the transaction charges levied by payment gateway merchants shall be borne by the Corporation.

#### **4.5.5 Accounting of Property Tax receipts**

Andhra Pradesh Treasury Code (Rule-7 of Part-I) stipulates that all money received by or tendered to Government servant in official capacity shall be paid in full into the treasury without delay. The PT collections through various sources including Citizen Service Centres, Bill collectors, Mee-seva, Online etc., were remitted into the account maintained by GHMC<sup>161</sup>.

Audit correlated bank statements furnished by GHMC for the years 2014-17<sup>162</sup> in six test checked circles, with the data on PT payments made through cheques. This analysis showed that cheques received from 4,641 assesses amounting to

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<sup>159</sup> Memo No. N-11025/26/2003-UCD of Ministry of Urban Development (GoI) dated 19 December 2009

<sup>160</sup> Service charges at 75 per cent, 50 per cent and 33.33 per cent of PT for providing full, partial and nil services respectively

<sup>161</sup> Section 170 of GHMC Act, 1955 stipulates that all moneys payable to the credit of Municipal fund shall be paid into State Bank of Hyderabad (now State Bank of India) to the credit of GHMC account

<sup>162</sup> Banks statements for the years 2012-14 was not furnished



₹ 29.96 crore<sup>163</sup> were not credited into bank account. However, in the assessment and payment history of these assesses, cheque status was shown as cleared instead of bounced. As such, there was no mechanism to raise demand in such cases resulting in loss of revenue. Corporation needs to strengthen the system of automatic revision of demand in respect of bounced cheques.

Government accepted (December 2017) the observation and stated that the cases of non-reversed demand would be examined.

#### **4.5.6 Remittance of Library Cess**

Corporation shall levy and collect Library Cess<sup>164</sup> at the rate of 8 paise on each rupee of PT and remit to the Zilla Grandhalaya Samstha<sup>165</sup> (ZGS). Corporation collected (2012-17) ₹ 229.28 crore towards Library Cess, of which, only ₹ 6.33 crore (3 per cent) was remitted by them to ZGS as of August 2017. GHMC had not laid down any standard procedure for immediate transfer of library cess on collection to ZGS.

Government accepted (December 2017) the observation and stated that Corporation released funds to ZGS on monthly basis. However, the fact remained that an amount of ₹ 222.95 crore was still pending to be transferred to ZGS.

### **4.6 Solid Waste Management**

#### **4.6.1 Introduction**

The GHMC Act, 1955 requires the Corporation to make adequate provisions for collection, removal, treatment and disposal of sewage, offensive matter and rubbish. Municipal Solid Waste (MSW) comprises residential and commercial waste generated in a municipal area in either solid or semi-solid form.

Government of India, in supersession of the existing Municipal Solid Waste (Management and Handling) Rules, 2000 notified the Solid Waste Management Rules in 2016 to regulate management and handling of waste. As per these Rules, every Municipal authority is responsible for management of waste scientifically by proper collection, segregation, storage, transportation, processing and disposal of municipal solid waste.

#### **4.6.2 Fund Management**

Corporation meets the expenditure towards management of solid waste through grants received from GoI and State Government besides their own resources.

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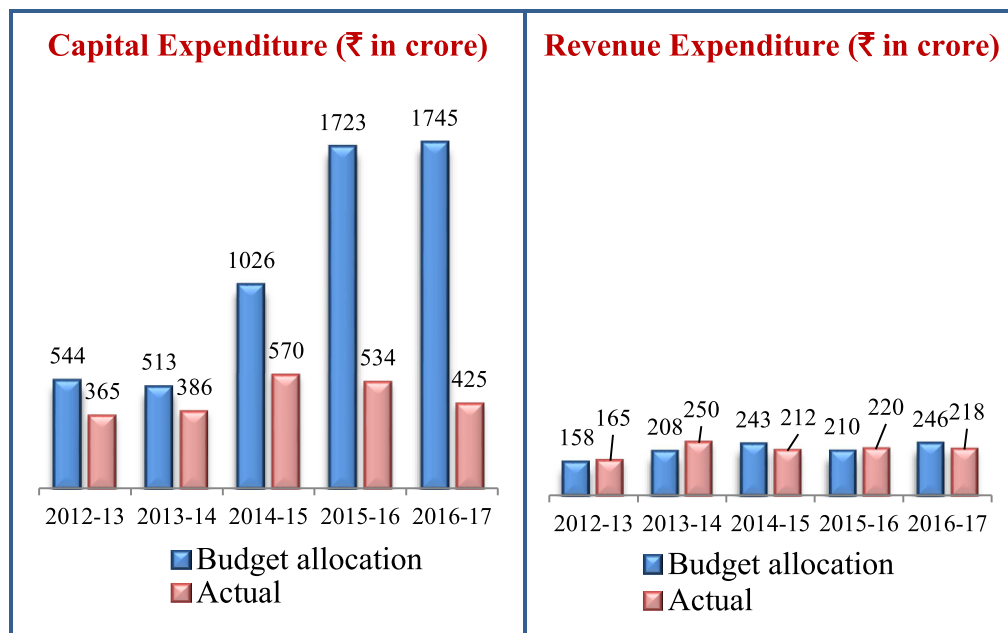
<sup>163</sup> Circle-3A (₹ 2.56 crore) 369 assesses, Circle-9A (₹ 8.13 crore) 1,087 assesses, Circle-10A (₹ 10.36 crore) 1,346 assesses, Circle-11 (₹ 4.40 crore) 837 assesses, Circle-14A (₹ 2.25 crore) 644 assesses, Circle-18 (₹ 2.26 crore) 358 assesses

<sup>164</sup> According to section 20 of Andhra Pradesh Libraries Act 1960, every Grandhalaya Samstha shall levy in the area a Library Cess in the form of surcharge on the property tax levied in such area

<sup>165</sup> District Central Library

Details of expenditure incurred towards capital<sup>166</sup> and revenue<sup>167</sup> items of Solid Waste Management during 2012-17 are given in Chart-4.4. Expenditure on capital items was far less than the Budget allocation.

