

CHAPTER VII

PERFORMANCE AUDIT

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7.1 Working of Siliguri Municipal Corporation

HIGHLIGHTS

The Commercial Complex (at Ward No. 42) constructed after incurring an expenditure of ₹ 1.98 crore was lying idle which resulted in blockade of public fund.

[Paragraph 7.7.1]

The Municipal Corporation could not realise minimum sale proceeds amounting to ₹ 1.66 crore from a large number of shops / stalls (pertaining to its own portion) at *Haiderpara* Market Complex.

[Paragraph 7.7.2]

Due to non-revision of water charges for long, the Municipal Corporation had to incur an excess maintenance cost of ₹ 11.60 crore over the actual revenue realised during the period 2008-13.

[Paragraph 7.8.1.2]

Against the Notice Inviting Quotation issued in September 2010, the Municipal Corporation executed water supply works and purchased materials (aggregating ₹ 1.97 crore as of February 2014) without obtaining the approval of the State Government.

[Paragraph 7.8.1.3]

The Municipal Corporation had dumping ground / landfill site for disposal of wastes at *Dabgram Mouza*, for which authorisation from the West Bengal Pollution Control Board was not found on record.

[Paragraph 7.8.2.1]

Solid Waste Management Committees under the Municipal Corporation collected an amount of ₹ 3.01 crore from 43 Wards, during the period 2006-13. The said Committees directly incurred an expenditure of ₹ 2.74 crore on account of payment of wages to labourers / collectors / supervisors, miscellaneous purposes, etc. leaving an unspent balance of ₹ 0.18 crore and investment of ₹ 0.09 crore as of 31 March 2013. The entire collection, expenditure and investment were kept outside the main accounts of the Municipal Corporation in violation of prescribed Rules.

[Paragraph 7.8.2.3]

There was a difference of ₹ 2.52 crore (as of 31 March 2013) in actual closing balance with that of the corresponding figure(s) shown in Monthly Progress Report relating to Integrated Housing and Slum Development Programme.

[Paragraph 7.9.1.1]

SMC did not collect cess from individuals / builders during the period 2008-13.

[Paragraph 7.11.1]

7.1 Introduction

Siliguri Municipal Corporation (SMC) was established in the year 1994. Spread over an area of 41.90 sqkm, SMC had a population of 5.13 lakh as per Census 2011. The Municipal Corporation comprises of 47 wards grouped in five boroughs and has 0.96 lakh holdings including commercial holdings and markets. In addition to the obligatory duties and responsibilities as defined in West Bengal Municipal Corporation (WBMC) Act, 2006³², the Municipal Corporation is responsible for providing better conditions of habitation including supply of quality water, maintenance of roads and drains, conservancy works, construction and maintenance of sewerage works as well as implementation of various schemes, projects and programmes aided by both the Union Government and State Government.

7.2 Organisational structure

Municipal authorities include Board of Councillors, Mayor-in-Council and the Mayor. Commissioner is the principal Executive Officer of the Corporation. The Commissioner, Secretary to the Board of Councillors and other officials are appointed by the Department of Municipal Affairs of the State Government in consultation with the Mayor-in-Council / Board of Councillors.

7.3 Audit objectives

The objectives of audit were to examine whether :

- management of resources including assessment, demand and collection of various receipts were transparent, efficient and prudent;
- service delivery mechanisms were efficient, economical and effective;
- Government schemes were implemented with due adherence to respective guidelines; and
- internal controls were effective.

7.4 Scope and coverage of Audit

Activities of SMC covering the period 2008-13 with regard to resource mobilisation, service providing mechanism, internal controls, etc. were selected for performance audit between January and July 2014. An Entry Conference was held on 28 May 2014. Subsequently, an Exit Conference was held on 2 February 2015 with the Finance Officer of SMC in presence of the Special Secretary to the Government of West Bengal, Department of Municipal Affairs. In the Exit Conference audit findings, conclusion, etc. were discussed.

7.5 Audit criteria

Criteria for evaluation were mainly sourced from -

- SMC Act, 1990 and WBMC Act, 2006;
- West Bengal Municipal (Finance and Accounting) Rules, 1999;

³² Published in the *Kolkata Gazette, Extraordinary*, Part III, dated 29th May 2008, vide Notification No. 957-L., dated 29.05.2008.

- West Bengal Financial Rules, Volume I;
- Resolutions taken in Board of Councillors (BoC) / Mayor-in-Council (MIC) meetings;
- Guidelines of respective Schemes, Detailed Project Reports of Schemes;
- Other rules / regulations / resolutions / norms / laid down procedures concerning activities of the Municipal Corporation, etc.

