

Chapter-II

Performance Audit on Adarsh Nagar Yojna

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Performance Audit

2. Performance Audit on Adarsh Nagar Yojna

Executive Summary

Adarsh Nagar Yojna a symmetrical scheme with Jawaharlal Nehru National Urban Renewal Mission and Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT) was launched by the Government of Uttar Pradesh (The Government) on 24th January 2008. ULBs having population below one lakh not covered under UIDSSMT and having fulfilled the three prerequisite conditions. viz (i) Achieved over and above 80 per cent income against the yearly target set forth by the Government (ii) Levied water charges as prescribed by the Government (iii) Ensured levy of house tax with coverage of at least 80 per cent houses and the rates have been revised during last five years were eligible to be considered for selection under the scheme by State Level Selection Committee. The scheme aims to encourage reforms in Urban Local Bodies and to develop infrastructure facilities and public amenities. The sharing of funds was in the ratio of 90:10 between the State Government and ULBs concerned. The Government allocated ₹ 328.67 crore (2007-11) for implementation of the scheme in the state.

Main points observed during audit were as under:

- *Three ULBs already covered under UIDSSMT, one ULB having population above one lakh and 42 ULBs not fulfilling prerequisite conditions, were selected under the scheme.*
- *The projects sanctioned and executed under the scheme were not approved by District Planning Committees and were not integrated into District Development Plans.*
- *The memorandum of agreement signed between the Government and the selected ULBs did not specify the reforms which were to be implemented year wise resulted in partial implementation of reforms.*
- *Irregular transfer of funds amounting ₹ 30.00 crore to Personal Ledger Account of UP Jal Nigam during the year 2007-08 without sanction of projects by State Level Selection Committee.*

- *Sanctioned projects amounting ₹1.83 crore could not be executed either due to poor planning, or due to non availability of land and non coordination among the line departments.*
- *There were huge variations in appraised cost, estimated cost and actual cost of execution of the projects due to unrealistic approach of the ULBs as well as of the Government in proposing and sanctioning the projects.*
- *Three drains with an estimated cost of ₹36.74 lakh were being constructed without financial and technical sanction of SLSC. in Nagar Panchayat, Bharwari, Kaushambi*

2.1 Introduction

The State Government launched (January 2008) Adarsh Nagar Yojna (the scheme) for the Urban Local Bodies (ULBs) to achieve reform driven planned development and to provide basic public amenities in small and medium towns having population below one lakh, not covered by Jawaharlal Nehru National Urban Renewal Mission(JNNURM)/Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT). The admissible components of the scheme were Water Supply, Sewerage, Drainage, Solid Waste Management, Construction of Slaughter houses, Roads and Street Light etc. The ULBs selected under the scheme were required to execute a Memorandum of Agreement (MoA) with the State Government regarding implementation of time bound mandatory and optional reforms enumerated in the guidelines. The committee was to ascertain that the ULBs concerned had arranged the required infrastructure to operate and maintain the assets to be created under the scheme. The scheme was implemented in 368 ULBs out of 578 considerable. The guidelines of the scheme provided incentive to the ULBs who were eager to enhance their income from their own sources. The basic objective of scheme was to strengthen infrastructure facilities with enhanced service delivery mechanism. The Government allocated ₹ 328.67 crore for implementation of the scheme in the state.

2.2 Fund Flow Mechanism

The cost of the projects was to be shared between State Government and ULBs in the ratio of 90:10 respectively. The ULBs incapable of contributing their share could utilize Member of Parliament Local Area Development (MPLAD)/Member

of Legislative Assembly Local Area Development (MLALAD) funds maximum up to 50 *per cent* share of ULBs.

The State Government was to release 50 *per cent* of its share as first instalment after appraisal of the project by the *Vyay-Vitta Samiti*/Project Formation and Appraisal Department (PFAD) and the funds were to be transferred to State Level Nodal Agency (SLNA), in turn SLNA would release funds only after ascertaining availability of the share of the concerned ULB. The remaining 50 *per cent* of the State share was to be released to the concerned ULB through SLNA on submission of utilization certificate of 70 *per cent* of the first instalment released.

Year-wise release of funds was as under:

(₹ in crore)

Sl. No.	Financial Year	Budget Allotment by the Government	Release by SLNA
1.	2007-08	30.00	29.00
2.	2008-09	98.18	56.49
3.	2009-10	100.00	100.00
4.	2010-11	100.49	95.49
Total		328.67	280.98

(Source: Director, Local Bodies, Lucknow)

