Report of the Comptroller and Auditor General of India

REPORT No. 5
(LOCAL BODIES)

for the year ended 31 March 2011

GOVERNMENT OF MAHARASHTRA

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PREFACE

1. This is the fifth report of the Comptroller and Auditor General of India on Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) in Maharashtra. The report for the year ended 31 March 2011 is prepared for submission to the Governor of Maharashtra under Article 151(2) of the Constitution.

2. The Report sets out the results of audit under various sections of the Comptroller and Auditor General of India's (Duties, powers and Conditions of Services) Act, 1971, in respect of financial assistance given to PRIs and ULBs and a thematic Audit review.

3. The Report contains six chapters, Chapter I and Chapter IV relate to the Accounts and Finances of the PRIs and ULBs respectively. Chapter II and Chapter V relate to performance reviews. The remaining Chapters contain observations arising out of transaction audit of selected PRIs and ULBs.

4. The cases mentioned in the Report are those which came to notice during the course of test audit of financial transactions during the year 2010-11 as well as those which had come to notice in the earlier years.

Overview

The Report comprises six chapters under two sections. Section A includes three chapters containing observations on the Accounts and Finances of Panchayati Raj Institutions, one performance review on 'District Rural Social Sector Audit of Panchayati Raj Institutions - Wardha' and five transactions audit paragraphs. Section B comprises three chapters containing observations on the Accounts and Finances of Urban Local Bodies, two performance audits on (i) Jawaharlal Nehru National Urban Renewal Mission (UIG & UIDSSMT) (ii) Information Technology Audit of Brihanmumbai Mahanagarpalika Octroi Software System (BOSS) of Municipal Corporation of Greater Mumbai, a thematic audit on repairs and maintenance to road works in Municipal Corporation of Greater Mumbai and eight transaction audit paragraphs. A summary of major audit findings is presented in this overview.

1. Accounts and Finances of Panchayati Raj Institutions

The allocation from total revenue of the state to Panchayati Raj Institutions showed a meager increase from 15.38 per cent in 2006-07 to 15.93 per cent in 2010-11 as against 40 per cent recommended by the Second Maharashtra State Finance Commission.

All the 33 Zilla Parishads had not finalised (December 2011) their accounts for 2009-10 and 2010-11 although the same should have been finalized by September 2010 and 2011 respectively. The arrears of Zilla Parishads accounts and certification by the Chief Auditor, Local Fund Accounts ranged between one and two years. The State Government had so far not amended Maharashtra Zilla Parishad & Panchayat Samiti Account Code and Bombay Village Panchayat (Budget & Accounts) Rules to maintain annual accounts in the format prescribed by the Comptroller and Auditor General of India.

(Paragraph 1.1. to 1.13)

2 Performance Audit on "District Rural Social Sector Audit of Panchayati Raj Institutions Wardha"

In Wardha district, it was noticed that District Planning Committee did not prepare Five Year Plan/Perspective Plan. DPC has sanctioned and released grant without any linkage to the requirements. Works costing ₹8.17 crore were executed under Dalit Wasti Sudhar Yojana without obtaining approval of the competent authority. Improper planning, monitoring and implementation of Indira Awas Yojana resulted in 705 incomplete houses out of 7753 sanctioned for construction during 2008-09 and 2010-11 and fund of ₹3.01 crore remaining unspent.

(Paragraph 2.1)

3 Transaction Audit Findings - Panchayat Raj Institutions

Installation of biometric devices at remote locations without ensuring internet connectivity with District Headquarters resulted in non-achievement of objective and blockage of ₹90.60 lakh in Zilla Parishad, Thane.

(Paragraph 3.1)

In Panchayat Samitis Arni and Purna, 43 staff quarters constructed between August 2004 and December 2009 at a cost of ₹1.65 crore remained vacant due to non-provision of electricity and water supply connections.

(Paragraph 3.3)

4 Accounts and Finances of the Urban Local Bodies

The total receipts of all the Municipal Corporations in the State during 2010-11 was ₹ 30137 crore which was marginally higher by 4.42 per cent over previous year. The major contribution in total receipts was from rent, taxes etc (53.05 per cent) and other income (39.43 per cent).

The Government of Maharashtra adopted National Municipal Accounts Manual for implementation from 2005-06. The draft state account code for urban local bodies prepared by Project Management Consultant has not been adopted so far.

(Paragraph 4.1 to 4.9)

5 Performance Reviews on Urban Local Bodies

Jawaharlal Nehru National Urban Renewal Mission (UIG & UIDSSMT)

Implementation of the project under Jawaharlal Nehru National Urban Renewal Mission was deficient. UIG project proposed were without assessing the immediate requirement.

Unfruitful expenditure of ₹250 crore was incurred on preparation of DPRs. Execution of water supply scheme under UIDSSMT in Jalna Council without a distribution network had resulted in depriving people of Jalna from the desired benefit of scheme.

Actual cost of award of work was as high as 66 per cent of the approved cost of work. An expenditure of ₹2.81 crore was incurred on the works that were not envisaged in the DPR.

Excess payments on account of price escalation and extra items were noticed. Awarding of work without site survey and reliable data resulted into cost overrun of ₹11.09 crore. An amount of ₹19.15 crore was blocked due to non-functioning of Inert and Refused Derived Fuel plant.

Double entry accounting system was not introduced in any of the selected Municipal Councils. Target of recovery of Property Tax and Operation and Maintenance cost as was envisaged in the agenda of reforms was not achieved in respect of six Corporations.

(Paragraph 5.1)

Information Technology Audit of Brihanmumbai Mahanagarpalika Octroi Software System (BOSS) of Municipal Corporation of Greater Mumbai

MCGM initiated computerization of various departments through Turnkey Solution Provider (TSP) route in 2000. M/s Ace Televoice and Services Pvt. Ltd. was appointed TSP in 2001 for computerisation of the Octroi department.

Annual Technical Support (ATS) for software was given to M/s HCL Infosystems Ltd from August 2005 to August 2008 and work order for ATS was also given to M/s Ace Televoice Pvt Ltd for the same period resulting in undue benefit of ₹ 0.60 crore to the TSP. Similarly, TSP was also given undue benefit of ₹ 33.39 lakh in purchase of hardware and networking items.

Classification of articles according to Schedule 'H' of MMC Act 1888 was not followed for calculation of octroi. The octroi levied through the system was less by ₹46.13 crore than as per corresponding Schedule 'H' rate of the article code recorded therein.

Even after 10 years of the development of the software, MCGM did not have its own personnel as Database Administrator for overall IT security and as custodian of data to ensure data integrity of such a critical system.

(Paragraph 5.2)

6 Transaction Audit Findings - Urban Local Bodies

Non-recovery of capitalised value and interest on account of redevelopment of properties by Estate Department of Municipal Corporation of Greater Mumbai resulted in loss of revenue of ₹ 45.45 crore.

(Paragraph 6.1)

Municipal Corporation of Greater Mumbai failed to communicate the supplier regarding suspension of the scheme in time led to unfruitful expenditure of ₹2.74 crore in purchase of flavoured milk in tetra packs.

(Paragraph 6.2)

Nashik Municipal Corporation gave undue benefit of ₹1.79 crore to contractor by irregular sanction of extra item.

(Paragraph 6.3)

Solapur Municipal Corporation allowed higher deduction at the rate of 15 per cent for repairs as against the stipulated 10 per cent under the Bombay Provincial Municipal Corporation Act while calculating property tax resulted in short levy of property tax of ₹13.36 crore.

(Paragraph 6.4)

Nanded Waghala City Municipal Corporation levied water charges on non-residential properties at residential rates resulting in short levy of ₹65.33 lakh for three years from 2008-09.

(Paragraph 6.5)

Non-observance of prescribed provision of Nagpur City Municipal Corporation Act, 1948 by the Municipal Corporation, Nagpur resulted in excess payment of contributions of ₹1.99 crore to the various organizations / Agencies towards cultural activities.

(Paragraph 6.7)

The works of software development taken up on recommendation of Standing Technical Advisory Committee to improve the ability to plan and manage road maintenance operation better was not finalised and remained incomplete after *incurring ₹1.76 crore. Three pot hole filling machines costing ₹2.34 crore imported for mechanical and speedy filling of potholes were not put to use due to narrow roads, traffic problems and were lying idle for two years. Road works valuing ₹702.31 crore (₹469.09 crore + ₹233.22 crore) were awarded by variation as additional works without inviting tenders in violation of the provision of Mumbai Municipal Corporation Act, 1888.*

(Paragraph 6.9)

CHAPTER I

ACCOUNTS AND FINANCES OF PANCHAYATI RAJ INSTITUTIONS

SECTION A

CHAPTER I

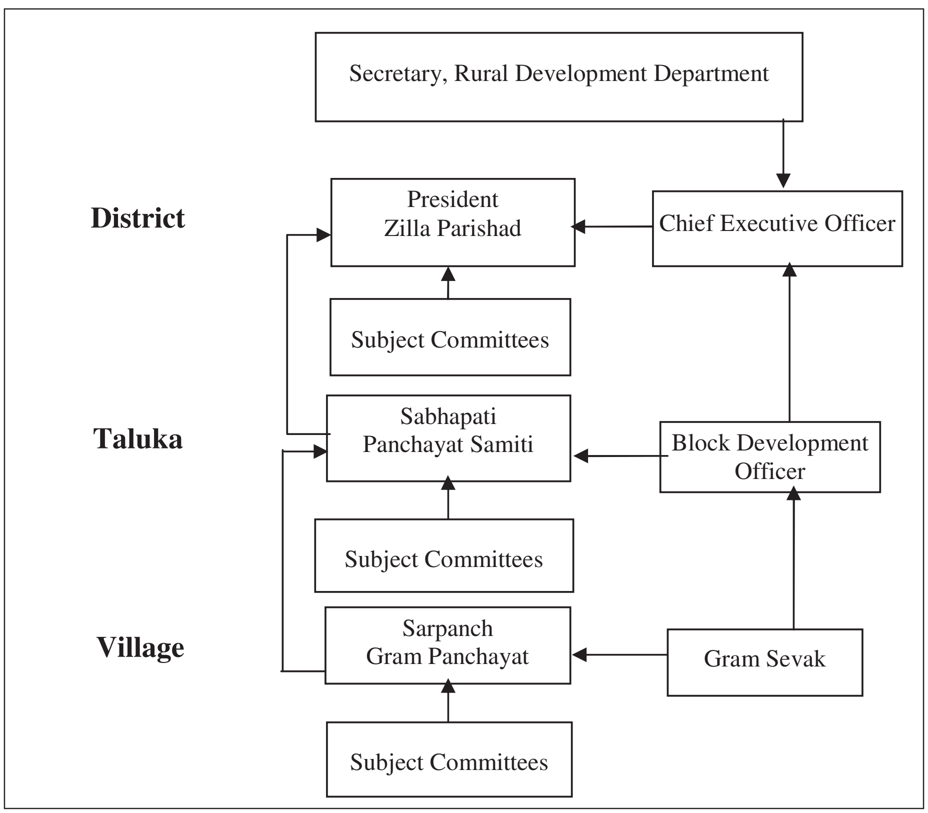
ACCOUNTS AND FINANCES OF PANCHAYATI RAJ INSTITUTIONS

1.1 Introduction

1.1.1 In conformity with the provisions of the 73rd Constitutional Amendment, the Maharashtra Zilla Parishads and Panchayat Samitis Act, 1961 (ZP Act) and the Bombay Village Panchayats Act, 1958(VP Act) were amended in 1994. A three tier system of Panchayati Raj Institutions(PRIs) comprising Zilla Parishads (ZPs) at the district level, Panchayat Samitis(PSs) at the block level and Gram Panchayats(GPs) at the village level were established in the State. As per the 2011 Census, the total population of the State was 11.24 crore, of which rural population was 6.15 crore (54.77 *per cent)*.

1.2 Organisational Set up

1.2.1 The organizational set up of PRIs in Maharashtra is depicted below:



Chief Executive Officer in ZP, Block Development Officer in PS and Gram Sevak in GP report functionally to respective elected bodies and administratively to their next superior authority in the State Government hierarchy.

There are 27920[1] GPs for 41095 villages in Maharashtra. Gram Sevak, a village level functionary, functions as Secretary to GP and is also responsible for maintenance of accounts and records at GP level. However, sanctioned strength of Gram Sevaks and Village Development Officers were 23368 which shows that even one Gram Sevak post was not sanctioned for each GP. The persons-in-position was 22013 only with shortage of 1355 as of January 2012. Thus, one Gram Sevak, on an average is working for more than one GP. This by itself poses challenge in discharge of duties particularly in respect of maintenance of accounts.

1.3 Powers and Function

1.3.1 There are 35 districts in Maharashtra. Two districts (Mumbai and Mumbai suburban) do not have rural area; therefore, there are only 33 ZPs in the State. ZPs have departments for Education, Health and Sanitation, Public Works, Social Welfare, Irrigation, Animal Husbandry, Agriculture, Public Lighting and Forests.

1.3.2 ZPs are required to prepare the budget for the planned development of the District and utilisation of the resources. Government of India (GOI) schemes, funded through the District Rural Development Agency (DRDA) and State Government schemes are also implemented by ZP. ZPs are empowered to impose water tax, pilgrim tax and special tax on land and building.

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

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

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

[1] As per information furnished by Rural Development Department, Government of Maharashtra in December 2011.

1.3.6 The broad accountability structure in PRIs is as follows:

PRIs	Functions Assigned
Zilla Parishad Chief Executive Officer (CEO)	1. Drawal and disbursal of fund 2. Preparation of annual budget and accounts 3. Supervision and control of officers of the ZP 4. Finalisation of contracts 5. Publishing statement of accounts of PSs in the Government Gazette
Chief Accounts and Finance Officer (CAFO), ZP	1. Compilation of the accounts of ZP 2. Providing financial advice
Heads of Departments (HODs) in ZPs	1. According technical sanctions to the works 2. Supervising the work of Class II officers
Panchayat Samiti Block Development Officer (BDO)	1. Drawal and disbursal of funds 2. Acquisition, sale or transfer of property 3. Preparation of statements of accounts
Gram Panchayat Gram Sevak	1. Secretary to the Gram Sabha 2. Execution and monitoring of schemes and maintenance of accounts and records

1.4 Funding of Panchayati Raj Institutions

1.4.1 The District Fund consists of money received from the Central Government grants for centrally sponsored schemes through State budget funds for plan and non-plan state schemes, assigned tax and non-tax revenues, receipts of ZPs, interest on investments, etc.

1.4.2 The cash grants are released to the ZPs through Budget Distribution System (BDS) by the respective administrative departments in accordance with Government resolution dated 15-10-2008.

1.4.3 Introduction of distribution of cash grants however does not dispense away with the system of assessment of grants of different departments in ZPs by the administrative departments.

1.4.4 A fund flow statement depicting the flow of funds to the PRIs is shown in **Appendix I**.

1.5 Devolution of funds

Allocation of funds

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

The Second Maharashtra SFC recommended (March 2002) allocation of 40 *per cent* of State revenues to Local Bodies (LBs). The State Government while placing the action taken note on Second SFC's recommendation (March 2006) in the State Legislature showed its inability to accept the above recommendation on the ground that they were already giving various grants towards natural calamity, rehabilitation of farmers, assistance for increased electricity bills to farmers. Following table indicates the total revenue of the State (tax and non-tax) *vis-a-vis* allocation to the PRIs as well as to Urban LBs during 2006-07 to 2010-11:

(₹ in crore)

Sr. No.	Head	2006-07	2007-08	2008-09	2009-10	2010-11*
1	State total revenue (Tax and Non-tax revenues)	47617.49	64476.42	61819.88	67458.95	83252.14
2	Amount required to be allocated as per SSFC to LBs (40 *per cent)*	19047.00	25790.57	24727.95	26983.58	33300.86
	Allocation to PRIs	7321.27	8007.34	10501.98	11726.62	13260.93
	Percentage of allocation to State revenue	15.38	12.42	16.99	17.38	15.93
3	Allocation to Urban Local Bodies (ULBs)	2652.27	1351.25	1651.47	1708.89	4350.04[2]
	Percentage of allocation to State revenue	5.57	2.10	2.67	2.53	5.23
	Total	9973.54	9358.59	12153.45	13435.51	17610.97
4	*Percentage* of allocation to State revenue (Tax and Non-tax revenues)	20.95	14.51	19.66	19.92	21.16

(* Source: CAG's AR (State Finances) 2010-11, Government of Maharashtra)

The Rural Development Department, GOM (December 2011) stated that although the recommendations made by SSFC to allocate 40 *per cent* of State revenue to Local Bodies was not accepted by state government, the concerned Administrative Departments have been instructed to allocate maximum portion of revenue to PRIs. During the year 2011-12, provision of ₹ 20457 crore is being made for Transfer and Agency Schemes and ₹ 5067 crore for Centrally Sponsored Schemes not included in the State Budget.

The Third SFC was constituted in January 2005 and submitted its report in June 2006 and the period covered from 2006-2007 to 2010-11. Although the tenure of Third SFC is completed, the Report has not been presented to the Legislature (May 2012).

1.6 Transfer of functions and functionaries

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

1.6.2 As on 31 March 2011 the State Government has transferred 11[3] functions and 15480[3] functionaries to PRIs. Non-transfer of functions and functionaries has been commented in earlier two Audit Reports also.

[2] Huge variation due to misclassification in previous year (as mentioned in CAG's AR (State Finances) 2010-11, Government of Maharashtra)

[3] As furnished by Dy. Secretary, RD&WC Department vide letter dtd. 12 December 2011

1.7 Receipts and expenditure of PRIs

(A) Zilla Parishads

1.7.1 As per the information collected from ZPs, the position of revenue/capital receipts, revenue/capital expenditure in respect of ZPs and PSs for the period from 2006-07 to 2010-11 was as follows. PSs accounts were incorporated in ZP Accounts.

(₹ in crore)

Year	Receipts						Expenditure		
	Own revenue[4]	Government Grants	Other revenue	Total revenue	Capital receipts	Total receipts	Revenue	Capital	Total
2006-07	144	7784	188	8116	2691	10807	8161	2314	10475
2007-08	161	8246	183	8590	2521	11111	8494	1923	10417
2008-09	542	11825	443	12810	3066	15876	11661	3118	14779
2009-10	481	15240	278	15999	3573	19572	15309	3365	18674
2010-11	627	17721	307	18655	3939	22594	17454	4548	22002

(Source: figures furnished by ZPs)

Capital Expenditure

Increase in capital expenditure indicates impetus given to infrastructure development activities in PRIs. However, while revenue expenditure increased from ₹ 8161 crore in 2006-07 to ₹ 17454 crore (114 *per cent*) in 2010-11, capital expenditure increased from ₹ 2314 crore to ₹ 4548 crore (97 *per cent*) during the same period. To that extent expenditure merely has not been incurred on activities that will provide durable and long term assets to these institutions.

(B) Gram Panchayat

(₹ in crore)

Year	Total Receipts					Total Expenditure
	Government grants	Taxes	Contributions	Other receipts	Total receipts	
2006-07	376	430	113	71	990	938
2007-08	377	482	131	69	1059	1075
2008-09	524	506	115	162	1307	1252
2009-10	627	525	155	285	1592	1359
2010-11[5]	618	745	158	193	1714	1483

(Source: Figures furnished by ZPs)

1.7.2 The following are the component-wise details of the revenue/capital expenditure of GPs and ZPs including PSs during 2008-09 to 2010-11.

[4] excludes opening balance

[5] Figures furnished by Deputy CEO of Gram Panchayats of all Zilla Parishads (excluding Akola, Beed, Nanded, Parbhani and Washim) though reminded repeatedly with the latest reminder on 6 January 2012.

(₹ in crore)

Sr. No.	Components	Gram Panchayats expenditure			ZPs & PSs expenditure		
		2008-09	2009-10	2010-11	2008-09	2009-10	2010-11
1	Education	32	29	55	4768	7280	8444
2	Health and Sanitation	312	297	359	1410	1481	1949
3	Public Works	398	481	466	836	1092	1626
4	Social Welfare	79	66	140	443	523	935
5	Irrigation	6	9	29	449	429	823
6	Animal Husbandry	7	6	6	160	213	256
7	Agriculture	3	2	6	126	180	277
8	Public lighting	43	34	34	22	56	47
9	Forests	-	-	8	5	5	20
10	Administration	235	206	222	907	1166	1368
11	Other expenditure	129	207	67	2535	2885	5002
12	Capital expenditure	8	22	5	3118	3365	4981
TOTAL		**1252**	**1359**	**1397**	**14779**	**18675**	**25728**

(Source: Figures furnished by ZPs)

The expenditure on GPs has marginally increased by 2.80 *per cent* in comparison to ZPs and PSs from the previous year. Except in Yavatmal, the capital expenditure in GPs is 'Nil'. It shows that no new assets has been created during the year 2010-11, although the Government grants of ₹ 618 crore was provided under different schemes.

1.7.3 The works undertaken by the ZPs comes under the categories of (1) ZPs own schemes (2) Schemes transferred/funded by the State Government. (3) Schemes funded by other agencies. From the information received from 31 ZPs for the year 2010-11, these ZPs incurred an expenditure of ₹ 19805.97 crore (₹ 15680.97 crore on transferred scheme, ₹ 1644.78 crore on agency scheme and ₹ 2480.22 crore on ZPs own scheme). District-wise split up of expenditure incurred on transferred, agency and ZPs own schemes have been given in **Appendix II.**

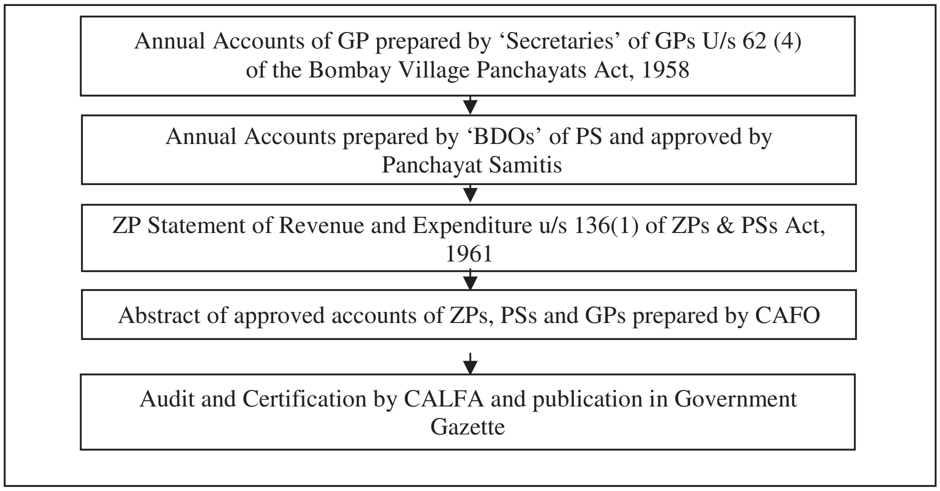
1.8 Accounting arrangements

1.8.1 Under the provisions of Section 136(2) of ZP Act, the BDOs forward the accounts approved by the PSs to the ZPs and these form part of the ZPs' accounts. Under provisions of Section 62(4) of the VP Act, the Secretaries of the GPs are required to prepare annual accounts of GPs. A Performance Audit on quality of maintenance of accounts in PRIs in Maharashtra State was also conducted and commented in Chapter II of the Report of the Comptroller and Auditor General of India (Local Bodies) Government of Maharashtra for the year ended 31 March 2008 and Chapter I of the Report of the Comptroller and Auditor General of India (Local Bodies) Government of Maharashtra for the period ended 31 March 2010.

1.8.2 In accordance with the provisions of Section 136 (1) of the ZP Act, CEOs of ZPs are required to prepare every year, statements of accounts of revenue and expenditure of the ZPs along with statements of variations of expenditure from the final modified grants on or before 10 July of the following financial year. These are then required to be placed before the Finance Committee and the accounts are finally to be placed before the ZPs for approval along with the Finance Committee reports.

1.8.3 The abstracts of the approved accounts of the ZPs/PSs and GPs are prepared by CAFO and forwarded to the Chief Auditor, Local Fund Accounts (CALFA) for audit, certification and publication in the Government Gazette.

Flow Chart of Accounts compilation in PRIs



1.8.4 The prescribed date for finalisation of annual accounts of ZPs for a financial year is 30 September of the following year and accounts of ZPs are required to be published in the Government Gazette by 15 November of the year. Accordingly, the accounts for 2010-11 should have been finalized by September 2011 and published in Government Gazette by November 2011. However, it was observed from the information received from the department (December 2011) that the accounts for the year 2008-09 have been published in the Government Gazette. Finalisation of annual accounts for the year 2009-10 and 2010-11 is in progress.

1.8.5 According to Section 136 (9) of ZP Act, the annual accounts of ZPs, duly approved and certified by CALFA for a year, were required to be published in the Government Gazette by 15 November of the subsequent year. However, information regarding the status of publication of the ZPs' accounts made available by the Government indicated arrears of one to two years in publication of annual accounts of ZPs, although procedure for ensuring timely finalisation and publication of the accounts had been prescribed. Arrears in finalisation and publication of accounts is indicative of inefficient internal controls. The increasing arrears in finalisation and publication of accounts are fraught with the risk of misappropriation and other irregularities.

1.8.6 Non-adoption of format of accounts prescribed by Comptroller and Auditor General of India

The Eleventh Finance Commission (EFC) had recommended that the Comptroller and Auditor General of India exercise control and supervision over the proper maintenance of accounts of LB. Accordingly, Comptroller and Auditor General of India had prescribed the formats for maintenance of accounts by PRIs in 2002. This was followed by simplified formats in 2007 and 2009. The State Government had issued instructions to the PRIs and instructed ZPs to maintain the annual accounts in the same formats. It is, however, observed that the State Government has not yet amended (November 2011) Maharashtra Zilla Parishads and Panchayat Samitis Account Code (MZP&PS) and Bombay Village Panchayat (Budget & Accounts) Rules. However, the department replied (November 2011) that all the PRIs are ordered to maintain the accounts in prescribed format of Comptroller and Auditor General of India.

1.8.7 Pending assessment of grants

The grants released by the Government to ZPs through BDS were required to be assessed by the Heads of the Administrative Departments by July every year according to Government orders (May 2000). They were to inform RD&WCD about the amounts recoverable from/payable to ZPs for adjustment for release of further grants.

It was, however, observed that in respect of 10 departments of twenty nine[6] ZPs, there were arrears in assessment of grants as follows:

Sr. No.	Name of department	Period of arrears
1	Education	1998-2011
2	Agriculture	2004-2011
3	Social Welfare	1999-2011
4	Animal Husbandry	2001-2011
5	Public Health	2000-2011
6	Family Welfare	1997-2011
7	Water Supply and Sanitation	1999-2011
8	Women and Child Welfare	1992-2011
9	Minor Irrigation	1998-2011
10	Public works	1999-2011

(Source: Figures furnished by ZPs)

Government stated that (December 2011) the cash grants were released to the ZPs through BDS by the respective Administrative Departments and all the Administrative Departments have been directed to clear the arrear of pending assessment of grants.

1.9 Creation of database on finances of PRIs

Creation of database on finances of PRIs at grass root level was accorded high priority by Twelfth Finance Commission (TFC). Accordingly, the allocation of ₹ 21.84 crore is utilized fully for the creation of Panchayati Raj Portal. The objective of this project is to facilitate better financial management of PRIs by bringing about transparency accountability in the maintenance of the accounts thereby leading to better credibility and ultimately strengthening of PRIs. The project has been completed and the detailed information of all the PRIs and State schemes in Maharashtra is captured, verified and uploaded in PRIAsoft module on the website i.e. www.accountingonline.gov.in. Regular meetings were conducted for discussing the problems faced, if any in uploading the data in ZPs. The database in the PRIAsoft has been loaded, but the data has not

[6] Ahmednagar, Akola, Amravati, Aurangabad, Buldhana, Chandrapur, Dhule, Gadchiroli, Gondia, Hingoli, Jalgaon, Jalna, Kolhapur, Latur, Nagpur, Nanded, Nandurbar, Nashik, Osmanabad, Parbhani, Pune, Ratnagiri, Raigad, Sangli, Satara, Sindhudurg, Solapur, Thane and Wardha

been updated from November 2011 by some ZPs, Talukas and GPs.

1.10 District Planning Committee

After formation of Maharashtra State in 1960, Government has adopted a policy of balanced development on the basis of a district as a unit for formation of five year plans and Annual Plans. For this purpose District Planning and Development Councils (DPDCs) had been constituted in every district. In Maharashtra, DPDCs existing after formation of the State in 1960 were replaced by District Planning Committees (DPCs) constituted as per Article 243 of Constitution of India under the Maharashtra District Planning Committee (Constitution and Functions) Act, 1998. This Act came into force from 15 March 1999. The main objective of this law was to consolidate the plans prepared by Panchayats and Municipalities in the district and to prepare a draft development plan for the district on a whole.

The DPCs are concerned with district level programme. These programs are basically located in or benefit of which exclusively goes to district which need to be planned at local level for optimum exploitation of the natural and other sources of district.

Government stated (December 2011) that out of 35 DPCs in the State, 33 DPCs with elected members from PRIs and ULBs were functioning in the state and two DPCs (Mumbai and Mumbai Suburban) where elections were not held were functioning with nominated and ex-officio members.

1.11 Twelfth and Thirteenth Finance Commission Grants

The State Government received ₹ 1983 crore in 10 installments as TFC grants during 2005-06 and 2009-10. Out of this as expenditure of ₹ 1981.70 crore was incurred leaving a balance of ₹ 1.30 crore by nine[7] ZPs (December 2011).

From Thirteenth Finance Commission grants, the State Government received two installments amounting to ₹ 513.68 crore up to 31 March 2011 of which ₹ 131.12 crore had been spent as of l November 2011.

1.12 Audit Arrangements

1.12.1 Audit by Chief Auditor, Local Fund Accounts

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

It was observed that local fund (transaction) audit of all ZPs and PSs was conducted for the year 2007-08. The Consolidated Audit Review Report for the year 2007-08 and 2008-09 were prepared by the CALFA and presented to the State Legislature in July 2010 and August 2011 respectively.

1.12.2 Audit by Comptroller and Auditor General of India

The Comptroller and Auditor General of India (CAG) conducts audit of ZPs

[7] Ahmednagar, Amravati, Bhandara, Buldhana, Dhule, Hingoli, Ratnagiri, Solapur, Washim

and PSs under Section 14 of the CAG's (DPC) Act, 1971. Section 142 of the Maharashtra ZP and PS Act, 1961 also contains an enabling provision for audit by the CAG of India.

Audit of GPs was also entrusted (March 2011) to the CAG under Technical Guidance and Supervision by the Government of Maharashtra (GOM) under Section 20(1) of CAGs (DPC) Act.

1.12.3 Formation of District Level Audit Committees

The Government directed (March 2001) ZPs to constitute District Level Audit Committees (DLACs) for discussion and settlement of outstanding audit objections raised by CALFA and Accountant General. The State Government stated (December 2011) that as on 31 March 2011, DLAC had been formed in all the 33 districts. 37105[8] paras had been cleared during 2009-10. The information has not been updated for the year 2010-11 by Rural Development Department, Mantralaya. Department replied (December 2011) that District Audit Committees were to be formed by all ZPs for settlement of outstanding objections vide Government circular dated 20 December 2010.