**Chart 4.4**



Source: Information furnished by GHMC

Government accepted (December 2017) the observation and attributed staff union problems and land disputes to short utilisation of funds towards implementation of solid waste management.

### 4.6.3 Planning

Solid Waste Management Rules, 2016 stipulates preparation of State Policy and solid waste management strategy for the State. The Rules further required that a State Level Advisory Body<sup>168</sup> should be constituted within six months from the date of notification (April 2016) of the Rules.

The State Level Advisory Body was constituted in July 2017. State policy was under preparation. However, the guidelines (June 2005) of State Government, in compliance with Municipal Solid Waste (MSW) Rules, 2000, were being implemented in GHMC.

Government accepted (December 2017) the observation and stated that the preparation of draft State Policy was entrusted to ASCI<sup>169</sup> in October 2017.

<sup>166</sup> Construction and improvements of garbage dumping yards & transfer stations, purchase of heavy / light vehicles, dumper bins/garbage dust and litter bins

<sup>167</sup> Fuel for heavy / light vehicles, machinery rent, hire charges for vehicles, garbage clearance, sanitation and conservancy expenses, maintenance of garbage dumping yards / transfer stations

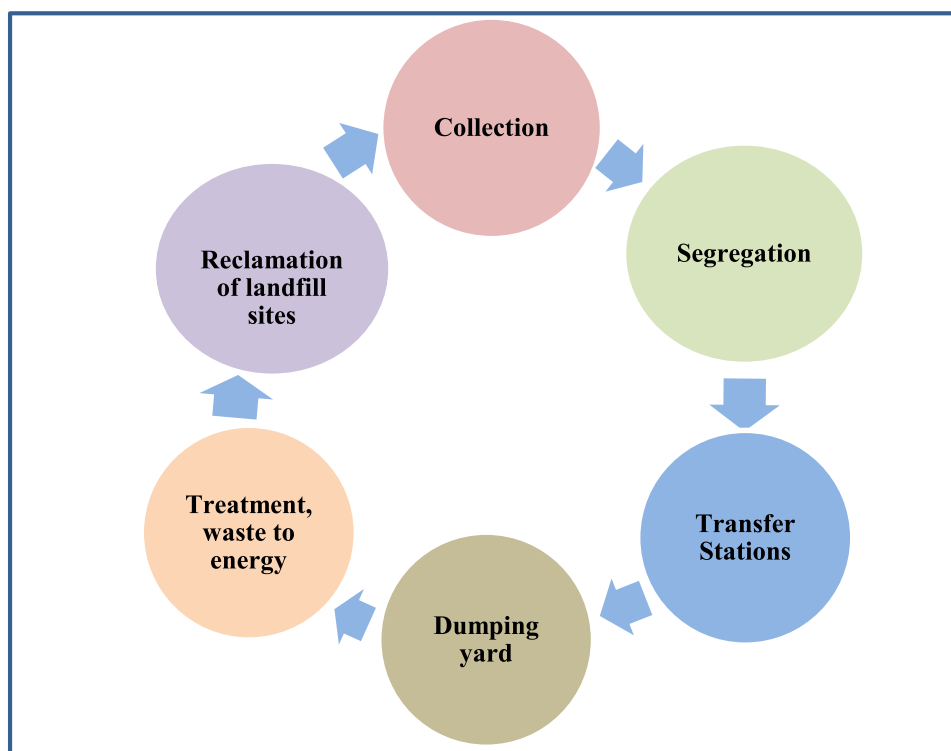
<sup>168</sup> The Board would review and advice State Government on measures for expeditious and appropriate implementation of these Rules

<sup>169</sup> Administrative Staff College of India

#### 4.6.4 Project Implementation

GHMC took up implementation of Integrated Municipal Solid Waste Management (MSWM) system in Hyderabad through Public Private Partnership (PPP) mode. GHMC entered (February 2009) into a Concession Agreement (CA) with M/s Ramky Enviro Engineers Limited (Concessionaire), Hyderabad for a concession period of 25 years. The implementation of MSWM was in two stages viz., (1) Collection and Transportation and (2) Treatment and disposal. The various stages of processing of Solid waste are indicated in Chart-4.5. As per the Concession agreement, all the works<sup>170</sup> forming part of above two stages were to be completed within two years from the date of agreement, i.e., by 20 February 2011. The milestones for project implementation were later revised<sup>171</sup> through a supplementary agreement (September 2012).

Chart 4.5  
Stages of processing of solid waste



The works as envisaged in the agreement to be completed by February 2011 were not completed as of July 2017. Detailed findings on implementation of Municipal Solid Waste are discussed below:

<sup>170</sup> from procurement of all the vehicles, equipment, machinery for collection and transportation to plant and machinery installation for integrated processing at Jawaharnagar, completed construction of landfill cell in all aspects, completion of construction works for collection, storage and treatment leachate

<sup>171</sup> After settlement of court case challenging entrustment of project

**4.6.4.1 Assessment of municipal waste**

Assessment of MSW generated<sup>172</sup> in the city is a pre-requisite for planning the infrastructure for its management. In a span of five years, MSW generated in the Corporation had doubled (as shown in the Table). GHMC stated (April 2017) that entire quantum of MSW generated was being collected.

**Table 4.2**  
**Waste generated in GHMC**

Year	Tons	Metric tons per day
2012-13	7,58,839	2,079
2013-14	11,49,037	3,148
2014-15	11,76,628	3,224
2015-16	13,57,621	3,720
2016-17	14,92,979	4,090

*Source: Records of GHMC*

Audit found that there was no mechanism to assess the quantity of waste generated / collected in the Corporation. Existing intermediary storage facilities (transfer stations) were not equipped with weighbridges both at entry and exit points. The quantum of MSW collected in GHMC was not accurately known.

Government accepted (December 2017) the observation.

**4.6.4.2 Collection of segregated waste**

Municipal Solid Waste (MSW) Rules, 2000 and the guidelines of State Government stipulate door-to-door collection<sup>173</sup> of segregated waste<sup>174</sup>. In compliance with 13<sup>th</sup> Finance Commission guidelines, Corporation notified (2013) the service level bench mark for segregation of MSW as 100 *per cent*.