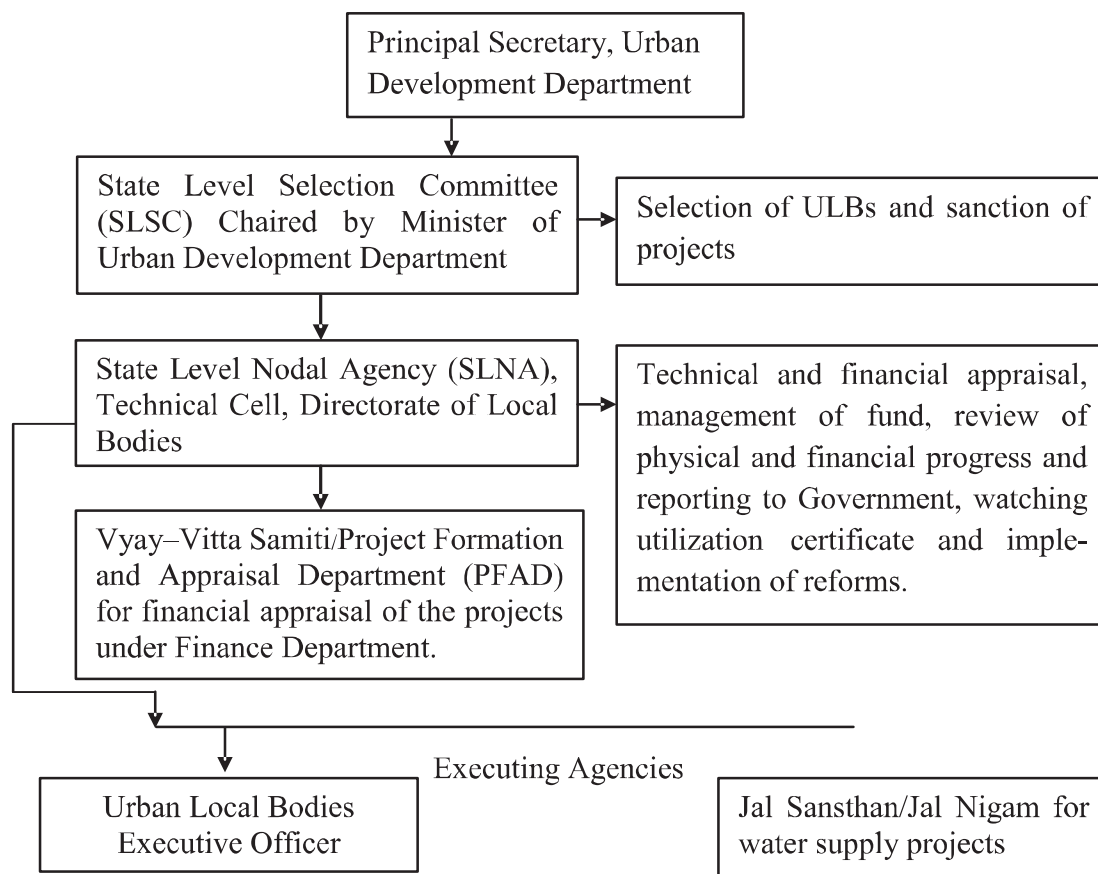
Thus, the table reveals that the SLNA released funds to ULBs below the budget allotment during the years 2008-09 and 2010-11 resulting non utilization of allotted funds and slow implementation of the scheme. SLNA stated (August, 2011) that funds were not released due to non deposit of ULB's share by the concerned ULBs and due to enforcement of model code of conduct for elections and the funds were surrendered. The reply is not tenable as the Government did nothing to compel the ULBs to deposit their share in time. Moreover, it was duty of the Government to manage the fund flow efficiently.

2.3 Organisational Set-up

A ten member committee chaired by the Minister for Urban Development viz State Level Selection Committee (SLSC) was constituted to select ULBs, sanction of projects, review/monitor physical and financial progress as well as to select the executing agencies for the projects. Technical Cell in Local Bodies Directorate was nominated as SLNA which was responsible for technical and financial appraisal of the projects, management of fund, implementation of reforms by

ULBs, ensuring submission of Utilization Certificates within 12 months after release of fund and monthly reporting to the Principal Secretary, Urban Development who would quarterly review physical and financial progress of the scheme.

An Organogram is as under:



2.4 Audit Objectives

The Performance Audit was conducted to verify whether:-

- The ULBs were selected as per guidelines of the scheme. The projects sanctioned were to improve the integrated and planned development of the towns and to provide civic amenities.
- The financial management and reforms were as envisaged in the guideline of the scheme
- Execution of the sanctioned projects was efficient, economical and effective.
- Monitoring and internal control systems were evolved and working efficiently.

2.5 Audit Criteria

- Guidelines of Adarsh Nagar Yojna
- Financial Rules and Orders
- U.P. Nagar Palika Adhiniyam, 1916
- Circulars/guidelines of the department of Urban Development and UP Public Works Department regarding execution of works

2.6 Scope of Audit and Methodology

Records of (i) State Secretariat, Finance Department and Department of Urban Development, (ii) Director, Local Bodies/SLNA were examined. Records for the period 2007-11 of 57 ULBs⁹ [11 Nagar Palika Parishads (NPPs) and 46 Nagar Panchayats (NPs) out of 368 ULBs covered under the scheme] were test checked. For selection of ULBs, 12 districts were selected as per their geographical situation and thereafter ULBs were selected in those districts as per allotment of funds.

2.7 Audit findings

2.7.1 Selection of the ULBs against the norms of the guidelines

2.7.1.1 The guidelines provided to select the ULBs having population below one lakh under the scheme. Scrutiny of records of the Director, Local Bodies revealed that NPP Orai was selected under the scheme having population over 1.39 lakh against the norms of the scheme. On being pointed out, SLNA replied (January, 2012) that keeping in view the needs of public amenities and as the ULB was not covered under any other scheme, it was considered under the scheme. However, SLNA did not produce the records requiring needs of the ULB. Thus, reply is not tenable as the selection of the ULB was against the selection criteria of the guidelines.

⁹ NPP Mubarakpur, NP Maharajganj, NP Bilariyaganj, NP Nizamabad, NP Atraulia, NP Saraimcer, NP Jiyanpur Dist. Azamgarh; NPP Nawabganj, NP Banki, NP Siddhore, NP Dewa, NP Haidergarh, NP Fatehpur, NP Ramnagar, NP Jaidpur, NP Satrikh Dist. Barakanki; NPP Bindki Dist. Fatehpur; NPP Shahabad, NPP Pihani, NPP Sandeela, NP Beniganj, NP Gopamau, NP Bilgram, NP Madhavganj Dist. Hardoi; NP Kerakat, NP Jafarabad, NP Khetasarai Dist. Jaunpur; NP Bharwari, NP Ajuha, NP Karari, NP Sirathu Dist. Kaushambi; NPP Kosikala, NP Nandgaon, NP Mahavan, NP Barsana, NP Farah, NP Chhata, NP Bajna, NP Radhakund Dist. Mathura; NP Patti, NP Antu, NP Katramedniganj Dist. Pratapgarh; NP Naibazar, NP Ghosiya, NP Gyanpur, NPP Gopiganj Dist. Sant Ravidas nagar; NPP Biswan, NPP Laherpur, NPP Khariabad, NP Sidhuli, NP Hargaoon Dist. Sitapur; NP Obra, NP Churkdhurma, NP Pipri, NP Ghorawal, NP Duddhi Dist. Sonebhadra; NP Kadipur Dist. Sultanpur.