1.12.4 Outstanding Paras from CALFA Report

As per the report of CALFA for the year 2007-08, 100109 paras were pending for settlement for the period from 1962 to 2008. On this being pointed out Department (December 2011) stated that 17328 paras were settled in 2008-09 and 30191 paras were settled in 2009-10.

1.12.5 Outstanding Inspection Reports and Paras of Accountant General

Audit observations on financial irregularities and defects in initial accounts/ records noticed during local audit by the Accountant General but not settled on the spot were communicated to the heads of offices and departmental authorities through Inspection Reports. More important and serious irregularities were reported to the Government. Statements indicating the number of observations outstanding for over six months were also sent to the Government for expediting their settlement.

For efficient implementation of the schemes transferred to the PRIs, all deficiencies pointed out by the Accountant General's Audit were required to be complied with as early as possible and this would ensure establishing accountability structure in PRIs.

At the end of November 2011, 3238 Inspection Reports containing 9882 paras of ZPs, PSs and GPs issued by audit were pending settlement despite of nine ACMs held resulting settlement of 1240 paras.

Arrears in outstanding Inspection Reports and paras indicate weak internal control mechanism in PRIs.

[8] Accountant General: 3220; Local Fund Account: 30191 and Panchayati Raj Committee: 3694

Year	Inspection Reports	Paragraphs
Up to 2007-08	1717	2581
2008-09	579	3027
2009-10	555	2362
2010-11	387	1912
Total	**3238**	**9882**

1.13 Conclusion

An overview of the functioning of PRIs in the State revealed that:

- allocations to the LBs were meager at 21.16 *per cent* as against 40 *per cent* recommended by Second Maharashtra State Finance Commission;
- out of 29 functions listed in the XI Schedule of the Constitution of India, only 11 functions were transferred to PRIs;
- None of the ZPs have finalized the accounts for the year 2010-11 till date; non-finalisation of accounts is fraught with risk of misappropriation and other irregularities.
- Due to non-amendment of the MZP&PS Account Code, maintenance of accounts in the Modified Accounting Structure was not done in any of the ZPs.

The matter was referred to Government in December 2011. Reply has not been received (May 2012).

CHAPTER II

PERFORMANCE REVIEW

CHAPTER II

RURAL DEVELOPMENT AND WATER CONSERVATION DEPARTMENT

2.1 District Rural Social Sector Audit of Panchayati Raj Institutions-Wardha

Executive Summary

For implementation of rural and social welfare schemes through Panchayat Raj Institutions in rural sector, the Government of Maharashtra has passed the Maharashtra Planning Committee (Composition and Works) Act, 1998 in compliance with the 73rd Constitutional amendment. The District Rural Social Sector Audit of Panchayati Raj Institutions in Wardha district covering the period from 2008-09 to 2010-11 was conducted during 2011.

In Wardha district, it was noticed that District Planning Committee did not prepare Five Year Plan/Perspective Plan. District Planning Committee has sanctioned and released grant without any linkage to the requirements. The Annual Accounts for the year 2009-10 was compiled but not approved by Finance Committee and Annual Account for the year 2010-11 was not compiled so far. Works costing ₹ 8.17 crore were executed under 'Dalit Wasti Sudhar Yojana' without obtaining approval of the competent authority. Improper planning, monitoring and implementation of 'Indira Awas Yojana' resulted in 705 incomplete houses out of 7753 sanctioned for construction between 2008-09 and 2010-11 and fund of ₹ 3.01 crore remaining unspent.

2.1.1 Introduction

Wardha district is one among the 35 districts located in Vidarbha region of Maharashtra 75 KMs towards south of Nagpur. The geographical and general information of Wardha district is as under:

Particulars	Wardha district
Total area	6310 Sq.KMs
Total population (as per 2001 census)	1230640
Male	635751
Female	594889
Population density per Sq.KM	195
Rural population	921244 (74.85 *per cent*)
No. of Development Blocks	8[9]
Gram Panchayats	517
Villages	970

2.1.2 Audit Mandate and methodology

The Chief Auditor Local Fund Audit (CALFA) is the statutory auditor for PRIs. However, as per Section 142-A of the Maharashtra Zilla Parishad and

[9] Arvi, Ashti, Deoli, Hinganghat, Karanja (G), Samudrapur, Selu and Wardha

Panchayat Samitis(MZP&PS) Act, 1961 the accounts of ZP and PS are to be checked at any time by the Accountant General(AG) of the Maharashtra State. Audit of GPs was also entrusted(March 2011) to the Comptroller and Auditor General of India(CAG) under Technical Guidance and Supervision(TGS) by the Government of Maharashtra(GOM) under Section 20(1) of CAGs(DPC) Act.

Entry Conference was held with Chief Executive Officer (CEO), ZP, Wardha in April 2011 wherein the audit objectives and scope of audit were discussed. The scrutiny of the records of the selected departments and schemes were conducted and Exit Conference was held in September 2011.

2.1.3 Audit Scope

Records relating to the period 2008-09 to 2010-11 pertaining to formulation of plan, process of estimation, budgeting and disbursement of funds were scrutinized at the offices of CEO, ZP, Project Director (PD), District Rural Development Agency (DRDA) and the offices of the District Planning Officer (DPO) in the respective Collectorate and the offices of the Chief Accounts and Finance Officer (CAFO).

Besides this, for implementation of schemes pertaining to Public Works, Social Welfare and Village Panchayats, records at the respective offices of the functioning of line departments were also test checked. Relevant records in the eight[10] PSs and 16[11] GPs in Wardha district were test checked.

2.1.4 Audit Objectives

The objectives of audit were to assess whether:

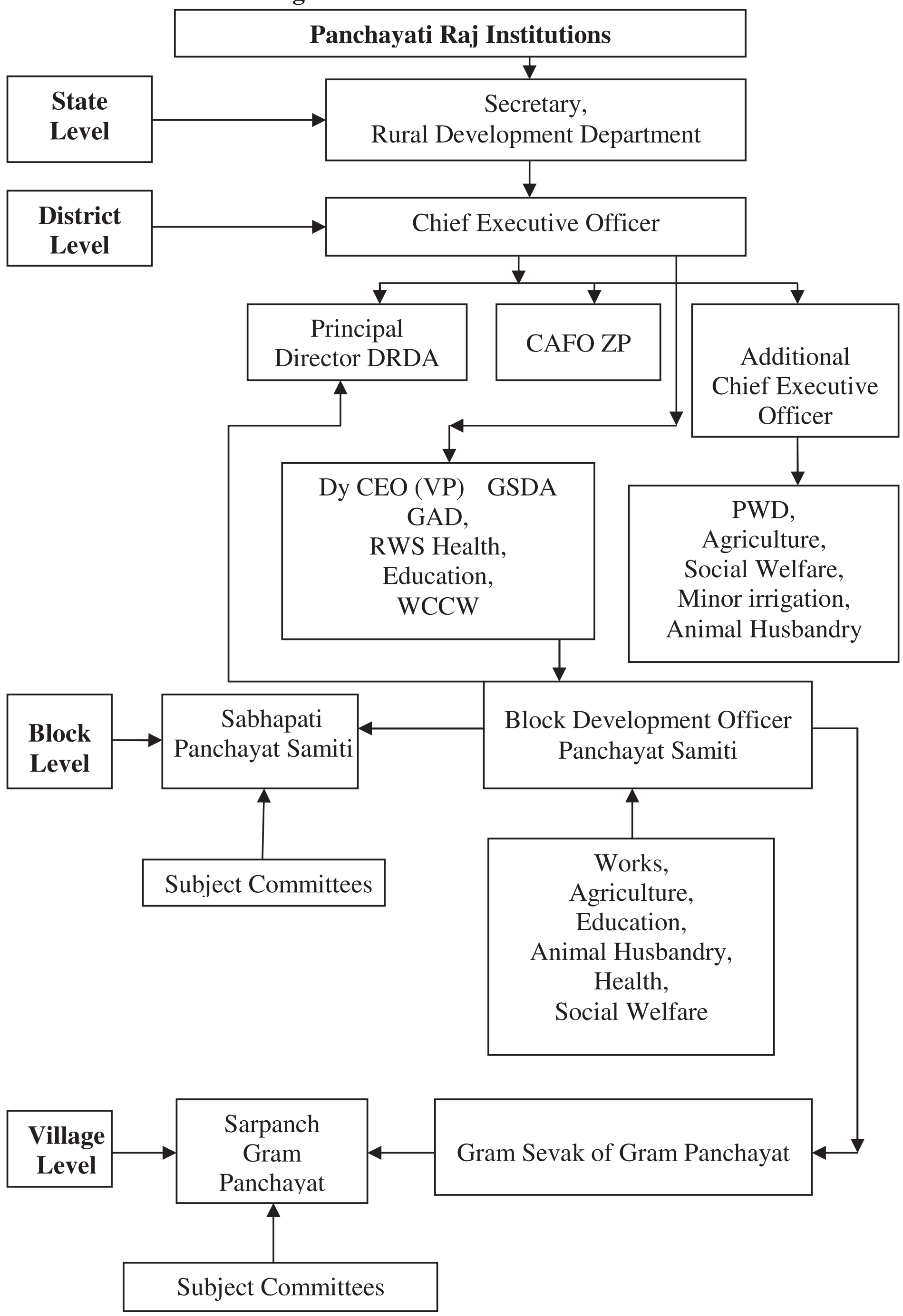
- plans were properly formulated for the overall development of the district;
- financial requirements were properly estimated and funds were utilized efficiently, economically and effectively;
- schemes and programmes were implemented effectively and efficiently. The internal control procedures and internal audit system in PRIs were effective.

2.1.5 Organizational Arrangements

Rural Development and Water Conservation Department is headed by Secretary at State level. The Collector is overall in-charge of the District, the CEO is the administrative head of the ZP as well as ex-officio Chairman of the DRDA. The organizational chart is as follows :

[10] Arvi, Ashti, Deoli, Hinganghat, Karanja (G), Samudrapur, Selu and Wardha
[11] Bellora, Chandewahi, Dahegaon Dhande, Dhawasa, Hingani, Gadegaon, Kandegaon, Kapsi, Kelzar, Kora, Mandwa, Nandori, Saheli, Sahur, Tiroda and Wadhona

Organizational Chart of Zilla Parishad



2.1.6 District Planning

GOM had passed (March 1999) the Maharashtra Planning Committee (Composition and Works) Act, 1998. District Planning Committee(DPC) has to prepare Annual and Five years District Development Plan (DDP) for the district considering plans/proposals of PRIs and Urban Local Bodies (ULBs) and give recommendations on the DDP to the GOM and ensure compliance to the provisions of article 243ZD of the Constitution of India. The DPC should also monitor and review the progress of District Annual Plans (DAPs) and to issue instructions for re-appropriation of sanctioned outlay, if any. Thus, the planning proposals should have come from the grass root level which are to be consolidated at PS and ZP levels. A Small Committee *(Lahan Gat)* to consolidate and scrutinize the proposals received from ZP, Nagar Palikas, Nagar Parishads (NPs) and Nagar Panchayats for the preparation of DDPs was to be constituted as per orders issued (July 2000) by Planning Department of GOM.

In Wardha district, DPC was formed in the year 1999 with cabinet rank minister of the district as the Chairman and Collector as the Member Secretary. Following observations were noticed:

- None of the test checked GPs has prepared any budget proposal and submitted to PSs/ZP or DPC. However, DPC sanctioned and released grant during last three consecutive years from 2008-09 to 2010-11 without any linkage to the bottom up planning.
- DPC did not receive the proposals from GPs, PSs and NPs. The consolidated proposal from the respective administrative departmental heads such as Special District Social Welfare Officer (SDSWO), DRDA, Dy.CEO(VP), District Health Officer, etc were submitted to *Lahan Gat* for scrutiny and for submission to DPC for approval. However, the minutes of the *Lahan Gat* meetings were not recorded by DPO.
- DPC has not prepared any Five Year Plan as well as Perspective Plan as envisaged in Government Orders dated 1 June 1999.
- DPC had conducted only one meeting each during 2009-10 and 2010-11 as against the minimum requirement of at least two meetings.

2.1.7 Financial Management

2.1.7.1 Fund flow arrangement

Funds were allocated to the District through the State budget for various developmental activities. Besides, funds are directly released to DRDA by GOM, Government of India (GOI) and DRDA in turn release funds to PSs and other implementing agencies. Revenue share in respect of Land Revenue, Stamp duty, Forest Revenue, Professional Tax, Tax on vehicles, Royalty on mines ore are being paid by State Government through Collector to PRIs in addition to their own sources like fees, fines etc.

The standard fund flow arrangement of the selected schemes are as given in table:

Scheme	Fund flow arrangement
Total Sanitation Campaign	GOI transfers the funds to State Water and Sanitation Mission (SWSM). SWSM transfer the funds to District Implementing Agency i.e. District Water and Sanitation Mission (DWSM) along with matching State share. From DWSM the funds are transferred to PSs for further payment to beneficiaries through GPs.
Dalit Wasti Sudhar Yojana	GOM allocates the funds to Social Welfare Officer (SWO) of the respective ZP through Director of Social Welfare, Pune.

	SWO ZP transfers the funds to BDOs for further payment to beneficiaries through Gram Sevaks.
XII Finance Commission	GOI releases funds to GOM. GOM releases the funds allocated for ZP, PS and GP level to respective ZPs through budgetary provisions. Further, ZP releases the funds to the respective PSs and GPs.
Indira Awas Yojana	GOI transfers the funds to respective DRDA. GOM releases matching share to DRDA and DRDA releases the grants to respective BDOs for payment to respective beneficiaries.
Jalpurty Irrigation Well Scheme	GOM through District Collector releases the fund to CEO of ZP. Further, CEO allocates the funds to respective BDOs for further payment to the beneficiaries.

The position of receipt and expenditure during 2008-09 and 2010-11 was as under:

(₹ in crore)

Year	Receipt		Expenditure	
	Revenue	Capital	Revenue	Capital
2008-09	218.46	152.83	345.96	6.31
2009-10	296.00	206.00	499.26	6.18
2010-11	312.41	225.76	530.42	7.22

(Source – Information submitted by CAFO, ZP, Wardha)

2.1.7.2 Financial Reporting

a) Non-finalization of annual accounts

It was observed that the Annual Accounts for the year 2009-10 though compiled were not approved by Finance Committee as required under rule 66 of the MZP&PS Accounts Code, 1968 (Code). The Annual Accounts for the year 2010-11 was not compiled so far by CAFO, ZP, Wardha (May 2011).

b) Reconciliation of cash book balances with bank balances

Scrutiny of records of CAFO, ZP, Wardha revealed that monthly reconciliation of cash book and bank balances though required under Rule 57 of the Code was not carried out regularly. In most of the funds, reconciliation was pending for a period ranging between two and five years as detailed in **Appendix III.**

2.1.8 Implementation of the Schemes

2.1.8.1 Deficiencies in implementation of Total Sanitation Campaign

With a view to improve quality of life of the rural people and also to provide privacy and dignity to women, the GOI had launched Central Rural Sanitation Programme under Total Sanitation Campaign(TSC) in 1986. The main objectives of the TSC were to accelerate sanitation coverage in rural areas to provide access to the toilets to all by the year 2012, encourage cost effective and ecologically safe sanitation system focusing on solid and liquid waste management.

GPs have a pivotal role in the implementation of TSC. An Annual Implementation Plan (AIP) should be prepared by the GPs first for consolidation in Block Implementation Plans. The District Water and Sanitation Mission (DWSM) in ZP should prepare the District Implementation Plan by consolidating the Block TSC Plans. To ensure effective implementation of AIP monthly and quarterly physical and financial monitoring is required at all levels.

In Wardha district, the project costing ₹ 7.49 crore was approved (April 2004) by the GOI which was revised to ₹ 19 crore due to inclusion of Solid and Liquid Waste Management component(December 2006).

It was observed that an expenditure of ₹ 12.83 crore(85.93 *per cent)* out of ₹ 14.93 crore received was incurred as of March 2011. However, there was huge short fall in achievement in targets of Solid and Liquid Waste Management(99.80 *per cent*), Community toilets(32.14 *per cent*) as detailed below:

Item	Target	Achievement	Shortfall	Percent
	(in numbers)			
IHHL APL	71069	51655	19414	72.68
IHHL BPL	63339	50946	12393	80.43
Community Toilets	56	38	18	67.86
RSM & PC	20	16	4	80.00
Solid and Liquid Waste Management	517	1	516	0.19

(Source – Information submitted by Dy.CEO, ZP, Wardha)

The CAFO stated (November 2011) that the GOM issued guidelines for implementation of Solid and Liquid Waste Management component only in November 2011, hence the expenditure was not incurred.

It was further observed that none of the GPs and PSs had prepared AIP till date. Thus, implementation of project without definite plans considering grass root level anticipation resulted in non-achievement of target even after the implementation of project since last six years.

Also, though a District Level Committee of TSC (Executive Committee) was formed (December 2002) as per instructions of GOM, the records showing the monitoring/inspections of the TSC works by the said Committee were not produced to audit despite requests. In absence of which, checks enumerated as mentioned in guidelines supra were being exercised or not, could not be ascertained.

2.1.8.2 Irregular implementation of DWSY

For improving the living conditions of Harijan Wastis, the GOM had introduced a DWSY since 1974 by providing the sanitary facilities, tap water, approach road, electrification of the area, etc.

In suppression of all earlier resolutions/circulars, the GOM issued orders (November 2008) and prescribed that every village with population more than 50 dalits is to be declared as Dalit Wasti by the CEO of respective ZP after the resolution was passed by the respective GP.

a) Non-approval of master plan

As per guidelines, a master plan giving the details of the works to be executed was to be prepared by GP. CEO was to consolidate all master plans in one booklet and obtain the approval of SDSWO.

The position of number of works approved, grant received, expenditure incurred and works completed during 2008-09 to 2010-11 is given below:

Year	No. of works approved	Cost of works	Grant received	Grant distributed to the GPs	Number of works completed	Number of works not completed
		(₹ in crore)				
2008-09	184	4.56	3.67	3.67	175	9
2009-10	67	2.04	1.87	1.87	60	7
2010-11	118	2.87	2.63	2.63	9	109
TOTAL	**369**	**9.47**	**8.17**	**8.17**	**244**	**125**

(Source : Information submitted by SWO, ZP, Wardha)

Scrutiny of records revealed that CEO did not obtain the approval from the SDSWO to the master plan of DWSY works proposed in the district and irregular expenditure of ₹ 8.17 crore was incurred during the period 2008-09 to 2010-11 on works under DWSY.

Department stated (July 2011) that approval of the SDSWO to the master plan would be obtained. Reply is not acceptable as obtaining approval after unauthorized execution is only a *fait accompli*.

b) Non-preparation of budget estimates and progress reports

The guidelines envisaged that CEO shall submit the proposal demanding funds in October every year and progress report for the works taken during previous year shall be submitted in the month of April.

However, scrutiny revealed that none of the GPs or PSs had prepared Annual Budget Proposal i.e. yearly budget estimates and submitted to ZP. SDSWO, Wardha stated (August 2011) that demands placed to DPC were based on the previous year's allocation. Also, the Financial and Physical Monthly Progress Reports were not submitted by the BDOs to ZP. The progress report pertaining to the period 2006-07 to 2008-09 was only submitted to Director by ZP in July 2011 and progress reports for further periods were not submitted.

c) Absence of monitoring

As per guidelines, SDSWO and Divisional Social Welfare Officer (DSWO) shall have direct control to monitor the scheme and report of monitoring was required to be sent to the Director, Social Welfare (SW), Pune and the Government. Also, it was envisaged that the Director, SW, Pune shall inspect the works executed under the scheme through the SDSWO of other districts. Five *per cent* works were to be checked by the Director, SW, Pune and two *per cent* works shall be checked at Government level.

Scrutiny revealed that State level, District level and block level inspection and monitoring team were not been formed. No inspection or monitoring of works in Wardha district was conducted by a team of other districts during 2008-09 to 2010-11. It was further observed that no inspection of DWSY works was carried out by the DSWO/SWO. The SDSWO, Wardha admitted (August 2011) that due to non-availability of staff, team was not formed to visit and inspect the works under the scheme.

d) Release of final installment without physical verification

The Additional CEO, ZP, Wardha directed (October 2008) to release 40 *per cent* amount as first installment at the start of the work, 55 *per cent* as second installment on receipt of utilisation certificate of first installment from

Dy. Engineer and third and final installment of five *per cent* is to be released on receipt of utilization certificate of second installment and physical verification of work by SWO.

Scrutiny of records revealed an amount of ₹ 0.30 crore on account of third and final installment of 132 works during 2008-09 and 2010-11 were released without physical verification of works by SWO.

2.1.8.3 Deficiencies in implementation of Indira Awas Yojana

Indira Awas Yojana (IAY) is a centrally sponsored scheme funded on cost sharing basis between GOI and State Government aims at providing dwelling units free of cost to the poor families of the Scheduled Caste (SCs), Scheduled Tribes (STs), freed bonded labourers and also the non SC/ST Below Poverty Line (BPL) persons in the rural areas.

Financial and physical performance under IAY in Wardha district during 2008-11 was as given below:

Financial position

(₹ in crore)

Year	Opening balance	Grant received		Other receipts (Interest)	Expenditure	Unspent balance
		Central	State			
2008-09	0.43	7.83	2.36	0.20	8.19	2.63
2009-10	2.63	9.52	12.10	0.19	21.06	3.38
2010-11	3.38	8.19	8.46	0.10	17.12	3.01

(Source – Information submitted by PD, DRDA, Wardha)

Physical Position

Year	Annual target	Houses sanctioned during the year for					Houses completed	Houses under construction
		SC	ST	Minorities	Others	Total		
2008-09	1814	545	542	272	455	1814	1452	362
2009-10	3512	1163	946	527	876	3512	3287	225
2010-11	2427	726	751	304	646	2427	2309	118
Total	**7753**	**2434**	**2239**	**1103**	**1977**	**7753**	**7048**	**705**

(Source – Information submitted by PD, DRDA, Wardha)

Scrutiny of the records of selected units revealed the following:

a) Non-maintenance of inventory

Scrutiny revealed that out of eight, six[12], PSs did not have a inventory of houses constructed/upgraded under the IAY, giving details of the date of start and the date of completion of construction of dwelling unit, name of the village and block in which the house is located, occupation and category of beneficiaries and other relevant particulars as envisaged in guidelines issued (April 2004) by GOI. This resulted in non-availability of information in respect of assets created and beneficiaries benefitted. DRDA stated (November 2011) that instructions to maintain consolidated inventory had been given to PSs.

[12] Arvi, Hinganghat, Karanja, Samudrapur, Selu and Wardha

b) Non-utilisation of grant

GOI released (August 2010) grant-in-aid of ₹ 16 lakh to DRDA, Wardha and sanctioned the target of 320 homestead sites to be purchased/acquired for allotting to the eligible beneficiaries to be selected from the permanent IAY waitlist/BPL waitlist who have neither land nor house-site. However, the PD, DRDA neither selected any beneficiary nor utilized the grant-in-aid till August 2011.

c) Allotment of dwelling units not conferred on women

Guidelines envisaged that allotment of dwelling units should be in the name of female member of the beneficiary household. Alternatively, it can be allotted in the name of both husband and wife. Scrutiny revealed that in 685 out of 2427 cases, allotment of houses constructed at a cost of ₹ 4.69 crore were conferred on the male member of the family during 2010-11. PD, DRDA, Wardha stated(November 2011) that all BDOs have been instructed to allot household in the name of both husband and wife as per the guidelines.

d) Inadequate inspection and monitoring

As per guidelines, State level Vigilance and Monitoring Committee would monitor the programme and officers at the district, sub-division and block level must closely monitor all aspects of the IAY through visits to work sites. A schedule of inspection which prescribes a minimum number of field visits for each supervisory level functionary from State level to block level should be drawn up and strictly adhered to.

Scrutiny of records revealed that State Level Committee had not visited the works of the IAY in Wardha district. PD, DRDA, Wardha stated (August 2011) that Executive Body of the DRDA had conducted four meetings in 2008-09 and no meeting was held during 2009-10 and 2010-11 as against the target of 12 meetings every year. Similarly, as against the fixed target of four Governing Body meetings, only two meetings were held during 2010-11. PD further stated that 7008 works were monitored and evaluated by monitoring and evaluation wing of the DRDA. However, despite request the documentary evidence of the meetings held and inspections/monitoring done were not submitted to audit.

Further, it was also observed that no evaluation study to assess the impact of the programme as contemplated in the guidelines was conducted by GOM.

2.1.8.4 Tardy implementation of Jalpurty Irrigation Well Programme

The Planning Department, GOM has started (December 2006) a programme for construction of irrigation wells under Jalpurty Sinchan Vihiri Dhadak Karyakram for the farmers of 6 districts of Vidarbha under Employment Guarantee Scheme. As per guidelines, 1000 beneficiaries per talukas are to be covered for construction of wells. The amount of subsidy for construction of irrigation wells was ₹ One lakh per well. The agreement was to be executed with the selected beneficiary for the construction of wells and advance payment of 10 *per cent* of the estimated cost recoverable in subsequent bills was to be paid. The guidelines envisaged that Collector should develop a mechanism for inspection and monitoring of the quality of works executed and submit periodical reports. The Collector, Wardha issued (June 2007) a programme schedule wherein it was envisaged that the work of construction of wells should be completed before March 2008. The Collector has accorded administrative approval between February 2009 to July 2010 for construction of 7949 wells in eight Talukas and distributed the execution of works amongst various Government agencies of that taluka. BDO was designated as a Member Secretary of the Taluka level Committee who will be responsible for monitoring the expenditure of the scheme and submitting utilization certificate (UC) from all those executing agencies.

Scrutiny in eight test checked BDOs revealed that as against the target date of March, 2008 for completion of 7949 irrigation wells, only 2744 (34.52 *per cent*) wells were completed till the end of March 2011. Also, as against the required fund of ₹ 79.49 crore for 7949 wells, an amount of ₹ 45.79 crore (57.60 *per cent*) were released and ₹ 42.01 (52.84 *per cent)* was actually spent on the scheme. An unspent grant of ₹ 3.78 crore was lying with six BDOs.

The updated block-wise position of the construction of wells and expenditure incurred was as given in **Appendix IV.**

Scrutiny further revealed that no UC of grant and completion certificate of the reported completed wells were received by concerned BDOs. Also, no monitoring and inspection to verify the quality of work and achievement of purpose were conducted by State/District or Block Level Monitoring Committee.

The information in respect of the number of wells actually completed, number of well used for irrigation, the details of grant released to BDOs, details of availability of monitoring mechanism, etc. though called for(September 2011) was not furnished (May 2012).

2.1.8.5 Utilization of XII Finance Commission grant

To implement the recommendations of the Central XII Finance Commission for strengthening the Panchayat Raj Institutions, GOM decided (December 2005) to release the grant during April 2005 to March 2010 to each tier of ZP/PS/GP. For the requirement of funds, a plan should be prepared and got approved by the General Body of the PRIs. CEO would be the district level controlling authority and the grants would be released to PSs and GPs as per the criteria fixed by the Government.

Scrutiny of records (April 2011) of CAFO revealed that ZP had received an amount of ₹ 41.87 crore under XII Finance Commission during 2005-10 for execution of works as under:

(₹ in crore)

Particulars	Grant received
For the works to be executed at ZP level	10.17
For the works to be executed at PS level	10.17
For the works to be executed at GP level	20.34
For the works of Urban development	0.59
For the construction of GP Bhavans	0.60
TOTAL	**41.87**

(Source – Information submitted by CAFO, ZP, Wardha)

CEO, ZP, Wardha has issued (January 2006) orders to PS and GP to maintain separate set of accounts in respect of the grants received and expenditure incurred and submit monthly returns to Dy.CEO (VP) up to fifth of subsequent month.

Scrutiny revealed the following omissions/system lapses:

1) Budget estimates as well as AIP identifying the works to be undertaken and assessing the requirement of funds were not prepared by GPs, PSs as well as ZP. The works were sanctioned in the General Body meeting of the respective PRI after the grants were sanctioned and allocated to the PRI. This shows the lack of planning for strengthening of PRIs.

2) The Asset Register giving the details of works executed at PS and GP level were not maintained except in PS, Deoli.

3) None of the test checked PSs and GPs has maintained the Budget control register showing the year wise receipt of grant and expenditure there from.

4) The PSs has not maintained the work register and technical sanction register giving year wise position of number of works sanctioned and approved cost of the each work.

5) Scrutiny of records relating to UCs (June 2011) of PS, Samudrapur revealed that the receipt of grant of ₹ 125.58 lakh was acknowledged by PS. However, as per cash book and grant release orders, grant amounting to ₹ 127.37 lakh was received by the PS. Thus, an amount of ₹ 1.79 lakh was shown as excess however, the BDO did not submit any specific reply for this discrepancy.

6) It was also observed that none of the committee or official from Block level, District level and State level has inspected the completed works.

2.1.9 Internal Control Mechanism

2.1.9.1 Internal Control Mechanism in PRIs

As per Rule 18 of Appendix IV contained in the Code, the CAFO is responsible for internal audit and periodical checking of account records maintained by the various departments of ZP/PSs.

In ZP, Wardha it was observed that no internal audit of any departments/PSs during the period 2008-11 was conducted. CAFO, ZP, Wardha stated (June 2011) that a post of Internal Audit Officer created in 1997 was abolished by GOM in March 2001 and Sr. Accounts Officer was entrusted the work of coordination with Local Fund Auditors, Accountant General and Commissioner with respect of the audit of accounts and audit objections. Hence, due to insufficient manpower internal audit was not conducted.

Non-existence of internal audit may result in non-detection of over-payments, non-adjustment of advances and non-compliance of codal provisions etc.

2.1.9.2 Audit Arrangement in PRIs

a) Outstanding Paras from CALFA Report

Section 3 of the Bombay Local Fund Audit Act, 1930 provides for and regulates the audit of funds of local authorities constituted under the MZP&PS

Act, 1961.

The scrutiny of records revealed that CALFA has conducted the audit of the accounts of the test checked departments and PSs of ZP, Wardha up to the year 2009-10. The position of settlement and outstanding paras during 2010-11 was as under:

Paras outstanding at the beginning of the year	New paras added	Paras settled	Paras outstanding as on 31.3.2011	No. of ZP departments audited	No. of PS audited
2334	370	180	2704	13	8

(Source – Information submitted by CAFO, ZP, Wardha)

This shows that very little efforts have been made for the settlement of old outstanding paras by the respective departments and PSs.

b) Outstanding paras from Accountant General Inspection Report

Audit observations on financial irregularities and defects in initial accounts/records noticed during local audit by Accountant General were communicated to the heads of offices and departmental authorities through Inspection Reports. The position of settlement and outstanding paras during 2010-11 was as under:

Paras outstanding at the beginning of the year	New paras added	Paras settled	Paras outstanding as on 31.3.2011	No. of ZP units audited
192	51	34	209	19

Arrears in outstanding paragraphs indicate weak internal control mechanism in ZPs concerned.

2.1.9.3 Transparency, Social Audit and Vigilance Mechanism

The ZP Wardha have designed and developed official web site giving administrative, financial and Government scheme's information and made available to general public on the internet. However, it was observed that the information was not updated regularly and at present (September 2011), the information for the year 2008-09 is available on the website. As such the unusable/obsolete information was made available to public in general denying them with information that they seek to access.