7.6 Resource mobilisation

7.6.1 Lack of efforts in collection of outstanding property tax

Section 161 (1) of the WBMC Act, 2006, states that if any person defaults in paying the property tax within thirty days of the amount becoming due, the dues along with all costs, interest and penalty can be recovered by the Corporation after issuing appropriate warrant from the sale of the property, or by attachment and sale of the property in question.

The status of demand and collection of property tax during the period 2008-13 in respect of SMC is given below.

Table 7.1 : Status of demand and collection of property tax during the period 2008-13

Year	Demand			Actual Realisation			Closing Balance			Percentage of collection
	Arrear	Current	Total	Arrear	Current	Total	Arrear	Current	Total	
	(₹ in lakh)									
2008-09	404.54	359.72	764.26	99.75	243.86	343.61	304.79	115.86	420.65	45
2009-10	420.65	345.72	766.37	78.80	243.82	322.62	341.85	101.90	443.75	42
2010-11	443.75	355.27	799.02	100.08	263.28	363.36	343.67	91.99	435.66	45
2011-12	435.66	397.67	833.33	112.18	307.34	419.52	323.48	90.33	413.81	50
2012-13	413.81	428.70	842.51	154.85	312.20	467.05	258.96	116.50	375.46	55

Source : Data furnished by SMC.

From the above **Table** it would be evident that the collection of property tax was only between 42 and 55 *per cent* during the period covered by Audit. No Warrant Register was maintained till 2010-11; after that it was maintained only for a year (2011-12) and 17 warrants were issued during that year. The register was discontinued after a year. Thus Audit could not ascertain whether SMC made consistent efforts for collection of outstanding property tax. SMC only stated (January 2015) that percentage of property tax collection increased ‘consecutively per year’ which could have been a normal increase as per the trends.

Audit noticed that SMC did not maintain the basic records like Assessment Register where regular, revised and new demands are recorded, Remission Register which records every remission of taxes, surcharge, fees or tolls sanctioned under the Act, Register of Remission Order that records the details of remission cases or the Register that records details in respect of a defaulter, his properties and due amounts. Non-maintenance of basic records indicated lack of seriousness in enforcing taxation, apart from laxity of internal controls in the system. SMC accepted (January 2015) the Audit observation.

7.6.2 Lack of efforts in collection of advertisement tax, etc.

As per section 143 of the WBMC Act, 2006, the Commissioner shall grant licence for use of site for the purpose of advertisement. The licence for use of site for the purpose of advertisement or its renewal is to be issued annually in prescribed form in terms of the Rule 87 of the West Bengal Municipal (Finance and Accounting) Rules, 1999. Scrutiny of records revealed that SMC did not issue licence for use of site for the purpose of advertisement during the period 2008-13 while allowing for hoarding / advertisements to be displayed and collecting advertisement taxes thereon. As a result, SMC failed to check the contravention of law (if any) and generate revenue on account of license fee.

Besides, SMC was required to maintain a register in relation to advertisement tax in terms of Rule 91 of the Rules, but no such register was being maintained for the period 2008-13. In absence of Register, the details of advertisement tax could not be checked and verified in Audit. Besides, the Receipt Form used for advertisement tax was not in conformity with the form prescribed under the said Rules. In the Receipt Form used by SMC, there was no segregation of arrear and current collection. Had it been maintained in prescribed form arrear and current collection could have been easily segregated. Scrutiny of records further revealed that SMC conducted a survey / enquiry on unauthorised hoarding / advertisement in the municipal corporation area only in one year 2009-10 and subsequently issued notice to the defaulters to remove such illegal hoardings / advertisements, after which the advertisement tax collections increased substantially, as seen from the **Table** below. Since the effort could not be sustained, the collections have been falling again.

Table 7.2 : Status of collection of advertisement tax during 2008-13

Year	Advertisement Tax collected (₹ in lakh)
2008-09	60.17
2009-10	34.76
2010-11	87.66
2011-12	76.04
2012-13	49.74

Source : Data furnished by SMC.

SMC stated (February 2014) that the matter regarding ‘license for advertisement’ would be placed before the higher Authority ‘for decision’. It further assured that the requisite register for advertisement would be ‘maintained’ and necessary action would be initiated through field ‘survey / enquiry’ from the financial year 2013-14.