2.7.1.2 The guidelines provided for selection of only those ULBs under the scheme which were not covered under JNNURM and UIDSSMT. Scrutiny of records of NPP Nawabganj, Barabanki and NPP Sandeela, Hardoi revealed that these ULBs obtained ₹ 1.67 crore from the scheme despite the fact that these ULBs were also covered under UIDSSMT. Thus, selection of these ULBs under the scheme deprived other eligible ULBs of benefits of the scheme. On being pointed out, SLNA replied (December, 2011) that since the huge projects were being implemented under UIDSSMT rest of the projects were taken under the scheme. The reply is not tenable as the selection of ULBs covered under UIDSSMT was against the selection criteria of the guidelines.

2.7.1.3 The guidelines provided that the ULBs having the following capabilities/performance would be selected on priority basis under the scheme which (i) have achieved over and above 80 *per cent* income against the yearly target set forth by the government (ii) have levied water charges as prescribed by the Government in the year 1997 and (iii) have ensured levy of house tax with coverage at least 80 *per cent* houses and the rates had been revised during last five years. The purpose was obviously to promote and encourage reforms in ULBs. Scrutiny of records revealed that 42 ULBs¹⁰ did not fulfill one or more prerequisite conditions of reforms for selection under the scheme. Thus, the objective of the scheme to encourage implementation of reforms in ULBs was overlooked while selecting ULBs. On being pointed out, SLNA replied (December, 2011) that most of the ULBs were selected after fulfilling the prerequisite conditions. The reply is not tenable as 73 *per cent* of the test checked ULBs were not fulfilling the prerequisite conditions and selection criteria provided in guidelines was not adhered to.

¹⁰ NPP Mubarakpur, NP Nizamabad, NP Atrulia, NP Sarai Meer Dist. Azamgarh; NPP Nawabganj, NP Haidergarh, NP Fatehpur, NP Ramnagar Dist. Barakanki; NPP Bindki Dist. Fatehpur; NPP Pihani, NPP Sandeela, NP Gopamau, NP Bilgram, NP Madhavganj Dist. Hardoi; NP Kerakat, NP Jafarabad, NP Khetasarai Dist. Jaunpur; NP Bharwari, NP Ajuha, NP Sirathu Dist. Kaushambi; NPP Kosikala, NP Nandgaon, NP Barsana, NP Farah, NP Chhata, NP Bajna, NP Radhakund Dist. Mathura; NP Antu, NP Katramedniganj Dist. Pratapgarh; NP Naibazar, NP Ghosiya, NP Gyanpur, NPP Gopiganj Dist. Sant Ravidas nagar; NPP Biswan, NPP Laherpur, NPP Khariabad, NP Hargaon Dist. Sitapur; NP Obra, NP Churkdhurma, NP Pipri, NP Ghorawal, NP Duddhi Dist. Sonbhadra

2.7.2 Irrational selection of ULBs and projects

The guidelines envisaged for providing preference to the ULBs for selection under the scheme which fulfill the three prerequisite conditions as mentioned in para 2.7.1.3. The scheme did not envisage to consider the present physical resources and requirements of ULBs by utilizing modern means e.g. maps generated from satellite data and information technology. Thus, only consideration of aforesaid prerequisite conditions for giving preference for selection of ULBs under the scheme did not justify the objective of planned integrated development of ULBs and provide basic civic amenities to small and medium towns. Thus, the selection of ULBs and projects was not based on scientific studies, ground realities and actual requirements. As District Economic and Statistical Officer (DEStO) was responsible for preparation and maintenance of important data for the district, audit approached the concerned DEStOs to verify the availability of data regarding present physical and human resources and requirement in ULBs but no such data was available. On being pointed out, ULBs and DEStOs admitted that no such data was prepared and thus the question of utilizing the data for preparation of DPRs under the scheme in ULBs does not arise.

2.7.3 Improper sanction of projects

2.7.3.1 The guidelines envisaged for submission of projects by ULBs to the Government. Scrutiny of records of test checked ULBs revealed that although, the ULBs needed the projects of basic civic amenities like solid waste management, sewerage, drinking water supply etc, SLSC decided (March, 2008) to sanction projects for roads, drinking water facilities and street lighting on priority basis from the first instalment of the scheme. Therefore, test checked ULBs submitted the projects for construction of roads, drains and street lighting and drinking water facility only. Thus, the objective of the scheme to provide infrastructural facilities and civic amenities in ULBs as per their needs and bottom up planning was overlooked while sanctioning the projects. The projects needed in the ULBs other than roads, drains and street lighting and drinking water facility etc. which were not sanctioned detailed as under:

(₹ in lakh)

Sl. No.	Name of ULB	Projects proposed by ULBs							Sanctioned by SLSC
		Road /drains	Light	Solid waste	Water supply	Sewerage	Park	Total	Road/ drain
1.	NP Kerakat, Jaunpur	229.61	10.00	00	202.50	00	00	442.11	112.83
2.	NPP Kosikala, Mathura	552.88	25.00	20.00	285.00	650.00	25.00	1557.88	55.88
3.	NP Ajuha, Kaushambi	62.70	25.81	00	00	00	00	88.51	56.10
4.	NP Barsana, Mathura	286.42	30.09	15.78	00	00	00	332.29	113.54
5.	NP Nandgaon, Mathura	252.51	52.00	18.18	14.63	00	00	337.32	116.38
6.	NP Farah, Mathura	75.00	101.00	6.00	180.00	00	00	362.00	92.11
7.	NPP Shahabad, Hardoi	1007.91	547.08	00	00	00	00	1554.99	99.61
8.	NP Sirathu, Kaushambi	173.88	139.05	00	00	00	00	312.93	55.49
9.	NP Haidergarh, Barakanki	133.96	70.00	00	00	00	00	203.96	113.74
10.	NP Antu, Pratapgarh	00	26.13	00	00	00	00	26.13	27.78
Total		2774.87	1026.16	59.96	682.13	650.00	25.00	5218.12	843.46

Thus, 10 ULBs out of 57 test checked revealed that projects for construction of roads/drains were sanctioned, projects for other civic amenities and infrastructure facilities were not sanctioned even after submission by the ULBs. Further, it was noticed that by NP Antu, Pratapgarh only a project for street lighting for ₹ 26.13 lakh was submitted which was not sanctioned inspite ₹ 27.78 lakh was sanctioned for construction of unspecified roads. Thus, this sanction was against thrust of the ULB. On being pointed out SLNA replied (December, 2011) that projects were sanctioned as per proposal of the ULBs. The reply was not tenable as ignoring the DPRs the projects of only roads/drains were sanctioned. Thus, the basic objective of bottom up planning was overlooked in sanctioning the projects by SLSC.