The records of the test checked schemes revealed that the inspection and monitoring mechanism to assess the impact of the implementation of the scheme in the districts were not adequate. State level, District level and Block level Monitoring Committees were not formed specifying the periodicity and targets. It was stated by the test checked units (August/September 2011) that the inspection of the works executed under various schemes were done by the Dy. Engineers/Extension Officers or BDOs during their visits to the GPs but no records were maintained.

The GOM did not conduct any evaluation studies on the implementation of any of the test checked schemes.

2.1.10 Conclusions

DPC has not prepared any Five Year District Development Plan as well as Perspective Plan. GPs were not involved in the planning process. DPC has sanctioned and released grant without any linkage to the requirements of grass root level PRIs.

ZP Wardha did not prepare Annual Accounts for the year 2009-10 and 2010-11. Reconciliation of funds was in arrears. Absence of planning and monitoring resulted in non-achievement of targets in TSC and DWSY. Six out of eight PSs did not maintain inventory of houses constructed under the IAY and XII Finance Commission Grant. DRDA had conducted only four meetings in 2008-09 and no meeting was held during 2009-10 and 2010-11 as against the target of 12 meetings every year. None of the test checked PSs and GPs had maintained the Budget control register showing the year wise receipt of grant and expenditure under the scheme. The obsolete information was available on website resulting in denial of transparency to public in general. The GOM did not conduct evaluation studies assessing the impact of any of the test checked schemes.

2.1.11 Recommendations

- Statement of account should be prepared and published in Government Gazette before 15 of November by the ZP as per provisions of section 136 of the MZP&PS Act.
- DPC should prepare Five Year District Development Plan as well as Perspective Plan. Grass root level requirement should be considered and GPs should be involved in the planning process. DPC should consolidate and scrutinize the plan proposals submitted by PRIs.
- In conformity with the guidelines Government should ensure that the dwelling units are allotted in the name of woman beneficiary or alternatively in joint name.
- State level, District level and block level inspection and monitoring committee should be formed to monitor the implementation of the schemes and inspect the works of DWSY.

The matter was referred to Government in November 2011. Reply has not been received (May 2012).

CHAPTER III

AUDIT OF TRANSACTIONS

CHAPTER III

RURAL DEVELOPMENT AND WATER CONSERVATION DEPARTMENT

3.1 Improper planning and loss due to failure in installation of biometric devices

Installation of biometric devices at remote locations without ensuring internet connectivity with District Headquarters resulted in non-achievement of objective and blockage of funds amounting to ₹ 90.60 lakh

In response to Government of Maharashtra e-governance policy, Zilla Parishad, Thane (ZP) proposed (March 2008) to deploy state of art system to monitor attendance of teachers, staff, students at various schools and staff of Primary Health Centers (PHC) across the districts so as to maintain punctuality in the attendance of the teachers and students and monitor the closure of schools and PHCs. Attendance was sought to be captured using a Biometric device connected to a broadband installed in-site and the data to be transmitted to central database server located at the Headquarters of ZP, Thane which in turn will be processed online to generate various reports.

The Work order was issued (October 2008) to M/s Fortuna Impex PTE Ltd. Kolkata (Contractor) for "Supply, installation, testing and commissioning of 385[13] stand-alone Fingerprint Biometric machine" in various departments of ZP for ₹ 1.39 crore. As per agreement it was the responsibility of the ZP to provide the internet connection to the site for biometric devices so that online access could be ensured. However, ZP neither addressed the non-availability of internet connectivity in many schools/PHCs as pointed out in the feasibility report of BSNL nor the problems of electricity to ensure effective functioning of the devices.

The stipulated date for completion of project including software development, system documentation, training, trial run and lives operation was December 2008, which was extended from time to time. 377 devices were installed (eight devices as reserve) and ₹ 90.60 lakh was paid to the contractor (February 2009 to April 2010) in three installments.

Audit scrutiny revealed that out of the 377 devices installed and internet facility provided, internet facilities were non-functional at 306 places. It was also observed that due to load shedding, the devices could not be used for attendance and therefore the attendance report could not be generated and submitted online to the ZP headquarters. As of September 2011 even after passage of two years from the date of supply, attendance reports could be generated to ZP server from 38[14] locations from July 2011, even after installation of internet modem in 226 locations because save data

[13] Ambernath-15; Bhiwandi-35; Dahanu-41; Jawahar-28; Kalyan-12; Mokhada-23; Murbad-39; Palghar-46; Shahapur-46; Talasari-17; Vikramgad-22; Vasai-23; Wada-30; ZP HQ-8

[14] Thane Head Office (8), Taluka (13), ICDS (6), PHC (3), Schools (8)

configuration software (Modem activation) was not loaded by BSNL for internet activation.

Thus in the absence of internet connectivity, non-installation of modem and/or inadequate backup for electricity, the purpose of capturing data pertaining to attendance and its online transmission to Headquarters remained unachieved. On account of some of the locations being technically non-feasible, sustained connectivity of Broadband to these locations will not be possible and therefore the very purpose of installation of devices in these locations to capture online data was not prudent.

GOM stated (January 2012) that, Thane being a predominantly hilly area, there were difficulties in regular supply of electricity and internet connectivity and hence machines could not be used and reports generated online. Further, an amount of ₹ 35.36 lakh (4^{th} phase), has not been released to contractor. However, to make the machine operational and generate the reports online GPRS is being installed in stages wherever internet connectivity is not available.

The reply is not tenable since feasibility report of BSNL was not taken into consideration regarding internet connectivity which stated that in 152 schools out of 253 schools and in 34 PHCs out of 77 PHCs, the broadband connectivity was either not feasible or temporarily not feasible. Also ZP did not take feasibility report from other service provider for getting competitive rates. Further ZP should have taken action for provision of electricity and internet connectivity at initial stages.

Thus the very purpose of installing the devices stood defeated and resulted in blocking of funds of ₹ 90.60 lakh. Furthermore, the planned linkage with GPRS system would involve avoidable additional outgo.

3.2 Improper implementation of Mid-day meal scheme

Non-monitoring of the stock resulted in improper implementation of the Mid-day Meal Scheme

Mid-Day Meal Scheme (MMS) is implemented to provide nutritious cooked food to the school students of first to eighth standard for atleast 200 days in a year. The Education Officer,(EO) (Primary) is the Controlling Officer for implementing the MMS in Zilla Parishads (ZP). EO alongwith District Supply Officer(DSO) were responsible for ensuring the requirement of sufficient quantity of rice. On the basis of student strength submitted by Block Education Officer(BEO), Tahsildar supplies food grains to the Fair Price Shops (FPS). Head Master of the school lifts the food grains from the FPS on the basis of average students present in the school. At village level the scheme is implemented by Village Education Committee of respective Gram Panchayats (GP).

On scrutiny of records of EO, ZP Sindhudurg (April 2010), it was observed that BEO, Kankavali informed EO, ZP on 5 February 2010 that due to non-distribution of rice, MMS has been stopped in 26 schools with effect from February 2010. On verification of stock statement (December 2009–February

2010) it was observed that there was excess stock in Malvan Taluka[15] under ZP Sindhudurg.

Similarly the records of Panchayat Samiti (PS) Junner and PS Velhe under ZP, Pune revealed that 72 schools of Junner[16] PS had not provided mid day meal to students during November 2010 ranging from two to nine days and 195 school of Junner and Velhe PS[17] had not provided the mid day meal to students during the month of December 2010 for a period ranging from one to 25 days.

On verification of records of ZP Sindhudurg for the month of January 2010 in respect of 26 schools, it was observed that in 14 schools the requirement of rice was met by borrowing and in the rest of the 12 schools, the MMS was stopped for a period ranging from three days to 40 days.

The EO failed to monitor the availability of rice and supply the same to the needy Taluka. This has resulted in excess stock of rice in Malvan Taluka, while there was shortage of rice in Kankavali Taluka under same ZP. Further, there was also shortage of rice in PS of Junner and Velhe in Pune ZP resulting in stoppage of MMS in these PSs and talukas.

ZP Sindhudurg replied (November 2011) that due to delay in sanction of quota of rice from GOM, there was shortage of rice in Kankavali and there was no provision of transportation from one place to other in the district as well as there was no provision of grant regarding this.

ZP Pune (November 2011) replied that the notice has been issued and action of cancellation of contract has been taken against supplier and the contract of supply of rice has been given to another supplier.

The reply is not tenable as EO, ZP, Sindhudurg who was aware of the delay in sanction of the quota, should have monitored the stock situation and accordingly taken appropriate action to make the rice available. Further, EO, ZP, Pune should have made alternate arrangement for supply of rice. As this was not done, the students remained deprived of benefit of mid day meal solely on account of improper planning and lack of monitoring at the level of PS and ZP.

The matter was referred to Government in December 2011. Reply has not been received (May 2012).

3.3 Idle investment on construction of staff quarters

Forty three staff quarters constructed between August 2004 and December 2009 at Panchayat Samiti Arni and Purna at a cost of ₹ 1.65 crore had remained vacant for the period ranging between two to seven years due to non-provision of electricity and water supply connections

With a view to provide facilities in newly created Panchayat Samitis (PSs), the Government of Maharashtra approved (June 1998) construction of Panchayat Samiti Building, Agriculture Godown and staff quarters.

[15] Sindhudurg ZP: excess stock of 206.126 quintal rice in Malvan Taluka
[16] Pune ZP : Junner PS – November 2010 – 72 schools- delay 2 to 9 days - 15.11.2010 to 30.11.2010, December 2010-168 schools- delay 1 to 25 days - 1.12.2010 to 31.12.2010
[17] Pune ZP : Velhe PS- December 2010-27 schools-delay 9 to 19 days - 3.12.2010 to 30.12.2010

Scrutiny of records of the Executive Engineer, (EE) Works Division No 2, Zilla Parishad (ZP), Yavatmal in February 2011 and Block Development officer, Purna (PS) under ZP Parbhani in April 2011 revealed that the construction of 43 staff quarters at a estimated cost of ₹ 1.63 crore was taken up between May 1999 and March 2008 at PS Arni and Purna and was completed between August 2004 and December 2009 at a cost of ₹ 1.65 crore. These quarters were also handed over to the respective PS between August 2004 and December 2009, however, these quarters were not allotted to the staff for want of electricity and water supply connections (January 2012).

Thus, non-occupation of the staff quarters has resulted in idle investment of ₹ 1.65 crore for a period ranging between two to seven years and resultant possibility of deterioration of these quarters could not be ruled out as those had remained unoccupied for years together.

BDO, Arni stated (April 2011) that due to non-availability of electricity and water supply connections quarters remained vacant.

CEO, ZP, Parbhani while admitting (January 2012) the delay stated that action is being taken for fixing responsibility.

The reply of the department was not acceptable due to non-occupation of those staff quarters, larger objective of providing housing facilities to staff of PS posted in remote areas was not fulfilled with avoidable additional outgo of ₹ 13.10 lakh on account of house rent paid to staff during 2005-11.

The matter was referred to Government in November 2011. Reply has not been received (May 2012).

3.4 Undue benefit to the contractor

Non-enforcement of recovery of insurance premium of ₹ 15.03 lakh resulted in passing of undue benefit to the contractors

Finance Department, Government of Maharashtra directed (August 1998) that all Government Departments and Corporations under their administrative control, Municipal Councils, Municipal Corporations, Zilla Parishads, Panchayat Samitis and Gram Panchayats should take insurance policies only from Director of Insurance. These directives were reiterated (September 2003) by Rural Development Department (RDD). Clause 13 of the Standard Bidding Document (SBD) provides that the contractors shall produce insurance policies to the engineer before start of the works. The rates specified in Schedule of Rates were also inclusive of the cost of insurance and clause 13 (a) of SBD provided for recovery of one *per cent* of Project Approved Cost (PAC) towards insurance premium.

Scrutiny of records (July 2009) of Executive Engineer, Works Department, Zilla Parishad, Jalna (EE), revealed that neither the insurance policies in respect of 23 works having PAC of ₹ 15.03 crore were submitted by the contractors before start of work nor was this ensured by the EE.

The EE while confirming the facts stated (November 2011) that the contractors did not submit the policies despite repeated reminders.

Thus, non-enforcement of recovery of insurance premium of ₹ 15.03 lakh resulted in passing on un-intended benefit to the contractor.

The matter was referred to Government in November 2011. Reply has not been received (May 2012).

3.5 Irregular expenditure

Three Gram Panchayats in Zilla Parishad Satara incurred ₹ 12.67 lakh on construction of Samaj Mandir in contravention to the guidelines

Dalit Wasti Sudhar Yojana (DWSY) was implemented in the State to provide basic civic amenities to Scheduled Caste Communities living in Dalit Wastis with effect from the year 1999. The revised guidelines (November 2008) stipulated that there should be only one Samaj Mandir in each revenue village to maintain communal harmony though it may have more than one Dalit Wasti.

Scrutiny of the records (August 2011) of Social Welfare Officer, Zilla Parishad (ZP), Satara revealed that expenditure of ₹ 12.67 lakh was incurred under DWSY by three Gram Panchayats(GPs)[18] for construction of Samaj Mandirs in contravention to the guidelines quoted supra as the Samaj Mandirs were already in existence in these GPs. This has resulted in irregular expenditure of ₹ 12.67 lakh.

Chief Executive Officer, ZP, Satara stated (November 2011) that the Samaj Mandirs were sanctioned on demand of backward class people of these villages and assured not to make such mistakes in future.

The contention is not acceptable as expenditure of ₹ 12.67 lakh was incurred in contravention of the DWSY guidelines.

The matter was referred to Government in November 2011. Reply has not been received (May 2012).

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[18] Mayni, Taluka Khatav (₹ 5.67 lakh), Padal, Taluka Khatav (₹ 3 lakh) and Palshi, Taluka Khandale (₹ 4 lakh)

CHAPTER IV

ACCOUNTS AND FINANCES OF URBAN LOCAL BODIES

SECTION B

CHAPTER IV

ACCOUNTS AND FINANCES OF URBAN LOCAL BODIES

4.1 Introduction

4.1.1 In conformity with the 74th Constitutional Amendment, the Government of Maharashtra (GOM) amended (December 1994) the existing Mumbai Municipal Corporation (MMC) Act, 1888, the Bombay Provincial Municipal Corporation (BPMC) Act, 1949, the Nagpur City Municipal Corporation (NCMC) Act, 1948 and the Maharashtra Municipal Councils (MMC) Act, 1965. All the Municipal Corporations except Municipal Corporation of Greater Mumbai (MCGM) and NCMC which had their own Acts are governed by the provisions of amended BPMC Act. There were 22 Municipal Corporations, 226 Municipal Councils and five[19] Nagar Panchayats in Maharashtra. The elections of the Municipal Corporations had been held from 2007 to 2010 and of the Municipal Councils from 2006 to 2010 and in respect of Nagar Panchayats during 2006.

4.1.2 Out of the 18 functions referred to in the Twelfth Schedule of the Constitution, 12 functions were assigned to the Urban Local Bodies (ULBs) under Sections 61 and 63 of the MMC Act and Section 63 of the BPMC Act, prior to the 74th amendment. The remaining six functions were also transferred/assigned to the ULBs after 1994.

4.2 Organisational set up

4.2.1 As per the Census of 2011, the total population of Maharashtra was 11.24 crore, of which 45.23 *per cent* was from urban areas. The state has 40 cities/urban agglomerations having a population of over one lakh.

4.2.2 Twenty two Municipal Corporations in the state have been created for urban agglomerations having a population of more than three lakh. These Municipal Corporations have been classified into four categories *i.e.* A, B, C and D, based on the criteria of population, *per capita* income and *per capita* area. At present, apart from MCGM which is in category 'A', there are two Municipal Corporations[20] in category 'B' and four[21] and 15[22] Municipal Corporations in categories 'C' and 'D' respectively.

4. 2.3 Similarly, 226 Municipal Councils have been created for smaller urban areas and categorised based on their population. At present, there are 12 'A' class (having population more than one lakh), 60 'B' class (having population more than 40000 but not more than one lakh) and 154 'C' class

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[19] Dapoli (Ratnagiri), Kankavali (Sindhudurg), Kej (Beed), Malkapur(Satara) and Shirdi (Ahmednagar)
[20] Nagpur and Pune
[21] Nashik, Navi Mumbai, Pimpri-Chinchwad and Thane
[22] Ahmednagar, Akola, Aurangabad, Amravati, Bhiwandi-Nizampur, Dhule, Jalgaon, Kalyan-Dombivli, Kolhapur, Malegaon, Mira-Bhayander, Nanded-Waghala, Sangli-Miraj-Kupwad, Solapur and Ulhasnagar

(having population of 40000 or less) Municipal Councils. There are five Nagar Panchayats in the state for towns with population between 15000 and 25000.

4.3 Organisational Structure

4.3.1 The organisational set up of Urban Local Bodies (ULBs) is depicted in **Appendix V.**

4.3.2 The accountability structure of a Municipal Corporation is as follows:

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

4.4 Financial profile

4.4.1 Municipal Funds are constituted under the provisions contained in the MMC Act, 1888, NCMC Act, 1948 and BPMC Act, 1949. All the moneys received by or on behalf of the Municipal Corporations under the provisions of the respective Acts, all moneys raised by way of taxes, fees, fines and penalties, all moneys received by or on behalf of Municipal Corporation from the Government, public or private bodies, from private individuals by way of grants or gifts or deposits and all interests and profits are credited to the Municipal Funds.

4.4.2 The State Government and Central Government release grants to the Municipal Corporations for implementation of schemes of the State sector and for centrally sponsored schemes respectively. In addition, grants under the State Finance Commission and the Central Finance Commission recommendations are released for developmental works.

4.4.3 The accounts of each scheme/project are required to be kept separately. Utilisation Certificates are required to be sent to Central Government for centrally sponsored schemes and to State Government for State schemes.

4.4.4 Under the BPMC Act, the MMC Act and the NCMC Act, Municipal Corporations are required to constitute special purpose funds *e.g.* Water and Sewerage Fund, Depreciation Fund, Sinking Fund, *etc*. The capital works of water supply schemes and sewerage projects are to be executed out of the Water and Sewerage Fund. The Depreciation Fund is to be created for replacement of capital assets. The Sinking Fund is to be created for redemption of long term loans.

4.4.5 The consolidated position of receipts and expenditure of ULBs are not maintained at the State level. As per the information furnished by Municipal Corporations for 2010-11 the overall receipts and expenditure of the Municipal Corporations in the State from 2006-07 to 2010-11 is as follows:

(₹ in crore)

Items	2006-07	2007-08	2008-09	2009-10	2010-11
Receipts	16217	18348	23973	28860	30137
Expenditure	14820	16728	24278	28308	27558

As per the information received from all the Municipal Corporations for the year 2010-11, the total receipt and expenditure worked out to ₹ 30137 crore and ₹ 27558 crore respectively, as detailed in the **Appendix VI**. The total receipts and expenditure of Municipal Corporation of Greater Mumbai for 2010-11 is ₹ 19053 crore and ₹ 17684 crore respectively.

4.4.6 Receipts

The receipts other than Capital Receipts of Municipal Corporations from various sources during the last five years ending 31 March 2011 were as follows :

(₹ in crore)

Item	2006-07	Percen-tage to total receipts	2007-08	Percen-tage to total receipts	2008-09	Percen-tage to total receipts	2009-10	Percen-tage to total receipts	2010-11	Percen-tage of total receipts
Rents, taxes *etc.* including octroi, property tax and water charges	11147	68.74	12094	65.91	12253	51.11	12712	44.04	15989	53.05
Government grants	636	3.92	990	5.40	1084	4.52	1217	4.22	972	3.23
Commercial enterprises	199	1.22	198	1.08	2387	9.96	2650	9.18	13	0.04
Deposits, Loans, *etc.*	640	3.95	2525	13.76	4111	17.15	6242	21.63	1280	4.25
Other Income	3595	22.17	2541	13.85	4138	17.26	6039	20.93	11883	39.43
Total	**16217**	**100**	**18348**	**100**	**23973**	**100**	**28860**	**100**	**30137**	**100**

Overall, the total receipts of the Municipal Corporations showed an increasing trend over the five year period from 2006-07 to 2010-11. The share of Government grants in the total receipts of the Municipal Corporations ranged between 3.23 and 5.40 *per cent* upto 2010-11.

The tax revenue has increased by ₹ 3277 crore which is 25.78 *per cent* of the previous year, whereas the total revenue receipt has increased by ₹ 1277 crore which is 4.42 *per cent* (4.424 *per* cent, upto two digit *i.e* 4.42 *per cent)* of the previous year.

Arrears in Tax Collection: Information furnished by the Municipal

Corporations except MCGM, Malegaon and Solapur revealed that during the year 2010-11 Municipal Corporations recovered property taxes amounting to ₹ 1220 crore against total demand of ₹ 2637 crore.

4.4.7 Expenditure

As per the information furnished by the Municipal Corporations for the year 2010-11, the total item-wise expenditure of all Municipal Corporations put together in the state for the last five years is given in **Appendix VII**.

The expenditure on administration increased to ₹ 7313 crore during 2010-11 as compared to ₹ 6366 crore in 2009-10. In the case of MCGM, out of their total expenditure of ₹ 17684 crore for 2010-11, the share of expenditure on administration was ₹ 4951 crore which constituted 28 *per cent*. In respect of seven[23] more Municipal Corporations the share of expenditure on administration exceeded 28 *per cent* and ranged between 28 to 69 *per cent*. Sizable portion of expenditure of Municipal Corporations thus, is committed towards meeting firm liabilities and to that extent, money for providing various services is restricted.

4.5 Twelfth and Thirteenth Finance Commission grants

4.5.1 The Twelfth Finance Commission (TFC) recommended grant of ₹ 791 crore to the ULBs in Maharashtra State for the years 2005-06 to 2009-10 to be utilized for development of civic services and basic amenities in the urban areas. The delay in utilization and diversion etc of TFC grants received upto 2008-09 was commented in the previous Audit Reports (2007-08 and 2009-10) of Comptroller and Auditor General of India.

Though ₹ 772.20 crore under TFC grants have been allocated to ULBs for utilization within next six months ₹ 237.22 crore is still remaining to be utilized by various ULBs (December 2011). Information regarding final utilization is awaited from Government.

The Thirteenth Finance Commission released ₹ 447.65 crore to various Municipal Corporations, Municipal Councils and Nagar Panchayats of which ₹ 89.85 crore was utilized (November 2011).

4.6 Accounting arrangements

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

4.6.2 The GOM adopted (July 2005) the NMAM for implementation from 2005-06. The State Accounting Manual in conformity with the NMAM was under preparation. Till finalisation of the Manual, all Municipal

[23] Ahmednagar (47%), Amravati (46%), Aurangabad (40%), Jalgaon (69%), Pune (43%), Sangli-Miraj-Kupwad (36%), Solapur (28%)

Corporations were directed to maintain their accounts on accrual basis from the year 2005-06, as per the NMAM guidelines. The Steering Committee constituted by the State Government also recommended (January 2007) the implementation of accrual system of accounting in the ULBs. The draft State Account Code for ULBs prepared by Project Management Consultant appointed by Director, Municipal Administration (DMA) was submitted to Steering Committee in February 2008. The revised Account Code has not been adopted so far (May 2012).

4.7 Audit Arrangements

4.7.1 Municipal Chief Auditor (MCA) is appointed by the respective Corporation under Section 78(a) of the MMC Act, 1888 and Section 45(i) of the BPMC Act, 1949 except NCMC where audit is entrusted to Chief Auditor, Local Fund Account. The pay and allowances of the MCA is borne on the establishment expenditure of the respective Corporation, as such independence of audit could not be ensured.

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

4.7.3 Based on the information furnished by the Municipal Corporations, out of 18 Municipal Corporations which have prepared their annual accounts, audit by MCA has been completed upto 2010-11 in 14 Municipal Corporations. In Navi Mumbai and Thane Municipal Corporations, audit has been completed upto 2001-02 and 2004-05 respectively and reports submitted to Standing Committee. In the balance two[24] Municipal Corporations there are arrears in finalisation of accounts and audit by MCA.

4.7.4 The State Government issued orders in October 2002 entrusting the audit of Municipal Corporations to the Comptroller and Auditor General of India. Comptroller and Auditor General of India conducts audit of Municipal Corporations under Section 14(2) of the Comptroller and Auditor General of India (Duties, Powers and Conditions of Services) (DPC) Act, 1971. The audit of Municipal Councils and Nagar Panchayats has been entrusted (March 2011) by GOM under Technical Guidance and Supervision (TGS).

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

[24] Ahmednagar, Nagpur

4.8 Lack of response of audit observations

The Commissioners, Officers and the elected bodies/standing committees are mainly responsible for the internal control. For efficient implementation of the functions transferred to the ULBs, all deficiencies pointed out by the Accountant General's audit were required to be complied with as early as possible and this would ultimately be helpful in achieving the objective of service to the urban population. However, the position of outstanding 471 Inspection reports and 2144 paras issued by Accountant General, Maharashtra to the Corporations, is a reflection of inadequate internal control.

Year	Inspection Reports	Paras
Upto 2007-08	214	698
2008-09	81	432
2009-10	68	325
2010-11	108	689
Total	**471**	**2144**

The arrears in audit of the Municipal Corporations by MCA as already pointed out in Para 4.7.3 is also indicative of weaknesses in the system of internal controls existing for the Municipal Corporations.

4.9 Conclusion

- Utilization of grants only to the extent of 69.28 *per cent* in respect of Twelfth Finance Commission (₹ 772.20 crore) and only 20.07 *per cent* in respect of Thirteen Finance Commission (₹ 447.65 crore) has adverse effect on the development of civic service and basic amenities.
- Although the GOM had adopted (July 2005) the National Municipal Accounting Manual for implementation from 2005-06, all the ULBs had not implemented the same so far.
- Arrears in pendency in preparation of accounts of Municipal Corporations, audit of Municipal Corporations by MCAs and huge pendency of audit paras of Accountant General's audit was indicative of inadequacy and ineffectiveness of the internal control.

The matter was referred to Government in December 2011. Reply has not been received (May 2012).

CHAPTER V

PERFORMANCE REVIEWS

CHAPTER V

5.1 Jawaharlal Nehru National Urban Renewal Mission (UIG & UIDSSMT

Executive summary

The Jawaharlal Nehru National Urban Renewal Mission (JNNURM) was launched on 3 December 2005 with the objective of sustainable development of physical infrastructure in cities including technical and management capacity for promoting holistic growth with improved governance.

Implementation of the project was deficient. UIG project proposed were without assessing the immediate requirement. Unfruitful expenditure of ₹250 crore was incurred on preparation of Detailed Project Reports (DPRs). Execution of water supply scheme in Jalna Council without a distribution network had resulted in depriving people of Jalna from the desired benefit of scheme. Actual cost of award of work was as high as 66 per cent of the approved cost of work. Expenditure of ₹2.81 crore was incurred on the works that were not envisaged in the DPR. Excess payments on account of price escalation and extra items were noticed. Awarding of work without site survey and reliable data resulted into cost overrun of ₹ 11.09 crore. An amount of ₹19.15 crore was blocked due to non-functioning of Inert and Refused Derived Fuel plant. Double entry accounting system was not introduced in any of the selected Municipal Councils. Target of recovery of Property Tax and Operation and Maintenance cost as was envisaged in the agenda of reforms was not achieved in respect of six Corporations.

5.1.1 Introduction

In order to cope up with problems arising out of rapid urban growth, a coherent urbanization policy viz. JNNURM was conceived by Government of India(GOI) in December 2005 for reforms driven, fast track, planned development in selected cities in the country with a focus on efficiency in urban infrastructure/services delivery mechanism, community participation and accountability of Urban Local Bodies(ULBs) towards citizen. The Mission consisted of four components, two for Infrastructure i.e. Urban Infrastructure Governance(UIG) and Urban Infrastructure Development Scheme for Small & Medium Towns(UIDSSMT) and two for Housing i.e. Basic Services for Urban Poor (BSUP) and Integrated Housing & Slum Development Programme(IHSDP). The duration of the Mission is seven years from the year 2005-06. In Maharashtra State five Cities/Urban Agglomerations covering 12 Corporations were selected by GOI for the UIG component and 91 projects in eight Municipal Corporations and 76 Municipal Councils were sanctioned for the UIDSSMT component under the Mission.

Present review is conducted by covering two components UIG and UIDSSMT of JNNURM.

5.1.2 Organisational set-up

GOI has formed Central Sanctioning and Monitoring Committee(CSMC) with the Secretary (Urban Development) as Chairman for sanctioning the projects under JNNURM. In Maharashtra, the State Level Steering Committee(SLSC) was formed (April 2006) under the Chairmanship of Chief Minister. Government of Maharashtra(GOM) had appointed Mumbai Metropolitan Region Development Authority(MMRDA) for UIG and Directorate of Municipal Administration (DMA) for UIDSSMT component as a State Level Nodal Agency(SLNA) in lines with the guidelines of JNNURM for coordinating between various ULBs, SLSC and CSMC. The projects were executed by the Commissioner/Chief Officer of respective ULBs by utilizing the technical manpower and machineries available with them. The process of Project Proposal and Policy Directive Flow and organizational set-up for UIG and UIDSSMT component is detailed in **Appendix VIII**.

5.1.3 Audit Objective

The performance audit was conducted with a view to assess whether

- there was proper and effective planning for implementation of the Mission,
- financial management and controls were adequate and effective,
- projects were executed economically, efficiently and effectively as per DPR,
- reforms were implemented as were stipulated by JNNURM guidelines, so as to improve the quality of urban governance.

5.1.4 Audit Criteria

The following criteria were utilized in conduct of audit

- ➢ Guidelines and circulars issued by Government of India/Ministry of Urban Development/Government of Maharashtra.
- ➢ City Development Plan/Draft Project Report.
- ➢ Manuals of Indian Road Congress.
- ➢ Manuals of Ministry of Road Transport & Highways (MORTH).
- ➢ Maharashtra Public Works Manual.
- ➢ Norms of Central Public Health Environment and Engineering Organization (CPHEEO).
- ➢ Statutory Act & Rules in force as applicable for Corporations/ Councils.

5.1.5 Audit scope and methodology

Under the UIG component of the JNNURM, 79 number of projects were sanctioned in State of Maharashtra during March 2006 to December 2009 covering 12 Corporations. Out of these, records of 25 projects (**Appendix IX**) covering nine Corporations were selected for test check during September 2010 to January 2011 by adopting stratified random sampling method. Similarly under UIDSSMT, GOM sanctioned 91 projects in eight

Corporations and 76 Councils during June 2006 and March 2009. Out of these, records of 17 projects (**Appendix IX**) covering four Corporations and nine councils were selected for test check during September 2011 and October 2011 using stratified random sampling method.

5.1.6 Planning

Planning of the Mission and achievement of the desired objectives is primarily based on the City Development Plan (CDP), which is both a perspective and a vision for the future development of a city. The plan requires identifying thrust areas - what is needed to be addressed on a priority basis and also provides a framework and vision within which projects need to be identified and implemented. The CDP is to be prepared for a period of 25 years subject to modification in every five year.

Projects included in the CDP are to be taken up for execution on the basis of priority of local needs and for each project Detailed Project Report(DPR) is to be prepared with sufficient details to ensure appraisal, approval and subsequent project implementations in a timely and efficient manner

(a) Urban Infrastructure Governance

5.1.6.1 Excess investment in Sewerage Treatment Plants

As per norms of CPHEEO 70 to 80 *per cent* of sewerage is generated out of total volume of water supplied.