As per Concession agreement, the task of primary<sup>175</sup> and secondary<sup>176</sup> collection of segregated MSW was to be handed over to Concessionaire in 2009. Audit observed that only few areas of two<sup>177</sup> out of 24 Circles were handed over (2014) to Concessionaire. In remaining areas, door-to-door collection was carried out by GHMC with the out-sourced staff. Corporation could not address the union problems with labourers who were collecting MSW from households.

<sup>172</sup> From households, commercial establishments, markets, hotels and restaurants, etc.,

<sup>173</sup> through the Municipal Staff / Authorised agency

<sup>174</sup> Bio-degradable and recyclable

<sup>175</sup> Primary collection means lifting and removal of segregated waste from source of its generation including households, shops etc., and transporting it to community bins

<sup>176</sup> Secondary collection means lifting of waste from community bins and transporting to transfer stations

<sup>177</sup> Kapra and Uppal

Municipal Solid Waste Rules for collection of segregated waste from source generating units were issued in 2000. GHMC distributed around 43.65 lakh bins to domestic units<sup>178</sup> in 2015-16. As per monthly report<sup>179</sup> the segregated waste constituted only around 27 per cent of the total MSW collected by them.



*Segregation of waste not ensured*

Government accepted (December 2017) the observation and stated that continuous efforts would be made to achieve 100 per cent segregation of waste through awareness campaigns.

#### ***Good practices***

Introduced Swachh Community Resource Persons (Swachh Dhooths) for creation of awareness on segregation at source by way of one to one interaction at household level.

Initiated a programme called PARICHAYAM (know your worker) to know their sanitation worker by the general citizens duly displaying the name and contact number in their respective jurisdiction to resolve grievances.

#### ***4.6.4.3 Transportation and storage of waste***

Primary transportation of solid waste involves movement from source generation to the intermediate storage<sup>180</sup> facility (Transfer station). Secondary transportation involves carriage of waste from transfer station to the waste treatment plants/land fill sites. Transfer stations should be set up with sufficient space for segregation of waste with weighing facilities.

As per agreement, Concessionaire had to upgrade<sup>181</sup>, operate and maintain the existing three transfer stations<sup>182</sup> and develop five<sup>183</sup> new transfer stations. For construction of new transfer stations, required land was to be provided by GHMC. Construction had not started in any of the five locations, since the land was not provided by GHMC and also due to non-finalisation of drawings. The management of existing three transfer stations, was taken over (2012) by GHMC on account of union problems. By then, upgradation works were

<sup>178</sup> details of bins provided to bulk generators were not furnished

<sup>179</sup> on collection of MSW

<sup>180</sup> a facility created to receive solid waste from collection areas and transport in bulk in covered vehicles or containers to final disposal point (dumping yard)

<sup>181</sup> Preparation of drawings for the transfer station including details of layout, structural details etc., provision of weigh bridges, computerised system for billing and tracking vehicle movement, facilities for segregation

<sup>182</sup> Imbliban, Lower Tank bund and Yousufguda

<sup>183</sup> Fathulguda, Gandhamguda, Kapra, Serlingampally (later shifted to Kukatpally) and Shamshiguda

partially<sup>184</sup> completed in only one location (Imbliban). However, this transfer station also lacks the facilities for assessment and segregation of waste for treatment.

Government accepted (December 2017) the observation. Non-transfer of locations to Concessionaire for development of existing/new transfer stations was attributed to resistance from public and land litigations. It was assured to complete the leftover facilities in Imbliban transfer station.

#### **4.6.4.4 Processing and disposal of waste**

Municipal Solid Waste (MSW) Rules, 2000 stipulates that suitable technology<sup>185</sup> has to be adopted to utilise the waste. Rules also require every municipal authority to improve landfill<sup>186</sup> sites as per specifications and also to identify new landfill sites<sup>187</sup>. In addition, the existing dump sites are also required to be reclaimed and put to alternate use.

The waste generated in the city was dumped in the dumping yard at Jawaharnagar and it was handed over to Concessionaire as part of PPP project. The activities undertaken in the dumping yard at Jawaharnagar included segregation of waste into renewable inerts, development of landfills, etc. Audit observations on processing and disposal of waste were as follows:

- i. As part of PPP project, the Concessionaire was required to establish two new processing and disposal units at Choutuppal and Lakdaram. The required land was to be provided by GHMC. However, the work was not started by Concessionaire due to non-allotment of land as of March 2017.

Government accepted (December 2017) the observation and stated that land could not be allotted due to agitations from villagers. Identification/allotment of required land was under process with the consultation of the District collectors of Rangareddy, Mahabubnagar, Nalgonda and Medak.

- ii. Prior to PPP project, GHMC concluded (September 2007) agreement with an agency<sup>188</sup> for establishment of 11 MW waste to energy Plant<sup>189</sup>. Stipulated date of completion was April 2010. Audit noticed that the plant was yet to be started as of March 2017. This was due to delay in handing over of the land and insufficient<sup>190</sup> capital contribution by GHMC. Government accepted (December 2017) the observation and stated that

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<sup>184</sup> Administrative block, workers rest room, and rain water harvesting etc.,

<sup>185</sup> Bio-degradable waste is to be processed by composting, vermi-composting, anaerobic digestion etc. Mixed waste containing recoverable resources should be recycled

<sup>186</sup> means disposal of residual solid wastes on land in a facility designed with protective measures against pollution of ground water etc.,

<sup>187</sup> for future use and make sites ready for operation and setting up of waste processing and disposal facilities etc.,

<sup>188</sup> M/s RDF Power Projects Limited, Hyderabad

<sup>189</sup> at Chinnarevulapalli, Nalgonda district

<sup>190</sup> Only ₹ 3.75 crore out of ₹ 6.44 crore was released



plant was under trial run.

As part of PPP project, the Concessionaire had to set up another waste to energy plant of 48 MW at Jawaharnagar processing and disposal unit. However, the works for establishment of the plant were not commenced<sup>191</sup> as of March 2017. Government accepted (December 2017) the observation and stated that consent from Pollution Control Board for establishment of 19.8 MW was received in March 2017. Earthwork had commenced. Thus, the aim of processing of waste by setting up of waste to energy plants remained unachieved as yet.