7.6.3 Poor monitoring of enlistment of profession, trade and calling

In terms of the section 141 of the WBMC Act, 2006, every person engaged, or intending to be engaged, in any of the professions, trades and callings, is required to obtain a certificate of enlistment and get the same renewed annually from the Commissioner upon presentation of an application together with the application fee determined by the Corporation. The Register of Certificate of Enlistment is required

to be maintained in accordance with Rule 83 of the West Bengal Municipal (Finance and Accounting) Rules, 1999. Audit found that the Register was not being maintained by the Corporation. In absence of the Register, issue of certificate and renewal thereof was not monitored by SMC. This indicated lack of internal control in the system. Also, SMC was losing the application fee.

7.7 Management of remunerative assets and other properties

7.7.1 Non-utilisation of Commercial Complex (at Ward No. 42) resulted in loss of revenue and blockage of fund

SMC undertook the construction of a Commercial Complex with 114 shops and a Community Hall on their own land under Integrated Development of Small and Medium Towns (IDSMT) Scheme in February 2004 at an estimated cost of ₹ 2.67 crore (at Ward No. 42). The work commenced on 26 May 2004 and was completed on 12 June 2006 at an actual cost of ₹ 1.98 crore.

However, scrutiny of records revealed that major portion of work like plastering of internal / external walls, flooring works at both the floors, doors etc. had remained incomplete. SMC informed (January 2015) that 10 supplementary item of works were executed (like additional earthwork, etc.) which were not contemplated in the original estimates, because of which no funds were left for the above stipulated items of work. These remained unattended since June 2006 and the SMC did not take any initiative to complete these works in order to make it viable for commercial use. It requested for permission of the State Government in February 2007 for outright sale of stalls / shops and open space in the said commercial complex, which was still awaited but there was no follow up. As a result the Commercial Complex had remained idle till date.



Status of the Commercial Complex at Ward No. 42 (as on 19 February 2014)

In the project report it was stipulated that after completion of the project it would ‘fetch a premium’ of ₹ 502.35 lakh and ‘annual rent’ of ₹ 14.03 lakh from the rent payers. The ‘cost-benefit analysis’ also indicated that the project would ‘fetch a net benefit of ₹ 130.18 lakh after 7 years’ which would make the project financially viable. But due to faulty estimates, and lack of follow-up efforts and initiative on the part of SMC, the asset created after incurring an expenditure of ₹ 1.98 crore was lying idle which resulted in blockade of public funds.

7.7.2 Construction of *Haiderpara* Market Complex without assessing its commercial viability resulted in huge loss of revenue, etc.

SMC constructed a market complex (G+3 structure) at *Haiderpara* in 2005-06 on municipal land measuring 43 *kottahs* (0.71 acre) with the help of a developer on joint venture basis. The total cost of the joint venture project was ₹ 4.43 crore of which SMC only provided the land (Cost: ₹ 0.90 crore), and the expenditure for civil and electrical works amounting to ₹ 3.53 crore was incurred by the developer. As per agreement with the developer, SMC was entitled to get the ownership of 30 *per cent* or 96 of the total 320 stalls constructed in the complex. It was also entitled to collect rent in respect of all the stalls once these are in use.

Audit noticed that the SMC floated tender notices during three occasions on 6 December 2003, 8 January 2004 and 6 January 2005 respectively for allotment of shops / stalls under its own share, but could sell only eight shops at the total cost of ₹ 30.83 lakh because of lack of demand. SMC did not take any further initiative to sell the remaining 88 shops / stalls.



Status of the *Haiderpara* Market Complex (as on 21 February 2014)

Further, it was also noticed that the developer could sell out only 28 shops / stalls (out of his total share of 224). It was seen by Audit that commercial activities were yet to gather momentum in the area, which was the reason for low demand. SMC did not conduct proper survey before commencing the project to assess its commercial viability. As a result, it could not realise minimum sale proceeds from the remaining shops / stalls (pertaining to its portion) amounting to ₹ 1.66 crore calculated at the minimum base rate of January 2005 when the last tender notice was floated by it.

7.8 Service Delivery

7.8.1 Water supply

Section 176 (1) of the West Bengal Municipal Corporation Act, 2006, states that it shall be the duty of every Corporation to supply water for the domestic use of inhabitants.

7.8.1.1 Shortfall in generation of water and non-completion of ongoing water supply project

The total population of SMC area was 5,13,264 as per Census 2011. Hence, as per norms actual requirement of water in the Corporation area would be 69.29 MLD³³. Compared to the existing capacity of 55.02 MLD (March 2013) as intimated by the SMC, the actual supply of water by SMC was only 35.93 MLD. Thus, there remained a shortfall of 33.36 MLD (48 *per cent*) against the actual requirement of 69.29 MLD. In order to meet the shortfall, it was required to complete the ongoing Water Supply Projects at the earliest.