Scrutiny of records (January 2011) of Navi Mumbai Municipal Corporation (NMMC) revealed that Corporation is supplying 329 Million Liters per Day (MLD) of water to its citizens, accordingly sewerage generation works out to 230 (70 *per cent*) MLD. Further it was observed that NMMC was having three Sewerage Treatment Plants (STPs) for treating 280 MLD sewerage water at the time of preparation of DPR, in addition to five existing STPs having primary sewerage treatment capacity of 105.15 MLD. Thus, the constructed and available capacity of NMMC was 21.7 *per cent* excess and if the primary facility was also considered, it was 67 *per cent* excess of the requirement as of January 2011. Inspite of having sufficient treatment capacity, three more STPs having capacity of 144 MLD proposed under the Mission by the NMMC were approved and being executed. Thus, sanction of three more STPs with an expenditure of ₹ 467.75 crore without its immediate need was not justified.

The NMMC stated (January 2011 and October 2011) that initially it was proposed to use existing treatment facility in the DPR. But this option was again explained in detail at CPHEEO, Delhi at the time of technical appraisal and only after approval of the additional STPs from the CSMC the works were taken up. During Exit Conference in November 2011, NMMC also stated that the additional capacity would be for the need of the future.

Contention of the NMMC was not tenable on the ground that CSMC was also of the opinion that NMMC was having sufficient STP capacity as per norms. Also the sewage treatment capacity available with NMMC was in excess of 67 *per cent* of the present requirement and additional 144 MLD capacity for near future was not justified and available funds could have been utilised on other sectors like storm water drain, traffic and transport etc. for which investment of ₹ 868.29 crore was proposed in CDP.

5.1.6.2 Unfruitful expenditure on the preparation of DPRs

As per the Mission guidelines DPR was required to be submitted to CSMC for approval by Corporations through the SLNA. For submission of project proposals there was no financial or numerical limitation that was prescribed either at Corporation level or at State level by SLSC or CSMC. However, only in August 2009, GOI communicated the decision to restrict submission of DPR by SLNA on account of limitation of budgetary allocation.

Scrutiny of records of SLNA revealed that total number of 218 DPRs amounting to ₹ 74066.48 crore were sent to the GOI, out of which only 93 DPRs amounting to ₹ 12489.39 crore were approved and remaining 125 DPRs amounting to ₹ 61577.09 crore are pending with the Mission Directorate. Thus, expenditure of ₹ 250 crore incurred on the preparation of 125 DPRs (one *per cent* of DPR cost limited to ₹ two crore per DPR) remained unfruitful.

In reply, MMRDA stated (January 2011) that DPRs remained unapproved as allocation for GOM was exhausted as intimated by GOI (August 2009). However the DPRs prepared by the Corporations may be used for other GOI projects under different schemes of financial assistance.

Reply was not tenable as unused DPRs may not be useful for future projects due to change in demographic, infrastructural, and physical environment of the City with passage of time. Further, restriction on submission of DPRs by GOI was communicated as late as in August 2009 instead at the time of commencement of Mission itself.

5.1.6.3 Inclusion of ongoing projects under Mission

According to the guidelines only new infrastructure projects would be admissible under the Mission. However, in Nagpur City Municipal Corporation(NCMC) and Pimpri Chinchwad Municipal Corporation(PCMC) other ongoing and completed projects costing ₹ 53.08 crore were also included under Mission in contravention of guidelines as stated below:

Name of the Municipal Corporation	Details of work	No. of Works	Amount (₹ in crore)	Tender Award Dates	Month of approval of DPR
PCMC	Sewerage works	10	6.39	August 2004 and June 2005	October 2006
NCMC	Water supply project	2	46.69	March & July 2005	March 2006

(Source: Quarterly Progress Reports)

As could be seen from the table above, tenders of these works were awarded even before the launch of Mission in December 2005.

PCMC and NCMC stated (January 2011 and November 2011) that after approval of the project by the SLSC the proposal was submitted to CSMC/ GOI prior to issue of work order and were taken up in anticipation of approval to the project and speedy completion of the projects in public interest.

Reply is not tenable as these were ongoing projects where the tenders were awarded even before the launch of the Mission by GOI.

5.1.6.4 Commencement of projects without acquisition of land

According to Mission guidelines the Corporation before submission of the DPR to the GOI should ensure that the land required for the project must be owned/acquired by the Corporation and it should have clear title and should be unencumbered.

Scrutiny of records of three[25] Corporations revealed that these Corporations had submitted DPRs to the GOI without the stipulated acquisition of land in respect of five projects involving a cost of ₹ 245.33[26] crore.

In reply, these Corporations stated (September 2010 to November 2011) that the work of acquisition of land was in progress in most of the cases.

Reply was not tenable as prior possession of land with Corporations was the prerequisite condition of the Mission. Further, out of these five projects, one has not been started and in balance four, the progress is between five to 45 *per cent* (**Appendix X**).

(b) Urban Infrastructure Development in Small and Medium Town

5.1.6.5 Infructuous expenditure owing to improper planning

Main objective of UIDSSMT (scheme) is holistic development of small and medium towns with basic infrastructure like roads, sewerage, water supply etc. for forthcoming 25-30 years. As such projects approved under the scheme must be as per scheme guidelines and expenditure incurred thereon should serve its purpose.

Scrutiny of records of Latur Council revealed (August 2011) that the project of construction of open drains, roads, footpath divider was undertaken during the period April 2008 to March 2011 by the Latur Council at 19.32 *per cent* above the tender cost of ₹ 90 crore disregarding the opinion (July 2006) of CPHEEO that independent sewerage system and storm water drainage system should be implemented in Latur as a permanent and sustainable solution to improve the environment, as construction of open drains was neither a sewerage system nor storm water drainage system.

Latur Council stated (August 2011) that as per CPHEEO guidelines sewerage scheme is applicable only in those cities where water supply is 135 litre per capita per day (lpcd) where as in Latur water supply is only 70 lpcd and project was implemented only after due approval and release of grant from the Central Government and to ease water logging problem in the Latur city.

Reply is not tenable as 135 lpcd is the maximum quantity of water supply specified in the CPHEEO guidelines and Ministry of Urban Development, GOI while giving approval to the Drainage Project did not take into account the views of the technical organisation under the same Ministry who had clearly opined not to proceed with an open drainage system. Thus, expenditure of ₹ 107 crore incurred on construction of open drains was not a solution which will cater to the needs of future requirement for disposal of waste water.

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[25] Kalyan Dombivli , Nashik and Pimpri Chinchwad

[26] Kalyan Dombivli (₹ 108.93 crore), Nashik (₹ 2.20 crore), Pimpri Chinchwad (₹ 134.2 crore)

5.1.6.6 Execution of water supply scheme without distribution network

Purpose of any water supply scheme is said to be achieved only when water reaches to every citizen for whom the scheme was conceived/implemented.

Scrutiny of records of Jalna Council revealed that both water supply system and distribution network were covered in the CDP and proposed in the DPR for approval. However, only water supply project leaving the distribution network was approved by GOM and accordingly undertaken (August 2009) by the Jalna Council at 95.48 *per cent* above the tender cost of ₹ 104.77 crore. An expenditure of ₹ 114.60 crore was incurred as of September 2011 and the project is not yet complete (October 2011). In the absence of comprehensive planning, the construction of water supply project involving construction of head works, supply pipe lines and water treatment plant on which an expenditure of ₹ 114.60 crore that has been incurred will remain idle as separate plan for the construction of distribution network has not been approved as on October 2011.

Jalna Council stated (September 2011) that due to non-sanctioning of the distribution network by the GOM, only the water supply scheme was implemented and the work of distribution network would be implemented from any other scheme of GOM. Reply is not acceptable as at present the distribution system was not sanctioned by GOM. Thus, by the time distribution network is sanctioned by GOM and actually constructed, the water supply scheme and the components already constructed with an expenditure of ₹ 114.60 crore will remain idle.

5.1.6.7 Non-provision of recirculation sump and pump house in the DPR

Recirculation sump and pump house is essential item in any Water Treatment Plant (WTP) for recycling wash water received after washing of filter beds as it would save wastage of water and reduce the requirement of raw water proportionately. Discharge of wash water without recirculation adds to pollution as wash water is full of turbidity.

Scrutiny of records (August and September 2011) revealed that the Water Treatment Plants taken up under Water Supply Project[27] in Washim, Jalna and Katol Councils did not make any provision of recirculation sump and pump house in the DPR for reuse of wash water which would result not only in wastage of water (2-3 lakh liter per day) but also add to pollution hazard. Besides, the councils could not derive the benefits and savings associated with recycling of water.

Jalna Council (September 2011) stated that the work would be executed from savings (if any) from the WTP work and Katol Council stated (August 2011) that wash water would be utilized for gardening/swimming etc.

Reply is not tenable as recirculation sump and pump house is an important item in any WTP and wastage of 2-3 lakh litre of water per day was therefore

[27] In Washim, the project was approved in December 2006 with cost of ₹ 29.97 crore
Jalna, the project was approved in September 2006 with cost of ₹ 123.99 crore
Katol, the project was approved in September 2007 with cost of ₹ 19.17 crore

unjustified. The contention of using untreated back wash water for swimming or gardening is impracticable.

During Exit Conference (November 2011), Director Municipal Administration assured that instructions would be issued to Chief Engineers to include the provision for recirculation sump & pump house for recycling of wash water while proposing DPR for water supply projects.

5.1.7 Financial Management

As per the Mission guidelines, the cost of project under UIG would be shared by the Centre/State and the Corporations in the following proportion:

Category of Cities/Towns/UAs	Grant		Corporations Share
	Centre	State	
	(In percentage)		
Cities/UAs with 4 million plus population as per 2001 census	35	15	50
Cities/UAs with million plus but less than 4 million populations as per 2001 census.	50	20	30
Cities/UAs other than those mentioned above.	80	10	10

(Source: JNNURM Guidelines)

Under UIDSSMT the cost of the project would be shared by Centre (80 *per cent*) and State (10 *per cent*) and Corporation/Council (10 *per cent*).

The grant under UIG was to be released as 25 *per cent* as first installment on sanction of project and thereafter 25 *per cent* every time after submission of utilization certificate for earlier installment. Similarly grant under UIDSSMT was to be released as 50 *per cent* as first installment on sanction of project and thereafter remaining 50 *per cent* on submission of utilization certificate for first installment.

The Corporations/Councils wise details of fund released both by GOI and GOM and expenditure incurred there against as of 31 March 2011 in UIG and UIDSSMT was as follows :

(₹ in crore)

Sub-Component	No. of project	Project cost	Funds released			Total	Expen-diture
			GOI	GOM	Corpor-ation		
UIG	79	11747.16	3434.48	1188.83	3975.43	8598.74	7794.87
UIDSSMT	91	2678.01	1626.33	176.57	73.22	1876.12	1045.73

(Source: Progress Reports of MMRDA & DMA)

(a) Urban Infrastructure Governance

5.1.7.1 Increase in cost of project

As per the Mission guidelines, both Central and State assistance would be released in agreed proportion on projected cost. However, the cost of work awarded itself has exceeded to the projected cost to the extent of seven to 66 *per cent* due to time gap between project estimations and actual executions, rate difference etc. and thereby resulted into additional financial burden to the Corporations. No provision of extra cost due to time lag in sanction and execution of the project were made in project cost.

Scrutiny of records of MMRDA revealed (July 2010 and January 2011) that in 19 out of 25 projects selected for test check, actual cost of award of works was seven to 66 *per cent* higher than approved cost of work. Details of 19 projects for various works where the cost of award of works exceeded the approved cost is given in **Appendix XI.**

MMRDA stated (July 2010/September 2010) that increase in cost would be borne by concerned Corporations.

During Exit Conference (November 2011), it was brought out that State has agreed to fund these differential cost in cases of 'D' class Municipal Corporation and no such provision in respect of other category of Corporations was however envisaged. Resultantly, the other Corporations have to borrow funds from financial institutions to the extent of ₹ 1114.82 crore.

5.1.7.2 Non-utilization of ₹ 27.93 crore received under Mission

Scrutiny of records revealed that grant of ₹ 27.93 crore was released to Nagpur City Municipal Corporation (NCMC) (₹ 22.76 crore) for the work of recycle and reuse of waste water project and PCMC (₹ 5.17 crore) for purchase of household waste containers for Solid Waste Management (SWM) Project during March 2007 and April 2008 respectively. These projects were required to be completed by December 2008 and January 2010 respectively. These Corporations did not utilize the funds due to non-awarding of the work/non-purchase of machineries for SWM project and the money is parked with banks (November 2011). Thus, ₹ 27.93 crore remained unutilized.

NCMC stated (June 2010 and November 2011) that due to change in site of the project, the work could not be started and fund would be utilized on execution of the project. PCMC stated (October 2010), that the household containers would be purchased in due course.

During Exit Conference (November 2011) PCMC stated that the amount would be refunded, while, NCMC stated that site has been identified and Letter of Agreement is in final stage.

These items of works were critical for the integrated and comprehensive execution of projects including all its modules. For instance, house container to be distributed to household were meant for collecting and segregating dry and wet waste at the primary source of creation i.e. household and in the absence of purchase, the effectiveness of the operation of the Vermi Compost Plant constructed as a part of SWM Project was impaired as mentioned in para 5.1.8.16.

5.1.7.3 Non-release of grants amounting to ₹ 168 crore by GOI/GOM

Scrutiny of records revealed (January & November 2011) that the amount of ₹ 168.32 crore claimed during February 2009 to February 2011[28] by four Municipal Corporations *viz.* Municipal Corporation of Greater Mumbai (MCGM), PCMC, Nashik Municipal Corporation(NMC) and Nanded-Waghala Municipal Corporation (NWMC) as second and subsequent installments were not released by the GOI/GOM due to non-fulfillment of reforms and non-compliance to the observation of Independent Review and

[28] Mumbai (September 2010), Nanded (February 2011), Nashik (February 2011), Pimpri Chinchwad (March 2010)

Monitoring Agency (IRMA) by these Corporations. Illustrative cases of non-compliance leading to non-receipt of subsequent installments are given in **Appendix XII.**

(b) Urban Infrastructure Development Scheme for Small and Medium Town

5.1.7.4 Non-refund of GOI/GOM share due to reduction in project cost

Under UIDSSMT water supply scheme of ₹ 46.11 crore was approved (December 2006) by GOM for Malegaon Municipal Corporation(MMC). Accordingly, central share of ₹ 36.88 crore (80 *per cent*) and state share of ₹ 4.61 crore (10 *per cent*) was released by the GOI (October 2007 and September 2010) and GOM (October 2007 & May 2011) respectively.

Scrutiny (September 2011) of records revealed that due to deletion of some items of work, a new DPR was prepared and approved by the DMA for ₹ 42.58 crore in December 2009. In spite of downward revision in the cost of DPR to ₹ 42.58 crore, the GOM/DMA released (September 2010 & May 2011) the second installment of GOI & GOM share as per the old cost which resulted in excess payment of ₹ three crore (GOI - ₹ 2.82 crore and GOM - ₹ 0.18 crore).

MMC stated (September 2011) that, the excess funds would be utilised for laying of 100 mm pipe line after approval of the same from the GOM.

The contention is not acceptable as the item for which MMC proposed to utilize the amount was not the part of the project.

5.1.7.5 Execution of work not envisaged in approved DPR

Execution of work not envisaged in the approved DPR was not admissible as per the guidelines of Mission. It was however, observed that contrary to the guidelines, the Chandrapur Council incurred an expenditure of ₹ 34 lakh on reinstatement of road surface though not envisaged in the approved DPR of laying of sewerage line of Reinforced Cement Concrete(RCC) pipes under Sewerage project.

Chandrapur Council stated (September 2011) that reinstatement of road surface (executed after laying of sewer pipe lines) was essential and thus was included in the tender in anticipation of getting funds under the UIDSSMT scheme and would be adjusted from the Chandrapur Council’s funds.

Reply is not acceptable as the item of reinstatement of road which was not contained in approved DPR should not have been executed from UIDSSMT funds.

5.1.8 Execution of projects

Review of the execution of selected projects under UIG and UIDSSMT revealed the deficiencies such as excess payment on account of price escalation, delay in completion of projects with consequential extra cost, incorrect adoption of star rate, non-acceptance of lowest tender and cases of inadmissible payments which are discussed in succeeding paragraphs.

(a) Urban Infrastructure Governance

5.1.8.1 Execution of works not included in the sanctioned DPR

According to the Mission guidelines only those works which are included in the sanctioned DPR and approved by the GOI/GOM are to be executed. NMC, prepared DPR for SWM and this was approved by GOI involving total cost of ₹ 59.99 crore in December 2006. Scrutiny in audit revealed that over and above the item of works listed in approved DPR, NMC had taken up additional works of filling up of land costing ₹ 2.51 crore, purchase of dumper trucks for ₹ 0.27 crore and the project of generation of electricity through the technology of Refused Derived Fuel (RDF) costing ₹ 2.86 crore and incurred an expenditure of ₹ 2.47 crore thereon. These items of works were not integrated in the approved DPR and therefore their subsequent inclusion was thus irregular.

NMC stated (December 2010) that a proposal of change in works was submitted (August 2008) to the GOI/GOM for approval. On receipt of approval the expenditure would be included in the Mission fund otherwise it would be borne by the Corporation. During Exit Conference (November 2011), NMC further reiterated that in the event of non-approval by GOI, the expenditure would be debited to the municipal funds

Reply was not tenable as execution of items not listed in approved DPR from Mission funds was in contravention to the Mission guidelines and also these extra items of works/projects are yet to be approved by GOI.

(b) Excess payment on account of price variation

As per price variation(PV) clause of the condition of contract, during the operative period of contract, if there shall be any variation in the whole-sale price index or in the price for all commodities connected with construction as compared to the respective figures on the date, 28 days or average of three months, prior to the last date prescribed for the receipt of tender, then price adjustment on account for these commodities as per the formulae prescribed shall be made which may be positive or negative.

5.1.8.2 Excess payment due to consideration of incorrect star rates

As per the Government Resolution(GR) issued (May 2005) by Public Works Department of GOM, all tenders document should contain the star rate for cement, steel, bitumen and pipes(pig iron) etc. for working out the PV. The star rates shall be taken as the average rate of the bitumen, cement, steel, and various types of metal pipes, pig iron etc. for the quarter proceeding the month in which the last date prescribed for the receipt of tender or the rate mentioned in the District Schedule of Rates(DSR), whichever is higher.

However scrutiny of records revealed (October 2010) that, the work of construction of Baner subway was attached (March 2008) to original work of concreting & asphalting of Paud Phata to Chandni Chowk road which was awarded in January 2008. The Pune Municipal Corporation(PMC) failed to mention the star rate in the agreement of the attached work. In the absence of star rate, the PMC adopted indices of August 2008 instead of average of December 2007 to February 2008, as the work was awarded in March 2008, for the purpose of PV. This has resulted in excess payment of ₹ 29 lakh.

PMC accepting the facts stated (November 2011) that the excess amount paid to contractor would be recovered from final bill.

However, no detail of the action initiated to recover the amount has been furnished (May 2012).

5.1.8.3 Excess payment due to non-revision of star rates

As per the condition of the tender, if felt necessary the star rates of steel & bitumen may be revised based on prevailing market conditions prior to award of contract. It was however, seen that PMC while execution of Bus Rapid Transport (BRT) Pilot project on Katraj-Hadapsar section did not revise the star rate of steel and bitumen though there was sharp increase in price during the process of tender which resulted into excess payment of ₹ 1.42 crore.

As the star rate was the basis for regularizing price escalation, its incorrect fixation on lower side led to excess payment towards price escalation which was irregular.

PMC stated (October 2010 and November 2011) that they did not feel necessary to revise star rate, however, looking into current situation the PV claim would be rectified & recovery would be made.

During Exit Conference in November 2011, PMC stated that recovery would be effected. However, no detail of the action initiated to recover the amount has been furnished (May 2012).

5.1.8.4 Excess payment of price variation

As per clause 62 of the tender document, for the formula for calculation of PV of Mild Steel(MS) Pipes, the period of execution of the item should be considered. However, in NCMC in the work of Transmission mains at Kanhan Water Augmentation Scheme costing ₹ 22.65 crore, period of purchase of MS Plate which was consumed in the manufacturing of pipes was considered instead of the period (month) of actual consumption during execution in the quarter. Thus, considering period of supply of raw material (MS Plates) instead of actual execution of work for calculation of PV resulted into excess payment of ₹ 42 lakh.

NCMC stated (December 2010 and November 2011) that PV was paid by considering the period when the pipe was actually supplied. The reply is not acceptable as period of actual execution should have been considered while calculating PV as per conditions of tender document.

5.1.8.5 Excess payment due to non-consideration of price index of base material

As the MS plate is the base material required for manufacture of MS pipe, for calculation of PV of MS pipe, rate and price index of MS plate is to be considered. However scrutiny of records in two Corporations revealed that for calculation of PV of MS pipe though the rates of MS plate was taken and same was calculated by considering price index of iron and steel instead of MS plate which resulted in excess payment of ₹ 11.57 crore as follows :

Name of Municipal Corporation	Name of work	Quantity	Cost of work	Amount excess paid
			(₹ in crore)	
MCGM	Middle Vaitarna water supply project - providing and laying MS water mains	55702 MT	746.81	10.51
Thane	Additional 100 MLD water supply scheme from Pise head works	6865 MT	76.98	1.06
	Total (In Mts)	**62567**	**823.79**	**11.57**

(Source: Quarterly Progress Reports)

MCGM and Thane Municipal Corporation(TMC) stated (September/October 2010 and November 2011) that as per the tender the price index of iron and steel was to be considered for calculation of PV of MS Pipe.

During Exit Conference (November 2011), Corporations stated that as this was part of tender condition, the PV claim was correctly regulated.

The contention of the Corporations are not acceptable, as the basis of the PV claim should have been for material used for its production which was MS plate and this aspect was sufficiently elaborated in the tender and resultantly this aspect was made known to the prospective bidder adequately. Even otherwise, as per the GR of GOM average steel index was to be considered for calculation of PV of High Yield Strength Deformed (HYSD)/Mild Steel. Thus for MS Plate, the index of Mild Steel was required to be considered.

5.1.8.6 Excess payment due to inclusion of octroi in current price while calculating price variation

The basis for calculation of PV should be uniform. However, scrutiny of records in two Corporations revealed that there was no uniformity in dealing with octroi on High Speed Diesel (HSD) for the purpose of calculation of PV. Basic price adopted was without octroi and current price adopted was with octroi. Hence there was excess payment of ₹ 0.32 crore as detailed below:

(₹ in crore)

Name of Corporation	Name of work	Cost of work	Amount of excess payment
NCMC	Construction of Railway Over Bridge at Kalamana	21.91	0.06
	Construction of Railway Over Bridge at Santra Market	45.97	0.03
MCGM	Construction of RCC Dam across Middle Vaitarna River	505.91	0.23
Total			**0.32**

(Source: Running account bills & Quarterly Progress Reports)

NCMC (MSRDC) and MCGM accepted (September/December 2010) the facts and agreed to recover the amount from the contractor. However, no detail of the action initiated to recover the amount has been furnished (May 2012).

5.1.8.7 Excess payment due to consideration of incorrect cost/rates

In four Corporations non-adherence of PV calculation norms resulted in excess payment of ₹ 1.41 crore as follows :

(₹ In crore)

Corpor-ations	Name of Project	Cost of work	Excess Payment	Reasons
Pune	Construction of 115 MLD capacity STP at Dr. Naidu Hospital	40.15	0.29	PV on steel and cement was paid separately and also in the material component. This resulted in double payment of PV on steel and cement.
Thane	Sewerage phase I conveyance system, pumping station & 120 MLD STP	194.58	0.89	PV was calculated by taking incorrect base index, rates of HSD and star rates of steel & bitumen
Nashik	Civil work under solid waste management project	5.50	0.02	Negative PV due to reduction in price index components were not calculated and recovered.
Nagpur	Construction of Railway Over Bridge at Kalamana	21.91	0.21	Due to levy of penalty indices were frozen for calculation of PV. However, on revoking the penalty, the indices were to be revised as per the period of execution of work, which was not done. This resulted in excess payment of PV, as indices were lower during the period of execution of work when compared with the frozen one.
Total			**1.41**	

(Source: Running account bills and Quarterly Progress Reports)

All the four Corporations accepted (October to December 2010) the facts and agreed to recover the amount. Pune Municipal Corporation (PMC) and TMC effected (November 2011) the recovery of ₹ 1.18 crore.

However, the details of the recoveries have not been intimated to audit by the other two Corporations (May 2012).

5.1.8.8 Extra expenditure/Excess payment on account of extra items.

For items of works executed, rates were required to be regulated as per tender conditions and accepted by Corporation during execution. In the event, therefore, if any extra work were to be executed it was required to be regulated as per accepted rates already specified in the tender. In deviation to the above although for similar specification, rates were available in tender, NWMC proceeded to treat these as extra items which were not regulated as per accepted tender rates. Instead rates as provided for in current DSR were incorrectly adopted. As the approved rates were already lower than the current DSR rates, this resulted in excess payment.

(i) In NWMC the work of River Front Development North Bank Zone-III was awarded to a contractor at 41.90 *per cent* above the tender cost of ₹ 41.23 crore in August 2007 with stipulated period of completion of 12 months. The work was executed by Nanded Irrigation Division (NID), Nanded as a deposit work. Scrutiny of records revealed that following items formed part of Schedule B of tender document as shown below.

Description of Item	Quantity (sq m)	Rate (in ₹)	Amount (in ₹)
Providing and fixing 40 mm thick gang saw cut granite stone slabs on top flooring/paving with machine cut edges.			
a) Steel gray	32202	2217.70	71414375
b) Sader Ali gray colour	7837	2000.95	15681445
c) Hassan green colour	12173	2318.85	28227361
d) Ruby Red colour	1567	2191.95	3434786

Despite the fact that above items were tender items, extra item of ₹ 10.86 crore was sanctioned as detailed below:

Description of Item	Quantity (sq m)	Rate (in ₹)	Amount (in ₹)
Granite Stone on Tread and Riser and on landing			
a) Steel gray	2000	5022.60	10045200
b) Sader Ali gray colour	10000	4844.25	48442500
c) Hassan green colour	9000	5022.60	45203400
d) Ruby Red colour	1000	4953.40	4933400

Comparison of original tender item with extra item revealed that in extra item granite was to be laid on Tread and Riser and on landing. As such, sanction of extra item of ₹ 10.86 crore was entirely unwarranted and resulted into extra expenditure of ₹ 4.51 crore as follows :

(Amount in ₹)

Item (Schedule-B)	Quantity of extra item (Sq m)	Amount	Amount as per tender rate	Cost (including 41.90 *per cent* above)	Extra expenditure
Providing and fixing 40 mm thick gang saw cut granite stone slabs	17210.61	84419201	27736619	39358262	45060939

(Source: Running account bills and Quarterly Progress Reports)

Irrigation Division, Nanded stated (December 2010) that granite stone was not provided for the entire stairs on the ghat area but was only for decorative purpose and to break the monotony of granite slabs. As per the drawings of the consultant, small size granite slabs were used for stairs as there was no provision of small size granite stone, the item was being executed as extra item.

Reply was not tenable as the item of granite stone was already in the tender and was to be executed as per tender rate.

During Exit Conference (November 2011) NWMC stated that as the works were executed through Irrigation Department, details of the same and action taken, if any, by them would be obtained and furnished to audit.

ii) In two Corporations adoption of incorrect rate for extra item has resulted in excess payment of ₹ 2.07 crore as shown below:

Corpor-ations	Name of work	Cost of work (in crore)	Quantity of extra item paid	Excess Payment (₹ in crore)	Reasons
NWMC	Two works of Sewerage and Water Supply Project	88.76	25371.83 Cu M	1.99	Rate of ₹ 462 per Cubic Meter (Cu.M.) was available in the MJP CSR for excavation of pipe trenches in hard rock and concrete road by chiseling wedging, line drilling by mechanical means or by all means other than blasting even then rate of ₹ 1270 per Cu M was allowed and paid.
TMC	Station Area Transportation Improvement System	29.36		0.08	Consideration of incorrect rate for work of extra item
				2.07	

(Source: Running account bills and Quarterly Progress Reports)

TMC accepted (October 2011) the facts and agreed to recover the amount from contractor whereas NWMC stated (December 2010 and November 2011) that at the time of execution of work, hard rock was found which was required to be removed by splitter machine and rock breakers. The rate for this item was not available in Maharashtra Jeevan Pradhikaran (MJP) Current Schedule of Rates (CSR) and as such the rate was enquired from various sources as well as MCGM and finally the Technical Committee discussed the matter and decided the rate of ₹ 1270 per Cu.M. This was approved by Municipal Commissioner.

The contention of NWMC is not acceptable as the rate of ₹ 462 per Cu.M. for excavation in hard rock by all means was available in MJP's CSR which should have been adopted for payment of extra item instead of adopting Schedule Rates of MCGM.

Details of recovery effected by TMC has not been furnished to audit (May 2012).

iii) Excess payment on extra items

As per condition of contract, the reinstatement of road up to the stage of Water Bound Macadam (WBM) is required to be made by the contractor without any extra claim and he was eligible to receive payment for Bitumen Bound Macadam (BBM). However, it was noticed that PCMC in case of project of sewerage system for west area of Rawet Kivte road had made payment of ₹ eight lakh for WBM work in addition to payment made for BBM work by considering it as extra item which was irregular.

PCMC accepted (October 2010) the facts and agreed to recover the amount from contractor. However, no detail of the action initiated to recover the amount has been furnished (May 2012).

5.1.8.9 Unjustified rejection of lowest bidder

During test check of records of PCMC and TMC in audit, it came to light that lowest tenders received were not found to have been accepted on various reasons and pleas including expectation of obtaining better rates in subsequent tenders. The basis of such rejection was not justified. Illustrative cases are given below:

a) Underground sewerage project in Thane Municipal Corporation

TMC called (November 2007) for tenders for providing, laying and commissioning of RCC NP3 pipe gravity sewer line at tender cost of ₹ 20.76 crore. Two offers were received of M/s Bitcon India Infrastructure and M/s NCC-SMC (JV) and offer of M/s NCC-SMC at 36 *per cent* above the tender cost (₹ 27. 40 crore) was found to be lowest (L1). On negotiation M/s Bitcon India agreed to execute the work at 32 *per cent* above the cost put to tender.

TMC instead of placing orders on L1 cancelled the tenders in anticipation of getting better offer. On re-tendering (February 2008), only one offer was received and same was rejected being a single tender. Again, tenders were called (October 2008) and three offers were received and an offer of M/s Ramkey Infrastructure Limited at 112 *per cent* above the cost as per tender (₹ 43.31 crore) was found to be lowest and the same was accepted (February 2009). Thus, cancelling of tenders, in anticipation of getting better offer had actually resulted into extra liability of ₹ 15.91 crore to the Corporation.

TMC stated (October 2010 & November 2011) that offer of L1 was cancelled in anticipation of getting better offer.

Reply is not tenable as rate analysis for ascertaining the reasonability of rates was not done by the Corporation before rejection of L1.

b) Solid Waste Management under Pimpri Chinchwad Municipal Corporation

PCMC invited tenders for supply of 60 small dumpers rickshaws for transportation of garbage. Eight offers were received and after opening (August 2007) technical bids, two firms namely M/s Piaggio Automobile and M/s James Automobile were found technically suitable. Price bid of these two were opened (August 2007) and M/s Piaggio Automobile at ₹ 176740 per rickshaw was lowest (L1).