- iii. Land filling has to be restricted to non-biodegradable, inert waste and other waste<sup>192</sup> and filling of mixed waste shall be avoided. Audit noticed that due to lack of proper segregation facilities at transfer stations, unsegregated waste<sup>193</sup> burdened the existing landfill site at Jawaharnagar. GHMC identified (March 2017) sites for construction of 11 more landfills. However, the process of entrustment had not commenced as of July 2017.

Government accepted (December 2017) the audit observation.

- iv. As per agreement, the Concessionaire had to reclaim four dump sites<sup>194</sup>. Audit observed that works were under progress at two sites<sup>195</sup> and it could not commence in the remaining two sites<sup>196</sup>.

Government accepted (December 2017) the observation. Thus, the objective of reclamation of existing dump sites remained unachieved.

#### 4.6.4.5 Notification of Buffer Zone

Rule 11(l) of the Solid Waste Management Rules, 2016 stipulates that the Secretary, Urban Development Department in the State should notify buffer zone<sup>197</sup> in consultation with the State Pollution Control Board.

Audit observed from records of Pollution Control Board that only draft guidelines for maintaining buffer around waste processing and disposal

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<sup>191</sup> State Government issued (December 2000) orders for establishment of a Biotech park at Turkapally (Rangareddy district). These orders prohibit the location / expansion of certain air pollution industries near the proposed biotech park within a distance of 25 km. Since the proposed plant at Jawaharnagar was at a distance of 17.5 km from the Biotech park, the works could not be commenced. Relaxation orders based on the representations (2013-2016) of GHMC and Pollution Control Board (PCB) for establishment of the plant as a special case were accorded by Government only in March 2017

<sup>192</sup> not suitable either for recycling or for biological processing

<sup>193</sup> A test-check of monthly reports (February – April 2015 and January – February 2017) revealed mixed waste being dumped in landfill site amounted to 1,311.85 tons including silt, industrial waste, debris etc.,

<sup>194</sup> Fathulguda, Gandhamguda, Jawaharnagar and Shamshiguda

<sup>195</sup> Fathulguda (profiling and soil cover completed and further layers yet to be completed) and Jawaharnagar (capping work in progress)

<sup>196</sup> Gandhamguda (contract terminated) and Shamsiguda (land under dispute)

<sup>197</sup> for the solid waste processing and disposal facilities of more than five tons per day

facilities had been prepared (March 2017). Thus, the buffer zone was not notified. Government accepted (December 2017) the observation.

#### **4.6.5 Contract management**

##### **4.6.5.1 Escrow account**

Article 7.2 (b) (ii) of Concession agreement stipulates that GHMC deduct/ withhold 10 per cent of the Treatment Disposal revenue receivables from GHMC by the concessionaire, shall be held in Escrow account<sup>198</sup> towards post-closure obligations<sup>199</sup>. GHMC deducted ₹ 31.18 crore and credited to General fund account of Corporation. At the instance of audit, Escrow account was opened in June 2017. Out of ₹ 31.18 crore to be credited, only ₹ 10.95 crore was deposited as of June 2017.

Government accepted (December 2017) the observation and stated that the balance amount would be deposited as and when financial position of Corporation improved.

##### **4.6.5.2 Excess payment of tipping fees**

Concession agreement stipulates that Tipping Fee (TF) shall be the only fee paid by GHMC to the Concessionaire for performing the services under this Agreement. Tipping Fee covers three<sup>200</sup> main components of work. The Base Tipping Fee shall be increased annually, without compounding, by 5 per cent thereof. Audit observed from the bills paid to the Concessionaire towards Tipping Fee that ₹ 8.66 crore was paid in excess to Concessionaire during February 2012 to December 2016. This was due to the incorrect adoption of base tipping fee. Similarly, ₹ 81.15 lakh was paid for 11,838.28 tons of solid waste over and above the quantities certified by the Independent Engineer for the months of January-September 2015.

Government accepted (December 2017) the observation and stated that the balance amount would be recovered from the future bills after reconciliation with Independent Engineer.

##### **4.6.5.3 Non-recovery of dues from concessionaire**

Article 7.2 b (i) of Concession agreement stipulates that, statutory deductions<sup>201</sup> are to be effected from the payments made to Concessionaire. However, GHMC did not recover statutory dues of ₹ 2.59 crore from the payments made to the

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<sup>198</sup> Escrow account is a temporary account held by a third party during the process of a transaction between two parties

<sup>199</sup> In the event of termination due to any reason whatsoever, the amounts in the escrow account would be appropriated by GHMC towards post-closure obligations

<sup>200</sup> (i) Primary and secondary collection & transportation of waste up to transfer station: 40% of the TF; (ii) Transfer Station management and transportation of waste from transfer station to the processing facilities: 20% of the TF and (iii) Treatment & Disposal: 40% of the TF

<sup>201</sup> Income Tax and Service Tax



Concessionaire for the months of April to June 2012. GoI issued<sup>202</sup> Notification (June 2012) exempting service tax for activities related to Solid Waste management from 1 July 2012. Hence, Concessionaire was liable to pay back ₹ 2.59 crore paid towards Service Tax.

Government stated (December 2017) that the service tax dues would be recovered from the future bills of tipping fee after reconciliation with Independent Engineer.

#### **4.6.6 Monitoring on implementation of SWM**

Concessionaire Agreement provided for appointment of an Independent Engineer. Accordingly, GHMC concluded (July 2010) an agreement with Environmental Protection Training & Research Institute (EPTRI) to act as an Independent Engineer (IE) to monitor the activities<sup>203</sup> involved in the project.

Concessionaire Agreement stipulates that Project facilities can be safely and reliably opened for operation subject to Readiness Certificate issued by Independent Engineer. If Provisional Readiness Certificate is issued by Independent Engineer, it shall append list of outstanding items (punch list) to be completed. The Concessionaire had to complete the punch list items within 90 days of the date of issue of Provisional Readiness Certificate. Upon satisfactory completion of all punch list items, Independent Engineer shall promptly and in any case within 15 days issue Readiness Certificate.