Audit noticed that a project, ‘Added area Water Supply Scheme under UIDSSMT’ was taken up by the Public Health Engineering Directorate (PHED), Government of West Bengal on behalf of SMC in December 2007. The scheduled months of commencement and completion of the Water Supply Scheme were fixed at September 2006 and August 2008 respectively. SMC already incurred an expenditure of ₹ 30.36 crore for the project till September 2013. However, the Water Supply Scheme was still under progress as of February 2014. The project could not be completed even after 77 months from the actual schedule. SMC informed (January 2015) that it was trying hard to complete the Water Supply Scheme at the earliest.

7.8.1.2 Impact of non-revision of water charges

As per section 69 (2) of the WBMC Act, 2006, the budget estimate shall state the rates at which various taxes, cesses and fees shall be levied by the Corporation in the year next following. SMC, however, did not follow the same.

The rates of water charges collected by SMC are shown in the following **Table**. The rates were last revised in August 1999.

Table 7.3 : Rates of water charges collected by SMC

Nature of connection	Rate	Periodicity of payment	Effective from
Domestic	One <i>per cent</i> on deposited water connection charges	Monthly	30 August 1999
Non-domestic	Two <i>per cent</i> on deposited water connection charges	Monthly	

Source : Data furnished by SMC.

Due to non-revision of water charges for long (i.e. 14 years), Audit noticed that SMC collected only ₹ 2.83 crore during the period of 2008-13 against the maintenance cost of ₹ 14.43 crore (for existing water supply projects / facilities). Thus, SMC had to incur an excess maintenance cost of ₹ 11.60 crore over the actual revenue realised during the period. The details are given in the following **Table**.

³³ 5,13,264 x 135 lpcd = 69.29 MLD.

Table 7.4 : Maintenance cost vis-à-vis realization of revenue from existing water supply projects / facilities

Year	Maintenance cost of existing projects / facilities					Actual realisation of revenue	Excess maintenance cost over the actual revenue realised
	Pay and Allowances of regular staff	Payment to casual workers	Electricity charges	Miscellaneous expenditure (including contingency / stationery expenses)	Total		
	(₹ in lakh)						
2008-09	2.36	0.68	121.89	0.40	125.33	44.41	80.92
2009-10	5.61	1.06	165.46	0.37	172.50	52.21	120.29
2010-11	6.27	1.17	393.25	0.02	400.71	51.43	349.28
2011-12	6.44	1.32	306.10	0.36	314.22	63.62	250.60
2012-13	8.45	4.28	417.16	0.53	430.42	71.81	358.61
Total	29.13	8.51	1,403.86	1.68	1,443.18	283.48	1,159.70

As a result of non-revision of water charges at regular intervals, the burden on the municipal fund was increasing gradually. SMC stated (January 2015) that the observation was ‘noted for future guidance and application’.

7.8.1.3 Irregularities in execution of water supply works

In terms of proviso below section 66³⁴ of the WBMC Act, 2006, for any expenditure for any work or for purchase of any materials exceeding rupees one crore, approval of the State Government shall be obtained.

Scrutiny of records revealed that SMC invited ‘Sealed Quotations’ from the ‘reputed / bonafide agencies / plumbers of Siliguri’ for underground water supply works including supply of GI pipes, ferrules, valves, etc. *vide* NIQ dated 9 September 2010. Regarding the reasons for restricting the ‘Sealed Quotations’ within ‘reputed / bonafide agencies / plumbers of Siliguri’, SMC admitted (February 2014) that due to oversight the term was mentioned and the practice would be discontinued.

It was stipulated in the NIQ that rates should be valid up to 31 March 2011. SMC specified in the NIQ that quantity of materials to be supplied and labour charges (for connection and maintenance) may vary as per the requirement of the department. Further, the SMC authority may extend the service of the agency for further one year after obtaining consent of the agency. Here, SMC did not make any estimate for the total work at the time of floating ‘Sealed Quotations’. SMC stated (February 2014) that the total cost of work was not estimated as requirement for house to house connection for water supply might vary, depending on receipt of applications for water connection from the interested public in the Corporation area. Thus, SMC invited ‘Sealed Quotation’ without estimating the probable volume of work.