Instead of placing order on L1, the PCMC rejected the offer of L1 on the ground that L1 is not technically suitable and placed order on the second lowest tenderer at ₹ 219600/- per rickshaw which resulted in extra liability of ₹ 0.26 crore (42860 x 60) on the Corporation.

PCMC stated (October 2010) that the L1 was not technically suitable.

The reply is not acceptable as PCMC had opened the financial bids only after finding the lowest tender (M/s Piaggio Automobile) as technically suitable.

5.1.8.10 Cost overrun due to awarding of work without site survey and reliable data

MCGM under the Mumbai Sewerage Disposal Project (Stage-II) awarded (January 2007) the work of replacement of sewer lines by trench less method of pipe bursting (online trench less pipe replacement) to two contractors at a cost of ₹ 21.53 crore with the presumption that existing sewer pipes are encased with plain cement concrete and strata surrounding the sewers was soft. After executing the work amounting to ₹ 1.65 crore, the work was foreclosed due to non-working of bursting machine as the encasing around the pipes was of heavy cement concrete and strata surrounding the sewers were hard rock. The balance work of ₹ 19.88 crore was re-tendered by open trench method & awarded (February & June 2009) for ₹ 30.97 crore. Thus, due to floating of tender for execution of work by trench less method on assumption instead of actual site survey and concrete data resulted in cost overrun of ₹ 11.09 crore on MCGM.

MCGM stated (October 2010 & November 2011) that the trench less technology was used for the first time and there was no data available regarding the geology, thickness of encasement, rocks/boulders around encasement.

The contention was not acceptable as without having reliable data MCGM should not have opted for trench less technology which was being attempted for the first time by the Corporation.

During Exit Conference (November 2011) while reiterating the reply, the Corporation agreed to furnish the details of further action taken in the matter.

5.1.8.11 Inadmissible payment on transportation of Ready Mix Concrete

Work of execution of Bus Rapid Transport Pilot Project on Katraj-Swargate-Hadaspar Section in Pune was awarded to a contractor (January 2008) at 17.1 *per cent* above the estimated cost of ₹ 67 Crore. According to the condition No. 4 of the contract, contractor shall install computerized batching plant at appropriate location and shall convey concrete by using transit mixers. At least four transit mixers (in working condition) shall be available all the time at site of work. Mixing and preparation of concrete (even bed concrete) was not allowed at the site of work.

Scrutiny of records (September 2010) of PMC revealed that in-spite of contract condition, an extra item at the rate of ₹ 713 per cu.M. for transportation of Ready Mix Concrete (RMC) was sanctioned and payment of ₹ 1.94 crore was made (June 2010) to the contractor for transporting 27241.391 cu.M. of RMC.

PMC stated (October 2010) that the item provided in the tender provides for controlled concrete machine mixture with design mix but does not include transportation of RMC. PMC effected (November 2011) the recovery of ₹ 29 lakh by applying year wise Schedule of rates for extra item.

Reply was not tenable, as it was contrary to the contract condition quoted supra, which stipulates that conveying of concrete by transit mixer was contractors responsibility and the completed item of concrete includes transportation as it was to be provided at site of work.

During Exit Conference (November 2011), PMC stated that an amount has been recovered and details would be furnished to audit. However, no detail of recovery of the amount has been furnished (May 2012).

5.1.8.12 Excess expenditure due to non-observation of respective Schedule of Rates

Condition No.6 of General Notes of the MJP's CSR stipulates that the CSR rates are applicable to water supply and sewerage schemes and its allied works only. Items required for general construction, buildings, roads, irrigation, works etc. shall be adopted from the CSR of Public Works Department (PWD) or Irrigation Department.

In NWMC construction of two Water Treatment Plants (WTP) of 35 MLD Capacity was awarded (October 2007) to a contractor at 45.41 *per cent* above the tender cost of ₹ 9.80 crore. It was observed that due to change in the site of the WTP after issue of work order, extra work of Hillock cutting (requiring open excavation) was suggested. Accordingly, claim of extra item of ₹ 34.27 lakh based on the PWD CSR of 2007-08 was submitted (July 2008) by the consultant for approval. However, contractor did not accept the estimated amount of ₹ 34.27 lakh which was based on PWD CSR as the estimate of WTP was based on the MJP CSR. Accordingly, extra item of ₹ 55.79 lakh based on MJP CSR of 2007-08 was approved (September 2009) by the NWMC at a negotiated settlement between contractor and NWMC.

Thus, incorrect adoption of MJP CSR rates instead of PWD CSR rates for extra item resulted in excess expenditure of ₹ 21.52 lakh (₹ 55.79 lakh – ₹ 34.27 lakh).

NWMC stated (March 2010 & November 2011) that as this works pertains to water supply scheme the MJP CSR based on which estimate were prepared, was used for execution of extra item.

Reply was not acceptable, as the work of Hillock cutting by open excavation was a separate item for which PWD CSR was applicable.

5.1.8.13 Excess payment on reinstatement of road

Reinstatement of road surface was required to be carried out to bring the road to its original position after excavation (for laying utility services). Scrutiny of records in two Corporations revealed excess payment of ₹ 87 lakh on account of road reinstatement as follows:

(₹ in crore)

Name of Corpora-tions	Name of work	Cost of work	Amount excess paid	Reason
PCMC	Providing sewerage system for Talwade, Chikhali, Moshi, Dudoolgaon, Wadmukhwadi, Chowiswadi & Charholi	27.60	0.20	As per contract the reinstatement of road upto the stage of WBM is required to be made by Contractor without any extra payment and was eligible to receive payment for 70 mm Bitumen Bound Macadam @ ₹ 176.54 per Cu.M. However, the payment was made for WBM also.
Kalyan Dombivli	Augmentation of existing water supply scheme in Kalyan Dombivli	58.30	0.67	As per contract the reinstatement of road is required to be made by Contractor without any extra payment. As such the payment made for reinstatement of road of ₹ 0.67 crore was irregular.
	Total		**0.87**	

(Source: Running account bills and Quarterly Progress Reports)

The PCMC accepted (October 2010) the facts and agreed to recover the amount from contractor. Kalyan Dombivli Municipal Corporation(KDMC) stated (December 2010) that in the DPR the item of road reinstatement was considered which was approved CPHEEO/GOI and accordingly tenders were floated.

Reply of KDMC is not tenable as reinstatement of road after digging upto the stage of WBM was included in rates sought for the main work and only for BBM stage, additional payments were required to be made to the contractor upon execution of work.

5.1.8.14 Avoidable expenditure

PCMC had taken average of incorrect item of soft rock with soft and hard murum in the schedule for arriving at the rates of ₹ 100.80 per cu.M. for excavation of soft strata while preparing the estimates for the work of Sewerage Project Phase II instead of considering ₹ 64.45 per cu.M. for excavation of hard murum and boulders with soft and hard murum which resulted in avoidable expenditure of ₹ 34 lakh**.**

The PCMC accepted (October 2010 and November 2011) the facts and stated that this was done by mistake.

During Exit Conference, (November 2011) PCMC stated that further action of recovery would be intimated. However, no detail of the action initiated to recover the amount has been furnished (May 2012).

5.1.8.15 Non-recovery on account of excise benefit

As per serial no. 32 of General Notes to MJP schedule of rates, pipes used for drinking water supply scheme up to ESRs were exempted from Excise Duty (ED). For availing the exemption of ED necessary certificate from the project authority/District Collector shall be submitted.

In TMC, the price paid to supplier was inclusive of ED for the supply of drinking water pipelines. It was also provided in the tender that benefit of any exemption of ED availed by the contractor on the basis of certificate issued by the District Collector is to be refunded to the Corporations. However, it was seen that exemption of ED though availed by the contractor for the work of Additional 110 MLD Water Supply Scheme from Pise head works, was not passed on to the Corporation. This resulted in non-recovery of ₹ 0.31 crore.

While accepting the facts TMC stated (October 2010 & November 2011) that ₹ 0.31 crore would be recovered from contractor. However, no detail of the action initiated to recover the amount has been furnished (May 2012).

5.1.8.16 Unfruitful expenditure on Vermi Composting Plant

A Vermi Composting Plant (VCP) for processing bio-degradable waste was constructed in September 2008 at the cost of ₹ 3.20 crore. As per contract condition PCMC was to provide 30 Metric Tonne (MT) of biodegradable waste daily to contractor. However, PCMC failed to provide the required quantity of bio-degradable waste due to non-availability of infrastructure for collection of bio-degradable waste and was able to provide only 9.4 MT of waste daily. As a result contractor claimed compensation of ₹ 20.02 lakh for loss in running the plant and ₹ 1.68 lakh per month as recurring cost to run the project in future which was not yet paid by PCMC. Thus, due to the improper planning in ensuring availability of required quantity of biodegradable waste, expenditure of ₹ 3.20 crore incurred on plant remained largely unfruitful.

PCMC stated (October 2010) that they will try to provide more bio-gradable waste to the plant.

Reply is not tenable as the primary source for feeding the VCP was not properly tied up before incurring expenditure on the construction of plant. Furthermore, as was planned earlier, distribution of dust-bins to the household for the purpose of segregation of dry and wet waste as was conceived earlier, now stated to not to proceed with further will also contribute in lesser feed intake to the proposed VCP as commented in paragraph 5.1.7.2 supra.

5.1.8.17 Blocking of funds due to non-functioning of Inert and Refused Derived Fuel

Work of constructing and commissioning of garbage presorting, Refused Derived Fuel[29] (RDF) unit and Inert unit including civil work was awarded (June 2008) to a contractor at a cost of ₹ 24.26 crore for completion within eight months. Scrutiny of records revealed that civil work and installation of machineries for RDF and Inert unit work was completed in the month of February 2009. However, the RDF and Inert unit on which expenditure of ₹ 17.27 crore was incurred was not yet commissioned due to non-availability of electricity. Further, 20 heavy vehicles valuing ₹ 1.88 crore purchased for these units, were also lying idle for the last 18 months. Thus, expenditure of ₹ 19.15 crore remained unutilized for almost two years.

NMC stated (December 2010) that they are pursuing the matter with State Electricity Board to get the required electricity supply.

The reply was not tenable as the commencement of project without tying up the required electricity supply resulted in non-fulfillment of objectives for which project was conceived.

(b) Urban Infrastructure Development in Small and Medium Town

5.1.8.18 Excess payment of ₹ 16.45 lakh on account of price variation

The work of construction of concrete roads, drains, nallas, footpath and road dividers and beautification of Gunj golai in Latur city area was awarded (April 2008) to a contractor at 19 *per cent* above the estimated cost of ₹ 90 crore to be completed within 18 months. As per the tender condition star rate for calculation of HYSD Steel and cement was ₹ 29000 Per Metric Tonne (PMT) and ₹ 4800 PMT respectively.

It was however seen in Latur Council that while calculating the PV for HYSD steel Latur Council has considered the star rate of HYSD steel as ₹ 49000 PMT as against ₹ 29000 PMT as per the contract condition. Thus, due to consideration of incorrect star rate of HYSD steel has resulted in excess payment of ₹ 30.51 lakh on account PV paid on HYSD steel.

Also for calculation of price variation for labour, material & fuel the cost of HYSD steel was considered as ₹ 49000 PMT instead of ₹ 29000 PMT. Due to this there was short payment of PV of ₹ 14.04 lakh on labour, material & fuel component. Thus the net excess payment of PV worked out to ₹ 16.45 lakh[30].

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[29] Fuel extracted from garbage

[30] ₹ 3050502 (excess paid) – ₹ 1405154 (short paid) = ₹ 1645348

Chief Officer, Latur Council accepted (August 2011) the facts and agreed to recover the amount. Details of recovery, if any, had not been furnished (May 2012).

5.1.8.19 Short recovery of Income Tax from consultant

As per section 194 J of Income Tax (IT) Act, IT at the rate of 10 *per cent* is required to be deducted as TDS on fess payable to any person for professional services or technical services provided by him. For the year 2008-09 the tax of 11.33 *per cent* (including surcharge) was required to be deducted as TDS while making payment of fees for technical services.

NCMC while making payment to contractor for the work of Implementation of Un-interrupted Water Supply in the pilot area of Dharampeth Zone, deducted IT at the rate of 5.15 *per cent* instead of 11.33 *per cent*, which resulted in short recovery of ₹ 20 lakh.

NCMC stated (June 2010) that short recovery of IT would be recovered from the consultant's bills payable to them. However, no detail of the action initiated to recover the amount has been furnished (May 2012).

5.1.8.20 Excess payment to the technical consultant

For providing technical services in pilot project of 24 x 7 Water supply, consultant was appointed (August 2008) by NCMC. The work of the Pilot project was started earlier in July 2007. However, payment on account of consultancy charges of ₹ 1.97 lakh was made for the period from July 2007 to July 2008 i.e prior to his appointment which was inadmissible.

NCMC accepted the fact and stated (January 2012) that amount ₹ 1.75 lakh had been recovered and ₹ 0.22 lakh is being recovered.

5.1.9 Reform Management

The main thrust of the strategy of urban renewal Mission is to ensure improvement in urban governance so that Corporations became financially sound with enhanced credit rating and ability to access market for financing new programs and expansion of services. To achieve this objective, Corporations are to be required to implement reforms. The reforms shall broadly be classified into two categories as mandatory and optional reforms. Mandatory reforms at Corporations level aims at process re-engineering through deployment of technology to enable more efficient, reliable, timely services in a transparent manner. The position of achievement by the test checked Corporations as on 31 March 2011 is as below:

Sr No	Mandatory reforms	Achievement
	State level	
1	Implementation of decentralization measures as envisaged in 74th Constitutional Amendment Act	Reform achieved.
2	Rationalization of Stamp Duty to bring it down to not more than five *per cent.*	Reform achieved.
3	Repeal of Urban Land Ceiling and Regulation Act	Reform achieved.
4	Amendment to Rent Control legislation	Reform not achieved. A case is pending with Supreme Court and judgment is awaited.

5	Enactment of Public Disclosure Law	Implementation of Public Disclosure Law is in progress.
6	Enactment of Community Participation Law	Reform not achieved.
7	Assigning or associating elected ULBs with city planning function	Reform achieved.
	ULB level	
1	Adoption of modern, accrual-based double entry system of accounting in Corporations	Seven[31] corporations had switch over to double entry accounting system and was in progress in remaining two[32] corporations. Under UIDSSMT in none of the selected units the reform was achieved.
2	Introduction of system of e-governance using IT applications like GIS and MIS for various services provided by Corporations	System of e-governance is in operation in all Corporations. Under UIDSSMT the reform was achieved partly in selected units
3	Reform of property tax, so that it becomes major source of revenue for Corporations and arrangements for its effective implementation so that collection efficiency reaches at least 85 *per cent* within next seven years.	Recovery of Property Tax (PT) was not up to 85 *per cent* as envisaged in the agenda of reforms even after completion of five years of the Mission period in respect of seven[33] Corporations and recovery was between 11 and 83 *per cent*. In MCGM and PCMC reform achieved. Under UIDSSMT the recovery ranged between 46 and 97 *per cent* in the selected units
4	Levy of reasonable user charges by Corporations with the objective that full cost of operation and maintenance or recurring cost is collected within next seven years	Operation and Maintenance (O & M) cost was not recovered in full during 2006-07 to 2010-11 as envisaged in the agenda of reforms in respect of six[34] Corporations even after completion of five years of the Mission period and recovery was between five and 85 *per cent*. In three Corporations (Mumbai, Nagpur and Pune) the reform was achieved. Under UIDSSMT the recovery of O & M charged ranges between 15 and 99 *per cent* in selected units
5	Internal earmarking within local body budgets for basic services to the urban poor.	Earmarking of budget for basic services to the urban poor was there in all Corporations and selected units under UIDSSMT.

(Source: Quarterly Progress Reports of Corporations & SLNAs)

5.1.10 Conclusion

Target for submission of DPR (financial/physical) by Corporations was not fixed by GOI/GOM which led to rejection/pendency of 125 DPRs at GOI level resulting in unfruitful expenditure of ₹ 250 crore on their preparation. Project proposed without assessing the immediate need resulted in excess investment in STP in NMMC. Ongoing projects started prior to the launch of the Mission were also included in the Mission in contravention of guidelines. Land acquisition problems led to delay in execution of projects. Instances of excess payments on account of PV and extra items as well as extra expenditure, non-recovery, blocking of fund and unfruitful expenditure were noticed in execution of projects. Excess expenditure due to incorrect application of MJP's CSR for work of hillock cutting instead of PWD's CSR was observed

[31] Kalyan-Dombivli, Mumbai, Nashik, Navi Mumbai, Pune, Pimpri Chinchwad and Thane
[32] Nagpur and Nanded
[33] Kalyan Dombivli, Nagpur, Nashik, Nanded, Navi Mumbai Pune and Thane
[34] Kalyan Dombivli, Nanded, Nashik, Navi Mumbai, Pimpri Chinchwad and Thane

in NWMC. KDMC and PCMC made inadmissible payment for work of WBM to the contractors. Double entry accounting system was not introduced in any of the selected Municipal Councils. Target of recovery of Property Tax and Operation and Maintenance cost as envisaged in the agenda of reforms was not achieved even after completion of five years of the Mission period in respect of six Corporations.

5.1.11 Recommendations

- Preparation of DPR needs to be linked to the trend of actual approvals and the budgetary allocation made so that costly expenditure on their preparation is avoided.
- Viability gap funding for execution of projects by Corporations and Councils needs to be reviewed at the level of State Government so as to ensure speedy execution of the projects where there are huge cost over-run and also for the purpose of ensuring critical availability of funds for these Corporations and Councils.
- The system of administration of contract and regulation needs to be improved so as to avoid cases of overpayments leading to consequent recoveries.
- Reforms as agreed should be implemented within prescribed time-frame for making Corporations/Councils financial viable and ensuring speedy disposal of public grievances.

The matter was referred to Government in November 2011. Reply has not been received (May 2012).

MUNICIPAL CORPORATION OF GREATER MUMBAI

5.2 Information Technology Audit of Brihanmumbai Mahanagarpalika Octroi Software System (BOSS) of Municipal Corporation of Greater Mumbai

Executive Summary

Octroi is the major source of own revenue for Municipal Corporation of Greater Mumbai (MCGM). It is the tax levied on articles on entry into Greater Mumbai for consumption. MCGM initiated computerization of various departments through Turnkey Solution Provider (TSP) route in 2000. Though, the application software namely Brihanmumbai Mahanagarpalika Octroi Software System (BOSS) was developed in Visual Basic (Client Server Architecture), it was replatformed to a web based J2EE and Oracle 10G database system since 2007.

ATS for software was given to M/s HCL Infosystems Ltd from August 2005 to August 2008 and work order for ATS was also given to M/s Ace Televoice Pvt Ltd for the same period resulting in undue benefit of ₹ 0.60 crore to the TSP. Similarly, TSP was also given undue benefit of ₹ 33.39 lakh in purchase of hardware and networking items.

Classification of articles according to Schedule 'H' of MMC Act 1888 was not followed for calculation of octroi. The octroi levied through the system was less by ₹ 46.13 crore than that calculated by audit as per corresponding Schedule 'H' rate of the article code recorded therein.

Even after 10 years of the development of the software, MCGM did not have its own personnel as Database Administrator for overall IT security and as custodian of data to ensure data integrity of such a critical system.

5.2.1 Introduction

Octroi is the major source of own revenue for MCGM. Octroi is the tax levied on articles on entry into Greater Mumbai for consumption. Nearly 32 *per cent* of the total revenue of MCGM is generated from Octroi collection.

The Octroi collection for the last 5 years is as follows:

(₹ in crore)

Year	Octroi Collection	Total Revenue
2005-06	2877.57	7638.65
2006-07	3558.39	9644.15
2007-08	4252.29	10075.00
2008-09	4514.70	15658.44
2009-10	4522.87	19035.16

(Source : data furnished by MCGM)

Goods are imported into the limits of Greater Mumbai through four modes of transport viz. sea, rail, air and road. MCGM has 64 work centres to collect Octroi and import by road accounts for nearly 58 *per cent* of the Octroi revenue. Six Octroi road check posts[35] are established at point of entry of the

[35] (i) Bal Rajeshwari Road (BRR), (ii) Eastern Express Highway (EEH), (iii) Lal Bahadur Shastri Highway (LBS) (iv) Mankhurd Panvel Highway (MPH) (v) Mulund Airoli Link Road Highway (MALR) and (vi) Western Express Highway(WEH)

major road routes. Octroi on goods imported by road is assessed by the staff of the Octroi Department of MCGM and collected by the Municipal Co-operative Bank Ltd on behalf of MCGM. Octroi on goods imported by sea or rail is collected on behalf of MCGM by the Mumbai Port Trust/Railway Authorities and Octroi on articles imported by air is collected by staff of the Octroi Department.

Octroi is charged *ad-valorem* and calculation is based on the rate specified in the Schedule 'H' under Section 192(1) of the Mumbai Municipal Corporation Act (MMC Act), 1888.

5.2.2 Organisational structure

The Municipal Commissioner is one of the authorities under the MMC Act appointed by Government of Maharashtra (GOM), assisted by Additional Municipal Commissioners, Deputy Municipal Commissioners, Assistant Commissioners and various heads of department in discharge of his functions. For the Octroi Department he is assisted by Joint Municipal Commissioner, Assessor and Collector, Joint Assessor and Collector. There are seven Deputy Assessor and Collectors (Dy A&C) for various Octroi nakas and head office. The sanctioned strength of Octroi Department was 3310 against which men-in-position were 2598.

5.2.3 Audit objectives

The objectives of the audit were to assess whether :

- The project was planned, managed and implemented in an economical, efficient and effective manner.
- The objectives of the various modules were in alignment with the business objectives of the organisation and the requirement of the various users were factored during the stage of planning.
- Effective and adequate controls were built in for entering data, its processing and for generation of the output to ensure that the integrity of the data were monitored for compliance in a systematic manner.

5.2.4 Scope and methodology of Audit

The Information Technology (IT) Audit covered a review of the working of Brihanmumbai Mahanagarpalika Octroi Software System (BOSS) in the Octroi Department of MCGM. The IT audit was carried out between November 2010 and March 2011 with a view to assess whether the objectives of computerisation were achieved. Audit adopted Computer Assisted Auditing Techniques (CAATs) to analyse the data received as data dump for the period from May 2007 to June 2010. The audit objectives were explained to the management of MCGM during the Entry Conference held in November 2010. Eight[36] work centers i.e five road nakas, one each of air, rail and sea modes were selected for audit on the basis of revenue collection. The exit conference was held on 11 May 2011.

[36] Chatrapati Shivaji Terminus, Eastern Express Highway, Indira Dock, Lal Bahadur Shastri Marg, Mankhurd Panvel Highway, Mulund Airoli Link road, Sahar Air Cargo and Western Express Highway

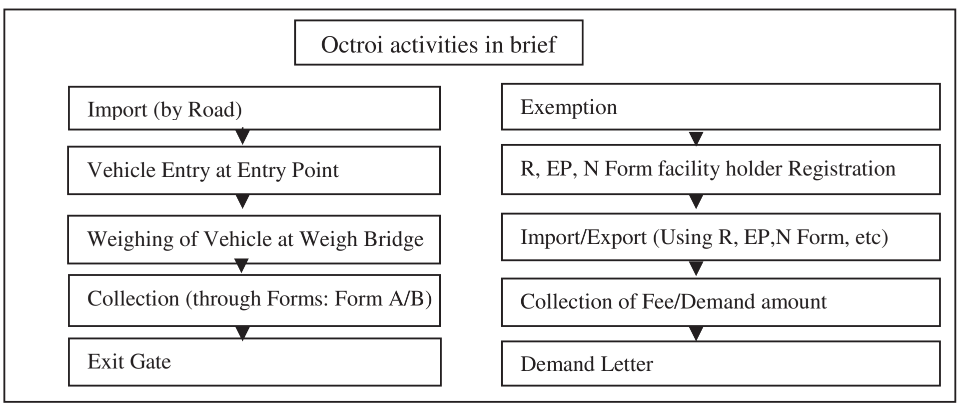
5.2.5 Computerisation of Octroi wing

MCGM initiated computerization of various departments through Turnkey Solution Provider (TSP) route in 2000. M/s Ace Televoice and Services Pvt. Ltd. was appointed TSP in 2001 for computerisation of the Octroi Department with the following objectives:

- reduce manpower
- faster retrieval/exchange of information
- improve the efficiency of the organization
- reduce waiting time for vehicles at check points
- provide better service that would benefit the tax payer

Initially, the application software namely BOSS was developed in Visual Basic (Client Server Architecture) which was replatformed to a Web based J2EE and Oracle 10G database system in 2007. For the purpose of successful implementation of enhanced BOSS system, MCGM hired the services of 13 Sr. System Administrators and 65 implementers from the TSP for five years from August 2006 to July 2011.

The functions covered in the BOSS application software include procedures for import, export, exemption from Octroi and refund as detailed below:



5.2.6 Audit findings

5.2.6.1 Planning and management

For the purpose of computerization, MCGM empanelled (2000), companies which possessed skills in areas required in the process of computerization i.e software development, training, software implementation, maintenance and hardware installation as TSP. The clauses, terms and conditions of the approved rates were included in the MCGM's circular AMP 166 dated 29 February 2000. Accordingly M/s Ace Televoice & Services Pvt Ltd was appointed TSP for computerisation of Octroi Department. Agreement was entered (September 2001) with the TSP for development of BOSS application software for ₹ 51.76 lakh. The Urban Development Department (UDD) had no role in the approval and development of the BOSS IT application.

Further, in 2006 the BOSS application software was enhanced and replatformed from Visual Basic to a web based application. The services availed from the TSP are detailed below:

Sr No	Standing Committee Resolution	Nature of services	₹ in crore
1	917/24.1.2001	Development of BOSS software	0.52
2	85/27.4.2005	TSP service charges for procurement of hardware	1.12
3	341/13.7.2006	Replatforming of BOSS software from Visual Basic to Web based J2EE platform and enhancement	1.68
4	1302/25.1.2010 (item 1)	TSP charges on service of hardware upto July 2011(for 5 years)	4.45
5	1302/25.1.2010 (item 2)	Manpower of system administrator and implementers, ISO certification, development of additional modules, training, modification of software	19.02
		Total	**26.79**

(Source : data furnished by MCGM)

It was observed that the critical documents such as time schedule for list of deliverables, date of implementation of the solutions at all offices of the department, training to be imparted to the Octroi staff, infrastructure installation and commissioning, acceptance test planning, acceptance testing and handover of source code as per the contract were not available with the MCGM, even though various services costing ₹ 26.79 crore were entrusted to the TSP. During exit conference, MCGM stated (11 May 2011) that reply would be furnished. However, no reply furnished (May 2012).

5.2.6.2 Monitoring of project implementation

As per agreement with the TSP, a Project Implementation Committee (PIC) consisting of three officials from the Department concerned, two representatives of the TSP including Project Manager and one representative as IT consultant had to be formed for monitoring the implementation.

After successful acceptance of the system, PIC shall prepare a schedule for commissioning of the system at all remaining offices of the Department and TSP should ensure that the commissioning of the system at the remaining offices is executed as per the time frame described in the schedule.

Information relating to PIC and related reports were not available. Further, monthly/quarterly reports were not prescribed to obtain user feedback on application software and reporting action taken thereon to management. No regular report was prescribed and submitted by the work centres in respect of functioning of Hardware, Networking equipment, down time of hardware, down time of networking equipments etc.

5.2.6.3 Audit query module in application software

MMC Act, 1888 stipulates that Municipal Chief Auditor (MCA) shall audit all the records of MCGM. However, the requirements of audit were not considered during development of the application modules. Further, it was noticed that the audit query module was not available in the application system developed and hence auditors conducted audit manually for assessment and collection of octroi.

MCA of MCGM while accepting the facts stated (March 2011) that MCA staff was manually scrutinizing the actual assessment and calculation of Octroi on the basis of documents submitted by the Octroi Department. MCA was neither involved in system design nor was its audit requirement considered. MCA was also not provided with connectivity and access to the BOSS system.

5.2.6.4 Implementation

Scrutiny (March 2011) of yearly reports on Octroi collection prepared by octroi wing for the years 2008-09 and 2009-10 and analysis of Octroi collection from the computerized system revealed that the data pertaining to 40 *per cent* Octroi collection were yet to be computerised.

(₹ in crore)

Year	Octroi collection as per report from octroi wing	Octroi collection as per computerised data	Difference (2-3)	percentage of Octroi collection not computerised
(1)	(2)	(3)	(4)	(5)
2008-09	4514.70	2732.73	1781.97	40
2009-10	4522.87	2735.38	1787.49	40

(Source : data furnished by MCGM)

During analysis of data available in the computerized system, it was further revealed that the data actually pertained to 21 work centres only out of the total 64[37] work centres proposed for computerization which indicated that the BOSS system was not implemented in the balance 43 work centres.

During exit conference (11 May 2011), MCGM stated that only 47 work centres were in existence.

Thus the very objective of computerisation to improve the efficiency of the organization and speedy exchange of information could not be achieved to the optimum in absence of complete rollover in all the locations.

5.2.6.5 Undue benefits to contractor by way of Annual Technical Support for software and hardware

In July 2004, Octroi Department of MCGM purchased computer hardware, software and networking items at a total cost of ₹ 11.13 crore from M/s HCL Infosystems Ltd alongwith 750 copies of user license of Oracle 9i software and Oracle real application clusters costing ₹ 2.88 crore for server configuration. The Annual Technical Support (ATS) for the initial one year was included in the purchase.

ATS for Software

IT cell of MCGM (August 2007) renewed ATS for 750 copies of user license of Oracle9i software with M/s HCL Infosystems Ltd for 5 years upto August 2008 for ₹ 1.57 crore for providing software update, product support, applying patches, bug fixing, online support *etc*.

Even then, Octroi Department issued work order (December 2005 and September 2006) for ATS of Oracle9i software to M/s Ace Televoice Pvt Ltd for the period from August 2005 to July 2011 for ₹ 1.30 crore with reference to the rates of the TSP for hardware. The ATS was discontinued from August 2008, hence the proportionate amount for the period from August 2005 to July 2008 worked out to ₹ 0.60 crore.

[37] By Road - (6), By Western Railway (14), By Central Railway (11), By Sea (4), By Air (9), Bunder and Depot (7), and Other Work Centres including RTO, Vigilance Officer (13)

Audit observed that though the items for services of ATS for Oracle software was not mentioned in the list of services offered by the TSP under the circular AMP 166, even then the work order was issued to M/s Ace Televoice Pvt Ltd with reference to the items mentioned therein.

Thus as ATS was given to M/s HCL Infosystems Ltd from August 2005 to August 2008 and work order for ATS was also given to M/s Ace Televoice Pvt Ltd for the same period, it resulted in undue benefit of ₹ 0.60 crore to the TSP.

During exit conference (11 May 2011), MCGM stated that ATS to M/s HCL Infosystems Ltd has been discontinued since August 2008 and no payment was made since then.

ATS for Hardware

Work order for installation and commissioning of server, hardware and peripherals, installation and commissioning packaged software, networking products and establishing of connectivity was issued by Dy A&C (Octroi)/HO in September 2006 to M/s Ace Televoice Pvt Ltd, the TSP for rendering various services for the above procurement.