If the Concessionaire fails to complete the punch list items within the said period of 90 days, GHMC may get the punch list items of work completed. The cost incurred by GHMC in completing the punch list items, as certified by the Independent Engineer, shall be reimbursed by the concessionaire to GHMC. While forwarding the review reports to GHMC, Independent Engineer had to describe in reasonable detail the lapses, defects or deficiencies in construction works of the project. From the records of GHMC, audit noticed that:

- i. Provisional Readiness Certificate was issued to Concessionaire in 2013. However, the punch list items<sup>204</sup> were not completed by the Concessionaire as of July 2017. There were no records to show the deficiencies pointed out by Independent Engineer in execution of project works by Concessionaire. GHMC also expressed their dissatisfaction over the responsibilities to be discharged by Independent Engineer.
- ii. Independent Engineer did not deploy qualified personnel<sup>205</sup> as per

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<sup>202</sup> Notification No.25/2012-Service tax dated 20 June 2012

<sup>203</sup> waste storage windrow management, RDF storage, landfill operations, compost, leachate (liquid that seeps through solid waste or other medium and has extracts of dissolved or suspended material from it) collection and treatment, capping, etc., which create environmental pollution

<sup>204</sup> such as capping of old dump site, reclamation of existing dump sites and establishment of waste to energy plant, etc.,

<sup>205</sup> Team leader, MSW Expert, Material Testing and Quality Controller, Mechanical Engineer, supporting staff of requisite qualification, etc.,

agreement and no technical deviations were reported.

- iii. Periodical (fortnightly) submission of progress reports to GHMC was not ensured by Independent Engineer. Test-check of progress reports showed that the fortnightly reports for the period from April 2015 to March 2016 were submitted by Independent Engineer in April 2016.
- iv. Independent Engineer did not ensure strict compliance to the environmental parameters in and around the dumping yard<sup>206</sup> by the Concessionaire. This was evidenced from zero points in three consecutive monthly reports (January – March 2017) under 'Compliance to Environmental Provisions'. Similarly, gas emissions in landfill were above 100 *per cent* against the stipulated norm of 25 *per cent* in Concessionaire agreement.

GHMC imposed (January 2017) a penalty of ₹ 20 lakh on Independent Engineer for non-compliance of agreement conditions. This was an indication of poor monitoring by Independent Engineer over the activities of the Concessionaire. In this regard, the clauses of Concessionaire Agreement providing rights to the Concessionaire in selection and termination of Independent Engineer need a review.

Government agreed (December 2017) to review the functioning of Independent Engineer and the detrimental clauses in Concessionaire Agreement.

#### **4.7 Storm water drains**

As per Section 290 of Greater Hyderabad Municipal Corporation Act, 1955, all municipal drains are under the control of Commissioner. The drainage system in Hyderabad comprises of a hierarchy of natural and man-made drains/nalas and water bodies that ultimately discharge surface run-off. The nalas are the major carriers of storm water finally disposing into the river and water bodies<sup>207</sup> in the catchment.

There were 173 storm water drains<sup>208</sup> with a length of 390 km passing through the limits of GHMC. In addition to storm water discharge, these drains were also used to discharge sullage<sup>209</sup> and septic tank overflows.

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<sup>206</sup> to arrest air, ground water, surface water pollution

<sup>207</sup> The most important lakes are Hussain Sagar, Osmansagar, Himayat Sagar, Mir Alam Tank, Saroornagar Lake, Safilguda Lake, and Langerhouz Lake etc.,

<sup>208</sup> 82 Primary drains (carry storm water into water bodies) with 211 km, 76 secondary drains (connecting drains to primary drains) with 160 km and 15 tertiary drains (road side drains discharging water into primary/secondary drains) with 19 km

<sup>209</sup> waste water from household sinks, showers and baths

#### **4.7.1 Planning**

As part of urban reforms agenda under JNNURM<sup>210</sup>, a City Development Plan<sup>211</sup> (CDP) was formulated by erstwhile MCH in 2005. Storm Water Drains was one of the prioritised activities involved in CDP.

##### ***4.7.1.1 Master plan for Storm water drainage***

Erstwhile Municipal Corporation of Hyderabad undertook (2001) the study for preparation of storm water drainage master plan. Based on the study report, the Corporation identified key issues<sup>212</sup> and challenges in respect of storm water drains in CDP. As part of investment plan under CDP, Government also proposed (2005) for preparation of Comprehensive Drainage Master Plan by end of 2008.

Erstwhile MCH entrusted (2006) M/s Kirloskar Consultants, Pune with preparation of micro level master plan for Storm water drainage. After formation of GHMC, Corporation entrusted (2008) M/s. Voyants Solutions Private Limited with preparation of Comprehensive Master Plan and Micro level Storm Water drain network. Further they were also entrusted with preparation of Detailed Project Reports (DPRs) for Storm water drains duly utilising the report of M/s Kirloskar Consultants.

M/s. Voyants Solutions submitted (December 2011) draft master plan and Detailed Project Reports (DPRs) for improvement/remodelling of 102 drains in a phased manner, during 2011 to 2015. Master plan and DPRs were yet to be approved as there were pending items<sup>213</sup> to be submitted by M/s. Voyants Solutions Private Limited.

Government stated (November 2017) that master plan and DPRs for improvement of storm water drains were agreed to in principle. Reply was in contravention of letter addressed to M/s. Voyants Solutions Private Limited by GHMC in August 2017, listing the pending items of Master plan and individual DPRs.