2.7.3.2 All the test-checked ULBs had executed projects regarding construction of roads and drains but none had executed any project regarding solid waste management, sewerage, construction of slaughter houses and rain water harvesting which were equally essential to provide quality civic life, protection of environment and to maintain ground water level.

2.7.3.3 Scrutiny of records of NP Kadipur, Sultanpur revealed that the ULB proposed projects worth ₹ 5.61 crore for sewerage (₹ 56.38 lakh), solid waste (₹ 20.70 lakh), drainage (₹ 248.82 lakh), street light (₹ 31.52 lakh), road work (₹ 89.52 lakh), community centre (₹ 79.62 lakh), rain water harvesting and pond (₹ 14.50 lakh), construction of sun glow welcome board (₹ 19.80 lakh) against which projects for roads, community center and street lighting costing ₹ 1.12 crore only were sanctioned and the Government released state share of ₹ 100.00 lakh in two instalments. Thus, the Government itself ignored the significant projects proposed by the ULB and sanctioned the common projects only.

On being pointed out, SLNA replied (December, 2011) that, projects proposals were brought as per guidelines of the scheme and no such directions were given separately for preparation of projects proposals based on prioritized local felt needs. The guidelines lacks the issue, thus it is evident that neither the Government nor the ULBs took any step in this regard.

2.7.4 Project sanctioned without approval of District Planning Committee (DPC)

Article 243 ZD of the constitution provides for constitution of DPC in each district to prepare and approve participatory, integrated, district development plan integrating the projects proposed by all the local bodies and line departments in the district including ULBs. The purpose was to ensure balanced and integrated development of the district and to prevent overlapping and repetition in the planning. Neither the guidelines provided for approval of the projects by DPC nor did the Government issue any direction to observe the provision enshrined in the constitution. As a result, there were repetition of sanctioned projects and funds were released twice for the same project from the consolidated fund of the State. Further, such funds were either surrendered to the Government or remained blocked idle with ULBs as mentioned below:

(i) SLNA released (December 2009) ₹ 46.31 lakh to NP Radhakund, Mathura for construction of bathing pond and parikrama marg. The same work had already been executed by UPPWD, Mathura resulting in surrender (January 2011) of the released amount to the Government.

(ii) SLNA released (January 2010) ₹ 19.57 lakh to NP Banki, Barabanki for construction of interlocking road and drain from Deva main marg to godam but the work had already been executed by UPPWD, Barabanki and the funds were still lying with Executive Officer (EO) unutilized after partial surrender (June 2010) of ₹ 8.00 lakh to the Government.

On being pointed out, the Government admitted (December, 2011) the facts.

2.7.5 Projects proposed without proper site survey

Financial rules provided that availability of unencumbered land should be ensured before preparation of Detailed Project Report (DPR) and release of funds. The availability of the land and feasibility of the project should be ascertained by conducting survey. Scrutiny of records of 36 ULBs out of 57 test checked, revealed that no survey was conducted while submitting the DPRs whereas 21 ULBs stated that only inspection was conducted. Provisions for conducting proper surveys of sites before submitting the proposal of projects neither existed in the guidelines nor did the Government issue any directions in this regard. However, the Government stated (December 2011) that the survey was conducted at local level and direction in this regard was issued at the time of sanction of grants. Thus, neither the authorities directed specifically to conduct the survey before submitting the DPRs nor the ULBs were particular in this regard which resulted into surrender/blockade of funds as under:

2.7.5.1 Scrutiny of records of NP Bajna, Mathura revealed that SLNA released (September 2008) ₹ 2.65 lakh for construction of 270 meter long interlocking road from Bajna bus stand to seed store which was not constructed as the land earmarked was disputed and the NP surrendered (August 2010) the amount to the Government.

2.7.5.2 Scrutiny of records of NPP Gopiganj, Sant Ravidas Nagar revealed that ₹ 3.41 lakh was released (April 2010) for Construction of painted road and drain from the office of NPP Gopiganj to house of Mata Prasad Soni as per estimated cost. The work was not executed as the earmarked land was disputed. On being pointed out, the EO confirmed the fact and stated (November 2011) that the work

would be executed after settlement of the dispute. Thus, the fund released without ensuring availability of unencumbered land resulted in blockade of ₹ 3.41 lakh.

2.7.5.3 Scrutiny of records of NP Katramedniganj, Pratapgarh revealed that ₹ 21.67 lakh was released (August 2010) for (i) Construction of interlocking road from the house of Md. Irshad to Girdhariganj in Ward no. 2 (estimated cost ₹ 10.41 lakh) and (ii) Construction of drain from the house of Ram Nath to Lucknow Varanasi road (estimated cost ₹ 11.26 lakh). The works were not executed as the land owners backed out of their promises to provide respective earmarked lands. On being pointed out, the EO confirmed (November 2011) the fact. Thus, the DPRs were prepared on the basis of assurances of land owners without ensuring transfer of lands earmarked which resulted into blockade of ₹ 21.67 lakh.

2.7.6 Sanction of Project without considering size of ULBs

The Guidelines provided for sanctioning DPRs for infrastructural facilities and civic amenities in ULBs under the scheme which were not covered under JNNURM and UIDSSMT and SLSC had to prioritize ULBs amongst those which have fulfilled the three prerequisite conditions. Scrutiny of records of the Director, Local Bodies revealed that SLSC sanctioned projects and released equal instalments of ₹ 55.56 lakh to 56 ULBs out of 57 test checked without considering area, population, local felt needs and fulfillment of prerequisite conditions. Thus, no priority in the ULBs was decided by SLSC as envisaged in the guidelines.