On the basis of the said NIQ, SMC selected the lowest bidder for the above works. SMC conveyed the acceptance of rates offered by the bidder through Work Order (October 2010) but did not specify the quantum of works to be performed and quantity of materials to be supplied. Audit noticed that under the same NIQ and

³⁴ Inserted *vide* the West Bengal Municipal Corporation (Amendment) Act, 2009, effective from 1 March 2010.

Work Order, SMC issued series of supply / work orders till September 2013 in favour of the L-1 bidder. SMC stated (February 2014) that the work orders were issued after ascertaining the required house connections.

SMC also extended the validity of rates offered by the contractor from time to time either on its own or on the basis of consent given / request made by the contractor. In the process, SMC incurred an expenditure of ₹ 1.97 crore (February 2014) on execution of works and purchase of materials.

Audit noticed that SMC did not obtain the approval of the State Government for the works executed and materials purchased under the NIQ dated 9 September 2010. The approval was necessary since the cost of the works executed and materials purchased under the NIQ had already exceeded ₹ 1 crore. Thus, SMC violated the proviso below Section 66 of the Act and split the total work under different works / supply orders. SMC replied (February 2014) that the Audit observation was noted for future guidance and application.

7.8.2 Solid Waste Management

As per section 300 (1) of the WBMC Act, 2006, for the purpose of securing efficient scavenging and cleansing of all streets, public places and premises in the Corporation area, the Corporation shall undertake the function of collection, removal and disposal of solid wastes.

7.8.2.1 Operation of disposal facility at dumping ground without obtaining authorisation from appropriate authority

The operation of landfill site / dumping ground should be maintained in accordance with Municipal Solid Wastes (Management and Handling) Rules, 2000 (MSWMH Rules). However, Audit noticed that SMC had dumping ground / landfill site for disposal of wastes at *Dabgram Mouza*, for which authorisation from the West Bengal Pollution Control Board was not found on record. The landfill site was near the habitation cluster of *Bhakti Nagar* and adjoining two schools. The landfill site was only partly fenced by a boundary wall and the wastes subjected to land filling were not compacted in thin layers using landfill compactors as required under MSWMH Rules. No provision was made by SMC to prevent pollution problems from landfill operations, like diversion of storm water to minimise leachate³⁵ generation and prevent pollution of surface water. Besides, no provision for management of leachate collection and treatment had been made. The baseline data of ground water quality in the area of landfill site, before its establishment, was not collected. No periodical monitoring of water quality within the periphery of landfill site was made. The ambient air quality at the landfill site and at the vicinity had also not been monitored.

The following photographs would reveal the condition of dumping ground / landfill site.

³⁵ Leachate : A liquid that had been polluted or made toxic by percolating through rubbish.



Condition of partly fenced landfill site of SMC

In response, SMC did not furnish any specific reply (January 2015).

7.8.2.2 Non-segregation of solid wastes

Solid wastes are required to be separated into the groups of organic, inorganic, recyclables and hazardous wastes at the source of generation of waste. SMC did not undertake any phased programme during the period 2008-13 to ensure community participation in waste segregation as required under MSWMH Rules. SMC informed (February 2014) that the extent of segregation of solid wastes was 25 *per cent* (against the benchmark of 100 *per cent*). In the absence of records relating to segregation of wastes, the extent of segregation of wastes could not be verified in Audit.

As seen from the above photographs, existing storage facilities (for solid wastes) were exposed to open atmosphere. This created extremely unhygienic conditions and attracted vectors, stray animals, etc. The recyclable wastes, viz. paper, glass, metals, plastic etc. were not separately stored.

SMC, however, stated (February 2014) that an agency was engaged by the Corporation up to 29 February 2012 for the process of composting of organic wastes and thereafter the Corporation itself had been executing the compost processing. In absence of relevant data like quantity of organic wastes processed, expenditure incurred in processing, etc. the efficacy of SMC's actions in this regard cannot be evaluated in Audit.

7.8.2.3 Improper accounting of revenue collected from Solid Waste Management

SMC prepared 'Solid Waste Management Regulation' in June 2005. Under this Regulation, SMC empowered the Solid Waste Management Committees (SWMCs)³⁶ for collection of some charges against services rendered by SMC in connection with Solid Waste Management. It was stipulated in the Regulation that a savings bank account should be opened in the name SWMC (in each Ward) in any Nationalised Bank for deposit of such money. The account should be jointly operated by the Borough Officer of the respective Borough Committee and either by the Councillor of the Ward (as President of the Committee) or Secretary of SWMC of the respective Ward.