Audit observed that work order issued to M/s Ace Televoice Pvt Ltd was for the same job which was already included in the purchase order issued to M/s HCL Infosystems Ltd for purchase of hardware and networking items which resulted in undue benefit to M/s Ace Televoice Pvt Ltd for ₹ 33.39 lakh[38].

5.2.7 Input control

5.2.7.1 Data not captured at critical stages of assessment and collection of octroi at road nakas

Software Requirements Specification (SRS) revealed that stages were identified for data entry for Octroi assessment and collection at road nakas such as (i) Vehicle Entry at Entry Point (ii) Weighing of Vehicle at Weigh bridge (iii) Collection through Forms: Form A/B - Single and Multiple Consignment Cash Payment (iv) Demand Draft through Form A/B – Single and Bunch (v) Demand Draft through Form A/B and (vi) Exit Gate.

Scrutiny of system functioning at five road nakas[39] revealed that vehicle details were not captured at the entry point but captured at the Weigh bridge or at the time of entering Form 'A' even though the system was designed to capture such information at entry point. It was also noticed that at the exit gate the details such as vehicle number, name of the item, Octroi amount were noted down manually during exit and subsequently entered in the system which indicated that the software was not implemented as envisaged and hence could not be effectively used for prevention of octroi evasion. Also the entry and exit of vehicles are not properly monitored thereby indicating lapses in the procedures.

MCGM accepted the facts and stated (January 2012) that responsibility for providing connectivity was with MCGM and accordingly same was provided at exit points. However, at many times the fibre cable used to get connectivity

[38] contract value ₹ 111287341 * 3 *per cent* i.e rate of TSP as per item 3(b) of circular AMP 166 =₹ 3338620

[39] Eastern Express Highway, Lal Bahadur Shastri Marg, Mankhurd Panvel Highway, Mulund Airoli Link Road and Western Express Highway

at exit and other point were damaged. Also entering data in system was difficult due to heavy work load during rush hours.

5.2.7.2 Improper implementation of classification based on Schedule 'H'

Article 192(1) of the MMC Act stipulate that Octroi is to be calculated at rates of articles liable for payment of Octroi as specified in schedule 'H'. GOM revised schedule 'H' from time to time and last amendment was done in April 2007. The articles were identified with eight digit code, rate of Octroi prescribed against each article and these articles were classified in 99 chapters. The application to pay Octroi on form 'A' needs to be recorded with details such as item number of schedule and rate of Octroi. The Audit observed the following discrepancies in the database made available by the MCGM and in the system :

- form 'A' which is used as input record for assessment data entry do not contain the item code as per the Schedule 'H'.
- even though the SRS/Software Design Description (SDD) document shows that the article code is to be uniquely identified in the system, the application software was designed with two options i.e (i) by entering the article code and identifying the article or (ii) by selecting the rates of Octroi and not the article code. Such faulty designing of the system permitted user to select the rate of Octroi instead of identifying the item code which resulted in incorrect item code being captured in the system.
- Analysis of data in respect of application for Octroi in form 'A' for single consignment for the year 2009-10 relating to five[40] road nakas revealed that there was difference in octroi collected through the system and that calculated by audit as per corresponding Schedule 'H' rate of the article code recorded therein. The octroi amount levied in the system was less by ₹ 46.13 crore than the octroi amount worked out by audit (on the basis of article code recorded in the data base made available) as per the rate mentioned in the Schedule 'H'.

(₹ in crore)

Octroi nakas	No. of cases	Octroi actually levied	Octroi calculated by audit as per Schedule 'H'	Difference (Col 4 - 3)
(1)	(2)	(3)	(4)	(5)
Lal Bahadur Shastri Marg Naka	5907	4.66	6.62	1.96
Eastern Express Highway Naka	18825	11.93	19.96	8.03
Mulund Airoli Link Road Naka	2740	1.01	1.59	0.58
Mumbai Panvel Highway Naka	23131	16.38	26.56	10.18
Western Express Highway Naka (Dahisar)	26970	16.93	42.33	25.40
Total				**46.13**

(Source : data furnished by MCGM)

[40] Lal Bahadur Shastri Marg, Eastern Express Highway, Mankhurd Panvel Highway, Mulund Airoli Link Road and Western Express Highway

MCGM replied (January 2012) that case by case examination would be carried out. No further reply consequent to detailed examination if carried out was furnished.

5.2.7.3 Illustrative examples on discrepancies in data are indicated below:

- Data of Eastern Express Highway naka having article with same article code but different rate as elaborated below :

Sr No	'A' Form number	Shift date	Article name	Article code	Rate of Octroi	Octroi levied in ₹
1	3523242	4/1/2009	furniture	94037000	7%	4694
2	3523268	4/1/2009	furniture	94037000	7%	6733
3	3523994	4/1/2009	furniture	94037000	5.5%	523
4	3524216	4/1/2009	furniture	94037000	5.5%	385

(Source : data furnished by MCGM)

- Data of Western Express Highway naka - Motor car and motor cycle classified under same article code as elaborated below :

Sr. No.	'A' form number	Shift date	Article code	Rate of Octroi	Name of the Article	Octroi levied in ₹
1	3538778	4/3/2009	87114019	4.5%	Two Wheeler	9360
2	3542644	4/3/2009	87114019	4.5%	TVS Scooty	9900
3	3543176	4/3/2009	87114019	4.5%	Bajaj Pulsar	2449
4	3543378	4/3/2009	87114019	4.5%	Honda City	38025
5	3551271	4/4/2009	87114019	4.5%	Hyundai IZO Car	20358

(Source : data furnished by MCGM)

- Scrutiny of Data from Lal Bahadur Shastri Marg naka for the year 2009-10 revealed that the articles captured in the system indicated various rates of Octroi even though the articles in Schedule 'H' showed the rate of Octroi as 'Nil'. Some instances are depicted below :

Sr. No	Article code	Number of records	Octroi levied (in ₹)	Rates captured by system (in percentage)
1	09101040	85	1051182	7
2	09103030	146	1861361	7
3	12111000	349	25310185	7
4	12114000	11	63522	5.5

(Source : data furnished by MCGM)

- Instances of discrepancies in data noticed in the assessment made at Sahar air cargo where the assessment was done from Bill of Entry are as under :

Sr No	Assessment code	Name of the article	Total value of article (in ₹)	Rate at which Octroi levied (in percentage)	Rate leviable as per Schedule 'H' (in percentage)
1	2455659	AWB 17688072602 Forklift Parts CHA 73	10388	5.5	7
2	2455189	AWB NO 02062589925 Catalog OT 1485	12570	5.5	7

3	2455201	AWB NO 21709442355 Ship Spares 1072	632354	5.5	7
4	2455599	AWBNO.11111 Gold	793677	0.1	2
5	2455572	AWB 02369344951 Crimping Tool CHA 1123	1290103	0.1	2

(Source : data furnished by MCGM)

The faulty design in the system permitted the user to select the rate of octroi instead of identifying them in item code.

MCGM replied (January 2012) that case by case examination would be carried out. No further reply consequent to detailed examination was furnished.

The above points indicate that the Business rule was not properly mapped in the system and information/report generated from the system would be incorrect. Also, the absence of input controls in the system made the data unreliable and prone to manipulation.

5.2.7.4 Master tables

Information stored in master data files is critical for the processing and reporting of financial data hence accuracy in data of Master files is of vital importance. Data analysis revealed that there were many errors/duplication of data in the master tables which affected data integrity and accuracy of output. Instances noticed are indicated below :

a) Master table which holds the details of importer/exporter of 'R' form facility

- 6699 importer/exporter are allotted with multiple code number i.e. two to 13,334 times in the master table

b) Master table which holds the details of importer/exporter of 'N' form facility

- 2399 importer/exporter are allotted with multiple code number i.e two to 22 times in the master table

c) Master table which holds the details of exporter of Export Promotion (EP) form facility

- 529 exporters' names are repeated two to 122 times in the master table

MCGM stated during exit conference (May 2011) that a new system is proposed to be introduced which will preclude all the defects of the old system, master table would be cleaned and duplication would be avoided. Further, MCGM stated (January 2012) that the issue was referred to the agency responsible for maintenance of the system.

5.2.8 Processing controls

5.2.8.1 Receipts not available against Form 'A'

Rule 9 of the Octroi rule, 1965 stipulates that Octroi on the article imported by road shall be collected by the Municipal Octroi staff at the Municipal Octroi Posts at roads across the Greater Mumbai Limits. As per Rule 12 the importer has to fill an application to pay Octroi in form 'A' and Octroi import bill on form 'B'. The Octroi inspector shall check the particulars of the articles according to the provision of these rules.

The procedure documented in SRS states that the Octroi Inspector at the counter shall hand over all documents along with 'B' Form to the Cashier of the Municipal Co-Operative Bank Ltd for Octroi collection. Further, SRS states that the report on pending collection of Octroi should be part of shift closing reports.

Analysis of octroi data recorded in the system revealed that receipts were not available against all the application for payment of octroi. Test check of data for the period from April 2008 to June 2010 revealed that receipts were not available as detailed below for 18436 application form ('A' forms) amounting to ₹ 21.33 crore :

Work centre	Total number of 'A' form without receipts	
	No. of cases	**₹ in crore**
Lal Bahadur Shastri Marg Naka	1827	3.64
Eastern Express Highway Naka	3891	4.61
Mulund Airoli Link Road Naka	323	2.04
Mumbai Panvel Highway Naka	1696	3.32
Western Express Highway Naka (Dahisar)	10699	7.72
Total	**18436**	**21.33**

(Source : data furnished by MCGM)

Detailed scrutiny of 136 cases in five[41] road nakas revealed that manual receipts were available in 13 cases and in 24 cases new forms were entered in place of original forms. In respect of other cases, no information/records were available.

It was also noticed that even though reports were available in the system to monitor the pending 'A' form for collection, the same was not generated and reconciled as part of the shift closure report. This indicates that there was failure from the side of the department in monitoring the applications submitted for payment of octroi and collection leading to octroi evasion and revenue loss to the corporation.

During exit conference (May 2011), MCGM stated that the cases would be examined thoroughly and detailed reply furnished; also a shift closure report would be prepared before closing of every shift. Further MCGM stated (January 2012) that the matter was entrusted for investigation to Indian Institute of Technology (IIT), Mumbai.

5.2.8.2 Pending 'N' form

articles imported into Greater Mumbai for the purpose of immediate exportation i.e the articles are in transit only and not for consumption are exempted from payment of octroi. For this purpose as per Rule 6 of the MMC Exemption of Octroi (Immediate exportation) Rules, 1965 stipulate that the importer shall tender the application with a fee of ₹ 100 for exemption in form 'N' at the place of import and at the time of export, the copies of the application is to be verified with the documents of export by the Octroi

[41] Eastern Express Highway, Lal Bahadur Shastri Marg, Mankhurd Panvel Highway, Mulund Airoli Link Road and Western Express Highway

Inspector and one copy returned to the Dy A&C. Further, if any articles covered in the application have been shipped, loaded or passed out of Greater Mumbai limits before being examined by the Municipal Octroi inspectors, they shall be presumed to have been imported for the purposes of consumption, use or sale within Greater Mumbai and full Octroi due thereon shall be leviable.

In the BOSS system, in respect of import of article, 'N' forms details are entered in the system and 'N' form relating non-computerised work centres are dispatched to the concerned work centres. At the computerized export work centres a dispatch list is generated, verified and necessary certification entries are made in the system and reports in respect of 'N' forms pending for certification i.e for the articles not exported are sent to Headquarters (HQ) office for further monitoring.

Scrutiny of system implemented at the 'N' form wing of HQ office revealed that modules relating to verification and certification of 'N' forms were not implemented and certification/verification of data was also not entered. Thus due to partial implementation of the 'N' form module in all the work centres, the Demand Letters (DL) in respect of pending forms generated through the BOSS system was incomplete and showed huge pendency in the certification of 'N' forms. There is a huge difference between information available in the 'N' form section and information available in the BOSS system as detailed below:

Year	Details as per manual report (a)		Detail as per computer data in BOSS (b)		Difference(a & b)	
	Number of NDL issued	amount (₹ in crore)	Number of pending 'N' forms	Amount (₹ in crore)	Number of pending 'N' forms	Amount (₹ in crore)
2008-09	13417	321.05	252955	9474.56	239538	9153.51
2009-10	15469	152.99	637424	7619.95	621955	7466.96

(Source : data furnished by MCGM)

Thus the information relating to pending 'N' forms were incomplete and incorrect in BOSS which lead to wrong information to the octroi payers regarding pending 'N' forms and due to such incomplete system, MCGM could not effectively use the computerized system to assess the actual octroi evaders, recover the revenue loss and initiate recovery. Also the very objective of computerisation to provide better service to the octroi payer could not be achieved.

MCGM stated during exit conference (May 2011) that due to lack of connectivity between all work centres and 'N' form section in HQ office, certification of 'N' forms were partially done. Further, connectivity was provided at the 'N' form section in HQ only in the month of January 2011 and module for entering verification and certification was not implemented, which resulted in huge pendency. Further, it was stated (January 2012) that the matter would be examined and reply furnished.

5.2.9 Output controls

5.2.9.1 Statistical reports on collection of octroi prepared manually

Statistical section of the Octroi Department compiles summary report in respect collection of Octroi receipt at various work centres. Scrutiny (March 2011) of reports compiled at statistical section revealed that the reports are manually compiled based on the information furnished by the work centres and no reports are generated by the statistical wing directly from the BOSS system as connectivity to BOSS system was not provided in the statistical wing.

5.2.9.2 Difference of Octroi amount in reports

Scrutiny of reports for the month of June 2010 in respect of collection at Mumbai Panvel Highway naka revealed that the figures in the monthly collection report did not tally with daily reports generated from the BOSS system as detailed below:

(₹ in crore)

Amount shown in the statement of total amount for the month	Amount shown in the statement of day wise breakup of monthly collection	Difference
69.27	69.84	0.57

(Source : data furnished by MCGM)

This indicate that the reports were not tested for its correctness before its implementation.

5.2.10 Deficiencies in implementation

5.2.10.1 Demand letter on pending 'R' form

Rule 7 and 8 of the Rules in respect of exemption from Octroi on free gifts, etc., stipulates that articles liable to pay Octroi which are temporarily imported into or exported temporarily from Greater Mumbai and re-imported into Greater Mumbai for the purpose of inspection, demonstration, exhibition, repairs, processing or for such other similar purposes as may be exempted from Octroi provided that the importer or exporter as the case may be applies for the same in writing in form 'R' provided for the purpose. The importer or exporter as the case may be shall agree to pay a registration fees of ₹ 100 and make such deposits as prescribed by the commissioner. Within a period of six months from the date of import or export, the importer or exporter together with two copies of the form returned to him with a certificate from the processor or the repairer should submit to the Octroi Inspector and one copy will be forwarded to the Octroi official in charge at the place of the original import/export.

Audit observed that though the details in respect of 'R' Forms were entered in the system, DL for pending 'R' forms (RDL) is prepared manually as the module for RDL generation is not implemented in the work centres and the same is forwarded to Octroi Department in HQ office for verification either for closure or recovery. The 'R' form pending for certification in the system is as follows:

Name of the unit	'R' form pending in the system	Amount of Octroi (₹ in crore)
Lal Bahadur Shastri Marg Naka	12014	27.93
Eastern Express Highway Naka	14972	17.20
Mulund Airoli Link Road Naka	8610	23.74
Mumbai Panvel Highway Naka	60308	65.18
Western Express Highway Naka (Dahisar)	71355	88.59
Indira Docks	93	0.66
Chatrapati Shivaji Terminus - Central Railway	187	0.34
IAC Main	1401	5.67
Sahar Cargo	49	0.06
Total	**168989**	**229.37**

(Source : data furnished by MCGM)

5.2.10.2 Non-creation of Master table for 'R' form facility holders

As per the rule mentioned in sub para 6.5.1, the Commissioner may also accept from the regular importers/exporters a fixed deposit instead of requiring them to pay deposits at the time of import or export. Accordingly importer/exporter has to register at Octroi HQ to avail exemptions under 'R' form facility (permanent) at the Octroi work centres. The 'R' form facility (temporary) was availed by paying deposits equal to the Octroi amount on articles imported.

Audit observed that the application was not designed to capture information on 'R' form facility holder at HQ and provide online information to the work centres to check the validity of the 'R' form facility holder

During test check of the list containing names of 4286 'R' form facility holders furnished in excel sheet who have permanent deposit at HQ office for the period May 1965 to August 2010 with the actual importer/exporter availing 'R' form (permanent) facility at the nakas, it was noticed that 23 importer/exporter whose names did not appear in the HQ list availed the facility for Octroi exemptions amounting to ₹ 3.51 crore for the period from April 2008 to July 2010 in respect of 1632 'R' forms without making the required deposits equal to the Octroi value as detailed in below:

Name of the work centre	No. of 'R' forms	Octroi value (₹ in lakh)
Lal Bahadur Shastri Marg Naka	460	71.06
Eastern Express Highway Naka	94	12.31
Mulund Airoli Link Road Naka	115	16.95
Mumbai Panvel Highway Naka	460	182.69
Western Express Highway Naka (Dahisar)	489	57.33
Chatrapati Shivaji Terminus - Central Railway	1	0.01
IAC Main	13	10.87
Total	**1632**	**351.22**

MCGM stated (April 2011) that connectivity of BOSS system was not established in 'R' form section at HQ office and therefore RDL were manually prepared and information relating to deposit made at HQ by the importer/exporter was not captured in the system. MCGM replied (January 2012) that case by case examination would be carried out.

Thus the potential of Information Technology opportunity was not properly utilised to improve the efficiency by reducing loss of revenue and evasion of octroi.

5.2.11 Design deficiency

Gaps in serial numbers of receipt and assessment transactions

The system design lacked controls over deletion of records as detailed below:

- Analysis of data relating to single form receipt table which stores single form collection for the month of March 2010 with receipt serial Number designed as unique identifier for transaction from 4818126 to 4957020 revealed that there were 4467 missing receipt serial numbers in the table. It was noticed that tables were not designed to store the history of receipts deleted. Further, test check revealed that in 10 cases receipt was entered at different date with a time gap of two to 589 days.
- Analysis of data relating to 'A' form application for single consignment for the month of March 2010 revealed that there are 7008 missing serial number from 4969200 to 5111587.

The above instances indicate that due to missing serial numbers, unauthorised deletion of data records through back-end could not be ruled out which may lead to non-collection and evasion of octroi.

During exit conference (May 2011) MCGM stated that the reply would be furnished in coordination with TSP. Further it was stated (January 2012) that the matter was entrusted for investigation to IIT, Mumbai..

These discrepancies indicate lack of control over deletion of records, lack of audit trails in the system indicating that the system was insecure and vulnerable to fraud and manipulation.

5.2.12 Information System security

5.2.12.1 IT security policy

Every organization is required to adopt an IT security policy clearly identifying the organization's priority and necessary controls need to be built based on the IT security policy. Audit observed that security policy for MCGM has not been formulated.

5.2.12.2 Business continuity/Disaster Recovery Plan

The organization should have business continuity/disaster recovery plan to retrieve and protect information maintained in the event of an interruption or disaster leading to temporary or permanent loss of computer facilities.

It was observed that documented business continuity and disaster recovery plan was not available in respect of BOSS system. In the absence of such well designed plan, the organization may face major threats such as (i) the organisation's ability to accomplish its mission after restarting its operations (ii) to retrieve and protect the information maintained (iii) to keep intact all the organizational activities after the disaster and (iv) to start its operations on full scale at the earliest to minimise the business loss in terms of money, goodwill, human resources and capital assets.

5.2.12.3 Modification of data at the Oracle back-end

Computers use and store information in electronic form which requires less human involvement in processing than manual systems. This increases the potential of individual to gain unauthorized access to sensitive information and to alter data without visible evidence. Due to the electronic form, changes to computer programs and data are not readily detectible.

Audit observed that proper procedure was not followed in modification of application software and data. Also there is neither a facility/features designed in the system to modify 'A' form data through the front-end nor to store the history of the modified data.

- IT cell furnished (November 2010) an analysis conducted by TCS, IT consultant of 'A' form data, to MCGM about the changes in the rate of Octroi from three to five *per cent* made at later dates in 422 out of 478 cases on the BOSS data backup of 25 August 2009 and first January 2010.

Information was not furnished on security issues such as (i) Changes made through Oracle back-end and persons authorized to make such changes (ii) Personnel assigned the responsibility of IT security, allocation of user privileges, user identifier (ID) and data security and (iii) Personnel responsible for data custodian who ensures data integrity at all times.

This was indicative of absence of adequate control over the IT Plan.

5.2.12.4 Anonymous users

The risk of unauthorised transaction processing could be reduced by the presence of controls which positively identify individual users and log actions against them. Data analysis revealed that the user name such as "DUMMY USER" was recorded in the system as user for data entry for assessment and collection records. Further, records relating to assessment and exemption forms were deleted from system without User ID as indicated below :

- 9848 'A' form data relating to 25 work centre amounting to ₹ 287.30 crore for the period from April 2007 to June 2010 was recorded in system by user name "DUMMY USER".
- 25438 data amounting to ₹ 18.87 crore relating to Octroi receipts against 'A' form were entered by user name such as "DUMMY" in the system during the period from October 2007 to October 2009 in five nakas.
- 34849 data of 21 work centres relating various forms including 'A' form, 'N' form, 'R' form and 'EP' form amounting to ₹ 4995.50 crore for the period from April 2007 to June 2010 were deleted from the system without User ID.

- 4555 records relating to refunds for the period from March 2008 to July 2010 were deleted by user with generic name AAC, refund (HO-HO).

This indicates that there is possibility of the system being prone to manipulation.

During exit conference, MCGM stated (May 2011) that reply would be furnished in coordination with TSP. Further it was stated (January 2012) that the matter was entrusted for investigation to IIT, Mumbai.

5.2.12.5 Staffing and segregation of duties

BOSS system is a critical system which processed Octroi collection of ₹ 2735.38 crore during 2009-10. The set-up for running an application of such criticality should have personnel's from MCGM as Database administrator or manager for the overall IT security and custodian of data to ensure data integrity.

Audit observed that the system was developed by an agency M/s Ace Televoice Services Pvt. Ltd and services of 13 system administrators and 65 implementers were hired from the same agency for critical services such as System and Database Administration for a period of five years from August 2006. The Developer worked as a System Administrator and implementer and performed the duties of the user.

MCGM did not have its own personnel as Database Administrator and even these functions were also exercised by outsourced vendors. Consequently the initial replies to the audit, in absence of trained and skilled staff of MCGM could also not made by them.

5.2.13 Conclusion

The objective of computerization of Octroi Wing was to utilize information technology and improve the efficiency, provide better service that would benefit the octroi payers, reduce manpower, eliminate misclassification, etc. However, 10 years after initiation of the project, the modules are not fully implemented and majority of work centres are yet to be computerised. Lack of input controls and validation checks in the system permitted to enter the articles without considering the classifications as per rate schedule and made the data unreliable and prone to manipulation. Applications received for payment of Octroi was not reconciled against receipts and applications remaining pending in the system. Inadequate IT Security, dummy users entry, missing receipt numbers, deletion of data and modification of data by anonymous users coupled with weak audit trails made the system vulnerable to fraud and manipulation. MCGM was fully dependent on the TSP including Database Administration which made the system vulnerable for unauthorized changes in the system. Instead of utilising own staff for operation of the BOSS application, MCGM continued to hire manpower for the same. Monitoring mechanism on development and implementation of the BOSS application was very poor. Thus, the BOSS application failed to achieve the intended benefit as envisaged by MCGM.

5.2.14 Recommendation

- All the modules as envisaged should be developed and implemented so as to ensure that the data is captured in full for effective and efficient management of the octroi collection.
- The module should be upgraded by incorporating all the user requirements and validation checks for ensuring effective and timely availability of information.
- Audit trails to track missing entries and changes made should be built into the system and audit trails available in the Oracle Database system should be configured to record modifications of data through back-end.
- A mechanism to monitor the functioning of application software and hardware down-time should be introduced.
- Training and connectivity to all the users including MCA should be provided to ensure full implementation of the system and achieve the intended benefits.

The matter was referred to Government in April 2011. Reply has not been received(May 2012).

CHAPTER VI

AUDIT OF TRANSACTIONS

CHAPTER VI

URBAN DEVELOPMENT DEPARTMENT

MUNICIPAL CORPORATION OF GREATER MUMBAI

6.1 Loss of Revenue

Non-recovery of capitalised value and interest on account of redevelopment of properties by Estate Department of MCGM had resulted in loss of revenue of ₹ 45.45 crore.

The Estate Management Department in Municipal Corporation of Greater Mumbai (MCGM) approves proposal for redevelopment of properties, proposals for additions/modifications to properties, acquires and develops/ allots vacant plots to provide public amenities like schools etc. MCGM levies charges/premium as applicable based on the existing rules on all such proposals.

During scrutiny (July 2010) of the records of the Estate Management Department of MCGM it was observed that Standing Committee Resolution of October 1996 approved the proposal for redevelopment of Municipal Property of BIT cottage at Matunga, 'F' North ward. This proposal for redevelopment was approved under Development Control Regulation 33(7). As per the stipulation of the approval, the developer (M/s. Vaishnavi Builders and Developers Pvt Ltd) had to pay MCGM a levy titled as Capitalised Value (CV) computed at the rate of ₹ 5000 per square foot (sq.ft.) on surplus area which was computed to be of the extent of 46533 sq. ft. Thus an amount of ₹ 23.27 crore was required to be recovered as CV and out of which 10 *per cent* was required to be recovered before issue of Commencement Certificate for the work of rehabilitation of building or upon execution of tripartite agreement (between developer, housing society and MCGM) whichever is earlier. Balance 90 *per cent* amounting to ₹ 20.94 crore was to be recovered at the time of issue of Occupancy Certificate for the building constructed on the surplus land.

This decision of the Standing Committee was subsequently modified by improvement committee in November 1997 which stipulated that out of 10 *per cent of* CV to be paid, only one *per cent* should be paid immediately and balance nine *per cent* was to be paid within 12 months i.e. by November 1998 and 15 *per cent* interest per annum was to be paid. The developer paid one *per cent* i.e. ₹ 23.26 lakh of the value of CV in January 1998 and balance nine *per cent* i.e. ₹ 2.09 crore was paid only in February 2006 instead of November 1998. However, interest at the rate of 15 *per cent* was neither levied nor collected from the developer. Even the commencement certificate which was required to be issued only after the collection of the stipulated nine *per cent* of the CV was found to have been issued in January 2003, while the nine *per cent* of CV was paid as late as in February 2006**.** Also the balance CV of ₹ 20.94 crore was also not recovered.

Additional Municipal Commissioner while accepting the facts stated (December 2011) that demand notice for recovery of following amount has been issued to M/s Vaishnavi Builder and Developers.

1. The interest at the rate of 15 *per cent per annum* on delayed payment of CV amounting to ₹ 4.03 crore.
2. Recovery of balance CV of ₹ 20.94 crore plus interest of ₹ 18.21 crore totalling ₹ 39.15 crore.
3. Recovery of premium and additional rent alongwith interest for regularisation of 10300 sq.ft. area amounting to ₹ 2.27 crore.

Reply is not tenable as the money is yet to be recovered (May 2012). Thus, inaction on the part of Estate Management Department has led to non-recovery from developer.

The matter was referred to Government in November 2011. Reply has not been received (May 2012).

6.2 Unfruitful expenditure

Failure to communicate the supplier regarding suspension of the scheme in time led to unfruitful expenditure of ₹ 2.74 crore in purchase of flavoured milk in tetra packs.

With a view to provide additional energy, proteins, fats and also increase the attendance of the students in all Municipal schools, the MCGM decided (December 2006) to supply 200 millilitre cold Flavoured Milk(FM) in tetra pack during the year 2007-08. The standing committee (SC) sanctioned (August 2007) for awarding the order for supply of FM for the year 2007-08, 2008-09 and 2009-10 at ₹ 297.62 crore[42] to M/s. Rastriya Majdoor Madhyavarti Sahakari Grahak Sangh Ltd (RMMSGS). The scheme was started from November 2007.

Audit scrutiny (September 2010) revealed that the scheme was stopped from 20 December 2007 due to instances of vomiting by the students on 14 and 19 December 2007 after drinking strawberry FM. Though supplies to students were suspended from 20 December 2007, RMMSGS was informed by Education Officer to stop the supply only on 26 December 2007.

As per the report submitted by the committee constituted (January 2008) for review of the scheme, the quality of the milk was as per the requirement but the committee recommended to provide Elaichi FM instead of strawberry FM and to create a joint task force (January 2008) to implement the suggestions in the report before resuming the scheme. The scheme was resumed from

[42] 2007-08 – 53625000 packs @ ₹ 11.50 - ₹ 61.67 crore, 2008-09- 85800000 packs @ ₹ 13 - ₹ 111.54 crore and 2009-10- 85800000 packs @ ₹14.50 -₹ 124.41 crore

27 February 2008 and continued upto 15 April 2008 i.e. till the end of educational year.

At the date of suspension (20 December 2007) of the scheme, 142695 packs costing ₹ 16 lakh supplied by RMMSGS expiring in June 2008 were already in stock in the municipal schools. Another batch of 2807597 packs expiring in June 2008 available with RMMSGS were also procured (May 2008) at ₹ 9.75 per pack (15 *per cent* below the approved cost of ₹ 11.50 per pack) for a total cost of ₹ 2.74 crore. Thus, a total stock of 2950292 tetra packs of milk was available with MCGM. As strawberry FM was not to be distributed to the students and the schools were closed in April-May 2008, 1497692 of tetra pack milk worth ₹ 1.47 crore meant for students were distributed (May-June 2008) to teachers, safai kamgar and class IV employees and 1452600 of tetra pack milk worth ₹ 1.43 crore were destroyed at Mulund dumping ground (July-November 2008) after the expiry of due date i.e. June 2008. The delay in informing RMMSGS to stop their supply in time resulted in wasteful expenditure of ₹ 2.74 crore.

MCGM replied (June 2011) that as the tetra pack was printed with "only for municipal Education Department" the decision was taken (April 2008) to procure the stock lying with RMMSGS. MCGM also stated (December 2011) that these tetra pack were procured to avoid short supply to other children.

The reply is not acceptable as the conditions of the agreement provided for supply as per indented quantities and rejection at the discretion of the MCGM. The department could have also informed supplier to stop supply immediately as provided in the conditions of the contract and not after six days of stopping then distribution to children. Thus failure on the part of MCGM to invoke conditions immediately and effectively resulted in wasteful expenditure of ₹ 2.74 crore.

The matter was referred to Government in November 2011. Reply has not been received(May 2012).

NASHIK MUNICIPAL CORPORATION

6.3 Undue benefit to the contractor

Irregular sanction of extra item resulting in undue benefit to the contractor amounting to ₹ 1.79 crore.