2.7.7 Sanction of projects without appraisal by SLNA

The guidelines provided for technical and financial appraisal of the projects by SLNA (Technical Cell, Directorate of local bodies) before it is sanctioned by SLSC. Scrutiny of the records of SLNA revealed that projects for construction of cement concrete (CC) and paver block interlocking roads (interlocking roads) were sanctioned by SLSC without technical appraisal with variant specifications. Scrutiny of records of 11 ULBs out of test-checked 57 revealed that in construction of cement concrete roads six ULBs executed base coat with lean CC whereas 5 ULBs executed base coat with comparatively more strong CC by using more cement. Similarly the 10 ULBs out of the 11 executed top coat CC with

average strength and the remaining one executed top coat CC with comparatively more strong mixture of grit, cement and sand by using more cement. Further, scrutiny revealed that 45 ULBs constructed paver block interlocking roads out of 57 test checked and executed base coat of different specifications {CC of different strengths and water bound macadam (WBM)} for laying inter locking tiles. On being pointed out, SLNA stated (January, 2012) that appraisal was made by PFAD/*Vyay-Vitt-Samiti*. Reply is not tenable as PFAD was responsible only for financial appraisal whereas SLNA was responsible for technical scrutiny and appraisal before it was sanctioned by SLSC as envisaged in the guidelines. Thus, this variation in specifications resulted either in avoidable expenditure or substandard work. (*Appendix-2.1*).

2.7.8 Lack of co-ordination in sanctioning the projects

Project proposals containing details of estimate, bill of quantity, analysis of rate etc. was sent to SLSC for sanction. Guidelines of the scheme provided that the sanctioned amount was to be released only after the financial appraisal of the projects by PFAD. It was incumbent upon the authorities concerned to intimate the ULBs the details regarding the items, their quantities and costs thereof for which PFAD reduced the values of the projects.

Scrutiny of records of the Director, Local Bodies revealed that the cost of the projects sanctioned were reduced after financial appraisal by Project Formation and Appraisal Department (PFAD) and SLNA had released the state share accordingly without intimating relevant details to the concerned ULB. Thus, the financial appraisal of the PFAD was ineffective and basic objective of financial appraisal was defeated. On being pointed out, the Government (January, 2012) replied that separate intimation with regards to change in cost was not practically possible. The reply was not tenable and the purpose of financial appraisal was defeated.

2.7.9 Ignoring of Detailed Project Reports

Scrutiny of records of Director, Local Bodies revealed that SLSC ignored the Detailed Project Reports (DPRs) while sanctioning the projects for different ULBs resulting in half hearted approach to meet the requirement of the ULBs. NPP

Shahabad, Hardoi submitted DPR worth ₹ 15.55 crore including roads/drainage (₹ 10.08 crore) and lightning (₹ 5.47 crore) and only projects of ₹ 94.10 lakh other than lighting were sanctioned. Such was the practice adopted in various cases. Consequently, locally felt acute needs of ULBs were left aside by SLSC while selecting the projects out of such DPRs. It would have been convenient on the part of the Government to ask ULBs for preparing DPRs within the funds limit. (*Appendix-2.2*).

2.7.10 Sanction of interlocking roads in contravention of Government orders

Department of Urban Development directed (June 2009) to construct the roads of breadth up to 1.5 meter by paver block interlocking tiles and to construct the roads above the breadth of 1.5 meter by cement concrete or painting by maxphalt superseding its previous order for banning construction of CC roads in urban areas, on the grounds that construction of inter locking roads in larger width were comparatively costly and less durable as these would attract traffic of heavy vehicles. Scrutiny of records of the Director, Local Bodies revealed that SLSC sanctioned construction of roads by paver block interlocking tiles worth ₹ 12.75 crore in the test checked ULBs. It is evident that the sanctions in contravention of its own orders would cost comparatively more for construction of less durable roads. On being pointed out, the Government stated (January 2012) that the projects were sanctioned after appraisal of the estimates by competent authority and keeping in view competency of the ULBs to complete the work within the stipulated period. The reply is not tenable as the estimates were not technically appraised by the competent authority under the scheme (SLNA). Thus, an expenditure of ₹ 12.75 crore was incurred on construction of paver block interlocking roads with width larger than 1.5 meter which were comparatively less durable.

2.7.11 Ambiguity in Memorandum of Agreement (MoA)

The guidelines provided that the ULBs getting grants under the scheme will implement time bound mandatory and optional reforms for which an agreement should be executed between the Government and the ULBs. The optional six reforms were to be implemented within three years of selecting the ULB under the scheme i.e. at least two reforms each year. The Government executed MoA with

selected ULBs without specifying the two optional reforms to be implemented in a particular year out of the total six. Scrutiny of the records of 54 ULBs out of 57 test checked revealed that six ULBs did not implement any of the reforms, the nine implemented only one reform, 15 implemented two reforms, 12 implemented three reforms, seven implemented four reforms and five ULBs implemented five reforms after the lapse of three years of launching the scheme. It was also noticed that while releasing the second instalment, the Government was not particular and did not emphasize implementation of the reforms. Thus, the Government neither monitored the implementation of reforms nor linked it with release of funds to ULBs. The ULBs themselves were not serious in this regard and they have confirmed non implementation of reforms in their replies (September–November 2011). Thus, the objective of reform driven development in the ULBs was not fully achieved.

2.8 Fund Flow

2.8.1 Release of funds in contravention of the guidelines

The guidelines provided that only 50 *per cent* of the appraised cost of the projects was to be released as first instalment and after utilization of 70 *per cent* of the first instalment including the ULBs share, the second instalment was to be released by SLNA.

Scrutiny of records of SLSC revealed that the Government released almost hundred *per cent* of its share of the sanctioned and appraised project cost to the ULBs through different instalments during the period 2008-11. Thus, the Government while releasing hundred *per cent* of its share did not monitor effectively the execution of the projects and implementation of reforms. On being pointed out, the Government stated (January 2012) that the Government had released its share as per the sanctioned cost of the project which was less than or equal to the 70 *per cent* of the first instalment of the total DPR cost. The reply is not tenable as the complete state share of sanctioned and appraised cost was again released to ULBs without monitoring. Thus, monitoring was not linked with release of funds (*Appendix-2.3*).

2.8.2 Lack of directions to operate saving bank accounts.

2.8.2.1 The guidelines provided that the ULBs were required to operate a separate account in a nationalized bank for keeping the funds received under the scheme. Scrutiny of records revealed that three ULBs¹¹ operated current account whereas the others operated saving bank account. Thus, in absence of clear directives for operating saving bank accounts or current accounts, these ULBs could not earn interest on the fund kept in the current accounts.