##### ***4.7.1.2 Plan for improvement of primary, secondary and tertiary drains***

M/s. Kirloskar consultants identified 71 Storm water drains for improvement/remodelling in erstwhile MCH<sup>214</sup> area. As per investment plan of City

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<sup>210</sup> Jawaharlal Nehru National Urban Renewal Mission

<sup>211</sup> The plan outlined priorities for developmental activities in Hyderabad city along with the strategies and action plans for achieving these and investment required for the purpose

<sup>212</sup> Low coverage, Low capacity, Lack of integrated drainage plan and Encroachments

<sup>213</sup> As per the letter addressed (August 2017) to M/s.Voyants Solutions Pvt Ltd, the pending items include drain inventory data for Zone 1, 3, 4, micro level storm water network plan for water stagnation areas, lack of information about detailed survey of drains and its flood prone areas, etc.,

<sup>214</sup> Municipal Corporation of Hyderabad

Development Plan, these were to be taken up and completed within a span of seven years (2005-06 to 2011-12).

Audit noticed that as of March 2017, GHMC could take up improvement works only on 24 (34 *per cent*) out of 71 Storm water drains identified by M/s. Kirlosakar consultants. Even the works proposed were not for complete length of drain as identified by M/s. Kirlosakar consultants. As regards improvement works on 102 Storm water drains recommended by M/s. Voyants, GHMC took up only two Storm water drains. Accordingly, the objective of improving hydraulic capacity<sup>215</sup> of the nalas through widening, deepening and construction of sidewalls for limiting the risk of floods was not achieved despite the lapse of five years.

Government accepted (November 2017) the audit observation and stated that works could not be taken up as proposed due to encroachments and stiff resistance from people. The fact remained that there was no further improvement in taking up the works.

#### **4.7.1.3 Planning for new tertiary drains**

Based on the challenges identified during preparation of City Development Plan (CDP), erstwhile MCH<sup>216</sup> proposed for construction of tertiary drains on a priority basis. The city comprises of 800 km of tertiary drains covering only 40 *per cent* of the road length. Accordingly, tertiary drains to all the major arterials<sup>217</sup> and important roads were proposed in CDP to facilitate proper draining of storm water by 2012.

Corporation did not take up construction of tertiary drains as planned. Audit observed from the records of GHMC that there were 461 water logging points in the city, of which 52 points were critical<sup>218</sup> and 67 major traffic junctions<sup>219</sup>. All these points were prone to risk during monsoon due to non-availability of connecting / aligning system to the nearby storm water drains.

Government stated (November 2017) that tertiary drains were taken up wherever required. Reply was not satisfactory, as there were 461 water logging points as per records of GHMC. Though the requirement of tertiary drains was identified while drawing CDP in 2005, the same were not addressed as of September 2017. As a result, the problem of water logging continued during every monsoon and, thereby, causing great inconvenience to the commuters / public.

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<sup>215</sup> Increase the flow of water

<sup>216</sup> Municipal Corporation of Hyderabad

<sup>217</sup> A high capacity urban road

<sup>218</sup> major being Lakdi-ka-pool, Chilkalguda, NMDC, Nampally T-Junction, Malakpet, Tolichowki

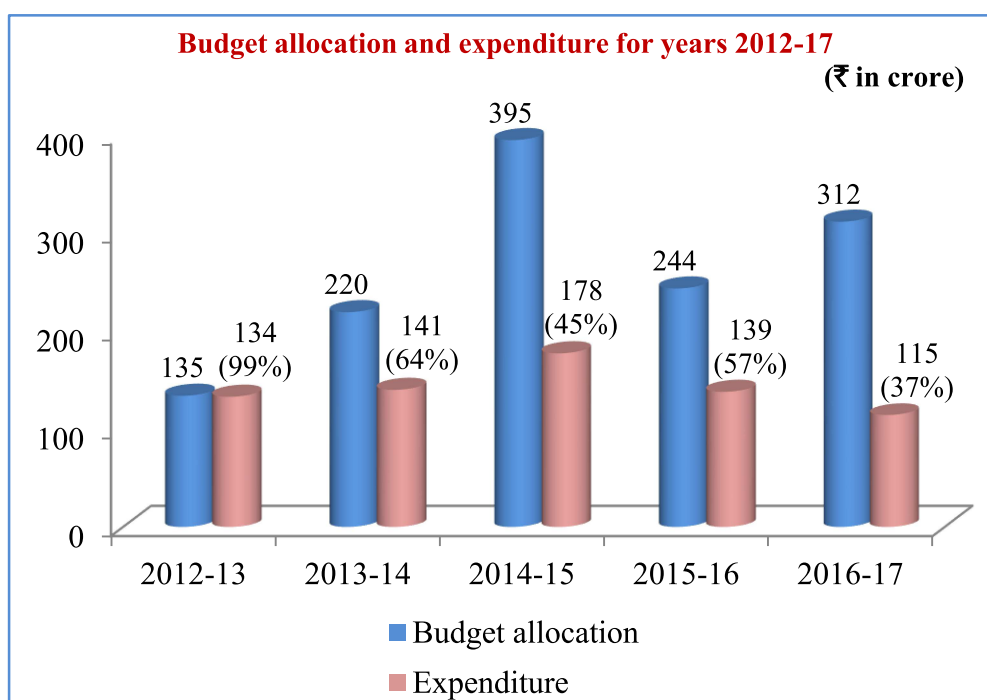
<sup>219</sup> major being Central Bus Station, Sangeeth signal, Satyam theatre at Ameerpet, Chanchalguda, Puranapul

## 4.7.2 Fund Management

Corporation met the expenditure towards improvement and remodelling of storm water drains through grants received from GoI<sup>220</sup> and State Government<sup>221</sup> besides their own resources. Expenditure towards maintenance of storm water drains was met through own resources of Corporation.

During audit period (2012-17), Corporation provided budget proposals for ₹1,306 crore against which ₹707 crore was incurred as depicted in the Chart 4.6. It could be seen that though there was increase in provision of budget for Storm water drains during 2016-17, percentage of expenditure was not encouraging when compared to previous years. Short utilisation of funds could be attributed to poor execution of works as commented in paragraph 4.7.3.