The Nashik Municipal Corporation (NMC) proposed (October 2007) to provide houses for urban poor under Jawaharlal Nehru National Urban Renewal Mission (JNNURM) by constructing buildings at site located at Chunchale in three packages for 6000 tenements (consisting 2000 tenements in each package) with all the infrastructure facilities such as roads, sewerage and water supply lines. The Government of India (GOI) and Government of Maharashtra (GOM) released grants (₹ 66.41 crore) for the project (April 2006-March 2010) to NMC on the basis of the Detailed Project Report (DPR). Tenders were invited (October 2007) for construction of tenements and the work was awarded (May 2008) to M/s Pawar Patkar Construction Pvt Ltd (contractor) being lowest bidder for ₹ 52.46 crore per package (totalling ₹ 157.38 crore for three packages). The work was commenced (May 2008) and payment of ₹ 50.98 crore has been made as of May 2011. As per the terms and conditions of the tender, the contractor before tendering should visit the site and satisfy himself as to the characteristics of the ground etc. and carry out necessary tests to ascertain the sub-soil condition, etc.

During scrutiny of records at NMC, it was observed that in contravention to Clause, extra item of work for ₹ 6.30 crore was sanctioned by NMC (August 2009) for leveling of land as the site was hilly and uneven on the basis of a detailed contour survey conducted (October 2008) later on by a consultant. For this the contractor was paid (January 2010) ₹ 1.79 crore. Thus, irregular sanction of extra item resulted in undue benefit to the contractor.

NMC replied (February 2011) that the scope of work comprised of construction of building with all amenities and infrastructure services such as construction of roads, water supply lines and drainage line. Only general arrangement drawing was provided during the tender process hence profile correction could not be ascertained. Also the tender was called on "cost per tenement basis" and the expected cost for profile correction was not included in the scope of work nor considered in detailed estimate. Further, NMC stated that as per opinion of the project consultant, the foundation of 45 buildings can be done only after profile correction of the undulated and sloping ground hence excavation for profile correction was necessary.

The reply of NMC is not acceptable as the sanction of ₹ 6.30 crore was irregular and in deviation to conditions of tender which had binded the bidder to ascertain the sub-soil conditions before quoting the price. Further, as the tenders were invited on cost per tenement basis, subsequent approval of extra item was detrimental to the interest of other bidders as they had remained uninformed of this post tender deviations and approval of this extra item constituted 3.5 *per cent* of the original bid. Also, construction of buildings entails *inter-alia* construction of foundation for resting and therefore, how this vital aspect was not considered in the estimates, as has been stated, is not understandable.

The matter was referred to Government in November 2011. Reply has not been received (May 2012).

SOLAPUR MUNICIPAL CORPORATION

6.4 Short levy of property tax

Non-observation of the provision of the Bombay Provincial Municipal Corporation Act resulted in short levy of property tax of ₹ 13.36 crore due to excess deduction of allowances for repairs.

Rule 7 (1) of Chapter VIII (Taxation Rule) under Schedule 'D' of Bombay Provincial Municipal Corporation (BPMC) Act, 1949 states that in order to fix ratable value of any building or land assessable to a property tax, there shall be deducted from the amount of the annual rent for which such land or building might reasonably be expected to let from year to year a sum equal to 10 *per cent* of the said annual rent, and the said deduction shall be in lieu of all allowances for repairs or on any other account whatever. Further, Rule 9(b) of the said schedule of BPMC Act states that the ratable value of each building and land is determined in accordance with the provisions of the Act.

Scrutiny of assessment files (July 2010) of the Assessor and Collector (City Area) and Special Executive Area(City Extension Area) of Solapur Municipal Corporation(SMC) for the period from 2005-06 to 2009-10 revealed that while arriving at the annual ratable value, the Corporation with the consent of the Standing Committee/General Body deducted 15 *per cent* allowances for repairs instead of 10 *per cent* as per the BPMC Act resulting in short levy of property tax of ₹ 13.36 crore.

SMC stated (October 2010) that the rate of 15 *per cent* allowances for repairs was approved in the General Body and the Standing Committee meeting held on 17 December 1996.

The reply is not tenable as the rate of 10 *per cent* of the abatement was provided for in the BPMC Act and any *suo moto* revision was thus be possible only after appropriate amendment in the Act requiring concurrence and approval of Government of Maharashtra. Other Municipal Corporations such as Pune, Nagpur and Mumbai continued to provide for 10 *per cent* abatement in lines with provisions mentioned earlier. Thus non-observation of the provision of the BPMC Act resulted in short levy of tax to the extent of ₹ 13.36 crore[43].

The matter was referred to Government in November 2011. Reply has not been received (May 2012).

NANDED WAGHALA CITY MUNICIPAL CORPORATION

6.5 Short levy of water charges

The Nanded Waghala City Municipal Corporation had levied water charges on 442 non-residential properties at residential rates which resulted in short levy of water charge amounting to ₹ 65.33 lakh.

Nanded Waghala City Municipal Corporation (NWCMC) decided (April 2005) to levy water charges at the rate of ₹ 1500 and ₹ 6600 per connection *per annum* from 2005-06 onwards for half inch pipe connection for residential and non-residential properties, respectively.

A scrutiny of records (March 2010) of Water Supply and Sewerage Department (WSSD) and the Property Tax Department (PTD) of NWCMC revealed that there were 442 non-residential properties and to these properties water charges were levied at the rate of ₹ 1500 per connection *per annum* (391 properties) and at the rate of ₹ 3000 per connection *per annum* (51

[43] ₹ 9.02 crore in respect of city area and ₹ 4.34 crore in respect of city extension area

properties) against ₹ 6600 per connection *per annum*. The short levy of water charges worked out to ₹ 21.77 lakh for the year 2008-09.

The Deputy Commissioner, NWCMC accepted the fact (October 2011).

Thus, due to non-levy of water charges as per approved rate for non-residential properties, the Corporation short recovered to the tune of ₹ 65.33 lakh for three years 2008-09 to 2010-11.

Despite passage of more than one and half years, recovery of short levied amount has not been done.

The matter was referred to Government in January 2011. Reply has not been received (May 2012).

NAGPUR CITY MUNICIPAL CORPORATION

6.6 Non-levy of water connection charges

Failure of the Nagpur City Municipal Corporation to levy water connection charges in slum area from April 2009 to October 2010 resulted in non-levy of ₹ 27.37 lakh.

As per provisions contained in Sub-clause 6(C) of Bye-Laws 6 of the Nagpur City Municipal Corporation (NCMC) Assessment and Collection of Water Rate (bye-laws) 2009 (as amended in April 2009), every house in slum area shall be provided with water connections with 15 mm diameter pipe on collection of ₹ 600 per house (cement concrete house) and ₹ 500 per house (non-cement concrete house) at the time of installation.

Scrutiny of records (June 2010) of Executive Engineer, Water Works Department (EEWWD) of NCMC, Nagpur revealed that the Corporation released water connections to 5057 houses (2086 cement concrete house and 2971 non-cement concrete house) in the slum area of Dharampeth Zone during the period from April 2009 to October 2010. However, no water connection charges were collected from the consumers at prescribed rate. This has resulted in short collection of water connection charges amounting to ₹ 27.37 lakh.

The EE, WWD of NCMC while accepting the fact stated (June 2010) that as per policy and to reduce wastage of water through Public Stand Posts, the water connections were provided. Installation of meters on existing and new connections was under consideration and water connections/installations charges would be levied from consumers at the time of recovery of water charges. In May 2011, the NCMC stated that water connection charges would be recovered from next billing cycle.

Reply is not tenable as the water connection charges should have been recovered at the time of providing water connections and though more than one year has been lapsed since release of water connections no recovery has been made so far (November 2011).

The matter was referred to Government in November 2010. Reply has not been received (May 2012).

6.7 Excess payment of contribution towards cultural activities

Non-observance of prescribed provision of Nagpur City Municipal Corporation Act, 1948 by the Municipal Corporation, Nagpur resulted in excess payment of contributions of ₹ 1.99 crore to the various organizations/Agencies towards cultural activities.

As per provisions contained in Section 58(ra) of NCMC Act, 1948, Municipal Corporation can make contribution towards entertainment and cultural events and the total expenditure on account of contributions towards all cultural activities during a financial year shall not exceed ₹ 25000 or such higher amount as the State Government may sanction from time to time by notification published in Official Gazette. The amount of ₹ 25000 has been notified and this has not been revised as of October 2011.

Scrutiny of records (June 2010) of NCMC revealed that the Municipal Commissioner (MC) had spent ₹ 1.99 crore on account of contributions to voluntary organizations for organizing exhibitions, sports and cultural events (25 instances) in last two years (₹ 1.53 crore in 2008-09 and ₹ 45.75 lakh in 2009-10) as against the permissible limit of ₹ 25000 in a financial year (₹ 50000 for two years). This has resulted in excess payment of contributions of ₹ 1.99 crore.

NCMC while accepting the facts stated (June 2011) that the financial assistance has been made to these organizations as per approval of General Body of NCMC. However, neither relevant provisions in the Act nor order of the Government permitted any such expenditure exceeding the ceiling of ₹ 25000 for a year.

The Sports and Cultural Officer of NCMC in reply further stated (June 2011) that the Chief Accounts and Finance Officer did not raise any objection while making payment to the various cultural organizations. However, during the year 2010-11, no assistance for such activities has been rendered.

The reply was indicative of the weak internal control mechanism of the NCMC and thus the payment of contribution of ₹ 1.99 crore was in violation of provisions of NCMC Act and therefore was irregular.

The matter was referred to Government in October 2010. Reply has not been received (May 2012).

AMRAVATI MUNICIPAL CORPORATION

6.8 Idle investment on construction of building of abattoir

Building for an abattoir completed at a cost of ₹ 95.95 lakh was not put to use since its completion for want of consent from the Maharashtra Pollution Control Board rendering the expenditure infructuous.

As per section 25 and 26 of Water (Prevention and control of pollution) Act, 1974 (Act), no industry or operator process or any treatment and disposal system can be established without the previous consent of Maharashtra

Pollution Control Board (MPCB).

Scrutiny of the records of Amravati Municipal Corporation (AMC) (September 2011) revealed that Government of India approved (March 1998) the project of modernization of abattoir at Tarkheda-Valgaon road in AMC limit at an estimated cost of ₹ 98.20 lakh and released grant of ₹ 47 lakh[44] between January 2000 and February 2003 to the AMC. AMC had applied (May 2003) for consent to establish slaughter house, but MPCB did not give the consent on the ground of non-submission of details of Effluent Treatment Plant (ETP), solid waste treatment and slaughtering of animals process. Though the AMC has not acquired the land required for ETP and bio-digester, it proceeded (March 2004) with award of tender for construction of building at a cost of ₹ 95.95 lakh and the work was completed in March 2005. The Amravati MC again applied (June 2006) after a lapse of nearly two years from start of construction of building to MPCB for consent to operate abattoir. MPCB had pointed out (April 2008) that the land for establishment of ETP and bio-digester was inadequate. The AMC acquired (January 2010) the additional land for ETP but same could not be established till September 2011. Thus, due to delay in acquiring land for establishment of ETP and bio-digester even after six years of construction of building of abattoir, the expenditure of ₹ 95.95 lakh remained infructuous.

The Environment Conservation Officer of AMC stated (September 2011) that a Project Management Consultant has been appointed and action was being taken by the Veterinary Department and Construction Division of AMC to construct the ETP and bio-digester.

The matter was reported to Government in November 2011. Reply has not been received (May 2012).

6.9 Thematic Audit on "Repairs and Maintenance to road works in Municipal Corporation of Greater Mumbai"

6.9.1 Introduction

The Municipal Corporation of Greater Mumbai (MCGM) is controlled by the City of Mumbai Municipal Act, 1888. The Municipal area of 437.71 square kilometer (sq.km.) is divided into 24 wards which are grouped under administrative zones to serve the civic needs of nearly one crore citizens. One of the main function of the MCGM is construction and maintenance of public roads and bridges in motorable condition within municipal limit excluding highways and freeways, flyovers of Maharashtra State Road Development Corporation (MSRDC), roads in jurisdiction of Mumbai Metropolitan Regional Development Authority (MMRDA), Maharashtra Housing and Area Development Authority (MHADA), Public Works Department (PWD) and Mumbai Port Trust (MBPT). All the roads with a width of nine meters or less are classified as minor roads and they are maintained and looked after by the Ward offices. Roads with a width of more than nine meters and all bus routes

[44] ₹ 10 lakh vide order dated 07 January 2000 and ₹ 37 lakh vide order dated 24 February 2003

even if they are narrower are looked after by the Central Agency. The division of length between the two categories was approximately equal.

6.9.2 Organisational set up

The office of the Chief Engineer (CE) Roads, Traffic and Bridges Department was established in the year 1998. Earlier, it was the Road and Storm Water Drain Department (SWD) headed by a CE. The Bridges Department was merged in CE from 18 November 2006. The organizational set up of the Road Department under the MCGM is depicted in **Appendix XIII.**

The roles and responsibilities at the level of central agency and wards are as follows:

Name of the functionaries	Roles and responsibilities
Director, Engineering Service and Project (ES&P)	Overall in-charge of the Road Department. Chief Engineer and Dy. Chief Engineer of Central Agency are working under technical guidance of the Director, ES&P.
Dy. Municipal Commissioner (DMC)	Overall in-charge of the Zone of the wards. Ex. Engineer (maintenance) at ward level of each zone is working under the control of DMC.
Chief Engineer, Roads, Traffic and Bridges	Head of the Road Department. Dy.C.E. of Central Agency working under the control of C.E. Road Department.
Dy. Chief Engineers, City, Western and Eastern Suburb of Central Agency	In-charge of the Divisions viz. City, Western and Eastern suburb divisions, who are looking after the roads with width above nine meter and all bus routes even if they are narrower.
Executive Engineers (maintenance)	Ward level in-charge for maintenance of the roads and are looking after the roads with a width of nine meters or less classified as minor roads.

6.9.3 Audit Objectives

The audit was conducted with a view to assess whether :

- the repairs were properly planned and adequate provision of funds was made,
- the proper tendering process had been followed for repairs and maintenance of road works,
- the repairs were undertaken effectively and economically, and
- system of monitoring and evaluation of works was established and was effective.

6.9.4 Audit Criteria

The criteria used for the performance audit were:

- Mumbai Municipal Corporation Act, 1888 (MMC Act)

- Municipal Account Code, 1971
- Report of the Standing Technical Advisory Committee (STAC Report) on Roads in Greater Mumbai (2004)
- General Conditions of the Contract for civil works (GCC),
- Orders, circulars, guidelines issued by State Government/MCGM.

6.9.5 Audit coverage and methodology

The thematic audit of repairs and maintenance to road works in MCGM, covering the period from 2007-08 to 2010-11[45] was conducted during October 2011 to November 2011 selecting all three[46] divisions and six[47] ward offices by random selection. The objectives, scope of audit and methodology were discussed in the entry conference held on 25 August 2011 with CE, Roads, Traffic and Bridges. The audit findings on performance audit were discussed with CE in the exit conference which was held on 30 November 2011. The audit findings are discussed in succeeding paragraphs.

6.9.6 Physical and financial status of Road Department

The MCGM is maintaining 1941 Kilometers (KMs) of roads, of which 506 KMs situated in city, 928 KMs situated in Western suburb and 507 KMs situated in Eastern suburb. The length of asphalt road decreased to 1436 KMs (2010-11) from 1570 KMs (2006-07) due to conversion to cement concrete (CC) road. As a result, length of CC roads increased to 505 KMs (2010-11) from 371 KMs (2006-07).

Details of revenue expenditure and capital expenditure incurred by Central Agency and ward offices against the budget estimates for Department as a whole including roads, traffic and bridges works for the year 2007-08 to 2010-11 were as follows :

Particulars	2007-08		2008-09		2009-10		2010-11	
	Budget	Actuals	Budget	Actuals	Budget	Actuals	Budget	Actuals
Revenue Expenditure	233.24	276.88	222.43	193.48	248.42	220.87	294.52	225.44
Capital Expenditure[48]	687.46	546.03	1051.34	930.56	1077.01	864.70	627.73	495.36
Total	**920.70**	**822.91**	**1273.77**	**1124.04**	**1325.43**	**1085.57**	**922.25**	**720.80**

(Source: SAP system generated reports of MCGM)

[45] The MCGM introduced the SAP system from the year 2007-08, hence the audit coverage is considered for last four years
[46] City, Eastern Suburb and Western Suburb
[47] D, G/north, K/west, L, N and P/north
[48] Capital expenditure reflects expenditure incurred on improvement and strengthening of roads

6.9.7 Audit Findings

6.9.7.1 Idle investment of ₹ 2.34 crore in pothole filling machines

With a view to mechanically and speedy filling of potholes by using spray injection patcher, order for supply of three imported pothole repairing machines at a cost of ₹ 2.34 crore was placed (June 2008) on M/s Speco Infrastructure, Mumbai. The scope of work *inter-alia* contained (a) one year free maintenance and comprehensive maintenance for next three years at ₹ 26 lakh per year and (b) the supplier has to maintain and operate the machine for filling of potholes and spot repairs for approximate quantity of 15000 square meter (sq.m.) at ₹ 630 per sq.m. during first year.

Audit scrutiny revealed (October 2011) that all three pothole filling machines were supplied (November 2008) to MCGM and payment of ₹ 2.34 crore was released (2008-09). Further, an amount of ₹ 0.58 crore was paid (2009-10) for a quantity of 9171 sq.m. executed against the 15000 sq.m. estimated, on account of pot filling work done through machine. Subsequently, one machine each was allotted to City, Western suburb and Eastern suburbs and were kept in the mechanical workshops of the MCGM at Worli, Santacruz and Ghatkopar respectively. The machines could not be used for filling potholes on minor roads having width less than nine meters, as it would affect the moving traffic on these roads. A test check of the records of six[49] wards and the information made available by 13[50] wards, it was observed that out of the total quantity of 714544.10 sq.m of pothole filling executed during 2010 and 2011 (monsoon), a meager quantity (141.75 sq.m) of pothole filling was done by machines.

Pothole filling machine in Mechanical Division at Ghatkopar (Eastern Suburb) dated 18 October 2011

Pothole filling machine in Mechanical Division at Worli (City) dated 11 October 2011

Thus, due to non-utilisation of the machines, the investment of ₹ 2.34 crore became idle with liability of ₹ 52 lakh towards comprehensive maintenance for two years.

MCGM stated (December 2011) that the machines were procured on experimental basis and would be implemented, if found successful.

The reply is not acceptable as MCGM has not considered the fact that the machines could only be used for certain width of roads before their procurement.

[49] D,G/north, K/west, L, N and P/north
[50] A, B, C, E, F/south, F/north, H/west, K/east, M/east, M/west, P/south, R/south and T

6.9.7.2 Blockade of funds of ₹ 1.76 crore due to inordinate delay in development of 'Road Management and Maintenance System'

Considering the large network of roads in Mumbai and the problems faced, the MCGM based on recommendation (December 2004) of STAC decided to improve its ability to plan and manage road maintenance operation through the development of Road Management and Maintenance System (RMMS). For this purpose, Mumbai Urban Transport Project (MUTP) was initiated during the year 2006-07 with the aid of World Bank.

The MCGM placed (September 2007) a Letter of Assignment (LoA) on M/s Sheladia Associates Inc, USA (In JV) in association with Pell Frishmall Consultant Ltd., UK and Frishmall Prabhu (India) Pvt. Ltd. at a cost of ₹ 3.19 crore for rendering technical assistance for development of RMMS in MCGM.

As per the payment schedule of agreement,

- 10 *per cent* of contract price was to be paid on submission of inception report,
- 20 *per cent* on submission of first quarterly report,
- 25 *per cent* on submission of second quarterly report,
- 25 *per cent* on submission of third quarterly report and on satisfactory trial run of the computerized maintenance and management system and
- remaining 20 *per cent* on approval of the final report.

The consultant completed the work and submitted (November 2008) their final report. The MCGM released ₹ 1.76 crore by the end of March 2009 being 55 *per cent* of the value of the agreement.

Audit scrutiny revealed (October 2011) that the consultant had not completed the work to the satisfaction of World Bank and MCGM. The final report prepared (November 2008) by the consultant was not approved by the MCGM as the consultant was stated to have skipped many of the tasks. Therefore, the MCGM informed (December 2008) the consultant to restructure the schedule of the project and complete the balance work immediately. There was no response from the consultant so far (November 2011). The MCGM could not initiate any penal action against the consultant as there was no provision in the contract/terms of reference. Further, no Bank Guarantee/Security Deposit was obtained by MCGM before execution of agreement. This has resulted in blockade of funds of ₹ 1.76 crore from March 2009 due to inordinate delay in development of RMMS.

During Exit Conference (November 2011), CE assured that reply would be obtained from the concerned Deputy CE and submitted to Audit, which is awaited (May 2012).

6.9.7.3 Award of pothole filling and spot repairs work without inviting tender

The ward wise biannual tenders for pothole filling and spot repairs were originally awarded (May 2008) to 24 Civil Works Contractors (CWC) vide contract No. AC- 76 for the period from 12 May 2008 to 31 March 2010. The scope of work was to carry out the work of pothole filling as well as spot repairs for all major and minor roads. The rates quoted by the CWC ranged between 23 *per cent* below and 7.20 *per cent* above the Fair Market Rate (FMR).

The scope of pothole filling work in CWC contract (AC 76) was restricted to minor roads for the year 2009-10. The work of filling of potholes with pothole filling machines was entrusted (March 2009) at ₹ 630 per sq.m. to M/s Speco Infrastructure, which was not in CWC. The work order specified the scope of work, to the extent of pre-monsoon pothole filling work of medium and major roads, in the entire municipal area with use of pothole filling machine. In case of breakdown of pothole filling machine or any other problem contractor should attend the potholes by making alternative arrangement within the stipulated time limit. Subsequently, the Standing Committee decided (May 2009) to award the work of pothole filling through conventional method also to M/s Speco Infrastructure at 23 *per cent* below FMR with the applicable tender conditions of the CWC No. AC 76, without inviting tenders. The contractor executed 776261 sq.m. quantity out of 785432 sq.m. of pothole filling by means of conventional method (at ₹ 819 per sq.m.) during 2009 (monsoon) and the Corporation released (March 2010) ₹ 63.58 crore.

Thus, awarding of contract without inviting public tenders was not only in violation of Section 72(1) of the MMC Act, 1888 but also resulted in extending of unintended benefit to the contractor. Apart from this, the Corporation could have avoided extra cost of ₹ 14.67[51] crore if all the work of pothole filling in major roads was executed by the machines instead of conventional method.

In reply Dy. CE (Roads) City stated (January 2012) that during the monsoon period pothole detected are required to be attended within 24 hours for ease to traffic and public movement and it was not possible to attend all potholes in monsoon at various location in wards by one machine, hence the contractor was allowed to fill potholes by conventional method.

The reply is not acceptable as the main purpose of procurement of machine was to carry out pothole filling work on major roads speedily with latest technology at low cost. Further, the work was awarded without inviting tenders.

6.9.7.4 Non-recovery of Additional Security Deposit of ₹ 20.98 crore

As per tender condition No. 3.44 of the CWC No. 76, the contractor should submit Additional Security Deposit (ASD) at the rate of three *per cent* of the estimated cost for every percentage quoted below 12 *per cent* in form of DD/Pay order in the name of MCGM before awarding of additional work. Audit scrutiny revealed (November 2011) that the ASD of ₹ 20.98 [52]crore was

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[51] 776261 x (₹ 819 - ₹ 630)
[52] (23-12) x 3 = 33, i.e 33 *per cent* of ₹ 63.58 crore = ₹ 20.98 crore

not recovered (November 2011) from the above agency resulting in undue financial aid to the contractor. Besides, the Corporation was deprived of using the interest free amount of ₹ 20.98 crore on account of ASD which resulted in loss of interest of ₹ 0.84 crore to the Corporation for the period from February 2009 to September 2009 at the rate of six *per cent* per annum.

In reply Dy CE (Roads) City Division (January 2012) stated that as per MCGM's requests the contractor reduced the cost of filling of pothole to 23 *per cent* from 12 *per cent* and they have completed the work satisfactorily. Further, Additional Municipal Commissioner had accorded approval for not to insist for ASD based on reduction in rate by 23 *per cent* rate.

The reply is not acceptable as the ASD was required to be recovered before awarding of contract as per tender condition No.3.44 of the CWC No. 76.

6.9.7.5 Loss of interest due to delay in recovery of Additional Security Deposit for additional works

As per clause 3.44 of instructions to the tenderer, the contractor should deposit with MCGM, three *per cent* of the estimated cost of works as ASD by way of demand draft/pay order before awarding of work, which should be refunded after satisfactory completion of work. The terms and conditions of original contract *mutatis mutandis* apply to the additional work also.

Audit scrutiny revealed (October/November 2011) that an amount of ₹ 35.01 crore on account of ASD for 48 asphalt and CC road works was recovered with a delay ranging between 1 to 24 months, after issue of work order for additional work. Due to delay in recovery of ASD on additional works the Corporation incurred a loss of ₹ 1.38 crore being the interest at six *per cent* per annum.

6.9.7.6 Awarding of works by variation in original contracts without inviting tenders

As per the provisions contained in section 72(1) of the Mumbai Municipal Corporation (MMC) Act, 1888, public tenders were to be invited before entering into any contracts for execution of any work involving expenditure exceeding ₹ 50,000. Apart from this, the Commissioner, MCGM also issued guidelines from time to time that award of any additional work by variation to the original contract was strictly prohibited.

Audit scrutiny revealed (December 2009 and October 2011) that 30 out of 46 cement concrete (CC) road works and 29 out of 42 asphalt road works having additional contract cost of ₹ 469.09 crore and ₹ 233.22 crore, against original cost of ₹ 755.05 crore and ₹ 405.07 crore respectively were awarded by variations directly to the ongoing contractors during the year 2007-08 to 2010-11, without inviting any tender as detailed in **Appendix XIV.** The variation to the original cost in respect of CC roads was 62 *per cent* and for asphalt roads it was 57 *per cent.* The variations were mainly due to taking up of fresh road works at different locations from original works entrusted by the department to ongoing agencies for which tenders could have been invited.

The urgency for taking up the works as variation to original contract was also not justified. This has not only resulted in violation of MMC Act and directives circulated by MCGM from time to time, but also deprived of the benefit of competitive rates.

In reply Deputy Chief Engineer, (Roads) City, Western Suburb Division stated (November 2011) that during the execution of asphalt/CC road contract works local councilors, MLAs, MPs had insisted for improvement of various roads within their ward limit on top priority basis to give immediate relief to road users. Accordingly, estimates had been prepared for improvement of various roads in CC paver blocks. As it was difficult to float the fresh tenders for completing the due process of invitation of tenders before forthcoming code of conduct to be declared for general election of members of parliament and thereafter member of legislative assembly in State, it was proposed to vary the existing contracts to improve the roads on urgent basis.

The reply of the department was not acceptable as the department should have planned for inclusion of all road works after reviewing the demands of local councilors, MLAs, MPs before inviting tender and should have ensured that there is no variation to the original work which is in violation of MMC Act and this also deprived the MCGM from the benefit of competitive rates.

6.9.7.7 Deprival of benefit of rebate of ₹ 1.40 crore due to tendering before finalization of design

The work of concreting and improvement of side strips of roads in 'S' and 'T' wards (Work code E-196) was awarded (April 2007) to M/s. Rupesh Corporation & Supreme Infra India Ltd. (JV) for a tendered cost of ₹ 12.68 crore with a rebate of 12.80 *per cent*. The time period for the work was 12 months excluding monsoon.

Before awarding of above work the department asked (December 2006) IIT Mumbai to analyse and submit the design for work of widening and construction of the Mulund Goregaon Link road between eastern express highways and railway flyover bridge. Despite knowing well in advance that the designs of widening work were going to be changed after receipt of detailed report from the IIT, the department had included (October 2006) the said work in the tender of E-196. The contract was revised (December 2008) to tendered cost of ₹ 15.59 crore after receipt of detailed design from the IIT and sanctioned fair item[53] of ₹ 10.96 crore without rebate due to change in design.

Thus, due to inviting the tender before finalisation of design of the widening and construction of Mulund Goregaon link road between eastern express highways to railway flyover bridge, the department was deprived of the benefit of rebate of ₹ 1.40 crore at 12.80 *per cent* on fair item of ₹ 10.96 crore.

[53] Fair item – Item not included in tender document and rate of which is not in prevailing FMR

6.9.7.8 Non-implementation of recommendations made by Standing Technical Advisory Committee

With a view to get expert advice on all aspects of road construction, design, maintenance and specifications, for achieving better quality of roads having regard to the importance of Mumbai, a Standing Technical Advisory Committee (STAC) under the chairmanship of Pr. Secretary, PWD to evaluate road related issues was appointed (September 2004). The Committee submitted (December 2004) the report and made 90 recommendations. Few illustrative important recommendations of the STAC *inter alia* pertaining to quality control aspects which were not implemented is given below:

1) Incorporation of quality control and quality assurance provisions in the specifications and proper degree of supervision of work.
2) Introduction of a system of maintaining proper quality records, methods, statements for controlling quality of work, records of non-confirming work, result of quality audit, etc.
3) Checking the work of contractor at senior level like Ex-Engineer, Dy. Chief Engineer who should review the test results, collect samples at random and then certify about satisfactory completion of road. A drill of minimum site inspections, recording their observations and checking by senior engineers should be specified.
4) Progressive development of Maintenance Management System. preparation of checklists for maintenance and repairs of roads which can be classified into current or routine maintenance. Detailed proposals should be framed for special repairs as per need with the help of Pavement Maintenance Management System.
5) Whereby various attributes of that work are graded on a scale of 0 – 5 and sum total of such grading gives an idea of the quality index of the work. Use of quality index of construction and maintenance work introduced by the Indian Road Congress to review the work of contractors and supervisory staff.
6) Quality audit through external agency as per ISO 9000.
7) Preparation and publication of Quality Assurance Manual.
8) Introduction of concept of Quality Grading of works on the basis of various attributes.

6.9.8 Conclusion

On overview of repair and maintenance of road works in MCGM revealed that the works of software development taken up on recommendation of STAC to improve the ability to plan and manage road maintenance operation better was not finalised and remained incomplete after incurring considerable expenditure. Three pothole filling machines imported three years ago for mechanically and speedy filling of potholes were not put to use due to narrow roads, traffic problems and are lying idle from last two years. Large number of works having sizeable value were awarded by variation as additional works without inviting tenders in violation of the provision of MMC Act, 1888.

The matter was referred to Government in December 2011. Reply has not been received (May 2012).