2.8.2.2 Neither guidelines contained any provisions nor did the Government issue direction for utilization of interest earned on the funds by the ULBs. This resulted in diversion or blockade of the amount earned as interest. Scrutiny of the records of NP Patti, Pratapgarh revealed that ₹ 0.61 lakh earned as bank interest on the funds received under the scheme were deposited as the ULB's share with the second instalment received (January 2011) under the scheme although it earned ₹ 12.17 lakh from its own resources during the year 2010-11. Thus, the ULB diverted a sum of ₹ 0.61 lakh earned as interest on the funds received from the Government under the scheme. On being pointed out, the EO stated (November, 2011) that the same would be adjusted from State Finance Commission grant. The reply of the EO was not tenable as it had sufficient funds to contribute its share of the project cost.

2.8.3 Delay in deposit of ULB share and delayed release of funds by SLNA

The Government after release of the first instalment directed (March 2011) that SLNA had to ensure the release of fund to the concerned ULBs within 15 days after getting deposited the ULBs share to SLNA within seven days of the sanction of the projects. Scrutiny of records of the ULBs revealed that there was delay in release of funds by SLNA ranging from 02 to 75 days in the case of first instalment whereas there was abnormal delay in deposits of ULBs share also which ranged from 04 to 870 days. The delays were partly due to late deposit of ULB's share and partly due to delayed release of fund by SLNA. This resulted in delayed accrual of infrastructure facilities to the intended beneficiaries (*Appendix-2.4*).

¹¹ NPP Gopiganj, NP Gyanpur Dist. Sant Ravidas Nagar and NP Radhakund Dist. Mathura

2.8.4 Irregular transfer of fund to Personal Ledger Account (PLA) of Jal Nigam

Scrutiny of records of SLNA revealed that ₹ 29.00 crore were released (June-November 2008) to 77 ULBs from PLA of Uttar Pradesh Jal Nigam out of ₹ 30.00 crore which was deposited by SLNA drawing from Government account through treasury bill on 31.03.2008. On being pointed out by audit regarding this journey of Government money, the Government stated (January 2012) that the funds were deposited into the PLA of Jal Nigam at the disposal of Director, Local Bodies through the Government order dated 31.03.2008 as it was not possible to sanction funds to ULBs within a short period of last two months of the financial year 2007-08 from the date of implementation of the scheme (January 2008). Thus, SLNA irregularly drew funds from the consolidated fund of the State and deposited into the PLA of UP Jal Nigam without sanction of projects by SLSC in contravention of the provisions of the guidelines. The Government further stated (January, 2012) that the funds were deposited into PLA of UP Jal Nigam through the bill countersigned by Special Secretary, Urban Development Department and Managing Director, UP Jal Nigam which was utilized after three months of withdrawal from the Government account.

2.9 Execution

Scrutiny of the records of 57 ULBs test checked revealed that projects costing ₹ 52.66 crore were sanctioned by SLSC viz roads/drains ₹ 50.61 crore, light ₹ 0.80 crore, solid waste ₹ 0.59 crore, water supply ₹ 0.42 crore and community centre ₹ 0.24 crore during the year 2007-11. It is evident from the above facts that SLSC was confined to sanction projects of roads/drains amongst the 10 admissible components under the scheme. (*Appendix-2.5*)

2.9.1 Variations in execution of projects

Scrutiny of records of NPP Kosikala Mathura and NP Dewa Barabanki revealed that the ULBs prepared estimates after the projects were sanctioned by SLSC as per the costs appraised by PFAD. The estimated costs varied to that of the appraised cost and there were huge variations in cost of execution as against the appraised costs. Details are as under:

(₹ in lakh)

Sl. No.	Name of the ULB	Name of the work	Cost of the estimate as prepared by ULB after sanction by SLSC	Appraised/sanctioned cost by SLSC	Actual expenditure incurred	Percentage variation from appraised cost
1.	NPP Kosikala, Mathura	Repair of road from Holy gate to Sher Singh master	10.72	10.59	7.48	(-) 30
2.	NP Dewa, Barabanki	Construction of drain from house of Hamid to Bari	7.01	6.95	1.90	(-) 73
3.	NP Dewa, Barabanki	Construction of culvert in ward Katra near house of Lalta	2.34	2.31	11.34	(+) 391
4.	NP Dewa, Barabanki	Construction of culvert and drain from Sabbu's pond to Dhara pond	11.50	9.44	13.39	(+) 42
5.	NP Dewa, Barabanki	Construction of drain from shop of Rajendra to Dhara pond culvert	12.30	5.84	10.28	(+) 76
6.	NP Dewa, Barabanki	Construction of drain and interlocking from the Azhar school to Chedi mali garden	1.54	3.03	1.84	(-) 39

(i) The variations in cost of execution to that of appraised cost ranging from (-) 73 per cent to (+) 391 per cent show the unrealistic appraisal and sanction of projects at the Government level.

(ii) A culvert was constructed in ward Katra near house of Lalta in NP Dewa, Barabanki with an expenditure of ₹ 11.34 lakh against appraised cost of ₹ 2.31 lakh. Thus, the appraised/sanctioned cost was not based on the actual appraisal of the work and there was huge variation.

(iii) The variations were neither ratified by SLSC nor the ULBs demanded the balance amounts. Thus, SLSC only compensated the costs of the projects sanctioned under the scheme instead of promoting integrated development of urban areas.

(iv) Huge variations in appraised costs, estimated costs and actual cost of execution reflected unrealistic approach of the ULBs as well as of the Government. Variations between estimated costs and actual cost of execution shows that the estimates were prepared without survey and actual assessment of sites whereas the variations in costs of execution to appraised/sanctioned costs

without technical appraisal by SLNA shows financial mismanagement at Government level.

On being pointed out, the EOs admitted that site survey was not conducted whereas price escalation was one of the factors for variations. The reply is not tenable as there would only be hikes in cost of execution due to price escalation whereas there are instances of lower cost of execution as compared to the appraised costs.