In terms of Rule 8 (1) of the West Bengal Municipal (Finance and Accounting) Rules, 1999, all transactions to which any officer of the Municipality is a party in his official capacity must be brought to account without undue delay. Scrutiny of records revealed that during the period 2006-13, SWMCs collected an amount of ₹ 3.01 crore from 43 Wards on account of garbage collection charges, etc.; no information about collection from the remaining wards (no. 1, 9, 28 and 47) was furnished to Audit. However, in contravention of Rule 8 (1) of the Rules, SMC kept the money, which was its own receipts, in separate bank accounts of SWMC at each ward, outside the SMC accounts.

As per Rule 221 of the Rules, 'incurring of expenditure direct from collection money' was 'not permissible'. Audit noticed that SWMCs directly incurred an expenditure of ₹ 2.74 crore on account of payment of wages to labourers / collectors / supervisors, miscellaneous purposes, etc. leaving an unspent balance of ₹ 0.18 crore and investment of ₹ 0.09 crore as of 31 March 2013. Thus, SMC not only kept the said collection money outside its main accounts, but also unauthorisedly allowed SWMCs to directly incur expenditure and make investment from the said money, violating the prescribed rules. SMC informed (January 2015) that to regulate entire collection, expenditure and investment from the office of the SMC, amendment of

³⁶ Constituted in each Ward to ensure 'efficient scavenging and cleaning of all streets, public places and premises' within SMC area.

‘Solid Waste Management Regulation’ was necessary and that approval of BoC would be obtained in this regard in due course.

7.9 Implementation of Jawarharlal Nehru National Urban Renewal Mission

The Jawarharlal Nehru National Urban Renewal Mission (JNNURM), launched by the Government of India, included as its components for the non-Mission cities, the programmes of Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT) and Integrated Housing and Slum Development Programme (IHSDP). Under both these programmes, it was essential that the schemes were to be implemented in a time-bound manner and in conformity with the guidelines. The status of ‘Added area Water Supply Scheme under UIDSSMT’ has already been discussed in paragraph 7.8.1.1. The status of implementation of IHSDP (as of March 2013) is discussed below.

7.9.1 Integrated Housing and Slum Development Programme (IHSDP)

SMC started³⁷ the Programme in three phases in August 2007 (Phase I), May – June 2008 (Phase II) and May 2009 (Phase III) respectively.

7.9.1.1 Allocation and utilisation of funds under IHSDP

The total amount of funds released (August 2007 – March 2013) under the three phases of IHSDP was ₹ 82.34 crore. The unspent funds were kept in the bank accounts. From the details of funds available and expenditure incurred under IHSDP as of March 2013, Audit noticed that the closing balance in the bank account as of 31 March 2013 should have been ₹ 16.54 crore for the three components. However, SMC reported a closing balance of ₹ 14.02 crore in the Monthly Progress Report submitted to the State Urban Development Agency. SMC could not furnish the reasons for difference of ₹ 2.52 crore. Apart from lack of reconciliation of different accounts, the possibility of misutilisation / misappropriation of the amount cannot be ruled out.

7.10 Internal control mechanism

7.10.1 Poor functioning of Municipal Accounts Committee

Section 21 (1) of the WBMC Act, 2006, states that the BoC shall, at its first meeting in each year, or at its next meeting which shall be held within a period of thirty days from the date of its first meeting in that year, constitute a Municipal Accounts Committee (MAC). Further, as per Section 21 (4) of the Act, it shall be the duty of MAC –

- (a) to examine the accounts of the Corporation showing the appropriation of sums granted by the Corporation for its expenditure and the annual financial accounts of the Corporation;

³⁷ The start date for a project is to be considered as the date of release of first installment of fund by any source.

- (b) to examine and scrutinise the report on the accounts of the Corporation by the auditors under the provisions of the Act and to satisfy itself that the moneys shown in the accounts as having been disbursed were available for and applicable to the services or purposes to which they have been applied and that the expenditure was incurred in accordance with the authority governing the same;
- (c) to submit a report to the Corporation every year and from time to time on such examination and scrutiny, etc.

SMC constituted MAC during the year 2008-09, 2009-10, 2010-11 and 2011-12. The Municipality, however, did not furnish any information regarding constitution of MAC for the year 2012-13. SMC informed (June 2014) that no meeting of MAC was held during the entire period 2008-13. SMC also could not furnish any resolution book of the Committee. As a result, Audit could not ascertain how the Committee discharged its responsibilities during the period 2008-13.