(MALA SINHA)
Principal Accountant General (Audit) I,
Maharashtra

Mumbai,
The 4 July, 2012

Countersigned

(VINOD RAI)
Comptroller and Auditor General of India

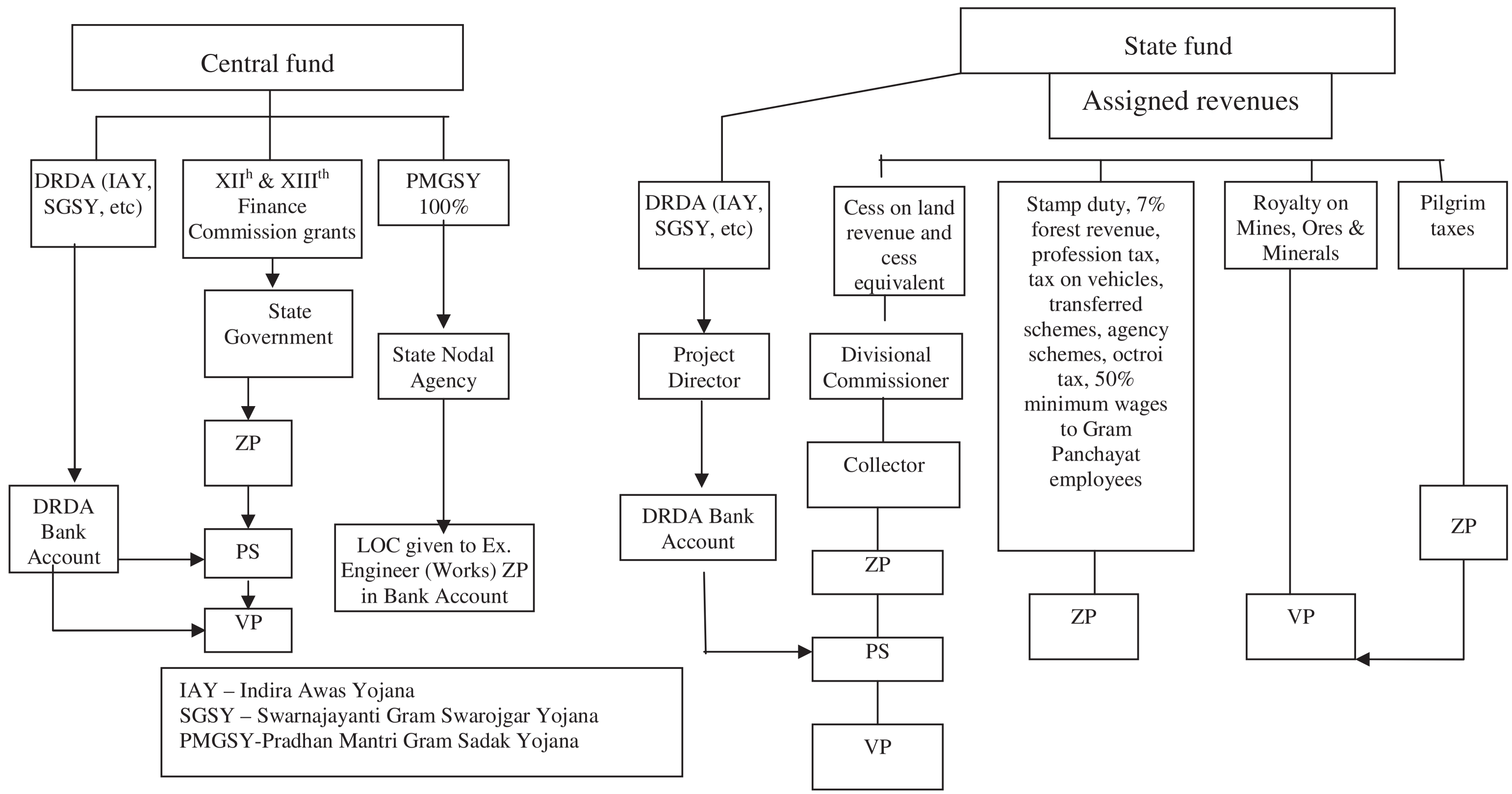
New Delhi,
The 5 July, 2012

APPENDICES

APPENDIX I

(Reference: Paragraph 1.4.4 ; Page 3)

FUND FLOW STATEMENT



APPENDIX II

(*Reference: Paragraph 1.7.3; Page 6*)

Details of expenditure on transferred schemes, agency schemes and Zilla Parishad's Own Schemes for the year 2010-11

(₹ in crore)

Sr. No.	Name of Zilla Parishad	Expenditure on Transferred Schemes	Expenditure on Agency Schemes	Expenditure on ZPs Own Schemes	Total Expenditure
1	AHMEDNAGAR	797.00	53.00	47.00	897.00
2	AKOLA	289.90	46.10	14.31	350.31
3	AMRAVATI	495.94	59.50	33.19	588.63
4	AURANGABAD	477.29	47.11	60.22	584.62
5	BHANDARA	251.50	25.80	30.87	308.17
6	BULDHANA	516.00	61.00	462.00	1039.00
7	CHANDRAPUR	841.96	91.88	86.31	1020.15
8	DHULE	312.84	32.68	28.54	374.06
9	GADCHIROLI	287.86	33.39	8.82	330.07
10	GONDIA	530.70	68.07	64.79	663.56
11	HINGOLI	224.10	13.76	2.77	240.63
12	JALGAON	559.06	137.24	509.84	1206.14
13	JALNA	304.66	29.86	9.66	344.18
14	KOLHAPUR	619.52	52.63	16.68	688.83
15	LATUR	460.83	31.78	7.50	500.11
16	NAGPUR	873.65	110.61	52.13	1036.39
17	NANDED	528.12	57.17	3.33	588.62
18	NANDURBAR	248.49	43.36	19.91	311.76
19	NASHIK	793.38	56.83	35.57	885.78
20	OSMANABAD	360.11	23.49	3.37	386.97
21	PARBHANI	316.24	33.10	3.23	352.57
22	PUNE	779.91	97.65	552.46	1430.02
23	RATNAGIRI	475.51	38.04	23.01	536.56
24	RAIGAD	452.26	47.66	43.64	543.56
25	SANGLI	530.31	41.80	6.27	578.38
26	SATARA	648.25	62.35	18.93	729.53
27	SINDHUDURG	310.55	26.00	17.91	354.46
28	SOLAPUR	1251.78	92.22	51.03	1395.03
29	THANE	667.97	60.06	44.41	772.44
30	WARDHA	273.68	44.49	219.47	537.64
31	WASHIM	201.60	26.15	3.05	230.80
	Total	**15680.97**	**1644.78**	**2480.22**	**19805.97**

(Source: Information received from CAFOs of respective ZPs)

Appendix III

(Reference : Paragraph 2.1.7.2, Page No. 17)

Non-reconciliation of cash book balances and bank balances as on 31 March 2011

Sl. No.	Name of the cash book	Cash book balance	Bank balance	Difference	Reconciliation done up to	Arrears in reconciliation as on 31.3.2011
		(In ₹)				
1	District fund	136143238.2	212430080.8	76286842.60	March 2008	3 years
2	Agency scheme	30489365.34	117020420.3	86531055.04	March 2006	5 years
3	Maintenance and repair	1081066.2	977120.2	-103946	January 2007	4 years and 2 months
4	MP fund Shri Waghmare	473368	417287	-56081	March 2009	2 years
5	MP fund Shri Joshi	485918	259238	-226680	September 2005	5 years 6 months
6	MP fund Shri Deshpande	72610	75358	2748	March 2009	2 years
7	MP fund Shri Goyal	57726	74357	16631	March 2008	3 years
8	MP fund Shri Bajaj	7319974	10121432	2801458	March 2008	3 years
9	MP fund Shri Gawai	33867	34282	415	March 2009	2 years
10	MP fund Shri Darda	36028	35973	-55	March 2009	2 years
11	Sampoorna Rural Emp Scheme	123405	125582	2177	March 2007	4 years

Appendix IV

(Reference : Paragraph 2.1.8.4, Page No. 21)

Block-wise position of the construction of Jalpurty Irrigation wells and expenditure incurred in Wardha district

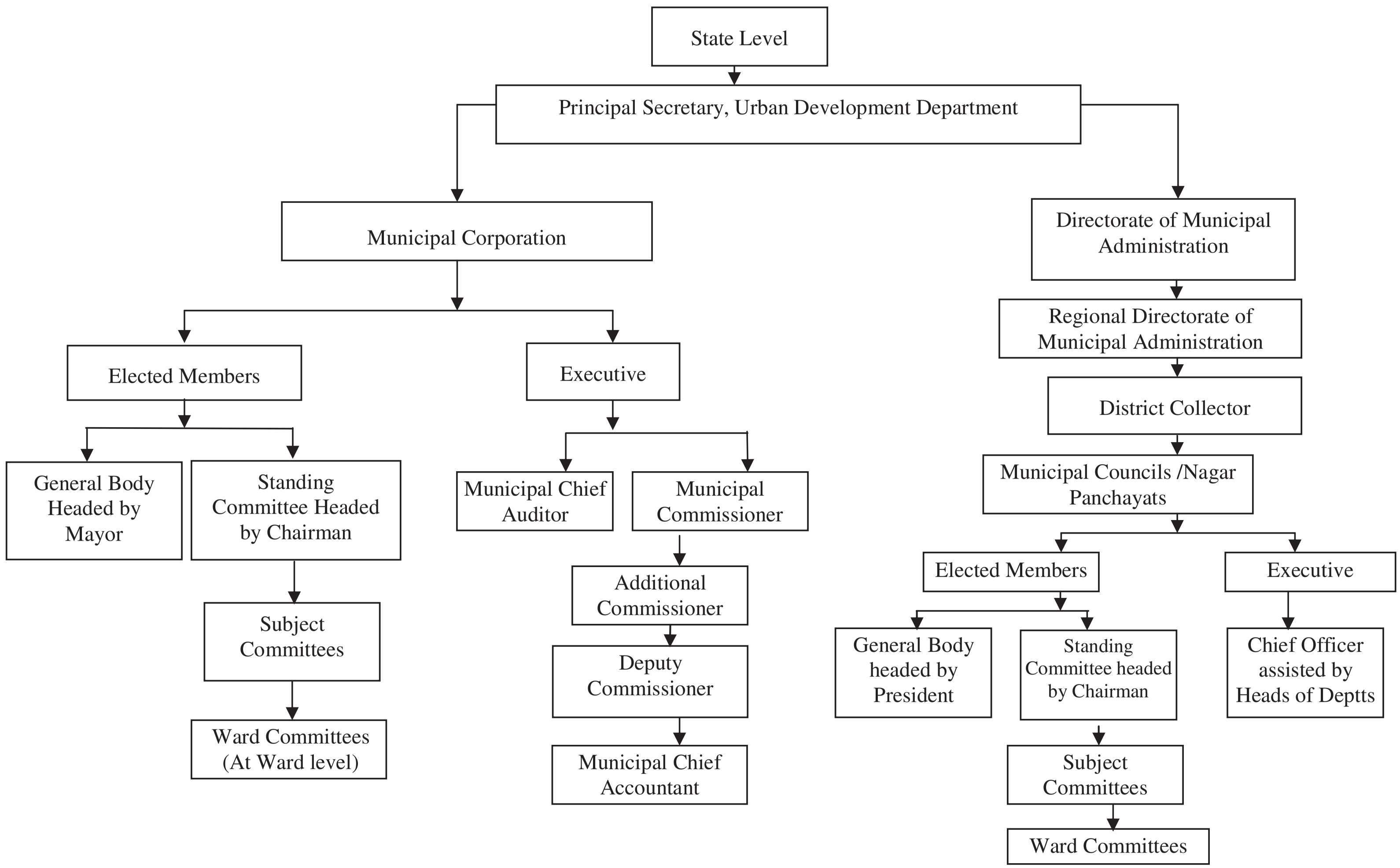
(₹ in lakh)

Sr. No.	Taluka	Sancti-oned Target	No. of agreements executed with beneficia-ries	No. of works started	No. of wells complet-ed	Grant received	Expendi-ture incurred	Unspent grant lying with BDO
1	Wardha	1005	942	697	358	692.5	580.32	112.18
2	Selu	1001	895	605	355	503.5	472.69	30.81
3	Deoli	1028	893	644	350	619.5	562.08	57.42
4	Arvi	1011	872	645	235	458.5	458.5	--
5	Hinganghat	1004	737	737	541	753.5	654.84	98.67
6	Samudrapur	943	857	695	509	633.43	604.72	28.71
7	Ashti	987	836	651	191	468.5	418.08	50.42
8	Karanja	970	870	663	205	449.5	449.5	--
	TOTAL	**7949**	**6902**	**5337**	**2744**	**4578.93**	**4200.73**	**378.21**

Appendix V

(Reference: Paragraph 4.3.1; Page 34)

Organisational Structure



Appendix VI

(Reference: Paragraph 4.4.5; Page 35)

Financial position of Municipal Corporations

(₹ in crore)

Sr. No.	Name of the Corporations	2008-09		2009-10		2010-11	
		Receipts	Expenditure	Receipts	Expenditure	Receipts	Expenditure
1	Ahmednagar	106.40	121.90	115.50	100.80	140.58	118.54
2	Akola	117.40	118.89	245.85	192.16	137.55	182.24
3	Amravati	93.22	96.78	156.80	138.87	124.55	113.43
4	Aurangabad	244.47	251.72	242.82	248.11	263.51	264.42
5	Bhivandi	242.03	236.77	409.21	187.03	227.08	265.93
6	MCGM	15658.44	15709.16	19035.16	18972.82	19053.07	17683.94
7	Dhule	69.82	76.21	109.93	100.32	106.73	96.30
8	Jalgaon	104.46	104.53	111.21	111.15	128.24	128.14
9	Kalyan-Dombivli	439.46	565.64	569.46	598.97	749.79	704.39
10	Kolhapur	124.38	120.30	139.04	155.80	184.33	182.85
11	Malegaon	63.84	61.44	151.39	123.35	129.01	134.08
12	Mira Bhayander	267.99	248.94	332.90	267.52	413.65	361.05
13	Nagpur	508.96	507.98	654.71	652.89	807.79	833.07
14	Nanded Waghala	427.20	425.00	385.39	311.05	348.78	367.11
15	Nashik	516.80	519.64	509.75	570.57	665.53	647.47
16	Navi Mumbai	735.32	650.54	823.63	916.26	1011.38	727.18
17	Pimpri Chinchwad	1575.31	1786.02	1281.34	996.58	1576.10	1013.10
18	Pune	1455.28	1469.83	2031.64	2190.85	2327.37	2062.29
19	Sangli	107.54	101.23	86.70	82.01	116.05	108.73
20	Solapur	144.45	144.45	162.52	196.43	364.40	305.08
21	Thane	793.06	806.36	1074.62	1003.15	1038.88	1019.08
22	Ulhasnagar	177.00	155.00	230.51	191.32	222.58	239.57
	Total	**23972.83**	**24278.33**	**28860.08**	**28308.01**	**30136.95**	**27557.99**

(Source: Information received from all Corporations)

Appendix VII

(Reference: Paragraph 4.4.7; Page 36)

Statement of expenditure of all Municipal Corporations during the period 2006-07 to 2010-11

(₹ in crore)

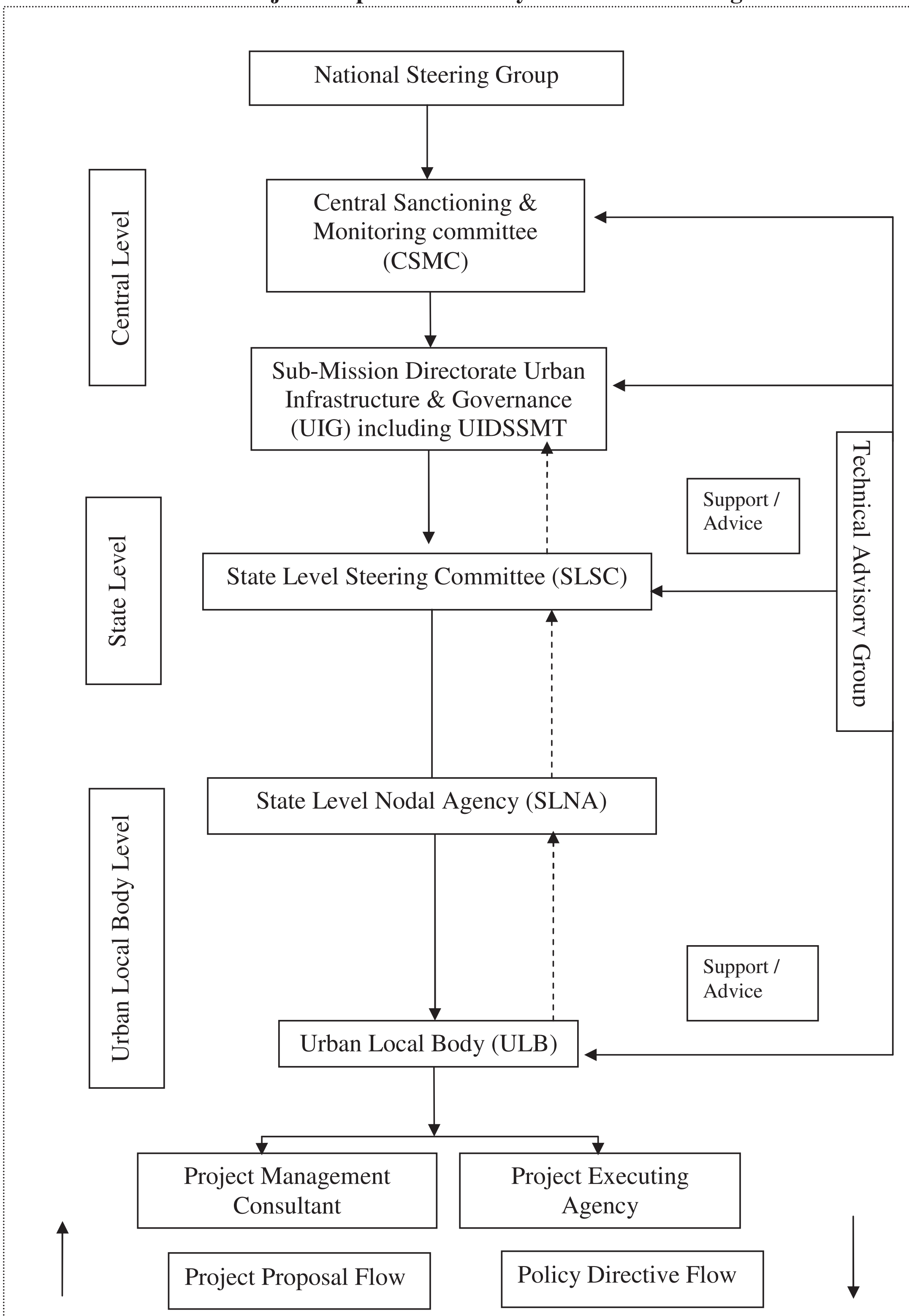
Municipal Corporation	2006-07		2007-08		2008-09		2009-10		2010-11	
	Total Expen-diture	Percen-tage to total	Total Expen-diture	Percen-tage to total	Total Expen-diture	Percen-tage to total	Total Expen-diture	Percen-tage to total	Total Expen-diture	Percen-tage to total
1. Administration (a) Establishment	4265	28.78	4741	29.05	4735	19.50	4674	16.51	6700	24.31
(b) Others	209	1.41	196	1.20	850	3.50	1692	5.98	613	2.22
2.Recovery of taxes	45	0.30	20	0.12	131	0.54	0	0	0	0
3. Street lighting	274	1.85	235	1.44	368	1.52	321	1.13	449	1.63
4. Water Supply	1410	9.51	1362	8.35	1857	7.65	1154	4.08	3700	13.43
5. Public Security	42	0.28	190	1.16	164	0.68	74	0.26	117	0.42
6. Public Health	651	4.39	1383	8.48	1736	7.15	572	2.02	1187	4.31
7. Drainage and sewerage	1047	7.07	1207	7.40	1121	4.62	506	1.79	1163	4.22
8. Construction works	1462	9.87	3540	21.69	5048	20.79	7082	25.02	3505	12.72
9. Transport	439	2.96	30	0.18	69	0.28	104	0.37	97	0.35
10. Education	289	1.95	793	4.86	1182	4.87	477	1.68	777	2.82
11. Expenditure on weaker sections	58	0.39	402	2.46	541	2.23	237	0.84	227	0.82
12. Extraordinary expenditure and loans extended	871	5.88	547	3.35	687	2.83	266	0.94	440	1.60
13. Other expenditure	3758	25.36	1674	10.26	5789	23.84	11149	39.38	8583	31.15
Total Col 2 to 13	10346	69.81	11383	69.75	18693	77.00	21942	77.51	20245	73.47
Total expenditure	**14820**	**100**	**16320**	**100**	**24278**	**100**	**28308**	**100**	**27558**	**100**

(Source : Information received from all corporations)

Appendix VIII

(Reference : Paragraph 5.1.2, Page No. 40)

Project Proposal and Policy Directive Flow diagram



Source: JNNURM guidelines)

Appendix IX

(Reference : Paragraph 5.1.5, Page 40)

Projects selected for scrutiny under UIG & UIDSSMT

UIG			UIDSSMT		
Sr. No.	**City**	**PROJECT**	**Sr. No.**	**City**	**PROJECT**
1	Pune	Augmentation & Upgradation of STPs & Pumping Station	1.	Katol	Water Supply Scheme
2	Kalyan	Augmentation of Existing Water Supply Sch. in KDMC	2.	Latur	1) Construction of drains 2) Construction of roads 3) Construction of road divider
3	Nanded	Improvement to sewerage sys in North Nanded - Zone III	3.	Jalna	Water Supply Scheme
4	Nagpur	Kanhan Augmentation Scheme	4.	Parbhani	Water Supply Scheme
5	Mumbai	Middle Vaitarna Water Supply for Mumbai-IV	5.	Washim	Water Supply Scheme
6	Mumbai	Mumbai Sewage Disposal Project Stage -II priority works	6.	Chandrapur	Sewerage Scheme
7	Nagpur	Road Over Bridges - 2 numbers	7	Malegaon	Water Supply Scheme
8	Pimpri	Sewerage Proposals - 2 nos	8	Chalisgaon	Water Supply Scheme
9	Pimpri	Sewerage System Phase 2	9	Ahmednagar	Water Supply Scheme
10	Pimpri	Solid Waste Management	10	Shirdi	Sewerage Scheme
11	Pimpri	Storm Water Drainage Phase I	11	Ichalkaranji	Water Supply Scheme
12	Kalyan	Underground Sewerage for Part of KDMC	12	Kolhapur	1) Sewerage Scheme 2) Water Supply Scheme 3) Mahalaxmi Temple Development
13	Thane	Underground Sewerage Scheme Phase-1	13	Solapur	Water Supply Scheme
14	Navi Mumbai	Underground Sewerage System for NMMC			
15	Nanded	Water Supply (Nanded South)			
16	Thane	Additional 110 MLD Water supply scheme			
17	Thane	Railway System Area Traffic Improvement Scheme (SATIS)			
18	Nagpur	Expansion and Upgradation of WS Distribution Network			
19	Nagpur	Energy Audit Project for Water Supply			
20	Nagpur	Water Sector-Leak Detection, Bulk Meters & Zone Residential			
21	Pune	Rd network and urban trans.: BRT-Pilot project			
22	Pune	Subway on Westerly Bypass at Baner Junction			
23	Nashik	Solid waste management			
24	Nanded	Improvement to movement in Nanded – Package IIIB - Structures			
25	Nanded	River front development of north bank Zone-3			

(Source: Quarterly Progress Reports of UIG & UIDSSMT)

Appendix X

(Reference : Paragraph 5.1.6.4; Page 43)

Projects delayed due to non-acquisition of land

(₹ in crore)

Corporations	Name of Project/component	Approved cost of work	Month of sanction of project	Month of completion as per DPR	Expenditure incurred	Physical progress as of March 2011. (*per cent*)
PCMC	Construction of STP at Sanghvi	17.90	August 2008	December 2010	5.69	5
	Storm Water Drainage Phase I	116.30	January 2009	April 2010	20.05	21
Nashik	Transfer Station with Ramp and Sanitation System	2.20	December 2006	December 2008	0	0
KDMC	100 MLD WTP Mohili	62.38	February 2009	February 2011	28.21	45
	Sewerage Pumping Station rising mains and STP in Dombivli East & West.	46.55	July 2008	May 2011	12.71	28
	Total	**245.33**			**66.66**	

(Source: Running account bills and Quarterly Progress Reports)

Appendix XI

(Reference : Paragraph 5.1.7.1; Page 45)

Details of works awarded in excess of approved cost

(₹ in crore)

Sr. No.	Name of Project	Sanctioned project cost	Awarded cost	Increased cost	*Percentage* increased
Municipal Corporation of Greater Mumbai					
1	Middle Vaitarna Water Supply for Mumbai-IV	1329.50	2006.66	677.16	51
2	Mumbai Sewage Disposal Project Stage-II priority works	364.47	436.86	72.39	20
Thane Municipal Corporation					
3	Additional 110 MLD Water supply scheme	71.18	87.53	16.35	23
4	Railway System Area Traffic Improvement Scheme (SATIS)	23.25	29.36	6.11	26
5	Underground Sewerage Scheme Phase-1	149.57	248.17	98.60	66
Navi Mumbai Municipal Corporation					
6	Underground Sewerage System for NMMC	353.67	467.65	113.98	32
Kalyan Dombivli Municipal Corporation					
7	Underground sewerage part of KDMC	169.63	221.45	51.82	31
Nagpur City Municipal Corporation					
8	Expansion and Upgradation of WS Distribution Network	37.93	43.49	5.56	15
9	Energy Audit Project for Water Supply	25.04	28.90	3.86	15
10	Kanhan Augmentation Scheme	82.17	87.65	5.48	7
Pune Municipal Corporation					
11	Rd network and urban trans.: BRT-Pilot project	103.14	135.03	31.89	31
12	Augmentation & Upgradation of STPs & Pumping Stations	86.13	138.46	52.33	61
13	Subway on Westerly Bypass at Baner Junction	7.26	7.90	0.64	9
Pimpri Chinchwad Municipal Corporation					
14	Sewerage Proposals - 2 nos	119.39	139.97	20.58	17
Nashik Municipal Corporation					
15	Solid waste management	59.99	68.91	8.92	15
Nanded-Waghala Municipal Corporation					
16	Improvement to sewerage system in North Nanded - Zone III	39.31	46.77	7.46	19
17	UG Sewerage and Sewage Treatment (Nanded South)	40.93	52.26	11.33	28
18	Improvement to movement network in Nanded Package IIIB Structures	58.15	64.28	6.13	11
19	River front development or north bank Zone-3	43.13	56.87	13.74	32
	Total	**3163.84**	**4368.17**	**1204.33**	

(Source: Quarterly Progress Reports)

Appendix XII

(Reference : Paragraph 5.1.7.3; Page 46)

Non-release of grants by GOI/GOM

(₹ in crore)

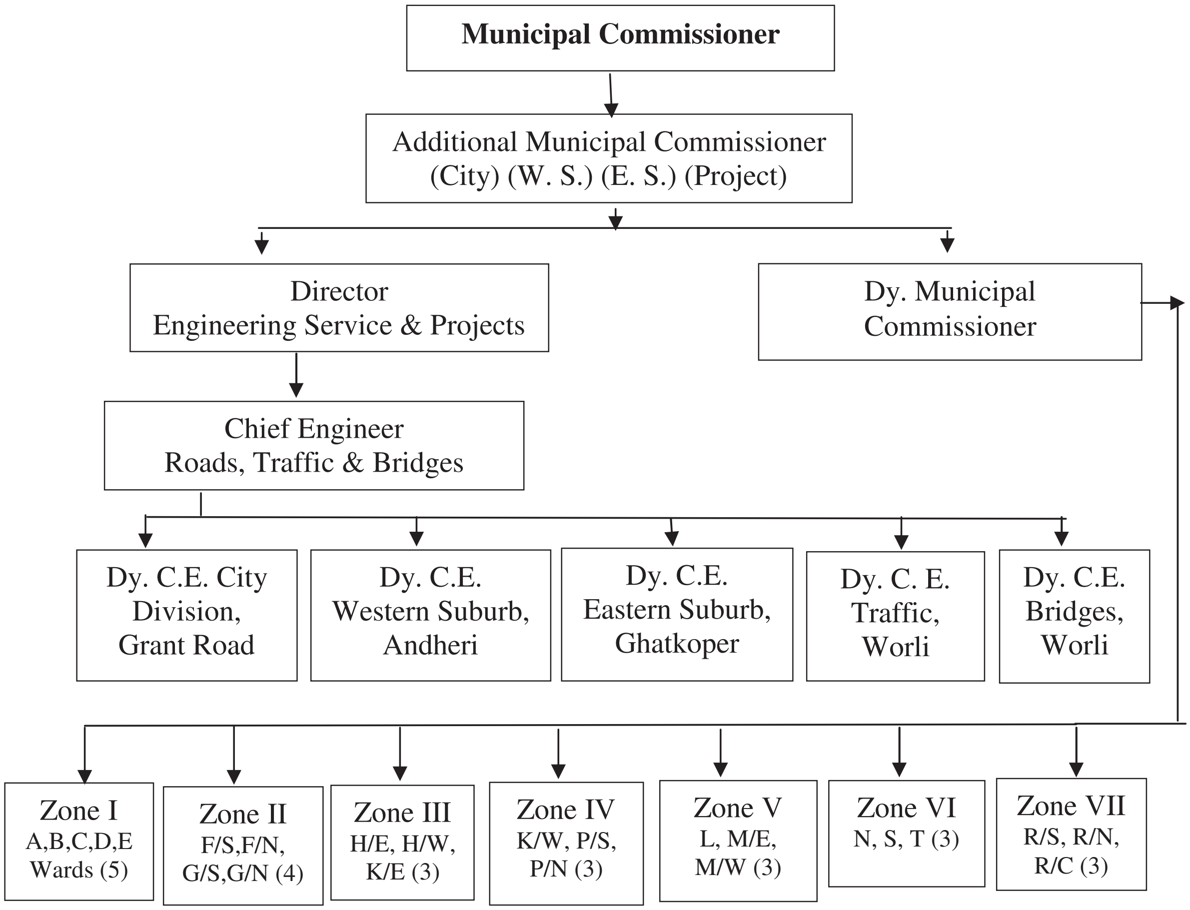
Corporations	Name of Project/component	Project cost	Date of claim	Pending claim		Reasons for non-release
				GOI	GOM	
Mumbai	MUIP Eastern freeway from POW Museum to APLR	336.13	13.09.10	29.43	12.61	Deviation from approved DPR and shortcomings like non submission of test reports of construction material as noticed in inspection of IRMA.
Pimpri Chinchwad	Water Supply Proposals (4 Nos.) for Pimpri Chinchwad.	358.62	23.03.10	44.83	17.93	Deviation from approved DPR and shortcomings like non submission of test reports of Pipes, material, Excess excavation etc. as noticed in inspection of IRMA.
Nashik	Strom Water Drain for Nashik Municipal Corporation.	310.31	01.02.11	38.79	14.52	Non achievement of reforms
Nanded	Under-ground sewerage and Sewerage Treatment (Nanded South)	40.93	16.02.09	08.19	01.02	Non achievement of reforms
			Total	**121.24**	**46.08**	

(Source: Progress Report of MMRDA)

Appendix XIII

(Reference : Paragraph 6.9.2, Page No. 87)

Organisational set up of MCGM- Road repairs



Appendix XIV

(Reference : Paragraph 6.9.7.6; Page No. 92)

Details of works awarded by variations directly to the ongoing contracts during the year 2007-08 to 2010-11 without inviting tenders

(₹ in crore)

Division	No. of works awarded		No. of works variated		Original contract cost		Additional contract cost		Revised contract cost	
	CC	Asphalt	CC	Asphalt	CC	Asphalt	CC	Asphalt	CC	Asphalt
City	6	18	4	10	192.24	147.89	91.6	65.49	283.84	213.38
Western	24	14	16	11	327.14	159.38	193.68	90.51	520.82	249.89
Eastern	16	10	10	8	235.67	98.43	183.81	77.22	419.48	175.65
Total	**46**	**42**	**30**	**29**	**755.05**	**405.70**	**469.09**	**233.22**	**1224.14**	**638.92**
Grand Total	**88**		**59**		**1160.75**		**702.31**		**1863.06**	

Variation to the original cost for CC road 62 *per cent*

Variation to the original cost for Asphalt road 57 *per cent*