2.9.2 Avoidable expenditure in paver block interlocking roads

As per specifications of Indian Road Congress (IRC), WBM/WMM or lean concrete base may be laid before construction of interlocking roads. Test check of records of NPP Nawabganj, Barabanki revealed that estimates of four works¹² (estimated cost ₹ 55.07 lakh) of paver block interlocking roads were sanctioned under the scheme. The estimates included inter-alia brick soling with state over burnt bricks laid on edge in addition to lean concrete base in contravention of the IRC specifications. The works were executed accordingly and ₹ 4.56 lakh was paid on brick soling. Thus, the expenditure incurred on brick soling was avoidable. On being pointed out, the EO stated (October 2011) that the work was executed as per requirement of the site. The reply was not tenable as the work was executed in contravention of the IRC specifications.

2.9.3 Execution of work other than sanctioned project

(i) Expenditure on unauthorized projects

Scrutiny of records of NP Bharwari Kaushambi revealed that SLSC sanctioned (November 2008) construction of five projects¹³ with total appraised cost ₹ 56.91 lakh for construction of drains connecting different places within the NP area. SLNA released (April 2011) ₹ 55.56 lakh as the ULB's share of ₹ 5.56 lakh was made available only in April 2011. Further scrutiny revealed that the NP was

¹² (i) Construction of interlocking road in Mohalla Bhitripachmi estimated cost ₹ 9.10 lakh

(ii) Construction of interlocking road in Mohalla Greadganj Gandhinagar estimated cost ₹ 18.94 lakh

(iii) Construction of interlocking road in Mohalla Bhitripeer batawan estimated cost ₹ 6.48 lakh

(iv) Construction of interlocking road in Mohalla Tehshil colony ward in front of PWD guest house near masjid estimated cost ₹ 20.55 lakh

¹³ (i) Construction of drain from railway gate to Mehta degree collage via NP office and power house appraised cost ₹ 32.70 lakh

(ii) Construction of drain from ward no.8,12 to nagar panchayat border via Islamiya school appraised cost ₹ 19.62 lakh

(iii) Construction of drain in ward no. 1 Neta nagar via Sato majar to the house of sweeper appraised cost ₹ 2.87 lakh

(iv) Construction of drain from house of Ram Chandra to Sato majar appraised cost ₹ 0.86 lakh

(v) Construction of drain from Sato majar to pepal appraised cost ₹ 0.86 lakh

executing (November 2011) only three projects¹⁴ for construction of drains connecting the places which were not mentioned in the sanctioned projects. Thus, the alignment and estimated cost of the drains sanctioned by SLSC were changed by the NP and execution of projects for ₹ 36.74 lakh which were not sanctioned under the scheme was in progress and irregular expenditure of ₹ 12.27 lakh was incurred on these three projects till the date of audit (November 2011). On being pointed out, the EO accepted the observations and stated that as three projects sanctioned by SLSC had already been executed from other grants, the changed projects were taken up for execution without seeking permission of SLSC. Reply (November 2011) of the EO was self evident that the funds received under the scheme were irregularly expended on unauthorized projects.

(ii) Payment without measurement

Financial rules provided that payment for works executed must be preceded with detailed measurement by the Junior Engineer in-charge in prescribed measurement book and payments are correlated with the measurement. Detailed measurements entered authenticate the actual execution of the work. Scrutiny of the measurement book and first running bills of NP Bharwari, Kaushambi revealed that payments for ₹ 12.27 lakh were made on the basis of entering only name of the items of the works without giving details and quantities of execution. Thus, the payments did not correspond and relate to the work actually executed and could not be authenticated. On being pointed out, the EO did not reply. Thus, the payments made without taking detailed measurement did not authenticate the actual execution of the work besides overlooking of provisions of financial propriety.

2.9.4 Blockade of funds

Scrutiny (August-November 2011) of the records of seven ULBs¹⁵ out of test checked 57 revealed that the projects worth ₹ 89.01 lakh were sanctioned and funds were released (December 2008- April 2011) by SLNA. The works to be executed by utilizing the funds were already executed or sanctioned under another

¹⁴ (i) Construction of drain from Bhaiya lal Sahu to Dadh baba mandir on Muratganj Rd. estimated cost ₹ 18.03 lakh
(ii) Construction of drain after 650 meter of railway gate to power house . estimated cost ₹ 18.87 lakh
(iii) Construction of drain from Baccha gas agency to the house of Kallu Rastogi via house of Pankaj and from house of Chandra Kant Shukla to Bisui . estimated cost ₹ 5.84 lakh
¹⁵ (i) NPP Bindki Dist. Fatehpur ₹ 24.02 lakh, (ii) NP Katramedniganj Dist. Pratapgarh ₹ 5.29 lakh (iii) NP Antu Dist. Pratapgarh ₹ 11.83 lakh (iv) NP Fatehpur Dist. Barakanki ₹ 7.03 lakh (v) NP Duddhi Dist. Sonebhadra ₹ 13.97 lakh (vi) NP Bharwari Dist. Kaushambi ₹ 18.82 lakh (vii) NPP Kosikala Dist. Mathura ₹ 8.05 lakh

scheme in the ULBs. SLSC directed (February 2010) that there will be no diversion of funds in any case and where the works so sanctioned were included in other schemes, the sanctioned amount should be surrendered immediately to the Government. However, the two ULBs viz. NPP Bindki Dist. Fatehpur and NP Fatehpur Dist. Barabanki surrendered the funds sanctioned after a lapse of five months of its release whereas in remaining ULBs the balance amount of ₹ 57.96 lakh was lying unutilized. On being pointed out, the EOs stated (September-November 2011) that the works had already been proposed/executed from other grants/funds. The works which had already been proposed or executed from other grants should not have been proposed by the ULBs under this scheme. If, however, such works were sanctioned and funds were released by SLNA, should have been immediately surrendered to the Government. Thus, the reply was not tenable and ₹ 57.96 lakh was blocked as the project proposed under the scheme should not have been proposed under any other scheme.