Chart 4.6



Source: Budget estimates for 2012-16 and provisional figures for 2016-17 as furnished by Corporation

### 4.7.2.1 Assured Assistance foregone

Government of India sanctioned (October 2008) a project 'Improvement of storm water drainage in Zone I and II' for ₹124.10 crore under JNNURM<sup>222</sup>. Of the sanctioned cost, GoI share was ₹43.44 crore against which ₹10.86 crore was released (December 2008) as first instalment. GoI issued notice for withdrawal of project in October 2012 and final notice in March 2013, as there was slow progress in implementation of the project. Physical progress was less

<sup>220</sup> Jawaharlal Nehru National Urban Renewal Mission (JNNURM), Thirteenth Finance Commission

<sup>221</sup> matching State share of JNNURM

<sup>222</sup> Jawaharlal Nehru National Urban Renewal Mission

than 25 per cent even after two years of sanction of project. Action initiated by Corporation for further GoI releases was not forthcoming and there were no releases after December 2008. Thus, Corporation had foregone assured assistance of ₹ 32.58 crore in respect of this project due to slow progress.

Government stated (December 2017) that GoI, while according approval to the revised DPR, restricted the cost to the length of work completed (9 km) against the actual requirement (24 km). Thus, non-completion of the work as proposed resulted in foregoing the assured assistance.

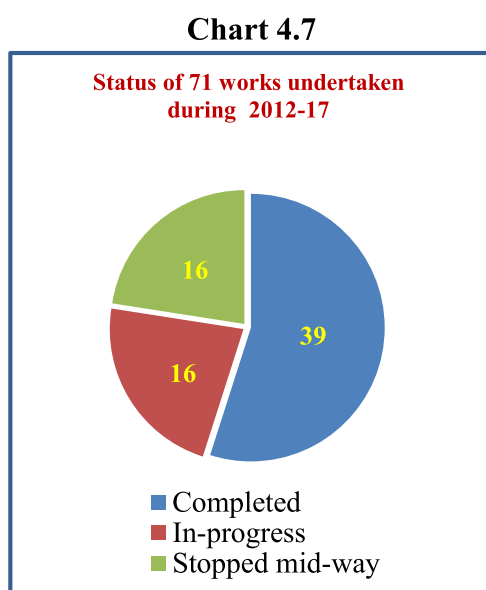
#### **4.7.2.2 Non-repayment of loan component under JNNURM**

Jawaharlal Nehru National Urban Renewal Mission (JNNURM) guidelines envisage creation of Revolving fund<sup>223</sup>, which would graduate to a State Urban Infrastructure fund at the end of Mission period. TUFIDC<sup>224</sup> released (July 2010 and March 2013) ₹ 2.71 crore under loan component to GHMC for implementation of three Storm water drain projects. As of March 2016, Corporation was yet to pay ₹ 1.69 crore towards principal and interest.

Government did not furnish reply to this observation.

#### **4.7.3 Execution of works**

During the audit period (2012-17) Corporation undertook 71 improvement / remodelling works on 26 storm water drains with estimated cost of ₹ 350.13 crore. An amount of ₹ 187.80 crore was expended on these works as of July 2017. A total of 39 works were completed, 16 works were in-progress and 16 works were stopped mid-way due to failure of Corporation to evict encroachments and to provide clear stretch of site as depicted in the Chart-4.7.



<sup>223</sup> State level nodal agency sanction grant-cum-loan to the urban local bodies in such a manner that 25 per cent to the Central and State grant put together was to be recovered and ploughed into a Revolving fund to leverage market funds for financing further investment in infrastructure projects

<sup>224</sup> Telangana Urban Finance and Infrastructure Development Corporation, the State level nodal agency for JNNURM



For detailed examination, Audit selected 24 works pertaining to improvement/remodelling<sup>225</sup> of Storm water drains with estimated cost of ₹ 227.82 crore (*Appendix-4.1*). Of the test-checked works, 13 works were stopped mid-way and there was delay of two to five years in completion of 5 works after incurring an expenditure of ₹ 75.23 crore. This was due to failure of Corporation in handing over the clear stretch of site by evicting encroachments/clearing of properties/structures, shifting of utilities<sup>226</sup> etc. Details of significant cases of test-checked works are given in *Appendix-4.2*.

Government accepted (November 2017) the audit observation and stated that efforts were being made to convince public for removal of encroachments through public representatives, welfare associations etc. The fact remained that there was no progress in eviction of encroachments and execution of works.

#### **4.7.4 Monitoring on management of SWDs**

GHMC Act<sup>227</sup>, 1955, stipulates that the Commissioner shall maintain and keep in repair all drains, ensure cleansing<sup>228</sup> of drains, and remove any buildings or structures erected over drains without permission. Also as per recommendations of Central Public Health and Environmental Engineering Organisation (CPHEEO) and as planned in City Development Plan, Corporation has to ensure routine cleaning of drains before and after monsoon to monitor regularly not to dispose of solid waste in the drains, and remove encroachments.

##### **4.7.4.1 Encroachments**

There were 12,182 encroachments along nalas and water bodies, of which only 847 (7 per cent) were evicted as of July 2017.

A work ‘Construction of Storm water drain from Patancheruvu to Gangaram cheruvu’ sanctioned (April 2013) for ₹ 11.57 crore was based on the DPR prepared (December 2011) by M/s. Voyants Solutions Private Limited. The work was technically sanctioned in October 2013 and awarded in May 2014 for ₹ 8.40 crore with a stipulation for completion by August 2015. Later, Corporation proposed (February 2015) change in alignment<sup>229</sup> duly enhancing the length of drain and revising the design from open drain<sup>230</sup> to box drain<sup>231</sup>.

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<sup>225</sup> Improvement/remodelling of Storm water drains includes drain widening, drain deepening, drain wall raising, drain wall reconstruction and restoration, bed protection etc., for free flow of storm water and making areas free of inundation during floods

<sup>226</sup> Electrical poles, telephone cable, sewerage lines etc.,

<sup>227</sup> Section 292, 295 and 299

<sup>228</sup> flushed, cleansed and emptied

<sup>229</sup> via NH-9

<sup>230</sup> Surface drain

<sup>231</sup> Sub-Surface drain

Audit noticed that the change of alignment was due to the fact that a major length of drain proposed was not traceable (May 2013), as it was encroached by many structures.

Government accepted (November 2017) the audit observation.