7.10.2 Absence of internal audit

In terms of section 86 of the Act, the State Government may by rules provide for the internal audit of the day-to-day accounts of the municipal fund and the manner in which such internal audit shall be conducted. There was no internal audit set up instituted at the SMC. SMC stated (February 2014) that internal audit was not conducted during the period 2008-13 and the issue was entirely dependent on the State Government.

7.10.3 Growth in the number of casual labourers

The sanctioned strength of SMC was 789 and the same was not revised after February 2006.

As per records of SMC, actual staff position as of March 2013 was 598. Thus, 191 posts were lying vacant as of March 2013. SMC, however, made several requests to the State Government from time to time for sanctioning of additional posts, filling up vacancies, etc.

It was seen by Audit that as against these 191 vacancies, SMC employed a much larger number of casual labourers from time to time without following any specific norm. The details of engagement of casual labourers pertaining to the period 2008-11 were not furnished to Audit. However, Audit checked that the strength of casual labourers (including 221 contractual employees) in March 2012 and March 2013 were respectively 1791 and 1875. Audit further noticed that SMC incurred an expenditure of ₹ 65.16 lakh and ₹ 79.42 lakh in March 2012 and March 2013 respectively for payment of casual labourers (including contractual employees). SMC only informed (January 2015) that as per decision taken in various BoC meetings, casual workers were engaged from time to time.

From the above, it is evident that the number of casual labourers was not commensurate with the number of regular vacancies. Moreover, growth in the number of casual labourers unreasonably created burden upon the municipal fund.

7.10.4 Non-reconciliation of Provident Fund balance

SMC did not reconcile the Provident Fund (PF) balance (as contained in the Ledger) with that of the corresponding accounts maintained by the Treasury since April 2008. As a result, the PF balance remained un-reconciled during the period 2008-13. The details are shown in the **Table** below.

Table 7.5 : Details of difference of Provident Fund balance between SMC and Treasury records

As on	Balance as per Ledger	Balance as per Treasury Accounts	Difference
	(In ₹)		
31.03.2009	3,55,87,711	3,60,65,890	(-) 4,78,179
31.03.2010	4,10,10,693	4,06,37,127	3,73,566
31.03.2011	4,82,82,630	4,72,67,162	10,15,468
31.03.2012	5,79,88,628	5,51,45,997	28,42,631
31.03.2013	6,45,39,672	5,76,08,948	69,30,724

SMC informed (June 2014) that the discrepancy was mainly due to improper recording of figures (in the PF Ledger) during revision of pay and allowances. SMC further added (January 2015) that the process of reconciliation was under process.

7.10.5 Poor cash management system

Scrutiny of records of the Cash Department of SMC revealed that the Department did not properly maintain 'Register of details of daily cash balance' of the Corporation in Form 77 during the period 2008-13, as required under Rule 220 of the West Bengal Municipal (Finance and Accounting) Rules, 1999. Instead, a Register namely 'Cashier Hand Cash Book' was maintained only to record transaction of cash drawn through self-cheque. Even this was discontinued since June 2012. The Register was neither authenticated by Cashier nor by Finance Officer. As a result, the authenticity of the figures could not be confirmed.

However, scrutiny of available records revealed that there was large undisbursed cash ranging from ₹ 2.65 lakh to ₹ 48.39 lakh lying on an average in the cash chest of Cashier during the period 2008-13. Such undisbursed cash accumulated due to non-remittance of SMC's own receipts collected on a daily basis to the bank / treasury as well as non-disbursement of payables in respect of wages, Muster Roll payments, travelling and conveyance allowances, payment relating to Mid-Day Meal Scheme, advances for various purposes and other miscellaneous cash payments.

Audit further noticed that no effective measures were taken by the SMC to refund the undisbursed amount to the respective heads after expiry of three months as prescribed³⁸ in Rule 424 of the West Bengal Financial Rules (WBFR), Volume I; neither were proper records maintained in the case showing scheme-wise undisbursed amounts and their corresponding periods of retention.

³⁸ Rule 424 of the WBFR, Volume I, states that an authority for payment of Fund money would remain current for three months from the date of its issue.

In spite of maintaining huge cash balance on regular basis, SMC did not take adequate measures for the safety of the same. The deficiencies noticed in this regard are enumerated below.

- The iron safe where the undisbursed / non-remitted cash were lying, was not insured. Both keys of the chest were lying with Cashier in contravention of the Rule 220 (1) of the West Bengal Municipal (Finance and Accounting) Rules, 1999.
- The SMC did not obtain any Indemnity / Security Bond from Cashier.
- The transit money was not insured.