2.9.5 Construction of interlocking roads without ensuring compressive strength of interlocking tiles

IRC:SP:63-2004 specified laboratory test of interlocking tiles in an approved technical institution before they were consumed in construction of interlocking paver roads. As per prescribed specification the minimum compressive strength of a single block should be above 30 MPa. Scrutiny of records revealed that 23 ULBs¹⁶ utilized interlocking tiles for ₹ 6.56 crore on the construction of interlocking paver roads sanctioned by SLSC. The prescribed laboratory test regarding compressive strength of interlocking tiles was neither carried out by the ULBs nor by the contractors. Thus, the quality and durability of these untested interlocking tiles consumed in the construction of roads could not be ensured. On being pointed out, EOs assured of future compliance.

2.9.6 Non-deduction of cess

The Government circulated (November 2009) instructions to levy and collect one *per cent* cess w.e.f. 20.11.2009 in relation to a building or other construction work

¹⁶ NNP Mubarakpur, NP Maharajganj, NP Bilariyaganj, NP Nizamabad, NP Atraulia, NP Sarai Meer, NP Jyampur Dist. Azamgarh, NPP kosikala, NP Chhata, NP Farah, NP Barsana, NP Nandgaon, NP Bajna, NP Radhakund, NP Mahavan Dist. Mathura, NPP Shahabad, NP Beniganj Dist. Hardoi, NPP Laherpur, NPP Biswan Dist. Sitapur, NP Ghorawal, NP Obra, NP Churkdhurma, NP Duddhi Dist Sonebhadra

of a government or public sector undertaking and proceeds of such cess to be paid to the welfare fund of the workers.

Scrutiny of the records of nine ULBs revealed that during the period from November 2009 to March 2011, one *per cent* cess amounting to ₹ 7.19 lakh was neither levied nor collected on the cost of various construction works of roads and drains etc. as detailed below:

(₹ in lakh)

Sl. No.	District	Name of ULB	Cost of construction incurred	Amount of Cess
1	Mathura	Mahavan, Nandgaon, Barsana Farah, Chhata	472.00	4.72
2	Hardoi	Shahabad, Beniganj, Laherpur	171.00	1.71
3	Kaushambi	Sirathu	76.00	0.76
Total			719.00	7.19

On being pointed out, EOs stated (September-November, 2011) that deduction could not be made for want of circular. However, EOs promised to implement the instructions in future.

2.10 Internal control and monitoring

To implement a scheme successfully and to achieve the objectives, it is imperative for the controlling and implementing agencies to constitute appropriate system for exercising internal control at the levels of preparation, submission, sanction and execution of DPRs under the scheme. There should be adequate monitoring of execution of the projects at sanctioning and execution level and evaluation of the scheme as a whole should be done after fixed intervals to assess its effectiveness.

2.10.1.1 The guidelines provided for technical and financial appraisal of DPRs by SLNA. The appraisal was to ensure that the projects approved are technically sound and funds are allotted appropriately. However, technical appraisal was not conducted by SLNA.

2.10.1.2 The guidelines provided for financial appraisal of DPRs by PFAD before it is sanctioned by SLSC. While appraising the DPRs, PFAD generally reduced the estimated amounts without specifying the items and their quantities. However, the costs of execution of sanctioned projects varied materially which showed that the financial appraisal was not appropriate and effective.

2.10.1.3 The guidelines provided for implementation of six time bound optional reforms out of which any two were to be implemented each year. However, the guidelines did not envisage procedure to link the proposed reforms with the sanction of projects and release of funds. Thus, the required reforms were implemented only partially.

2.10.2 SLSC in the sanction order of the projects directed the District Magistrates (DMs) to monitor the physical and financial progress of the projects along with the proposed reforms within the ULBs on monthly basis. The DMs were required to submit these progress reports to the Government in prescribed formats through Director, Local Bodies. Scrutiny of the minutes of first meeting of monitoring committee at the Government level revealed that the required information was not made available. This shows that the DMs did not provide adequate information and monitoring of the scheme was ineffective.

2.10.3 The guidelines provided for constitution of a monitoring committee under the Chairmanship of Special Secretary, Urban Development Department to monitor the scheme on quarterly basis and 13 quarterly meetings of the monitoring committee were required to be held till date of audit (August, 2011). Scrutiny of records of SLNA revealed that the first meeting of the monitoring committee was held only on 24.04.2010 after 27 months of launching of the scheme. Despite of the fact that the chairman of the committee directed to furnish the requisite information on the prescribed format by end of April, 2010, no other meeting of the committee was held. Thus, the provisions for regular monitoring of the scheme were not adhered to.

2.11 Conclusion:

The scheme was launched by the Government to strengthen infrastructure facilities in the ULBs (not covered under UIDSSMT) having population below one lakh to improve quality of life of the inhabitants. The performance review conducted on the scheme revealed that four ULBs were selected under the scheme either having population above one lakh or covered under UIDSSMT. The projects for construction of roads and drains were sanctioned under the scheme prominently barring a few exceptions of lighting and sanitary projects in the test

checked 57 ULBs. Thus, the objectives of the scheme to implement projects for integrated development of ULBs was partially taken into consideration. Monitoring and control under the scheme was not effective and quality of the projects executed was not ensured. Non-appraisal of DPRs at SLNA level resulted into lack of uniformity in technical specifications of sanctioned projects. As financial sanctions were accorded to the projects as per the predetermined limits decided by SLSC, requirements of ULBs and quality of projects was not considered. Fund flow mechanism was not adhered to the provisions of the guidelines and hundred *per cent* of the sanctioned project cost was released as first instalment. Due to improper sanction of projects there were blockade, surrender and diversion of funds.

Thus, due to inefficient planning, ineffective execution and monitoring and slow progress in implementation of reforms, the inhabitants of ULBs concerned were deprived of the benefits as was envisaged under the scheme.

2.12 Recommendations:

- State government should ensure selection of ULBs, sanction of projects and allocation of funds based on the development index, local felt needs and priorities proposed by the ULBs.
- DPRs should be approved by District Planning Committees and should be integrated with district development plan.
- Subsequent releases should be linked with implementation of the reforms.
- Provisions for evaluation of the scheme at fixed intervals should be made to assess the accrual of benefits to the intended beneficiaries.

The matter was referred to the government (December 2011); replies were awaited (January 2012).