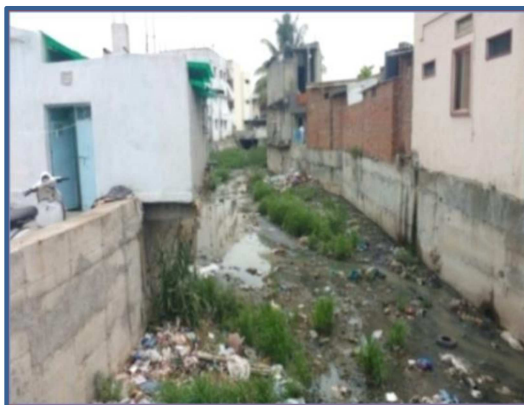
#### **4.7.4.2 Missing lakes due to encroachments**

There were 185 lakes in the jurisdiction of Corporation, after formation of GHMC in 2007. Storm water runs into these lakes, and water stored was used for agricultural purposes. As per the information furnished (June 2017), there were only 159 lakes, and 17 lakes<sup>232</sup> were not traceable while nine lakes<sup>233</sup> were fully encroached. The 26 missing lakes, due to encroachments result in inundation of areas during heavy rains.

Government did not furnish reply to this observation.

#### **4.7.4.3 Maintenance of nalas**

The Commissioner, along with his staff of Engineering Division<sup>234</sup> looks after the construction and maintenance of storm water drains. Maintenance of drains by GHMC included de-silting and minor repair works. During 2012-17, 1,918 maintenance works were taken up on Storm water drains with ₹ 78.34 crore. The physical verification of the sites showed that GHMC had not addressed the issue of dumping / disposal of solid waste into drains as shown in the photograph.



***Dumping of waste into drains***

Government stated (November 2017) that 'Swachh Volunteers' were appointed to address<sup>235</sup> the issue of dumping of solid waste into drains. Regular desilting of drains were being taken up to ensure free flow of storm water. The fact remains that dumping of solid waste into drains continued as seen from above photograph.

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<sup>232</sup> 1) Tummalakunta 2) Chintalakunta 3) Puppalkunta, 4) Kurmacheruvu, 5) Qutubullapur cheruvu, 6) Komakunta, 7) Komarkunta, 8) Gollavanikunta, 9) Bhajansahikunta 10) D.Bongalakunta 11) Shan Keesamunakunta, 12) HMT Colony lake, 13) Quarry kunta, 14) Camelot layout lake, 15) Banda kunta, 16) Sudharshan lake and 17) Anjayacheruvu

<sup>233</sup> 1) Ramanthacheruvu, 2) Wadlakunta, 3) Kothacheruvu, 4) Bandamkunta, 5) Shamalakunta Ameerpet, 6) Yousufguda tank, 7) Shamalakunta Sanathnagar, 8) Myasammakunta and 9) Chapala cheruvu

<sup>234</sup> Engineering wing of maintenance is headed by Chief Engineer (M) and there were 30 maintenance divisions spread over in five zones of Corporation

<sup>235</sup> By educating the people



## 4.8 Redressal mechanism

### *Good practices*

GHMC introduced (July 2015) Mobile Application (*My GHMC App*) for providing services relating to payment of taxes and addressing the problems like clearing of dustbins, water logging, etc. Besides these, the status of various permissions accorded by GHMC can also be viewed through this Application. GHMC already had various modes<sup>236</sup> of redressal mechanism for attending grievances of the public. The grievances, thus, received from various sources were directly forwarded to the officials of the concerned department for resolution, which were also monitored online.

Audit noticed that out of 3.14 lakh complaints received during the audit period (2012-17), GHMC could resolve 3.11 lakh (99 *per cent*) complaints.

## 4.9 Conclusion

GHMC took several initiatives towards providing citizen friendly services, of which *My GHMC App* was most noteworthy.

However, the Municipal body could not ensure compliance with regard to implementation of Building Rules issued by Government. This resulted in deviations to the approved plans and proliferation of unauthorised constructions. Due to pending revision of Annual Rental Value of the buildings, as per the provisions of GHMC Act, 1955, sources for augmentation of revenue resources through Property Tax remained largely unutilised. Lack of data integration between the Town Planning wing (building permissions) and Revenue wing (Trade licenses and Property Tax) resulted in short/non-assessment of properties. GHMC did not ensure strict compliance with regard to enforcement of penal provisions for non/delay in payment of Property Tax.

A Public Private Partnership (PPP) model for collection, transportation, treatment and disposal of solid waste was attempted in 2009. However, inability to engage with stakeholders, particularly its employees, substantially curtailed the scope of work. GHMC could not ensure compliance for collection of segregated waste from primary waste generating units. Poor segregation facilities burdened the landfill sites. The existing transfer stations were not upgraded and new transfer stations planned under PPP were not established. Waste to energy plants envisaged as important source of disposal of Municipal Solid Waste were yet to materialise.

A draft master plan for strengthening storm water drainage system for the city was prepared in 2011. However, it could not be implemented due to GHMC's inability to evict encroachments. The continuous inadequacy of drains and the incidence of missing lakes also show GHMC's failure in protection of valuable

<sup>236</sup> through written complaints (*Prajavani Parishkaram, Commissioner peshi etc.*) online services (*GHMC online, twitter*) and mobile calls (*Call centre, emergency dial 1100*)

water bodies, resulting in inundation during monsoons.

#### **4.10 Recommendations**

- GHMC should ensure strict implementation of Building rules and strengthen Town Planning wing towards this objective.
- Co-ordination between the Town Planning wing and Revenue wing should be ensured. GIS mapping should be used to reduce the interface of Revenue wing with Public.
- GHMC may put in place a mechanism to ensure realisation of Property Tax from every property, private or Government, on regular basis without accumulation of arrears.
- 100 *per cent* segregation of Municipal Solid Waste at source should be ensured by GHMC to ensure proper disposal. Efforts should be made to complete the pending infrastructure facilities at disposal points including intermediary transfer stations to avoid burden on land fill sites.
- GHMC should ensure linking of drains on priority to avoid water logging. Outreach to all stakeholders may be planned to forge partnerships in removal of encroachment on storm water drains.

Government accepted (December 2017) the recommendations.