Holding of huge cash balance without proper security measure, indicated poor internal control mechanism on the part of SMC authority. SMC informed (January 2015) that one set of keys was handed over to the Finance Officer. Regarding rest of the items, SMC did not furnish any convincing reply supported by documentary evidence.

7.10.6 Gradual increase in the amount of outstanding advance

Rule 189 of the West Bengal Municipal (Finance and Accounting) Rules, 1999, states that the officer who signs the accounts (relating to outstanding advance) shall at the same time satisfy himself that steps are being taken to recover or adjust advances which have been outstanding for more than three months. At the close of every quarter a list in Form 68 shall be prepared of outstanding advances.

As per information furnished to Audit, the amount of outstanding advance increased from ₹ 92.80 lakh (as of April 2008) to ₹ 259.75 lakh (as of March 2013). The details are given in the following Table.

Table 7.6 : The status of outstanding advances during the period 2008 -13

Period	Opening Balance	Advance paid during the year	Advance adjusted during the year	Closing Balance
	(₹ in lakh)			
2008-09	92.80	118.74	82.03	129.51
2009-10	129.51	78.92	63.66	144.77
2010-11	144.77	80.07	73.07	151.77
2011-12	151.77	117.69	74.92	194.54
2012-13	194.54	144.46	79.25	259.75

SMC gives advances to Councillors and Sub-Assistant Engineers and other officials for disbursement of cash components relating implementation of different schemes as also for execution of various departmental works etc. Audit noticed that in violation of the prescribed Rule, SMC allowed the Councillors and Sub-Assistant Engineers, etc. to draw consecutive advances without obtaining the adjustment of the previous advances outstanding for more than three months. Out of the total outstanding amount, advances amounting to ₹ 7.23 lakh remained unadjusted against 28 ex-Councillors (₹ 4.76 lakh) and 11 ex-employees (₹ 2.47 lakh) for more than one to five years.

SMC informed (January 2015) that steps had been taken for adjustment / recovery of outstanding advances. But, SMC authority did not substantiate their claim with supporting documents / figures.

7.11 Miscellaneous irregularities

7.11.1 Non-collection of labour welfare cess

The Building and Other Construction Workers' Welfare Cess Act, 1996 (Cess Act) was enacted with a view to provide welfare measures for the building and other construction workers. The objective of this Act was to create a corpus fund for providing various benefits and concessions to the workers of unorganised sector. A rule namely, the Building and Other Construction Workers' Welfare Cess Rules, 1998 (Cess Rules), was also framed under the said Act. In accordance with sub-section (1) and (2) of section 3 of the Cess Act, every Local Body, construction contractors and individual that employ such workers shall be liable to pay cess at specified rates. Further, as per provisions of Rule 4 (4) of the Cess Rules, the cess should be collected by Local Bodies through demand drafts along with the application for sanction of building plans.

In this regard, Department of Municipal Affairs, Government of West Bengal informed (December 2007) all ULBs to collect cess at the rate of one *per cent* of the cost of construction in the form of demand draft, where the total cost of such construction was more than rupees ten lakh, along with the application for sanction of building plans and deposit the same as per norms.

Scrutiny of records revealed that SMC, after more than four years, ordered (February 2012) for realisation of cess, but soon afterwards (April 2012), decided to refund any cess collected. SMC only informed (January 2015) that cess collected in the meantime was subsequently refunded. SMC did not specify the exact amount collected and refunded. The reasons for sudden reversal of its earlier orders were also not found on record.

Moreover, as per sub-section (3) of section 3 of the Cess Act, every Local Body was entitled to get one *per cent* of the collected amount as 'cost of collection'. Due to non-collection of cess amounting to ₹ 11.63 crore, SMC also sustained a loss of revenue to the tune of ₹ 11.63 lakh (one *per cent* of ₹ 11.63 crore) during 2008-13. SMC did not furnish any comment.

7.12 Conclusion

Performance of SMC, entrusted with the responsibility of local governance and providing better conditions and amenities to its residents through implementation of various schemes / programmes was affected by weak resource mobilisation and various control failures. Indifference towards proper assessment and mobilisation of revenue was observed under property tax, water charges, etc., which resulted in failure in optimally harnessing its resources. Service delivery mechanisms in the sphere of water supply and solid waste management were not adequate to meet the requirements. Other organisational weaknesses as observed in Audit included deficiency in management of establishment matters, etc.